



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments
www.bhscpas.com

North Central State College Foundation, Inc.

Richland County, Ohio

Regular Audit

For the Year Ended June 30, 2011
Fiscal Year Audited Under GAGAS: 2011



Dave Yost • Auditor of State

Board of Trustees
North Central State College Foundation, Inc.
2441 Kenwood Circle
Mansfield, Ohio 44903

We have reviewed the *Independent Accountants' Report* of the North Central State College Foundation, Inc., Richland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., 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 North Central State College Foundation, Inc. is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

January 9, 2012

This page intentionally left blank.

North Central State College Foundation, Inc.
Table of Contents
For the Fiscal Year Ended June 30, 2011

<u>Title</u>	<u>Page</u>
Board of Trustees and Committees	i
Appointed Officials	ii
Independent Accountants' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to the Financial Statements.....	5 – 12
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13 – 14

North Central State College Foundation, Inc.

Board of Trustees & Committees

July 1, 2010 through July 30, 2011

Internal Relations

Deborah Adams, Vice President (Chair)
Tom Brennan
Don Covert
Bernie Deubel
Kim Foster
Mark Kreinbuhl
Peg Moir (ex-officio)**
Gayle Gorman Freeman
Kevin Nestor
Gale Wagner (ex-officio)
Chriss Harris (ex-officio, Foundation staff)
Rick Taylor

Activities Committee

Rick Ruehle (Chair)
Mark Collins, (ex-officio)
Juanita Carter
Edie Humphrey
Ken Bender
Gary Utt
Gale Wagner (ex-officio)
Steve Williams (ex-officio)
Bob Zettler
Kathy Daniels
Chriss Harris (ex-officio)
Lee Tasseff

Capital Campaign

Rick Taylor (Chair)
Matt Smith (Co-chair)
Debbi Adams
Bill Cooper
George (Bud) Frank
Gayle Gorman Freeman
Brad Peffley
Chriss Harris
Bill Jilek
Don Plotts**
Tim Rowsey
Don Stone
Dave Williamson
Glenn McClelland

Resource Development

Bill Jilek (Chair)
George “Bud” Frank
Deborah Adams
Tammy Hammond
Mark Kreinbuhl
Lori McKee (ex-officio)
Don Plotts
Gale Wagner (ex-officio)
Lydia Reed
Tim Rowsey
Rick Ruehle
Matt Smith (vice chair)
Vic Smith

Community and Alumni Relations

Bill Cooper (Chair)
Mary Bolin
Larry Collins, (ex-officio)
Dave Gooch
Jay Goyal
Virginia Imhoff
Gunther Meisse
Mary Rodriguez (ex-officio)
Don Culliver, (ex-officio)
Marilyn John, (ex-officio)
Dr. Ron Walker
Betty Wells (ex-officio)
Dave Williamson

North Central State College Foundation, Inc.

Appointed Officials

July 1, 2010 through July 30, 2011

PRESIDENT

Brad Peffley

IMMEDIATE PAST PRESIDENT

Glenn McClelland

VICE PRESIDENT FOR ACTIVITIES

Rick Ruehle

VICE PRESIDENT FOR COMMUNITY RELATIONS

Bill Cooper

VICE PRESIDENT FOR INTERNAL RELATIONS

Deborah Adams

VICE PRESIDENT FOR RESOURCE DEVELOPMENT

Bill Jilek

College Trustees

Matt Smith

SECRETARY

Juanita Carter

TREASURER

Lori McKee

EXECUTIVE DIRECTOR

Chriss Harris

LEGAL COUNSEL

Weldon, Huston & Keyser

David D. Carto

Bank One Building Eighth, Ninth and Tenth Floors

28 Park Avenue West

Mansfield, OH 44902-1692

This page intentionally left blank.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Independent Accountants' Report

North Central State College Foundation, Inc.
Board of Trustees
2441 Kenwood Circle
Mansfield, Ohio 44903

We have audited the accompanying statement of financial position of the North Central State College Foundation, Inc., Richland County, Ohio (the Foundation), a component unit of the North Central State College, as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Central State College Foundation Inc., Richland County, Ohio as of June 30, 2011, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2011, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Balestra, Harr & Scherer, CPAs, Inc.
November 11, 2011

North Central State College Foundation, Inc.
Statement of Financial Position
As of June 30, 2011

ASSETS

Cash and cash equivalents	\$	685,674
Investments		2,790,054
Interest in Assets held by Richland County Foundation		250,000
Contributions receivable (net of allowance for uncollectible and accumulated amortization discount)		1,481,880
Prepaid Expense		40,851
Capital Assets, Net		<u>13,366</u>
Total Assets	\$	<u><u>5,261,825</u></u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts Payable	\$	147,308
Line of Credit		262,902
Deferred Income		<u>106,115</u>
Total Liabilities		<u>516,325</u>
Net Assets:		
Unrestricted		459,982
Temporarily Restricted		1,458,546
Temporarily Restricted-Assets held by Richland County Foundation		<u>250,000</u>
Total Temporarily Restricted		1,708,546
Permanently Restricted		2,576,972
Total Net Assets		<u>4,745,500</u>
Total Liabilities and Net Assets	\$	<u><u>5,261,825</u></u>

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

North Central State College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS</u>				
Contributions, net of future values and bad debts	\$ 280	\$ 1,287,457	\$ 1,103,066	\$ 2,390,803
Investment income, including realized and unrealized gains and losses, net	110,010	205,424	-	315,434
Richland County Foundation Revenue	22,097	-	-	22,097
Fundraising Revenue	227,976	-	-	227,976
Other Revenue	-	-	-	-
Net assets released from restrictions	419,620	(419,620)	-	-
	<u>779,983</u>	<u>1,073,261</u>	<u>1,103,066</u>	<u>2,956,310</u>
<u>EXPENSES</u>				
Program Services:				
Scholarships	419,620	-	-	419,620
Entrepreneur Hall of Fame	13,756	-	-	13,756
Professional development	1,345	-	-	1,345
Personnel reimbursement	131,798	-	-	131,798
Management and General:				
Investment Expense	-	-	-	-
Fundraising	1,404,944	-	-	1,404,944
Materials and Supplies	22,225	-	-	22,225
Contractual Services	4,483	-	-	4,483
Outreach Fund	8,694	-	-	8,694
Other Expense	35,829	-	-	35,829
	<u>2,042,694</u>	<u>-</u>	<u>-</u>	<u>2,042,694</u>
Changes in Net Assets	(1,262,711)	1,073,261	1,103,066	913,616
Net Assets, Beginning of Year	1,722,693	635,285	1,473,906	3,831,884
Net Assets, End of Year	<u>\$ 459,982</u>	<u>\$ 1,708,546</u>	<u>\$ 2,576,972</u>	<u>\$ 4,745,500</u>

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

North Central State College Foundation, Inc.
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011

Cash Flows from Operating Activities:	
Change in net assets	\$ 913,616
Adjustments to reconcile net assets to net cash used for operating activities:	
Increase in contributions receivable	(145,039)
Decrease in emergency loan receivable	5,764
Decrease in prepaid expenses	16,521
Decrease in accounts payable	111,551
Increase in line of credit	262,902
Increase in deferred revenue	(3)
Contributions restricted for investment in endowment	(1,103,066)
Net unrealized and realized gains on investments	<u>(1,015,909)</u>
 Total adjustments	 <u>(1,867,279)</u>
 Net cash used for operating activities	 (953,663)
 Cash flows from financing activities:	
Proceeds from contributions restricted for investment in endowment	 <u>1,103,066</u>
 Net cash provided by financing activities	 <u>1,103,066</u>
 Cash flows from capital and related financing activities:	
Purchase of capital assets, net of depreciation	 <u>3,614</u>
 Net cash provided by capital and related financing activities	 3,614
 Net increase in cash and cash equivalents	 153,017
 Cash and cash equivalents at beginning of year	 <u>532,657</u>
 Cash and cash equivalents at end of year	 <u><u>\$ 685,674</u></u>

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

North Central State College Foundation, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2011

1. DESCRIPTION OF THE FOUNDATION

North Central State College Foundation, Inc. (the Foundation) financial statements have been prepared on an accrual basis of accounting. The Foundation is a not-for-profit organization established in accordance with Section 501(c)(3) of the Internal Revenue Code. The Foundation operates under a Board of Trustees who is appointed, not to be less than twelve, but not to exceed forty members. The Foundation is organized primarily to engage in activities and programs to provide support and services to the North Central State College (the College).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions

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

Financial Statement Presentation

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

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

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

Permanently Restricted Assets

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

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

Cash and Cash Equivalents

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

Investments

The Foundation reports investments in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Investments in marketable securities with readily determined fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investments of the unrestricted, temporarily restricted, and permanently restricted funds are pooled for making investment transactions and are carried at market value. Interest and dividend income, as well as realized and unrealized gains and losses, are allocated to unrestricted, temporarily restricted, and permanently restricted funds.

North Central State College Foundation, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Service and Facilities

The Foundation has no employees or property (other than cash and investments). Substantially all clerical and management duties are presently performed by business office personnel who are employees of North Central State College, utilizing equipment and facilities of North Central State College.

For accounting purposes, the value of facilities is considered immaterial and it has not been recognized in the financial statements. However, the value of the services provided by College personnel have been recognized in the Statement of Activities as personnel reimbursement expenses.

Contributions Receivable

Contributions received, including unconditional promises to give, are recognized as revenue by net asset class when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. Conditional promises are recorded when donor stipulations are substantially met. The Foundation requires an initial minimum balance of \$10,000 to establish a scholarship fund.

Prepaid Expenses

Certain payments to vendors for fundraising activities reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets acquired by the Foundation consist of office equipment. All expenditures for capital assets in excess of \$1,000 are capitalized. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets not to exceed ten years.

Deferred Revenue

Deferred revenue results from various fundraising activities. It represents amounts received from sponsors, vendors, and sales of admission tickets in advance. Deferred revenue is recognized as revenue in the period that the fundraising activity actually occurs.

Estimates

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

3. INVESTMENTS

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

North Central State College Foundation, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2011

3. INVESTMENTS (Continued)

At June 30, 2011, investments consisted of the following:

	Market/ Carrying Value	Maturity			
		Less than One Year	1-2 Years	3-5 Years	6-7 Years
International Treasuries	\$194,984	\$44,287	\$54,746	\$54,951	\$41,001
Money Market	191,669	191,669	0	0	0
Money Market Investments –					
U.S. Government Obligations	107,663	27,429	30,819	28,941	20,474
Mutual Funds – Fixed Income Corporations	945,995	140,580	309,916	361,764	133,735
Mutual Funds – Equity Securities	1,326,010	1,326,010	0	0	0
Alternative Investments – SPDR Gold Trust	23,733	23,732	0	0	0
Total	\$2,790,054	\$1,753,707	\$395,481	\$445,656	\$195,210

The Foundation determines the fair market values of its financial instruments based on the fair value hierarchy established in SFAS No. 157, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the Foundation's own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The Standard describes three levels within its hierarchy that may be used to measure fair value:

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

Level 2 Inputs: Significant other observable inputs other than Level 1 quoted 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 Inputs: 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 value of investments held by the Foundation at June 30, 2011 is summarized as follows:

	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observ- able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
International Treasuries	\$ 194,984	\$-0-	\$-0-
Money Market	191,669	-0-	-0-
Money market investments –			
U.S. Government Obligations	107,663	-0-	-0-
Mutual Funds – Fixed Income Corporations	945,995	-0-	-0-
Mutual Funds – Equity Securities	1,326,010	-0-	-0-
Alternative Investments – SPDR Gold Trust	<u>23,733</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$2,790,054</u>	<u>\$-0-</u>	<u>\$-0-</u>

North Central State College Foundation, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2011

4. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as contributions receivable and contributions of the appropriate net asset category. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount rate on those amounts is computed using a risk free interest rate applicable to the years in which the promises are to be received. The discount rate used for the year ended June 30, 2011 was 3.25%. The amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until conditions of those promises have been met.

Contributions receivable consisted of the following at June 30, 2011:

Unconditional promises to give before unamortized discount and allowance for uncollectible contributions:

Unrestricted	\$909,957
Temporarily restricted	573,762
Permanently restricted	<u>315,591</u>
Gross unconditional promises to give	1,799,310
Less: Unamortized discount	(137,799)
Less: Allowance for uncollectible contributions	<u>(179,631)</u>
Amounts due:	
Less than one year	<u>\$1,481,880</u>

5. TEMPORARILY RESTRICTED NET ASSETS

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

Scholarships for Students	\$115,905
Other Expense	<u>25,721</u>
Total Released Net Assets	<u>\$141,626</u>

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

North Central State College Foundation, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2011

5. TEMPORARILY RESTRICTED NET ASSETS (Continued)

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

<u>Scholarships for Students:</u>	
ADA Ford Education al Aid	\$4,631
Ambassador Scholarship	6,400
Alumni Scholarship	2,954
Brown Scholarship	1,683
Cardwell/Near Scholarship	1,955
Cobey Scholarship	4,588
Carter Memorial	6,940
Coleman Scholarship	2,019
Coleman Project Fund	15,000
Cress	500
Dean's Fund	2,578
Emerson Scholarship	13,485
Entrepreneur Fund	18,664
Equipment	54,491
Faculty Scholarship	2,096
Fallerius Addition	20,000
G-R Civic Scholarship	2,367
Garber Scholarship	6,904
Galion FOP Scholarship	1,597
Gimbel-Health Chair	46,243
Gimble Scholarships	20,095
Gorman Fund	28,432
Gorman-Rupp Scholarship	5,213
Gubkin Scholarship	500
CC-Entrepreneur	40,000
Kroger Scholarship	2,026
Haring Scholarship	2,885
Innovation Fund	68,036
Jenko	28,407
Kehoe Center	444,621
Mansfield University	5,000
Necessities Fund	56,120
Necessities – Crawford	15,117
Necessities - Shelby	4,935
Necessities - Wayne	3,000
Nursing Scholarship	17,790
Orange and Blue Scholarship	9,686
Phillips E Troop	3,582
Phillips Fund	6,262
Pres Emeritus Scholarship	4,111
Preston Scholarship	3,100
PTA Fund	2,196
Rable Machine Scholarship	2,801
Radiology Merit Scholarship	4,591
RMC	1,307

North Central State College Foundation, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2011

5. TEMPORARILY RESTRICTED NET ASSETS (Continued)

RR Donnelley	2,000
Searle – PTA	5,775
Searle – RN	5,775
Scholarships – General	5,437
Urban Center Scholarship Fund	3,000
Urban Center Project Fund	2,000
Vetter	500
Welsh Scholarship	5,196
Tech Prep	4,181
Other (Receivable Pledges)	429,774
Richland County Foundation	250,000
Total Temporarily Restricted	<u>\$1,708,546</u>

6. PERMANENTLY RESTRICTED NET ASSETS

Endowment Scholarships for Students:

ADA Ford Educational Aid Fund	\$20,000
Alumni	13,779
Brown/Respiratory	10,571
Cardwell/Neer	10,000
Carter Memorial Endowment	31,267
Cobey Scholarship	19,201
Coleman Scholarship	12,706
Cress	26,800
Emerson Scholarship	104,653
Faculty Scholarship	10,621
G-R Civic Scholarship	22,463
Galion FOP	11,500
Garber Scholarship	27,821
Gimble Health Chair	400,000
Gorman-Rupp Scholarship	56,661
Gubkin Scholarship	10,000
Haring Scholarship	24,334
Jenko	699,933
Kroger Scholarship	36,129
Necessities	119,790
Necessities – Crawford	31,250
Necessities – Crawford	23,090
Necessities – Wayne	25,000
Nursing Scholarship	234,801
Orange and Blue Scholarship	78,658
Phillips	50,000
Presidents Emeritus Endowment	20,320
Preston Endowment	33,821
PTA Fund	15,040

North Central State College Foundation, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2011

6. PERMANENTLY RESTRICTED NET ASSETS (Continued)

Endowment Scholarships for Students:

RMC	8,500
Searle – PTA	20,000
Searle – RN	20,000
Vetter	10,000
Welsh Scholarship	53,678
Entrepreneur Endowment (Y.E.S.)	38,651
Restricted Contributions	<u>245,934</u>
Total Permanently Restricted	<u><u>\$2,576,972</u></u>

Interpretation of UPMIFA: The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“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, 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

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 had no such amounts totaled as of June 30, 2011.

7. RICHLAND COUNTY FOUNDATION

During 1991, the Foundation established a “Direct Fund” in which an irrevocable gift was made to the Richland County Foundation. This fund is identified by the Richland County Foundation as the North Central State College Foundation “Endowment Fund” and is subject to the provisions contained within the fund agreement dated December 31, 1991. This fund is the property of the Richland County Foundation, whereby, those funds will be held in perpetuity, and the investment income will be distributed to the Foundation annually to benefit the North Central State College. One of the provisions in this fund agreement, the variance power, concerns the power to vary some of the terms of the agreement. As defined by United States Treasury Regulations, the Richland County Foundation has the right to modify the terms of the fund agreement if in the judgment of the Richland County Foundation’s Board of Trustees, the restrictions and conditions in the agreement become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

North Central State College Foundation, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2011

7. RICHLAND COUNTY FOUNDATION (Continued)

In accordance with SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Hold Contributions for Others*, the portion of this fund contributed by the Foundation is considered a reciprocal transfer because the Foundation is also the beneficiary of this fund. This balance is shown on the Richland County Foundation's Statement of Financial Position as a liability called "Funds Held as Agency Endowments". This amounted to \$250,000 at June 30, 2011.

Also, under SFAS No. 136, the portion of this fund contributed by unrelated third party donors is considered a contribution to the Richland County Foundation and is included in the net assets of Richland County Foundation. The amount recognized in the Statement of Financial Position of the Richland County Foundation at June 30, 2011 totaled \$282,246.

8. INCOME TAXES

The Foundation is a not-for-profit corporation as described in Section 501 (c) (3) of the Internal Revenue Code, and the organization is exempt from federal and state income taxes.

9. RELATED PARTY

As described in Note 1, the Foundation is affiliated with the College. During the year ended June 30, 2011, the College provided the Foundation with professional services valued at \$131,798. The value of those services are included as personnel reimbursement expenses in the financial statements.

During the year ended June 30, 2011, the Foundation provided scholarships and support to the College of \$419,620.

10. LINE OF CREDIT

In Fiscal Year 2011, the College Foundation obtained a line of credit for up to \$600,000, secured by monetary assets at Key Bank, to complete the funding of the construction project at North Central State College's Fallerius Center. The construction project is to be completed during the fall of 2011 (Fiscal Year 2012). Payments from donors on Foundation-secured financial pledges for the construction project will be made over the next three years and used to pay off the Key Bank Line of Credit. The outstanding liability at June 30, 2011 was \$262,902.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

North Central State College Foundation, Inc.
Board of Trustees
2441 Kenwood Circle
Mansfield, Ohio 44903

We have audited the financial statements of the North Central State College Foundation, Inc., Richland County, Ohio (the Foundation) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 11, 2011. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies, resulting in more than a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and timely corrected.

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 material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Foundation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We noted certain matters not requiring inclusion in this report that we reported to the Foundation's management in a separate letter dated November 11, 2011.

North Central State College Foundation, Inc.
Board of Trustees
Independent Accountants' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, other within the organization, and the Board of Trustees. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
November 11, 2011



Dave Yost • Auditor of State

NORTH CENTRAL STATE COLLEGE FOUNDATION, INC.

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 19, 2012**