

Northwest State Community College Foundation

Audited Financial Statements

Year Ended June 30, 2004

With Report of Independent Auditors

BALESTRA, HARR, & SCHERER, CPAS, INC.

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**Auditor of State
Betty Montgomery**

Board of Trustees
Northwest State Community College Foundation
22600 State Route 34
Archbold, Ohio 43502

We have reviewed the Independent Auditor's Report of the Northwest State Community College Foundation, Henry County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period July 1, 2003 to June 30, 2004. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 5, 2004

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NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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Member American Institute of Certified Public Accountants

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Northwest State Community College Foundation
22600 State Route 34
Archbold, Ohio 43502

We have audited the accompanying statement of financial position of Northwest State Community College Foundation (the Foundation), a component unit of the Northwest State Community College, as of June 30, 2004, and the 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 Foundation, as of June 30, 2004, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2004, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 the internal control over financial reporting or on compliance. 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.

Balestra, Harr and Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

October 8, 2004

Northwest State Community College Foundation
Statement of Financial Position
June 30, 2004

ASSETS

Cash and cash equivalents (Note 2)	\$ 175,426
Marketable securities (Note 3)	583,301
Pledges receivable (Note 4)	<u>7,964</u>
Total assets	<u><u>\$ 766,691</u></u>

LIABILITIES & NET ASSETS

Accounts payable	<u>85,455</u>
Total liabilities	<u><u>\$ 85,455</u></u>

NET ASSETS:

Unrestricted	(11,562)
Temporarily restricted (Note 5)	163,403
Permanently restricted (Note 5)	<u>529,395</u>
Total net assets	<u><u>\$ 681,236</u></u>
Total liabilities and net assets	<u><u>\$ 766,691</u></u>

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

Northwest State Community College Foundation
Statement of Activities
For the Year Ended June 30, 2004

REVENUES, GAINS AND OTHER SUPPORT	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions				
Individuals	\$ 14,052	\$ 11,927	\$ 5,152	\$ 31,131
Business organizations	2,500	14,351	26,560	43,411
Foundations	1,500	25,105	1,150	27,755
Contributed services (Note 1)	36,279	-	-	36,279
Cancellation of pledges	-	(1,195)	(200)	(1,395)
Investment return	290	8,416	-	8,706
Net assets released from restrictions:				
Restrictions satisfied by payments	39,162	(39,162)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	93,783	19,442	32,662	145,887
 EXPENSES				
Program services:				
Scholarships	12,191	-	-	12,191
Donations	25,252	-	-	25,252
Supporting services:				
Management and general	14,984	-	-	14,984
Fund-raising	34,157	-	-	34,157
TOTAL EXPENSES	86,584	-	-	86,584
 CHANGE IN NET ASSETS	7,199	19,442	32,662	59,303
 NET ASSETS AT BEGINNING OF YEAR	(18,761)	143,961	496,733	621,933
 NET ASSETS AT END OF YEAR	\$ (11,562)	\$ 163,403	\$ 529,395	\$ 681,236

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, 2004**

Unrestricted	Program Services		Support Services		Total
	Scholarships	Donations	Management and General	Fundraising	
Scholarships and loan expenditures and donations to Northwest State Community College	\$ 12,191	\$ -	\$ -	\$ -	\$ 12,191
Donations to Northwest State Community College	-	25,252	-	-	25,252
Professional service	-	-	3,468	-	3,468
Services provided by Northwest State Community College	-	-	10,979	25,300	36,279
Other	-	-	537	8,857	9,394
TOTAL REVENUES, GAINS AND OTHER SUPPORT	\$ 12,191	\$ 25,252	\$ 14,984	\$ 34,157	\$ 86,584

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, 2004**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 59,303
Adjustment to reconcile change in net assets to net cash used in operating activities	
Amortization of bond premium and discount	9
Investment return restricted	(11,139)
Contributions restricted for long-term purposes	(84,245)
Cancellation of pledges	1,395
Unrealized loss on marketable securities	2,714
Increase in student loans	(1,913)
Decrease in unrestricted pledges and funds receivable	4,695
Decrease in accounts payable	(17,812)
Total adjustments	<u>(106,296)</u>
Net cash used in operating activities	(46,993)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase/sales of short-term investments	29,784
Proceeds from return of principal	921
Net cash provided by investing activities	<u>30,705</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from contributions restricted for long-term purposes	101,971
Investment return restricted	11,139
Net cash provided by financing activities	<u>113,110</u>
 NET INCREASE IN CASH	 96,822
 CASH AT BEGINNING OF YEAR	 <u>78,604</u>
 CASH AT END OF YEAR	 <u><u>\$ 175,426</u></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, 2004

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 the college personnel in the amount of \$36,279 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 revenues 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, stocks and marketable certificates of deposit 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.

EXPENSE ALLOCATION – Directly identifiable expenses are charges 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.

NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

NOTE 2 – CASH AND MONEY MARKET FUNDS

Balances as of June 30, 2004 are summarized as follows:

Savings accounts and certificates	\$ 175,426
Total of all cash accounts	\$ 175,426
	=====

NOTE 3 – MARKETABLE SECURITIES

Investments as of June 30, 2004 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Restricted cash and cash equivalents	\$467,747	\$467,747
Certificates of deposit	96,000	95,975
Bonds	14,202	14,381
Stocks	14,625	5,198
	<u>\$592,574</u>	<u>\$583,301</u>
	=====	=====

Investment return is summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest income	\$ 290	\$ 11,139	\$11,429
Amortization – bond discount	-	2	2
Amortization – bond premium	-	(11)	(11)
Net unrealized loss	-	(2,714)	(2,714)
Total investment return	<u>\$ 290</u>	<u>\$ 8,416</u>	<u>\$ 8,706</u>
	=====	=====	=====

NOTE 4 – PLEDGE RECEIVABLE

As of June 30, 2004, the Foundation had received unconditional promises to give totaling \$7,964. The unconditional promises are a result of the Foundation's current fundraising campaign, in which donor has the option of designating a specific field of study. Undesignated promises must be used for general needs. At June 30, 2004, 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	\$ 1,207	\$ 2,378	\$ 4,379	\$ 7,964
	<u>\$ 1,207</u>	<u>\$ 2,378</u>	<u>\$ 4,379</u>	<u>\$ 7,964</u>
	=====	=====	=====	=====

Unconditional promises to give that are receivable are discounted at 1.37% to recognize the present value of future cash flows. No allowance for uncollectible promises to give is considered necessary.

NOTE 5 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes after June 30, 2004:

Academic chair	\$ 1,700
Loan funds	100,101
Student scholarships	31,663
Technology programs	25,284
Operating expenses	1,897
Memorials	2,758
	<u>\$ 163,403</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, 2004 endowments totaled \$ 529,395.

NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

NOTE 6 – NORTHWEST STATE COMMUNITY COLLEGE

Not included in these financial statements is the Northwest State Community College, a component unit of the State of Ohio. The College is organized for the principal purpose of offering educational programs beyond high school, normally not exceeding two years duration, and leading to the award of an associate degree.

The foundation contributes funds to the College for scholarships and other designated purposes. The contributions are subject to the approval by the Board of Trustees of the Foundation. The College paid expenses related to the Foundation's capital campaign, loan fund and scholarships which will be reimbursed. At June 30, 2004 \$85,076 for the capital campaign and \$379 for the scholarships are due to the College and were included in accounts payable.

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**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 Trustees
Northwest State Community College Foundation
22600 State Route 34
Archbold, Ohio 43502

We have audited the financial statements of Northwest State Community College Foundation, (the Foundation), a component unit of the Northwest State Community College, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 8, 2004. 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.

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 an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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.

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, regulation, contracts and grant agreements, noncompliance with which would 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*.

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

Balestra, Harr and Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

October 8, 2004



**Auditor of State
Betty Montgomery**

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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 23, 2004**