

Columbus State Community College  
Development Foundation, Inc.  
*Audited Financial Statements*

As of and for the Years Ended  
June 30, 2017 and 2016



Rea & associates

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# Dave Yost • Auditor of State

Board of Directors  
Columbus State Community College Development Foundation, Inc.  
550 East Spring Street  
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the Columbus State Community College Development Foundation, Inc., Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. 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 Columbus State Community College Development Foundation, Inc. is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

October 13, 2017

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**CONTENTS**

	<b><u>PAGE</u></b>
Independent Auditor’s Report .....	1-2
Statements of Financial Position .....	3
Statements of Activities and Changes in Net Assets .....	4-5
Statements of Cash Flows .....	6
Notes to the Financial Statements .....	7-15
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 <i>Government Auditing Standards</i> .....	16-17

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September 28, 2017

To the Board of Directors  
Columbus State Community College Development Foundation, Inc.  
Columbus, Ohio

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Columbus State Community College Development Foundation, Inc. (the "Foundation"), a component unit of Columbus State Community College, which comprise the statements of financial position as of June 30, 2017 and 2016, the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation, as of June 30, 2017 and 2016, and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Dublin, Ohio



COLUMBUS STATE COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2017 AND 2016

	<u>ASSETS</u>	
	2017	2016
	<u>                    </u>	<u>                    </u>
ASSETS:		
Cash and cash equivalents	\$ 1,542,525	\$ 1,070,469
Accounts receivable	-	57,593
Pledges receivable, net	4,042,012	4,290,198
Investments	7,899,040	7,161,984
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 13,483,577</u>	<u>\$ 12,580,244</u>
	<u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES:		
Accounts payable	\$ 338,605	\$ 247,651
	<u>                    </u>	<u>                    </u>
Total liabilities	338,605	247,651
NET ASSETS:		
Unrestricted	3,047,608	2,651,924
Temporarily restricted	5,959,146	5,570,799
Permanently restricted	4,138,218	4,109,870
	<u>                    </u>	<u>                    </u>
Total net assets	13,144,972	12,332,593
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 13,483,577</u>	<u>\$ 12,580,244</u>

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

COLUMBUS STATE COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT:</b>				
Contributions	\$ 392,687	\$ 890,082	\$ 26,621	\$ 1,309,390
Non-monetary contributions	516,762	-	-	516,762
Investment income:				
Dividends, interest and net realized gain	147,907	261,921	-	409,828
Net unrealized gain	123,167	222,794	-	345,961
Administrative fee income	38,115	-	-	38,115
Net assets released from restrictions	994,723	(994,723)	-	-
Total revenue and support	<u>2,213,361</u>	<u>380,074</u>	<u>26,621</u>	<u>2,620,056</u>
<b>EXPENSES:</b>				
Scholarships	238,810	-	-	238,810
College programs	717,798	-	-	717,798
Management and general	851,069	-	-	851,069
Total expenses	<u>1,807,677</u>	<u>-</u>	<u>-</u>	<u>1,807,677</u>
Changes in net assets	405,684	380,074	26,621	812,379
TRANSFER OF EARNINGS	(10,000)	8,273	1,727	-
NET ASSETS, beginning of the year	2,651,924	5,570,799	4,109,870	12,332,593
NET ASSETS, end of the year	<u>\$ 3,047,608</u>	<u>\$ 5,959,146</u>	<u>\$ 4,138,218</u>	<u>\$ 13,144,972</u>

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

COLUMBUS STATE COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT:</b>				
Contributions	\$ 375,863	\$ 158,969	\$ 42,712	\$ 577,544
Non-monetary contributions	443,814	-	-	443,814
Investment income:				
Dividends, interest and net realized gain	109,347	191,813	-	301,160
Net unrealized loss	(79,558)	(147,912)	-	(227,470)
Net assets released from restrictions	1,343,929	(1,343,929)	-	-
<b>Total revenue and support</b>	<b>2,193,395</b>	<b>(1,141,059)</b>	<b>42,712</b>	<b>1,095,048</b>
<b>EXPENSES:</b>				
Scholarships	230,666	-	-	230,666
College programs	1,113,263	-	-	1,113,263
Management and general	671,751	-	-	671,751
<b>Total expenses</b>	<b>2,015,680</b>	<b>-</b>	<b>-</b>	<b>2,015,680</b>
Changes in net assets	177,715	(1,141,059)	42,712	(920,632)
<b>TRANSFER OF EARNINGS</b>	<b>(53,736)</b>	<b>41,453</b>	<b>12,283</b>	<b>-</b>
<b>NET ASSETS, beginning of the year</b>	<b>2,527,945</b>	<b>6,670,405</b>	<b>4,054,875</b>	<b>13,253,225</b>
<b>NET ASSETS, end of the year</b>	<b>\$ 2,651,924</b>	<b>\$ 5,570,799</b>	<b>\$ 4,109,870</b>	<b>\$ 12,332,593</b>

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

COLUMBUS STATE COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
	<u>                    </u>	<u>                    </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 812,379	\$ (920,632)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Net unrealized (gain) loss on investments	(345,961)	227,470
(Increase) decrease in operating assets:		
Accounts receivable	57,593	(54,171)
Pledges receivable	248,186	1,140,797
Increase (decrease) in operating liabilities:		
Accounts payable	90,954	(480,481)
Total adjustments	<u>50,772</u>	<u>833,615</u>
Net cash provided by (used in) operating activities	<u>863,151</u>	<u>(87,017)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net purchase of investments	(391,095)	(550,271)
Net cash used in investing activities	<u>(391,095)</u>	<u>(550,271)</u>
Net increase (decrease) in cash and cash equivalents	472,056	(637,288)
 <b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<u>1,070,469</u>	<u>1,707,757</u>
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<u><u>\$ 1,542,525</u></u>	<u><u>\$ 1,070,469</u></u>

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

COLUMBUS STATE COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Columbus State Community College Development Foundation, Inc. (the "Foundation") have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Organization and Purpose

Columbus State Community College Development Foundation, Inc. is an Ohio not-for-profit corporation formed in 1982. It is considered to be a component unit of Columbus State Community College (the "College"). The Foundation is organized and operated exclusively to generate, receive, hold, invest, manage and allocate funds and property for the advancement, achievement, and support of the educational programs of the College, the beneficiaries being its students and community. The College provides administrative services on behalf of the Foundation.

Affiliates

Affiliates exist when an entity has the ability to directly or indirectly control another enterprise. Control includes the direct or indirect power to direct or cause the direction of the management and policies of a specified party, whether through ownership, by contract, or otherwise.

Use of Management Estimates

The preparation of financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results may differ from those estimates.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Net assets, revenues, expenses, gains, and losses are classified based on the existence of Board of Director designation or donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or Board of Director designation. Donor-restricted contributions whose restrictions are met in the same period as the contributions are recorded as unrestricted net assets.

Temporarily restricted net assets - Net assets that are subject to donor-imposed stipulations that may or will be met by actions of the Foundation or the passage of time. When a restriction expires or the funds are expensed for their intended purpose, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Support Recognition

The Foundation's revenue and support recognition policies are as follows:

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

In-Kind Contributions and Recently Issued and Adopted Accounting Policy

Contributions of supplies and professional services are recognized at fair value if these contributions received create or enhance non-financial assets, and would typically need to be purchased if not provided through contributions. Supplies and professional services received in-kind for the years ended June 30, 2017 and 2016 were \$81,928 and \$41,761, respectively.

In addition, the Foundation hosts an annual event that recognizes donors as well as raises funds for scholarships and special projects called "Taste the Future" in which vendors prepare various gourmet foods. No amounts have been included in the financial statements to value the in-kind donation of time and food items for this event.

Services Received from Personnel of an Affiliate

The Foundation records as in-kind revenue and expense, the amount of services provided by personnel of an affiliate for which the Foundation is not charged. This amount is determined by either the cost recognized by the affiliate for the personnel providing the service, or the fair value of that service.

The College provides an annual budget for personnel and general operating expenses of the Foundation, as well as the facilities occupied by the Foundation. The College also assists the Foundation in fund-raising, gift processing and accounting. The value of this operating budget, office space, and services provided constitutes in-kind revenue that the Foundation records in the statement of activities as in-kind revenue and expense. These operating costs provided by the College were estimated to be \$434,834 and \$402,053 for the years ended June 30, 2017 and 2016, respectively.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Foundation considers all demand bank deposits as cash. The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at its net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using a risk-free interest rate determined at the time of the pledge.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Marketable Securities

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value within the statements of financial position. Donated investments are recorded at fair value at the time of donation. Net realized and unrealized gains and losses are reported within the statement of activities as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations.

Fair Value of Financial Instruments

The carrying values of the Foundation's financial instruments in the statements of financial position approximate their respective estimated fair value at June 30, 2017 and 2016. The Foundation estimates fair values of its financial instruments using available quoted market information in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange. Different market assumptions might have a material effect on the estimated fair value amounts.

Donor Restricted Endowment Funds

The provisions of FASB ASC 958-205-45 provides guidance on classifying the net assets associated with donor restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Additional disclosures about endowments for both donor-restricted funds and board designated funds for all organizations, including those that are not yet subject to an enacted version of UPMIFA, are required to enable users to understand its endowment funds' net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, certain unrelated business activities may be subject to federal income taxes. The Foundation had no unrelated business activities and therefore, no provision for such taxes was necessary for the years ended June 30, 2017 and 2016.

Generally accepted accounting principles require the Foundation to evaluate the level of uncertainty related to whether tax positions taken will be sustained upon examination. Any positions taken that do not meet the more-likely-than-not threshold must be quantified and recorded as a liability for unrecognized tax benefits in the accompanying statement of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Management believes that none of the tax positions taken would materially impact the financial statements and no such liabilities have been recorded.

Recently Issued But Not Yet Effective Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 entitled "Revenue from Contracts with Customers (Topic 606)," which will change the Foundation's method of revenue recognition. This new standard is effective for the Foundation's annual reporting periods beginning after December 15, 2018. Early implementation is permitted. The provisions of this standard will be applied retrospectively. Management has not yet determined whether this new standard will have a material effect on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2016, the FASB issued ASU No. 2016-02 entitled “Leases (Topic 842),” which will change the Foundation’s statement of financial position by adding lease-related assets and liabilities. This may affect compliance with contractual agreements and loan covenants. This new standard is effective for the Foundation’s annual reporting periods beginning after December 15, 2019. Early implementation is permitted. Management has not yet determined whether this new standard will have a material effect on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14 entitled “Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)” which will, among other changes, change the presentation of the Foundation’s classifications of net assets from three classes to two (with donor restrictions and without donor restrictions) and require a schedule of expenses by both natural and functional classification. This new standard is effective for the Foundation’s annual reporting periods beginning after December 15, 2017. Early implementation is permitted. Management has not yet determined whether this new standard will have a material effect on its financial statements.

Subsequent Events

The Foundation has evaluated subsequent events through September 28, 2017, the date on which the financial statements were available to be issued. Management has determined that there were no transactions or events that required disclosure through the evaluation date.

NOTE 2: RISKS AND UNCERTAINTIES

Uninsured Risk – Cash Deposits

The Foundation maintains its cash and cash equivalents balances in financial institutions located in central Ohio; US Bank and Morgan Stanley. Deposits in interest-bearing and non-interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a coverage limit of \$250,000. Uninsured cash funds held by US Bank are subject to a collateral agreement covering all public funds held by the bank. As of June 30, 2017, the Foundation had balances of \$1,424,521 and \$167,035 at US Bank and Morgan Stanley, respectively. As of June 30, 2016, the Foundation had balances of \$827,022 and \$193,310 at US Bank and Morgan Stanley, respectively. The difference between bank balance and carry balance represents normal reconciling items.

Concentration of Credit Risk

Financial instruments, which potentially subject the Foundation to concentration of credit risk, consist principally of pledges receivable and investments. Exposure to losses on pledges receivable is dependent on each donor’s financial condition. The Foundation monitors the exposure for credit losses including each donor’s compliance with terms of the pledge and determines allowances, if any, for anticipated losses.

Market Risk – Marketable Securities

The financial statements include investments in debt and equity securities. The underlying investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the inherent level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the financial statements.



COLUMBUS STATE COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: INVESTMENTS

The following summarizes the fair value of investments held at June 30:

	<u>2017</u>	<u>2016</u>
Equity mutual funds	\$ 1,093,321	\$ 1,087,335
Common and preferred stock	4,113,857	3,946,532
Corporate bonds	<u>2,691,862</u>	<u>2,128,117</u>
Total	<u>\$ 7,899,040</u>	<u>\$ 7,161,984</u>

As defined in FASB ASC 820, fair value is the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

Level 2 Inputs - Significant other observable inputs other than Level 1 quoted prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Inputs - Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets Measured on a Recurring Basis: Assets and liabilities measured at fair value on a recurring basis are summarized below as of June 30:

	<u>Fair Value Measurements</u> <u>At June 30, 2017 Using</u>		
	<u>Quoted Prices in</u> <u>Active Markets</u> <u>For Identical</u> <u>Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
Equity mutual funds	\$ 1,093,321	\$ -	\$ -
Common and preferred stock	4,113,857	-	-
Corporate bonds	<u>2,691,862</u>	-	-
Total	<u>\$ 7,899,040</u>	<u>\$ -</u>	<u>\$ -</u>

COLUMBUS STATE COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: INVESTMENTS (Continued)

	Fair Value Measurements At June 30, 2016 Using		
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds	\$ 1,087,335	\$ -	\$ -
Common and preferred stock	3,946,532	-	-
Corporate bonds	2,128,117	-	-
Total	<u>\$ 7,161,984</u>	<u>\$ -</u>	<u>\$ -</u>

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the beginning of the reporting period. For the fiscal years ended June 30, 2017 and 2016, there were no transfers between levels of the fair value hierarchy.

NOTE 4: ENDOWMENT COMPOSITION

The Foundation's endowments are made up of donor-restricted endowment funds. As required by applicable standards, all net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. Changes in endowment net assets for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Net assets, beginning of year	\$ (12,725)	\$ 164,825	\$ 4,109,870	\$ 4,261,970
Investment income, net	-	90,043	-	90,043
Net appreciation (realized and unrealized gains/losses)	51,013	343,534	-	394,547
Contributions	-	-	28,348	28,348
Reclassifications for UPMIFA	-	-	-	-
Appropriation of endowment assets for expenditure	(4,045)	(74,800)	-	(78,845)
Net assets, end of year	<u>\$ 34,243</u>	<u>\$ 523,602</u>	<u>\$ 4,138,218</u>	<u>\$ 4,696,063</u>

COLUMBUS STATE COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: ENDOWMENT COMPOSITION (Continued)

Changes in endowment net assets for the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Net assets, beginning of year	\$ (9,885)	\$ 165,114	\$ 4,054,875	\$ 4,210,104
Investment income, net	-	104,280	-	104,280
Net appreciation (realized and unrealized gains/losses)	18	(60,398)	-	(60,380)
Contributions	-	-	54,995	54,995
Reclassifications for UPMIFA	(2,858)	2,858	-	-
Appropriation of endowment assets for expenditure	-	(47,029)	-	(47,029)
Net assets, end of year	<u>\$ (12,725)</u>	<u>\$ 164,825</u>	<u>\$ 4,109,870</u>	<u>\$ 4,261,970</u>

Interpretation of UPMIFA: The Foundation has interpreted the State of Ohio's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as Board designated funds. Under this policy, the endowment assets are invested in a manner that is intended to maximize the total rate of return on investment within prudent parameters of risk of this type and in keeping with liquidity requirements as they relate to life income gifts.

Strategies Employed for Achieving Objectives

The purpose of the Endowment Fund is to facilitate donors' desires to make substantial long-term gifts to the Foundation and to develop significant sources of revenue for the Foundation. In so doing, the Endowment Fund will provide a secure, long-term source of funds to enhance the ability of the Foundation to meet ongoing and changing needs in both the short and long-term.

COLUMBUS STATE COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: ENDOWMENT COMPOSITION (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

To assist in achieving these objectives, the Foundation has established a Spending Policy that provides the criteria for annual distributions from the Endowment Fund. The Columbus State Community College Development Foundation, Inc. Board of Directors will determine annually the amount of funds that will be distributed out of the Endowment Income Funds. Distributions will be limited to 5% of the average market value of the Endowment Fund balance over the previous four years, not to exceed 75% of the income balance in any individual account. Within these parameters, the Board of Directors may also elect to make no distribution in any given year. The capital or principal amount of any endowed fund shall remain in perpetuity.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. Such amounts totaled \$12,725 as of June 30, 2016. These deficiencies resulted from unfavorable market fluctuations. Endowment Fund principal, unless otherwise directed by the donor, shall not be disbursed except for emergency situations.

NOTE 5: PLEDGES RECEIVABLE

Amounts included in pledges receivable for unconditional promises to give consist of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Annual pledges	\$ 4,042,012	\$ 4,299,918
Allowance for uncollectible pledges	-	-
Discount – multi-year pledges	-	(9,720)
Total	<u>\$ 4,042,012</u>	<u>\$ 4,290,198</u>

As of June 30, 2017 amounts due to be received in:

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Less than one year	\$ 3,942,012	\$ -	\$ 3,942,012
One to five years	100,000	-	100,000
Total	<u>\$ 4,042,012</u>	<u>\$ -</u>	<u>\$ 4,042,012</u>

As of June 30, 2016 amounts due to be received in:

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Less than one year	\$ 2,299,848	\$ -	\$ 2,299,848
One to five years	2,000,070	-	2,000,070
Total	<u>\$ 4,299,918</u>	<u>\$ -</u>	<u>\$ 4,299,918</u>

As of June 30, 2017, management estimates that outstanding pledges receivable were fully collectible, consequently, no allowance for uncollectible pledges was deemed necessary. Due to uncertainties about future events, management's estimate of uncollectible promises to give may subsequently change, although the amount of such a change cannot be determined. Discounts applied to promises to give total were \$9,720 as of June 30, 2016.

COLUMBUS STATE COMMUNITY COLLEGE DEVELOPMENT FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: NET ASSETS

Temporarily restricted net assets as of June 30 are summarized for the following programs:

	<u>2017</u>	<u>2016</u>
General Support of College Programs	\$ 4,092,982	\$ 4,198,019
Equipment	210,513	237,992
Lecture Series	26,643	29,104
Special Projects	44,822	87,408
General Support of Administration	147,972	4,310
Scholarships	1,436,214	1,013,966
Total	<u>\$ 5,959,146</u>	<u>\$ 5,570,799</u>

Permanently restricted net assets as of June 30 are summarized for the following programs:

	<u>2017</u>	<u>2016</u>
College Programs	\$ 10,000	\$ 10,000
Special Projects	39,388	44,151
General Support of Administration	285,001	285,001
Scholarships	3,803,829	3,770,718
Total	<u>\$ 4,138,218</u>	<u>\$ 4,109,870</u>

NOTE 7: TRANSACTIONS WITH AFFILIATES

As described in Note 1, the College provides administrative services on behalf of the Foundation at no charge. The Foundation provides contributions to support the College's programs. Contributions to the College were \$574,805 and \$1,113,263 for the years ended June 30, 2017 and 2016, respectively. As of June 30, 2017, contributions to the College in the amount of \$306,703 had yet to be paid and were included in the Foundation's accounts payable on the statement of financial position. As of June 30, 2016, these contributions totaled \$243,910.

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September 28, 2017

To the Board of Directors  
Columbus State Community College Development Foundation, Inc.  
Columbus, Ohio

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

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 Columbus State Community College Development Foundation, Inc. (the "Foundation"), a component unit of Columbus State Community College, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2017.

Internal Control over Financial Reporting

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation'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.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Dublin, Ohio





# Dave Yost • Auditor of State

**COLUMBUS STATE COMMUNITY COLLEGE DEVELOPMENT FOUNDATION**

**FRANKLIN 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  
NOVEMBER 9, 2017**