

Owens Community College Foundation

Financial Statements
June 30, 2010 and 2009



Mary Taylor, CPA
Auditor of State

Board of Directors
Owens Community College Foundation
P. O. Box 10000
Toledo, Ohio 43699

We have reviewed the *Independent Auditor's Report* of the Owens Community College Foundation, Wood County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2009 through June 30, 2010. 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 Owens Community College Foundation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 2, 2010

This Page is Intentionally Left Blank.

Owens Community College Foundation

Contents

Independent Auditor's Report	I
Financial Statements	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3-4
Statement of Cash Flows	5
Notes to Financial Statements	6-16
Report Letter on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17-18
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>	19-20

Independent Auditor's Report

To the Board of Directors
Owens Community College Foundation

We have audited the accompanying statement of financial position of Owens Community College Foundation (the "Foundation") as of June 30, 2010 and 2009 and the related statements of activities and changes in net assets and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *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 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Owens Community College Foundation as of June 30, 2010 and 2009 and the results of its operations and cash flows for the years 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 September 23, 2010 on our consideration of Owens 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. 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 opinions 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.

Plante & Moran, PLLC

September 23, 2010

Owens Community College Foundation

Statement of Financial Position

	June 30	
	2010	2009
Assets		
Cash and cash equivalents	\$ 636,346	\$ 698,242
Investments (Note 3)	1,683,331	1,379,769
Pledges receivable (Note 4)	38,092	100,473
Accounts receivable	15,000	-
Total assets	<u>\$ 2,372,769</u>	<u>\$ 2,178,484</u>
Liabilities and Net Assets		
Liabilities		
Due to Owens State Community College (Note 5)	\$ 69,235	\$ 78,419
Deferred revenue	-	3,051
Funds in custody (agency funds)	56,865	66,385
Total liabilities	126,100	147,855
Net Assets (Note 6)		
Unrestricted	144,125	105,915
Temporarily restricted	903,009	815,316
Permanently restricted	1,199,535	1,109,398
Total net assets	2,246,669	2,030,629
Total liabilities and net assets	<u>\$ 2,372,769</u>	<u>\$ 2,178,484</u>

Owens Community College Foundation

Statement of Activities and Changes in Net Assets Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Donations received	\$ 25,520	\$ 187,492	\$ 89,415	\$ 302,427
Investment income:				
Interest and dividend income	8,639	18,400	215	27,254
Unrealized gain on investments	75,849	89,618	507	165,974
Realized loss on investments	-	(13)	-	(13)
Grant revenue	-	91,801	-	91,801
Revenue released from restrictions	299,605	(299,605)	-	-
Total revenue and support	409,613	87,693	90,137	587,443
Expenses				
Program services:				
Scholarships	128,890	-	-	128,890
Equipment grant	36,000	-	-	36,000
Outside grants expense	91,801	-	-	91,801
Other program services	60,742	-	-	60,742
Total program services	317,433	-	-	317,433
Management and general	37,771	-	-	37,771
Fund-raising	16,199	-	-	16,199
Total expenses	371,403	-	-	371,403
Increase in Net Assets	38,210	87,693	90,137	216,040
Net Assets - Beginning of year	105,915	815,316	1,109,398	2,030,629
Net Assets - End of year	<u>\$ 144,125</u>	<u>\$ 903,009</u>	<u>\$ 1,199,535</u>	<u>\$ 2,246,669</u>

Owens Community College Foundation

Statement of Activities and Changes in Net Assets Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Donations received	\$ 44,875	\$ 231,092	\$ 69,525	\$ 345,492
Investment income:				
Interest and dividend income	15,543	27,824	341	43,708
Unrealized loss on investments	(133,095)	(157,343)	(983)	(291,421)
Realized loss on investments	(1,216)	(3,153)	(48)	(4,417)
Grant revenue	974	106,158	-	107,132
Revenue released from restrictions	267,013	(267,013)	-	-
Total revenue and support	194,094	(62,435)	68,835	200,494
Expenses				
Program services:				
Scholarships	105,466	-	-	105,466
Equipment grant	34,997	-	-	34,997
Outside grants expense	106,158	-	-	106,158
Other program services	31,785	-	-	31,785
Total program services	278,406	-	-	278,406
Management and general	33,613	-	-	33,613
Fund-raising	9,990	-	-	9,990
Total expenses	322,009	-	-	322,009
(Decrease) Increase in Net Assets	(127,915)	(62,435)	68,835	(121,515)
Net Assets - Beginning of year	233,830	877,751	1,040,563	2,152,144
Net Assets - End of year	<u>\$ 105,915</u>	<u>\$ 815,316</u>	<u>\$ 1,109,398</u>	<u>\$ 2,030,629</u>

Owens Community College Foundation

Statement of Cash Flows

	Year Ended June 30	
	2010	2009
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 216,040	\$ (121,515)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Unrealized (loss) gain on investments	(165,974)	291,421
Net realized losses on investments	13	4,417
Decrease in pledges receivable	62,381	66,182
(Decrease) increase in accounts receivable	(15,000)	1,000
(Increase) decrease in amounts due to Owens Community College	(9,184)	29,921
(Increase) decrease in deferred revenue	(3,051)	1,342
Decrease in funds in custody (agency funds)	(9,520)	(734)
Donations restricted for long-term endowment investment	(89,415)	(69,525)
Net cash (used in) provided by operating activities	(13,710)	202,509
Cash Flows from Investing Activities		
Purchase of investments	(137,601)	(245,193)
Proceeds from the sale of investments	-	10,055
Net cash used in investing activities	(137,601)	(235,138)
Cash Flows from Financing Activities - Proceeds from donations restricted for long-term endowment investment	89,415	69,525
(Decrease) Increase in Cash and Cash Equivalents	(61,896)	36,896
Cash and Cash Equivalents - Beginning of year	698,242	661,346
Cash and Cash Equivalents - End of year	<u>\$ 636,346</u>	<u>\$ 698,242</u>

Owens Community College Foundation

Notes to Financial Statements June 30, 2010 and 2009

Note 1 - Organization and Purpose

Effective July 1, 1996, pursuant to Chapter 3358 of the Ohio Revised Code, the trustees of Owens Community College (the "College") terminated the Michael J. Owens Technical College Charitable Trust (the "Trust"). The assets of the Trust were transferred to the newly established Owens State Community College Foundation (the "Foundation"). The Foundation was established for the benefit of the College and its students. The Foundation was incorporated in April 2002 and the name was changed to Owens Community College Foundation effective November 25, 2003. The Foundation also serves as an agent for Owens Community College Alumni Association. The net assets of the alumni association are represented as funds in custody at June 30, 2010 and 2009.

Note 2 - Summary of Significant Accounting Policies

Financial Statement Presentation - The Foundation's financial statements are prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation - Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations
- **Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.
- **Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Owens Community College Foundation

Notes to Financial Statements June 30, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes on net assets.

Cash and Cash Equivalents - For the purpose of the statement of cash flows, the Foundation considers cash in bank, time deposits, and highly liquid debt instruments with maturities of three months or less when purchased to be cash and cash equivalents.

The Foundation maintains cash balances at two institutions. Cash maintained at a bank is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash maintained at the other institution is not FDIC insured. As of June 30, 2010, the Foundation had \$110,672 in uninsured balances. The Foundation evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

Investments - In 2010 and 2009, investments are recorded at current market value based on quoted market prices and consist of stock and bond mutual funds.

Contributions - Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Functional Allocation of Expenses - Total expenses consisted of expenses relating to program services, management and general, and fund-raising. Costs are allocated between the various programs and support services on an actual basis, where available, or based upon reasonable methods. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes - The Internal Revenue Service, in a letter dated September 29, 1997 and again on September 22, 2004, determined that the Foundation was exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Owens Community College Foundation

Notes to Financial Statements June 30, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - Management of the Foundation has made estimates and assumptions relating to the reporting of assets, liabilities, the disclosure of contingent assets and liabilities, and revenue and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including September 23, 2010, which is the date the financial statements were issued.

Note 3 - Investments

Investments at June 30, 2010, by major security type, were as follows:

	Cost	Market Value
Bond mutual funds	\$ 337,135	\$ 365,969
Equity mutual funds	1,502,033	1,317,322
Other	40	40
Total investments	<u>\$ 1,839,208</u>	<u>\$ 1,683,331</u>

Investments at June 30, 2009, by major security type, were as follows:

	Cost	Market Value
Bond mutual funds	\$ 258,959	\$ 272,284
Equity mutual funds	1,442,622	1,107,445
Other	40	40
Total investments	<u>\$ 1,701,621</u>	<u>\$ 1,379,769</u>

Risks and Uncertainties - The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Owens Community College Foundation

Notes to Financial Statements June 30, 2010 and 2009

Note 4 - Pledges Receivable

As of June 30, 2010 and 2009, contributors to the Foundation have made written unconditional promises to give. These promises are reported at present value of estimated future cash flows and are discounted at 3 percent to 4 percent. This rate is commensurate with risks involved and is consistent with past experience.

	2009	2009
Unconditional promises to give	\$ 40,000	\$ 105,000
Less unamortized discount	(1,908)	(4,527)
Net unconditional promises to give	<u>\$ 38,092</u>	<u>\$ 100,473</u>
Amounts due in:		
Less than one year	\$ 28,476	\$ 62,381
One to five years	9,616	38,092
Total	<u>\$ 38,092</u>	<u>\$ 100,473</u>

Note 5 - Related Party Transactions

Grants in the amount of \$273,142 and \$242,093 for fiscal years 2010 and 2009, respectively, were paid to the College by the Foundation. At June 30, 2010 and 2009, the net amounts owed to the College for reimbursement by the Foundation were \$69,235 and \$78,419, respectively.

Note 6 - Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets are available for the following purposes:

	2010	2009
Gifts and other donations available for:		
Library	\$ 29,178	\$ 31,208
Equipment and other program expenses	336,945	314,709
Scholarships	536,886	469,399
Total gifts and other donations	<u>\$ 903,009</u>	<u>\$ 815,316</u>

Owens Community College Foundation

Notes to Financial Statements June 30, 2010 and 2009

Note 6 - Restrictions and Limitations on Net Asset Balances (Continued)

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

	<u>2010</u>	<u>2009</u>
Equipment and other program expenses	\$ 87,317	\$ 60,415
Outside grants expenses	91,801	106,158
Scholarships	<u>120,487</u>	<u>100,440</u>
Total	<u>\$ 299,605</u>	<u>\$ 267,013</u>

Permanently restricted net assets consist of endowment funds. In certain cases, the donors of these funds have restricted the use of the income from such funds for scholarships. These expenses are reflected in the appropriate program services category on the statement of activities and changes in net assets.

Permanently restricted net assets are available for the following purposes:

Equipment and other program expenses	\$ 298,286	\$ 298,286
Scholarships	<u>901,249</u>	<u>811,112</u>
Total	<u>\$ 1,199,535</u>	<u>\$ 1,109,398</u>

Note 7 - Fair Value Measurements

The following table presents information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2010, and the valuation techniques used by the Foundation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

Owens Community College Foundation

Notes to Financial Statements June 30, 2010 and 2009

Note 7 - Fair Value Measurements (Continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Disclosures concerning assets measured at fair value are as follows:

Description	Fair Value Measurements at June 30, 2010			Balance at June 30, 2010
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equity funds:				
Buffalo Small Cap	\$ 109,962	\$ -	\$ -	\$ 109,962
Fairholme Fund	160,402	-	-	160,402
Fidelity Contrafund	110,887	-	-	110,887
Jensen Portfolio	69,977	-	-	69,977
Vanguard Institutional Index	509,328	-	-	509,328
Dodge & Cox International Stock	129,553	-	-	129,553
Harbor International	55,214	-	-	55,214
MFS International New Discovery	38,518	-	-	38,518
T. Rowe Price Intl New Asia	37,835	-	-	37,835
T. Rowe Price Latin American Fund	28,410	-	-	28,410
Third Avenue Value	67,236	-	-	67,236
Total equity funds	1,317,322	-	-	1,317,322
Bond funds:				
Harbor Bond Fund	52,044	-	-	52,044
Vanguard Intermediate Bond Index	182,960	-	-	182,960
Vanguard Short-Term Federal	130,965	-	-	130,965
Total bond funds	365,969	-	-	365,969
Money market mutual funds:				
Farmers & Merchant MM Savings	150,000	-	-	150,000
Northern Inst'l Prime Obligations	32,225	-	-	32,225
Trust Company of Toledo	160,832	-	-	160,832
Total money market mutual funds	343,057	-	-	343,057

Owens Community College Foundation

Notes to Financial Statements June 30, 2010 and 2009

Note 7 - Fair Value Measurements (Continued)

Fair Value Measurements at June 30, 2009

Description	Quoted Prices in			Balance at June 30, 2009
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equity funds:				
Buffalo Small Cap	\$ 97,539	\$ -	\$ -	\$ 97,539
Fairholme Fund	130,164	-	-	130,164
Fidelity Contrafund	91,355	-	-	91,355
Jensen Portfolio	61,554	-	-	61,554
Vanguard Institutional Index	454,717	-	-	454,717
Dodge & Cox International Stock	116,000	-	-	116,000
Harbor International	29,389	-	-	29,389
MFS International New Discovery	28,252	-	-	28,252
T. Rowe Price Intl New Asia	21,452	-	-	21,452
T. Rowe Price Latin American Fund	15,196	-	-	15,196
Third Avenue Value	61,828	-	-	61,828
Total equity funds	1,107,446	-	-	1,107,446
Bond funds:				
Vanguard Intermediate Bond Index	144,157	-	-	144,157
Vanguard Short-Term Federal	128,127	-	-	128,127
Total bond funds	272,284	-	-	272,284
Money market mutual funds -				
Northern Inst'l Prime Obligations	292,529	-	-	292,529
Total money market mutual funds	292,529	-	-	292,529

Note 8 - Donor and Board Restricted Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. 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.

Owens Community College Foundation

Notes to Financial Statements June 30, 2010 and 2009

Note 8 - Donor and Board Restricted Endowments (Continued)

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historical 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 permanently restricted net assets is classified as temporarily restricted net assets 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 Foundation 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 Foundation
- (7) The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment	\$ (19,037)	\$ 391,173	\$ 1,199,535	\$ 1,571,671
Quasi-endowment	13,870	-	-	13,870
Total funds	<u>\$ (5,167)</u>	<u>\$ 391,173</u>	<u>\$ 1,199,535</u>	<u>\$ 1,585,541</u>

Owens Community College Foundation

Notes to Financial Statements June 30, 2010 and 2009

Note 8 - Donor and Board Restricted Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of the year	\$ (30,681)	\$ 277,986	\$ 1,109,398	\$ 1,356,703
Investment return:				
Investment income	204	18,386	215	18,805
Net appreciation	<u>28,162</u>	<u>89,618</u>	<u>507</u>	<u>118,287</u>
Total investment return	28,366	108,004	722	137,092
Contributions	-	42,852	89,415	132,267
Appropriation of endowment assets for expenditures	(2,852)	(37,669)	-	(40,521)
Other changes -				
Transfers to create quasi endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets -				
End of the year	<u>\$ (5,167)</u>	<u>\$ 391,173</u>	<u>\$ 1,199,535</u>	<u>\$ 1,585,541</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment	\$ (45,506)	\$ 277,986	\$ 1,109,398	\$ 1,341,878
Quasi-endowment	<u>14,825</u>	<u>-</u>	<u>-</u>	<u>14,825</u>
Total funds	<u>\$ (30,681)</u>	<u>\$ 277,986</u>	<u>\$ 1,109,398</u>	<u>\$ 1,356,703</u>

Owens Community College Foundation

Notes to Financial Statements June 30, 2010 and 2009

Note 8 - Donor and Board Restricted Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of the year	\$ 17,375	\$ 411,336	\$ 1,040,563	\$ 1,469,274
Investment return:				
Investment income	303	24,614	293	25,210
Net depreciation	<u>(48,359)</u>	<u>(157,343)</u>	<u>(983)</u>	<u>(206,685)</u>
Total investment return	(48,056)	(132,729)	(690)	(181,475)
Contributions	-	41,020	69,525	110,545
Appropriation of endowment assets for expenditures	-	(41,641)	-	(41,641)
Other changes -				
Transfers to create quasi-endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets -				
End of the year	<u>\$ (30,681)</u>	<u>\$ 277,986</u>	<u>\$ 1,109,398</u>	<u>\$ 1,356,703</u>

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. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$19,037 and \$45,506 as of June 30, 2010, and June 30, 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred in fiscal year 2009 and continued in fiscal year 2010 and their effect on investment of newer permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the board of directors.

Owens Community College Foundation

Notes to Financial Statements June 30, 2010 and 2009

Note 8 - Donor and Board Restricted Endowments (Continued)

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 subclass blended benchmark returns, as established by the committee, with the fixed portion of the portfolio and exceed the return of the S&P 500 index with the equity portion of the portfolio while assuming a moderate level of investment risk. The Foundation's performance goal for investments of its endowment funds, over time, is to provide an average rate of return of the Consumer Price Index (CPI) plus 5 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's spending policy stipulates that 3 percent to 6 percent of a three-year moving average of the value of the endowment is available to spend and the remaining income is to be reinvested. If an investment loss is realized, the loss is allocated entirely as currently expendable. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of CPI annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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*

To the Board of Directors
Owens Community College Foundation

We have audited the financial statements of Owens Community College Foundation as of June 30, 2010 and 2009 and for the years then ended and have issued our report thereon dated September 23, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Owens Community College Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Directors
Owens Community College Foundation

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Owens Community College Foundation'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*.

This report is intended solely for the information and use of management, the board of directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

September 23, 2010

This Page is Intentionally Left Blank.



Mary Taylor, CPA
Auditor of State

OWENS COMMUNITY COLLEGE FOUNDATION

WOOD 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
DECEMBER 14, 2010**