

***CUYAHOGA COMMUNITY  
COLLEGE FOUNDATION***

*(A Component Unit of  
Cuyahoga Community College)*

*Financial Statements  
Years Ended June 30, 2012 and 2011  
And Independent Auditors' Report*





# Dave Yost • Auditor of State

Board of Directors  
Cuyahoga Community College Foundation  
700 Carnegie Avenue  
Cleveland, Ohio 44115

We have reviewed the *Independent Auditors' Report* of the Cuyahoga Community College Foundation, Cuyahoga County, prepared by Maloney + Novotny LLC, 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 Cuyahoga 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

January 3, 2013

**This page intentionally left blank.**

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## TABLE OF CONTENTS

---

	<b>Page</b>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2012 and 2011:	
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Cash Flows	5
Notes to the Financial Statements	6-19
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	20-21
STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND COMPLIANCE FOR THE YEAR ENDED JUNE 30, 2012	22

**This page intentionally left blank.**

Board of Directors  
Cuyahoga Community College Foundation  
Cleveland, Ohio

### Independent Auditors' Report

We have audited the accompanying statements of financial position of the Cuyahoga Community College Foundation (the "Foundation") as of June 30, 2012 and 2011 and the related statements of activities and of 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 consideration of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of Cuyahoga Community College Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred above present fairly, in all material respects, the financial position of the 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 26, 2012 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Cleveland, Ohio  
October 26, 2012

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## STATEMENTS OF FINANCIAL POSITION YEARS ENDED JUNE 30, 2012 AND 2011

---

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Cash and Cash Equivalents	\$ 1,435,191	\$ 1,473,012
Investments	26,345,456	24,692,680
Receivables:		
Interest	218	30
Pledges - Net	5,236,588	2,036,160
Due from Related Party	7,600	78,428
Beneficial Interest in Remainder Trust	372,641	0
Prepaid Expenses	37,000	75,000
<b>TOTAL</b>	<b>\$ 33,434,694</b>	<b>\$ 28,355,310</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Due to Related Party	\$ 2,117,673	\$ 642,011
Annuities Payable	4,961	5,214
<b>Total Liabilities</b>	<b>2,122,634</b>	<b>647,225</b>
 <b>NET ASSETS:</b>		
Unrestricted	248,670	326,182
Temporarily Restricted	29,013,591	25,336,104
Permanently Restricted	2,049,799	2,045,799
<b>Total Net Assets</b>	<b>31,312,060</b>	<b>27,708,085</b>
<b>TOTAL</b>	<b>\$ 33,434,694</b>	<b>\$ 28,355,310</b>

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

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND INVESTMENT ACTIVITIES:				
Contributions and Grants	\$ 435,332	\$ 6,266,079	\$ 4,000	\$ 6,705,411
Special Events Revenue	93,685	1,249,326	0	1,343,011
Interest and Dividend Income	76,581	629,614	0	706,195
Net Decrease in Fair Value of Investments	0	(695,570)	0	(695,570)
Net Assets Released from Restriction	3,771,962	(3,771,962)	0	0
	<u>4,377,560</u>	<u>3,677,487</u>	<u>4,000</u>	<u>8,059,047</u>
Total Revenues				
EXPENSES:				
Program Services:				
Scholarships	651,045	0	0	651,045
Educational Development	3,204,457	0	0	3,204,457
Total Program Services	<u>3,855,502</u>			<u>3,855,502</u>
Special Events	220,488	0	0	220,488
Administration and General	182,344	0	0	182,344
Fundraising	196,738	0	0	196,738
	<u>4,455,072</u>	<u>0</u>	<u>0</u>	<u>4,455,072</u>
Total Expenses				
CHANGES IN NET ASSETS	(77,512)	3,677,487	4,000	3,603,975
NET ASSETS - Beginning of year	<u>326,182</u>	<u>25,336,104</u>	<u>2,045,799</u>	<u>27,708,085</u>
NET ASSETS - End of year	<u>\$ 248,670</u>	<u>\$ 29,013,591</u>	<u>\$ 2,049,799</u>	<u>\$ 31,312,060</u>

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

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND INVESTMENT ACTIVITIES:				
Contributions and Grants	\$ 237,213	\$ 2,768,796	\$ 4,000	\$ 3,010,009
Special Events Revenue	233,583	1,657,172	0	1,890,755
Interest and Dividend Income	76,105	640,868	0	716,973
Net Increase in Fair Value of Investments	0	3,113,772	0	3,113,772
Net Assets Released from Restriction	3,643,318	(3,643,318)	0	0
	<u>4,190,219</u>	<u>4,537,290</u>	<u>4,000</u>	<u>8,731,509</u>
EXPENSES:				
Program Services:				
Scholarships	989,003	0	0	989,003
Educational Development	2,468,911	0	0	2,468,911
Total Program Services	<u>3,457,914</u>			<u>3,457,914</u>
Special Events	316,079	0	0	316,079
Administration and General	224,420	0	0	224,420
Fundraising	147,429	0	0	147,429
	<u>4,145,842</u>	<u>0</u>	<u>0</u>	<u>4,145,842</u>
CHANGES IN NET ASSETS	44,377	4,537,290	4,000	4,585,667
NET ASSETS - Beginning of year	<u>281,805</u>	<u>20,798,814</u>	<u>2,041,799</u>	<u>23,122,418</u>
NET ASSETS - End of year	<u>\$ 326,182</u>	<u>\$ 25,336,104</u>	<u>\$ 2,045,799</u>	<u>\$ 27,708,085</u>

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

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 3,603,975	\$ 4,585,667
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Decrease (Increase) in Fair Value of Investments - Net	695,570	(3,113,772)
Permanently Restricted Contributions	(4,000)	(4,000)
(Increase) Decrease in Interest Receivable	(188)	425
(Increase) Decrease in Pledges Receivable	(3,200,428)	173,611
Increase in Due To Related Party	1,475,662	267,831
(Increase) in Beneficial Interest in Remainder Trust	(372,641)	0
Decrease in Prepaid Expenses	38,000	0
Decrease (Increase) in Due From Related Party	70,828	(10,083)
Cash Provided by Operating Activities	<u>2,306,778</u>	<u>1,899,679</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investments	(8,095,978)	(5,311,225)
Proceeds from Sale of Investments	<u>5,747,632</u>	<u>651,134</u>
Cash Used in Investing Activities	<u>(2,348,346)</u>	<u>(4,660,091)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Decrease) Increase in Annuities Payable	(253)	5,214
Permanently Restricted Contributions	<u>4,000</u>	<u>4,000</u>
Cash Provided by Financing Activities	<u>3,747</u>	<u>9,214</u>
 DECREASE IN CASH AND CASH EQUIVALENTS	 (37,821)	 (2,751,198)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,473,012</u>	<u>4,224,210</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 1,435,191</u>	<u>\$ 1,473,012</u>

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

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2012 AND 2011

---

### 1. DESCRIPTION OF ORGANIZATION

The Cuyahoga Community College Foundation (the "Foundation") was incorporated in August 1973 as a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code for the purpose of collecting donations from individuals, corporations, and foundations to be distributed as scholarships to persons attending Cuyahoga Community College (the "College"), and to be used for other purposes benefiting the College. The Foundation is a component unit of Cuyahoga Community College. As of June 30, 2012, the Foundation's tax years from 2008 and thereafter remain subject to examination by the Internal Revenue Service, as well as various state taxing authorities.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Accounting and Financial Statement Presentation***—The financial statements of the Foundation are prepared on the accrual basis of accounting. The accompanying financial statements of the Foundation present information regarding its net assets and activities in the following three categories:

*Unrestricted* - Net assets are under the discretionary control of the Board of Directors (the "Board"), are free from any and all donor restrictions, and include amounts designated by the Board for specified purposes.

*Temporarily Restricted* - Net assets are restricted by the donor for a specific purpose (generally scholarships or educational development programs) or use in a future time period. The income on these net assets is either temporarily restricted or unrestricted based on the intentions of the donor.

*Permanently Restricted* - Net assets are subject to the donor's restriction that the principal remain invested in perpetuity. The income on these net assets may also be restricted by the donor and is generally used for scholarships or educational development programs.

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

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

***Cash and Cash Equivalents***—Cash and cash equivalents include cash in checking accounts and short-term investments with an original maturity of three months or less. Substantially all of the Foundation's cash and cash equivalents are composed of investments in money market funds. At times, cash on hand may exceed federally insured limits.

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2012 AND 2011

---

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

**Investments**—Investments of the unrestricted, temporarily restricted, and permanently restricted funds are pooled for making investment transactions and are carried at fair value with any realized or unrealized gains and losses reported in the statement of activities. Interest and dividend income, as well as realized and unrealized gains and losses, is allocated proportionally each month.

**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. Promises made that are 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. It is the Foundation's policy that an initial minimum balance of \$25,000 be required to establish an endowment fund. The policy allows for an annual review to determine if the accumulation of contributions and interest meet the minimum principal balance requirements.

**Beneficial Interest in Remainder Trust**—The Foundation is the beneficiary of a charitable remainder unitrust for which the Foundation is not the trustee. The Foundation recognizes the present value of the estimated future benefits to be received when the trust assets are distributed as temporarily restricted contribution revenue and as a receivable.

**Contributions and Special Events**—Contributions, including bequests, special gifts and other donations, are recorded as revenue when received or by pledge when an unconditional pledge is made. All contributions and gifts are considered to be available for unrestricted use unless specifically restricted by the donor. Noncash bequests, gifts, and donations, if any, would be recorded at the fair value of the asset at the date of donation. Special Event revenue is primarily generated through the annual Presidential Scholarship Luncheon (temporarily restricted) and through parking receipts generated from special events (unrestricted).

**Program Services Expenses**—All scholarships and other program services distributions are approved by the Board. Unconditional gifts to the College are recognized as educational development expense when approved. Gifts approved by the Board that are payable upon performance of specified conditions by the grantee (if any) are recognized in the statements of activities when the specified conditions are satisfied.

**Annuities Payable**—The Foundation is obligated under an annuity contract, whereby a donor has contributed cash to the Foundation with the agreement that the donor shall be the sole recipient of quarterly annuity payments. These quarterly payments, currently totaling \$750 per year, shall terminate on the last payment date preceding the death of the donor. The discount rate used to estimate the obligation in fiscal years 2012 and 2011 is 3.0%.

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2012 AND 2011

---

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

*Subsequent Events*—The Foundation has evaluated subsequent events through October 26, 2012 which is the date the financial statements were available to be issued and has determined that no reporting is necessary.

### 3. INVESTMENTS

For investment purposes, assets of the various unrestricted, temporarily restricted and permanently restricted classifications are pooled. Realized and unrealized gains and losses and investment income are allocated to unrestricted assets except when the donor specifies that income is to be temporarily or permanently restricted.

<b>Description</b>	<b>2012</b>	<b>2011</b>
Mutual Funds	\$ 20,001,723	\$ 16,901,610
Common Trust Funds	4,805,683	7,791,070
Alternative Investments	1,538,050	0
Total	<u>\$ 26,345,456</u>	<u>\$ 24,692,680</u>

The investments are exposed to various risks such as interest rate, market, and credit risks.

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2012 AND 2011

---

### 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable (pledges) are accounted for in accordance with generally accepted accounting principles. The recorded value of contributions receivable is the present value of estimated future cash receipts using a discount rate of 4.75% for fiscal years 2012 and 2011. Management has determined that any allowance for uncollectible promises to give would be immaterial. Amounts due are as follows:

	<u>2012</u>	<u>2011</u>
Less than one year	\$ 4,107,785	\$ 1,829,886
One to five years	1,141,194	201,000
Six to ten years	75,000	30,000
Totals	5,323,979	2,060,886
Unamortized Discount	(87,391)	(24,726)
Total	<u>\$ 5,236,588</u>	<u>\$ 2,036,160</u>

### 5. BENEFICIAL INTEREST IN REMAINDER TRUST

The beneficial interest in a charitable remainder unitrust at the end of June 30, 2012 totaled \$372,641 representing the estimated portion of the trust for which the Foundation is the designated beneficiary. The Foundation had no beneficial interest in any remainder trust in fiscal year 2011.

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2012 AND 2011

---

### 6. RELATED PARTY TRANSACTIONS

The Foundation recognized contributions and special events revenue from the College during the years ended June 30, 2012 and 2011 of \$343,685 and \$233,583. The amounts owed to the Foundation as of June 30, 2012 and 2011 are \$7,600 and \$78,428 which are reported as due from related party on the statements of financial position.

The Foundation recognizes contributed services received from the College when those services (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by College employees possessing those skills, and would typically need to be purchased if not provided by the donation. The Foundation recognized \$177,832 and \$227,713 of contributed services as contribution revenue and as administrative and general, and fundraising expenses in 2012 and 2011.

The Foundation received grants restricted for educational development programs at the College from various donors of \$4,028,944 and \$1,850,186 in 2012 and 2011, respectively. These grants are classified as temporarily restricted until the College meets certain conditions. The undistributed amounts for which the College has met the conditions are \$2,117,673 and \$642,011 as of June 30, 2012 and 2011, respectively, which are reported as due to related party on the statements of financial position.

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2012 AND 2011

---

### 7. NET ASSETS

Net assets are restricted primarily for scholarships and educational purposes. Net assets were released from restriction for the following purposes during the years ended June 30:

	<u>2012</u>	<u>2011</u>
Scholarships	\$ 368,945	\$ 861,703
Educational Development	3,199,457	2,455,688
Special Events	144,417	275,732
Other	59,143	50,195
Totals	<u>\$ 3,771,962</u>	<u>\$ 3,643,318</u>

Temporarily 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 the following purposes at June 30:

	<u>2012</u>	<u>2011</u>
Scholarships	\$ 25,108,946	\$ 22,175,171
Educational Development	2,844,812	1,728,861
Special Events	1,059,833	1,432,072
Totals	<u>\$ 29,013,591</u>	<u>\$ 25,336,104</u>

Permanently restricted net assets are held in perpetuity and whose use by the Foundation has been limited by donor agreements that stipulate that realized gains relating to those permanently restricted investments shall become part of the principal of those permanently restricted funds. Income from those permanently restricted investments shall be used for the following purposes at June 30:

	<u>2012</u>	<u>2011</u>
Scholarships	\$ 1,549,799	\$ 1,545,799
Educational Development	500,000	500,000
Totals	<u>\$ 2,049,799</u>	<u>\$ 2,045,799</u>

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2012 AND 2011

---

### 8. INVESTMENT OBJECTIVES AND ENDOWMENT FUNDS

The Foundation places great importance on risk reduction through asset allocation and style diversification. Investment results are measured using a rolling five to seven year period or a full market cycle. The following are the investment performance objectives, in order of importance, for the portfolio:

- To generate a minimum annual real rate of return of approximately 5.0% after deducting for advisory, money management, custodial fees, and total transaction costs.
- To obtain a total return on the portfolio, net of all investment related fees, that exceeds the total return of the policy benchmark.
- Performance will be evaluated versus achievement of spending policy and comparisons to a similar set of investments.

The goals of the strategic asset allocation policy are to establish a long-term asset allocation plan for the Foundation's portfolio that is consistent with objectives and guidelines contained in this policy and carried out in an efficient manner. To that end, this policy establishes an acceptable range, defined to be any percentage above a minimum and below a maximum percentage of the portfolio allocated to a particular asset class, and a target percentage, defined to be the percentage goal for the investment of the portfolio in that asset class.

Market value fluctuations and operational needs may cause variations from the strategic asset allocation policy ranges stated in this policy. Depending upon market conditions, the percentage allocation to each asset class may vary as much as plus or minus 5.0%. The Foundation does not deem it acceptable to time the market with tactical allocation shifts. Asset mixes and the possibilities for rebalancing are considered on a monthly basis. The intention of this policy is to avoid short-term judgments that introduce significant unplanned risk.

Distributions from endowment funds are spent in compliance with the donor's restrictions applicable to the funds being distributed. The Foundation classifies as permanently restricted net assets (a) the original value of the 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.

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2012 AND 2011

---

### 8. INVESTMENT OBJECTIVES AND ENDOWMENT FUNDS – continued

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with UPMIFA, the College 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 College
7. The investment policies of the Foundation

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 Organization to retain as a fund of perpetual duration. When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. There were no deficits of this nature in fiscal years 2012 and 2011.

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2012 AND 2011

---

### 8. INVESTMENT OBJECTIVES AND ENDOWMENT FUNDS – continued

The Foundation's endowment fund activity was as follows for the year ended June 30, 2012:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 22,175,171	\$ 2,045,799	\$ 24,220,970
Investment return:			
Investment income	565,152	0	565,152
Net depreciation (realized and unrealized)	<u>(655,842)</u>	<u>0</u>	<u>(655,842)</u>
Total investment return	(90,690)	0	(90,690)
Cash contributions and transfers	4,914,787	4,000	4,918,787
Appropriation of endowment assets for expenditure	<u>(1,890,322)</u>	<u>0</u>	<u>(1,890,322)</u>
Endowment net assets, end of year	<u>\$ 25,108,946</u>	<u>\$ 2,049,799</u>	<u>\$ 27,158,745</u>

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2012 AND 2011

---

### 8. INVESTMENT OBJECTIVES AND ENDOWMENT FUNDS – continued

The Foundation's endowment fund activity was as follows for the year ended June 30, 2011:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 18,175,373	\$ 2,041,799	\$ 20,217,172
Investment return:			
Investment income	555,416	0	555,416
Net appreciation (realized and unrealized)	<u>2,937,982</u>	<u>0</u>	<u>2,937,982</u>
Total investment return	3,493,398	0	3,493,398
Cash contributions and transfers	1,654,489	4,000	1,658,489
Appropriation of endowment assets for expenditure	<u>(1,148,089)</u>	<u>0</u>	<u>(1,148,089)</u>
Endowment net assets, end of year	<u>\$ 22,175,171</u>	<u>\$ 2,045,799</u>	<u>\$ 24,220,970</u>

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2012 AND 2011

---

### 9. FAIR VALUE MEASUREMENTS

The carrying amounts of financial assets reported in the accompanying statement of financial position approximate their fair value. Generally accepted accounting principles provide a framework for measuring fair value, requires disclosure about fair value measurements, and establishes a three level hierarchy for disclosure to show the extent and the level of judgment used to estimate fair value measurements:

*Level 1* – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

*Level 2* – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets or liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

*Level 3* – Uses inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models and market assumptions.

The following tables set forth by level within the fair value hierarchy the Foundation's financial assets that were accounted for at a fair value on a recurring basis as of June 30, 2012 and 2011. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels. The table does not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value.

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2012 AND 2011

### 9. FAIR VALUE MEASUREMENTS – continued

Financial assets consisted of the following at June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Equity Mutual Funds:				
Domestic Large-Cap	\$ 2,824,504	\$ 0	\$ 0	\$ 2,824,504
Domestic Mid-Cap	1,844,874	0	0	1,844,874
Domestic Small-Cap	1,616,433	0	0	1,616,433
Global	1,442,490	0	0	1,442,490
International	3,632,228	0	0	3,632,228
Fixed Income Mutual Funds	8,641,194	0	0	8,641,194
Common Trust Funds:				
Domestic Large-Cap Equity	0	4,805,683	0	4,805,683
Alternative Investments	0	0	1,538,050	1,538,050
Total Investments	<u>\$ 20,001,723</u>	<u>\$ 4,805,683</u>	<u>\$ 1,538,050</u>	<u>\$ 26,345,456</u>
Beneficial Interest in				
Remainder Trust	0	0	372,641	372,641
Total	<u>\$ 20,001,723</u>	<u>\$ 4,805,683</u>	<u>\$ 1,910,691</u>	<u>\$ 26,718,097</u>

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2012 AND 2011

---

### 9. FAIR VALUE MEASUREMENTS – continued

Financial assets consisted of the following at June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity Mutual Funds:			
Domestic Large-Cap	\$ 1,049,875	\$ 0	\$ 1,049,875
Domestic Mid-Cap	1,729,828	0	1,729,828
Domestic Small-Cap	1,717,908	0	1,717,908
International	4,002,961	0	4,002,961
Fixed Income Mutual Funds	8,401,038	0	8,401,038
Common Trust Funds:			
Domestic Large-Cap Equity	0	7,148,234	7,148,234
Convertible Securities	0	642,836	642,836
Total	<u>\$ 16,901,610</u>	<u>\$ 7,791,070</u>	<u>\$ 24,692,680</u>

The Foundation did not have any Level 3 financial assets in fiscal year 2011.

For the years ended June 30, 2012 and 2011, the changes in assets measured using significant unobservable inputs (Level 3) were as follows:

	<u>2012</u>	<u>2011</u>
Beginning Balance	\$ 0	\$ 0
Purchases	1,500,000	0
Contributions Received	372,641	0
Unrealized Gains	38,050	0
Ending Balance	<u>\$ 1,910,691</u>	<u>\$ 0</u>

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2012 AND 2011

---

### 9. FAIR VALUE MEASUREMENTS – continued

***Equity Mutual Funds***—Equity mutual funds primarily invest in common stock of domestic and international corporations in a variety of industries. Quoted prices in active markets are used to value the equity mutual funds and therefore are classified as Level 1.

***Fixed Income Mutual Funds***—Fixed income mutual funds primarily invest in U.S. Treasuries and corporate bonds. Quoted prices in active markets are used to value the fixed income mutual funds and therefore are classified as Level 1.

***Common Trust Funds***—Common trust funds are valued based on their reported net asset value (NAV) by the trustee. The NAV of these funds are based on the market value of their underlying investments, adjusted for charges and expenses, and are classified as Level 2 of the fair value hierarchy.

***Alternative Investments***—Alternative investments do not have readily determined fair values as they are not listed on national exchanges or over-the-counter markets. Fair value has been determined based on the individual fund's net asset valuation which is considered to be an unobservable input and classified as Level 3 of the fair value hierarchy. The fund's annual financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and the underlying investments are reported at fair value.

***Beneficial Interest in Charitable Remainder Unitrust***—The fair value of the beneficial interest in the charitable remainder unitrust is estimated at the present value of the projected proceeds that will be received from the trust. As such, the fair value of the beneficial interest is considered to be determined based on Level 3 inputs.

Board of Directors  
Cuyahoga Community College Foundation  
Cleveland, Ohio

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

We have audited the financial statements of Cuyahoga Community College Foundation (the “Foundation”) as of and for the year ended June 30, 2012 and have issued our report thereon dated October 26, 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

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 Foundation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 would not necessarily identify all deficiencies in internal control that might be 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.

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 (Continued)

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*.

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

*Meloney + Novotny LLC*

Cleveland, Ohio  
October 26, 2012

CUYAHOGA COMMUNITY COLLEGE FOUNDATION  
STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL  
AND COMPLIANCE

Year Ended June 30, 2012

---

There were no comments on internal control and compliance included in the prior year reports.



# Dave Yost • Auditor of State

**CUYAHOGA COMMUNITY COLLEGE FOUNDATION**

**CUYAHOGA 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 15, 2013**