

**STARK STATE COLLEGE FOUNDATION**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Stark State College Foundation  
6200 Frank Ave. NW  
Canton, Ohio 44720-7299

We have reviewed the Independent Auditor's Report of the Stark State College Foundation, Stark County, prepared by Varney, Fink & Associates, Inc., for the audit period July 1, 2004 to June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Stark State College Foundation is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

January 4, 2006

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**STARK STATE COLLEGE FOUNDATION  
INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**TABLE OF CONTENTS**

Independent Auditor's Report .....	1
Statement of Financial Position.....	2
Statement of Activities .....	3
Statement of Cash Flows.....	4
Notes to the Financial Statements .....	5
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	13

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Stark State College Foundation  
6200 Frank Avenue, NW  
Canton, Ohio 44720-7299

We have audited the accompanying statement of financial position of the Stark State College Foundation (the Foundation) as of June 30, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stark State College Foundation as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report December 21, 2005 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 21, 2005

**Stark State College Foundation**  
**Statement of Financial Position**  
**June 30, 2005**

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ASSETS

Cash and cash equivalents	\$41,300
Short-term investments	56,975
Long-term investments	1,493,146
Conditional promises to give	
Restricted to Auditorium Renovation	158,400
Unconditional promises to give	
Unrestricted	17,012
Restricted to aesthetics	536
Restricted to instructional departments	8,255
Restricted to scholarships	684
Restricted to endowments	26,686
Prepaid expenses	<u>2,122</u>
 Total Assets	 <u><u>\$1,805,116</u></u>

LIABILITIES

Accounts Payable	<u>\$44</u>
 Total Liabilities	 <u><u>\$44</u></u>

NET ASSETS

Unrestricted	62,721
Temporarily restricted	222,242
Permanently restricted	<u>1,520,109</u>
 Total Net Assets	 <u><u>\$1,805,072</u></u>

The notes to the financial statements are an integral part of this statement.

**Stark State College Foundation**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2005**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUES</b>				
Individuals, corporations and foundations	\$1,415	\$0	\$0	\$1,415
Income for managing assets	1,131	0	0	1,131
Investment income	391	31,004	573	31,968
Support for aesthetics	0	15	0	15
Support for instructional departments	0	9,861	0	9,861
Support for capital projects	0	177,540	0	177,540
Support for Scholarships	0	20	0	20
Support for Student Services	0	19	0	19
Investment gains on investments, net	0	28,806	321	29,127
Transfer for capital projects	0	1,250	0	1,250
Endowment fund support	0	0	11,992	11,992
Net assets released from restrictions (Note 5)				
Restrictions satisfied by payments	144,221	(144,221)	0	0
Transfer for managing assets	9,246	(9,246)	0	0
	<u>156,404</u>	<u>95,048</u>	<u>12,886</u>	<u>264,338</u>
<b>EXPENSES</b>				
Supporting college activities				
W.R. Timken Center for Information				
Information Technology	11,162	0	0	11,162
Transportation Center	55,000	0	0	55,000
Scholarships for students	58,458	0	0	58,458
Faculty and staff professional development	6,226	0	0	6,226
Student Services	403	0	0	403
Aesthetics	305	0	0	305
Instructional equipment and supplies	22,829	0	0	22,829
Operations				
Management and general	10,256	0	0	10,256
Investment losses	16,554	0	0	16,554
Transfer for capital projects	1,250	0	0	1,250
	<u>182,443</u>	<u>0</u>	<u>0</u>	<u>182,443</u>
Change in Net Assets	(26,039)	95,048	12,886	81,895
Net Assets, Beginning of Fiscal Year	<u>1,723,177</u>	<u>0</u>	<u>0</u>	<u>1,723,177</u>
Net Assets, End of Fiscal Year	<u><u>\$1,697,138</u></u>	<u><u>\$95,048</u></u>	<u><u>\$12,886</u></u>	<u><u>\$1,805,072</u></u>

The notes to the financial statements are an integral part of this statement.

**Stark State College Foundation**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2005**

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Cash flows from operating activities:

Increase in net assets \$81,895

Adjustments to reconcile decrease in net assets to  
net cash provided by operating activities:

Net gain on long-term investments	(12,572)
Increase in restricted conditional promises to give	(119,040)
Decrease in restricted unconditional promises to give	24,162
Decrease in unrestricted unconditional promises to give	10,722
Decrease in accounts payable	(1,201)
Increase in prepaid expenses	(62)
Investment income from long-term investments	(31,577)
Investment income from short-term investments	(391)
Restricted cash contributions for long-term investment	<u>(22,546)</u>

Total adjustments (152,505)

Net cash provided by operating activities (70,610)

Cash flows from investing activities:

Sales of long-term investments	21,019
Purchase of long-term investments	(34,926)
Purchase of short-term investments	<u>(25,825)</u>

Net cash provided by investing activities (39,732)

Cash flows from financing activities:

Collection of endowment fund support	<u>22,546</u>
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Net cash provided by financing activities 22,546

Net decrease in cash and cash equivalents (87,796)

Cash and cash equivalents, beginning of fiscal year 129,096

Cash and cash equivalents, end of fiscal year \$41,300

The notes to the financial statements are an integral part of this statement.

STARK STATE COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

1. **DESCRIPTION OF THE REPORTING ENTITY**

The Stark State College Foundation (the Foundation) is organized and operated exclusively for educational, scientific or charitable purposes by conducting and supporting activities which benefit or carry out the purpose of the Stark State College of Technology (herein, "the College"). The College is a state institution of higher learning, authorized and existing under Chapter 3357 of the Ohio Revised Code. The Foundation is a not-for-profit organization established in accordance with Section 501(c)(3) of the Internal Revenue Code and is empowered to exercise all rights and powers conferred by the laws of Ohio upon nonprofit corporations.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Contributions

The Foundation reports contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made". SFAS No. 116 requires that unconditional promises to give, with payments due in future periods, be recorded as receivables and support in either unrestricted, temporarily restricted, or permanently restricted net assets as appropriate in the period received at their net present value. The accumulated discount of net present value of the pledge is accounted for as contribution income of the related class of net assets. Conditional promises to give are not recorded as support until the condition upon which they depend has been substantially met by the Foundation.

Financial Statement Presentation

SFAS No. 117, "Financial Statements of Not-For-Profit Organizations", requires that the amounts for each of three classes of net assets: unrestricted, temporarily restricted and permanently restricted, be presented in an aggregated statement of financial position and that the amounts of changes in each of those classes of net assets be presented in a statement of activities. This statement requires that resources be classified into three net asset categories according to donor-imposed restrictions. A description of the categories is as follows:

**Unrestricted Net Assets**

Assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets.

STARK STATE COLLEGE FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Temporarily Restricted Net Assets**

Assets which include gifts and pledges receivable for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds are not permanently restricted.

**Permanently Restricted Assets**

Assets that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income from these assets is included in the investment income of unrestricted and restricted funds, as appropriate, in the accompanying Statement of Activities.

When a donor restriction expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

The Foundation reports investments in accordance with SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations". Investments in marketable securities with readily determined fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

Investments of the unrestricted, temporarily restricted and permanently restricted funds are pooled for making investment transactions and are carried at market value. Interest and dividend income, as well as realized and unrealized gains and losses, are allocated to unrestricted, temporarily restricted and permanently restricted funds.

Promises to Give

Contributions received, including unconditional promises to give are recognized as revenue by net asset class when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. Conditional promises are recorded when donor stipulations are substantially met.

STARK STATE COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The Foundation requires an initial minimum balance of \$5,000 to establish an endowed scholarship fund. The policy allows a period, generally not to exceed 60 months, for the accumulation of contributions and interest to meet the minimum \$5,000 requirement.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results may differ from those estimates.

3. **INVESTMENTS**

The various investments in fixed income securities, mutual funds and other investment securities are exposed to various risks, such as interest rate, market fluctuations and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

At June 30, 2005, investments consisted of the following:

	<u>Fair Value</u>
Mutual Funds	\$56,975
Money Market Accounts	<u>1,493,146</u>
Total	<u><u>\$1,550,121</u></u>

4. **PROMISES TO GIVE**

Unconditional promises to give are included in the financial statements as contributions receivable and contributions of the appropriate net asset category. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimate of future cash flows. Conditional promises to give are not included as support until conditions are met.

STARK STATE COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

4. **PROMISES TO GIVE** (continued)

Unconditional promises to give:

Unrestricted	
Amounts Due:	
Less than one year	\$9,172
One to five years	7,840
Restricted	
Amounts Due:	
Less than one year	22,516
One to five years	13,645

Conditional promises to give:

Restricted	
Amounts Due:	
Less than one year	\$158,400
Total	<u>\$211,573</u>

5. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily and permanently restricted assets are those whose use by the Foundation has been limited by the donors to a specific time period or purpose. Temporarily restricted net assets are available for providing scholarships to the College's students, providing professional development funds to the College staff and purchasing equipment for the benefit of the College. Permanently restricted net assets are restricted to investment in perpetuity and the income from which is expendable for scholarships to the College's students.

The different types of temporarily restricted net assets are classified as follows:

Scholarships for Students:	
Colaner Scholarship	\$176
Diversity Scholarship	3,932
Fred F. Silk Scholarship	20,617
Student Scholarship	11,888
Wilkof Scholarship	18
Mel Kallis Scholarship	43
Kids College Scholarship	684
Krugliak Scholarship	197
Presidential Scholarship	1,042
Total Scholarships for Students	<u>38,597</u>

STARK STATE COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

5. **TEMPORARILY RESTRICTED NET ASSETS** (continued)

Faculty and Staff Professional Development:	
Faculty and Staff Professional Development	7,384
Total Faculty and Staff Professional Development	<u>7,384</u>
Pathway to the Future:	
Pathway to the Future	9,070
Total Pathway to the Future	<u>9,070</u>
Aesthetics Project:	
Aesthetics	536
Total Aesthetics Project	<u>536</u>
Instructional Equipment and Supplies:	
Accounting Lab	1,599
Adaptive Equipment	707
Business Division Equipment	4,083
Engineering Division Equipment	91
General Studies Division Equipment	228
Health Division Equipment	1,501
Instructional Equipment	46
Total Instructional Equipment and Supplies	<u>8,255</u>
Instructional Facilities and Improvements:	
Auditorium Renovation	158,400
Total Instructional Facilities and Improvements	<u>158,400</u>
Total Temporarily Restricted Net Assets	<u><u>\$222,242</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors as follows:

Purpose Restriction Accomplished:	
Scholarships for Students:	
Alumni Class Scholarships	\$3,311
Diversity Scholarship	2,415
Fred F. Silk Scholarship	12,667
Student Scholarship	5,148
Albert's Scholarship	175
Bridgestone/Firestone Automotive Scholarship	256
Cain Automotive Scholarship	11,601
Krugliak Scholarship	168
Presidential Scholarship	982
Canton Veteran Car Club Scholarship	173

STARK STATE COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

5. **TEMPORARILY RESTRICTED NET ASSETS** (continued)

Colaner Scholarship	213
Deuble Foundation Scholarship	3,296
East Ohio Gas Company Scholarship	415
Engineering Memorial Scholarship	614
Janet C. Fisher Scholarship	1,403
Flowers Scholarship	330
Hallier Scholarship	193
Haverlock Scholarship	558
Hoover Foundation Scholarship	3,708
Herbert Hoover Scholarship	1,965
Kids College Scholarship	390
Luntz's Scholarship	155
Betty Morford Scholarship	350
Ranks Scholarship	168
Ned Saums Scholarship	413
SCADA Automotive Scholarship	2,366
E & R Wilkof Scholarship	426
Wilkof (Ervin/Marie) Scholarship	449
Youngs Scholarship	4,149
Total Scholarships for Students	<u>58,457</u>
Professional Development:	
Powers Professional Development	240
Faculty and Staff Professional Development	5,986
Total Professional Development	<u>6,226</u>
Aesthetics:	
Aesthetics	306
Total Aesthetics	<u>306</u>
Instructional Equipment and Supplies:	
Accounting Lab	2,667
Adaptive Equipment	403
Business Division Equipment	2,079
Engineering Division Equipment	52
General Studies Division Equipment	107
Health Division Equipment	7,495
Autoparking Lot	55,000
Instructional Equipment	26
Instructional Resources	403
Physical Therapy Clinic Equipment	10,000
Total Instructional Equipment and Supplies	<u>78,232</u>

STARK STATE COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

5. **TEMPORARILY RESTRICTED NET ASSETS** (continued)

W. R. Timken Center for Information Technology:	
Computer Network Lab	1,000
Total W. R. Timken Center for Information Technology	<u>1,000</u>
Total Net Assets Released from Donor Restrictions	<u><u>\$144,221</u></u>

6. **PERMANENTLY RESTRICTED NET ASSETS**

Scholarships for Students:	
Alberts Scholarship	\$7,881
Alumni Class Scholarships	73,573
Bridgestone/Firestone Automotive Scholarship	7,500
Cain Automotive Scholarship	240,000
Canton Veteran Car Club Scholarship	5,000
Colaner Scholarship	5,000
Deuble Foundation Scholarship	100,000
Diversity Scholarship	57,974
East Ohio Gas Company Scholarship	10,000
Engineering Memorial Scholarship	18,117
Janet C. Fisher Scholarship	34,947
Flowers Scholarship	10,000
Hallier Scholarship	5,049
Haverlock Scholarship	9,738
Herbert Hoover Scholarship	100,000
Hoover Foundation Scholarship	100,000
Mel Kallis Scholarship	12,598
Krugliak Scholarship	10,000
Luntz's Scholarship	5,456
Faculty Association Scholarship	4,516
Betty Morford Scholarship	9,799
Presidential Scholarship	79,757
Ranks Scholarship	5,000
Ned Saums Scholarship	11,552
Scada Automotive Scholarship	50,000
Fred F. Silk Scholarship	230,000
Student Scholarship	95,692
E&R Wilkof Scholarship	15,000
Wilkof Scholarship	15,000
Youngs Scholarship	61,366
Total Scholarships for Students	<u><u>1,390,515</u></u>

STARK STATE COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

6. **PERMANENTLY RESTRICTED NET ASSETS** (continued)

Professional Development:	
Faculty and Staff Professional Development	112,643
Powers Professional Development	<u>6,862</u>
Total Professional Development	<u>119,505</u>
Instructional Equipment and Supplies:	
Instructional Resources	<u>10,089</u>
Total Instructional Equipment and Supplies	<u>10,089</u>
Total Permanently Restricted Net Assets	<u><u>\$1,520,109</u></u>

7. **INCOME TAXES**

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore makes no provision for income taxes. It is however, required to file annually, IRS Form 990, which reports the activity of the Foundation during the fiscal year.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Stark State College Foundation  
6200 Frank Avenue, NW  
Canton, Ohio 44720-7299

We have audited the financial statements of the Stark State College Foundation (the Foundation), as of and for the year ended June 30, 2005, and have issued our report thereon dated December 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)**

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 21, 2005



**Auditor of State  
Betty Montgomery**

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800-282-0370

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**STARK STATE COLLEGE FOUNDATION**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 17, 2006**