

Owens Community College Foundation

Financial Statements

June 30, 2011



Dave Yost • Auditor of State

Board of Directors
Owens Community College Foundation
PO Box 10000
Toledo, Ohio 43699-1947

We have reviewed the *Independent Auditor's Report* of the Owens Community College Foundation, Wood County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2010 through June 30, 2011. 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 Owens Community College Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 29, 2011

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Owens Community College Foundation

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Independent Auditor's Report

To the Board of Directors
Owens Community College Foundation

We have audited the accompanying statement of financial position of Owens Community College Foundation (the "Foundation") as of June 30, 2011 and 2010 and the related statements of activities and changes in net assets 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Owens Community College Foundation as of June 30, 2011 and 2010 and the results of its operations and 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 September 27, 2011 on our consideration of Owens Community College Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 opinions 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.

Plante & Moran, PLLC

September 27, 2011

Owens Community College Foundation

Statement of Financial Position

	June 30	
	2011	2010
Assets		
Cash and cash equivalents	\$ 586,505	\$ 636,346
Investments (Note 3)	2,082,719	1,683,331
Pledges receivable (Note 4)	9,615	38,092
Accounts receivable	9,664	15,000
Total assets	<u>\$ 2,688,503</u>	<u>\$ 2,372,769</u>
Liabilities and Net Assets		
Liabilities		
Due to Owens State Community College (Note 5)	\$ 56,747	\$ 69,235
Funds in custody (agency funds)	44,163	56,865
Total liabilities	100,910	126,100
Net Assets (Note 6)		
Unrestricted	218,530	144,125
Temporarily restricted	1,084,851	903,009
Permanently restricted	1,284,212	1,199,535
Total net assets	<u>2,587,593</u>	<u>2,246,669</u>
Total liabilities and net assets	<u>\$ 2,688,503</u>	<u>\$ 2,372,769</u>

Owens Community College Foundation

Statement of Activities and Changes in Net Assets Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Donations received	\$ 36,539	\$ 177,526	\$ 83,352	\$ 297,417
Investment income:				
Interest and dividend income	10,178	30,252	247	40,677
Unrealized gain on investments	96,276	222,338	991	319,605
Realized gain on investments	3,277	10,991	87	14,355
Grant revenue	127,500	-	-	127,500
Revenue released from restrictions	<u>259,265</u>	<u>(259,265)</u>	<u>-</u>	<u>-</u>
Total revenue and support	533,035	181,842	84,677	799,554
Expenses				
Program services:				
Scholarships	196,258	-	-	196,258
Capital/Equipment grant	30,000	-	-	30,000
Outside grants expense	127,500	-	-	127,500
Other program services	<u>48,724</u>	<u>-</u>	<u>-</u>	<u>48,724</u>
Total program services	402,482	-	-	402,482
Management and general	41,754	-	-	41,754
Fundraising	<u>14,394</u>	<u>-</u>	<u>-</u>	<u>14,394</u>
Total expenses	<u>458,630</u>	<u>-</u>	<u>-</u>	<u>458,630</u>
Increase in Net Assets	74,405	181,842	84,677	340,924
Net Assets - Beginning of year	<u>144,125</u>	<u>903,009</u>	<u>1,199,535</u>	<u>2,246,669</u>
Net Assets - End of year	<u>\$ 218,530</u>	<u>\$ 1,084,851</u>	<u>\$ 1,284,212</u>	<u>\$ 2,587,593</u>

Owens Community College Foundation

Statement of Activities and Changes in Net Assets Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Donations received	\$ 25,520	\$ 187,492	\$ 89,415	\$ 302,427
Investment income:				
Interest and dividend income	8,639	18,400	215	27,254
Unrealized gain on investments	75,849	89,618	507	165,974
Realized loss on investments	-	(13)	-	(13)
Grant revenue	91,801	-	-	91,801
Revenue released from restrictions	<u>207,804</u>	<u>(207,804)</u>	<u>-</u>	<u>-</u>
Total revenue and support	409,613	87,693	90,137	587,443
Expenses				
Program services:				
Scholarships	128,890	-	-	128,890
Equipment grant	36,000	-	-	36,000
Outside grants expense	91,801	-	-	91,801
Other program services	<u>60,742</u>	<u>-</u>	<u>-</u>	<u>60,742</u>
Total program services	317,433	-	-	317,433
Management and general	37,771	-	-	37,771
Fundraising	<u>16,199</u>	<u>-</u>	<u>-</u>	<u>16,199</u>
Total expenses	<u>371,403</u>	<u>-</u>	<u>-</u>	<u>371,403</u>
Increase in Net Assets	38,210	87,693	90,137	216,040
Net Assets - Beginning of year	<u>105,915</u>	<u>815,316</u>	<u>1,109,398</u>	<u>2,030,629</u>
Net Assets - End of year	<u><u>\$ 144,125</u></u>	<u><u>\$ 903,009</u></u>	<u><u>\$ 1,199,535</u></u>	<u><u>\$ 2,246,669</u></u>

Owens Community College Foundation

Statement of Cash Flows

	Year Ended June 30	
	2011	2010
Cash Flows from Operating Activities		
Increase in net assets	\$ 340,924	\$ 216,040
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Unrealized gain on investments	(319,605)	(165,974)
Net realized (gains) loss on investments	(14,355)	13
Decrease in pledges receivable	28,477	62,381
Decrease in accounts receivable	5,336	-
Decrease in accounts payable	-	(15,000)
Decrease in amounts due to Owens Community College	(12,488)	(9,184)
Decrease in deferred revenue	-	(3,051)
Decrease in funds in custody (agency funds)	(12,702)	(9,520)
Donations restricted for long-term endowment investment	<u>(83,352)</u>	<u>(89,415)</u>
Net cash used in operating activities	(67,765)	(13,710)
Cash Flows from Investing Activities		
Purchase of investments	(220,197)	(137,601)
Proceeds from the sale of investments	<u>154,769</u>	<u>-</u>
Net cash used in investing activities	(65,428)	(137,601)
Cash Flows from Financing Activities - Proceeds from donations restricted for long-term endowment investment	<u>83,352</u>	<u>89,415</u>
Decrease in Cash and Cash Equivalents	(49,841)	(61,896)
Cash and Cash Equivalents - Beginning of year	<u>636,346</u>	<u>698,242</u>
Cash and Cash Equivalents - End of year	<u>\$ 586,505</u>	<u>\$ 636,346</u>

Owens Community College Foundation

Notes to Financial Statements June 30, 2011 and 2010

Note 1 - Organization and Purpose

Effective July 1, 1996, pursuant to Chapter 3358 of the Ohio Revised Code, the trustees of Owens Community College (the "College") terminated the Michael J. Owens Technical College Charitable Trust (the "Trust"). The assets of the Trust were transferred to the newly established Owens State Community College Foundation (the "Foundation"). The Foundation was established for the benefit of the College and its students. The Foundation was incorporated in April 2002 and the name was changed to Owens Community College Foundation effective November 25, 2003. The Foundation also serves as an agent for Owens Community College Alumni Association. The net assets of the alumni association are represented as funds in custody at June 30, 2011 and 2010.

Note 2 - Summary of Significant Accounting Policies

Financial Statement Presentation - The Foundation's financial statements are prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation - Net assets, revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations
- **Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the unrestricted net asset class.
- **Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Owens Community College Foundation

Notes to Financial Statements June 30, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue is reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes on net assets.

Cash and Cash Equivalents - For the purpose of the statement of cash flows, the Foundation considers cash in bank, time deposits, and highly liquid debt instruments with maturities of three months or less when purchased to be cash and cash equivalents.

The Foundation maintains cash balances at three institutions. Cash maintained at a bank is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2011, all cash balances were FDIC insured.

Investments - In 2011 and 2010, investments are recorded at current market value based on quoted market prices and consist of stock and bond mutual funds.

Declines in Investment Values - Subsequent to year end, the Foundation's investment portfolios have incurred significant declines in fair value, consistent with the general volatility in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

Contributions - Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. As of June 30, 2011 and 2010, the Foundation deems all outstanding pledge receivables collectible.

Grant Revenue - Grant revenue is recognized as expenses are incurred.

Functional Allocation of Expenses - Total expenses consisted of expenses relating to program services, management and general, and fundraising. Costs are allocated between the various programs and support services on an actual basis, where available, or based upon reasonable methods. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Owens Community College Foundation

Notes to Financial Statements June 30, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes - The Internal Revenue Service, in a letter dated September 29, 1997 and again on September 22, 2004, determined that the Foundation was exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2008.

Use of Estimates - Management of the Foundation has made estimates and assumptions relating to the reporting of assets, liabilities, the disclosure of contingent assets and liabilities, and revenue and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Reclassification - Certain reclassifications were made to amounts in the 2010 financial statements to conform to the classifications used in 2011.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including September 27, 2011, which is the date the financial statements were issued.

Note 3 - Investments

Investments at June 30, 2011, by major security type, were as follows:

	<u>Cost</u>	<u>Market Value</u>
Bond mutual funds	\$ 352,951	\$ 376,619
Equity mutual funds	1,566,001	1,706,060
Other	40	40
Total investments	<u>\$ 1,918,992</u>	<u>\$ 2,082,719</u>

Owens Community College Foundation

Notes to Financial Statements June 30, 2011 and 2010

Note 3 - Investments (Continued)

Investments at June 30, 2010, by major security type, were as follows:

	Cost	Market Value
Bond mutual funds	\$ 337,135	\$ 365,969
Equity mutual funds	1,502,033	1,317,322
Other	40	40
Total investments	<u>\$ 1,839,208</u>	<u>\$ 1,683,331</u>

Risks and Uncertainties - The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Note 4 - Pledges Receivable

As of June 30, 2011 and 2010, contributors to the Foundation have made written unconditional promises to give. These promises are reported at present value of estimated future cash flows and are discounted at 3 percent to 4 percent. This rate is commensurate with risks involved and is consistent with past experience.

	2011	2010
Unconditional promises to give	\$ 10,000	\$ 40,000
Less unamortized discount	(385)	(1,908)
Net unconditional promises to give	<u>\$ 9,615</u>	<u>\$ 38,092</u>
Amounts due in:		
Less than one year	\$ 9,615	\$ 28,476
One to five years	-	9,616
Total	<u>\$ 9,615</u>	<u>\$ 38,092</u>

Note 5 - Related Party Transactions

Grants in the amount of \$392,482 and \$308,433 for fiscal years 2011 and 2010, respectively, were paid to the College by the Foundation. At June 30, 2011 and 2010, the net amounts owed to the College for reimbursement by the Foundation were \$56,747 and \$69,235, respectively.

Owens Community College Foundation

Notes to Financial Statements June 30, 2011 and 2010

Note 6 - Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Gifts and other donations available for:		
Library	\$ 32,593	\$ 29,178
Equipment and other program expenses	405,596	336,945
Scholarships	<u>646,662</u>	<u>536,886</u>
Total gifts and other donations	<u>\$ 1,084,851</u>	<u>\$ 903,009</u>

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

	<u>2011</u>	<u>2010</u>
Equipment and other program expenses	\$ 70,224	\$ 87,317
Scholarships	<u>189,041</u>	<u>120,487</u>
Total	<u>\$ 259,265</u>	<u>\$ 207,804</u>

Permanently restricted net assets consist of endowment funds. In certain cases, the donors of these funds have restricted the use of the income from such funds for scholarships. These expenses are reflected in the appropriate program services category on the statement of activities and changes in net assets.

Permanently restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Equipment and other program expenses	\$ 298,285	\$ 298,286
Scholarships	<u>985,927</u>	<u>901,249</u>
Total	<u>\$ 1,284,212</u>	<u>\$ 1,199,535</u>

Note 7 - Fair Value Measurements

The following table presents information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2011 and 2010 and the valuation techniques used by the Foundation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Owens Community College Foundation

Notes to Financial Statements June 30, 2011 and 2010

Note 7 - Fair Value Measurements (Continued)

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Disclosures concerning assets measured at fair value are as follows:

Fair Value Measurements at June 30, 2011

Description	Quoted Prices in			Balance at June 30, 2011
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equity funds:				
Buffalo Small-cap	\$ 135,806	\$ -	\$ -	\$ 135,806
Fairholme Fund	142,993	-	-	142,993
Fidelity Contrafund	144,725	-	-	144,725
Jensen Portfolio	146,480	-	-	146,480
Vanguard Institutional Index	663,065	-	-	663,065
Dodge & Cox International Stock	157,998	-	-	157,998
Harbor International	73,995	-	-	73,995
MFS International New Discovery	83,317	-	-	83,317
T. Rowe Price Intl New Asia	61,168	-	-	61,168
T. Rowe Price Latin American Fund	57,664	-	-	57,664
Third Avenue Value	38,849	-	-	38,849
Total equity funds	1,706,060	-	-	1,706,060
Bond funds:				
Harbor Bond Fund	87,990	-	-	87,990
Vanguard Intermediate Bond Index	156,858	-	-	156,858
Vanguard Short-term Federal	131,771	-	-	131,771
Total bond funds	376,619	-	-	376,619
Money market mutual funds:				
Farmers & Merchant MM Savings	129,856	-	-	129,856
Northern Inst'l Prime Obligations	27,695	-	-	27,695
Trust Company of Toledo	202,107	-	-	202,107
Total money market mutual funds	359,658	-	-	359,658

Owens Community College Foundation

Notes to Financial Statements June 30, 2011 and 2010

Note 7 - Fair Value Measurements (Continued)

Fair Value Measurements at June 30, 2010

Description	Quoted Prices in			Balance at June 30, 2010
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equity funds:				
Buffalo Small-cap	\$ 109,962	\$ -	\$ -	\$ 109,962
Fairholme Fund	160,402	-	-	160,402
Fidelity Contrafund	110,887	-	-	110,887
Jensen Portfolio	69,977	-	-	69,977
Vanguard Institutional Index	509,328	-	-	509,328
Dodge & Cox International Stock	129,553	-	-	129,553
Harbor International	55,214	-	-	55,214
MFS International New Discovery	38,518	-	-	38,518
T. Rowe Price Intl New Asia	37,835	-	-	37,835
T. Rowe Price Latin American Fund	28,410	-	-	28,410
Third Avenue Value	67,236	-	-	67,236
Total equity funds	1,317,322	-	-	1,317,322
Bond funds:				
Harbor Bond Fund	52,044	-	-	52,044
Vanguard Intermediate Bond Index	182,960	-	-	182,960
Vanguard Short-term Federal	130,965	-	-	130,965
Total bond funds	365,969	-	-	365,969
Money market mutual funds:				
Farmers & Merchant MM Savings	150,000	-	-	150,000
Northern Inst'l Prime Obligations	32,225	-	-	32,225
Trust Company of Toledo	160,832	-	-	160,832
Total money market mutual funds	343,057	-	-	343,057

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended June 30, 2011 and 2010, there were no transfers between levels of the fair value hierarchy.

Note 8 - Donor- and Board-restricted Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. 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.

Owens Community College Foundation

Notes to Financial Statements June 30, 2011 and 2010

Note 8 - Donor- and Board-restricted Endowments (Continued)

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historical 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:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation 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 Foundation
- (7) The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment	\$ -	\$ 413,583	\$ 1,284,212	\$ 1,697,795
(Quasi) Endowment	15,795	-	-	15,795
Total funds	<u>\$ 15,795</u>	<u>\$ 413,583</u>	<u>\$ 1,284,212</u>	<u>\$ 1,713,590</u>

Owens Community College Foundation

Notes to Financial Statements June 30, 2011 and 2010

Note 8 - Donor- and Board-restricted Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of the year	\$ (5,167)	\$ 221,855	\$ 1,199,535	\$ 1,416,223
Investment return:				
Investment income	1,545	39,704	810	42,059
Net appreciation	20,182	220,931	515	241,628
Total investment return	21,727	260,635	1,325	283,687
Contributions	-	2,781	83,352	86,133
Appropriation of endowment assets for expenditures	(765)	(40,952)	-	(41,717)
Other changes - Transfers to other temporarily restricted funds	-	(30,736)	-	(30,736)
Endowment net assets - End of the year	\$ 15,795	\$ 413,583	\$ 1,284,212	\$ 1,713,590

Endowment Net Asset Composition by Type of Fund as of June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment	\$ (19,037)	\$ 221,855	\$ 1,199,535	\$ 1,402,353
(Quasi) Endowment	13,870	-	-	13,870
Total funds	\$ (5,167)	\$ 221,855	\$ 1,199,535	\$ 1,416,223

Owens Community College Foundation

Notes to Financial Statements June 30, 2011 and 2010

Note 8 - Donor- and Board-restricted Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of the year	\$ (30,681)	\$ 150,785	\$ 1,109,398	\$ 1,229,502
Investment return:				
Investment income	204	18,158	215	18,577
Net appreciation	28,162	89,081	507	117,750
Total investment return	28,366	107,239	722	136,327
Contributions	-	1,500	89,415	90,915
Appropriation of endowment assets for expenditures	(2,852)	(37,669)	-	(40,521)
Other changes -				
Transfers to other temporarily restricted funds	-	-	-	-
Endowment net assets -				
End of the year	<u>\$ (5,167)</u>	<u>\$ 221,855</u>	<u>\$ 1,199,535</u>	<u>\$ 1,416,223</u>

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. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$0 and \$19,037 as of June 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred in fiscal year 2009 and continued in fiscal year 2010 and their effect on investment of newer permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the board of directors.

Owens Community College Foundation

Notes to Financial Statements June 30, 2011 and 2010

Note 8 - Donor- and Board-restricted Endowments (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's spending policy stipulates that 3 percent to 6 percent of a three-year moving average of the value of the endowment is available to spend and the remaining income is to be reinvested. If an investment loss is realized, the loss is allocated entirely as currently expendable. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of CPI annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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*

To the Board of Directors
Owens Community College Foundation

We have audited the financial statements of Owens Community College Foundation as of and for the years ended June 30, 2011 and 2010 and have issued our report thereon dated September 27, 2011. We conducted our audits 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 Owens 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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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 course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a 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 all deficiencies in internal control over financial reporting that might be deficiencies, significant 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.

To the Board of Directors
Owens Community College Foundation

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Owens 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*.

This report is intended solely for the information and use of management, the board of directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

September 27, 2011



Dave Yost • Auditor of State

OWENS COMMUNITY COLLEGE FOUNDATION

WOOD 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 13, 2011**