

Clark State Community College Foundation

Financial Statements

June 30, 2020 and 2019

with Independent Auditors' Report



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Board of Directors
Clark State Community College Foundation
570 E. Leffel Lane
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We have reviewed the *Independent Auditors' Report* of the Clark State Community College Foundation, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2019 through June 30, 2020. 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 Clark State Community College Foundation is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

November 9, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Clark State Community College Foundation
Springfield, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Clark State Community College Foundation ("Foundation", a non-profit organization), a component unit of Clark State Community College, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses 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.

Auditors' 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clark State Community College Foundation as of June 30, 2020 and 2019, 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 14, 2020, on our consideration of Clark State Community College 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 solely 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 effectiveness of Clark State Community College Foundation's 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 Clark State Community College Foundation's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 14, 2020

Clark State Community College Foundation
 Statements of Financial Position
 June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 76,457	427,258
Investments	21,912,303	21,166,674
Pledges receivable	651,262	960,898
Student loans receivable, net of allowance for doubtful loans of \$95,748 in 2020 and \$71,093 in 2019	64,668	72,996
Other receivables	-	5,003
Prepaid expenses	<u>10,420</u>	<u>8,181</u>
	\$ <u>22,715,110</u>	<u>22,641,010</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable, Clark State Community College	\$ 13,260	1,848
Wages payable	<u>4,426</u>	<u>2,690</u>
	<u>17,686</u>	<u>4,538</u>
 Net assets		
Without donor restrictions	607,825	533,772
With donor restrictions	<u>22,089,599</u>	<u>22,102,700</u>
	<u>22,697,424</u>	<u>22,636,472</u>
	\$ <u>22,715,110</u>	<u>22,641,010</u>

See accompanying notes to the financial statements.

Clark State Community College Foundation
 Statements of Activities and Changes in Net Assets
 Year Ended June 30, 2020 with Comparative 2019 Totals

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Revenues and other support				
Campaign contributions	\$ 19,785	141,288	161,073	251,299
Foundation contributions	-	102,496	102,496	224,335
Investment return, net	4,352	621,865	626,217	1,595,211
Miscellaneous	2,066	57,932	59,998	78,095
Net assets released from restrictions	936,682	(936,682)	-	-
Total revenues and other support	962,885	(13,101)	949,784	2,148,940
Expenses				
Programs	826,418	-	826,418	824,108
Management and general	59,899	-	59,899	122,463
Fundraising	2,515	-	2,515	4,909
Total expenses	888,832	-	888,832	951,480
Change in net assets	74,053	(13,101)	60,952	1,197,460
Net assets at beginning of year	533,772	22,102,700	22,636,472	21,439,012
Net assets at end of year	\$ 607,825	22,089,599	22,697,424	22,636,472

See accompanying notes to the financial statements.

Clark State Community College Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2019
Revenues and other support			
Campaign contributions	\$ 7,546	243,753	251,299
Foundation contributions	-	224,335	224,335
Investment return, net	56,899	1,538,312	1,595,211
Miscellaneous	3,909	74,186	78,095
Net assets released from restrictions	891,065	(891,065)	-
Total revenues and other support	959,419	1,189,521	2,148,940
Expenses			
Programs	824,108	-	824,108
Management and general	122,463	-	122,463
Fundraising	4,909	-	4,909
Total expenses	951,480	-	951,480
Change in net assets	7,939	1,189,521	1,197,460
Net assets at beginning of year	525,833	20,913,179	21,439,012
Net assets at end of year	\$ 533,772	22,102,700	22,636,472

See accompanying notes to the financial statements.

Clark State Community College Foundation
 Statements of Functional Expenses
 Years Ended June 30, 2020 and 2019

<u>June 30, 2020</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 66,418	9,090	2,108	77,616
Pension plan	9,629	1,273	349	11,251
Employee benefits	9,037	2,826	-	11,863
Payroll taxes	930	133	58	1,121
Professional fees	33,248	8,769	-	42,017
Advertising	448	6,256	-	6,704
Office expenses	19,509	5,694	-	25,203
Information technology	800	12,508	-	13,308
Travel	584	669	-	1,253
Conferences	524	3,551	-	4,075
College scholarships	199,972	-	-	199,972
College special projects	329,114	-	-	329,114
Miscellaneous	17,955	9,130	-	27,085
Rental and repairs	17,618	-	-	17,618
Bad debt	83,146	-	-	83,146
Concession supplies	37,486	-	-	37,486
	<u>\$ 826,418</u>	<u>59,899</u>	<u>2,515</u>	<u>888,832</u>

<u>June 30, 2019</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 74,766	43,529	-	118,295
Pension plan	8,994	5,254	-	14,248
Employee benefits	7,888	6,842	-	14,730
Payroll taxes	977	505	-	1,482
Professional fees	25,775	10,106	-	35,881
Advertising	5,110	8,090	3,034	16,234
Office expenses	22,726	4,407	-	27,133
Information technology	1,200	14,034	1,875	17,109
Travel	418	2,160	-	2,578
Conferences	1,362	9,143	-	10,505
College scholarships	202,304	-	-	202,304
College special projects	285,837	-	-	285,837
Miscellaneous	37,339	18,393	-	55,732
Rental and repairs	44,160	-	-	44,160
Bad debt	57,633	-	-	57,633
Concession supplies	47,619	-	-	47,619
	<u>\$ 824,108</u>	<u>122,463</u>	<u>4,909</u>	<u>951,480</u>

See accompanying notes to the financial statements

Clark State Community College Foundation
 Statements of Cash Flows
 Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 60,952	1,197,460
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized gains on investments	(220,982)	(1,119,828)
Contributions restricted for long-term purposes	(48,719)	(139,169)
Effects of changes in operating assets and liabilities		
Receivables	322,967	402,798
Prepaid expenses	(2,239)	11,983
Accounts payable	11,412	(1,982)
Wages payable	1,736	(1,826)
Net cash from operating activities	125,127	349,436
Cash flows from investing activities:		
Sales of investments	60,377	120,863
Purchases of investments	(585,024)	(572,083)
Net cash from investing activities	(524,647)	(451,220)
Cash flows from financing activities:		
Contributions restricted for long-term purposes	48,719	139,169
Change in cash and cash equivalents	(350,801)	37,385
Cash and cash equivalents at beginning of year	427,258	389,873
Cash and cash equivalents at end of year	\$ 76,457	427,258

See accompanying notes to the financial statements.

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Clark State Community College Foundation have been prepared on the accrual basis of accounting. The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Organization

The Clark State Community College Foundation ("Foundation") is a not-for-profit Ohio corporation and is considered to be a component unit of Clark State Community College ("College"). The Foundation's purpose is to assist students attending the College. Administrative services are provided by the College.

Adoption of new accounting standards

During 2020, the Foundation adopted ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard assists entities in determining whether transactions should be recorded as a contribution (nonreciprocal transaction) or as an exchange (reciprocal transaction). The standard also provides expanded guidance on determining whether or not a contribution is conditional. The Foundation's revenue recognition policies were not impacted by this standard.

Also during 2020, the Foundation adopted ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The Foundation has implemented this guidance on a modified retrospective basis to all periods presented as permitted under the ASU. There was no material impact to the financial statements presented upon adoption of this standard.

Basis of presentation

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United State of America (GAAP), which requires the Foundation to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions represent funds available for grants and expenses which are not otherwise limited by donor restrictions. When a donor-imposed restriction is met in the same reporting period as received, the support is recorded as net assets without donor restrictions. These assets, which include board-designated funds, may be used at the discretion of the Foundation's management and the Board of Directors.

Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time. Some donor restrictions are perpetual in nature whereby principal is to be maintained intact in perpetuity and that only income from investment thereof can be expended either for the general purpose of the Foundation, or purposes specified by the donor. The Foundation maintains separate balances in its accounting records to account for the amounts available for donor-restricted purposes.

Estimates

The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts reported in 2019 have been reclassified to conform to 2020 presentation. These reclassifications did not affect the change in net assets.

Cash and cash equivalents

For purposes of the statements of cash flows, the Foundation considers all demand bank deposits as cash. The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. This includes amounts on deposit with STAR Ohio which were \$74,506 and \$297,363 at June 30, 2020 and 2019, respectively. STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the statement of financial position date.

Investments

Investments are carried at fair value in accordance with GAAP guidance. Investments include shares with Commonfund, a not-for-profit organization, and Federated Government Obligation, Tax Managed Select Treasuries. Realized and unrealized gains and losses are reported in the statements of activities and changes in net assets. Fair value is determined by market quotations. Donated investments are recorded at fair value at the time received.

Income taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation's reporting returns are subject to audit by federal and state taxing authorities. No income tax provision has been included in the financial statements as the Foundation has determined it does not have unrelated business income subject to taxation.

Functional expense allocation

For purposes of reporting expenses, identifiable expenses are directly recorded to program, management and general and fundraising. Expenses related to more than one function are allocated to these categories based on periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific program service but provide for the overall support and direction of the Foundation.

Pledges, accounts and loans receivable and revenues

Revenues are reported as an increase in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Contributions are recognized as revenue in the period the unconditional promise or payment is first received. Conditional contributions are not recognized until the conditions are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Certain funding from non-government agencies is accounted for as donor restricted until either the required use, passage of time or receipt of funds occurs. Accordingly, such contributions are then released from restriction and recorded as net assets without donor restrictions. Contributions that were received as net assets with donor restrictions in a certain fiscal year whose restriction is fulfilled in the same fiscal year are directly reported as revenue without donor restrictions.

Student loan receivables consist of amounts disbursed to students for the purpose of book and tuition loans funded through the Dorothy Mumma Tuition Loan Fund established by The Springfield Foundation.

Potentially uncollectible loans and pledges receivable are provided for on the allowance method based on management's evaluation of outstanding loans receivable at year end. This estimation takes into consideration historical trends, past history with specific consumers as well as current economic conditions. After establishing the allowance, pledges and loans receivable are typically written off when reasonable and cost-effective collection efforts are exhausted. Actual results could vary from the estimates.

In-kind contributions

The facilities occupied by the Foundation are provided by the College. In addition, the College assists the Foundation in fund raising, gift processing and accounting. The value of the office space and services provided constitutes in-kind contributions to the Foundation that are immaterial to the financial statements and are not recognized as revenue and expense on the statements of activities and changes in net assets.

Subsequent events

The Foundation evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through October 14, 2020, the date which the financial statements were available to be issued.

2. PLEDGES RECEIVABLE:

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded after discounting at 0.18% and 2.09% to the present value of future cash flows, for the years ended June 30, 2020 and 2019, respectively.

Unconditional promises are expected to be realized in the following periods:

		2020	2019
One year or less	\$	403,856	455,706
Between one and five years		264,860	547,168
		668,716	1,002,874
Discounts and allowances		(17,454)	(41,976)
Net pledges	\$	651,262	960,898

3. INVESTMENTS:

The following summarizes investment composition at June 30:

		2020		2019	
		Fair Value	Cost Basis	Fair Value	Cost Basis
Bond funds	\$	5,594,659	5,075,264	5,280,252	4,895,234
Equity funds		10,685,899	2,741,364	10,682,964	2,699,720
High quality bond fund		2,195,823	1,862,086	2,038,665	1,805,401
Money market accounts		116,532	116,534	192,655	192,655
Mutual fund - fixed		752,455	756,085	576,740	582,646
Mutual fund - sector		100,128	94,233	-	-
Corporate bonds		231,059	226,189	175,515	175,648
Common stock		287,033	176,248	357,252	215,425
Real Estate Investment Trust		-	-	15,732	10,372
ADR / foreign - bonds		72,825	70,408	46,185	45,408
US Government Agency		-	-	25,000	24,663
Mutual fund - equity		1,875,890	1,636,939	1,775,714	1,522,849
Total investments	\$	21,912,303	12,755,350	21,166,674	12,170,021

Assets and Liabilities Measured on a Recurring Basis

GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 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: 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 values of equity and fixed income mutual funds, and preferred stock that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Funds of funds investments have observable inputs and market activity that allow for pricing based on the underlying market prices of the items in the fund adjusted information developed by management for historical and current performance of the underlying funds, liquidity and credit premiums required by a market participant and financial trend analysis with respect to the overall fund compared to benchmark performance ratios (Level 2 inputs). The Foundation owns three funds that are pooled funds that fall in this category. The funds invest in equity and fixed income securities whose investment objectives are to:

- 1) Invest in a group of diversified equity funds to outperform the S&P 500 index over a full market cycle;
- 2) Offer a program devoted to investing in high-quality, investment-grade fixed income securities to outperform the Barclays Aggregated Bond Index over a full market cycle, and;
- 3) Offer an actively managed, multi-manger investment program that will provide, in a single fund, broad exposure to global debt markets to add value above the return of the U.S. bond market over a full market cycle, as measured by the Barclays Capital U.S. Aggregate Bond Index, and to reduce volatility as compared to investing in the indices.

The fair values of investments in these categories have been estimated using the net asset value per share of the investments. Redemption policies of these funds range from weekly to monthly and there were no unfunded commitments at June 30, 2020.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

Fair Value Measurements at June 30, 2020

	<u>Balance as of June 30, 2020</u>	<u>Active Markets for Identical Assets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Foundation Investments:				
Privately held funds:				
Equities:				
U.S. Equity	\$ 9,024,476	-	9,024,476	-
International equity	1,661,423	-	1,661,423	-
Fixed income:				
Intermediate term	642,380		642,380	-
Core bonds	4,117,115	-	4,117,115	-
Credit	153,663	-	153,663	-
Opportunistic	623,334	-	623,334	-
Distressed debt	58,167	-	58,167	-
Diversifying strategies	<u>2,195,823</u>	<u>-</u>	<u>2,195,823</u>	<u>-</u>
Total privately held funds	<u>18,476,381</u>	<u>-</u>	<u>18,476,381</u>	<u>-</u>
Corporate and ADR bonds	<u>303,884</u>	<u>-</u>	<u>303,884</u>	<u>-</u>
Common stock	<u>287,033</u>	<u>287,033</u>	<u>-</u>	<u>-</u>
Mutual funds:				
Equity	1,875,890	1,875,890	-	-
Fixed income	752,455	752,455	-	-
Sector	<u>100,128</u>	<u>100,128</u>	<u>-</u>	<u>-</u>
Total mutual funds	<u>2,728,473</u>	<u>2,728,473</u>	<u>-</u>	<u>-</u>
Money market accounts	<u>116,532</u>			
Total investments	<u>\$ 21,912,303</u>			

Fair Value Measurements at June 30, 2019

	Balance as of June 30, 2019	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foundation Investments:				
Privately held funds:				
Equities:				
U.S. Equity	\$ 7,722,807	-	7,722,807	-
International equity	1,027,907	-	1,027,907	-
Emerging markets	464,449	-	464,449	-
Fixed income:				
Intermediate term	640,867	-	640,867	-
Core bonds	5,668,792	-	5,668,792	-
Credit	145,816	-	145,816	-
Opportunistic	808,284	-	808,284	-
Distressed debt	122,413	-	122,413	-
Diversifying strategies	1,400,546	-	1,400,546	-
Total privately held funds	<u>18,001,881</u>	<u>-</u>	<u>18,001,881</u>	<u>-</u>
U.S. Government Agency	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Corporate and ADR bonds	<u>221,700</u>	<u>-</u>	<u>221,700</u>	<u>-</u>
Common stock	<u>357,252</u>	<u>357,252</u>	<u>-</u>	<u>-</u>
Mutual funds:				
Equity	1,775,714	1,775,714	-	-
Fixed income	576,740	576,740	-	-
REIT	15,732	15,732	-	-
Total mutual funds	<u>2,368,186</u>	<u>2,368,186</u>	<u>-</u>	<u>-</u>
Money market accounts	<u>192,655</u>			
Total investments	<u>\$ 21,166,674</u>			

4. NET ASSETS:

Net assets at June 30 consist of the following:

	2020	2019
Without donor restrictions		
Board designated for scholarships and special projects	\$ 103,675	103,675
Board designated for endowment	358,869	365,470
Unrestricted	145,281	64,627
Total	\$ 607,825	533,772
	2020	2019
With donor restrictions		
Time / purpose restrictions		
Major gifts	\$ 914,911	1,173,244
Scholarships and other	622,354	646,937
Endowment	10,304,528	10,063,885
Mumma loan fund	136,166	155,713
	11,977,959	12,039,779
Perpetually restricted		
Scholarships	\$ 3,280,697	3,235,177
Performing Arts Center	3,692,576	3,689,377
Champion City scholarships	3,138,367	3,138,367
	10,111,640	10,062,921
Total	\$ 22,089,599	22,102,700

5. RELATED PARTY TRANSACTIONS WITH CLARK STATE COMMUNITY COLLEGE:

During the years ended June 30, 2020 and 2019, the Foundation distributed \$348,991 and \$305,715, respectively, to the College for both restricted and unrestricted purposes. At June 30, 2020 and 2019, the Foundation owed the College \$13,260 and \$1,848, respectively.

6. ENDOWMENT COMPOSITION:

The Foundation's endowment primarily consists of funds held at Commonfund. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by applicable standards, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	20,416,168	20,416,168
Board-designated funds	<u>358,869</u>	<u>-</u>	<u>358,869</u>
Total funds	<u>\$ 358,869</u>	<u>20,416,168</u>	<u>20,775,037</u>

Endowment net asset composition by type of fund as of June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	20,126,806	20,126,806
Board-designated funds	<u>365,470</u>	<u>-</u>	<u>365,470</u>
Total funds	<u>\$ 365,470</u>	<u>20,126,806</u>	<u>20,492,276</u>

Changes in endowment net assets for year ended June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 365,470	20,126,806	20,492,276
Investment return			
Investment income, net	632	463,597	464,229
Net appreciation	<u>701</u>	<u>157,162</u>	<u>157,863</u>
Total investment return	1,333	620,759	622,092
Contributions and other income	2,066	50,378	52,444
Appropriation of endowment assets for expenditure	<u>(10,000)</u>	<u>(381,775)</u>	<u>(391,775)</u>
Net assets, end of year	<u>\$ 358,869</u>	<u>20,416,168</u>	<u>20,775,037</u>

Changes in endowment net assets for year ended June 30, 2019.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 324,726	18,804,776	19,129,502
Investment return			
Investment income, net	980	577,232	578,212
Net appreciation	<u>35,855</u>	<u>952,394</u>	<u>988,249</u>
Total investment return	36,835	1,529,626	1,566,461
Contributions and other income	3,909	134,938	138,847
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(342,534)</u>	<u>(342,534)</u>
Net assets, end of year	\$ <u>365,470</u>	<u>20,126,806</u>	<u>20,492,276</u>

Interpretation of UPMIFA

The Board of Directors of the Foundation has interpreted 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, the Foundation classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 net assets with perpetual donor restrictions is classified as net assets with time or purpose donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. 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

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index and the Barclays Index while assuming a moderate level of investment risk.

Strategies employed for achieving objectives

The purpose of the endowment fund is to facilitate donors' desires to make substantial long-term gifts to the Foundation and to develop a new and significant source of revenue for the Foundation. In so doing, the endowment fund will provide a secure, long-term source of funds to: (i) stabilize scholarship funding during periods of below normal annual campaigns; (ii) fund special initiatives; (iii) ensure long-term growth; (iv) enhance our ability to meet changing Foundation needs in both the short and long-term; and, (v) support the administrative expenses of the Foundation as deemed appropriate.

Spending policy and how the investment objectives relate to spending policy

The Finance/Investment/Audit Committee of the Board of Directors reviews the income distribution and spending policy annually and makes recommendations to the Board of Directors. Currently, the practice is to spend interest earned on endowment funds and retain any market gains in the endowment fund. Any other related proceeds are reinvested in the endowment fund. Within these parameters, the amount of the disbursement shall be determined annually by the Foundation Board of Directors, who may also elect to take no distribution in any given year.

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 did not have any such deficiencies at June 30, 2020 or 2019.

Endowment fund principal, unless otherwise directed by the donor, shall not be disbursed except for emergency situations. In order to make a principal disbursement, a two-thirds majority vote by the Foundation Board of Directors will be required.

7. RISKS AND UNCERTAINTIES

The majority of the Foundation's contributions are received from donors located in the Springfield, Ohio area. As such, the Foundation's ability to generate resources via contributions is dependent on the economic health of that area. An economic downturn could cause a decrease in contributions that coincides with an increase in need for the individuals the Foundation supports.

The Foundation has investments managed by professional investment managers in compliance with the investment policy established by the Finance/Investment/Audit Committee of the Foundation. The underlying investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, including due to the pandemic noted below, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

The extent of the impact of the COVID-19 pandemic on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. In addition to the potential impact to the fair value of investments noted above, the pandemic has affected certain donors. The extent to which the pandemic may further impact the Foundation's financial condition or results of activities is uncertain at this time.

8. AVAILABILITY OF FINANCIAL ASSETS:

The following table presents the financial assets available to meet cash needs for general expenditures within one year as of June 30:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 76,457	427,258
Investments	21,912,303	21,166,674
Pledges receivable, one year or less	403,856	455,706
Student loans receivable	64,668	72,996
Other receivables	-	5,003
	22,457,284	22,127,637
Less those unavailable for general expenditures - donor-restricted:	22,089,599	22,102,700
Financial assets available to meet general cash needs within one year	\$ 367,685	24,937

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. If additional financial assets are needed based on unexpected needs, certain amounts from endowment funds could be made available, as necessary, in addition to the normal annual spending policy distributions.

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

Board of Directors
Clark State Community College Foundation
Springfield, Ohio

We have audited, 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, the financial statements of Clark State Community College Foundation, which comprise the statement of financial position as of June 30, 2020 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 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Clark State Community College Foundation's internal control over financial reporting (internal control) as a basis for designing 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 Clark State Community College Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Clark State Community College 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clark State Community College 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 financial statements. 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 Clark State Community College 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 Clark State Community College Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 14, 2020



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OHIO AUDITOR OF STATE KEITH FABER



CLARK STATE COMMUNITY COLLEGE FOUNDATION

CLARK COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/24/2020

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This report is a matter of public record and is available online at
www.ohioauditor.gov