CLARK STATE COMMUNITY COLLEGE FOUNDATION

Financial Statements

June 30, 2012 and 2011

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

Board of Directors
Clark State Community College Foundation
570 East Leffel Lane
P.O. Box 570
Springfield, Ohio 45505

We have reviewed the *Report of Independent Auditors* of the Clark State Community College Foundation, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2011 through June 30, 2012. 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.

Dave Yost
Auditor of State

November 29, 2012

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CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

INDEPENDENT AUDITORS' REPORT

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, 2012 and 2011, 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 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 the 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, 2012 and 2011, 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 12, 2012, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 12, 2012

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		2012	2011
Assets			
Cash and cash equivalents		44,941	640,204
Investments		12,447,178	12,886,485
Accounts receivable, Clark State Community College		-	55,628
Pledges receivable		2,338,201	2,563,899
Student loans receivable, net of allowance for doubtful loans of $80,098 in 2012 and $94,902 in 2011		117,731	120,392
Other receivables		487	-
Prepaid expenses		-	279
	$	14,948,538	16,266,887
Liabilities and Net Assets			
Liabilities			
Accounts payable, Clark State Community College	$	171,008	-
Wages payable		1,172	4,618
		172,180	4,618
Net assets			
Unrestricted		342,564	844,929
Temporarily restricted		5,748,858	6,930,323
Permanently restricted		8,684,936	8,487,017
		14,776,358	16,262,269
	$	14,948,538	16,266,887

See accompanying notes to financial statements.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012	Total 2011
Revenues and other support					
Campaign contributions	$ 21,670	211,635	-	233,305	206,751
Foundation contributions	3,364	95,028	197,919	296,311	1,379,754
Interest	3,203	279,745	-	282,948	275,373
Net realized and unrealized gains (losses) on investment	(17,554)	(54,630)	-	(72,184)	1,463,540
Miscellaneous	8,971	51,533	-	60,504	33,534
Net assets released from restrictions	1,764,776	(1,764,776)	-	-	-
Total revenues and other support	1,784,430	(1,181,465)	197,919	800,884	3,358,952
Expenses					
Programs	2,181,640	-	-	2,181,640	2,141,998
Management and general	105,155	-	-	105,155	116,144
Total expenses	2,286,795	-	-	2,286,795	2,258,142
Change in net assets	(502,365)	(1,181,465)	197,919	(1,485,911)	1,100,810
Net assets at beginning of year	844,929	6,930,323	8,487,017	16,262,269	15,161,459
Net assets at end of year	$ 342,564	5,748,858	8,684,936	14,776,358	16,262,269

See accompanying notes to financial statements.

Clark State Community College Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2011

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011
Revenues and other support					
Campaign contributions	$	50,126	152,815	3,810	206,751
Foundation contributions		2,544	149,663	1,227,547	1,379,754
Interest		6,207	269,166	-	275,373
Net realized and unrealized gains (losses) on investment		263,692	1,199,848	-	1,463,540
Miscellaneous		10,988	22,546	-	33,534
Net assets released from restrictions		2,101,815	(2,101,815)	-	-
Total revenues and other support		2,435,372	(307,777)	1,231,357	3,358,952
Expenses					
Programs		2,141,998	-	-	2,141,998
Management and general		116,144	-	-	116,144
Total expenses		2,258,142	-	-	2,258,142
Change in net assets		177,230	(307,777)	1,231,357	1,100,810
Net assets at beginning of year		667,699	7,238,100	7,255,660	15,161,459
Net assets at end of year	$	844,929	6,930,323	8,487,017	16,262,269

Clark State Community College Foundation
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ (1,485,911)	1,100,810
Adjustment to reconcile change in net assets		
to net cash from operating activities		
Net realized and unrealized (gains) losses on investments	72,184	(1,463,540)
Contributions restricted for long-term purposes	(197,919)	(1,231,357)
Effects of changes in operating assets and liabilities		
Receivables	283,500	1,504,901
Prepaid expenses	279	(279)
Accounts payable	171,008	-
Wages payable	(3,446)	1,137
Net cash used in operating activities	(1,160,305)	(88,328)
Cash flows from investing activities:		
Sales of investments	610,897	101,753
Purchases of investments	(243,774)	(1,103,080)
Net cash from investing activities	367,123	(1,001,327)
Cash flows from financing activities:		
Contributions restricted for long-term purposes	197,919	1,231,357
Change in cash and cash equivalents	(595,263)	141,702
Cash and cash equivalents at beginning of year	640,204	498,502
Cash and cash equivalents at end of year	$ 44,941	640,204

See accompanying notes to financial statements.

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.

Method of accounting
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation is required to report, where applicable, information regarding its financial position and activities according to three classes of net assets. Net assets are reported as follows:

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 are expended as the donor has specified.

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 $44,495 and $639,934 at June 30, 2012 and 2011, 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 Common Fund, 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.

Pledges, accounts and loans receivable and revenues
Revenues are reported as an increase in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Contributions are recognized as revenue in the period the commitment or payment is first received. Conditional contributions are not recognized until the conditions are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Certain funding from non-government agencies is accounted for as temporarily restricted until either the required use, passage of time or receipt of funds occurs. Accordingly, such contributions are then released from restriction and recorded as unrestricted. Contributions that were received as temporarily restricted in a certain fiscal year whose restriction is fulfilled in the same fiscal year are directly reported as unrestricted revenue.

Potentially uncollectible loans and pledges receivable are provided for on the allowance method based on management's evaluation of outstanding loans receivable at year end. This estimation takes into consideration historical trends, past history with specific consumers as well as current economic conditions. After establishing the allowance, accounts and loans receivable are typically written off when reasonable and cost effective collection efforts are exhausted. Actual results could vary from the estimate.

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 and uncertainty in tax position
The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax exempt purpose is subject to taxation as unrelated business income. Therefore, the Foundation adopted the provisions of *Accounting for Uncertainty in Income Taxes* which clarify the accounting and recognition for income tax positions taken or expected to be taken in the Foundation's annual reporting returns. The Foundation's reporting returns are subject to audit by federal and state taxing authorities. The Foundation's open audit periods are 2009 through 2011. No income tax provision has been included in the financial statements as the Foundation has determined it does not have unrelated business income subject to taxation.

Expense allocation
For purposes of reporting expenses, identifiable expenses are directly recorded to program and management and general. Expenses related to more than one function are allocated to these categories based on periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific program service but provide for the overall support and direction of the Foundation.

Concentration of credit risk
Investments consist primarily of financial instruments including cash equivalents, equity and fixed income securities and money market funds. These financial instruments may subject the Foundation to concentrations of credit risk, as, from time to time, balance may exceed amounts insured by the Federal Deposit Insurance Corporation, the market value of securities are dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values. Certain receivables also subject the Foundation to concentrations of credit risk.

The majority of the Foundation's contributions are received from donors located in the greater Springfield, Ohio area. As such, the Foundation's ability to generate resources via contributions is dependent on the economic health of that area. An economic downturn could cause a decrease in contributions that coincides with an increase in the need among the individuals the Foundation supports.

Subsequent events
The Foundation evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through October 12, 2012, the date which the financial statements were available to be issued.

2. CASH:

A summary of cash follows:

	2012	2011
Imprest cash fund, Dean's Loan and Circle of Friends	$ 446	$ 270
STAR Ohio	44,495	639,934
	$ 44,941	$ 640,204

3. INVESTMENTS:

The following summarizes investment values at June 30:

	2012		2011	
	Fair Value	Cost Basis	Fair Value	Cost Basis
Bond fund	$ 2,661,750	2,328,424	$ 2,563,674	$ 2,309,318
Equity fund	5,842,543	3,835,472	6,161,029	3,947,470
High quality bond fund	1,895,114	1,704,318	1,999,957	1,874,280
Money market accounts	99,489	99,489	55,109	55,109
Mutual fund - fixed	541,578	528,987	650,528	642,545
Common stock	264,133	243,774	-	-
Real Estate Investment Trust	11,777	10,372	-	-
Mutual fund - closed-end equity	36,280	80,954	62,560	100,954
Mutual fund - equity	856,206	851,945	1,003,940	1,010,480
Certificates of deposit	238,308	238,308	389,688	389,688
Total	$ 12,447,178	$ 9,922,043	$ 12,886,485	$ 10,329,844

Investment fees are netted against interest income in the Statement of Activities. Total fees for 2012 and 2011 were $40,372 and $38,259, respectively.

Assets and Liabilities Measured on a Recurring Basis
FASB 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:

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).

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 Aggregated Bond Index over a full market cycle, and;
3) Offer an actively managed, multi-manger 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 investments in these categories have been estimated using the net asset value per share of the investments. Redemption policies of these funds range from weekly to monthly and there were no unfunded commitments at June 30, 2012.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Balance as of June 30, 2012	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foundation Investments:				
Privately held funds:				
U.S. fixed income	$ 1,895,114	$ -	$ 1,895,114	$ -
Large cap	1,632,824	-	1,632,824	-
All cap	2,185,603	-	2,185,603	-
International equity	144,573	-	144,573	-
Emerging markets	280,642	-	280,642	-
Directional strategies	535,770	-	535,770	-
Core bonds	3,002,015	-	3,002,015	-
Global bonds	212,607	-	212,607	-
Credit	119,060	-	119,060	-
Opportunistic	229,616	-	229,616	-
Distressed debt	161,582	-	161,582	-
Total privately held funds	$ 10,399,406	$ -	$ 10,399,406	$ -
Mutual funds:				
Large cap	$ 614,225	$ 614,225	$ -	$ -
Mid cap	161,277	161,277	-	-
Short-term bonds	274,044	274,044	-	-
Long-term bonds	119,700	119,700	-	-
Foreign large cap	116,991	116,991	-	-
Equity	29,811	18,040	-	-
High yield bond	9,500	9,500	-	-
Financial	120,294	120,294	-	-
Total Mutual Funds	$ 1,445,842	$ 1,434,071	$ -	$ -
Common stock	$ 264,133	$ 264,133	$ -	$ -

	Balance as of June 30, 2011	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foundation Investments:				
Privately held funds:				
U.S. fixed income	$ 1,999,957	$ -	$ 1,999,957	-
Large cap	1,544,272	-	1,544,272	-
All cap	2,303,322	-	2,303,322	-
International equity	191,943	-	191,943	-
Emerging markets	296,640	-	296,640	-
Directional strategies	671,802	-	671,802	-
Core bonds	2,992,573	-	2,992,573	-
Global bonds	218,118	-	218,118	-
Credit	69,798	-	69,798	-
Opportunistic	209,393	-	209,393	-
Distressed debt	226,842	-	226,842	-
Total privately held funds	$ 10,724,660	$ -	$ 10,724,660	-
Mutual funds:				
Large cap	998,589	998,589	-	-
Mid cap	169,694	169,694	-	-
Interim-term bonds	87,640	87,640	-	-
Short-term bonds	133,480	133,480	-	-
Index funds	308,745	308,745	-	-
Equity	18,880	18,880	-	-
Total Mutual Funds	$ 1,717,028	$ 1,717,028	$ -	$ -

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 2.76% and 4.38%, respectively, to the present value of future cash flows, for the years ended June 30, 2012 and 2011.

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

	2012	2011
One year or less	$ 314,987	$ 388,907
Between one and five years	1,153,850	1,248,812
Longer than five years	1,125,000	1,375,000
	2,593,837	3,012,719
Discounts and allowances	(255,636)	(448,820)
Net pledges	$ 2,338,201	$ 2,563,899

5. NET ASSETS:

Net assets at June 30 consist of the following:

	2012	2011
Unrestricted		
Major gifts	$ 3,217	$ 382,966
Board designated for scholarships and special projects	46,475	78,224
Board designated for endowment	271,728	371,420
Unrestricted	21,144	12,319
Total	$ 342,564	$ 844,929

	2012	2011
Temporarily restricted		
Major gifts	$ 2,276,024	$ 3,259,156
Scholarships and other	384,047	346,481
Endowment	2,942,466	3,192,556
Mumma loan fund	146,321	132,130
Total	$ 5,748,858	$ 6,930,323

	2012	2011
Permanently restricted		
Scholarships	$ 2,361,895	$ 2,360,818
Performing Arts Center	3,294,157	3,258,315
Technology	522,694	361,694
Champion City Scholarships	2,506,190	2,506,190
Total	$ 8,684,936	$ 8,487,017

6. DISTRIBUTIONS TO CLARK STATE COMMUNITY COLLEGE:

During the years ended June 30, 2012 and 2011, the Foundation distributed $1,532,500 and $1,798,187, respectively, to the College for both restricted and unrestricted purposes.

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, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 2,942,466	$ 8,684,936	$ 11,627,402
Board-designated funds	271,728	-	-	271,728
Total funds	$ 271,728	$ 2,942,466	$ 8,684,936	$ 11,899,130

Endowment net asset composition by type of fund as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 3,192,556	$ 8,487,017	$ 11,679,573
Board-designated funds	371,420	-	-	371,420
Total funds	$ 371,420	$ 3,192,556	$ 8,487,017	$ 12,050,993

Changes in endowment net assets for year ended June 30, 2012.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 371,420	$ 3,192,556	$ 8,487,017	$ 12,050,993
Investment return				-
Investment income, net	1,152	233,156	-	234,308
Net appreciation	(14,731)	(54,630)	-	(69,361)
Total investment return	(13,579)	178,526	-	164,947
Contributions	-	2,000	197,919	199,919
Appropriation of endowment assets for expenditure	(86,113)	(430,616)	-	(516,729)
Net assets, end of year	$ 271,728	$ 2,942,466	$ 8,684,936	$ 11,899,130

Changes in endowment net assets for year ended June 30, 2011.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 139,859	$ 2,022,009	$ 7,255,660	$ 9,417,528
Investment return				
Investment income, net	2,325	233,316	-	235,641
Net appreciation	107,097	1,199,848	-	1,306,945
Total investment return	109,422	1,433,164	-	1,542,586
Gains to restore prior year losses on temporarily restricted endowment assets	197,619	(197,619)	-	-
Contributions	-	34,432	1,231,357	1,265,789
Appropriation of endowment assets for expenditure	(75,480)	(99,430)	-	(174,910)
Net assets, end of year	$ 371,420	$ 3,192,556	$ 8,487,017	$ 12,050,993

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:

(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. The Foundation did not have any such deficiencies for fiscal year 2012 or 2011.

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.

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 Directors
Clark State Community College Foundation
Springfield, Ohio

We have audited the financial statements of Clark State Community College Foundation (the "Foundation"), a component unit of Clark State Community College, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 12, 2012. 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

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 Organization'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.

Compliance and Other Matters

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 12, 2012

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CLARK STATE COMMUNITY COLLEGE FOUNDATION

CLARK 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 11, 2012