

Northwest State Community College Foundation

Audited Financial Statements

Year Ended June 30, 2006

With Report of Independent Auditors

BALESTRA, HARR, & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Board of Trustees
Northwest State Community College Foundation
22600 State Route 34
Archbold, Ohio 43502

We have reviewed the *Report of Independent Auditors* of the Northwest State Community College Foundation, Henry County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2005 through June 30, 2006. 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 Northwest State Community College Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 30, 2006

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NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

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Member American Institute of Certified Public Accountants

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REPORT OF INDEPENDENT AUDITORS

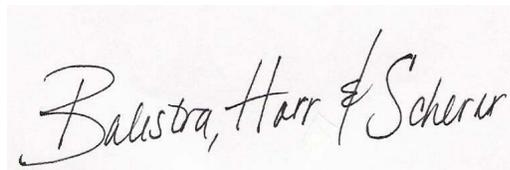
Board of Trustees
Northwest State Community College Foundation
22600 State Route 34
Archbold, Ohio 43502

We have audited the accompanying statement of financial position of Northwest State Community College Foundation (the Organization), a component unit of the Northwest State Community College, as of June 30, 2006, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 Organization, as of June 30, 2006, and the changes in its net assets and 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 dated September 28, 2006, on our consideration of the Organization's internal control over financial reporting and 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.



Balestra, Harr & Scherer, CPAs, Inc.
September 28, 2006

Northwest State Community College Foundation
Statement of Financial Position
June 30, 2006

ASSETS

Cash and cash equivalents (Note 2)	\$ 252,218
Marketable securities (Note 3)	532,906
Pledges receivable (Note 4)	<u>71,902</u>
Total assets	<u><u>\$ 857,026</u></u>

LIABILITIES & NET ASSETS

Accounts payable	<u>56,716</u>
Total liabilities	<u><u>\$ 56,716</u></u>

NET ASSETS:

Unrestricted	(6,512)
Temporarily restricted (Note 5)	272,023
Permanently restricted (Note 5)	<u>534,799</u>
Total net assets	<u><u>\$ 800,310</u></u>
Total liabilities and net assets	<u><u>\$ 857,026</u></u>

The accompanying notes are an integral part of these financial statements.

Northwest StateCommunity College Foundation
Statement of Activities
For the Year Ended June 30, 2006

REVENUES, GAINS AND OTHER SUPPORT	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions				
Individuals	\$ 5,277	\$ 7,800	\$ 4,722	\$ 17,799
Business organizations	-	95,733	-	95,733
Foundations	500	-	-	500
Contributed services (Note 1)	14,261	-	-	14,261
Cancellation of pledges	(25)	(1,100)	(3,000)	(4,125)
Investment return	2,401	18,736	-	21,137
Net assets released from restrictions				
Restrictions satisfied by payments	26,196	(26,196)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	48,610	94,973	1,722	145,305
 EXPENSES				
Program services				
Scholarships	21,402	-	-	21,402
Donations	4,794	-	-	4,794
Supporting services				
Management and general	13,899	-	-	13,899
Fund-raising	6,704	-	-	6,704
TOTAL EXPENSES	46,799	-	-	46,799
 CHANGE IN NET ASSETS	1,811	94,973	1,722	98,506
 NET ASSETS AT BEGINNING OF YEAR	(8,323)	177,050	533,077	701,804
 NET ASSETS AT END OF YEAR	\$ (6,512)	\$ 272,023	\$ 534,799	\$ 800,310

The accompanying notes are an integral part of these financial statements.

**Northwest State Community College Foundation
Statement of Functional Expenses
For the Year Ended June 30, 2006**

Unrestricted	Program Services	Support Services		Total
		Management and General	Fundraising	
Scholarships and loan expenditures to Northwest State Community College	\$ 21,402	\$ -	\$ -	\$ 21,402
Donations to Northwest State Community College	4,794	-	-	4,794
Professional service	-	2,900	-	2,900
Services provided by Northwest State Community College	-	7,807	6,454	14,261
Other	-	3,192	250	3,442
TOTAL EXPENSES	\$ 26,196	\$ 13,899	\$ 6,704	\$ 46,799

The accompanying notes are an integral part of these financial statements.

**Northwest State Community College Foundation
Henry County
Statement of Cash Flows
For the Year Ended June 30, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES	
Unrestricted contributions	\$ 5,461
Restricted contributions	42,123
Cancellation of unrestricted pledges	(25)
Cancellation of restricted pledges	(4,100)
Investment return	21,137
Payments for management services & fundraising	(20,822)
Payments for scholarships and donations	(26,196)
Net cash provided by operating activities	<u>17,578</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in marketable securities	<u>54,804</u>
Net cash provided by investing activities	<u>54,804</u>
 Net increase in cash and cash equivalents	 72,382
 Cash - beginning of year	 <u>179,836</u>
Cash - end of year	<u>\$ 252,218</u>
 Reconciliation of net income to net cash	
Provided by operating activities:	
Net income	\$ 98,506
Change in assets and liabilities	
Receivables, net	(66,448)
Accounts payable	(14,480)
Net cash provided by operating activities	<u>\$ 17,578</u>

The accompanying notes are an integral part of these financial statements.

NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES – Northwest State Community College Foundation (the Organization) exists to provide financial assistance to the educational programs, services and facilities of Northwest State Community College. To that end, the Organization solicits inter vivos and testamentary gifts.

BASIS OF ACCOUNTING – The financial statements of Northwest State Community College Foundation have been prepared on the accrual basis and accordingly reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

CASH AND CASH EQUIVALENTS – For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude donor restricted cash and cash equivalents.

DONATED SERVICE AND FACILITIES – The Organization has no employees or property (other than cash and investments). Substantially all clerical and management duties are presently performed by business office personnel who are employees of Northwest State Community College, utilizing equipment and facilities of Northwest State Community College.

For accounting purposes, the value of facilities is considered immaterial and it has not been recognized in the financial statements. However, the value of the services provided by the college personnel in the amount of \$14,261 have been recognized in the statement of activities as supporting revenue and as “In-Kind” supporting expense as required by SFAS 116.

MANAGEMENT ESTIMATES – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RESTRICTED AND UNRESTRICTED REVENUE – Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

INCOME TAX STATUS – The Organization is a not-for-profit organization that the Internal Revenue Service has determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

INVESTMENTS – Investments are comprised of bonds, stocks and marketable certificates of deposit and are carried at fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

EXPENSE ALLOCATION – Directly identifiable expenses are charges to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates.

Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

NOTE 2 – CASH AND MONEY MARKET FUNDS

Balances as of June 30, 2006 are summarized as follows:

Savings accounts and certificates	\$ <u>252,218</u>
Total of all cash accounts	\$ 252,218 =====

Of the bank balances of \$254,106, \$189,224 was covered by FDIC. The remainder was uninsured and uncollateralized.

NOTE 3 – MARKETABLE SECURITIES

The various investments in bonds and stocks are exposed to various risks, such as interest rate risk, 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, although, in the opinion of management, those changes would not materially effect the amounts reported in the financial statements.

Investments as of June 30, 2006 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Restricted cash and cash equivalents	\$524,159	\$524,159
Bonds	8,598	8,319
Stocks	<u>14,625</u>	<u>428</u>
	\$547,382	\$532,906
	=====	=====

Investment return is summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest income	\$ 2,401	\$ 19,914	\$ 22,315
Amortization – bond discount	-	2	2
Amortization – bond premium	-	(11)	(11)
Net unrealized loss	-	<u>(1,169)</u>	<u>(1,169)</u>
Total investment return	\$ 2,401	\$ 18,736	\$ 21,137
	=====	=====	=====

NOTE 4 – PLEDGES RECEIVABLE

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Less than one year	\$ 65	\$ 16,699	\$ 60	\$ 16,824
One to five years	<u>0</u>	<u>55,078</u>	<u>0</u>	<u>55,078</u>
	\$ 65	\$ 71,777	\$ 60	\$ 71,902
	=====	=====	=====	=====

Unconditional promises to give that are receivable are discounted at 3.98% to recognize the present value of future cash flows. No allowance for uncollectible promises to give is considered necessary.

NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

NOTE 5 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes after June 30, 2006:

Academic chair	\$ 1,700
Loan funds	101,916
Student scholarships	48,499
Technology programs	16,783
Capital projects	99,879
Operating expenses	488
Memorials	<u>2,758</u>
	<u>\$ 272,023</u>
	=====

Permanently restricted net assets consist of endowment funds to be held indefinitely, income from which is to be used for scholarships. At June 30, 2006 endowments totaled \$ 534,799.

NOTE 6 – RESTRICTIONS ON NET ASSETS

Not included in these financial statements is the Northwest State Community College, a component unit of the State of Ohio. The College is organized for the principal purpose of offering educational programs beyond high school, normally not exceeding two years duration, and leading to the award of an associate degree.

The foundation contributes funds to the College for scholarships and other designated purposes. The contributions are subject to the approval by the Board of Trustees of the Foundation. The College paid expenses related to the Foundation's capital campaign, loan fund and scholarships which will be reimbursed. At June 30, 2006 \$56,716 for the capital campaign is due to the College and is included in accounts payable.

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**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
Northwest State Community College Foundation
22600 State Route 34
Archbold, Ohio 43502

We have audited the financial statements of Northwest State Community College Foundation, (the Organization), a component unit of the Northwest State Community College, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 28, 2006. 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 Organization'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 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 operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

Board of Trustees
Northwest State Community College Foundation
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*
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer".

Balestra, Harr & Scherer, CPAs, Inc.
September 28, 2006



**Auditor of State
Betty Montgomery**

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NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION

HENRY 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
DECEMBER 12, 2006**