

**NORTHWEST STATE COMMUNITY
COLLEGE FOUNDATION**

FINANCIAL STATEMENTS

For the Year Ended June 30, 1999

STEYER & CO.

Certified Public Accountants

**NORTHWEST STATE COMMUNITY
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For the Year Ended June 30, 1999

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

Board of Directors
Northwest State Community College Foundation
Archbold, Ohio

We have reviewed the independent auditor's report of the Northwest State Community College Foundation, Henry County, prepared by Steyer & Company, Certified Public Accountants, for the audit period July 1, 1998 through June 30, 1999. 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 Northwest State Community College Foundation is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

January 10, 2000

STEYER & CO.

Certified Public Accountants

2000 NORTH CLINTON STREET
DEFIANCE, OHIO 43512
(419) 782-1030

Independent Auditor's Report

Board of Directors
Northwest State Community College Foundation
Archbold, Ohio

We have audited the accompanying statement of financial position of Northwest State Community College Foundation (a nonprofit organization) as of June 30, 1999, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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.

As described in Note 6 to the financial statements, the Foundation changed from the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles to the accrual basis method of accounting, which is in accordance with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest State Community College Foundation as of June 30, 1999 and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 1999, 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 grants.

Steyer & Co.

STEYER & CO.

Defiance, Ohio
October 18, 1999

NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 1999

REVENUES, GAINS, AND OTHER SUPPORT	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions				
Individuals	\$ 9,383	\$ 72,717	\$ 109,848	\$ 191,948
Business organizations	5,000	27,199	-	32,199
Foundations	-	-	3,800	3,800
Contributed services (Note 1)	32,245	-	-	32,245
Investment return	-	18,858	-	18,858
Net assets released from restrictions	-	-	-	-
Restrictions satisfied by payments	<u>51,935</u>	<u>(49,177)</u>	<u>(2,758)</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	98,563	69,597	110,890	279,050
EXPENSES				
Program services				
Scholarships	33,200	-	-	33,200
Supporting services				
Management and general	10,193	-	-	10,193
Fund-raising	<u>153,785</u>	<u>-</u>	<u>-</u>	<u>153,785</u>
TOTAL EXPENSES	<u>197,178</u>	<u>-</u>	<u>-</u>	<u>197,178</u>
CHANGE IN NET ASSETS	(98,615)	69,597	110,890	81,872
NET ASSETS AT BEGINNING OF YEAR	<u>-</u>	<u>74,490</u>	<u>218,571</u>	<u>293,061</u>
NET ASSETS AT END OF YEAR	<u>\$ (98,615)</u>	<u>\$ 144,087</u>	<u>\$ 329,461</u>	<u>\$ 374,933</u>

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

NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 1999

UNRESTRICTED	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and general</u>	<u>Fund- raising</u>	
Scholarship and loan expenditures to Northwest State Community College	\$ 33,200	\$ -	\$ -	\$ 33,200
Professional service	-	2,904	128,659	131,563
Services provided by Northwest State Community College	-	7,119	25,126	32,245
Other	-	170	-	170
	<u>\$ 33,200</u>	<u>\$ 10,193</u>	<u>\$ 153,785</u>	<u>\$ 197,178</u>

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

NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 1999

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 81,872
Adjustments to reconcile change in net assets to net cash used in operating activities	
Amortization of bond premium and discount	36
Investment return restricted	(18,393)
Contributions restricted for long-term purposes	(213,564)
Unrealized gain on marketable investments	(501)
Changes in operating assets and liabilities:	
Unrestricted pledges receivable	(6,133)
Accounts payable	128,659
	<u>(109,896)</u>
Net cash used in operating activities	(28,024)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from return of principal	54,635
Purchases of long-term investments	(87,064)
	<u>(32,429)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from contributions restricted for long-term purposes	66,689
Investment return restricted	17,675
	<u>84,364</u>
NET INCREASE IN CASH	23,911
CASH AT BEGINNING OF YEAR	<u>-</u>
CASH AT END OF YEAR	<u>\$ 23,911</u>

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

NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - Northwest State Community College Foundation (the Organization) exists to provide financial assistance to the educational programs, services and facilities of Northwest State Community College. To that end, the Organization solicits inter vivos and testamentary gifts.

BASIS OF ACCOUNTING - The financial statements of Northwest State Community College Foundation have been prepared on the accrual basis and accordingly reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117 the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

CASH AND CASH EQUIVALENTS - For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude donor restricted cash and cash equivalents.

DONATED SERVICE AND FACILITIES - The Organization 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 Northwest State Community College, utilizing equipment and facilities of Northwest State Community 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 in the amount of \$32,245 have been recognized in the statement of activities as supporting revenue and as "In-Kind" supporting expense as required by SFAS 116.

MANAGEMENT ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

RESTRICTED AND UNRESTRICTED REVENUE - Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

INCOME TAX STATUS - The Organization is a not-for-profit organization that the Internal Revenue Service has determined to be exempt from income taxes under Section 501(C)(3) of the Internal Revenue Code.

INVESTMENTS - Investments are comprised of bonds and are carried at fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EXPENSE ALLOCATION - Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates.

Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

NOTE 2 - CASH AND MONEY MARKET FUNDS

Balances as of June 30, 1999 are summarized as follows:

Checking account	\$ 71
Savings account	<u>23,840</u>
Total of all cash accounts	<u>\$ 23,911</u>

NOTE 3 - MARKETABLE SECURITIES

Investments as of June 30, 1999 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Restricted cash and cash equivalents	\$ 290,004	\$ 290,004
Bonds	<u>37,813</u>	<u>35,951</u>
	<u>\$ 317,817</u>	<u>\$ 325,955</u>

Investment return is summarized as follows:

	<u>Temporarily Restricted</u>
Interest income	\$ 18,393
Amortization - bond discount	6
Amortization - bond premium	(42)
Net unrealized gain	<u>501</u>
Total investment return	<u>\$ 18,858</u>

NOTE 4 - PLEDGES RECEIVABLE

As of June 30, 1999, the Foundation had received unconditional promises to give totaling \$153,008. The unconditional promises are a result of the Foundation's current fund raising campaign, in which the donor has the option of designating a specific field of study. Undesignated promises must be used for general needs. At June 30, 1999, the promises to give are recorded at the present value of future cash flows and are due as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Less than one year	\$ 3,106	\$ 18,401	\$ 11,400	\$ 32,907
One to five years	3,027	60,601	56,314	119,942
More than five years	-	<u>112</u>	<u>47</u>	<u>159</u>
	<u>\$ 6,133</u>	<u>\$ 79,114</u>	<u>\$ 67,761</u>	<u>\$ 153,008</u>

Unconditional promises to give that are receivable in more than one year are discounted at 7% to recognize the present value of future cash flows. No allowance for uncollectible promises to give is considered necessary.

NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 1999

NOTE 5 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes after June 30, 1999:

Academic chair	\$ 1,700
Loan funds	3,041
Student scholarships	45,438
Technology Programs	84,375
Operating Expenses	6,775
Memorials	2,758
	<u>\$ 144,087</u>

Permanently restricted net assets consist of endowment funds to be held indefinitely, income from which is to be used for scholarships. At June 30, 1999 endowments totaled \$329,461.

NOTE 6 - CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 1999, the Foundation changed from the cash basis method of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles to the accrual basis method of accounting, which is in accordance with generally accepted accounting principles. Since the change in accounting principle was not material to these financial statements, no adjustment was made to the statement of activities for the prior year ended June 30, 1998.

NOTE 7 - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Foundations' operations as early as fiscal year 1999.

The Foundation has completed remediation of computer systems that may be affected by the year 2000 issue and that are necessary to conducting the Foundation's operations. Testing and validation of the systems will need to be completed. Management reasonably expects the systems to be year 2000 compliant.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Foundation is or will be year 2000 ready, that the Foundation's remediation efforts will be successful in whole or in part or that parties with whom the Foundation does business will be year 2000 ready.

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

Board of Trustees
Northwest State Community College Foundation

We have audited the financial statements of Northwest State Community College Foundation as of June 30, 1999, and have issued our report thereon dated October 18, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Foundation in a separate letter dated October 18, 1999.

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

Steyer & Co.

STEYER & CO.

October 18, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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P.O. Box 1140
Columbus, Ohio 43216-1140
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NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION
HENRY 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.

By: Susan Babbitt

Date: JAN 18 2000