

North Central State College Foundation, Inc.

Richland County, Ohio

Regular Audit

July 1, 2008 through June 30, 2009



Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: (740) 289-4131 Fax: (740) 289-3639



Mary Taylor, CPA
Auditor of State

Board of Trustees
North Central State College Foundation, Inc.
2441 Kenwood Circle
Mansfield, Ohio 44901

We have reviewed the *Independent Accountants' Report* of the North Central State College Foundation, Inc., Richland County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period July 1, 2008 through June 30, 2009. 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 North Central State College Foundation, Inc. is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 13, 2010

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North Central State College Foundation, Inc.
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For the Fiscal Year Ended June 30, 2009

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North Central State College Foundation, Inc.

Board of Trustees

July 1, 2008 through July 30, 2009

Internal Relations

Gayle Gorman Freeman (Chair)
Tom Brennan
Don Covert
Bernie Deubel
Kim Foster
Arnold Haring
Peg Moir (ex-officio)**
Brad Peffley
Kevin Nestor
Gale Wagner (ex-officio)

Activities Committee

Debbi Adams (Chair)
Mary Bolin
Juanita Carter
Edie Humphrey
Ralph Phillips
Rick Ruehle
Gary Utt
Gale Wagner (ex officio)
Steve Williams (ex officio)
Bob Zettler

Capital Campaign

Rick Taylor (Chair)
Matt Smith (Co-chair)
Debbi Adams
Bill Cooper
George (Bud) Frank
Gayle Gorman Freeman
Arnold Haring
Chriss Harris
Bill Jilek
Don Plotts**
Tim Rowsey
Don Stone
Dave Williamson

Resource Development

Bill Jilek (Chair)
George “Bud” Frank
Arnold Haring
Tammy Hammond
Mark Kreinbuhl
Brad McCormack**
Don Plotts**
Gale Wagner (ex-officio)
Lydia Reed
E. Victor Smith
Rick Taylor
John “Jack” Welsh

Community and Alumni Relations

Bill Cooper (Chair)
Mark Collins (ex officio)
Kathy Daniels
Dave Gooch
Jay Goyal
Virginia Imhoff
Gunther Meisse
Lawrence Rawls
Mehdi Ressallat
Tim Rowsey
Mary Rodriguez (ex officio)

Ex-Officio**

Dr. Ron Abrams
Therese Bushner
Mark Collins
Bill Miller
Per Moir
Don Plotts**
Betty Wells**
Stephen Williams
Robert Zettler

Honorary Life Members

Bob Enskat***
Dr. Henry Fallerius***
Bill Hartnett***
Jim Kehoe***

Staff

Mary Rodriguez
Gale Wagner

North Central State College Foundation, Inc.

Appointed Officials

July 1, 2008 through July 30, 2009

PRESIDENT

Brad Peffley

IMMEDIATE PAST PRESIDENT

Glenn McClelland

VICE PRESIDENT FOR ACTIVITIES

Deborah Adams

VICE PRESIDENT FOR COMMUNITY RELATIONS

Bill Cooper

VICE PRESIDENT FOR INTERNAL RELATIONS

Gayle Gorman Freeman

VICE PRESIDENT FOR RESOURCE DEVELOPMENT

Bill Jilek

SECRETARY

Juanita Carter

TREASURER

J. Brad McCormack**

EXECUTIVE DIRECTOR

Chriss Harris**

**Member College President's Staff

***Honorary Life Trustee

LEGAL COUNSEL

Weldon, Huston & Keyser

David D. Carto

Bank One Building Eighth, Ninth and Tenth Floors

28 Park Avenue West

Mansfield, OH 44902-1692



Independent Accountants' Report

North Central State College Foundation, Inc.
Board of Trustees
2441 Kenwood Circle
Mansfield, Ohio 44903

We have audited the accompanying financial statements of the North Central State College Foundation, Inc., Richland County, Ohio (the Foundation), a component unit of the North Central State College, as of and for the year ended June 30, 2009, as listed in the table of contents. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 Foundation as of June 30, 2009, and the changes in financial position 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 dated December 21, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer".

Balestra, Harr & Scherer, CPAs, Inc.
December 21, 2009

North Central State College Foundation, Inc.
Statement of Financial Position
As of June 30, 2009

ASSETS

| | |
|--|-------------------------------|
| Cash and cash equivalents | \$254,437 |
| Investments | 1,624,658 |
| Interest in Assets held by Richland County Foundation | 250,000 |
| Contributions receivable (net of allowance for uncollectible and accumulated amortization discount) | 1,410,464 |
| Prepaid Expense | 32,249 |
| Emergency Loan Receivable | 3,399 |
| Capital Assets, Net | <u>6,298</u> |
| Total Assets | <u><u>\$3,581,505</u></u> |

LIABILITIES AND NET ASSETS

| | |
|---|-------------------------------|
| Liabilities: | |
| Accounts Payable | \$35,553 |
| Deferred Income | <u>49,165</u> |
| Total Liabilities | <u>84,718</u> |
| Net Assets: | |
| Unrestricted | 1,642,439 |
| Temporarily Restricted | 368,281 |
| Temporarily Restricted-Assets held by Richland County Foundation | <u>250,000</u> |
| Total Temporarily Restricted | 618,281 |
| Permanently Restricted | 1,236,067 |
| Total Net Assets | <u>3,496,787</u> |
| Total Liabilities and Net Assets | <u><u>\$3,581,505</u></u> |

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

North Central State College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2009

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|--------------------|---------------------------|---------------------------|--------------------|
| <u>PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS</u> | | | | |
| Contributions, net of future values and bad debts | \$5,848 | \$233,035 | \$303,857 | \$542,740 |
| Investment income, including realized and unrealized gains and losses, net | (114,716) | (181,231) | 0 | (295,947) |
| Richland County Foundation Revenue | 40,000 | 0 | 0 | 40,000 |
| Fundraising Revenue | 1,657,860 | 0 | 0 | 1,657,860 |
| Other Revenue | 38,163 | 0 | 0 | 38,163 |
| Net assets released from restrictions | 180,394 | (180,394) | 0 | 0 |
| | <u>1,807,549</u> | <u>(128,590)</u> | <u>303,857</u> | <u>1,982,816</u> |
| <u>EXPENSES</u> | | | | |
| Program Services: | | | | |
| Scholarships | 99,247 | 0 | 0 | 99,247 |
| Entrepreneur Hall of Fame | 11,342 | 0 | 0 | 11,342 |
| Professional development | 683 | 0 | 0 | 683 |
| Personnel reimbursement | 112,327 | 0 | 0 | 112,327 |
| Management and General: | | | | |
| Investment Expense | 298,696 | 0 | 0 | 298,696 |
| Fundraising | 174,649 | 0 | 0 | 174,649 |
| Materials and Supplies | 10,210 | 0 | 0 | 10,210 |
| Contractual Services | 4,288 | 0 | 0 | 4,288 |
| Outreach Fund | 8,324 | 0 | 0 | 8,324 |
| Other Expense | 100,246 | 0 | 0 | 100,246 |
| | <u>820,012</u> | <u>0</u> | <u>0</u> | <u>820,012</u> |
| Total Expenses | <u>820,012</u> | <u>0</u> | <u>0</u> | <u>820,012</u> |
| Changes in Net Assets | 987,537 | (128,590) | 303,857 | 1,162,804 |
| Net Assets, Beginning of Year - As Restated - See Note 10 | 654,902 | 746,871 | 932,210 | 2,333,983 |
| Net Assets, End of Year | <u>\$1,642,439</u> | <u>\$618,281</u> | <u>\$1,236,067</u> | <u>\$3,496,787</u> |

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

North Central State College Foundation, Inc.
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009

| | |
|---|-----------------------------|
| Cash Flows from Operating Activities: | |
| Change in net assets | \$1,162,804 |
| Adjustments to reconcile net assets to net cash used for operating activities: | |
| Increase in contributions receivable | (1,390,416) |
| Increase in emergency loan receivable | (1,519) |
| Increase in prepaid expenses | (25,680) |
| Decrease in accounts payable | (1,358) |
| Increase in deferred revenue | 30,740 |
| Contributions restricted for investment in endowment | (303,857) |
| Net unrealized and realized gains on investments | <u>295,705</u> |
| Total adjustments | <u>(1,396,385)</u> |
| Net cash used for operating activities | (233,581) |
| Cash flows from financing activities: | |
| Proceeds from contributions restricted for investment in endowment | <u>303,857</u> |
| Net cash provided by financing activities | <u>303,857</u> |
| Cash flows from capital and related financing activities: | |
| Purchase of capital assets, net of depreciation | <u>(6,299)</u> |
| Net cash provided by capital and related financing activities | (6,299) |
| Net increase in cash and cash equivalents | 63,977 |
| Cash and cash equivalents at beginning of year | <u>190,460</u> |
| Cash and cash equivalents at end of year | <u><u>\$254,437</u></u> |

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

North Central State College Foundation, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

1. DESCRIPTION OF THE FOUNDATION

North Central State College Foundation, Inc. (the Foundation) financial statements have been prepared on an accrual basis of accounting. The Foundation is a not-for-profit organization established in accordance with Section 501(c)(3) of the Internal Revenue Code. The Foundation operates under a Board of Trustees who is appointed, not to be less than twelve, but not to exceed forty members. The Foundation is organized primarily to engage in activities and programs to provide support and services to the North Central State College (the College).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 each 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.

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.

North Central State College Foundation, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Service and Facilities

The Foundation has no employees or property (other than cash and investments). Substantially all clerical and management duties are presently performed by business office personnel who are employees of North Central State College, utilizing equipment and facilities of North Central State College.

For accounting purposes, the value of facilities is considered immaterial and it has not been recognized in the financial statements. However, the value of the services provided by College personnel have been recognized in the Statement of Activities as personnel reimbursement expenses.

Contributions Receivable

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. The Foundation requires an initial minimum balance of \$5,000 to establish a scholarship fund. The policy allows a period, generally not to exceed 48 months, for the accumulation of contributions and interest to meet the minimum \$5,000 requirement.

Prepaid Expenses

Certain payments to vendors for fundraising activities reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets acquired by the Foundation consist of office equipment. All expenditures for capital assets in excess of \$1,000 are capitalized. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets not to exceed ten years. All capital assets of the Foundation are fully depreciated.

Deferred Revenue

Deferred revenue results from various fundraising activities. It represents amounts received from sponsors, vendors, and sales of admission tickets in advance. Deferred revenue is recognized as revenue in the period that the fundraising activity actually occurs.

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 those changes could materially affect the amounts reported in the financial statements.

North Central State College Foundation, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

3. INVESTMENTS (Continued)

At June 30, 2009, investments consisted of the following:

| | Market/ Carrying Value | Maturity | | | |
|--|------------------------------|-----------------------|-----------------|-----------------|------------------|
| | | Less than One Year | 1-2 Years | 3-5 Years | 6-7 Years |
| Money Market Investments – | | | | | |
| U.S. Government Obligations | \$179,829 | \$179,829 | \$0 | \$0 | \$0 |
| State and Municipal Bonds | 153,932 | 153,932 | 0 | 0 | 0 |
| Mutual Funds - Fixed Income Corporations | 310,970 | 51,086 | 51,401 | 51,982 | 156,501 |
| Mutual Funds - Equity Securities | 979,927 | 979,927 | 0 | 0 | 0 |
| Total | \$1,624,658 | \$1,364,773 | \$51,401 | \$51,982 | \$156,501 |

The Foundation determines the fair market values of its financial instruments based on the fair value hierarchy established in SFAS No. 157, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the Foundation's own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The Standard describes three levels within its hierarchy 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.

The fair value of investments held by the Foundation at June 30, 2009 is summarized as follows:

| | Quoted Prices In Active Markets For Identical Assets (Level 1) | Significant Other Observ- able Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|--|---|--|--|
| Money market investments – | | | |
| U.S. Government Obligations | \$ 179,829 | \$-0- | \$-0- |
| State and Municipal Bonds | 153,932 | -0- | -0- |
| Mutual Funds – Fixed Income Corporations | 310,970 | -0- | -0- |
| Mutual Funds – Equity Securities | 979,927 | -0- | -0- |
| Total | <u>\$1,624,658</u> | <u>\$-0-</u> | <u>\$-0-</u> |

North Central State College Foundation, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

4. CONTRIBUTIONS RECEIVABLE

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 estimated future cash flows. The discount rate on those amounts is computed using a risk free interest rate applicable to the years in which the promises are to be received. The discount rate used for the year ended June 30, 2009 was 3.25%. The amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until conditions of those promises have been met.

Contributions receivable consisted of the following at June 30, 2009:

Unconditional promises to give before unamortized discount and allowance for uncollectible contributions:

| | |
|---|--------------------|
| Unrestricted | \$1,488,603 |
| Temporarily restricted | 35,821 |
| Permanently restricted | 240,103 |
| Gross unconditional promises to give | <u>1,764,527</u> |
| Less: Unamortized discount | (177,609) |
| Less: Allowance for uncollectible contributions | (176,454) |
| Net unconditional promises to give | <u>\$1,410,464</u> |
| Amounts due: | |
| Less than one year | <u>\$1,410,464</u> |

5. TEMPORARILY RESTRICTED NET ASSETS

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

| | |
|---------------------------|------------------|
| Scholarships for Students | \$99,247 |
| Bad Debt | 2,282 |
| Amortization | 3,237 |
| Other Expense | <u>75,628</u> |
| Total Released Net Assets | <u>\$180,394</u> |

Temporarily and permanently restricted net assets are those whose use by the Foundation has been limited by 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 scholarships to the College's students.

North Central State College Foundation, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

5. TEMPORARILY RESTRICTED NET ASSETS (Continued)

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

| <u>Scholarships for Students:</u> | |
|--|------------------|
| Ambassador Scholarship | 3,000 |
| Alumni Scholarship | 2,545 |
| Brown Scholarship | 950 |
| Cardwell/Near Scholarship | 400 |
| Cobey Scholarship | 1,008 |
| Coleman Scholarship | 1,739 |
| Dean's Fund | 3,000 |
| Emerson Scholarship | 6,583 |
| Entrepreneur Fund | 21,520 |
| Equipment | 10,077 |
| Faculty Scholarship | 1,606 |
| G-R Civic Scholarship | 534 |
| Garber Scholarship | 1,985 |
| Galion FOP Scholarship | 1,000 |
| General NC State Scholarships | 4,152 |
| Gimbel-Health Chair | 35,898 |
| Gimble Scholarships | 28,429 |
| Gorman Fund | 23,098 |
| Gorman-Rupp Scholarship | 1,000 |
| Gubkin Scholarship | 1,089 |
| CC-Entrepreneur | 40,000 |
| CC-Entrepreneur Scholarships | 14,000 |
| Kroger Scholarship | 600 |
| Haring Scholarship | 1,000 |
| Innovation Fund | 69,825 |
| KMU Scholarship | 835 |
| Mansfield University | 6,042 |
| McDonalds Scholarships | 500 |
| Necessities Fund | 44,564 |
| Necessities – Crawford | 10 |
| Nursing Scholarship | 6,000 |
| Orange and Blue Scholarship | 4,957 |
| Pres Emeritus Scholarship | 500 |
| Preston Scholarship | 725 |
| Rable Machine Scholarship | 1,968 |
| Welsh Scholarship | 1,602 |
| Tech Prep | 3,817 |
| Other (Receivable Pledges) | 21,723 |
| Richland County Foundation | <u>250,000</u> |
| Total Temporarily Restricted | <u>\$618,281</u> |

North Central State College Foundation, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

6. PERMANENTLY RESTRICTED NET ASSETS

Endowment Scholarships for Students:

| | |
|---------------------------------|---------------------------|
| ADA Ford Educational Aid Fund | \$20,000 |
| Alumni | 8,544 |
| Brown/Respiratory | 7,895 |
| Cardwell/Neer | 8,032 |
| Carter Memorial Endowment | 31,267 |
| Cobey Scholarship | 19,201 |
| Coleman Scholarship | 5,822 |
| Emerson Scholarship | 94,182 |
| Faculty Scholarship | 9,684 |
| G-R Civic Scholarship | 20,463 |
| Galion FOP | 7,800 |
| Garber Scholarship | 27,190 |
| Gimble Health Chair | 230,000 |
| Gorman-Rupp Scholarship | 51,661 |
| Gubkin Scholarship | 6,310 |
| Haring Scholarship | 21,834 |
| KMU Scholarship | 5,382 |
| Kroger Scholarship | 31,129 |
| Necessities Fund | 54,720 |
| Necessities – Crawford | 10,000 |
| Nursing Scholarship | 211,334 |
| Orange and Blue Scholarship | 65,058 |
| Presidents Emeritus Endowment | 18,855 |
| Preston Endowment | 30,321 |
| Welsh Scholarship | 46,748 |
| Entrepreneur Endowment (Y.E.S.) | 26,494 |
| Restricted Contributions | <u>166,141</u> |
| Total Permanently Restricted | <u><u>\$1,236,067</u></u> |

Interpretation of UPMIFA: The Foundation has interpreted the 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, 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.

North Central State College Foundation, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

6. PERMANENTLY RESTRICTED NET ASSETS (Continued)

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 purposes 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

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. The Foundation had no such amounts totaled as of June 30, 2009.

7. RICHLAND COUNTY FOUNDATION

During 1991, the Foundation established a "Direct Fund" in which an irrevocable gift was made to the Richland County Foundation. This fund is identified by the Richland County Foundation as the North Central State College Foundation "Endowment Fund" and is subject to the provisions contained within the fund agreement dated December 31, 1991. This fund is the property of the Richland County Foundation, whereby, those funds will be held in perpetuity, and the investment income will be distributed to the Foundation annually to benefit the North Central State College. One of the provisions in this fund agreement, the variance power, concerns the power to vary some of the terms of the agreement. As defined by United States Treasury Regulations, the Richland County Foundation has the right to modify the terms of the fund agreement if in the judgment of the Richland County Foundation's Board of Trustees, the restrictions and conditions in the agreement become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

In accordance with SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Hold Contributions for Others*, the portion of this fund contributed by the Foundation is considered a reciprocal transfer because the Foundation is also the beneficiary of this fund. This balance is shown on the Richland County Foundation's Statement of Financial Position as a liability called "Funds Held as Agency Endowments". This amounted to \$250,000 at June 30, 2009.

Also, under SFAS No. 136, the portion of this fund contributed by unrelated third party donors is considered a contribution to the Richland County Foundation and is included in the net assets of Richland County Foundation. The amount recognized in the Statement of Financial Position of the Richland County Foundation at June 30, 2009 totaled \$221,131.

8. INCOME TAXES

The Foundation is a not-for-profit corporation as described in Section 501 (c) (3) of the Internal Revenue Code, and the organization is exempt from federal and state income taxes.

9. RELATED PARTY

As described in Note 1, the Foundation is affiliated with the College. During the year ended June 30, 2009, the College provided the Foundation with professional services valued at \$112,327. The value of those services are included as personnel reimbursement expenses in the financial statements.

During the year ended June 30, 2009, the Foundation provided scholarships and support to the College of \$99,247.

North Central State College Foundation, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

10. RECENTLY ISSUED PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 157, Fair Value Measurements. This standard clarifies the definition of fair value for reporting, establishes a framework for measuring fair value and greatly expands disclosures about the use of fair value measurements. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007.

In August 2008, FASB issued Staff Position No. FAS 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds (“FSP 117-1”). This FSP 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. FSP 117-1 is effective for all fiscal years ending after December 15, 2008. The Foundation restated their beginning net assets allocations to conform with this accounting pronouncement and these changes had the following effects on net asset allocations as of July 1, 2008:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|------------------|---------------------------|---------------------------|--------------------|
| Net Assets, July 1, 2008 | \$675,132 | \$522,095 | \$1,136,756 | \$2,333,983 |
| Restatement for UPMIFA | <u>(20,230)</u> | <u>224,776</u> | <u>(204,546)</u> | <u>-0-</u> |
| Net Assets, July 1, 2008 – As Restated | <u>\$654,902</u> | <u>\$746,871</u> | <u>\$ 932,210</u> | <u>\$2,333,983</u> |



Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

North Central State College Foundation, Inc.
Board of Trustees
2441 Kenwood Circle
Mansfield, Ohio 44903

We have audited the financial statements of the North Central State College Foundation, Inc., Richland County, Ohio (the Foundation) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 21, 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Foundation's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Foundation's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

North Central State College Foundation, Inc.

Board of Trustees

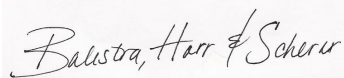
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Page 2

Compliance and Other Matters

As part of reasonably assuring whether the Foundation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

December 21, 2009



Mary Taylor, CPA
Auditor of State

NORTH CENTRAL STATE COLLEGE FOUNDATION, INC.

RICHLAND 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 26, 2010**