

**CLARK STATE COMMUNITY
COLLEGE FOUNDATION**

FINANCIAL STATEMENTS

June 30, 2010 and 2009

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Mary Taylor, CPA
Auditor of State

Board of Directors
Clark State Community College Foundation
570 Leffels Lane
Springfield, Ohio 45502

We have reviewed the *Report of Independent Auditors* of the Clark State Community College Foundation, Clark County, prepared by Crowe Horwath LLP, for the audit period July 1, 2009 through June 30, 2010. 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 Clark State Community College Foundation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 30, 2010

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CLARK STATE COMMUNITY COLLEGE FOUNDATION
Springfield, Ohio

FINANCIAL STATEMENTS
June 30, 2010 and 2009

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Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Clark State Community College Foundation
Springfield, Ohio

We have audited the accompanying statements of financial position of Clark State Community College Foundation ("Foundation"), a component unit of Clark State Community College, as of June 30, 2010 and 2009 and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 audits provide 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 Clark State Community College Foundation as of June 30, 2010 and 2009 and the changes in its net assets and its cash flows for the years 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 October 15, 2010, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, 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 results of our audit.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2010

CLARK STATE COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 498,502 | \$ 247,832 |
| Investments | 10,421,618 | 9,339,525 |
| Accounts receivable, Clark State Community College | 198,316 | 56,497 |
| Pledges receivable | 3,889,725 | 2,831,016 |
| Student loans receivable, net of allowance for doubtful loans of \$101,048 in 2010 and \$99,378 in 2009 | 156,779 | 198,387 |
| Prepaid expenses | - | 300 |
| | <u>\$ 15,164,940</u> | <u>\$ 12,673,557</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Wages payable | \$ 3,481 | \$ 3,112 |
| | <u>3,481</u> | <u>3,112</u> |
| Net assets | | |
| Unrestricted | 667,699 | 320,064 |
| Temporarily restricted | 7,238,100 | 4,910,937 |
| Permanently restricted | 7,255,660 | 7,439,444 |
| | <u>15,161,459</u> | <u>12,670,445</u> |
| | <u>\$ 15,164,940</u> | <u>\$ 12,673,557</u> |

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE FOUNDATION
 STATEMENTS OF ACTIVITIES
 Year ended June 30, 2010 with comparative 2009 totals

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total 2010</u> | <u>Total 2009</u> |
|---|-----------------------|-----------------------------------|-----------------------------------|-------------------------|-------------------------|
| Revenues and other support | | | | | |
| Campaign contributions | \$ 54,380 | \$ 2,004,402 | \$ 4,931 | \$ 2,063,713 | \$ 198,353 |
| Foundation contributions | 6,763 | 44,270 | 111,285 | 162,318 | 397,132 |
| Interest | 15,816 | 267,140 | - | 282,956 | 338,100 |
| Net realized and unrealized gains (losses) on investment | 5,476 | 950,337 | - | 955,813 | (1,653,880) |
| Miscellaneous | 11,032 | 26,375 | - | 37,407 | 25,836 |
| Change in donor restriction | 300,000 | - | (300,000) | - | - |
| Net assets released from restrictions | <u>965,361</u> | <u>(965,361)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues and other support | 1,358,828 | 2,327,163 | (183,784) | 3,502,207 | (694,459) |
| Expenses | | | | | |
| Programs | 902,751 | - | - | 902,751 | 615,699 |
| Management and general | <u>108,442</u> | <u>-</u> | <u>-</u> | <u>108,442</u> | <u>120,188</u> |
| Total expenses | <u>1,011,193</u> | <u>-</u> | <u>-</u> | <u>1,011,193</u> | <u>735,887</u> |
| Change in net assets | 347,635 | 2,327,163 | (183,784) | 2,491,014 | (1,430,346) |
| Net assets at beginning of year | <u>320,064</u> | <u>4,910,937</u> | <u>7,439,444</u> | <u>12,670,445</u> | <u>14,100,791</u> |
| Net assets at end of year | <u>\$ 667,699</u> | <u>\$ 7,238,100</u> | <u>\$ 7,255,660</u> | <u>\$15,161,459</u> | <u>\$12,670,445</u> |

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2009

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total 2009</u> |
|--|-----------------------|-----------------------------------|-----------------------------------|--------------------------|
| Revenues and other support | | | | |
| Campaign contributions | \$ 57,215 | \$ 131,049 | \$ 10,089 | \$ 198,353 |
| Foundation contributions | 1,694 | 157,023 | 238,415 | 397,132 |
| Interest | 12,399 | 325,701 | - | 338,100 |
| Net realized and unrealized gains (losses) on investments | (422,816) | (1,231,064) | - | (1,653,880) |
| Miscellaneous | 5,331 | 20,505 | - | 25,836 |
| Net assets released from restrictions | <u>633,527</u> | <u>(633,527)</u> | <u>-</u> | <u>-</u> |
| Total revenues and other support | 287,350 | (1,230,313) | 248,504 | (694,459) |
| Expenses | | | | |
| Programs | 615,699 | - | - | 615,699 |
| Management and general | <u>120,188</u> | <u>-</u> | <u>-</u> | <u>120,188</u> |
| Total expenses | <u>735,887</u> | <u>-</u> | <u>-</u> | <u>735,887</u> |
| Change in net assets | (448,537) | (1,230,313) | 248,504 | (1,430,346) |
| Net assets at beginning of year | <u>768,601</u> | <u>6,141,250</u> | <u>7,190,940</u> | <u>14,100,791</u> |
| Net assets at end of year | <u>\$ 320,064</u> | <u>\$ 4,910,937</u> | <u>\$ 7,439,444</u> | <u>\$ 12,670,445</u> |

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE FOUNDATION
 STATEMENTS OF CASH FLOWS
 Years ended June 30, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|--|--------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 2,491,014 | \$ (1,430,346) |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Net realized and unrealized losses on investments | (955,813) | 1,653,880 |
| Contributions restricted for long-term purposes | (116,216) | (248,504) |
| Effects of changes in operating assets and liabilities | | |
| Receivables | (1,158,920) | 252,589 |
| Prepaid expenses | 300 | 1,004 |
| Wages payable | <u>369</u> | <u>1,151</u> |
| Net cash from operating activities | 260,734 | 229,774 |
| Cash flows from investing activities | | |
| Sales of investments | 1,118,192 | 628,872 |
| Purchases of investments | <u>(1,244,472)</u> | <u>(960,076)</u> |
| Net cash from investing activities | <u>(126,280)</u> | <u>(331,204)</u> |
| Cash flows from financing activities | | |
| Contributions restricted for long-term purposes | <u>116,216</u> | <u>248,504</u> |
| Net cash from financing activities | <u>116,216</u> | <u>248,504</u> |
| Change in cash and cash equivalents | 250,670 | 147,074 |
| Cash and cash equivalents at beginning of year | <u>247,832</u> | <u>100,758</u> |
| Cash and cash equivalents at end of year | <u>\$ 498,502</u> | <u>\$ 247,832</u> |

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Clark State Community College Foundation have been prepared on the accrual basis of accounting. The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Organization: The Clark State Community College Foundation ("Foundation") is a not-for-profit Ohio corporation and is considered to be a component unit of Clark State Community College. The Foundation's purpose is to assist students attending Clark State Community College. Administrative services are provided by Clark State Community College.

Basis of Presentation: The Foundation's financial statements are prepared in accordance with the guidance issued by Financial Accounting Standards Board ("FASB"). Under FASB guidance, the Foundation 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 Foundation considers all demand bank deposits as cash. The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. This includes amounts on deposit with STAR Ohio which were \$496,282 and \$246,432 at June 30, 2010 and 2009, respectively. STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the balance sheet date.

Investments: Investments are carried at fair value in accordance with FASB guidance. Investments include shares with The CommonFund, a not-for-profit organization, and Federated Government Obligation, Tax Managed Select Treasuries (Fund #637). Realized and unrealized gains and losses are reported in the statement of activities. Fair value is determined by market quotations. Donated investments are recorded at the fair market value at the time received.

Net Assets: Unrestricted net assets represent funds, which can be used by the Foundation for any purpose authorized by the Board of Directors.

Temporarily restricted net assets represent funds, which are restricted for a specific purpose determined by the donor. A donor-imposed restriction permits the Foundation to expend the donated assets as specified and is satisfied either by the passage of time or by actions of the Foundation. The Foundation maintains separate balances in its accounting records to account for the amounts available for such restricted purposes.

Permanently restricted net assets represent contributions in which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the earnings of the fund be expended as the donor has specified.

Revenue: The Foundation reports contributions as restricted if they are received with donor stipulations that limit the use of the contributions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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CLARK STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Income: The facilities occupied by the Foundation are provided by Clark State Community College. In addition, the College assists the Foundation in fund raising, gift processing and accounting. The value of the office space and services provided constitutes additional in-kind income to the Foundation that is immaterial to the financial statements and is not recorded.

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 at the date of the financial statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes: The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Generally accepted accounting principles prescribes recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits will be recognized only if a tax position is more-likely-than-not sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Management has concluded that they are unaware of any tax benefits or liabilities to be recognized at June 30, 2010.

The Foundation would recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Foundation has no amounts accrued for interest or penalties for the year ended June 30, 2010. The Foundation is no longer subject to examination by taxing authorities for years before 2007. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Adoption of New Accounting Standards: Effective September 15, 2009, the Foundation adopted changes issued by the FASB to the authoritative hierarchy of generally accepted accounting principles ("GAAP"). The FASB has issued a standard regarding the FASB Accounting Standards Codification™ ("Codification"), and the GAAP hierarchy which replaces the standard previously issued by the FASB regarding the hierarchy of GAAP. This standard identifies the source of accounting principles and the framework for selecting the principles used in the preparation of financial statements for non-governmental entities that are presented in conformity with GAAP in the United States (the "GAAP hierarchy"). In addition, this standard establishes the Codification as the source of authoritative GAAP recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with GAAP. All guidance contained in the Codification carries an equal level of authority. This standard was effective for financial statements issued for interim and annual periods ending after September 15, 2009, and accordingly the Foundation adopted this standard for the year ended June 30, 2010. Its adoption did not have a significant impact on the financial statements.

Effective July 1, 2009, the Foundation adopted changes issued by the FASB to accounting for income taxes. These changes prescribe a comprehensive model for how an entity should recognize, measure, present and disclose in its financial statements, uncertain tax positions that it has taken or expects to take on a tax return. This guidance requires that an entity recognize in its financial statements the impact of tax positions that meet a "more likely than not" threshold, based on the technical merits of the position. This guidance also clarified how an entity should determine whether a tax position is effectively settled for purposes of recognizing previously unrecognized tax benefits. The adoption of this guidance had no impact on the financial statements.

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CLARK STATE COMMUNITY COLLEGE FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010 and 2009

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2010 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2010. Management has performed this analysis through October 15, 2010, the date the financial statements were available to be issued.

Reclassifications: The Foundation has made certain reclassifications to the prior year financial statements in order to conform to the current year presentation. These reclassifications had no effect previously reported changes in net assets or total net assets.

NOTE 2 - CASH

A summary of cash follows:

| | <u>2010</u> | <u>2009</u> |
|--|-------------------|-------------------|
| Imprest cash fund, Dean's Loan and Circle of Friends | \$ 2,220 | \$ 1,400 |
| STAR Ohio | <u>496,282</u> | <u>246,432</u> |
| | <u>\$ 498,502</u> | <u>\$ 247,832</u> |

NOTE 3 - INVESTMENTS

The following summarizes investment values at June 30:

| | <u>2010</u> | <u>2009</u> |
|---------------------------------|---------------------|---------------------|
| Bond fund | \$ 2,177,501 | \$ 1,715,190 |
| Equity fund | 4,447,425 | 3,943,293 |
| High quality bond fund | 1,909,653 | 1,679,265 |
| Money market accounts | 138,383 | 564,121 |
| Mutual fund - fixed | 506,017 | 499,267 |
| Preferred stock | 41,860 | 33,810 |
| Mutual fund – closed-end equity | 43,320 | 47,000 |
| Mutual fund - equity | 775,657 | 623,536 |
| Certificates of deposit | <u>381,802</u> | <u>234,043</u> |
| | <u>\$10,421,618</u> | <u>\$ 9,339,525</u> |

Investment fees are netted against interest income in the statement of activities. Total fees for 2010 and 2009 are \$34,184 and \$29,472, respectively.

FASB guidance defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

(Continued)

CLARK STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 3 – INVESTMENTS (Continued)

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of equity and fixed income mutual funds, and preferred stock that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Money market accounts and certificates of deposit are reported at fair value, which is determined by quoted market prices in markets that are not active (Level 2 inputs).

Funds of funds investments have observable inputs and market activity that allow for pricing based on the underlying market prices of the items in the fund adjusted information developed by management for historical and current performance of the underlying funds, liquidity and credit premiums required by a market participant and financial trend analysis with respect to the overall fund compared to benchmark performance ratios (Level 2 inputs). The Foundation owns three funds that are pooled funds that fall in this category. The funds invest in equity and fixed income securities whose investment objectives are to: 1) invest in a group of diversified equity funds to outperform the S&P 500 index over a full market cycle, 2) offer a program devoted to investing in high-quality, investment-grade fixed income securities to outperform the Barclays Aggregate Bond Index over a full market cycle, and 3) offer an actively managed, multi-manager investment program that will provide, in a single fund, broad exposure to global debt markets to add value above the return of the U.S. bond market over a full market cycle, as measured by the Barclays Capital U.S. Aggregate Bond Index, and to reduce volatility as compared to investing in the indices. The fair values of the investments in these categories have been estimated using the net asset value per share of the investments. Redemption policies of these three funds range from weekly to monthly, and there were no unfunded commitments at June 30, 2010.

Assets and Liabilities Measured on a Recurring Basis: Assets and liabilities measured at fair value on a recurring basis at June 30, 2010 and 2009 are summarized below:

| | Fair Value Measurements Using Quoted Prices in | | |
|---------------------------------|---|---|---|
| | Active Markets for Identical Assets <u>(Level 1)</u> | Other Observable Inputs <u>(Level 2)</u> | Significant Unobservable Inputs <u>(Level 3)</u> |
| June 30, 2010: | | | |
| Bond fund | \$ - | \$2,177,501 | \$ - |
| Equity fund | - | 4,447,425 | - |
| High quality bond fund | - | 1,909,653 | - |
| Money market accounts | - | 138,383 | - |
| Mutual fund – fixed | 506,017 | - | - |
| Preferred stock | 41,860 | - | - |
| Mutual fund – closed-end equity | 43,320 | - | - |
| Mutual fund – equity | 775,657 | - | - |
| Certificates of deposit | - | 381,802 | - |

(Continued)

CLARK STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 3 – INVESTMENTS (Continued)

| | Fair Value Measurements Using Quoted Prices in | | |
|---------------------------------|--|--|--|
| | Active Markets for Identical Assets (Level 1) | Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| June 30, 2009: | | | |
| Bond fund | \$ - | \$ - | \$ 1,715,190 |
| Equity fund | - | - | 3,943,293 |
| High quality bond fund | - | - | 1,679,265 |
| Money market accounts | - | 564,121 | - |
| Mutual fund – fixed | 499,267 | - | - |
| Preferred stock | 33,810 | - | - |
| Mutual fund – closed-end equity | 47,000 | - | - |
| Mutual fund – equity | 623,536 | - | - |
| Certificates of deposit | - | 234,043 | - |

The table below presents a reconciliation and income statement classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2010 and 2009:

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | |
|---|--|--------------------|-----------------------------------|--------------------|
| | <u>Bond fund</u> | <u>Equity fund</u> | <u>High Quality Bond Fund</u> | <u>Total</u> |
| Beginning balance, June 30, 2009 | \$ 1,715,190 | \$ 3,943,293 | \$ 1,679,265 | \$ 7,337,748 |
| Total gains or losses (realized/unrealized) | | | | |
| Included in earnings | | | | |
| Interest and dividend income on securities | 86,350 | 40,051 | 89,016 | 215,417 |
| Other changes in fair value | 179,282 | 513,349 | 157,213 | 849,844 |
| Gains (losses) on sale of securities | - | - | - | - |
| Purchases | 39,471 | 92,099 | - | 131,570 |
| Transfers in and/or out of Level 3 | <u>(2,020,293)</u> | <u>(4,588,792)</u> | <u>(1,925,494)</u> | <u>(8,534,579)</u> |
| Ending balance, June 30, 2010 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

(Continued)

CLARK STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 3 – INVESTMENTS (Continued)

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | |
|---|--|---------------------|---------------------------|---------------------|
| | Bond fund | Equity fund | High Quality Bond Fund | Total |
| Beginning balance, June 30, 2008 | \$ 2,079,947 | \$ 4,623,601 | \$ 1,654,523 | \$ 8,358,071 |
| Total gains or losses (realized/unrealized) | | | | |
| Included in earnings | | | | |
| Interest and dividend income on securities | 95,331 | 42,053 | 115,655 | 253,039 |
| Other changes in fair value | (134,193) | (1,179,782) | (43,391) | (1,357,366) |
| Gains (losses) on sale of securities | - | - | - | - |
| Purchases | 25,202 | 22,126 | - | 47,328 |
| Transfers in and/or out of Level 3 | (351,097) | 435,295 | (47,522) | 36,676 |
| Ending balance, June 30, 2009 | <u>\$ 1,715,190</u> | <u>\$ 3,943,293</u> | <u>\$ 1,679,265</u> | <u>\$ 7,337,748</u> |

NOTE 4 – PLEDGES RECEIVABLE

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded after discounting at 5.04 -5.19% to the present value of future cash flows.

Unconditional promises are expected to be realized in the following periods:

| | 2010 | 2009 |
|----------------------------|---------------------|---------------------|
| One year or less | \$ 1,278,924 | \$ 508,651 |
| Between one and five years | 1,492,082 | 1,119,000 |
| Longer than five years | <u>1,627,500</u> | <u>1,875,000</u> |
| | 4,398,506 | 3,502,651 |
| Discounts and allowance | <u>(508,781)</u> | <u>(671,635)</u> |
| Net pledges | <u>\$ 3,889,725</u> | <u>\$ 2,831,016</u> |

NOTE 5 – NET ASSETS

Net assets at June 30 consist of the following:

| | 2010 | 2009 |
|---|-------------------|-------------------|
| <u>Unrestricted</u> | | |
| Major gifts | \$ 372,459 | \$ 265,541 |
| Board designated for scholarships and special projects | 85,287 | 166,339 |
| Board designated for endowment | 337,478 | 226,383 |
| Unrestricted | <u>(127,525)</u> | <u>(338,199)</u> |
| Total | <u>\$ 667,699</u> | <u>\$ 320,064</u> |

(Continued)

CLARK STATE COMMUNITY COLLEGE FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010 and 2009

NOTE 5 – NET ASSETS (Continued)

| | <u>2010</u> | <u>2009</u> |
|-----------------------------------|---------------------|---------------------|
| <u>Temporarily restricted</u> | | |
| Major gifts - facilities | \$ 4,776,478 | \$ 3,238,242 |
| Scholarships and other | 304,819 | 332,446 |
| Endowment | 2,022,009 | 1,188,052 |
| Dorothy Mumma Tuition Loan Fund | <u>134,794</u> | <u>152,197</u> |
| Total | <u>\$ 7,238,100</u> | <u>\$ 4,910,937</u> |
| <u>Permanently restricted</u> | | |
| Scholarships | \$ 2,342,982 | \$ 2,342,481 |
| Performing Arts Center | 2,207,604 | 2,163,785 |
| Technology | 202,694 | 502,694 |
| Champion City Scholarships | <u>2,502,380</u> | <u>2,430,484</u> |
| Total | <u>\$ 7,255,660</u> | <u>\$ 7,439,444</u> |

NOTE 6 – DISTRIBUTIONS TO CLARK STATE COMMUNITY COLLEGE

During the years ended June 30, 2010 and 2009, the Foundation distributed \$757,071 and \$431,492, respectively, to the College for both restricted and unrestricted purposes. Distributions to the College are included in program expenses in the Foundation's statement of activities.

NOTE 7 – ENDOWMENT COMPOSITION

The Foundation's endowment primarily consists of funds held at Commonfund. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by applicable standards, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2010:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Totals</u> |
|----------------------------------|---------------------|-------------------------------|-------------------------------|---------------------|
| Donor restricted endowment funds | \$ (197,619) | \$ 2,022,009 | \$ 7,255,660 | \$ 9,080,050 |
| Board-designated funds | <u>337,478</u> | <u>-</u> | <u>-</u> | <u>337,478</u> |
| Total funds | <u>\$ 139,859</u> | <u>\$ 2,022,009</u> | <u>\$ 7,255,660</u> | <u>\$ 9,417,528</u> |

Endowment net asset composition by type of fund as of June 30, 2009:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Totals</u> |
|----------------------------------|---------------------|-------------------------------|-------------------------------|---------------------|
| Donor restricted endowment funds | \$ (339,696) | \$ 1,188,052 | \$ 7,439,444 | \$ 8,287,800 |
| Board-designated funds | <u>226,383</u> | <u>-</u> | <u>-</u> | <u>226,383</u> |
| Total funds | <u>\$ (113,313)</u> | <u>\$ 1,188,052</u> | <u>\$ 7,439,444</u> | <u>\$ 8,514,183</u> |

(Continued)

CLARK STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 7 – ENDOWMENT COMPOSITION (Continued)

Changes in endowment net assets for year ended June 30, 2010.

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Totals</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Net assets, beginning of year | \$ (113,313) | \$ 1,188,052 | \$ 7,439,444 | \$ 8,514,183 |
| Investment return | | | | |
| Investment income, net | 9,297 | 242,447 | - | 251,744 |
| Net appreciation (realized and unrealized gains/losses) | <u>4,475</u> | <u>950,337</u> | <u>-</u> | <u>954,812</u> |
| Total investment return | 13,772 | 1,192,784 | - | 1,206,556 |
| Gains to restore prior year losses on temporarily restricted endowment assets | 142,076 | (142,076) | - | - |
| Contributions | 97,324 | 7,871 | 116,216 | 221,411 |
| Change in donor restriction | - | - | (300,000) | (300,000) |
| Appropriation of endowment assets for expenditure | <u>-</u> | <u>(224,622)</u> | <u>-</u> | <u>(224,622)</u> |
| Net assets, end of year | <u>\$ 139,859</u> | <u>\$ 2,022,009</u> | <u>\$ 7,255,660</u> | <u>\$ 9,417,528</u> |

Changes in endowment net assets for year ended June 30, 2009.

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Totals</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Net assets, beginning of year | \$ 211,759 | \$ 2,467,728 | \$ 7,190,940 | \$ 9,870,427 |
| Investment return | | | | |
| Investment income, net | 4,527 | 296,142 | - | 300,669 |
| Net appreciation (realized and unrealized gains/losses) | <u>(335,079)</u> | <u>(1,283,536)</u> | <u>-</u> | <u>(1,618,615)</u> |
| Total investment return | (330,552) | (987,394) | - | (1,317,946) |
| Contributions | 5,480 | 7,997 | 248,504 | 261,981 |
| Appropriation of endowment assets for expenditure | <u>-</u> | <u>(300,279)</u> | <u>-</u> | <u>(300,279)</u> |
| Net assets, end of year | <u>\$ (113,313)</u> | <u>\$ 1,188,052</u> | <u>\$ 7,439,444</u> | <u>\$ 8,514,183</u> |

Interpretation of UPMIFA: The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(Continued)

CLARK STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 7 – ENDOWMENT COMPOSITION (Continued)

- (1) The duration and preservation of the fund.
- (2) The purposes of the organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the organization
- (7) The investment policies of the organization

Return Objectives and Risk Parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index and the Barclays Index while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives: The purpose of the endowment fund is to facilitate donors' desires to make substantial long-term gifts to the Foundation and to develop a new and significant source of revenue for the Foundation. In so doing, the endowment fund will provide a secure, long-term source of funds to: (i) stabilize scholarship funding during periods of below normal annual campaigns; (ii) fund special initiatives; (iii) ensure long-term growth; (iv) enhance our ability to meet changing Foundation needs in both the short and long-term; and, (v) support the administrative expenses of the Foundation as deemed appropriate.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Finance/Investment Committee of the Board of Directors reviews the income distribution and spending policy annually and makes recommendations to the Board of Directors. Currently, the practice is to spend interest earned on endowment funds and retain any market gains in the endowment fund. Any other related proceeds are reinvested in the endowment fund. Within these parameters, the amount of the disbursement shall be determined annually by the Foundation Board of Directors, who may also elect to take no distribution in any given year.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. Such amounts totaled \$197,619 and \$339,696 at June 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations.

Endowment fund principal, unless otherwise directed by the donor, shall not be disbursed except for emergency situations. In order to make a principal disbursement, a two-thirds majority vote by the Foundation Board of Directors will be required.

SUPPLEMENTARY INFORMATION



Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS 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 Directors
Clark State Community College Foundation
Springfield, Ohio

We have audited the financial statements of Clark State Community College Foundation (the "Foundation") as of and for the year ended June 30, 2010, and have issued our report thereon dated October 15, 2010. 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 Clark State Community College Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal courses of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify any deficiencies in internal control over financial reporting that might be deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clark State Community College 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*.

(Continued)

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2010



Mary Taylor, CPA
Auditor of State

CLARK STATE COMMUNITY COLLEGE FOUNDATION

CLARKCOUNTY

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 9, 2010**