

***CUYAHOGA COMMUNITY  
COLLEGE FOUNDATION***

*(A Component Unit of  
Cuyahoga Community College)*

*Financial Statements  
Years Ended June 30, 2016 and 2015  
And Independent Auditor's Report*





# Dave Yost • Auditor of State

Board of Trustees  
Cuyahoga Community College Foundation  
700 Carnegie Avenue  
Cleveland, Ohio 44115

We have reviewed the *Independent Auditor's Report* of the Cuyahoga Community College Foundation, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2015 through June 30, 2016. 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 Cuyahoga Community College Foundation is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

December 23, 2016

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# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

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## Independent Auditor's Report

To the Board of Directors of  
Cuyahoga Community College Foundation

### Report on the Financial Statements

We have audited the accompanying financial statements of Cuyahoga Community College Foundation (the "Foundation," a not-for-profit corporation), a component unit of Cuyahoga Community College, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors  
Cuyahoga Community College Foundation

***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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Ciuni + Panichi, Inc.*

Cleveland, Ohio  
October 28, 2016



# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016 AND 2015

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ASSETS	<u>2016</u>	<u>2015</u>
Cash and Cash Equivalents	\$ 2,286,903	\$ 2,951,493
Investments	56,210,142	48,529,940
Receivables:		
Interest	302	203
Pledges - Net	6,092,451	9,891,888
Due from Related Party	62,742	56,101
Beneficial Interest in Remainder Unitrust	373,768	395,747
Cash Surrender Value of Insurance	144,942	147,165
Prepaid Expenses	30,500	67,500
Other Assets	<u>125,000</u>	<u>125,000</u>
TOTAL	<u>\$ 65,326,750</u>	<u>\$ 62,165,037</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Due to Related Party	\$ 1,543,516	\$ 1,276,344
Annuities Payable	<u>16,754</u>	<u>17,486</u>
Total Liabilities	<u>1,560,270</u>	<u>1,293,830</u>
NET ASSETS:		
Unrestricted	(103,888)	259,177
Temporarily Restricted	49,407,323	46,202,837
Permanently Restricted	<u>14,463,045</u>	<u>14,409,193</u>
Total Net Assets	<u>63,766,480</u>	<u>60,871,207</u>
TOTAL	<u>\$ 65,326,750</u>	<u>\$ 62,165,037</u>

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

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND INVESTMENT ACTIVITIES:				
Contributions and Grants	\$ 280,767	\$ 7,850,116	\$ 53,852	\$ 8,184,735
Special Events Revenue	358,591	1,204,751	0	1,563,342
Other Income	9,292	0	0	9,292
Interest and Dividend Income	100,660	905,939	0	1,006,599
Net Decrease in Fair Value of Investments	(271,049)	(1,925,013)	0	(2,196,062)
Net Assets Released from Restriction	4,831,307	(4,831,307)	0	0
	<u>5,309,568</u>	<u>3,204,486</u>	<u>53,852</u>	<u>8,567,906</u>
Total Revenues				
EXPENSES:				
Program Services:				
Scholarships	1,459,906	0	0	1,459,906
Educational Development	3,465,885	0	0	3,465,885
Total Program Services	4,925,791			4,925,791
Special Events	225,195	0	0	225,195
Administration and General	185,027	0	0	185,027
Fundraising	336,620	0	0	336,620
	<u>5,672,633</u>	<u>0</u>	<u>0</u>	<u>5,672,633</u>
Total Expenses				
CHANGES IN NET ASSETS	(363,065)	3,204,486	53,852	2,895,273
NET ASSETS - Beginning of year	259,177	46,202,837	14,409,193	60,871,207
NET ASSETS - End of year	<u>\$ (103,888)</u>	<u>\$ 49,407,323</u>	<u>\$ 14,463,045</u>	<u>\$ 63,766,480</u>

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

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND INVESTMENT ACTIVITIES:				
Contributions and Grants	\$ 355,785	\$ 5,042,025	\$ 11,489,001	\$ 16,886,811
Special Events Revenue	355,202	1,263,318	0	1,618,520
Interest and Dividend Income	139,355	1,259,641	0	1,398,996
Net Decrease in Fair Value of Investments	(65,557)	(274,854)	0	(340,411)
Net Assets Released from Restriction	6,422,223	(6,422,223)	0	0
Total Revenues	<u>7,207,008</u>	<u>867,907</u>	<u>11,489,001</u>	<u>19,563,916</u>
EXPENSES:				
Program Services:				
Scholarships	1,840,891	0	0	1,840,891
Educational Development	4,625,104	0	0	4,625,104
Total Program Services	<u>6,465,995</u>			<u>6,465,995</u>
Special Events	253,268	0	0	253,268
Administration and General	154,997	0	0	154,997
Fundraising	361,159	0	0	361,159
Total Expenses	<u>7,235,419</u>	<u>0</u>	<u>0</u>	<u>7,235,419</u>
CHANGES IN NET ASSETS	(28,411)	867,907	11,489,001	12,328,497
NET ASSETS - Beginning of year	<u>287,588</u>	<u>45,334,930</u>	<u>2,920,192</u>	<u>48,542,710</u>
NET ASSETS - End of year	<u>\$ 259,177</u>	<u>\$ 46,202,837</u>	<u>\$ 14,409,193</u>	<u>\$ 60,871,207</u>

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

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 2,895,273	\$ 12,328,497
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Permanently Restricted Contributions	(53,852)	(11,489,001)
Decrease in Fair Value of Investments	2,196,062	340,411
(Increase) Decrease in Interest Receivable	(99)	1,806
(Increase) Decrease in Pledges Receivable - Net	(1,514,330)	556,580
(Increase) in Due From Related Party	(6,641)	(32,501)
Decrease (Increase) in Beneficial Interest in Remainder Unitrust	21,979	(2,855)
Decrease in Prepaid Expenses	37,000	20,000
Increase in Due To Related Party	267,172	657,632
Cash Provided by Operating Activities	<u>3,842,564</u>	<u>2,380,569</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(14,055,108)	(15,667,612)
Proceeds from Sale of Investments	4,191,047	8,601,943
Cash Used in Investing Activities	<u>(9,864,061)</u>	<u>(7,065,669)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently Restricted Contributions	5,357,639	5,533,662
Increase in Annuities Payable	(732)	(742)
Cash Provided by Financing Activities	<u>5,356,907</u>	<u>5,532,920</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(664,590)	847,820
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,951,493</u>	<u>2,103,673</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 2,286,903</u>	<u>\$ 2,951,493</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Pledges receivable satisfied with donated stock	\$ 9,980	\$ 0

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

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 AND 2015

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### 1. DESCRIPTION OF ORGANIZATION

The Cuyahoga Community College Foundation (the “Foundation”) was incorporated in August 1973 as a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code for the purpose of collecting donations from individuals, corporations, and foundations, located primarily in northeast Ohio, to be distributed as scholarships to persons attending Cuyahoga Community College (the “College”), and to be used for other purposes benefiting the College. The Foundation is a component unit of Cuyahoga Community College.

The Foundation accounts for income taxes in accordance with the “Income Taxes” topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation files its Form 990 in the U.S. federal jurisdiction and the office of the state’s attorney general for the State of Ohio.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Accounting and Financial Statement Presentation***—The financial statements of the Foundation are prepared on the accrual basis of accounting. The accompanying financial statements of the Foundation present information regarding its net assets and activities in the following three categories:

*Unrestricted* - Net assets that are under the discretionary control of the Board of Directors (the “Board”), are free from any and all donor restrictions, and include amounts designated by the Board for specified purposes.

*Temporarily Restricted* - Net assets that are restricted by the donor for a specific purpose (generally scholarships or educational development programs) or use in a future time period. The income on these net assets is either temporarily restricted or unrestricted based on the intentions of the donor.

*Permanently Restricted* - Net assets that are subject to the donor’s restriction that the principal remain invested in perpetuity. The income on these net assets may also be restricted by the donor and is generally used for scholarships or educational development programs.

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.

The Foundation follows authoritative guidance issued by the Financial Accounting Standards Board (“FASB”) which established the FASB Accounting Standards Codification (“ASC”) as the single source of authoritative accounting principles generally accepted in the United States of America.

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 AND 2015

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

**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 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.

**Reclassification**—Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. This reclassification did not impact net asset totals.

**Cash and Cash Equivalents**—Cash and cash equivalents include cash in checking accounts and short-term investments with an original maturity of three months or less. Substantially all of the Foundation's cash and cash equivalents are composed of investments in money market funds. At times, cash on hand may exceed federally insured limits.

**Investments**—Investments of the unrestricted, temporarily restricted, and permanently restricted funds are pooled for making investment transactions and are carried at fair value with any realized or unrealized gains and losses reported in the statement of activities. Ten percent of the total interest and dividend income is allocated to the Foundation's General Operating Fund. The remaining interest and dividend income is allocated proportionally each month and is awarded according to the terms and conditions of the funds. For endowed funds, interest and dividend income and capital gains are considered temporarily restricted unless otherwise specified by the donor.

**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. For the year ending June 30, 2016, the Foundation provides for uncollectible pledges receivable using the allowance method. Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. Conditional promises are recorded when donor stipulations are substantially met. It is the Foundation's policy that an initial minimum balance of \$50,000 be required to establish an endowment fund. The policy allows for an annual review to determine if the accumulation of contributions and interest meet the minimum principal balance requirements.

**Beneficial Interest in Remainder Unitrust**—The Foundation is the beneficiary of a charitable remainder unitrust for which the Foundation is not the trustee. The Foundation recognizes the present value of the estimated future benefits to be received when the unitrust assets are distributed as temporarily restricted contribution revenue and as a receivable.

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 AND 2015

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

**Contributions and Special Events**—Contributions, including bequests, special gifts and other donations, are recorded as revenue when received or by pledge when an unconditional pledge is made. All contributions and gifts are considered to be available for unrestricted use unless specifically restricted by the donor. Noncash bequests, gifts, and donations, if any, would be recorded at the fair value of the asset at the date of donation. Special Event revenue is primarily generated through the annual Presidential Scholarship Luncheon (temporarily restricted) and through parking receipts generated from special events (unrestricted).

**In-Kind Gifts**—In-kind gifts, when received, are reflected as contributions in the accompanying financial statements at the estimated fair value as of the date of receipt. Such in-kind support is offset by like amounts in educational development, general and administrative, and fundraising expenses.

**Program Services Expenses**—All scholarships and other program services distributions are approved by the Board. Unconditional gifts to the College are recognized as educational development expense when approved. Gifts approved by the Board that are payable upon performance of specified conditions by the grantee (if any) are recognized in the statement of activities when the specified conditions are satisfied.

**Annuities Payable**—The Foundation is obligated under three annuity contracts, whereby donors have contributed cash to the Foundation with the agreement that the donors shall be the sole recipient of quarterly annuity payments. These quarterly payments, currently totaling \$1,630 per year, shall terminate on the last payment date preceding the death of the donors. The discount rates used to estimate the obligations range from 1.4% to 3.0%.

**Subsequent Events**—The Foundation has evaluated subsequent events through October 28, 2016 which is the date the financial statements were available to be issued and has determined that no reporting is necessary.

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 AND 2015

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### 3. INVESTMENTS

For investment purposes, assets of the various unrestricted, temporarily restricted and permanently restricted classifications are pooled. Realized and unrealized gains and losses and investment income are allocated according to the net asset classifications of the individual funds until appropriated and disbursed in accordance with the agreements of the donors.

<b>Description</b>	<b>2016</b>	<b>2015</b>
Mutual Funds	\$ 48,253,634	\$ 45,281,448
Common Stock	258,968	218,313
Alternative Investments	7,697,540	3,030,179
Total	<u>\$ 56,210,142</u>	<u>\$ 48,529,940</u>

The investments are exposed to various risks such as interest rate, market, and credit risks. The Foundation is required to give up to 90 days advance notice of its intent to withdraw from the alternative investments.

### 4. CONTRIBUTIONS RECEIVABLE

The recorded value of contributions receivable is the present value of estimated future cash receipts using a discount rate of 4.75% for fiscal years 2016 and 2015. For fiscal year 2016, Management has established an allowance of 0.5% of gross contributions receivable for uncollectible promises to give; there was no allowance in fiscal year 2015. Amounts due are as follows:

	<b>2016</b>	<b>2015</b>
Less than one year	\$ 4,090,663	\$ 7,526,352
One to five years	2,178,774	2,532,973
Six to ten years	2,500	16,000
Totals	6,271,937	10,075,325
Unamortized Discount	(148,126)	(183,437)
Allowance for Uncollectible Pledges	<u>(31,360)</u>	<u>0</u>
Total	<u>\$ 6,092,451</u>	<u>\$ 9,891,888</u>



# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 AND 2015

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### 5. BENEFICIAL INTEREST IN REMAINDER UNITRUST

The beneficial interest in the charitable remainder unitrust totaled \$373,768 and \$395,747 at June 30, 2016 and 2015, respectively, representing the estimated portion of the unitrust for which the Foundation is the designated beneficiary.

### 6. CASH SURRENDER VALUE OF INSURANCE

The Foundation is the owner of certain life insurance policies on various donors who have named the Foundation as beneficiary. These policies are valued at their cash surrender values. The cash surrender value of these policies totaled \$144,942 and \$147,165 at June 30, 2016 and 2015, respectively.

### 7. RELATED PARTY TRANSACTIONS

The Foundation recognized contributions and special events revenue from the College during the years ended June 30, 2016 and 2015 of \$1,158,452 and \$401,252, respectively. The amounts owed to the Foundation as of June 30, 2016 and 2015 are \$62,742 and \$56,101, respectively, which are reported as due from related party on the statements of financial position.

The Foundation recognizes contributed services received from the College when those services (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by College employees possessing those skills, and would typically need to be purchased if not provided by the donation. The Foundation recognized \$185,468 and \$181,085 of contributed services as contribution revenue and as administrative and general and fundraising expenses in fiscal years 2016 and 2015.

The Foundation received grants restricted for educational development programs at the College from various donors of \$3,825,166 and \$3,472,083 in fiscal years 2016 and 2015, respectively. These grants are classified as temporarily restricted until the College meets certain conditions. The undistributed amounts for which the College has met the conditions are \$1,543,516 and \$1,276,344 as of June 30, 2016 and 2015, respectively, which are reported as due to related party on the statements of financial position.

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 AND 2015

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### 8. NET ASSETS

Net assets are restricted primarily for scholarships and educational purposes. Net assets were released from restriction for the following purposes during the years ended June 30:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 1,347,002	\$ 1,779,591
Educational Development	3,403,587	4,527,108
Special Events	25,054	87,500
Other	55,664	28,024
Totals	<u>\$ 4,831,307</u>	<u>\$ 6,422,223</u>

Temporarily 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 the following purposes at June 30:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 44,101,062	\$ 41,809,397
Educational Development	4,698,210	3,299,281
Special Events	608,051	1,094,159
Totals	<u>\$ 49,407,323</u>	<u>\$ 46,202,837</u>

Permanently restricted net assets are subject to the donor's restriction that the principal remain invested in perpetuity. The income and capital gains on these net assets may also be restricted by the donor. Permanently restricted net assets are invested to generate income to support the following purposes at June 30:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 2,978,160	\$ 2,953,854
Educational Development	11,484,885	11,455,339
Totals	<u>\$ 14,463,045</u>	<u>\$ 14,409,193</u>

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 AND 2015

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### 9. INVESTMENT OBJECTIVES AND ENDOWMENT FUNDS

The Foundation places great importance on risk reduction through asset allocation and style diversification. Investment results are measured using a rolling five to seven year period or a full market cycle. The following are the investment performance objectives, in order of importance, for the portfolio:

- To generate a minimum annual real rate of return of approximately 5.0% after deducting for advisory, money management, custodial fees, and total transaction costs.
- To obtain a total return on the portfolio, net of all investment related fees, that exceeds the total return of the policy benchmark.
- Performance will be evaluated versus achievement of spending policy and comparisons to a similar set of investments.

The goals of the strategic asset allocation policy are to establish a long-term asset allocation plan for the Foundation's portfolio that is consistent with objectives and guidelines contained in this policy and carried out in an efficient manner. To that end, this policy establishes an acceptable range, defined to be any percentage above a minimum and below a maximum percentage of the portfolio allocated to a particular asset class, and a target percentage, defined to be the percentage goal for the investment of the portfolio in that asset class.

Market value fluctuations and operational needs may cause variations from the strategic asset allocation policy ranges stated in this policy. Depending upon market conditions, the percentage allocation to each asset class may vary as much as plus or minus 5.0%. The Foundation does not deem it acceptable to time the market with tactical allocation shifts. Asset mixes and the possibilities for rebalancing are considered on a monthly basis. The intention of this policy is to avoid short-term judgments that introduce significant unplanned risk.

Distributions from endowment funds are spent in compliance with the donor's restrictions applicable to the funds being distributed. The Foundation classifies as permanently restricted net assets (a) the original value of the 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.

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 AND 2015

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### 9. INVESTMENT OBJECTIVES AND ENDOWMENT FUNDS – continued

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with UPMIFA, the College 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 Foundation 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 College
7. The investment policies of the Foundation

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. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were \$336,606 as of June 30, 2016 and \$65,557 as of June 30, 2015. These deficits resulted from unfavorable market fluctuations that occurred after the investment of newly established endowments.

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 AND 2015

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### 9. INVESTMENT OBJECTIVES AND ENDOWMENT FUNDS – continued

The Foundation's endowment fund activity was as follows for the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (65,557)	\$ 41,779,749	\$ 8,453,854	\$ 50,168,046
Investment return:				
Investment income	0	892,107	0	892,107
Net depreciation (realized and unrealized)	<u>(271,049)</u>	<u>(1,893,175)</u>	<u>0</u>	<u>(2,164,224)</u>
Total investment return	(271,049)	(1,001,068)	0	(1,272,117)
Contributions and transfers	0	3,051,106	5,357,639	8,408,745
Appropriation of endowment assets for expenditure	<u>0</u>	<u>(1,352,426)</u>	<u>0</u>	<u>(1,352,426)</u>
Endowment net assets, end of year	<u>\$ (336,606)</u>	<u>\$ 42,477,361</u>	<u>\$ 13,811,493</u>	<u>\$ 55,952,248</u>

Below is a reconciliation of permanently restricted net assets included in the endowment fund to total permanently restricted net assets:

	<u>2016</u>
Permanently restricted net assets within the endowment fund	\$ 13,811,493
Permanently restricted contributions included in pledges receivable	<u>651,552</u>
Total permanently restricted net assets	<u>\$ 14,463,045</u>

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 AND 2015

### 9. INVESTMENT OBJECTIVES AND ENDOWMENT FUNDS – continued

The Foundation's endowment fund activity was as follows for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 0	\$ 39,656,404	\$ 2,920,192	\$ 42,576,596
Investment return:				
Investment income	0	1,253,594	0	1,253,594
Net depreciation (realized and unrealized)	<u>(65,557)</u>	<u>(273,795)</u>	<u>0</u>	<u>(339,352)</u>
Total investment return	(65,557)	979,799	0	914,242
Contributions and transfers	0	2,952,806	5,533,662	8,486,468
Appropriation of endowment assets for expenditure	<u>0</u>	<u>(1,809,260)</u>	<u>0</u>	<u>(1,809,260)</u>
Endowment net assets, end of year	<u>\$ (65,557)</u>	<u>\$ 41,779,749</u>	<u>\$ 8,453,854</u>	<u>\$ 50,168,046</u>

Below is a reconciliation of permanently restricted net assets included in the endowment fund to total permanently restricted net assets:

	<u>2015</u>
Permanently restricted net assets within the endowment fund	\$ 8,453,854
Permanently restricted contributions included in pledges receivable	<u>5,955,339</u>
Total permanently restricted net assets	<u>\$ 14,409,193</u>

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 AND 2015

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### 10. FAIR VALUE MEASUREMENTS

The carrying amounts of financial assets reported in the accompanying statements of financial position approximate their fair value. Generally accepted accounting principles provides a framework for measuring fair value, requires disclosure about fair value measurements, and establishes a three level hierarchy for disclosure to show the extent and the level of judgment used to estimate fair value measurements:

*Level 1* – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

*Level 2* – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets or liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

*Level 3* – Uses inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models and market assumptions.

The following tables set forth by level within the fair value hierarchy the Foundation's financial assets that were accounted for at a fair value on a recurring basis as of June 30, 2016 and 2015. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels. The table does not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value.

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 AND 2015

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### 10. FAIR VALUE MEASUREMENTS – continued

Financial assets consisted of the following at June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Common Stock	\$ 258,968	\$ 0	\$ 0	\$ 258,968
Equity Mutual Funds				
Domestic Large-Cap	15,723,600	0	0	15,723,600
Domestic Mid-Cap	2,427,745	0	0	2,427,745
Domestic Small-Cap	1,562,215	0	0	1,562,215
Global	3,829,524	0	0	3,829,524
International	10,315,705	0	0	10,315,705
Fixed Income Mutual Funds	14,394,845	0	0	14,394,845
Alternative Investments	<u>0</u>	<u>0</u>	<u>7,697,540</u>	<u>7,697,540</u>
Total Investments	<u>\$ 48,512,602</u>	<u>\$ 0</u>	<u>\$ 7,697,540</u>	<u>\$ 56,210,142</u>
Beneficial Interest in Remainder Unitrust	0	0	373,768	373,768
Cash Surrender Value of Insurance	0	0	144,942	144,942
Total	<u>\$ 48,512,602</u>	<u>\$ 0</u>	<u>\$ 8,216,250</u>	<u>\$ 56,728,852</u>



# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 AND 2015

### 10. FAIR VALUE MEASUREMENTS – continued

Financial assets consisted of the following at June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Common Stock	\$ 218,313	\$ 0	\$ 0	\$ 218,313
Equity Mutual Funds				
Domestic Large-Cap	14,133,381	0	0	14,133,381
Domestic Mid-Cap	2,271,295	0	0	2,271,295
Domestic Small-Cap	1,763,928	0	0	1,763,928
Global	3,690,568	0	0	3,690,568
International	8,727,292	0	0	8,727,292
Fixed Income Mutual Funds	14,694,984	0	0	14,694,984
Alternative Investments	<u>0</u>	<u>0</u>	<u>3,030,179</u>	<u>3,030,179</u>
Total Investments	<u>\$ 45,499,761</u>	<u>\$ 0</u>	<u>\$ 3,030,179</u>	<u>\$ 48,529,940</u>
Beneficial Interest in Remainder Unitrust	0	0	395,747	395,747
Cash Surrender Value of Insurance	<u>0</u>	<u>0</u>	<u>147,165</u>	<u>147,165</u>
Total	<u>\$ 45,499,761</u>	<u>\$ 0</u>	<u>\$ 3,573,091</u>	<u>\$ 49,072,852</u>

For the years ended June 30, 2016 and 2015, the changes in assets measured using significant unobservable inputs (Level 3) were as follows:

	<u>2016</u>	<u>2015</u>
Beginning Balance	\$ 3,573,091	\$ 2,901,832
Purchases	5,150,000	500,000
Unrealized (Losses) Gains	<u>(506,841)</u>	<u>171,259</u>
Ending Balance	<u>\$ 8,216,250</u>	<u>\$ 3,573,091</u>

# CUYAHOGA COMMUNITY COLLEGE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 AND 2015

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### 10. FAIR VALUE MEASUREMENTS – continued

**Common Stock**—Common stock is valued at the closing price reported on the active markets in which the individual securities are traded and therefore is classified as Level 1.

**Equity Mutual Funds**—Equity mutual funds primarily invest in common stock of domestic and international corporations in a variety of industries. Quoted prices in active markets are used to value the equity mutual funds and therefore are classified as Level 1.

**Fixed Income Mutual Funds**—Fixed income mutual funds primarily invest in U.S. Treasuries and corporate bonds. Quoted prices in active markets are used to value the fixed income mutual funds and therefore are classified as Level 1.

**Alternative Investments**—Alternative investments do not have readily determined fair values as they are not listed on national exchanges or over-the-counter markets. Fair value has been determined based on the individual fund's net asset valuation provided by the investment managers, based on the guidelines established by those investment managers, which is considered to be an unobservable input and classified as Level 3 of the fair value hierarchy. The Foundation obtains and considers the audited financial statements of these investments when evaluating the overall reasonableness of the carrying value. The fund's annual financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and the underlying investments are reported at fair value.

**Beneficial Interest in Charitable Remainder Unitrust**—The fair value of the beneficial interest in the charitable remainder unitrust is estimated at the present value of the projected proceeds that will be received from the unitrust as calculated annually according to IRS Publication 1458, *Actuarial Valuations*. As such, the fair value of the beneficial interest is considered to be determined based on Level 3 inputs.

**Cash Surrender Value of Insurance**—The cash surrender value of insurance is presented at fair value based on the amount in cash upon cancellation of the insurance policy before maturity as of the reporting period. The fair value is determined by the insurer and represents the exit price from the perspective of the Foundation. Since the valuation is unobservable, the cash surrender value calculation is considered a Level 3 input.

**Independent Auditor’s Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of  
Cuyahoga Community College Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cuyahoga Community College Foundation (the “Foundation,” a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2016.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors  
Cuyahoga Community College Foundation

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ciuni + Panichi, Inc.*

Cleveland, Ohio  
October 28, 2016

# **CUYAHOGA COMMUNITY COLLEGE FOUNDATION**

## **STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND COMPLIANCE**

**YEAR ENDED JUNE 30, 2016**

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There were no comments on internal control and compliance included in the prior year reports.

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# Dave Yost • Auditor of State

**CUYAHOGA COMMUNITY COLLEGE FOUNDATION**

**CUYAHOGA 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, 2017**