

**THE EDISON FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

June 30, 2013 and 2012





# Dave Yost • Auditor of State

Board of Directors  
The Edison Foundation, Inc.  
1973 Edison Drive  
Piqua, Ohio 45356

We have reviewed the *Independent Auditor's Report* of The Edison Foundation, Inc., Miami County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2012 through June 30, 2013. 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 Edison 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

December 12, 2013

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THE EDISON FOUNDATION, INC.

Piqua, Ohio

FINANCIAL STATEMENTS

June 30, 2013 and 2012

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## Independent Auditor's Report

To the Board of Directors  
The Edison Foundation, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Edison Foundation, Inc., which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets and statement of cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors  
The Edison Foundation, Inc.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Edison Foundation, Inc. as of June 30, 2013 and 2012 and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2013 on our consideration of The Edison Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting 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* in considering The Edison Foundation, Inc.'s internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 9, 2013

THE EDISON FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2013 and 2012

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	June 30	
	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 142,526	\$ 303,254
Receivables		
Interest and dividends	4,508	4,085
Pledges - Net (Note 3)	106,700	202,507
Investments (Note 4)	<u>1,727,973</u>	<u>1,517,769</u>
Total assets	<u>\$ 1,981,707</u>	<u>\$ 2,027,615</u>
<b>NET ASSETS</b>		
Net Assets (Note 6)		
Unrestricted	\$ 1,189,460	\$ 1,222,436
Temporarily restricted	658,625	672,847
Permanently restricted	<u>133,622</u>	<u>132,332</u>
Total net assets	<u>\$ 1,981,707</u>	<u>\$ 2,027,615</u>

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See accompanying notes to financial statements.

THE EDISON FOUNDATION, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013
<b>Revenues and other support</b>				
Gifts and grants	\$ 116,806	\$ 202,588	\$ 817	\$ 320,211
Investment earnings:				
Interest and dividends	37,445	4,915	-	42,360
Net realized and unrealized gains	53,861	6,070	973	60,904
Net assets released from restrictions	<u>228,295</u>	<u>(227,795)</u>	<u>(500)</u>	<u>-</u>
Total revenues and other support	436,407	(14,222)	1,290	423,475
<b>Expenses</b>				
College scholarships awarded	89,268	-	-	89,268
Holiday evening event	67,564	-	-	67,564
Grants for College	103,032	-	-	103,032
Debt service for College	119,500	-	-	119,500
Salaries	46,728	-	-	46,728
Bad debt	4,750	-	-	4,750
Graduate academy	1,641	-	-	1,641
Investment advisory fee	12,590	-	-	12,590
Miscellaneous	<u>24,310</u>	<u>-</u>	<u>-</u>	<u>24,310</u>
Total expenses	<u>469,383</u>	<u>-</u>	<u>-</u>	<u>469,383</u>
<b>(Decrease) increase in net assets</b>	(32,976)	(14,222)	1,290	(45,908)
Net assets at beginning of year	<u>1,222,436</u>	<u>672,847</u>	<u>132,332</u>	<u>2,027,615</u>
<b>Net assets at end of year</b>	<u><b>\$ 1,189,460</b></u>	<u><b>\$ 658,625</b></u>	<u><b>\$ 133,622</b></u>	<u><b>\$ 1,981,707</b></u>

See accompanying notes to financial statements.

THE EDISON FOUNDATION, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012
<b>Revenues and other support</b>				
Gifts and grants	\$ 6,030	\$ 288,246	\$ 100	\$ 294,376
Investment earnings:				
Interest and dividends	37,762	5,743	-	43,505
Net realized and unrealized losses	(5,850)	(3,361)	-	(9,211)
Net assets released from restrictions	<u>665,701</u>	<u>(664,701)</u>	<u>(1,000)</u>	<u>-</u>
Total revenues and other support	703,643	(374,073)	(900)	328,670
<b>Expenses</b>				
College scholarships awarded	72,693	-	-	72,693
Holiday evening event	76,962	-	-	76,962
Debt service for College	475,000	-	-	475,000
Graduate academy	9,938	-	-	9,938
Investment advisory fee	11,869	-	-	11,869
Miscellaneous	<u>89,389</u>	<u>-</u>	<u>-</u>	<u>89,389</u>
Total expenses	<u>735,851</u>	<u>-</u>	<u>-</u>	<u>735,851</u>
<b>Decrease in net assets</b>	(32,208)	(374,073)	(900)	(407,181)
Net assets at beginning of year	<u>1,254,644</u>	<u>1,046,920</u>	<u>133,232</u>	<u>2,434,796</u>
<b>Net assets at end of year</b>	<u><b>\$ 1,222,436</b></u>	<u><b>\$ 672,847</b></u>	<u><b>\$ 132,332</b></u>	<u><b>\$ 2,027,615</b></u>

See accompanying notes to financial statements.

THE EDISON FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2013 and 2012

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	2013	2012
<b>Cash flows from operating activities</b>		
Decrease in net assets	\$ (45,908)	\$ (407,181)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Net realized and unrealized (gains) losses	(60,904)	9,211
Change in other assets and liabilities:		
Pledges receivable	95,807	250,473
Interest and dividends receivable	(423)	(135)
Grants and other payables	-	(431)
Net cash used in operating activities	(11,428)	(148,063)
<b>Cash flows from investing activities</b>		
Cash paid for investments	(797,648)	(240,509)
Cash received from sale of investments	648,348	188,025
Net cash used in investing activities	(149,300)	(52,484)
Decrease in cash and cash equivalents	(160,728)	(200,547)
Cash and cash equivalents, beginning of year	303,254	503,801
<b>Cash and cash equivalents, end of year</b>	<b>\$ 142,526</b>	<b>\$ 303,254</b>

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See accompanying notes to financial statements.

THE EDISON FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization: The Edison Foundation, Inc. (the "Foundation") was established in 1993 as a charitable foundation under Section 501(c)(3) of the Internal Revenue Code whereby it is exempt from federal income tax. Its purpose is to solicit, receive, and administer assets exclusively for charitable purposes which would most effectively assist and benefit Edison State Community College (the "College"), its students, and its faculty.

The Foundation's financial information is included in the College's financial statements as a component unit.

Basis of Presentation: In accordance with generally accepted accounting principles as applied to not-for-profit organizations, the financial statements of the Foundation have been prepared on the accrual basis of accounting. Consequently, revenues and related assets are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents: The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Net Assets: Net assets are classified into three categories:

*Unrestricted net assets.* Unrestricted net assets have no donor-imposed restrictions.

*Temporarily restricted net assets.* Temporarily restricted net assets have donor-imposed restrictions that will expire or be satisfied in the future. Generally, these donor restrictions limit the use of these net assets to scholarships and other College programs.

*Permanently restricted net assets.* Permanently restricted net assets have donor-imposed restrictions that neither expire by passage of time nor can be fulfilled by actions of the Foundation.

Contributions: Contributions are recorded as revenues in the year received or when a bequest is legally finalized. Unconditional pledges are recorded in the period that the pledges are received. Conditional pledges are recorded in the period in which the conditions have been met. Funds from pledges to be collected in future years are recorded at net present value. All pledges are net of an allowance for doubtful collections. The allowances are based upon prior experience, management's judgment, and other related factors.

Investments: Investments are stated at fair value and realized and unrealized gains and losses are reflected in the statements of activities and changes in net assets. Fair value is determined by market quotations. Donated investments are recorded at fair value at the time received.

Investment Earnings: Interest and dividends from endowment investments are credited to temporarily restricted funds and spent in compliance with donor stipulations and the Foundation's spending policy. Interest and dividends from non-endowment investments are credited to the unrestricted fund for expenditure at the discretion of the Foundation's board of trustees. Realized gains or losses are determined based on the average cost method.

THE EDISON FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Expenses by functional classification for the years ended June 30 are summarized as follows:

	<u>Year Ended June 30</u>	
	<u>2013</u>	<u>2012</u>
Program services	\$ 317,450	\$ 574,341
Management and general	97,438	107,137
Fundraising	<u>54,495</u>	<u>54,373</u>
Total operating expenses	<u>\$ 469,383</u>	<u>\$ 735,851</u>

Net Assets Released from Restrictions: 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 statements of activities and changes in net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

Income Taxes: Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2013 and 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2010.

Related Parties: The Foundation has maintained capital campaign and other contributions for the purpose of assisting the College with making principal and interest payments on the College's long-term debt. During 2013 and 2012, the Foundation transferred these balances, in the amount of \$119,500 and \$475,000, respectively, to the College based on the Board of Directors' determination that the College is better suited to manage risks and administer the funds supporting the College's payments on long-term debt. See Note 8.

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 affecting 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 expenditures during the reporting periods. Actual results could differ from those estimates.

THE EDISON FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Upcoming Pronouncement: In April 2013, FASB issued Accounting Standards Update 2013-06, *Not-for-Profit Entities: Services Received from Personnel of an Affiliate*. The standard provides guidance on how to account for contributed personnel serviced from affiliate. The standard clarifies that all contributed services received from an affiliate that directly benefit the recipient not-for-profit should be recognized. The standard will be effective for annual periods beginning after June 15, 2014. The Foundation is currently evaluating the impact this standard will have on the financial statements when adopted during the June 30, 2015 fiscal year.

Subsequent Events: The financial statements and related disclosures include evaluation of events up through and including October 9, 2013, which is the date the financial statements were available to be issued.

**NOTE 2 - BUSINESS AND CONCENTRATIONS OF CREDIT RISK**

The Foundation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and investments. The Foundation places its cash in federally insured banks. Cash is generally in excess of the Federal Deposit Insurance Corporation's insurance limit. However, management has not experienced any significant losses and does not believe they are subject to significant risk.

Investments are managed by a professional investment manager. The investment manager is subject to the Foundation's investment policies which contain objectives, guidelines, and restrictions designed to provide for preservation of capital with emphasis on providing current income and achieving long-term growth of the funds.

**NOTE 3 - PLEDGES RECEIVABLE**

As of June 30, 2013 and 2012, contributors to the Foundation have outstanding unconditional pledges totaling \$110,000 and \$224,750, respectively. Gross pledges receivable were discounted to a net present value of \$208,770 as of June 30, 2012, which represents fair value. The discount rate was 5% for 2012, based on the College's debt borrowing rate. An allowance for doubtful pledges of \$3,300 and \$6,263 has been applied to the gross receivable balance as of June 30, 2013 and 2012, respectively. All pledges have been classified as temporarily restricted net assets since they will either expire or be fulfilled within a specified period of time. Net pledges are due as follows:

	<u>2013</u>	<u>2012</u>
Less than one year	\$ 106,700	\$ 105,717
One to five years	<u>-</u>	<u>96,790</u>
Total	<u>\$ 106,700</u>	<u>\$ 202,507</u>

THE EDISON FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

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**NOTE 4 - INVESTMENTS**

Investments at June 30, 2013 and 2012, by major security type, were as follows:

	<u>2013</u>	<u>2012</u>
Corporate bonds	\$ 448,085	\$ 564,526
Equities	514,578	334,967
Mutual funds - REITS	79,324	58,887
Mutual funds - Fixed income	290,962	389,390
Mutual funds - Equities	<u>395,024</u>	<u>169,999</u>
Total	<u>\$ 1,727,973</u>	<u>\$ 1,517,769</u>

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

There were no capital gains distributions in either year.

The investment policy is determined based on the goals, objectives, and risk tolerance of the Foundation. As new information regarding the economic environment becomes available, the investment policy may need to be revised. Asset allocations fluctuate due to market performance; however, the target asset allocation is as follows:

Equity securities	45%
Fixed income	45%
Cash and cash equivalents	5%
REITS	5%

**NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: 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: 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.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended June 30, 2013 and 2012, there were no transfers between levels of the fair value hierarchy.

THE EDISON FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

**NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

Assets Measured on a Recurring Basis:

Assets measured at fair value on a recurring basis are summarized below (in thousands):

Fair Value Measurements at June 30, 2013			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Fixed income - Domestic	\$ 462,137	\$ -	\$ -
Fixed income - International	122,684	-	-
Fixed income - U.S. agencies	154,225	-	-
Equities - Domestic	848,349	-	-
Equities - International	61,254	-	-
Equities - REITS	79,324	-	-
Total	\$ 1,727,973	\$ -	\$ -

Fair Value Measurements at June 30, 2012			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Fixed income - Domestic	\$ 643,486	\$ -	\$ -
Fixed income - International	53,068	-	-
Fixed income - U.S. agencies	257,362	-	-
Equities - Domestic	464,315	-	-
Equities - International	40,651	-	-
Equities - REITS	58,887	-	-
Total	\$ 1,517,769	\$ -	\$ -

No assets are carried at fair value measured on a nonrecurring basis.

THE EDISON FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2013 and 2012

**NOTE 6 - NET ASSETS**

Net assets at June 30 consist of the following:

	June 30, 2013		June 30, 2012	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Capital	\$ 170,133	\$ -	\$ 10,509	\$ -
Scholarship	370,213	133,622	453,003	132,332
Pledges	106,700	-	202,507	-
Miscellaneous	11,579	-	6,828	-
Total	\$ 658,625	\$ 133,622	\$ 672,847	\$ 132,332

**NOTE 7 - ENDOWMENT COMPOSITION**

The Foundation's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment fund as of June 30, 2013 and 2012 was \$133,622 and \$132,332, respectively, of permanently restricted net assets. There were no unspent accumulations of earnings. The Foundation spends the earnings each year.

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

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

THE EDISON FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

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**NOTE 7 - ENDOWMENT COMPOSITION** (Continued)

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. These deficiencies result from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Foundation's board of directors. There were no funds with deficiencies at June 30, 2013 and 2012.

Return Objectives, Risk Parameters, and Strategies: 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 funds functioning as endowment. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve an after-cost total real rate of return, including investment income as well as a capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return. Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a policy of only spending the earnings, including appreciation, of the endowment fund. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. During 2013, the Foundation has adopted a new spending policy which allows 5 percent to 6 percent of the three-year moving average of the fund balance (calculated quarterly) to be spent and the remaining income to be reinvested. If an investment loss is realized, the loss is allocated entirely as currently expendable. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

**NOTE 8 - RELATED PARTY**

Most of the Foundation's expenses are processed by the College. The Foundation reimburses the College monthly for those checks written on its behalf. For the year ended June 30, 2012, the College agreed to waive the Foundation's reimbursement of salaries expenses paid by the College on the Foundation's behalf. For the year ended June 30, 2013, the Foundation reimbursed the College for \$46,728 of salaries expense paid by the College on the Foundation's behalf. The Foundation transferred \$103,032 in grant revenue to the College during the year ended June 30, 2013. As noted in Note 1, the Foundation also transferred \$119,500 and \$475,000 to the College during 2013 and 2012, respectively, to support the College's payments on long-term debt.

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*

Independent Auditor's Report

To Management and the Board of Directors  
The Edison Foundation, Inc.

We have audited, in accordance with the 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, the financial statements of The Edison Foundation, Inc., which comprise the basic statement of financial position as of June 30, 2013, and the related basic statements of activities and changes in net assets and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated October 9, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Edison Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To Management and the Board of Directors  
The Edison Foundation, Inc.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Edison Foundation, Inc.'s financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Morse, PLLC*

October 9, 2013

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# Dave Yost • Auditor of State

**THE EDISON FOUNDATION, INC.**

**MIAMI 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 24, 2013**