

**STARK STATE COLLEGE FOUNDATION**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**





**Auditor of State  
Betty Montgomery**

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Board of Trustees  
Stark State College Foundation

We have reviewed the Independent Auditor's Report of the Stark State College Foundation, Stark County, prepared by Gary B. Fink & Associates, Inc. for the audit period July 1, 2001 through June 30, 2002. 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 Stark State College Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 22, 2003

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**STARK STATE COLLEGE FOUNDATION  
INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Stark State College Foundation  
6200 Frank Avenue, NW  
Canton, Ohio 44720-7299

We have audited the accompanying statement of financial position of the Stark State College Foundation (the Foundation) as of June 30, 2002, and related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stark State College Foundation as of June 30, 2002 and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report December 23, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



GARY B. FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 23, 2002

**Stark State College Foundation**  
**Statement of Financial Position**  
**June 30, 2002**

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ASSETS

Cash and cash equivalents	\$96,763
Short-term investments	468,458
Long-term investments	1,191,809
Conditional promises to give	
Restricted to W.R. Timken Center for Information Technology	1,170,520
Restricted to physical therapy clinic	28,800
Unconditional promises to give	
Unrestricted	57,203
Restricted to aesthetics	70
Restricted to equipment	39,925
Restricted to endowments	51,118

Total Assets \$3,104,666

LIABILITIES

Accounts payable	<u>\$283</u>
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Total Liabilities 283

NET ASSETS

Unrestricted	62,546
Temporarily restricted	1,734,363
Permanently restricted	<u>1,307,474</u>

Total Net Assets 3,104,383

Total Liabilities and Net Assets \$3,104,666



**Stark State College Foundation**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2002**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUES</b>				
Individuals	\$27,467	\$0	\$0	\$27,467
Corporations and foundations	34,757	0	0	34,757
Income for managing assets	1,631	0	0	1,631
Investment income	460	23,984	384	24,828
Support for aesthetics	0	1,365	0	1,365
Support for scholarships	0	10,000	0	10,000
Support for instructional equipment	0	138,195	0	138,195
Support for W.R. Timken Center for Information Technology	0	15,000	0	15,000
Realized/Unrealized gains and losses on investments, net	0	(104,818)	(4,587)	(109,405)
Gain on sale of stock	0	335	0	335
Endowment fund support	0	0	445,870	445,870
Net assets released from restrictions (Note 5)				
Restrictions satisfied by payments	253,195	(253,195)	0	0
Transfer for managing assets	6,474	(6,474)	0	0
 Total Support and Revenues	 <u>323,984</u>	 <u>(175,608)</u>	 <u>441,667</u>	 <u>590,043</u>
<b>EXPENSES</b>				
Supporting college activities				
Scholarships for students	35,698	0	0	35,698
Faculty and staff professional development	6,297	0	0	6,297
Physical therapy clinic operating expenses	38,670	0	0	38,670
Aesthetics	2,418	0	0	2,418
Instructional equipment and supplies	170,112	0	0	170,112
Operations				
Management and general	15,793	0	0	15,793
Investment losses	46,659	0	0	46,659
 Total Expenses	 <u>315,647</u>	 <u>0</u>	 <u>0</u>	 <u>315,647</u>
 Change in Net Assets	 8,337	 (175,608)	 441,667	 274,396
 Net Assets, Beginning of Fiscal Year	 <u>54,210</u>	 <u>1,909,970</u>	 <u>865,807</u>	 <u>2,829,987</u>
 Net Assets, End of Fiscal Year	 <u>\$62,547</u>	 <u>\$1,734,362</u>	 <u>\$1,307,474</u>	 <u>\$3,104,383</u>

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

**Stark State College Foundation**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2002**

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Cash flows from operating activities:

Change in net assets \$274,396

Adjustments to reconcile net assets to  
net cash provided by operating activities:

Net realized/unrealized losses on investments	156,064
Decrease in restricted conditional promises to give	453,710
Decrease in restricted unconditional promises to give	55,353
Increase in unrestricted unconditional promises to give	(21,265)
Decrease in accounts payable	(4)
Investment income from long-term investments	(18,599)
Investment income from short-term investments	(6,229)
Restricted cash contributions for long-term investment	<u>(525,234)</u>

Total adjustments 93,796

Net cash provided by operating activities 368,192

Cash flows from investing activities:

Purchases of long-term investments	(429,522)
Purchases of short-term investments	<u>(375,000)</u>

Net cash (used for) investing activities (804,522)

Cash flows from financing activities:

Collection of endowment fund support	<u>525,234</u>
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Net cash provided by financing activities 525,234

Net increase in cash and cash equivalents 88,904

Cash and cash equivalents, beginning of fiscal year 7,859

Cash and cash equivalents, end of fiscal year \$96,763

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

STARK STATE COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

1. **DESCRIPTION OF THE REPORTING ENTITY**

The Stark State College Foundation (the Foundation) is organized and operated exclusively for educational, scientific or charitable purposes by conducting and supporting activities which benefit or carry out the purpose of the Stark State College of Technology (herein, "the College"). The College is a state institution of higher learning, authorized and existing under Chapter 3357 of the Ohio Revised Code. The Foundation is a not-for-profit organization established in accordance with Section 501(c)(3) of the Internal Revenue Code and is empowered to exercise all rights and powers conferred by the laws of Ohio upon nonprofit corporations.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Contributions

The Foundation reports contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made". SFAS No. 116 requires that unconditional promises to give, with payments due in future periods, be recorded as receivables and support in either unrestricted, temporarily restricted, or permanently restricted net assets as appropriate in the period received at their net present value. The accumulated discount of net present value of the pledge is accounted for as contribution income of the related class of net assets. Conditional promises to give are not recorded as support until the condition upon which they depend has been substantially met by the Foundation.

Financial Statement Presentation

SFAS No. 117, "Financial Statements of Not-For-Profit Organizations", requires that the amounts for each of three classes of net assets: unrestricted, temporarily restricted and permanently restricted, be presented in an aggregated statement of financial position and that the amounts of changes in each of those classes of net assets be presented in a statement of activities. This statement requires that resources be classified into three net asset categories according to donor-imposed restrictions. A description of the categories is as follows:

**Unrestricted Net Assets**

Assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets.

STARK STATE COLLEGE FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Temporarily Restricted Net Assets**

Assets which include gifts and pledges receivable for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds are not permanently restricted.

**Permanently Restricted Assets**

Assets that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income from these assets is included in the investment income of unrestricted and restricted funds, as appropriate, in the accompanying Statement of Activities.

When a donor restriction expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

The Foundation reports investments in accordance with SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations". Investments in marketable securities with readily determined fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

Investments of the unrestricted, temporarily restricted and permanently restricted funds are pooled for making investment transactions and are carried at market value. Interest and dividend income, as well as realized and unrealized gains and losses, are allocated to unrestricted, temporarily restricted and permanently restricted funds.

Promises to Give

Contributions received, including unconditional promises to give are recognized as revenue by net asset class when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. Conditional promises are recorded when donor stipulations are substantially met.

STARK STATE COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The Foundation requires an initial minimum balance of \$5,000 to establish a scholarship fund. The policy allows a period, generally not to exceed 60 months, for the accumulation of contributions and interest to meet the minimum \$5,000 requirement.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results may differ from those estimates.

3. **INVESTMENTS**

The various investments in fixed income securities, mutual funds and other investment securities are exposed to various risks, such as interest rate, market fluctuations and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

At June 30, 2002, investments consisted of the following:

	Fair Value
Mutual Funds	\$1,191,809
Money Market Accounts	468,458
Total	<u>\$1,660,267</u>

4. **PROMISES TO GIVE**

Unconditional promises to give are included in the financial statements as contributions receivable and contributions of the appropriate net asset category. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimate of future cash flows. Conditional promises to give are not included as support until conditions are met.

Unconditional promises to give:

Unrestricted

Amounts Due:

Less than one year	\$30,826
One to five years	26,377

Restricted

Amounts Due:

Less than one year	90,510
One to five years	603

STARK STATE COLLEGE FOUNDATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

4. **PROMISES TO GIVE** (continued)

Conditional promises to give:

    Restricted

        Amounts Due:

        Less than one year 383,760

        One to five years 815,560

        Total \$1,347,636

5. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily and permanently restricted assets are those whose use by the Foundation has been limited by the donors to a specific time period or purpose. Temporarily restricted net assets are available for providing scholarships to the College's students, providing professional development funds to the College staff and purchasing equipment for the benefit of the College. Permanently restricted net assets are restricted to investment in perpetuity and the income from which is expendable for scholarship to the College's students.

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

Scholarships for Students:

    Alumni Class Scholarships \$4,885

    Diversity Scholarship 5,539

    Fred F. Silk Scholarship 19,080

    Student Scholarship 15,522

        Total Scholarships for Students 45,026

Faculty and Staff Professional Development:

    Faculty and Staff Professional Development 11,331

        Total Faculty and Staff Professional Development 11,331

Physical Therapy Clinic:

    Physical Therapy Equipment 28,800

        Total Physical Therapy Clinic 28,800

Aesthetics Project:

    Aesthetics 70

        Total Aesthetics Project 70

STARK STATE COLLEGE FOUNDATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

5. **TEMPORARILY RESTRICTED NET ASSETS** (continued)

Instructional Equipment and Supplies:	
Business Division Equipment	6,479
Computer Network Lab	21,013
Computer Science Equipment	26,880
Electrical Circuits Lab	9,600
Engineering Division Equipment	1,910
Engineering Memorial Scholarship	214
General Studies Division Equipment	526
Health Division Equipment	1,666
Health Grant	19,200
Instructional Equipment	543
Instructional Resources	584
Total Instructional Equipment and Supplies	88,615
Instructional Facilities and Improvements:	
Timken Center for Information Technology	1,560,521
Total Instructional Facilities and Improvements	1,560,521
Total Temporarily Restricted Net Assets	\$1,734,363

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

Purpose Restriction Accomplished:

Scholarships for Students:	
Alberts Scholarship	\$87
Alumni Class Scholarships	4,178
Bridgestone/Firestone Automotive Scholarship	102
Cain Automotive Scholarship	10,000
Canton Veteran Car Club Scholarship	251
Diversity Scholarship	2,686
East Ohio Gas Company Scholarship	611
Engineering Memorial Scholarship	807
Betty Morford Scholarship	502
Ned Saums Scholarship	580
Fred F. Silk Scholarship	10,930
Student Scholarship	4,964
Total Scholarships for Students	35,698

STARK STATE COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

5. **TEMPORARILY RESTRICTED NET ASSETS** (continued)

Professional Development:	
Faculty and Staff Professional Development	6,045
Powers Professional Development	252
Total Professional Development	<u>6,297</u>
Physical Therapy Operations:	
Physical Therapy Clinic Operations	<u>38,670</u>
Total Physical Therapy Operations	<u>38,670</u>
Aesthetics and Mural Project:	
Mural Project	1,115
Aesthetics	<u>1,303</u>
Total Aesthetics and Mural Project	<u>2,418</u>
Instructional Equipment and Supplies:	
Business Division Equipment	3,364
Computer Network Lab	26,615
Computer Science Equipment	14,000
Dental Hygiene	500
E. Business Lab	28,500
Electrical Circuits Lab	5,000
Engineering Division Equipment	1,033
Environmental Experiment Lab	30,000
General Studies Division Equipment	285
Health Division Equipment	13,650
Health Grant	10,000
Instructional Equipment	1,576
Instructional Resources	590
Physical Therapy Clinic Equipment	10,000
Writing Lab	<u>25,000</u>
Total Instructional Equipment and Supplies	<u>170,113</u>
Total Net Assets Released from Donor Restrictions	<u><u>\$253,196</u></u>



STARK STATE COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

6. **PERMANENTLY RESTRICTED NET ASSETS**

Scholarships for Students:	
Alberts Scholarship	\$5,580
Alumni Class Scholarships	71,295
Bridgestone/Firestone Automotive Scholarship	7,500
Cain Automotive Scholarship	240,000
Canton Veteran Car Club Scholarship	5,000
Colaner Scholarship	4,840
Deuble Foundation Scholarship	98,667
Diversity Scholarship	49,467
East Ohio Gas Company Scholarship	10,000
Engineering Memorial Scholarship	16,046
Janet C. Fisher Scholarship	34,497
Flowers Scholarship	10,000
Hallier Scholarship	3,751
Haverlock Scholarship	9,543
Herbert Hoover Scholarship	33,000
Hoover Foundation Scholarship	100,000
Mel Kallis Scholarship	1,424
Luntz's Scholarship	5,456
Betty Morford Scholarship	9,350
Ranks Scholarship	5,000
Ned Saums Scholarship	11,092
Scada Automotive Scholarship	50,000
Fred F. Silk Scholarship	230,000
Student Scholarship	90,307
E&R Wilkof Scholarship	14,800
Wilkof Scholarship	14,800
Youngs Scholarship	50,546
Total Scholarships for Students	<u>1,181,961</u>
Professional Development:	
Faculty and Staff Professional Development	110,377
Powers Professional Development	5,289
Total Professional Development	<u>115,666</u>
Instructional Equipment and Supplies:	
Instructional Resources	9,847
Total Instructional Equipment and Supplies	<u>9,847</u>
Total Permanently Restricted Net Assets	<u>\$1,307,474</u>

STARK STATE COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

7. **INCOME TAXES**

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore makes no provision for income taxes. It is however, required to file annually, IRS Form 990, which reports the activity of the Foundation during the fiscal year.

8. **NEW ACCOUNTING STANDARD**

The Governmental Accounting Standards Board issued Statement No. 39, "Determining Whether Certain Organizations are Component Units", to determine whether certain organizations for which the primary government is not financially accountable should be reported as a component unit of the primary government on the nature and significance of the relationship between the College and the Foundation. Statement No. 35 requires reporting, as discreetly presented component units, organizations that raise and hold economic resources for the benefit of the College.

For the year ended June 30, 2004, the Foundation's financial information may need to be included in Stark State College of Technology's financial statements as a component unit.

**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  
Stark State College Foundation  
6200 Frank Avenue, NW  
Canton, Ohio 44720-7299

We have audited the financial statements of the Stark State College Foundation (the Foundation), as of and for the year ended June 30, 2002, and have issued our report thereon dated December 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 operations that we consider to be material weaknesses.

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

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

A handwritten signature in black ink, appearing to read "G B Fink". The signature is stylized and cursive.

GARY B. FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 23, 2002



**Auditor of State  
Betty Montgomery**

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

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800-282-0370

Facsimile 614-466-4490

**STARK STATE COLLEGE FOUNDATION**

**STARK 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  
FEBRUARY 4, 2003**