

***CUYAHOGA COMMUNITY
COLLEGE FOUNDATION***

*(A Component Unit of Cuyahoga Community
College)*

*Financial Statements
Years Ended June 30, 2011 and 2010
And Independent Auditors' Report*



Dave Yost • Auditor of State

Board of Directors
Cuyahoga Community College Foundation
700 Carnegie Avenue
Cleveland, Ohio 44115

We have reviewed the *Independent Auditors' Report* of the Cuyahoga Community College Foundation, Cuyahoga County, prepared by Maloney + Novotny LLC, for the audit period July 1, 2010 through June 30, 2011. 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 Cuyahoga Community College Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 8, 2011

This page intentionally left blank.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 and 2010:	
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Cash Flows	5
Notes to the Financial Statements	6-15
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	16-17
STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND LEGAL COMPLIANCE FOR THE YEAR ENDED JUNE 30, 2011	18

This page intentionally left blank.

Board of Directors
Cuyahoga Community College Foundation
Cleveland, Ohio

Independent Auditors' Report

We have audited the accompanying statements of financial position of the Cuyahoga Community College Foundation (the "Foundation") as of June 30, 2011 and 2010 and the related statements of activities and of 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 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 consideration of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of Cuyahoga Community College Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2011 and 2010 and the changes in its net assets and its 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 October 28, 2011 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 considered in assessing the results of our audit.



Cleveland, Ohio
October 28, 2011

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION YEARS ENDED JUNE 30, 2011 AND 2010

ASSETS	2011	2010
Cash and Cash Equivalents	\$ 1,473,012	\$ 4,224,210
Investments	24,692,680	16,918,817
Receivables:		
Interest	30	455
Pledges - Net	2,036,160	2,209,771
Due from Related Party	78,428	68,345
Prepaid Expenses	<u>75,000</u>	<u>75,000</u>
TOTAL	<u>\$ 28,355,310</u>	<u>\$ 23,496,598</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Due to Related Party	\$ 642,011	\$ 374,180
Annuities Payable	<u>5,214</u>	<u>0</u>
Total Liabilities	<u>647,225</u>	<u>374,180</u>
 NET ASSETS:		
Unrestricted	326,182	281,805
Temporarily Restricted	25,336,104	20,798,814
Permanently Restricted	<u>2,045,799</u>	<u>2,041,799</u>
Total Net Assets	<u>27,708,085</u>	<u>23,122,418</u>
TOTAL	<u>\$ 28,355,310</u>	<u>\$ 23,496,598</u>

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

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND INVESTMENT ACTIVITIES:				
Contributions and Grants	\$ 237,213	\$ 2,768,796	\$ 4,000	\$ 3,010,009
Special Events Revenue	233,583	1,657,172	0	1,890,755
Interest and Dividend Income	76,105	640,868	0	716,973
Net Increase in Fair Value of Investments	0	3,113,772	0	3,113,772
Net Assets Released from Restriction	3,643,318	(3,643,318)	0	0
	<u>4,190,219</u>	<u>4,537,290</u>	<u>4,000</u>	<u>8,731,509</u>
EXPENSES:				
Program Services:				
Scholarships	989,003	0	0	989,003
Educational Development	2,468,911	0	0	2,468,911
Total Program Services	3,457,914			3,457,914
Special Events	316,079	0	0	316,079
Administration and General	224,420	0	0	224,420
Fundraising	147,429	0	0	147,429
	<u>4,145,842</u>	<u>0</u>	<u>0</u>	<u>4,145,842</u>
CHANGES IN NET ASSETS	44,377	4,537,290	4,000	4,585,667
NET ASSETS - Beginning of year	<u>281,805</u>	<u>20,798,814</u>	<u>2,041,799</u>	<u>23,122,418</u>
NET ASSETS - End of year	<u>\$ 326,182</u>	<u>\$ 25,336,104</u>	<u>\$ 2,045,799</u>	<u>\$ 27,708,085</u>

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

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND INVESTMENT ACTIVITIES:				
Contributions and Grants	\$ 326,423	\$ 2,839,060	\$ 4,000	\$ 3,169,483
Special Events Revenue	232,445	1,315,031	0	1,547,476
Interest and Dividend Income	37,420	340,681	0	378,101
Net Increase in Fair Value of Investments	43,162	1,630,291	0	1,673,453
Net Assets Released from Restriction	2,900,331	(2,900,331)	0	0
	<u>3,539,781</u>	<u>3,224,732</u>	<u>4,000</u>	<u>6,768,513</u>
Total Revenues				
EXPENSES:				
Program Services:				
Scholarships	1,037,875	0	0	1,037,875
Educational Development	1,777,961	0	0	1,777,961
Total Program Services	2,815,836			2,815,836
Special Events	126,432	0	0	126,432
Administration and General	258,931	0	0	258,931
Fundraising	192,441	0	0	192,441
	<u>3,393,640</u>	<u>0</u>	<u>0</u>	<u>3,393,640</u>
Total Expenses				
CHANGES IN NET ASSETS	146,141	3,224,732	4,000	3,374,873
NET ASSETS - Beginning of year	135,664	17,574,082	2,037,799	19,747,545
NET ASSETS - End of year	<u>\$ 281,805</u>	<u>\$ 20,798,814</u>	<u>\$ 2,041,799</u>	<u>\$ 23,122,418</u>

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

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 4,585,667	\$ 3,374,873
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</i>		
Increase in Fair Value of Investments- Net	(3,113,772)	(1,673,453)
Permanently Restricted Contributions	(4,000)	(4,000)
Decrease in Interest Receivable	425	24,159
Decrease in Pledges Receivable	173,611	78,153
Increase (Decrease) in Due To Related Party- Net	257,748	(299,971)
Increase in Prepaid Expenses	0	(75,000)
Cash Provided by Operating Activities	<u>1,899,679</u>	<u>1,424,761</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(5,311,225)	(28,373,807)
Proceeds from Sale of Investments	<u>651,134</u>	<u>25,860,490</u>
Cash Used in Investing Activities	<u>(4,660,091)</u>	<u>(2,513,317)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in Annuities Payable	5,214	0
Permanently Restricted Contributions	<u>4,000</u>	<u>4,000</u>
Cash Provided by Financing Activities	<u>9,214</u>	<u>4,000</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(2,751,198)	(1,084,556)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>4,224,210</u>	<u>5,308,766</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 1,473,012</u>	<u>\$ 4,224,210</u>

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

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—The Cuyahoga Community College Foundation (the "Foundation") was incorporated in August 1973 as a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code for the purpose of collecting donations from individuals, corporations and foundations to be distributed as scholarships to persons attending Cuyahoga Community College (the "College"), and to be used for other purposes benefiting the College. The Foundation is a component unit of Cuyahoga Community College. As of June 30, 2011, the Foundation's tax years from 2007 and thereafter remain subject to examination by the Internal Revenue Service, as well as various state taxing authorities.

Basis of Accounting and Financial Statement Presentation—The financial statements of the Foundation are prepared on the accrual basis of accounting. The accompanying financial statements of the Foundation present information regarding its net assets and activities in the following three categories:

Unrestricted—Net assets are under the discretionary control of the Board of Directors (the "Board"), are free from any and all donor restrictions, and include amounts designated by the Board for specified purposes.

Temporarily Restricted—Net assets are restricted by the donor for a specific purpose (generally scholarships or educational development programs) or use in a future time period. The income on these net assets is either temporarily restricted or unrestricted based on the intentions of the donor.

Permanently Restricted—Net assets are subject to the donor's restriction that the principal remain invested in perpetuity. The income on these net assets may also be restricted by the donor and is generally used for scholarships or educational development programs.

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

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash and cash equivalents include cash in checking accounts and short-term investments with an original maturity of three months or less. Substantially all of the Foundation's cash and cash equivalents are composed of investments in money market funds. At times, cash on hand may exceed federally insured limits.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments— Investments of the unrestricted, temporarily restricted, and permanently restricted funds are pooled for making investment transactions and are carried at fair value. Interest and dividend income, as well as realized and unrealized gains and losses, is allocated proportionally each month.

Fair Value of Financial Instruments – The carrying amounts of investments reported in the accompanying statement of financial position approximate their fair value. Generally accepted accounting principles provide a framework for measuring fair value, requires disclosure about fair value measurements, and establishes a three level hierarchy for disclosure to show the extent and the level of judgment used to estimate fair value measurements:

Level 1 – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets or liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

Level 3 – Uses inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models and market assumptions.

The following table sets forth by level within the fair value hierarchy the Foundation's financial assets that were accounted for at a fair value on a recurring basis as of June 30, 2011 and 2010. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels. The table does not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

Financial assets consisted of the following at June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity Mutual Funds			
Domestic Large-Cap	\$ 1,049,875	\$ 0	\$ 1,049,875
Domestic Mid-Cap	1,729,828	0	1,729,828
Domestic Small-Cap	1,717,908	0	1,717,908
International	4,002,961	0	4,002,961
Fixed Income Mutual Funds	8,401,038	0	8,401,038
Common Trust Funds			
Domestic Large-Cap Equity	0	7,148,234	7,148,234
Convertible Securities	0	642,836	642,836
Total	<u>\$ 16,901,610</u>	<u>\$ 7,791,070</u>	<u>\$ 24,692,680</u>

Financial assets consisted of the following at June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity Mutual Funds			
Domestic Large-Cap	\$ 0	\$ 0	\$ 0
Domestic Mid-Cap	1,301,869	0	1,301,869
Domestic Small-Cap	1,366,596	0	1,366,596
International	2,707,818	0	2,707,818
Fixed Income Mutual Funds	5,795,450	0	5,795,450
Common Trust Funds			
Domestic Large-Cap Equity	0	5,184,947	5,184,947
Convertible Securities	0	562,137	562,137
Total	<u>\$ 11,171,733</u>	<u>\$ 5,747,084</u>	<u>\$ 16,918,817</u>

The Foundation did not have any Level 3 financial assets in fiscal years 2011 and 2010.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

Equity Mutual Funds – Equity mutual funds primarily invest in common stock of domestic and international corporations in a variety of industries. Quoted prices in active markets are used to value the equity mutual funds and therefore are classified as Level 1.

Fixed Income Mutual Funds – Fixed income mutual funds primarily invest in U.S. Treasuries and corporate bonds. Quoted prices in active markets are used to value the fixed income mutual funds and therefore are classified as Level 1.

Common Trust Funds – Common trust funds are valued based on their reported net asset value (NAV) by the trustee. The NAV of these funds are based on the market value of their underlying investments, adjusted for charges and expenses, and are classified as Level 2 of the fair value hierarchy.

Contributions Receivable—Contributions received, including unconditional promises to give, are recognized as revenue by net asset class when the donor’s commitment is received. Donated items are recorded at fair value when received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. Promises made that are 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. It is the Foundation’s policy that an initial minimum balance of \$25,000 be required to establish an endowment fund. The policy allows for an annual review to determine if the accumulation of contributions and interest meet the minimum principal balance requirements.

Contributions and Special Events—Contributions, including bequests, special gifts and other donations, are recorded as revenue when received or, if by pledge, when an unconditional pledge is made. All contributions and gifts are considered to be available for unrestricted use unless specifically restricted by the donor. Noncash bequests, gifts, and donations, if any, would be recorded at the fair value of the asset at the date of donation. Special Event revenue is primarily generated through the annual Presidential Scholarship Luncheon (temporarily restricted) and through parking receipts generated from special events (unrestricted).

Program Services Expenses—All scholarships and other program services distributions are approved by the Board. Unconditional gifts to the College are recognized as educational development expense when approved. Gifts approved by the Board that are payable upon performance of specified conditions by the grantee (if any) are recognized in the statements of activities when the specified conditions are satisfied.

Gift Annuities—The Foundation is obligated under an annuity contract, whereby a donor has contributed cash to the Foundation with the agreement that the donor shall be the sole recipient of quarterly annuity payments. These quarterly payments, currently totaling \$750 per year, shall terminate on the last payment date preceding the death of the donor. The discount rate used to estimate the obligation at June 30, 2011 is 3.0%. The Foundation had no annuity contracts in fiscal year 2010.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

Subsequent Events—The Foundation has evaluated subsequent events through October 28 2011, which is the date the financial statements were issued and has determined that no reporting is necessary.

Reclassification—Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. During 2010, the Foundation conducted a study of its donor restricted documents and concluded that certain gifts previously accounted for as temporarily restricted are actually permanently restricted. This reclassification did not impact net asset totals. No reclassifications were made during fiscal year 2011.

2. INVESTMENTS

For investment purposes, assets of the various unrestricted, temporarily restricted and permanently restricted classifications are pooled. Realized and unrealized gains and losses and investment income are allocated to unrestricted assets except when the donor specifies that income is to be temporarily or permanently restricted.

Description	2011	2010
Mutual Funds	\$ 16,901,610	\$ 11,171,733
Common Trust Funds	7,791,070	5,747,084
Total	<u>\$ 24,692,680</u>	<u>\$ 16,918,817</u>

The various investments are exposed to various risks, such as interest rate, market and credit risks.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable (pledges) are accounted for in accordance with generally accepted accounting principles. The recorded value of contributions receivable is the present value of estimated future cash receipts using a discount rate of 4.75% for fiscal years 2011 and 2010. Management has determined that any allowance for uncollectible promises to give would be immaterial. Amounts due are as follows:

	<u>2011</u>	<u>2010</u>
Less than one year	\$ 1,829,886	\$ 1,563,641
One to five years	201,000	649,279
Five to ten years	30,000	54,000
Totals	2,060,886	2,266,920
Unamortized Discount	(24,726)	(57,149)
Total	<u>\$ 2,036,160</u>	<u>\$ 2,209,771</u>

4. RELATED PARTY TRANSACTIONS

The College made contributions to the Foundation during the years ended June 30, 2011 and 2010 of \$233,583 and \$232,445 primarily from parking receipts generated from special events. The amounts owed to the Foundation as of June 30, 2011 and 2010 are \$78,428 and \$68,345 which are reported as due from related party on the statements of financial position.

The Foundation recognizes contributed services received from the College when those services (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by College employees possessing those skills, and would typically need to be purchased if not provided by the donation. The Foundation recognized \$227,713 and \$319,424 of contributed services as contribution revenue and as administrative and general, and fundraising expenses in 2011 and 2010.

The Foundation received grants restricted for educational development programs at the College from various donors of \$1,941,022 and \$1,755,613 in 2011 and 2010, respectively. These grants are classified as temporarily restricted until the College meets certain conditions. The undistributed amounts for which the College has met the conditions are \$642,011 and \$374,180 as of June 30, 2011 and 2010, respectively, which are reported as due to related party on the statements of financial position.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

5. NET ASSETS

Net assets are restricted primarily for scholarships and educational purposes. Net assets were released from restriction for the following purposes during the years ended June 30:

	<u>2011</u>	<u>2010</u>
Scholarships	\$ 861,703	\$ 949,825
Educational Development	2,455,688	1,772,961
Special Events	275,732	122,893
Other	50,195	54,652
Totals	<u>\$ 3,643,318</u>	<u>\$ 2,900,331</u>

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2011</u>	<u>2010</u>
Scholarships	\$ 22,175,171	\$ 18,175,373
Educational Development	1,728,861	1,991,960
Special Events	1,432,072	631,481
Totals	<u>\$ 25,336,104</u>	<u>\$ 20,798,814</u>

Permanently restricted net assets are held in perpetuity and whose use by the Foundation has been limited by donor agreements that stipulate that realized gains relating to those permanently restricted investments shall become part of the principal of those permanently restricted funds. Income from those permanently restricted investments shall be used for the following purposes at June 30:

	<u>2011</u>	<u>2010</u>
Scholarships	\$ 1,545,799	\$ 1,541,799
Educational Development	500,000	500,000
Totals	<u>\$ 2,045,799</u>	<u>\$ 2,041,799</u>

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

The Foundation places great importance on risk reduction through asset allocation and style diversification. Investment results are measured using a rolling five to seven year period or a full market cycle. The following are the investment performance objectives, in order of importance, for the portfolio:

- To generate a minimum annual real rate of return of approximately 5% after deducting for advisory, money management, custodial fees, and total transaction costs.
- To obtain a total return on the portfolio, net of all investment related fees, that exceeds the total return of the policy benchmark.
- Performance will be evaluated versus achievement of spending policy and comparisons to a similar set of investments.

The goals of the strategic asset allocation policy are to establish a long-term asset allocation plan for the Foundation's portfolio that is consistent with objectives and guidelines contained in this policy and carried out in an efficient manner. To that end, this policy establishes an acceptable range, defined to be any percentage above a minimum and below a maximum percentage of the portfolio allocated to a particular asset class, and a target percentage, defined to be the percentage goal for the investment of the portfolio in that asset class.

Market value fluctuations and operational needs may cause variations from the strategic asset allocation policy ranges stated in this policy. Depending upon market conditions, the percentage allocation to each asset class may vary as much as plus or minus 5%. The Foundation does not deem it acceptable to time the market with tactical allocation shifts. Asset mixes and the possibilities for rebalancing are considered on a monthly basis. The intention of this policy is to avoid short-term judgments that introduce significant unplanned risk.

Distributions from endowment funds are spent in compliance with the donor's restrictions applicable to the funds being distributed. The Foundation classifies as permanently restricted net assets (a) the original value of the 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.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College 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 College
7. The investment policies of the Foundation

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 Organization to retain as a fund of perpetual duration. When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. There were no deficits of this nature in fiscal years 2011 and 2010.

The Foundation's endowment fund activity was as follows for the year ended June 30, 2011:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 18,175,373	\$ 2,041,799	\$ 20,217,172
Investment return:			
Investment income	555,416	0	555,416
Net appreciation (realized and unrealized)	<u>2,937,982</u>	<u>0</u>	<u>2,937,982</u>
Total investment return	3,493,398	0	3,493,398
Cash contributions and transfers	1,654,489	4,000	1,658,489
Appropriation of endowment assets for expenditure	<u>(1,148,089)</u>	<u>0</u>	<u>(1,148,089)</u>
Endowment net assets, end of year	<u>\$ 22,175,171</u>	<u>\$ 2,045,799</u>	<u>\$ 24,220,970</u>

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

The Foundation's endowment fund activity was as follows for the year ended June 30, 2010:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 15,481,910	\$ 2,037,799	\$ 17,519,709
Investment return:			
Investment income	304,388	0	304,388
Net depreciation (realized and unrealized)	<u>1,547,888</u>	<u>0</u>	<u>1,547,888</u>
Total investment return	1,852,276	0	1,852,276
Cash contributions and transfers	1,515,656	4,000	1,519,656
Appropriation of endowment assets for expenditure	<u>(674,469)</u>	<u>0</u>	<u>(674,469)</u>
Endowment net assets, end of year	<u>\$ 18,175,373</u>	<u>\$ 2,041,799</u>	<u>\$ 20,217,172</u>

Board of Directors
Cuyahoga Community College Foundation
Cleveland, Ohio

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

We have audited the financial statements of Cuyahoga Community College Foundation (the “Foundation”) as of and for the year ended June 30, 2011 and have issued our report thereon dated October 28, 2011. 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 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 Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency 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 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 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 would not necessarily identify all deficiencies in internal control that might be 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.

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 (Continued)

Compliance and Other Matters

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 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 the Board of Directors, Foundation management, and the Auditor of the State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Meloney + Novotny LLC

Cleveland, Ohio
October 28, 2011

CUYAHOGA COMMUNITY COLLEGE FOUNDATION
STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL
AND LEGAL COMPLIANCE

Year Ended June 30, 2011

There were no comments on internal control and legal compliance included in the prior year reports.



Dave Yost • Auditor of State

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

CUYAHOGA 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 20, 2011**