

SINCLAIR COMMUNITY COLLEGE
Dayton, Ohio

FINANCIAL STATEMENTS
June 30, 2014 and 2013



Dave Yost • Auditor of State

Board of Trustees
Sinclair Community College
444 West Third Street
Dayton, Ohio 45402

We have reviewed the *Independent Auditor's Report* of the Sinclair Community College, Montgomery County, prepared by Crowe Horwath LLP, for the audit period July 1, 2013 through June 30, 2014. 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 Sinclair Community College is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 3, 2015

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SINCLAIR COMMUNITY COLLEGE

Dayton, Ohio

FINANCIAL STATEMENTS

June 30, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

The President and Board of Trustees
Sinclair Community College and
David Yost, Auditor of State

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Sinclair Community College (the "College") as of and for the years ended June 30, 2014 and 2013, and its discretely presented component unit, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which comprise the College's basic financial statements as listed in the table of contents.

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 opinions 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.

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the College as of June 30, 2014 and 2013 and its discretely presented component unit, the Foundation, as of December 31, 2013 and 2012, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 to 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated the same date as this report on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.


Crowe Horwath LLP

Columbus, Ohio
November 3, 2014

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2014 and 2013

This discussion and analysis (MD&A) of Sinclair Community College's (the "College's") financial performance provides an overview of the College's financial activities for the fiscal years ended June 30, 2014 and 2013. Please read it in conjunction with the College's financial statements, which begin on page 15.

Financial and Institutional Highlights

- Sinclair College realized many important achievements in fiscal year 2014 as related to the four core strategies of quality and innovation, accessibility, sustainability and community alignment. Of particular note:
 - A Sinclair faculty member was named *U.S. Professor of the Year* by the Council for the Advancement and Support of Education and the Carnegie Foundation for the Advancement of Teaching
 - A Sinclair student was named *Ohio Student of the Year* and 2014 Coca Cola New Century Scholar
 - The Automotive Program was selected as national program of the year
 - The College's Board and President received exemplar distinction for 2014 by the American Association of Community Colleges
- The College's enrollments, as measured on a full-time equivalency basis (FTE), increased by approximately 5% in fiscal 2014 as compared to fiscal 2013. In support of the statewide priority of encouraging more high school students to earn college credits, Sinclair's increased partnerships with area high schools resulted in significant growth in high school dual enrollments.
- Sinclair's financial health remains strong due to the prudent planning and vigilance of the Board of Trustees and administration. Significant attention has been focused on sound financial planning and sustainability budgetary adjustments in order to responsibly navigate through reduced levels of state and levy funding coupled with enrollment fluctuations.
- In accordance with national higher education policy goals, Sinclair is highly focused on improving student completion and outcomes by partnering with such diverse entities as the Bill & Melinda Gates Foundation, the Mathile Family Foundation, Boston College and Western Governors University. In the past several years, Sinclair has secured four national grants that are synergistically focused on improving student success. During fiscal 2014, the College most recently won a highly competitive U.S. Department of Education Title III grant, called *Connect 4 Completion*, which will provide academic, personal, financial and career advising within career communities.
- The Courseview Campus Center in Mason, Ohio, now in its eighth year of operation, has nearly tripled its enrollment since its launch. As Warren County is a legislatively designated service area of Sinclair, the College continues to prudently plan and implement cost-effective educational opportunities for this growing and underserved market as evidenced by the opening in August 2013 of a second building on the campus that more than doubles its instructional capacity and greatly expands the variety of courses and programs that are and can be offered there.
- The College continued to demonstrate an exceptional level of commitment to teaching and learning in fiscal 2014. In comparison to non-instructional expenses such as facility and administrative costs, Sinclair devotes a significantly higher percentage of its resources to instruction and academic support functions than the average of Ohio's other public community colleges, as demonstrated by Ohio Board of Regents' benchmarking data.
- Sinclair continued progress in implementing its comprehensive facilities master plan for the Dayton Campus by completing a strategic plan for future health science education and rolling out further programming for Unmanned Aerial Systems. These two initiatives, that have substantial educational and economic benefits, will result in facility renovations. The latest state capital budget, approved during fiscal 2014, appropriated \$8 million as partial funding for both of these projects.

(Continued)

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2014 and 2013

Financial Management Philosophy and Accountability

Sinclair Community College utilizes a forward thinking and systematic approach to managing financial resources that is guided by the following principles:

- **Use money as a tool to accomplish the mission:** Money is a tool used in fulfilling our service mission, but is not an end in itself.
- **Employ results oriented spending:** This is generally tied to an expectation of clear mission results.
- **Focus on long-term stability:** Use financial modeling and planning to help ensure the long-term sustainability and financial viability of the College.
- **Pay as you go:** Save money upfront and place in allocated reserves for later use in major capital expenditures, thereby avoiding debt (as opposed to borrowing now and paying later).
- **Save with a plan and purpose:** Maintain allocated reserves to provide flexibility in managing future opportunities and challenges.
- **Plan for margin:** Budget for a 3% to 5% positive margin on the annual operating budget (revenue to exceed expenses) to provide funding for facility maintenance, capital spending and other needs.
- **Save and plan for emergencies:** Plan/budget for unforeseen emergencies and contingencies.

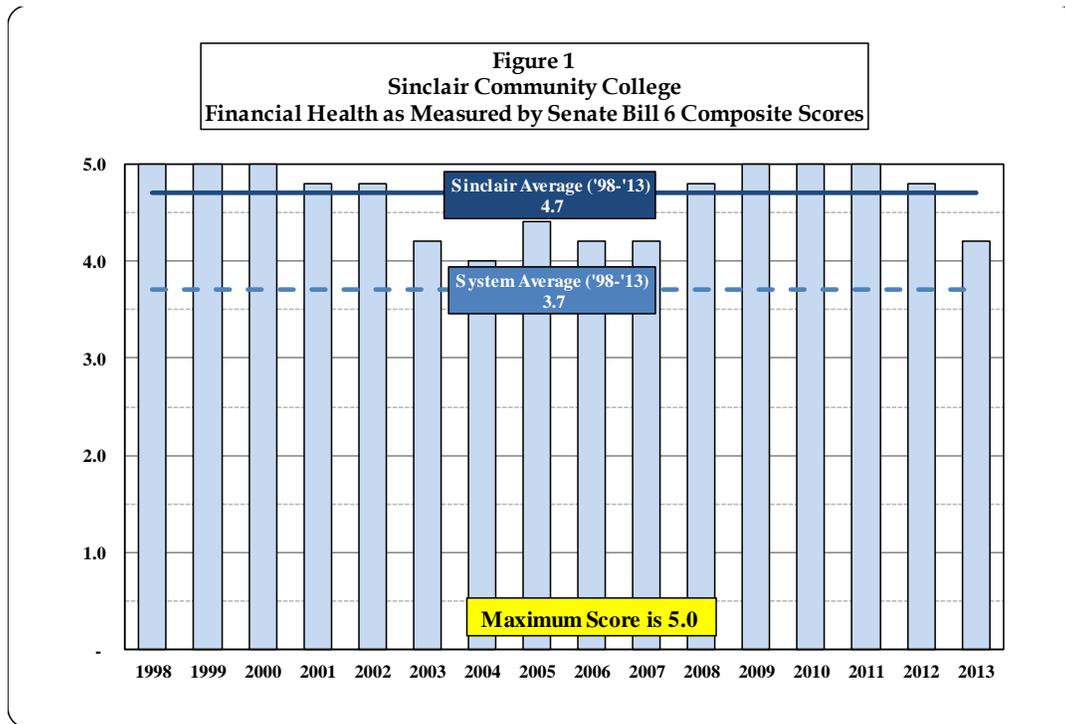
Inputs into the financial management and measurement process come from a variety of sources as shown in the diagram below:



The State of Ohio computes a fiscal accountability measure each year for all public higher education institutions pursuant to Senate Bill 6 passed in 1997. Sinclair's annual scores are depicted in Figure 1 below. For the latest year reported (FY 2013), Sinclair received a score of 4.2 (the highest composite score possible is 5.0). The College has averaged an overall score of 4.7 since the inception of the reporting, which is above average as compared to Ohio's public higher education system as a whole.

(Continued)

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2014 and 2013



Overview of the Financial Statements

This annual report consists of three main parts – the MD&A (this section), the financial statements, and a section containing reports on the audit of federal grants and contracts received by the College.

The financial statements are presented in the format required by generally accepted accounting principles and accepted by the Ohio Board of Regents and the Ohio Department of Budget and Management for all state-assisted two- and four-year colleges and universities in Ohio. The statements are:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows

The statements are prepared on an accrual basis and present all assets and liabilities of the College, both financial and capital, and short and long term. They also present all revenues and expenses of the College during the year, regardless of when cash was received or paid.

Collectively, the statements provide a complete picture of the College's financial condition as of June 30, 2014 and 2013 and the results of its operations for the fiscal years then ended.

Looking ahead, in fiscal year 2015 the College will implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement will require the College to report a share of the unfunded liabilities of the State retirement systems in its Statement of Financial Position. The amount reported will be equal to the unfunded pension liabilities associated with current, former and retired College employees and their beneficiaries, and will be significant. However, under Ohio law there is no legal means to enforce the State systems' pension liabilities against the College.

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SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2014 and 2013

Net Position

The College's total net position is divided into three categories: 1) capital assets, 2) externally restricted net assets, and 3) unrestricted net assets. In the discussion that follows, it will be helpful to keep in mind that two major types of transactions do not change the value of total net position. These are:

- A transfer of net assets from one net asset category to another.
- Capital asset acquisitions, for which payment reduces either unrestricted or restricted net assets, while increasing capital assets by the same amount.

A discussion of the underlying factors impacting the change in net position is provided below and in the next section titled "*Statements of Revenues, Expenses and Changes in Net Position.*"

Fiscal 2014

At June 30, 2014, the College's net position was \$290.7 million (Table 1). Liabilities of \$41.7 million were only 12.5% of total assets of \$332.4 million, primarily due to the fact that the College has purposely avoided long-term debt by strategically using various funding sources, including state capital appropriations, to manage growth and maintain a low level of deferred infrastructure maintenance.

Total net position decreased by \$2.5 million (from \$293.2 million to \$290.7 million) in fiscal 2014. The decrease had these components:

- A net decrease of \$3.2 million after depreciation expense of \$11.2 million, but exclusive of the change in the fair value of investments;
- An increase in the fair value of investments of \$0.7 million; that is, net unrealized gains in the investment portfolio increased from \$4.3 million at June 30, 2013 to \$5.0 million at June 30, 2014.

Also in fiscal 2014, capital asset acquisitions consumed approximately \$13.1 million of unrestricted and restricted net assets and added a corresponding amount to capital assets.

Fiscal 2013

At June 30, 2013, the College's net position was \$293.2 million (Table 1). Liabilities of \$42.2 million were only 12.6% of total assets of \$335.4 million.

Total net position decreased by \$5.4 million (from \$298.6 million to \$293.2 million) in fiscal 2013. The decrease had these components:

- A net increase of \$0.1 million after depreciation expense of \$9.8 million, but exclusive of the change in the fair value of investments;
- A decrease in the fair value of investments of \$5.5 million; that is, net unrealized gains in the investment portfolio decreased from \$9.8 million at June 30, 2012 to \$4.3 million at June 30, 2013.

Also in fiscal 2013, capital asset acquisitions consumed approximately \$12.2 million of unrestricted and restricted net assets and added a corresponding amount to capital assets.

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SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2014 and 2013

TABLE 1
NET POSITION
(in millions of dollars)

	2014	2013	Percentage Change 2013-14	2012
Current assets	\$ 100.7	\$ 98.5	2.2%	\$ 78.7
Investments	94.1	101.1	(6.9%)	122.9
Capital assets, net	137.6	135.8	1.3%	133.3
Total assets	332.4	335.4	(0.9%)	334.9
Current liabilities	37.4	37.9	(1.3%)	31.7
Long-term liabilities	4.3	4.3	0.0%	4.6
Total liabilities	41.7	42.2	(1.2%)	36.3
Net position:				
Net investment in capital assets	137.6	135.8	1.3%	133.3
Restricted—nonexpendable	28.5	28.8	(1.0%)	29.1
Restricted—expendable	2.8	2.7	3.7%	1.6
Unrestricted	121.8	125.9	(3.3%)	134.6
Total net position	\$ 290.7	\$ 293.2	(0.9%)	\$ 298.6

Statements of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position (SRECNP) shown in Table 2 presents the College's operating results for fiscal years 2014, 2013 and 2012. The following narrative provides an overview of the key elements in the SRECNP.

Revenues (Operating, Non-operating and Other)

- Operating revenue of the College is defined as payments received for goods and services provided, and is comprised mainly of tuition and fees, federal and state grants and income from auxiliary operations. Certain other revenue streams of the College are classified as non-operating. These include state appropriations, county property tax levy receipts, federal student financial aid payments, investment income and state capital grants.
- Operating revenue increased by \$1.6 million or 3.3% in fiscal 2014, due primarily to a 9.0% increase in net student fees resulting from rate changes and a reduction in the amount of tuition offsets. (Note: In accordance with the required reporting display, gross tuition and fees on the SRECNP are reduced by grants and scholarships used to help pay those fees, resulting in a net tuition revenue amount). Gross student fees of \$51.54 million (page 17) represent a 2.6% increase over the FY 2013 amount of \$50.24 million. The difference between this result and the FTE-based enrollment increase described in the Highlights section is that reported revenues include accounting timing differences related to the recording of unearned student fee income for the summer terms. Grant revenues were up only slightly year over year, with declines in the state, local and nongovernmental sectors offsetting a 25.0%

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SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2014 and 2013

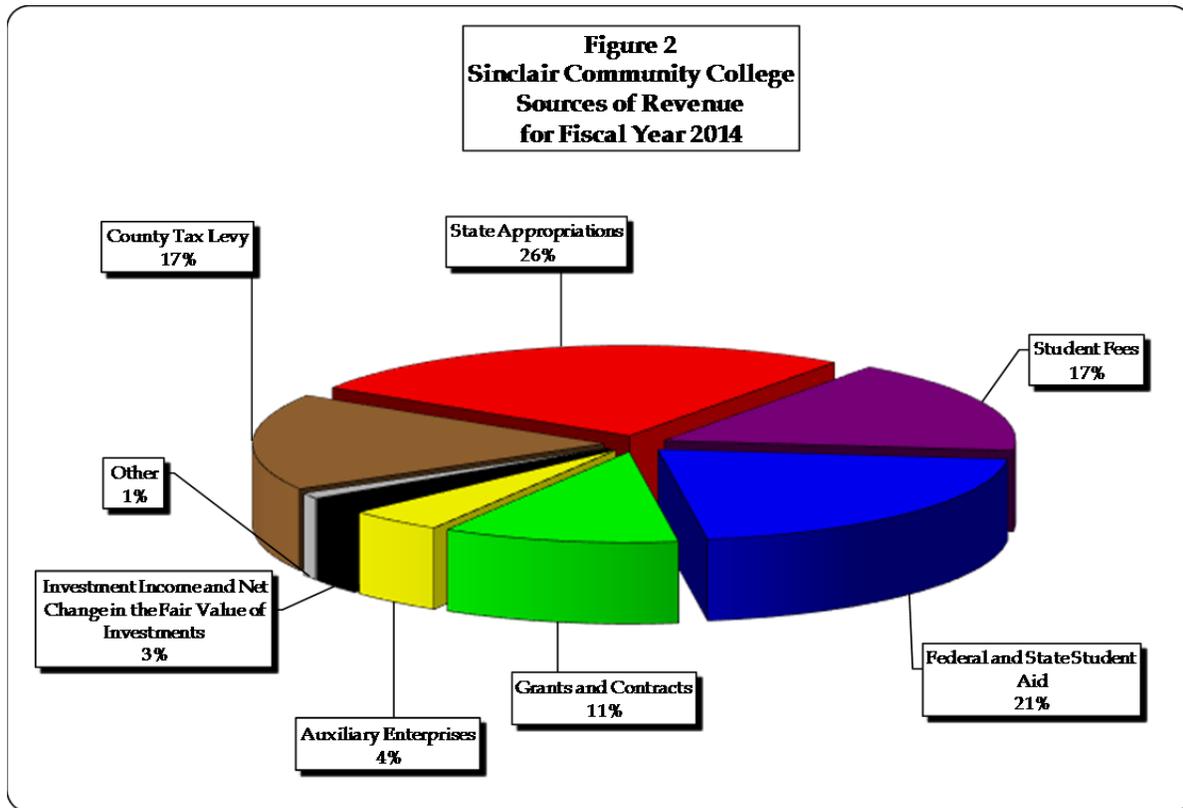
increase from federal sources, most notably a full year's worth of activity on the College's Department of Labor Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant. Revenues from auxiliary operations were 6.5% lower than the prior year.

- Operating revenue increased by \$5.4 million or 12.7% in fiscal 2013, due primarily to increases in all grant categories (federal, state/local and non-governmental); the College received large grants from the Gates Foundation and Educause driving the change in the non-governmental area. A decrease in reported enrollment volume revenue was offset by tuition and fee rate hikes and a lower amount of tuition reductions in the form of grants and scholarships, thereby yielding a slight increase in student tuition and fees.
- Non-operating and other revenues increased by \$2.7 million (2.4%) in fiscal 2014, due in part to the following factors:
 - State appropriations were \$0.4 million or 0.9% higher than the prior year. Notwithstanding this result, state funding on per student FTE has eroded over time; a history of this long-term trend is presented in Figure 4 later in this document.
 - County tax levy revenue was flat at \$28.6. Note that because the levy does not grow with inflation, the College sets aside a portion of levy receipts in a tuition stabilization fund in the early years of the levy's ten-year life cycle, for use in the later years.
 - Federal student aid grant program receipts declined by \$3.6 million or 9.7% in light of changes in eligibility for such aid on the part of Sinclair's students.
 - The impact of unrealized investment valuation changes.
- Non-operating and other revenues decreased by \$15.2 million in fiscal 2013, due in part to reductions in receipts from state appropriations, the county tax levy, and federal student aid grant programs.
 - State appropriations were \$0.8 million or 1.8% lower than the prior year.
 - County tax levy revenue decreased by \$1.3 million or 4.3% due to the continued reduction in taxable property valuations resulting from general economic conditions.
 - Federal student aid grant program receipts declined by \$5.5 million or 12.9% in light of the aforementioned enrollment decline.
- Non-operating revenues in 2014 also include an increase in the fair value of investments of \$0.7 million, following a decrease of \$5.5 million in 2013 and an increase of \$3.0 million in 2012. These amounts reflect changes in the net unrealized gains associated with U.S. government bonds held by the College, and are entirely the result of bond market conditions on the report dates. At June 30, 2014, the bond portfolio includes \$4.98 million in net unrealized gains. Because the College has a practice of holding its investments to maturity, unrealized gains or losses in the investment portfolio are not expected to be realized.

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SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2014 and 2013

Figure 2 below presents the composition of Sinclair's revenue streams.



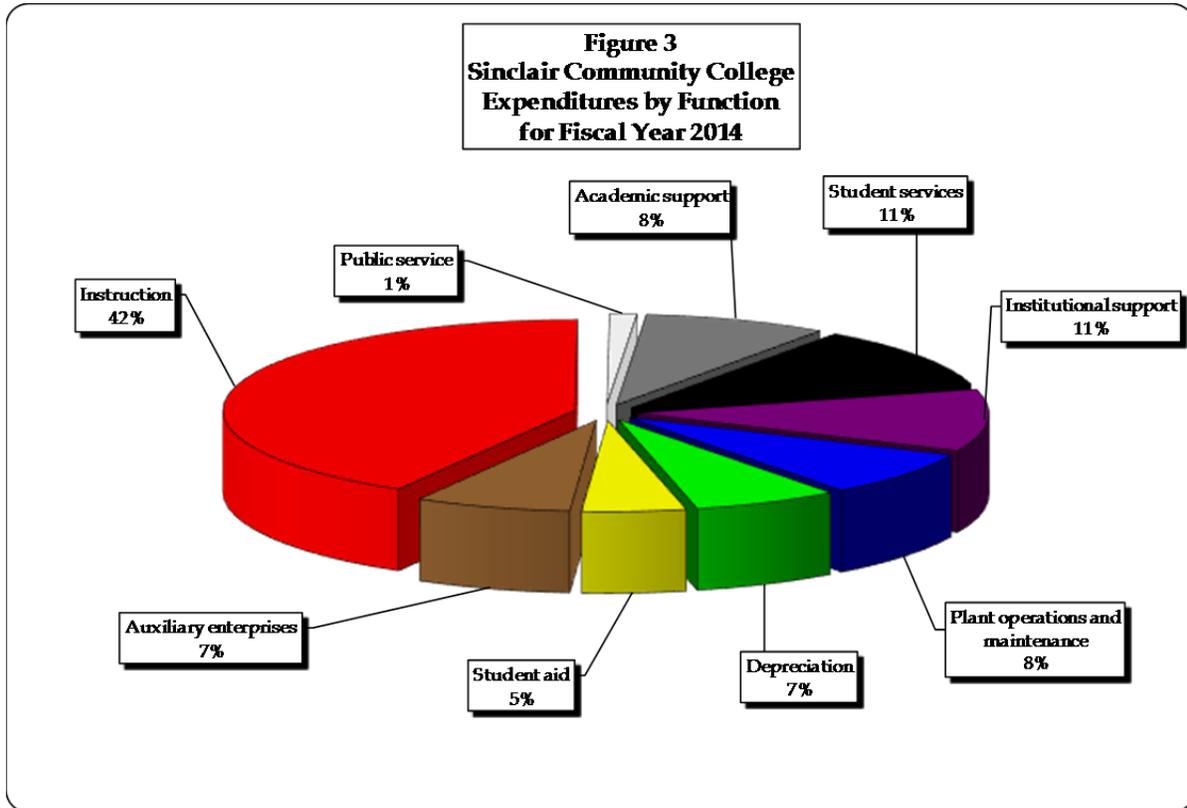
Operating Expenses

- Overall, operating expenses grew by only 0.8% (\$1.4 million) in fiscal 2014 despite enrollment growth of more than 5% over the previous year. The College implemented efficiency initiatives in instructional delivery to allow for added focus on ancillary services to students and also continued to leverage grant monies to bolster spending in this area. The increase in the Academic Support and Student Service categories was due to spending from restricted grants focused on student advising and completion initiatives. Spending for overhead activities (Institutional Support and Plant Operations and Maintenance) was restrained with only a nominal increase of 1.3% or \$0.4 million.
- In fiscal 2013, operating expenses grew by a modest 0.5% or \$0.9 million. Decreases in categories particularly sensitive to enrollment volume changes such as Instruction and Student Aid served to mostly offset increases in Student Services and Institutional Support. The ramp up of efforts pursuant to the Gates Foundation's Completion by Design initiative accounted for a large share of the increase in Student Services. Outlays for the Dayton River Run project and a considerable increase in the purchase of non-capitalized information technology equipment drove the change in the Institutional Support category.

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SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2014 and 2013

Figure 3 breaks out Sinclair's total operating expenses by functional category.



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SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2014 and 2013

TABLE 2
REVENUES, EXPENSES AND CHANGES IN NET POSITION
(in millions of dollars)

	2014	2013	Percentage Change 2013-2014	2012
Operating revenues:				
Student tuition and fees, net of grants and scholarships	\$ 27.8	\$ 25.5	9.0%	\$ 24.9
Federal grants and contracts	6.0	4.8	25.0%	4.2
State and local grants and contracts	0.9	1.3	(30.8%)	1.1
Nongovernmental grants and contracts	5.9	6.5	(9.2%)	3.2
Sales and services of educational departments	1.1	1.3	(15.4%)	1.3
Auxiliary enterprises, net of grants and scholarships	7.2	7.7	(6.5%)	7.0
Other	0.6	0.8	(25.0%)	0.8
Total operating revenues	49.5	47.9	3.3%	42.5
Operating expenses:				
Instruction	70.2	70.7	(0.7%)	71.3
Public service	2.1	2.3	(8.7%)	2.4
Academic support	14.2	11.9	19.3%	11.8
Student services	18.4	17.1	7.6%	15.2
Institutional support	18.5	18.2	1.6%	16.5
Plant operations and maintenance	13.4	13.3	0.8%	13.0
Depreciation	11.2	9.8	14.3%	8.7
Student aid	8.0	9.8	(18.4%)	12.5
Auxiliary enterprises	12.0	13.5	(11.1%)	14.3
Total operating expenses	168.0	166.6	0.8%	165.7
Nonoperating and other revenues:				
State appropriations	43.0	42.6	0.9%	43.4
County tax levy	28.6	28.6	0.0%	29.9
Federal student aid grant programs	33.7	37.3	(9.7%)	42.8
State student aid grant programs	1.1	0.8	37.5%	0.3
Investment income	3.7	4.1	(9.8%)	4.8
Net change in the fair value of investments	0.7	(5.5)	112.7%	3.0
Capital grants	5.2	5.4	(3.7%)	4.3
Total nonoperating and other revenues	116.0	113.3	2.4%	128.5
Change in net position	\$ (2.5)	\$ (5.4)	53.7%	\$ 5.3

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SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2014 and 2013

Capital Assets

Highlights of the College's capital program include the following:

- Building improvement projects on the Dayton campus in 2014 included completion of Black Box Theater construction, work on the first phase of a high efficiency hot water system, and several classroom expansion projects. On the Courseview campus, the renovation of Building B was completed and classrooms were operational at the beginning of Fall Semester. Building improvement projects on the Dayton campus in 2013 included the completion of the Bookstore enhancement project. The Dayton Campus Master Plan Design project, also completed in 2013, represented a fresh look at opportunities to support student learning and College growth.
- Major facility life cycle maintenance projects at the Dayton campus in 2014 included Phase II of the air temperature control system upgrade, continuation of the Buildings 10, 11 and 14 roof replacement projects, masonry repairing and sealing, refurbishment of the women's locker room for academic classes, continuation of the exterior door replacement project, and replacement of boilers and pumps in Building 9. Major facility life cycle maintenance projects at the Dayton campus in 2013 included Phase I of the air temperature control system upgrade, roof replacement for Buildings 10, 11 and 14, air handler replacements in Buildings 1 and 3, and exterior door replacement.
- Major additions to equipment inventory in 2014 included machinery and appliances for academic labs; and servers, chassis systems, switches, routers and controllers for administrative computer operations. In 2013, major additions to equipment inventory included classroom presentation equipment, Bookstore equipment, and computer control room power supply hardware upgrades.

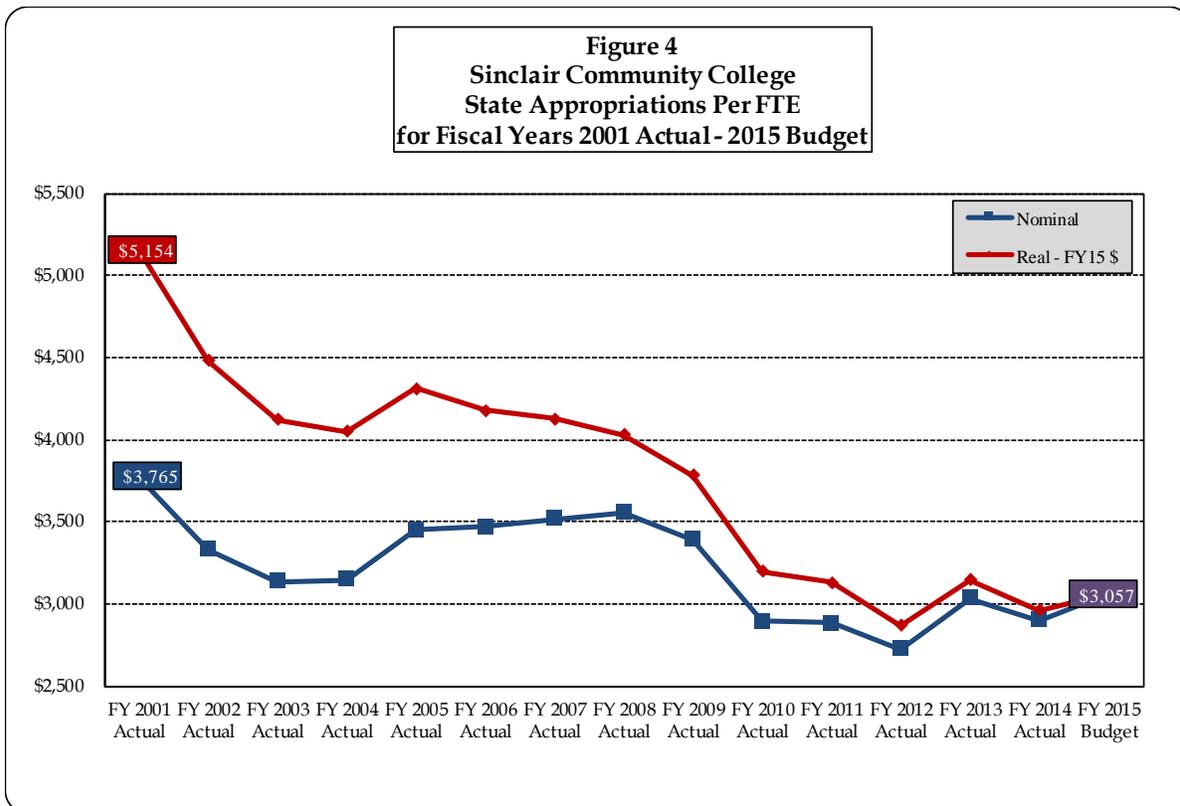
TABLE 3
CAPITAL ASSETS
(net of depreciation, in millions of dollars)

			Percentage Change	
	2014	2013	2013-2014	2012
Land and improvements	\$ 15.4	\$ 15.4	0.0%	\$ 15.2
Buildings and improvements	113.5	112.2	1.2%	110.1
Equipment	8.5	8.0	6.3%	7.8
Library books	0.2	0.2	0.0%	0.2
Total capital assets	\$ 137.6	\$ 135.8	1.3%	\$ 133.3

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Factors Impacting Future Periods

State of Ohio Appropriations: The State of Ohio's operating funding formula is undergoing substantial change to a performance-based model whereby institutional allocations will be entirely based on student completion and success measures. Historically, state subsidy (State Share of Instruction or SSI) has been apportioned almost exclusively on the basis of the *volume* of full-time equivalent (FTE) students enrolled. To improve student completion, the College has been aggressively implementing new strategies, systems and interventions in concert with leading four national and statewide transformational initiatives as discussed later. Figure 4 depicts the long-term trend in Sinclair's per student state funding, a trend which is similar to that experienced by other Ohio community colleges.

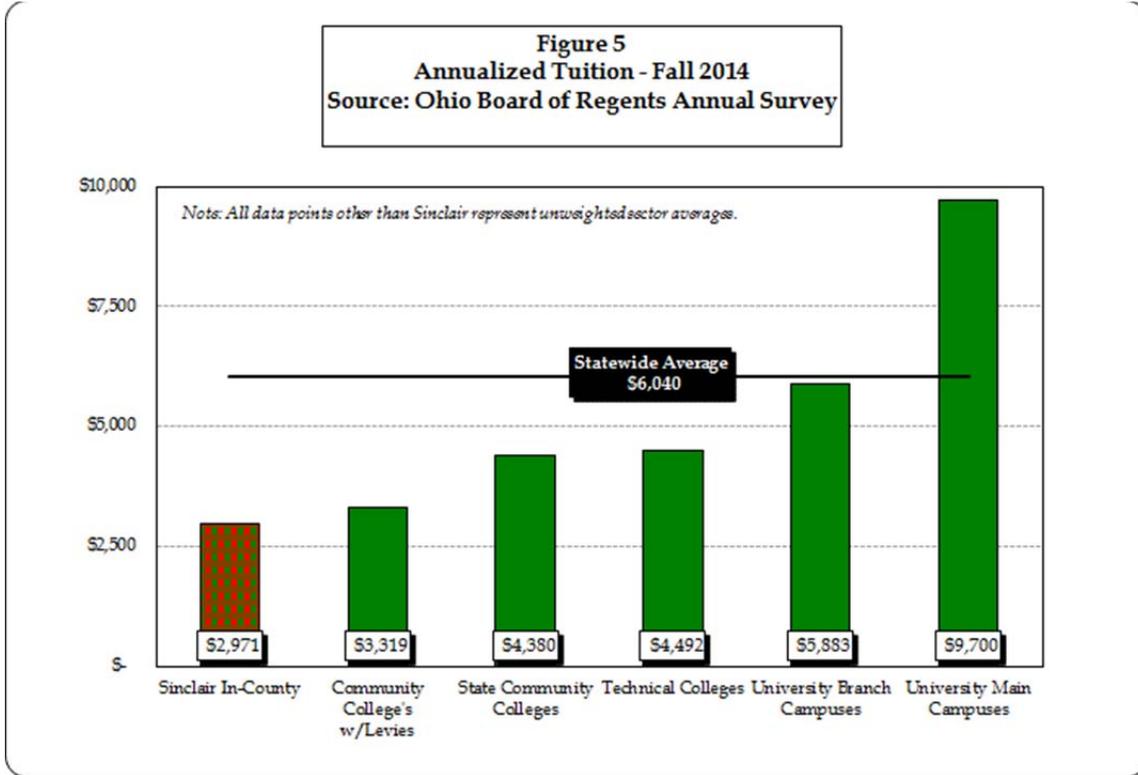


Montgomery County Levy: The levy is used entirely for expenditures benefiting students who reside in Montgomery County in the form of tuition subsidy and support for services at the Dayton campus and the Englewood and Huber Heights learning centers. Since the current 3.2 mil levy was passed in 2008, property value declines and legislative actions have reduced the levy proceeds by about \$7 million or 20%. This includes a reduction of approximately \$1 million that becomes effective in 2015 due to lower property values arising from the recently completed property revaluation process.

Tuition and Fees: As state funding and county levy revenues have declined, the College has implemented aggressive cost restraint and efficiency measures. Even with these measures (yielding efficiencies of over \$20 million), the College has had to enact modest increases in tuition and fees in order to maintain quality and capacity for meeting the growing demand for programs and services. However, Sinclair's tuition for Montgomery County residents remains the lowest in the State of Ohio (see Figure 5 for a comparison of Sinclair's in-county rate versus other benchmarks as of fall 2014.)

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SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2014 and 2013



Student Enrollments: After a recent period of significant growth, community colleges nationally and in the State of Ohio have experienced a softening in enrollments due to normal business cycle trends and improvement in the economy. Longer term, the College expects a continued high and sustained demand for its educational and workforce training programs and services in light of the heightened importance of higher education and Sinclair's affordability. The Courseview campus holds tremendous potential for new enrollments to meet the growing educational needs in that market. To that end, the College just completed its first enrollment cycle with the benefit of the now expanded campus. Sinclair also expects continued growth in high school early-to-college programs through expanded high school linkages.

Workforce Development: Among many other initiatives, it is important to note the College's recent launch of targeted efforts in the area of Unmanned Aerial Systems (UAS), Health Sciences and outreach to the south by way of its new presence with a Corporate College at the Austin Landing Development in Miami Township. Sinclair will also be playing a key role in providing training and development for major new community based organizations and important economic development initiatives, such as the recently announced acquisition of an abandoned GM plant by the Chinese auto glass manufacturer, Fuyao, which will develop a significant production plant creating over 800 jobs for the Dayton region.

Initiatives for Improving Student Success: Sinclair will continue to pioneer several national and statewide initiatives designed to improve community college student learning and completion as follows: (a) the Bill & Melinda Gates Foundation *Completion by Design* implementation project, for which Sinclair is the lead Ohio partner and is now entering its fourth overall year of participation; (b) the U.S. Department of Labor's TAACCT grant to create revolutionary change in Information Technology training, for which Sinclair is the lead college; (c) a U.S. Department of Education Title III *Connect 4 Completion* grant to create career communities for students and (d) the *City Connects* project sponsored by the Mathile Foundation to create a holistic advising process for students. The College is also investing in new data analytic platforms to better predict barriers to student performance so that interventions can be implemented in a timely manner, resulting in greater student completion rates.

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 46,675,036	\$ 43,764,041
Accounts receivable, net	21,812,325	21,968,698
Prepaid expenses	1,721,571	1,504,800
Interest receivable	304,050	342,228
Property tax levy receivable	28,454,003	28,851,578
Inventories	<u>1,687,692</u>	<u>2,080,005</u>
Total current assets	<u>100,654,677</u>	<u>98,511,350</u>
NONCURRENT ASSETS		
Investments	94,072,137	101,099,310
Capital assets, net	<u>137,652,709</u>	<u>135,809,510</u>
Total noncurrent assets	<u>231,724,846</u>	<u>236,908,820</u>
Total assets	<u>\$ 332,379,523</u>	<u>\$ 335,420,170</u>
 LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accruals	\$ 8,914,305	\$ 9,275,796
Accrued salaries, wages and benefits	10,711,929	9,410,209
Unearned student fee income	16,030,090	17,453,479
Deposits	<u>1,693,073</u>	<u>1,731,350</u>
Total current liabilities	37,349,397	37,870,834
NONCURRENT LIABILITIES		
Accrued salaries, wages and benefits	<u>4,307,510</u>	<u>4,312,198</u>
Total liabilities	<u>41,656,907</u>	<u>42,183,032</u>
NET POSITION		
Net investment in capital assets	137,652,709	135,809,510
Restricted		
Nonexpendable (levy)	28,454,003	28,851,578
Expendable	2,835,417	2,673,374
Unrestricted	<u>121,780,487</u>	<u>125,902,676</u>
Total net position	<u>290,722,616</u>	<u>293,237,138</u>
Total liabilities and net position	<u>\$ 332,379,523</u>	<u>\$ 335,420,170</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 844,997	\$ 641,280
Accounts receivable	10,000	10,500
Investments		
Fixed income security funds	4,384,956	3,426,304
Equity funds	20,767,196	17,621,637
Venture capital funds	<u>449,862</u>	<u>491,221</u>
Total investments	25,602,014	21,539,162
Pledges receivable, net of allowances of \$3,643 and \$3,049 at December 31, 2013 and 2012, respectively	393,006	363,928
Land	4,281,836	4,281,836
Buildings, net of accumulated depreciation	<u>826,874</u>	<u>862,185</u>
Total assets	<u>\$ 31,958,727</u>	<u>\$ 27,698,891</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Payable to Sinclair Community College	\$ 56,072	\$ 50,385
Other payables	<u>97,603</u>	<u>75,000</u>
Total liabilities	153,675	125,385
Net assets		
Unrestricted	21,150,416	18,166,126
Temporarily restricted	4,891,808	3,565,334
Permanently restricted	<u>5,762,828</u>	<u>5,842,046</u>
Total net assets	<u>31,805,052</u>	<u>27,573,506</u>
Total liabilities and net assets	<u>\$ 31,958,727</u>	<u>\$ 27,698,891</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUES		
Operating revenues:		
Student tuition and fees	\$ 51,535,641	\$ 50,244,773
Less grants and scholarships	<u>(23,771,140)</u>	<u>(24,785,525)</u>
Student tuition and fees net of grants and scholarships	27,764,501	25,459,248
Federal grants and contracts	5,998,481	4,790,923
State and local grants and contracts	912,354	1,337,003
Nongovernmental grants and contracts	5,954,645	6,525,242
Sales and services of educational departments	1,107,691	1,300,563
Auxiliary enterprises		
Food service	551,940	628,029
Bookstore (net of grants and scholarships of \$5,665,268 and \$6,683,329 in 2014 and 2013, respectively)	5,911,819	6,234,494
Parking	706,188	817,899
Other operating revenues	<u>629,112</u>	<u>798,074</u>
Total operating revenues	<u>\$ 49,536,731</u>	<u>\$ 47,891,475</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
EXPENSES		
Operating expenses:		
Educational and general:		
Instruction	\$ 70,179,379	\$ 70,707,546
Public service	2,153,060	2,268,098
Academic support	14,253,871	11,905,061
Student services	18,393,573	17,094,362
Institutional support	18,469,508	18,211,217
Plant operations and maintenance	13,371,094	13,287,167
Depreciation	11,207,259	9,769,767
Student aid	8,032,599	9,802,541
Auxiliary enterprises:		
Food service	276,896	287,512
Bookstore	10,792,407	12,268,673
Parking	<u>912,832</u>	<u>942,895</u>
Total operating expenses	<u>168,042,478</u>	<u>166,544,839</u>
Operating loss	<u>(118,505,747)</u>	<u>(118,653,364)</u>
Non-operating revenues (expenses):		
State appropriations	43,000,798	42,588,139
County tax levy	28,640,046	28,595,004
Federal student aid grant programs	33,713,147	37,306,030
State student aid grant programs	1,122,638	821,097
Investment income	3,665,365	4,053,817
Net increase (decrease) in the fair value in investments	<u>670,337</u>	<u>(5,491,786)</u>
Total non-operating revenues	<u>110,812,331</u>	<u>107,872,301</u>
Income (loss) before other revenues, expenses, gains, or losses	(7,693,416)	(10,781,063)
Other revenues – state capital grants	<u>5,178,894</u>	<u>5,391,360</u>
Increase (decrease) in net position	(2,514,522)	(5,389,703)
Net position:		
Beginning of year	<u>293,237,138</u>	<u>298,626,841</u>
End of year	<u>\$ 290,722,616</u>	<u>\$ 293,237,138</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 Years ended December 31, 2013 and 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Contributions	\$ 226,701	\$ 3,326,809	\$ 186,040	\$ 3,739,550	\$ 252,192	\$ 3,855,987	\$ 167,621	\$ 4,275,800
Investment income	3,336,263	1,202,704	194,742	4,733,709	2,039,969	771,453	97,828	2,909,250
Lease income	194,925	-	-	194,925	118,434	-	-	118,434
Net assets released from restrictions	<u>3,672,079</u>	<u>(3,672,079)</u>	<u>-</u>	<u>-</u>	<u>4,521,206</u>	<u>(4,521,206)</u>	<u>-</u>	<u>-</u>
Total revenue and support	7,429,968	857,434	380,782	8,668,184	6,931,801	106,234	265,449	7,303,484
Expenses:								
Scholarships	751,872	-	-	751,872	896,473	-	-	896,473
Project support	3,377,819	-	-	3,377,819	4,200,955	-	-	4,200,955
Operating expenses	<u>306,947</u>	<u>-</u>	<u>-</u>	<u>306,947</u>	<u>217,508</u>	<u>-</u>	<u>-</u>	<u>217,508</u>
Total expenses	<u>4,436,638</u>	<u>-</u>	<u>-</u>	<u>4,436,638</u>	<u>5,314,936</u>	<u>-</u>	<u>-</u>	<u>5,314,936</u>
Change in net assets from operations	2,993,330	857,434	380,782	4,231,546	1,616,865	106,234	265,449	1,988,548
Change in donor restriction	<u>(9,040)</u>	<u>469,040</u>	<u>(460,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	2,984,290	1,326,474	(79,218)	4,231,546	1,616,865	106,234	265,449	1,988,548
Net assets, beginning of year	<u>18,166,126</u>	<u>3,565,334</u>	<u>5,842,046</u>	<u>27,573,506</u>	<u>16,549,261</u>	<u>3,459,100</u>	<u>5,576,597</u>	<u>25,584,958</u>
Net assets, end of year	<u>\$ 21,150,416</u>	<u>\$ 4,891,808</u>	<u>\$ 5,762,828</u>	<u>\$ 31,805,052</u>	<u>\$ 18,166,126</u>	<u>\$ 3,565,334</u>	<u>\$ 5,842,046</u>	<u>\$ 27,573,506</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
 STATEMENTS OF CASH FLOWS
 Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 26,219,963	\$ 26,277,797
Grants and contracts	12,843,924	12,613,273
Payments to vendors and employees	(155,714,416)	(155,225,155)
Auxiliary enterprise charges	7,160,481	7,702,441
Sales and services of educational departments	1,064,246	1,198,017
Other receipts	<u>1,351,071</u>	<u>154,690</u>
Net cash used in operating activities	<u>(107,074,731)</u>	<u>(107,278,937)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State appropriations	43,000,798	42,588,139
Property tax levy receipts	29,037,620	28,849,667
Direct student loan receipts	38,505,474	48,181,492
Direct student loan disbursements	(39,156,202)	(42,265,253)
Deposits	(38,277)	133,455
Federal student aid grant programs	33,868,980	39,254,867
State student aid grant programs	<u>1,221,223</u>	<u>490,346</u>
Net cash provided by non-capital financing activities	<u>106,439,616</u>	<u>117,232,713</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants	5,178,894	5,391,360
Purchases of capital assets	<u>(13,033,836)</u>	<u>(12,238,245)</u>
Net cash used in capital and related financing activities	<u>(7,854,942)</u>	<u>(6,846,885)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investments	17,610,177	27,865,249
Interest on investments	3,965,291	4,457,351
Purchase of investments	<u>(10,174,416)</u>	<u>(11,842,820)</u>
Net cash provided by investing activities	<u>11,401,052</u>	<u>20,479,780</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,910,995	23,586,671
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>43,764,041</u>	<u>20,177,370</u>
End of year	<u>\$ 46,675,036</u>	<u>\$ 43,764,041</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (118,505,747)	\$ (118,653,364)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	11,207,259	9,769,767
Changes in net position:		
Accounts receivable	552,685	(4,000,199)
Inventory	392,313	365,654
Prepaid expenses	(216,771)	(502,049)
Accounts payable	(378,113)	3,703,626
Accrued salaries, wages and benefits	1,297,032	(2,011,048)
Unearned revenue	<u>(1,423,389)</u>	<u>4,048,676</u>
Net cash used in operating activities	<u>\$ (107,074,731)</u>	<u>\$ (107,278,937)</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Sinclair Community College (the “College”), a two-year institution of higher education, began operations as a public community college in 1966. The College is operated by the Warren County Montgomery County Community College District, and is exempt from federal income taxes pursuant to provisions of Section 115 of the Internal Revenue Code. The College offers associate degrees, certificate programs and continuing education in the areas of life and health sciences; science, mathematics and engineering; liberal arts, communication and social sciences; and business and public services.

Accrual Accounting: The accompanying financial statements have been prepared on the full accrual basis of accounting, whereby revenue is recognized in the period earned, or in the case of advances from other governments, when all eligibility requirements are met in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Expenses are recognized when the related liabilities are incurred.

Financial Statements: The College reports as “business-type activities,” as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Net Position Classifications: In accordance with GASB Statement No. 35 guidelines, the College’s resources are classified into the following three net asset categories:

- Net investment in capital assets: Capitalized physical assets, net of accumulated depreciation (see Note C).
- Restricted:
 - Nonexpendable: Resources that are either: 1) subject to externally imposed stipulations that are to be maintained permanently by the College; or 2) representative of taxes levied in the reporting period and recognized as revenue in accordance with GASB Statement No. 33, for which the due date for payment occurs in the subsequent period.
 - Expendable: Resources related to grants, contracts and taxes, including taxes levied in the prior reporting period and received in the reporting period, whose use is subject to externally-imposed restrictions including limitations on the use of net assets imposed by enabling legislation.
- Unrestricted: Resources that are not subject to externally-imposed restrictions. Unrestricted resources may be designated for specific purposes by the Board of Trustees. Substantially all of the College’s unrestricted resources are designated for future uses or contingences (See Note B).

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the College’s policy to apply restricted resources first, then unrestricted resources as needed.

Operating Versus Non-operating Revenues and Expenses: The College defines operating activities as reported on the Statement of Revenues, Expenses, and Changes in Net Position, as those that generally result from exchange transactions such as payments received for providing goods or services and payments made for goods or services received. All of the College’s expenses are from exchange transactions. Certain significant revenue streams relied on for operations are reported as non-operating revenues as required by GASB Statement No. 35, and *GASB’s Implementation Guide*. Non-operating revenue includes state appropriations, county property tax levy receipts, certain government grants, investment income, and state capital grants.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: Cash, certificates of deposit, and money market funds, stated at cost, are considered cash and cash equivalents with original maturities less than ninety days.

Accounts Receivable: Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the federal government, state and local governments and private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts of approximately \$1,461,800 and \$1,249,700 at June 30, 2014 and 2013, respectively. The College determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, previous loss history and the condition of the general economy and the industry as a whole.

Inventories: Inventories, which consist principally of publications, general merchandise and other goods, are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Investments: Investments are stated at fair value. Purchases and sales of investments are accounted for on the trade date basis. Realized and unrealized gains and losses are reported as investment income or loss.

Unearned Student Fee Income: Unearned student fee income includes the unearned portion of student tuition and fees for the summer and fall sessions. Unearned student fee income also includes advance payments received from businesses for non-credit classes and seminars conducted after June 30.

Capital Assets: Capital assets are recorded at cost, or if acquired by gift, at fair value at the date of the gift. When capital assets are sold or otherwise disposed of, the net carrying value of such assets is removed from the accounts and the Invested in Capital Assets component of Net Position is adjusted as appropriate. Capital asset additions of equipment and fixtures with a cost in excess of \$5,000 and with useful lives of five years or more are capitalized and depreciated on a straight-line basis over the estimated useful lives in the table that follows. Buildings and improvements with a cost in excess of \$50,000 are capitalized and depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-60 years
Equipment and fixtures	5-20 years
Library materials	5 years

Grants and Scholarships: Student tuition and fees and bookstore revenues are presented net of grants and scholarships applied directly to student accounts. Grants and scholarships consist primarily of awards to students from the Federal Pell Grant Program, Sinclair Community College grant programs and the Sinclair Community College Foundation. Payments made directly to students from grants and scholarships are presented as Student Aid.

Compensated Absences: Administrative and professional employees earn vacation leave at a rate of 13.33 hours for each month of service up to a maximum of 240 hours. Support staff earns vacation at a rate of 8 hours per month for the first 5 years of service up to a maximum of 240 hours. After 5 years of continuous employment, an additional 8 hours per year (.66 hours per month) are added to the accrual rate each year until the maximum monthly accrual rate of 13.33 hours is reached. Upon termination of employment, an employee is entitled to payment for all accrued vacation hours. The College has accrued a vacation liability for all employees equal to amounts earned.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All College employees earn 10 hours of sick leave for each month of service up to a maximum of 120 hours per year. Unused sick leave accumulates up to a maximum of 1,200 hours. This sick leave will either be absorbed by time off due to illness or injury, or within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-quarter of the accumulated sick leave up to a maximum payout of 240 hours. The College has accrued a sick leave liability for all employees equal to the maximum payout upon retirement.

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 revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements: In fiscal year 2014, the provisions of the following GASB Statements became effective:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012. The provisions of this Statement were effective for periods beginning after December 15, 2012. This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, issued March 2012. The provisions of this Statement were effective for periods beginning after December 15, 2012. This Statement is intended to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, *Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, and *No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued April 2013. The provisions of this Statement are effective for periods beginning after June 15, 2013. This Statement specifies the information required to be disclosed by the governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

The adoption of these GASB statements had no significant impact on the College's financial condition, operating results or financial statements.

Recent Accounting Pronouncements: As of June 30, 2014, the GASB has issued the following statements not yet implemented by the College.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2014. This Statement is intended to improve accounting and financial reporting by state and local governments for pensions. This Statement will require the liabilities for underfunded pension liabilities to be reported on the Statement of Financial Position.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013. The provisions of this Statement are effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB No. 68* issued November 2013. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No.68.

The College's management has not yet determined the effect these statements will have on the College's financial statements. However, management believes the adoption of GASB 68 and the recording of the underfunded pension liabilities will significantly decrease the College's net position when it is implemented.

NOTE B – CASH AND INVESTMENTS

In accordance with the State of Ohio's and the College's policy, the College is authorized to invest cash in securities of the United States government or of its agencies or instrumentalities, the treasurer of state's pooled investment program and federally insured cash account program, obligations of any state, obligations of any Ohio political subdivision, certificates of deposit, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank, money market funds, bankers acceptances, corporate obligations, U.S. and global fixed income mutual funds, and domestic and international equity investments. The classification of cash and cash equivalents and investments in the financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined to include investments with original maturities of three months or less.

Deposits: At June 30, 2014, the carrying amount of the College's deposits in all funds was \$46,675,036 (reported as cash and cash equivalents in the Statement of Net Position) and the bank balance was \$49,170,943. The difference between carrying amount and bank balance was primarily due to outstanding checks at June 30, 2014. Of the bank balance, \$9,718,890 was covered by federal depository insurance or by collateral held by the College's agent in the College's name. The remaining balance of \$39,452,053 and \$37,898,666 at June 30, 2014 and 2013, respectively, was uninsured. The uninsured deposits are held in accounts collateralized by a pooled collateral account at the Federal Reserve Banks of Cincinnati and New York. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the College's deposits may not be returned to the College. The College follows the deposit policy for custodial risk in accordance with the Ohio Revised Code.

Investments: Investments are stated at their fair value of \$94,072,137 (amortized cost basis of \$89,092,859) and \$101,099,310 (amortized cost basis of \$97,179,913) as of June 30, 2014 and 2013, respectively. As of June 30, 2014 and 2013, the College's investments consist of Government National Mortgage Association ("GNMA") pools and are therefore not subject to the credit risk disclosures of GASB Statement No. 40.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE B – CASH AND INVESTMENTS (Continued)

GNMA pools are aggregations of home mortgages that carry the full faith and credit guaranty of the U.S. government, the same guaranty provided to U.S. Treasury instruments. The maturities of the College's GNMA investments, based on the maturity dates of the pools when they were issued as 15 or 30 year bonds, are as follows:

<u>Years</u>	<u>2014</u>	<u>2013</u>
1-5	\$ 135,027	\$ 158,376
6-10	2,638,235	658,471
11-20	26,390,951	23,117,306
Greater than 20	<u>64,907,924</u>	<u>77,165,157</u>
Total at fair value	<u>\$ 94,072,137</u>	<u>\$ 101,099,310</u>

A GNMA pool does not mature all at once on its stated maturity date. Rather, a portion of each pool matures every month, and an entire pool will usually mature many years before its maturity date. The following homeowner actions result in the return of principal to the owners of a GNMA pool: 1) making a monthly mortgage payment which includes a principal component, 2) refinancing a mortgage and thereby paying off the old mortgage, 3) selling a home and paying off the mortgage. GNMA principal amounts returned to the College are either reinvested, held as cash or used in operations as is deemed appropriate. For the years ended June 30, 2014 and 2013, the College's GNMA investments returned principal as follows:

<u>Years</u>	<u>2014</u>	<u>2013</u>
1-5	\$ 58,386	\$ 49,880
6-10	386,351	171,370
11-20	5,958,486	7,865,878
Greater than 20	<u>11,206,954</u>	<u>19,778,121</u>
Total (at cost)	<u>\$ 17,610,177</u>	<u>\$ 27,865,249</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the requirements of the Ohio Revised Code and to insure that the term of the maturity of investments does not exceed the need for the availability of the funds invested. The College has the ability and intent to hold all investment securities until maturity; therefore, it is not anticipated that market gains or losses will be realized.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE B – CASH AND INVESTMENTS (Continued)

The College's cash and investments help support major allocated net positions designated by the Board of Trustees or restricted by outside parties for the following purposes:

	<u>2014</u>	<u>2013</u>
Capital improvements, facility renovations, equipment	\$ 58,114,893	\$ 60,555,714
Tuition stabilization, rainy day fund, uninsured losses, other contingencies and initiatives	32,073,834	34,858,455
Auxiliary enterprises	14,464,065	13,442,750
Restricted grants and contracts	2,835,417	2,673,374
Restricted future proceeds from property tax levy	28,454,003	28,851,578
Board designated endowment	<u>16,841,874</u>	<u>16,747,954</u>
Total allocated net position	<u>\$ 152,784,086</u>	<u>\$ 157,129,825</u>

NOTE C – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2014 and 2013 is summarized as follows:

<u>2014</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Cost:				
Land and improvements	\$ 15,443,208	\$ -	\$ -	\$ 15,443,208
Buildings and improvements	249,600,951	10,000,871	-	259,601,822
Equipment and fixtures	25,625,273	3,065,011	(682,009)	28,008,275
Library materials	<u>3,035,323</u>	<u>77,954</u>	<u>(331,088)</u>	<u>2,782,189</u>
Total cost	<u>293,704,755</u>	<u>13,143,836</u>	<u>(1,013,097)</u>	<u>305,835,494</u>
Less accumulated depreciation:				
Buildings and improvements	137,421,711	8,689,308		146,111,019
Equipment and fixtures	17,654,964	2,440,992	(588,631)	19,507,325
Library materials	<u>2,818,570</u>	<u>76,959</u>	<u>(331,088)</u>	<u>2,564,441</u>
Total accumulated depreciation	<u>157,895,245</u>	<u>11,207,259</u>	<u>(919,719)</u>	<u>168,182,785</u>
Capital assets, net	<u>\$ 135,809,510</u>	<u>\$ 1,936,577</u>	<u>\$ (93,378)</u>	<u>\$ 137,652,709</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE C – CAPITAL ASSETS (Continued)

<u>2013</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Cost:				
Land and improvements	\$ 15,230,968	\$ 212,240	\$ -	\$ 15,443,208
Buildings and improvements	239,804,391	9,796,560	-	249,600,951
Equipment and fixtures	23,563,444	2,151,456	(89,627)	25,625,273
Library materials	<u>3,383,873</u>	<u>77,989</u>	<u>(426,539)</u>	<u>3,035,323</u>
Total cost	<u>281,982,676</u>	<u>12,238,245</u>	<u>(516,166)</u>	<u>293,704,755</u>
Less accumulated depreciation:				
Buildings and improvements	129,677,359	7,744,352		137,421,711
Equipment and fixtures	15,811,329	1,933,262	(89,627)	17,654,964
Library materials	<u>3,152,956</u>	<u>92,153</u>	<u>(426,539)</u>	<u>2,818,570</u>
Total accumulated depreciation	<u>148,641,644</u>	<u>9,769,767</u>	<u>(516,166)</u>	<u>157,895,245</u>
Capital assets, net	<u>\$ 133,341,032</u>	<u>\$ 2,468,478</u>	<u>\$ -</u>	<u>\$ 135,809,510</u>

NOTE D – LONG-TERM LIABILITIES

Long-term liabilities activity for the years ended June 30, 2014 and 2013 is summarized as follows:

<u>2014</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	
Compensated absences	\$ 4,683,947	\$ 275,347	\$ (262,362)	\$ 4,696,932	\$ 389,422	
	<u>2013</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 4,881,491	\$ 310,888	\$ (508,432)	\$ 4,683,947	\$ 371,749	

Long-term liabilities are primarily accumulated sick leave payable to employees upon retirement. See Note A — *Compensated Absences* for further discussion.

NOTE E – STATE AND COUNTY SUPPORT

The College is an institution of higher education that receives a student-based subsidy from the State of Ohio using a formula devised by the Ohio Board of Regents. In addition to student subsidies, the State of Ohio provides a portion of the funding for the construction of major plant facilities on the College campus, as well as for the renovation of facilities and the purchase of equipment.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE E – STATE AND COUNTY SUPPORT (Continued)

The College also receives support from a Montgomery County, Ohio property tax levy. A successful ballot issue in the March 2008 primary election replaced a 2.5 mill levy (commenced January 1, 1999 and ended December 31, 2007) with a 3.2 mill levy that commenced January 1, 2008 and will end December 31, 2017. By state law, levy receipts must be used solely for the benefit of Montgomery County residents attending the College in the form of student tuition subsidy, student scholarships and instructional facilities, equipment and support services located within Montgomery County. These amounts are classified as restricted, non-expendable net position until received, and restricted, expendable net position after receipt until spent for their required purpose.

NOTE F – LEASE OBLIGATIONS

The College leases land, buildings and office space under operating lease agreements, some with a related party, Courseview Holdings, LLC as referenced in Note K. These facilities are not recorded as assets on the balance sheet. The total rental expense under these agreements was \$1,664,819 and \$1,610,526 for the years ended June 30, 2014 and 2013, respectively.

Future minimum lease payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2014 are as follows:

Years ending June 30,	
2015	\$ 1,538,641
2016	1,242,430
2017	662,998
2018	563,764
2019	566,364
2020-2024	<u>1,777,416</u>
Total minimum lease payments	<u>\$ 6,351,613</u>

NOTE G – RETIREMENT PLANS

Employee retirement benefits are available for substantially all employees under retirement plans administered by the Ohio Public Employees Retirement Systems (“OPERS”) and the State Teachers Retirement System of Ohio (“STRS Ohio”). Employees may opt out of OPERS and STRS Ohio and participate in an Alternative Retirement Plan (“ARP”).

OPERS and STRS Ohio each offer three separate retirement plans: a defined benefit plan, a defined contribution plan, and a combined plan. Authority to establish and amend benefits is provided by state statute per the Ohio Revised Code.

Defined Benefit Plans: The defined benefit plans of STRS Ohio and OPERS are cost-sharing multiple-employer public employee retirement plans that provide retirement, disability, postretirement healthcare, and survivor benefits for plan members.

The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS. STRS Ohio issues a stand-alone financial report. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by visiting www.strsoh.org, or by calling 1-888-227-7877.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE G – RETIREMENT PLANS (Continued)

Under OPERS, the employee contribution rate is 10% for all employees with the exception of law enforcement. The law enforcement contribution rate was 12.6% through December 31, 2013 and increased to 13% effective January 1, 2014. The employer contribution rate is 14% for all employees with the exception of law enforcement whose rate is 18.1%.

Under the STRS Ohio plan, through June 30, 2013 the employee contribution rate was 10% and the employer contribution rate was 14%. Effective July 1, 2013 the employee rate increased to 11%, while the employer rate was unchanged.

Defined Contribution Plans: All newly hired full time administrative employees, support staff, and faculty are eligible to choose an Alternative Retirement Plan (“ARP”) rather than STRS Ohio or OPERS. ARPs consist of insurance carrier annuity contracts that provide retirement and death benefits but no health or disability benefits. The Ohio Department of Insurance (ODI) has approved nine companies to serve as ARP providers. Recently, the Ohio General Assembly transferred ODI’s responsibility to the Ohio Board of Regents.

An employee in an OPERS eligible position contributes 10% of their earned income to their ARP account. Legislation mandates the employer must contribute an amount to the state retirement system to which the employee would otherwise have belonged. For the years ended June 30, 2014 and 2013, 13.23% was paid into the member’s ARP account and the remaining .77% was paid to OPERS, as required by state legislation, to cover un-funded liabilities.

An employee in an STRS Ohio eligible position contributes 11% of their earned income to their ARP account. Legislation mandates the employer must contribute an amount to the state retirement system to which the employee would otherwise have belonged. For the years ended June 30, 2014 and 2013, 9.5% and 10.5%, respectively were paid into the member’s ARP account and the remaining 4.5% and 3.5%, respectively were paid to STRS Ohio, as required by state legislation, to cover un-funded liabilities.

The College’s contributions to OPERS, STRS and the ARP required and made for the years ended June 30, 2014, 2013, and 2012 were as follows:

<u>Year</u>	<u>OPERS</u>	<u>Contribution</u> <u>STRS</u>	<u>ARP</u>
2014	\$ 5,085,769	\$ 5,633,229	\$ 376,028
2013	5,102,180	5,787,251	400,711
2012	5,061,712	6,025,376	393,084

Combined Plans: OPERS and STRS Ohio also offer combined plans with features of both a defined benefit plan and a defined contribution plan. In the combined plans, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit.

NOTE H – OTHER POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS): OPERS provides access to post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Access to health care coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided per the Ohio Revised Code.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, again as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the College's 2014, 2013 and 2012 contributions required and made to OPERS used to fund post-retirement benefits was approximately \$539,500, \$918,900, and \$1,430,100.

State Teachers Retirement System (STRS Ohio): STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to post-employment health care for 2014, 2013, and 2012. The portion of the College's 2014, 2013, and 2012 contributions required and made to STRS Ohio used to fund post-employment benefits was \$395,000, \$409,000, and \$427,000, respectively.

NOTE I – INSURANCE

The College maintains comprehensive and umbrella insurance coverage with private carriers for real property, building contents, vehicles and liability. Additionally, the College carries Crime & Employee Dishonesty coverage and Cyber Liability coverage. Vehicle policies include liability coverage for bodily injury and property damage. The College's Aviation Policy includes unmanned aerial systems. The College also carries professional coverage for employees and its Board of Trustees. The College retains a consulting firm to perform an annual examination of all insurance policies. There were no significant changes in coverage from last year.

The College is self-insured for certain employee health benefit programs. Funding for these programs is based on actuarial projections provided by the plan administrators. The College also offers a high deductible health savings account option for its employees. Aggregate and specific stop loss insurance is maintained for benefit payments that exceed the maximum limits outlined in the policy. The claims liability of approximately \$1,300,000 reported at June 30, 2014 is based on an estimate provided by an actuary and the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. No incremental claim adjustment expenses are included in the estimate.

(Continued)

SINCLAIR COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014 and 2013

NOTE I – INSURANCE (Continued)

Changes in claims activity for the past three fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2014	\$ 1,294,000	\$ 8,073,056	\$ 8,067,056	\$ 1,300,000
2013	1,259,200	8,047,638	8,012,838	1,294,000
2012	1,273,000	7,654,996	7,668,796	1,259,200

There have been no significant changes in coverage from last year.

Settled claims have not exceeded commercial coverage in any of the past three years.

NOTE J – CONTINGENCIES

The College receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. In May 2011, the U.S. Department of Education performed a review of the College's compliance with regulations governing its administration of federal student financial aid programs. The College has not received a final report on this program review. Any disallowed amounts resulting from this or any other such audits would become a liability of the College.

The College is the defendant in certain litigation arising in the ordinary course of business. In the opinion of management and outside legal counsel, the ultimate outcome of such items will not have a material impact on the financial statements of the College.

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION

The financial statements of the Sinclair Community College Foundation are included in this report in accordance with GASB Statement No. 61, *The Financial Reporting Entity – Omnibus*. This Statement amended GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*, to provide additional guidance to determine whether certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary entity. Generally, this statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of an institution.

The Sinclair Foundation is a 501(c) (3) charitable foundation with its own governing board. The Foundation is operated for the benefit of the College, and raises funds that are used to provide student scholarships and to support specific activities and projects proposed by faculty and staff that are related to the College's educational mission. The Foundation's Statements of Financial Position and Statements of Activities and Changes in Net Assets for the years ended December 31, 2013 and 2012, are discreetly presented following the corresponding College financial statement.

The Foundation's statements were prepared in accordance with the pronouncements of the Financial Accounting Standards Board. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's report for these differences.

(Continued)

SINCLAIR COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014 and 2013

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

Complete financial statements for the Foundation can be obtained from the Sinclair Community College Foundation at 444 W. Third St., Room 7230, Dayton, Ohio, 45402.

Investments: The Foundation's investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Venture capital funds are measured at cost. Collective trust funds are stated at fair value and are based on the funds' net asset value as supplied by the fund manager. Other investments are recorded at cost or, if acquired by gift, at fair value at the date of the gift.

Contributions: Contributions to the Foundation are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted support, while contributions without donor-imposed restrictions are reported as unrestricted support.

Pledges Receivable: As the collection of pledges is estimated to be probable, the Foundation recorded a receivable of \$393,006 and \$363,928, representing the present value of those pledges receivable at December 31, 2013 and 2012, respectively. The fair value of pledges due within one year approximates its carrying value due to the short-term nature of the receivable. The remaining receivables have been discounted to reflect the present value of expected future cash flows using discount rates ranging from 2-5%.

Pledges receivable at December 31, 2013 and 2012 are summarized as follows:

	<u>2013</u>	<u>2012</u>
Less than one year	\$ 158,158	\$ 143,871
One to five years	26,305	9,190
More than five years	<u>214,510</u>	<u>214,510</u>
	398,973	367,571
Allowance for doubtful accounts	(3,643)	(3,049)
Discount	<u>(2,324)</u>	<u>(594)</u>
	<u>\$ 393,006</u>	<u>\$ 363,928</u>

Unrestricted Net Assets: Unrestricted net assets represent funds which can be used by the Foundation for any purpose authorized by the Foundation's Board of Trustees.

Temporarily Restricted Net Assets: Temporarily restricted net assets represent funds which are restricted for a specific purpose determined by the donor.

Permanently Restricted Net Assets: Permanently restricted net assets are restricted to investment in perpetuity as endowment funds. The endowment funds represent contributions for which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the investment income (or portions thereof) of the funds is to be expended as the donor has specified, principally for scholarships and other student financial aid.

Support to the College: During the years ended June 30, 2014 and 2013, the Foundation provided resources of \$4,573,188 and \$4,714,983, respectively, to or on behalf of the College for restricted purposes.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

Land and Buildings:

Capital assets consist of the following at December 31, 2013:

	<u>2013</u>	<u>2012</u>
Land	\$ 4,281,836	\$ 4,281,836
Buildings	<u>882,783</u>	<u>882,783</u>
Total cost	5,164,619	5,164,619
Accumulated depreciation	<u>(55,909)</u>	<u>(20,598)</u>
	<u>\$ 5,108,710</u>	<u>\$ 5,144,021</u>

The Foundation purchased the land and building in 2012 and donated it to Courseview Holdings, LLC, a limited liability company of which the Foundation is the sole member. All of the property is being leased by the LLC to the College for the College's use in expanding its Courseview Campus in Mason, Ohio.

SUPPLEMENTARY INFORMATION

SINCLAIR COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grants/Pass-Through Grant/Program Title	Federal CFDA Number	Pass-through Grantor's Numbers	Federal Expenditures
U.S. Department of Education:			
Student Financial Aid Assistance Cluster:			
Federal Supplemental Educational Opportunity Grant	84.007		\$ 680,283
Federal Work-Study Program	84.033		226,359
Federal Pell Grant Program	84.063		32,910,509
Federal Direct Student Loans	84.268		<u>39,156,202</u>
Total Student Financial Aid Assistance Cluster			<u>72,973,353</u>
Trio Cluster:			
Trio Upward Bound	84.047A		605,170
Trio Student Support Services	84.042A		268,061
Trio Talent Search Program	84.044A		<u>263,012</u>
Total Trio Cluster			<u>1,136,243</u>
Career and Technical Education – Basic Grants to States:			
Pass-through State of Ohio Department of Education	84.048	20-C2 2005	<u>362,524</u>
High School and Higher Education Alignment Race to the Top Fund – ARRA			
Pass-through Ohio Department of Education	84.395A	063662 9813 6910C 13	<u>35,000</u>
Creating a Comprehensive Student Completion Model	84.031A		<u>218,621</u>
Total Department of Education			<u>74,725,741</u>
Department of Health and Human Services:			
Temporary Assistance for Needy Families, Fast Forward Center		Res. 13-1106 CE 300117	
Pass-through Montgomery County Department of Job and Family Services	93.558	Res. 13-1854 CE 400011	<u>320,060</u>
Department of Commerce			
Broadband Technology Opportunities Program/ Connect Ohio			
Pass-through Connected Nation – ARRA	11.557	21-43-B10546	<u>1,763</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

<u>Federal Grants/Pass-Through Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Numbers</u>	<u>Federal Expenditures</u>
National Science Foundation – Education and Human Resources - Research and Development:			
Direct award	47.076		740,836
Pass-through Wright State University		HRD-0833644	1,831
Pass-through Stevens Institute		527679—FY10-4	2,706
Pass-through Riverside Community College District		DUE-1104176	<u>106,952</u>
			852,325
National Science Foundation – Engineering Grants	47.041		<u>15,015</u>
Total Research and Development – National Science Foundation			<u>867,340</u>
Department of Labor:			
Trade Adjustment Assistance Community College and Career Training Grant Program	17.282		<u>2,939,688</u>
Department of Agriculture:			
Child and Adult Care Food Program Pass-through State of Ohio Department of Education	10.558	063362	<u>17,124</u>
Total Federal Awards			<u>\$ 78,871,716</u>

See Notes to The Schedule of Expenditures of Federal Awards

SINCLAIR COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Sinclair Community College. The College reporting entity is defined in Note A to the financial statements.

Basis of Accounting: The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note A to the financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – FEDERAL DIRECT STUDENT LOANS

The College performs origination services for the Department of Education, but does not make Federal Direct Student Loans (“FDSLs”). The amounts presented represent the value of new FDSLs awarded during the year.

**INDEPENDENT AUDITOR'S 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**

The Board of Trustees of
Sinclair Community College and
David Yost, Auditor of State
Dayton, Ohio

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 business-type activities of Sinclair Community College as of and for the years ended June 30, 2014 and 2013, and its discretely presented component unit, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise Sinclair Community College's (the "College") basic financial statements, and have issued our report thereon dated the same day as this report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sinclair Community College'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 Sinclair Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Sinclair Community College'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.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sinclair Community College'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*.

Purpose of this Report

The purpose of this report is solely 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 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.



Crowe Horwath LLP

Columbus, Ohio
November 3, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

The Board of Trustees of
Sinclair Community College and
David Yost, Auditor of State
Dayton, Ohio

Report on Compliance for Each Major Federal Program

We have audited Sinclair Community College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sinclair Community College's major federal programs for the year ended June 30, 2014. Sinclair Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sinclair Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sinclair Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Sinclair Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, Sinclair Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

(Continued)

Report on Internal Control Over Compliance

Management of Sinclair Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sinclair Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sinclair Community College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Columbus, Ohio
November 3, 2014

SINCLAIR COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2014

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

	Yes	<u> X </u>	No
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Significant deficiencies identified not considered to be material weaknesses?

	Yes	<u> X </u>	None reported
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Noncompliance material to financial statements noted?

	Yes	<u> X </u>	No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?

	Yes	<u> X </u>	No
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Significant deficiencies identified not considered to be material weakness(es)?

	Yes	<u> X </u>	None reported
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Type of auditors' report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?

	Yes	<u> X </u>	None reported
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(Continued)

SINCLAIR COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2014

PART I: SUMMARY OF AUDITORS' RESULTS (Continued)

<u>Name of Major Program Identified</u>	<u>CFDA Number(s)</u>
U.S. Department of Education Student Financial Aid Cluster:	
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grants	84.007
Federal Direct Student Loans	84.268
TRIO Cluster:	
Upward Bound	84.047A
Student Support Services	84.042A
Talent Search Program	84.044A
Temporary Assistance for Needy Families	93.558
Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

PART II: FINANCIAL STATEMENT FINDINGS SECTION

There were no findings.

PART III: MAJOR FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION

There were no findings.

PART IV: SUMMARY OF PRIOR YEAR FINDINGS

Finding 2013-01

Federal Program Information:	Federal Direct Loan Program, CFDA #84.268
Condition:	One student in our sample of 25 was over-awarded a Federal Direct Loan in the amount of \$1,010. The student was awarded based on full-time status although they were only a half-time student enrolled in one term.
Status:	Corrected

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Dave Yost • Auditor of State

SINCLAIR COMMUNITY COLLEGE

MONTGOMERY 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
FEBRUARY 17, 2015**