

Sinclair Community College Foundation

*Financial Statements for the Years Ended
December 31, 2004 and 2003, Supplemental
Schedule for the Year Ended December 31,
2004 and Independent Auditors' Report*



**Auditor of State
Betty Montgomery**

Board of Trustees
Sinclair Community College Foundation
444 West Third St.
Dayton, Ohio 45402-1460

We have reviewed the Independent Auditor's Report of the Sinclair Community College Foundation, Montgomery County, prepared by Deloitte & Touche, for the audit period January 1, 2004 to December 31, 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 Sinclair Community College Foundation is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 11, 2005

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SINCLAIR COMMUNITY COLLEGE FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Sinclair Community College Foundation and
Betty Montgomery, Auditor of the State of Ohio

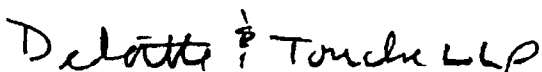
We have audited the accompanying statement of financial position of Sinclair Community College Foundation (the "Foundation") as of December 31, 2004, and the related statement of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the management of the Foundation. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Foundation for the year ended December 31, 2003 were audited by other auditors whose report, dated May 14, 2004, expressed an unqualified opinion on those statements.

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 consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such financial statements present fairly, in all material respects, the financial position of the Foundation, as of December 31, 2004, and the changes in its net assets and the 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 dated May 31, 2005, 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 considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Foundation, taken as a whole. The accompanying schedule of functional expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the Foundation. Such information has been subjected to the auditing procedures applied in our audit of the 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.



May 31, 2005

SINCLAIR COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2004 AND 2003

ASSETS	2004	2003
CASH	\$ 687,777	\$ 423,872
INVESTMENTS:		
Fixed income securities	6,690,295	5,064,575
Equities	13,427,800	11,774,320
Miami Valley Venture Funds	140,588	112,044
Total investments	20,258,683	16,950,939
ACCOUNTS RECEIVABLE	64,316	
PLEDGES RECEIVABLE—Net of allowances of \$115,304 and \$0 at December 31, 2004 and 2003, respectively	5,854,687	3,851,235
TOTAL	\$26,865,463	\$21,226,046
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Payable to Sinclair Community College	\$ 331,522	\$ 275,652
Other payables	128,576	76,438
Total liabilities	460,098	352,090
NET ASSETS:		
Unrestricted	15,484,541	13,785,566
Temporarily restricted	7,014,026	3,302,616
Permanently restricted	3,906,798	3,785,774
Total net assets	26,405,365	20,873,956
TOTAL	\$26,865,463	\$21,226,046

See notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,531,409	\$ 4,197,497
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Increase in accounts receivable	(64,316)	
Increase in pledges receivable	(2,003,452)	(1,588,574)
Increase in payable to Sinclair Community College	55,870	163,686
Increase in other payables	52,138	25,941
Contributions and investment income restricted for long-term investment	(121,024)	(838,651)
Net realized/unrealized gains on investments	<u>(1,691,986)</u>	<u>(2,981,319)</u>
Net cash provided by (used in) operating activities	<u>1,758,639</u>	<u>(1,021,420)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	589,707	843,719
Purchase of investments	<u>(2,205,465)</u>	<u>(701,710)</u>
Net cash provided by (used in) investing activities	<u>(1,615,758)</u>	<u>142,009</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Investment income restricted for endowments	39,726	164,679
Contributions restricted for endowments	<u>81,298</u>	<u>673,972</u>
Net cash provided by financing activities	<u>121,024</u>	<u>838,651</u>
NET INCREASE (DECREASE) IN CASH	263,905	(40,760)
CASH —Beginning of year	<u>423,872</u>	<u>464,632</u>
CASH —End of year	<u>\$ 687,777</u>	<u>\$ 423,872</u>

See notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2004 AND 2003

1. ORGANIZATION

The Sinclair Community College Foundation (the "Foundation") was established in 1969 for the sole purpose of providing scholarships and other financial assistance to Sinclair Community College (the "College") and its students. Revenue sources for the Foundation are private gifts from individuals, businesses and other foundations and investment income. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The Foundation classifies net assets, revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. These classifications are permanently restricted, temporarily restricted, and unrestricted net assets.

Method of Accounting—The Foundation follows the accounting procedures as set forth in the AICPA Audit and Accounting Guide for *Not-for-Profit Organizations*.

Investments—Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Other investments are recorded at cost or, if acquired by gift, at fair value at the date of the gift.

Realized and unrealized gains and losses on all investments are recorded in the period earned. Such amounts are recorded as changes in unrestricted net assets to the extent there are no donor-imposed restrictions limiting the use of these gains and losses. If donor-imposed restrictions exist, such amounts are reported as changes to temporarily restricted or permanently restricted net assets, depending upon the nature of the restriction.

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

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

Reclassifications—Certain amounts in the 2003 financial statements have been reclassified to conform to the 2004 presentation.

3. INVESTMENTS

Cost values of investments at December 31 are summarized as follows:

	2004	2003
Fixed income securities	\$ 5,425,873	\$ 4,043,000
Equities	11,367,826	11,115,039
Miami Valley Venture Funds	<u>140,588</u>	<u>112,044</u>
Total investments	<u>\$ 16,934,287</u>	<u>\$ 15,270,083</u>

The limited partner investments in the Miami Valley Venture Funds I and II, which are carried at cost, had market values of \$47,497 and \$85,644, at December 31, 2004 and 2003, respectively.

Investments are managed by Barclays Global Investors and American Funds. The Foundation has also made limited partner commitments of \$250,000 each to the Miami Valley Venture Funds I and II ("Fund I" and "Fund II", respectively). Since inception in 1996 of Fund I, capital calls have totaled \$250,000 through December 31, 2003. Return of capital distributions totaling \$115,553 have been made by Fund I through December 31, 2003. The investment value of Fund I carried in these financial statements, net of interest income and management fees, was \$43,643 and \$47,123 at December 31, 2004 and 2003, respectively. Since inception in 2001 of Fund II, capital calls have totaled \$137,500 through December 31, 2004. The remaining portion of the commitment is callable when Fund II has reached its minimum funding requirement. The investment value of Fund II carried in these financial statements, net of interest income and management fees, was \$96,945 and \$64,921 at December 31, 2004 and 2003, respectively.

4. PLEDGES RECEIVABLE

As the collection of pledges is estimated to be probable, the Foundation recorded a receivable of \$5,854,687, representing the present value of those pledges receivable at December 31, 2004. The fair value of pledges due within one year approximates its carrying value due to the short-term nature of the receivable. The remaining receivables have been discounted to reflect the present value of expected future cash flows using a discount rate of 5 %.

Pledges receivable at December 31, 2004 are summarized as follows:

	Less than 1 Year	1-5 Years	More than 5 Years	Total
Pledges receivable	\$ 2,760,854	\$ 3,490,121	\$ 25,000	\$ 6,275,975
Unamortized discount	<u> </u>	<u>(300,572)</u>	<u>(5,412)</u>	<u>(305,984)</u>
Present value of pledges receivable	2,760,854	3,189,549	19,588	5,969,991
Allowance for doubtful accounts	<u>(55,217)</u>	<u>(59,694)</u>	<u>(393)</u>	<u>(115,304)</u>
Pledges receivable, net	<u>\$ 2,705,637</u>	<u>\$ 3,129,855</u>	<u>\$ 19,195</u>	<u>\$ 5,854,687</u>

5. NET ASSETS

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

Temporarily Restricted Net Assets—Temporarily restricted net assets represent funds which are restricted for a specific purpose determined by the donor. The Foundation maintains separate balances in its accounting records to account for the amounts available for such restricted purposes. Net assets released from donor restrictions were as follows:

	2004	2003
Scholarships	\$ 158,776	\$ 137,926
Project support	1,023,600	951,475
Operating fee	<u>38,993</u>	<u>33,350</u>
	<u>\$1,221,369</u>	<u>\$1,122,751</u>

Permanently Restricted Net Assets—Permanently restricted net assets are restricted to investment in perpetuity as endowment funds. The endowment funds represent contributions for which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the investment income (or portions thereof) of the funds be expended as the donor has specified, principally for scholarships and student financial aid. Such investment income is recognized as income in temporarily restricted net assets or unrestricted net assets in accordance with donor stipulations when it is earned.

The following summarizes the programs supported by net assets of the Foundation at December 31, 2004:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Scholarships	\$ -	\$2,300,162	\$2,501,151	\$ 4,801,313
Academic support		2,769,216	493,848	3,263,064
Undesignated and other	<u>15,484,541</u>	<u>1,944,648</u>	<u>911,799</u>	<u>18,340,988</u>
	<u>\$ 15,484,541</u>	<u>\$ 7,014,026</u>	<u>\$ 3,906,798</u>	<u>\$ 26,405,365</u>

6. TRANSACTIONS WITH SINCLAIR COMMUNITY COLLEGE

The Foundation processes payments through and maintains accounting and donor records on the computer systems of the College. The College allocates the cost of accounting, donor database management, and computer system support to the Foundation. The College also allocates certain donor development staff costs to the Foundation. Such allocations amounted to \$97,268 and \$97,416 for the years ended December 31, 2004 and 2003, respectively.

7. DONATED EQUIPMENT AND MATERIALS

The Foundation receives donations of equipment and materials which are passed on to the College for various educational uses. For the year ended December 31, 2004 these donations were valued at \$184,271 and were reported as unrestricted contribution revenue and project support expense.

8. FUND-RAISING COSTS

Operating expenses include fund-raising costs of \$212,443 and \$246,393 for the years ended December 31, 2004 and 2003, respectively.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Sinclair Community College Foundation and
Betty Montgomery, Auditor of the State of Ohio

We have audited the financial statements of Sinclair Community College Foundation (the "Foundation"), as of and for the year ended December 31, 2004, and have issued our report thereon dated May 31, 2005. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

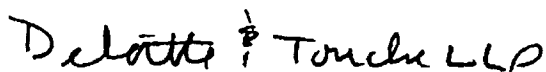
Internal Control Over Financial Reporting

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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 and other matters, 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*. However we noted an observation and recommendation on an accounting matter which we have reported to the management of the Foundation in a separate letter dated May 31, 2005.

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



May 31, 2005

SUPPLEMENTAL SCHEDULE

SINCLAIR COMMUNITY COLLEGE FOUNDATION

SCHEDULE OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2004

	Program Services	Management and General	Fundraising	Total
SCHOLARSHIPS AND PROJECT SUPPORT	\$ 1,598,398	\$ -	\$ -	\$1,598,398
PROFESSIONAL FUNDRAISING FEES			169,150	169,150
SALARIES AND RELATED EXPENSES:				
Salaries and wages		74,312		74,312
Pension plan contributions		10,069		10,069
Other employment benefits		7,337		7,337
Payroll taxes		1,067		1,067
PRINTING AND PUBLICATIONS			29,081	29,081
ANNUAL AUDIT		10,601		10,601
EQUIPMENT RENTAL, AND MAINTENANCE		7,111		7,111
POSTAGE AND SHIPPING			6,492	6,492
SUPPLIES			4,613	4,613
ACCOUNTING FEES		4,482		4,482
RECEPTIONS		604	3,107	3,711
STATE REGISTRATION FEES		200		200
CHECKING ACCOUNT INTEREST AND FEES—Net		(963)		(963)
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,598,398</u>	<u>\$ 114,820</u>	<u>\$ 212,443</u>	<u>\$1,925,661</u>



**Auditor of State
Betty Montgomery**

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SINCLAIR COMMUNITY COLLEGE FOUNDATION

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 4, 2005**