

The Edison Foundation, Inc.

*Financial Statements for the Years Ended June 30,
2004 and 2003 and Supplemental Schedule for the
Year Ended June 30, 2004 and Independent
Auditors' Report*



**Auditor of State
Betty Montgomery**

Board of Trustees
The Edison Foundation, Inc.

We have reviewed the Independent Auditor's Report of The Edison Foundation, Inc., Miami County, prepared by Deloitte & Touche LLP for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Edison Foundation, Inc. is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 29, 2004

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THE EDISON FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Edison Foundation, Inc.

We have audited the accompanying financial statements of The Edison Foundation, Inc. (the "Foundation") as of June 30, 2004 and 2003, and for the years then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Foundation. 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 of America. 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2004 and 2003, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our 2004 audit was conducted for the purpose of forming an opinion on the 2004 basic financial statements taken as a whole. The accompanying financial information, listed as a supplemental schedule in the foregoing table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Foundation's management. Such information has been subjected to the auditing procedures applied in our audit of the 2004 basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have issued a report dated September 15, 2004, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Deloitte & Touche LLP

September 15, 2004

THE EDISON FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2004 AND 2003

ASSETS	2004	2003
CASH AND CASH EQUIVALENTS	\$ 139,802	\$ 94,282
ACCOUNTS RECEIVABLE:		
From Edison State Community College		19,802
Pledges	208,796	65,196
Interest and dividends	15,321	15,160
INVESTMENTS	1,947,968	1,551,609
PREPAID		<u>10,000</u>
TOTAL ASSETS	<u>\$2,311,887</u>	<u>\$1,756,049</u>
LIABILITIES AND NET ASSETS		
ACCOUNTS PAYABLE:		
To Edison State Community College	\$ 143,993	\$ 18,103
Other payables	1,645	
NET ASSETS:		
Unrestricted	952,037	786,345
Temporarily restricted	1,154,460	899,189
Permanently restricted	<u>59,752</u>	<u>52,412</u>
Total net assets	<u>2,166,249</u>	<u>1,737,946</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$2,311,887</u>	<u>\$1,756,049</u>

See notes to financial statements.

THE EDISON FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT:				
Gifts and grants	\$ 551	\$ 403,021	\$ -	\$ 403,572
Holiday evening event		200,775		200,775
Investment earnings:				
Interest and dividends	28,319	11,258		39,577
Net realized and unrealized gains	152,888	48,108	7,340	208,336
Net assets released from restrictions	<u>407,891</u>	<u>(407,891)</u>		
Total revenues and other support	<u>589,649</u>	<u>255,271</u>	<u>7,340</u>	<u>852,260</u>
EXPENSES:				
College scholarships awarded	104,483			104,483
Holiday evening event	137,281			137,281
Capital campaign	89,232			89,232
Salary	34,356			34,356
Investment advisory fee	11,082			11,082
Legal and professional	10,800			10,800
Computer software support	7,310			7,310
Printing	7,063			7,063
Graduate Academy	6,443			6,443
Receptions	5,890			5,890
Miscellaneous	<u>10,017</u>			<u>10,017</u>
Total expenses	<u>423,957</u>	<u>-</u>	<u>-</u>	<u>423,957</u>
CHANGE IN NET ASSETS	165,692	255,271	7,340	428,303
NET ASSETS:				
Beginning of year	<u>786,345</u>	<u>899,189</u>	<u>52,412</u>	<u>1,737,946</u>
End of year	<u>\$952,037</u>	<u>\$1,154,460</u>	<u>\$59,752</u>	<u>\$2,166,249</u>

See notes to financial statements.

(Continued)

THE EDISON FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT:				
Gifts and grants	\$ 44,805	\$ 9,292	\$ -	\$ 54,097
Holiday evening event	139,575			139,575
Investment earnings:				
Interest and dividends	30,595	10,899		41,494
Net realized and unrealized gains (losses)	34,147	11,283	(68)	45,362
Net assets released from restrictions	<u>172,928</u>	<u>(172,928)</u>		
Total revenues and other support	<u>422,050</u>	<u>(141,454)</u>	<u>(68)</u>	<u>280,528</u>
EXPENSES:				
College scholarships awarded	103,000			103,000
Holiday evening event	87,027			87,027
Salary	30,000			30,000
Investment advisory fee	11,321			11,321
Legal and professional	10,550			10,550
Printing	3,000			3,000
Receptions	6,029			6,029
Miscellaneous	<u>8,737</u>			<u>8,737</u>
Total expenses	<u>259,664</u>	<u>-</u>	<u>-</u>	<u>259,664</u>
CHANGE IN NET ASSETS	162,386	(141,454)	(68)	20,864
NET ASSETS:				
Beginning of year	<u>623,959</u>	<u>1,040,643</u>	<u>52,480</u>	<u>1,717,082</u>
End of year	<u>\$ 786,345</u>	<u>\$ 899,189</u>	<u>\$ 52,412</u>	<u>\$ 1,737,946</u>

See notes to financial statements.

(Concluded)

THE EDISON FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 428,303</u>	<u>\$ 20,864</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
(Increase) decrease in pledges receivable	(143,600)	(5,834)
(Increase) decrease in receivable from Edison	19,802	(19,802)
(Increase) decrease in interest and dividends receivable	(161)	1,312
(Increase) decrease in prepaid	10,000	(10,000)
Increase (decrease) in accounts payable	127,535	(39,716)
Restricted gifts and grants	(603,796)	(9,292)
Net realized and unrealized gains	<u>(208,336)</u>	<u>(45,362)</u>
Net cash provided by (used in) operating activities	<u>(370,253)</u>	<u>(107,830)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for investments	(412,092)	(1,128,501)
Cash received from sale of investments	<u>224,069</u>	<u>826,517</u>
Net cash used in investing activities	<u>(188,023)</u>	<u>(301,984)</u>
CASH FLOWS FROM FINANCING ACTIVITIES---		
Restricted gifts and grants	<u>603,796</u>	<u>9,292</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	45,520	(400,522)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>94,282</u>	<u>494,804</u>
End of year	<u>\$ 139,802</u>	<u>\$ 94,282</u>

See notes to financial statements.

THE EDISON FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2004 AND 2003

1. SUMMARY OF OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The Foundation uses the accrual basis of accounting; consequently, revenue and related assets are recognized when earned and expenses are recognized when incurred.

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

Donations are recorded as revenues in the year received or when a bequest is legally finalized. Unconditional pledges are recorded in the period that the pledges are received. Conditional pledges are recorded in the period in which the conditions have been met. Funds from pledges to be collected in future years are recorded at net present value. All pledges are net of an allowance for doubtful collections.

Net assets are classified into three categories: (1) unrestricted net assets, which have no donor-imposed restrictions, (2) temporarily restricted net assets, which have donor-imposed restrictions that will expire or be satisfied in the future, and (3) permanently restricted net assets, which have donor-imposed restrictions that neither expire by passage of time nor can be fulfilled by actions of the Foundation.

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

Contributions—Donations are recorded as revenues in the year received or when a bequest is legally finalized. Unconditional pledges are recorded in the period that the pledges are received. Conditional pledges are recorded in the period in which the conditions have been met. Funds from pledges to be collected in future years are recorded at net present value. All pledges are net of an allowance for doubtful collections.

Investments are stated at fair value, and realized and unrealized gains and losses are reflected in the statement of activities. Fair value is determined by market quotes. Donated investments are recorded at the fair market value at the time received. Realized gains or losses are determined based on the average cost method.

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

Reclassifications—Certain reclassifications have been made to conform 2003 balances with the 2004 presentation.

New Accounting Standard—In May 2002, the Governmental Accounting Standards Board issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides guidance to determine whether certain organizations for which the primary government, in this case, Edison State Community College (the “College”), is not financially accountable should be reported as a component unit of that government based on the nature and significance of the relationship between the College and the Foundation. Generally, it requires reporting, as discreetly presented component units, organizations that raise and hold economic resources for the benefit of the College.

Effective for the year ended June 30, 2004, the Foundation’s financial information will be included in the College’s financial statements as a component unit.

3. BUSINESS AND CONCENTRATIONS OF CREDIT RISK

Seven donors accounted for a total of 21% of gifts and grants for the year ended June 30, 2004, while seven donors accounted for 100% of gifts and grants for the year ended June 30, 2003.

The Foundation’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash and investments. The Foundation places its cash in federally insured banks. Cash is generally in excess of the Federal Deposit Insurance Corporation’s insurance limit.

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

4. CLASSIFICATION OF NET ASSETS

	June 30, 2004			June 30, 2003		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
Unrestricted	\$ 88,643	\$ -	\$ -	\$ 73,385	\$ -	\$ -
Savings	9,796	60,168		9,796		
Endowment	106,156	39,253		87,130	38,941	
Scholarship Endowment	16,065	14,669		12,066	14,572	
Title III Special Endowment	241,342	735,606		184,859	678,399	
Alumni Scholarship	7,352	11,865		4,926	11,803	
Tri-County Educational	137,219	75,991		109,169	75,331	
Other	334,910	175,535		301,751	39,144	
Technology Endowment	10,423	39,285		3,910	39,117	
Robinson Scholarship	131	2,088	59,752	(647)	1,882	52,412
	<u>\$ 952,037</u>	<u>\$ 1,154,460</u>	<u>\$ 59,752</u>	<u>\$ 786,345</u>	<u>\$ 899,189</u>	<u>\$ 52,412</u>

5. INVESTMENTS

Investments by major types are as follows:

	June 30, 2004		June 30, 2003	
	Cost	Market	Cost	Market
UNRESTRICTED—Mutual funds:				
Equity	\$ 103,226	\$ 118,397	\$ 102,168	\$ 97,740
Bonds	37,250	36,402	34,250	34,811
UNRESTRICTED AND TEMPORARILY RESTRICTED:				
Endowment:				
U.S. Government, agency obligations, corporate bonds and bond mutual funds	26,994	27,584	25,188	27,245
Common stocks and equity mutual funds	75,640	98,410	71,219	77,003
Scholarship Endowment—mutual funds:				
Equity	17,932	22,461	16,951	17,985
Bonds	6,471	6,334	6,471	6,586
Title III Special Endowment:				
U.S. Government, agency obligations, corporate bonds and bond mutual funds	201,083	204,258	230,937	243,616
Common stocks and equity mutual funds	631,387	739,021	575,783	572,031
Alumni Scholarship—mutual funds:				
Equity	10,614	13,342	9,929	10,772
Bonds	5,000	4,898	5,000	5,085
Tri-County Educational:				
U.S. Government, agency obligations, corporate bonds and bond mutual funds	54,211	53,683	54,211	56,136
Common stocks and equity mutual funds	119,685	151,195	115,415	122,661
Technology Endowment—mutual funds:				
Equity	33,665	35,739	32,573	28,880
Bonds	12,008	11,712	12,008	12,206
Other Temporarily Restricted:				
U.S. Government, agency obligations, corporate bonds and bond mutual funds	115,298	113,237	127,285	141,310
Common stocks and equity mutual funds	207,474	251,347	45,298	45,576
UNRESTRICTED, TEMPORARILY RESTRICTED, AND PERMANENTLY RESTRICTED—				
Robinson Scholarship—mutual funds:				
Equity	41,804	45,306	40,392	36,742
Bonds	15,008	14,642	15,008	15,224
	<u>\$1,714,750</u>	<u>\$1,947,968</u>	<u>\$1,520,086</u>	<u>\$1,551,609</u>

Net realized gains (losses) on sale of investments were \$(11,843) and \$(167,308) and capital gains distributions were \$18,387 and \$412 for the years ended June 30, 2004 and 2003, respectively.

6. PLEDGES RECEIVABLE

As of June 30, 2004, contributors to the Foundation have outstanding unconditional pledges totaling \$230,529. Net pledges receivable have been discounted to a net present value of \$208,796, which represents fair market value. The discount rate was 5%. All pledges have been classified as temporarily restricted net assets since they will either expire or be fulfilled within a specified period of time. These pledges are due as follows:

Less than one year	\$ 53,529
One to five years	138,367
More than five years	<u>16,900</u>
Total	<u>\$208,796</u>

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SUPPLEMENTAL SCHEDULE

THE EDISON FOUNDATION, INC.

**SCHEDULE OF ENDING NET ASSETS BY CLASS TO JUNE 30, 2004 FIFTH THIRD TRUST STATEMENTS
YEAR ENDED JUNE 30, 2004**

	Unrestricted	Savings Account	Endowment	Scholarship Endowment	Title III Special Endowment	Alumni Scholarship	Tri-County Educational	Other	Technology Endowment	Robinson Scholarship	Total
REVENUE AND OTHER SUPPORT:											
Gifts and grants	\$ 551	\$231,086	\$ 312	\$ 97	\$ 724	\$ 62	\$ 660	\$ 169,706	\$ 168	\$ 206	\$ 403,572
Holiday evening event		200,775									200,775
Interest and dividends	2,660	164	2,890	527	22,187	350	4,794	3,995	889	1,121	39,577
Net realized and unrealized gains	20,624		16,941	3,645	96,216	2,182	24,434	31,056	5,898	7,340	208,336
Total income	23,835	432,025	20,143	4,269	119,127	2,594	29,888	204,757	6,955	8,667	852,260
EXPENSES:											
College scholarships awarded								104,483			104,483
Holiday evening event								137,281			137,281
Capital campaign	21,673							67,559			89,232
Salary	34,356										34,356
Investment advisory fee	874		805	173	5,437	106	1,178		274	343	11,082
Legal and professional								10,800			10,800
Computer software support								7,310			7,310
Printing	6,707							356			7,063
Graduate Academy	4,273							2,170			6,443
Receptions	3,211							2,613			5,890
Miscellaneous	3,700							6,317			10,017
Transfers	(66,283)	371,857						(305,574)			
Total expenses	8,577	371,857	805	173	5,437	106	1,178	35,207	274	343	423,957
CHANGE IN NET ASSETS	15,258	60,168	19,338	4,096	113,690	2,488	28,710	169,550	6,681	8,324	428,303
NET ASSETS:											
Beginning of year	73,385	9,796	126,071	26,638	863,258	16,729	184,500	340,895	43,027	53,647	1,737,946
End of year	\$ 88,643	\$ 69,964	\$ 145,409	\$ 30,734	\$ 976,948	\$ 19,217	\$ 213,210	\$ 510,445	\$ 49,708	\$ 61,971	\$ 2,166,249
RECONCILIATION TO TRUST STATEMENTS:											
Ending net assets per books	\$ 88,643	\$ 69,964	\$ 145,409	\$ 30,734	\$ 976,948	\$ 19,217	\$ 213,210	\$ 510,445	\$ 49,708	\$ 61,971	\$ 2,166,249
Investment income receivable	(963)		(644)	(191)	(8,249)	(128)	(2,221)	(2,205)	(314)	(406)	(15,321)
Pledges receivable								(208,796)			(208,796)
Other payables	1,645										1,645
Payable to College	70,019							73,974			143,993
Balance per trust statements	\$ 159,344	\$ 69,964	\$ 144,765	\$ 30,543	\$ 968,699	\$ 19,089	\$ 210,989	\$ 373,418	\$ 49,394	\$ 61,565	\$ 2,087,770

(Continued)

THE EDISON FOUNDATION, INC.

**SCHEDULE OF ENDING NET ASSETS BY CLASS TO JUNE 30, 2004 FIFTH THIRD TRUST STATEMENTS
YEAR ENDED JUNE 30, 2004**

	Unrestricted	Savings Account	Endowment	Scholarship Endowment	Title III Special Endowment	Alumni Scholarship	Tri-County Educational	Other	Technology Endowment	Robinson Scholarship	Total
UNRESTRICTED NET ASSETS:											
Revenues and other support:	\$ 551	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 551
Gifts and grants											
Holiday evening event	2,660		2,890	527	11,094	350	4,794	3,994	889	1,121	28,319
Interest and dividends	20,624		16,941	3,645	48,108	2,182	24,434	31,056	5,898		152,888
Net realized and unrealized losses											
Total income	23,835		19,831	4,172	59,202	2,532	29,228	35,050	6,787	1,121	181,758
Expenses and transfers:											
College scholarship awards	21,673										21,673
Holiday evening event	34,356										34,356
Capital campaign	874		805	173	2,719	106	1,178	1,891	274	343	8,363
Salary											
Investment advisory fee											
Legal and professional											
Computer Software Support											
Printing	6,707										6,707
Graduate Academy	4,273										4,273
Receptions	3,277										3,277
Miscellaneous	3,700										3,700
Transfers	(66,283)										(66,283)
Total expenses and transfers	8,577		805	173	2,719	106	1,178	1,891	274	343	16,066
Change in net assets	15,258		19,026	3,999	56,483	2,426	28,050	33,159	6,513	778	165,692
Beginning of year	73,385	9,796	87,130	12,066	184,859	4,926	109,169	301,751	3,910	(647)	786,345
End of year	88,643	9,796	106,156	16,065	241,342	7,352	137,219	334,910	10,423	131	952,037
TEMPORARILY RESTRICTED NET ASSETS:											
Revenues and other support:											
Gifts and grants		231,086		97	724	62	660	169,706	168	206	403,021
Holiday evening event		200,775									200,775
Interest and dividends		164			11,094						11,258
Net realized and unrealized losses					48,108						48,108
Total income		432,025	312	97	59,926	62	660	169,706	168	206	663,162

(Continued)

THE EDISON FOUNDATION, INC.

**SCHEDULE OF ENDING NET ASSETS BY CLASS TO JUNE 30, 2004 FIFTH THIRD TRUST STATEMENTS
YEAR ENDED JUNE 30, 2004**

	Unrestricted	Savings Account	Endowment	Scholarship Endowment	Title III Special Endowment	Alumni Scholarship	Tri-County Educational	Other	Technology Endowment	Robinson Scholarship	Total
Expenses (classified as unrestricted expenses in the Statement of Activities):											
College scholarships awards	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137,281
Holiday evening event								67,559			67,559
Capital campaign											
Salary					2,719						2,719
Investment advisory fee						10,800					10,800
Legal and professional						7,310					7,310
Computer Software Support								356			356
Printing								2,170			2,170
Graduate academy								2,613			2,613
Receptions								6,317			6,317
Miscellaneous								(305,574)			66,283
Transfers		371,857									
		<u>371,857</u>			<u>2,719</u>			<u>33,315</u>			<u>407,891</u>
Total expenses											
Change in net assets											
Beginning of year		60,168	312	97	57,207	62	660	136,391	168	206	255,271
			<u>38,941</u>	<u>14,572</u>	<u>678,399</u>	<u>11,803</u>	<u>75,331</u>	<u>39,144</u>	<u>39,111</u>	<u>1,882</u>	<u>899,189</u>
End of year		<u>60,168</u>	<u>39,253</u>	<u>14,669</u>	<u>735,606</u>	<u>11,865</u>	<u>75,991</u>	<u>175,535</u>	<u>39,285</u>	<u>2,088</u>	<u>1,154,460</u>
PERMANENTLY RESTRICTED NET ASSETS—											
Revenue and other—gifts and grants											
Net realized and unrealized gain										7,340	7,340
Change in net assets											
Beginning of year										7,340	7,340
										<u>52,412</u>	<u>52,412</u>
End of year										<u>59,752</u>	<u>59,752</u>
TOTAL NET ASSETS	<u>\$88,643</u>	<u>\$ 69,964</u>	<u>\$145,409</u>	<u>\$30,734</u>	<u>\$976,948</u>	<u>\$19,217</u>	<u>\$213,210</u>	<u>\$ 510,445</u>	<u>\$49,708</u>	<u>\$61,971</u>	<u>\$2,166,249</u>

See independent auditors' report.

(Concluded)

INDEPENDENT AUDITORS' 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*

Board of Directors of The Edison Foundation, Inc.
and Betty Montgomery, Auditor of State of Ohio

We have audited the financial statements of The Edison Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2004 and have issued our report thereon dated September 15, 2004. 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 of America.

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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Foundation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-1 and 2004-2.

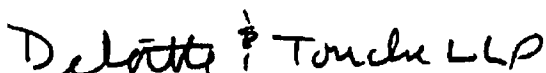
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. In addition, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Foundation, in a separate letter dated September 15, 2004.

Compliance and Other Matters

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

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



September 15, 2004

THE EDISON FOUNDATION, INC.

SCHEDULE OF FINDINGS

2004-1 Segregation of Duties

Criteria: Management should perform formal monthly reviews of general ledger accounts, bank statements, reconciliations and interim financial statements and other pertinent financial information maintained by the Development Associate.

Condition: There is currently no formal review of account reconciliations and revenue received into the Foundation. For example, for gifts received by the Foundation, the mail is opened, deposit slip prepared, and deposit made to the bank and recorded in the general ledger by one individual, the Development Associate.

Cause: As a result of the departure of the Director of Development, all accounting and administrative functions of the Foundation are currently performed by the Development Associate.

Effect: Gifts may not be appropriately recorded and deposited, therefore increasing the risk of misappropriation of assets.

2004-2 Monthly Reconciliations

Criteria: The Development Associate should prepare monthly reconciliations of general ledger accounts to the Fifth Third statements. In addition, such monthly reconciliations should be reviewed by an individual that is independent of the preparation of the reconciliation.

Condition: Formal monthly reconciliations from the general ledger to the Fifth Third statements are not prepared by the Development Associate or reviewed by management.

Cause: As a result of the departure of the Director of Development, all accounting and administrative functions of the Foundation are currently performed by the Development Associate. Formal reconciliations of general ledger accounts have not been prepared by the Development Associate.

Effect: Lack of segregation of duties and performance of general ledger account reconciliations increases the risk of misappropriation of assets.



**Auditor of State
Betty Montgomery**

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THE EDISON FOUNDATION, INC.

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 13, 2005**