

Northwest State Community College Foundation

Audited Financial Statements

Year Ended June 30, 2005

With Report of Independent Auditors

**BALESTRA, HARR, & SCHERER, CPAs, INC.**

528 S. WEST STREET P.O. BOX 687  
PIKETON, OHIO 45661

---

TELEPHONE: (740) 289-4131 FACSIMILE: (740) 289-3639  
[www.bhscpas.com](http://www.bhscpas.com)





**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, 2004 through June 30, 2005. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

November 14, 2005

**This Page is Intentionally Left Blank.**

**NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**TABLE OF CONTENTS**

Report of Independent Auditors .....	1
Financial Statements	
Statement of Financial Position .....	2
Statement of Activities .....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows .....	5
Notes to the Financial Statements.....	6
Report on Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i> .....	9

**BALESTRA, HARR, & SCHERER, CPAS, INC.**

528 S. WEST STREET P.O. BOX 687  
PIKETON, OHIO 45661

TELEPHONE: (740) 289-4131 FACSIMILE: (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**REPORT OF INDEPENDENT AUDITORS**

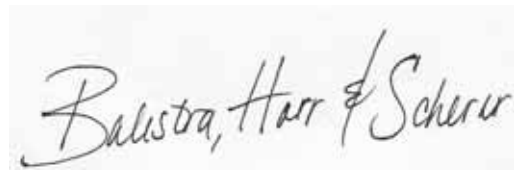
Board of Trustees  
Northwest State Community College Foundation  
22600 State Route 34  
Archbold, Ohio 43502

We have audited the accompanying statement of financial position of Northwest State Community College Foundation (the Organization), a component unit of the Northwest State Community College, as of June 30, 2005, and the related statements of activities 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 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 Organization, as of June 30, 2005, 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 11, 2005, on our consideration of the Organization'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 considered in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

October 11, 2005

**Northwest State Community College Foundation**  
**Statement of Financial Position**  
**June 30, 2005**

**ASSETS**

Cash and cash equivalents (Note 2)	\$ 179,836
Marketable securities (Note 3)	587,710
Pledges receivable (Note 4)	<u>5,454</u>
 Total assets	 <u><u>\$ 773,000</u></u>

**LIABILITIES & NET ASSETS**

Accounts payable	<u>71,196</u>
Total liabilities	<u><u>\$ 71,196</u></u>

**NET ASSETS:**

Unrestricted	(8,323)
Temporarily restricted (Note 5)	177,050
Permanently restricted (Note 5)	<u>533,077</u>
Total net assets	<u><u>\$ 701,804</u></u>
 Total liabilities and net assets	 <u><u>\$ 773,000</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, 2005**

<b>REVENUES, GAINS AND OTHER SUPPORT</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions				
Individuals	\$ 4,212	\$ 7,449	\$ 1,331	\$ 12,992
Business organizations	2,500	11,552	2,961	17,013
Foundations	500	-	-	500
Contributed services (Note 1)	21,969	-	-	21,969
Cancellation of pledges	(662)	(505)	(610)	(1,777)
Investment return	440	7,985	-	8,425
Net assets released from restrictions				
Restrictions satisfied by payments	12,834	(12,834)	-	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>41,793</b>	<b>13,647</b>	<b>3,682</b>	<b>59,122</b>
<b>EXPENSES</b>				
Program services				
Scholarships	9,934	-	-	9,934
Donations	2,900	-	-	2,900
Supporting services				
Management and general	11,204	-	-	11,204
Fund-raising	14,516	-	-	14,516
<b>TOTAL EXPENSES</b>	<b>38,554</b>	<b>-</b>	<b>-</b>	<b>38,554</b>
<b>CHANGE IN NET ASSETS</b>	<b>3,239</b>	<b>13,647</b>	<b>3,682</b>	<b>20,568</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>(11,562)</b>	<b>163,403</b>	<b>529,395</b>	<b>681,236</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ (8,323)</b>	<b>\$ 177,050</b>	<b>\$ 533,077</b>	<b>\$ 701,804</b>

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, 2005**

<b>Unrestricted</b>	<b>Program Services</b>	<b>Support Services</b>		<b>Total</b>
		<b>Management and General</b>	<b>Fundraising</b>	
Scholarships and loan expenditures and donations to Northwest State Community College	\$ 9,934	\$ -	\$ -	\$ 9,934
Donations to Northwest State Community College	2,900	-	-	2,900
Professional service	-	3,260	-	3,260
Services provided by Northwest State Community College	-	7,453	14,516	21,969
Other	-	491	-	491
<b>TOTAL EXPENSES</b>	<b>\$ 12,834</b>	<b>\$ 11,204</b>	<b>\$ 14,516</b>	<b>\$ 38,554</b>

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

**NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION  
HENRY COUNTY  
STATEMENT OF CASH FLOWS  
June 30, 2005**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Unrestricted contributions	\$ 8,395
Restricted contributions	24,621
Cancellation of unrestricted pledges	(662)
Cancellation of restricted pledges	(1,115)
Investment return	8,425
Payments for management services	(17,931)
Payments for scholarships and donations	(12,913)
Net cash used by operating activities	<u>8,820</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Increase in marketable securities	<u>(4,410)</u>
Net cash provided by investing activities	<u>(4,410)</u>

Net increase in cash and cash equivalents 4,410

Cash - beginning of year	<u>175,426</u>
Cash - end of year	<u>\$ 179,836</u>

Reconciliation of net operating revenue (expenses) to net cash used by operating activities:

Net income	\$ 20,568
Change in assets and liabilities	
Receivables, net	2,511
Accounts payable	(14,259)
Net cash provided by operating activities	<u>\$ 8,820</u>

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

**NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2005

**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 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 \$21,969 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, 2005

**NOTE 2 – CASH AND MONEY MARKET FUNDS**

Balances as of June 30, 2005 are summarized as follows:

Savings accounts and certificates	\$ <u>179,836</u>
Total of all cash accounts	\$ 179,836 =====

**NOTE 3 – MARKETABLE SECURITIES**

The various investments in bonds and stocks are exposed to various risks, such as interest rate risk, 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, although, in the opinion of management, those changes would not materially effect the amounts reported in the financial statements.

Investments as of June 30, 2005 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Restricted cash and cash equivalents	\$574,093	\$574,093
Bonds	12,469	12,267
Stocks	<u>14,625</u>	<u>1,350</u>
	\$601,187	\$587,710
	=====	=====

Investment return is summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest income	\$ 440	\$ 12,138	\$ 12,578
Amortization – bond discount	-	3	3
Amortization – bond premium	-	(12)	(12)
Net unrealized loss	-	<u>(4,144)</u>	<u>(4,144)</u>
Total investment return	\$ 440	\$ 7,985	\$ 8,425
	=====	=====	=====

**NOTE 4 – PLEDGES RECEIVABLE**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Less than one year	\$ 25	\$ 987	\$ 3,060	\$ 4,072
One to five years	<u>0</u>	<u>1,382</u>	<u>0</u>	<u>1,382</u>
	\$ 25	\$ 2,369	\$ 3,060	\$ 5,454
	=====	=====	=====	=====

Unconditional promises to give that are receivable are discounted at 2.45% 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, 2005

**NOTE 5 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes after June 30, 2005:

Academic chair	\$ 1,700
Loan funds	100,804
Student scholarships	42,877
Technology programs	20,936
Capital projects	7,495
Operating expenses	480
Memorials	<u>2,758</u>
	<u>\$ 177,050</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, 2005 endowments totaled \$ 533,077.

**NOTE 6 – RESTRICTIONS ON NET ASSETS**

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, 2005 \$70,896 for the capital campaign is due to the College and is included in accounts payable.

**BALESTRA, HARR, & SCHERER, CPAS, INC.**

528 S. WEST STREET P.O. BOX 687  
PIKETON, OHIO 45661

TELEPHONE: (740) 289-4131 FACSIMILE: (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants  
Accountants

Ohio Society of Certified Public

**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 Organization), a component unit of the Northwest State Community College, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 11, 2005. 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**

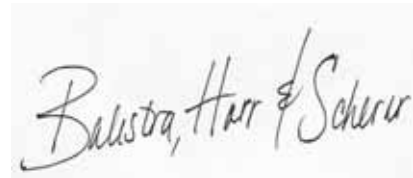
In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. 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 and Other Matters**

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

Board of Trustees  
Northwest State Community College Foundation  
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*  
Page 2

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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

October 11, 2005







**Auditor of State  
Betty Montgomery**

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

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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 29, 2005**