

STARK STATE COLLEGE FOUNDATION
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Stark State College Foundation
6200 Frank Ave., NW
Canton, OH 44720-7299

We have reviewed the independent auditor's report of the Stark State College Foundation, Stark County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 2000 through June 30, 2001. 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 Stark State College Foundation is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

December 27, 2001

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**STARK STATE COLLEGE FOUNDATION
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Stark State College Foundation
6200 Frank Avenue, NW
Canton, Ohio 44720-7299

We have audited the accompanying statement of financial position of the Stark State College Foundation (the Foundation) as of June 30, 2001, and related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stark State College Foundation as of June 30, 2001 and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report November 21, 2001 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

November 21, 2001

Stark State College Foundation
Statement of Financial Position
June 30, 2001

ASSETS

Cash and cash equivalents	\$7,859
Short-term investments	87,229
Long-term investments	899,751
Conditional promises to give	
Restricted to W.R. Timken Center for Information Technology	1,573,188
Restricted to physical therapy clinic	79,843
Unconditional promises to give	
Unrestricted	35,938
Restricted to aesthetics	108
Restricted to equipment	15,876
Restricted to endowments	<u>130,482</u>
 Total Assets	 <u><u>\$2,830,274</u></u>

LIABILITIES

Accounts payable	<u>\$287</u>
 Total Liabilities	 <u>287</u>

NET ASSETS

Unrestricted	54,210
Temporarily restricted	1,909,970
Permanently restricted	<u>865,807</u>
 Total Net Assets	 <u>2,829,987</u>
 Total Liabilities and Net Assets	 <u><u>\$2,830,274</u></u>

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

Stark State College Foundation
Statement of Activities
For the Fiscal Year Ended June 30, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Individuals	\$44,005	\$0	\$0	\$44,005
Corporations and foundations	5,710	0	0	5,710
Income for managing assets	1,813	0	0	1,813
Investment income	772	17,540	529	18,841
Support for the dental hygiene clinic	0	2,943	0	2,943
Support for aesthetics	0	182	0	182
Support for scholarships	0	200	0	200
Support for instructional equipment	0	32,659	0	32,659
Support for W.R. Timken Center for Information Technology	0	1,676,950	0	1,676,950
Support for physical therapy clinic	0	118,013	0	118,013
Realized/Unrealized gains and losses on investments, net	(17,296)	(83,977)	(5,277)	(106,550)
Loss on sale of stock	0	(281)	0	(281)
Endowment fund support	0	0	269,183	269,183
Net assets released from restrictions (Note 5)				
Restrictions satisfied by payments	161,444	(161,444)	0	0
Transfer for managing assets	9,852	(9,852)	0	0
Total Support and Revenues	206,300	1,592,933	264,435	2,063,668
EXPENSES				
Supporting college activities				
Scholarships for students	38,369	0	0	38,369
Faculty and staff professional development	5,997	0	0	5,997
Physical therapy clinic operating expenses	38,170	0	0	38,170
Aesthetics	623	0	0	623
Instructional equipment and supplies	71,285	0	0	71,285
Solar car renovation	7,000	0	0	7,000
Operations				
Management and general	9,587	0	0	9,587
Total Expenses	171,031	0	0	171,031
Change in Net Assets	35,269	1,592,933	264,435	1,892,637
Net Assets, Beginning of Fiscal Year	18,941	317,037	601,372	937,350
Net Assets, End of Fiscal Year	<u>\$54,210</u>	<u>\$1,909,970</u>	<u>\$865,807</u>	<u>\$2,829,987</u>

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

Stark State College Foundation
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2001

Cash flows from operating activities:

Change in net assets \$1,892,637

Adjustments to reconcile net assets to
net cash provided by operating activities:

Net realized/unrealized losses on investments	106,550
Increase in restricted conditional promises to give	(1,650,247)
Increase in restricted unconditional promises to give	(141,955)
Income in unrestricted unconditional promises to give	(34,149)
Decrease in accounts payable	(195)
Investment income from long-term investments	(16,260)
Investment income from short-term investments	(2,581)
Restricted cash contributions for long-term investment	<u>(143,116)</u>

Total adjustments (1,881,953)

Net cash provided by operating activities 10,684

Cash flows from investing activities:

Purchases of long-term investments	(147,581)
Purchases of short-term investments	(69,179)
Proceeds from sales and maturities of investments - long-term	43,992
Proceeds from sales of investments - short-term	<u>1,277</u>

Net cash (used for) investing activities (171,491)

Cash flows from financing activities:

Collection of endowment fund support	<u>143,116</u>
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Net cash provided by financing activities 143,116

Net (decrease) in cash and cash equivalents (17,691)

Cash and cash equivalents, beginning of fiscal year 25,550

Cash and cash equivalents, end of fiscal year \$7,859

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

STARK STATE COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

1. **DESCRIPTION OF THE REPORTING ENTITY**

The Stark State College Foundation (the Foundation) is organized and is operated exclusively for educational, scientific or charitable purposes by conducting and supporting activities which benefit or carry out the purpose of the Stark State College of Technology (herein, “the College”). The College is a state institution of higher learning, authorized and existing under Chapter 3357 of the Ohio Revised Code. The Foundation is a not-for-profit organization established in accordance with Section 501(c)(3) of the Internal Revenue Code and is empowered to exercise all rights and powers conferred by the laws of Ohio upon nonprofit corporations.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Contributions

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

Financial Statement Presentation

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

Unrestricted Net Assets

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

STARK STATE COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Temporarily Restricted Net Assets

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

Permanently Restricted Assets

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

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

Cash and Cash Equivalents

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

Investments

The Foundation reports investments in accordance with SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations". Investments in marketable securities with readily determined fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

Investments of the unrestricted, temporarily restricted and permanently restricted funds are pooled for making investment transactions and are carried at market value. Interest and dividend income, as well as realized and unrealized gains and losses, are allocated to unrestricted, temporarily restricted and permanently restricted funds.

Promises to Give

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

STARK STATE COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The Foundation requires an initial minimum balance of \$5,000 to establish a scholarship fund. The policy allows a period, generally not to exceed 60 months, for the accumulation of contributions and interest to meet the minimum \$5,000 requirement.

Estimates

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

3. **INVESTMENTS**

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

At June 30, 2001, investments consisted of the following:

	Carrying Value	Fair Value
Mutual Funds	\$899,751	\$899,751
Money Market Accounts	87,229	87,229
Total	<u>\$986,980</u>	<u>\$986,980</u>

4. **PROMISES TO GIVE**

Unconditional promises to give are included in the financial statements as contributions receivable and contributions of the appropriate net asset category. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimate future cash flows. Conditional promises to give are not included as support until conditions are met.

Unconditional promises to give:

Unrestricted

Amounts Due:

Less than one year	\$12,623
One to five years	23,315

Restricted

Amounts Due:

Less than one year	93,751
One to five years	52,715

STARK STATE COLLEGE FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

4. **PROMISES TO GIVE** (continued)

Conditional promises to give:

 Restricted

 Amounts Due:

 Less than one year 463,764

 One to five years 1,189,267

 Total \$1,835,435

5. **TEMPORARILY RESTRICTED NET ASSETS**

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

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

Aesthetics	\$1,123
Alumni Class Scholarships	21,312
Betty Morford Scholarship	2,247
Business Division Equipment	9,572
Computer Network Lab	22,881
Computer Science Equipment	40,320
Diversity Scholarship	16,599
Engineering Division Equipment	2,924
Engineering Memorial Scholarship	4,189
E. Business Lab	27,360
Faculty and Staff Professional Development	34,986
Fred F. Silk Scholarship	62,161
General Studies Division Equipment	811
Health Division Scholarship	2,569
Instructional Resources	3,403
Ned Saums Scholarship	2,588
Physical Therapy Equipment	43,200
Physical Therapy Operations	36,643
Student Scholarship	35,329
Timken Center for Information Technology	<u>1,539,753</u>
Total Temporarily Restricted Net Assets	<u><u>\$1,909,970</u></u>

STARK STATE COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

5. **TEMPORARILY RESTRICTED NET ASSETS** (continued)

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

Purpose Restriction Accomplished:

ACCA Scholarships	\$400
Aesthetics	623
Alberts Scholarship	69
Alumni Class Scholarships	3,974
Bridgestone/Firestone Automotive Scholarship	114
Business Division Equipment	1,043
Canton Veteran Car Club	224
Computer Network Lab	5,666
Computer Science Equipment	14,000
Dental Hygiene	5,727
Diversity Scholarship	2,549
East Ohio Gas Company Scholarship	643
E. Business Lab	28,500
Engineering Division Equipment	240
Engineering Memorial Scholarship	760
Faculty and Staff Professional Development	5,748
Janet C. Fisher Scholarship	7,832
General Studies Division Equipment	43
Hallier Scholarship	446
Haverlock Scholarship	1,924
Health Division Scholarship	15,458
Instructional Resources	609
Betty Morford Scholarship	487
Powers Professional Development	249
Physical Therapy Clinic Operations	38,170
Ned Saums Scholarship	563
Fred F. Silk Scholarship	9,496
Solar Car Project	7,000
Student Scholarship	4,608
Youngs Scholarship	4,279
Total Net Assets Released from Donor Restrictions	\$161,444

STARK STATE COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

6. **PERMANENTLY RESTRICTED NET ASSETS**

Alberts Scholarship	\$5,190
Alumni Class Scholarships	74,084
Bridgestone/Firestone Automotive Scholarship	2,500
Canton Veteran Car Club	5,000
Deuble Foundation Scholarship	97,333
Diversity Scholarship	49,438
East Ohio Gas Company Scholarship	10,000
Engineering Memorial Scholarship	15,042
Faculty and Staff Professional Development	110,365
Janet C. Fisher Scholarship	34,864
Flowers Scholarship	5,000
Hallier Scholarship	4,032
Haverlock Scholarship	9,818
Herbert Hoover Scholarship	33,000
Hoover Foundation Scholarship	98,000
Instructional Resources	9,847
Mel Kallis Scholarship	772
Luntz's Scholarship	5,456
Betty Morford Scholarship	9,373
Powers Professional Development	5,129
Ranks Scholarship	5,000
Ned Saums Scholarship	11,083
Fred F. Silk Scholarship	130,000
Student Scholarship	89,855
E&R Wilkof Scholarship	14,600
Youngs Scholarship	31,026
Total Permanently Restricted Net Assets	\$865,807

7. **INCOME TAXES**

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore makes no provision for income taxes. It is however, required to file annually, IRS Form 990, which reports the activity of the Foundation during the fiscal year.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Stark State College Foundation
6200 Frank Avenue, NW
Canton, Ohio 44720-7299

We have audited the financial statements of the Stark State College Foundation (the Foundation), as of and for the year ended June 30, 2001, and have issued our report thereon dated November 21, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

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

A handwritten signature in black ink, appearing to read "G B Fink". The signature is fluid and cursive, with the first letter of each name being capitalized and prominent.

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

November 21, 2001



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OFFICE OF THE AUDITOR

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STARK STATE COLLEGE FOUNDATION

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 10, 2002**