



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Northwest State Community College Foundation
Regular Audit
July 1, 2010 through June 30, 2011
Fiscal Year Audited Under GAGAS: 2011



Dave Yost • Auditor of State

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, 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 Northwest State 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

November 28, 2011

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Northwest State Community College Foundation
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For the Fiscal Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Northwest State Community College Foundation (the Organization), a component unit of Northwest State Community College, as of June 30, 2011, and the related statements of activities, functional expenses 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 the 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 the Comptroller General of the United States' *Government Auditing Standards*. 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, 2011, and the changes in financial position and cash flows, thereof 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 14, 2011 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 14, 2011

Northwest State Community College Foundation
Statement of Financial Position
June 30, 2011

ASSETS

Cash and cash equivalents (Note 2)	\$ 289,907
Marketable securities (Note 3)	4,463,479
Pledges receivable (Note 4)	<u>62,802</u>
Total assets	<u><u>\$ 4,816,188</u></u>

NET ASSETS:

Unrestricted	\$ 33,431
Temporarily restricted (Note 5)	3,966,289
Permanently restricted (Note 5)	<u>816,468</u>
Total net assets	<u><u>4,816,188</u></u>
Total liabilities and net assets	<u><u>\$ 4,816,188</u></u>

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

Northwest State Community College Foundation
Statement of Activities
June 30, 2011

REVENUES, GAINS AND OTHER SUPPORT	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions				
Individuals	\$ 2,144	\$ 248,590	\$ 6,761	\$ 257,495
Business organizations	3,000	65,075	15,100	83,175
Foundations	1,500	800	2,000	4,300
Contributed services (Note 1)	91,224	-	-	91,224
Equity Reallocation	(100)	(15,455)	15,555	-
Investment return	3,650	532,227	-	535,877
Net assets released from restrictions				
Restrictions satisfied by payments	139,550	(139,550)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	240,968	691,687	39,416	972,071
EXPENSES				
Program services				
Scholarships	79,550	-	-	79,550
Donations	60,000	-	-	60,000
Supporting services				
Management and general	53,828	39,715	-	93,543
Fund-raising	41,566	8,050	-	49,616
TOTAL EXPENSES	234,944	47,765	-	282,709
CHANGE IN NET ASSETS	6,024	643,922	39,416	689,362
NET ASSETS AT BEGINNING OF YEAR	27,407	3,322,367	777,052	4,126,826
NET ASSETS AT END OF YEAR	\$ 33,431	\$ 3,966,289	\$ 816,468	\$ 4,816,188

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

Northwest State Community College Foundation
Statement of Functional Expenses
June 30, 2010

Expnses	Program Services	Support Services		Total
		Management and General	Fundraising	
Scholarships and loan expenditures to Northwest State Community College	\$ 79,550	\$ -	\$ -	\$ 79,550
Donations to Northwest State Community College	60,000	-	-	60,000
Professional service	-	3,506	-	3,506
Services provided by Northwest State Community College	-	49,658	41,566	91,224
Other	-	40,379	8,050	48,429
TOTAL EXPENSES	\$ 139,550	\$ 93,543	\$ 49,616	\$ 282,709

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

Northwest State Community College Foundation
Statement of Cash Flows
June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Unrestricted contributions	\$ 97,868
Restricted contributions	330,832
Investment return	535,877
Payments for management services & fundraising	(146,159)
Payments for scholarships and donations	(139,550)
Net cash used by operating activities	<u>678,868</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in marketable securities	<u>(503,804)</u>
Net cash provided by investing activities	<u>(503,804)</u>
 Net increase in cash and cash equivalents	 175,064
 Cash - beginning of year	 <u>114,843</u>
Cash - end of year	<u>\$ 289,907</u>
Reconciliation of net operating revenue (expenses) to net cash used by operating activities:	
Net income	\$ 689,362
Change in assets and liabilities	
Receivables, net	(7,494)
Accounts payable	(3,000)
Net cash provided by operating activities	<u>\$ 678,868</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, 2011

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, temporarily and permanently restricted highly liquid investments with an initial maturity of 3 months or less as 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 \$91,224 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 mutual funds 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, 2011

NOTE 2 – CASH AND MONEY MARKET FUNDS

Balances as of June 30, 2011 are summarized as follows:

Savings accounts and certificates	
Cash and cash equivalents	\$ 32,550
Donor restricted cash and cash equivalents	<u>\$ 257,357</u>
Total of all cash accounts	<u>\$ 289,907</u>

NOTE 3 – MARKETABLE SECURITIES

The various investments in bonds, stocks and mutual funds 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, 2011 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Bonds	<u>\$1,217,583</u>	<u>\$1,221,440</u>
Stocks	<u>14,625</u>	<u>90</u>
Mutual Funds		
DFA Emerging Markets (DFCEX)	87,500	128,116
DFA One Year Fixed (DFIHX)	475,000	475,760
DFA International Core (DFIEX)	244,955	302,329
DFA International Real Estate (DFITX)	71,500	82,130
DFA Large Cap International Portfolio (DFALX)	76,000	84,451
DFA Real Estate (DFREX)	62,500	88,397
DFA Selectively Hedged (DFSHX)	247,500	267,074
DFA U.S. Core Equity 2 (DFQTX)	812,500	1,076,734
DFA Two Year Global (DFGFX)	160,000	159,603
Vanguard Inflation (VIPSX)	247,500	264,289
Vanguard S/T Investment (VFSTX)	55,000	61,104
Vanguard Short Term BD (VBSSX)	<u>247,500</u>	<u>251,962</u>
Total Mutual Funds	<u>2,787,455</u>	<u>3,241,949</u>
	<u>\$4,019,663</u>	<u>\$ 4,463,479</u>

INVESTMENT RETURN

Cash and Cash Equivalents and Marketable Securities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest income	\$ 3,650	\$ 2,073	\$ 5,723
Amortization – bond discount	-	37	37
Amortization – bond premium	-	(12)	(12)
Dividend Income	-	78,252	78,252
Net unrealized gain on bonds	-	37	37
Net unrealized gain on stocks	-	<u>451,840</u>	<u>451,840</u>
Total investment return	<u>\$ 3,650</u>	<u>\$ 532,227</u>	<u>\$535,877</u>

NORTHWEST STATE COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 4 – PLEDGE RECEIVABLE

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Less than one year	\$ 791	\$ 47,282	\$ 565	\$ 48,638
One to five years	\$ 91	13,372	0	13,463
Five to ten years	<u>0</u>	<u>701</u>	<u>0</u>	<u>701</u>
	<u>\$ 882</u>	<u>\$ 61,355</u>	<u>\$ 565</u>	<u>\$ 62,802</u>

Unconditional promises to give that are receivable in more than one year are discounted at 13.08% 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, 2011:

Loan funds	\$ 130,672
Student scholarships	3,673,800
Technology programs	18,596
Capital Projects	142,604
Operating expenses	<u>617</u>
	<u>\$ 3,966,289</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, 2011 endowments totaled \$816,468 .

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 scholarships which were then reimbursed.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *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 Northwest State Community College, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 14, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Organization'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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies, resulting in more than a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and timely corrected.

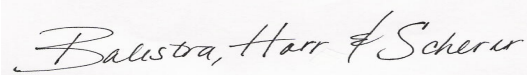
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies, in internal control over financial reporting that might be deficiencies, significant deficiencies or material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

Compliance and Other Matters

As part of reasonably assuring whether the Organization's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

Northwest State Community College Foundation
Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required By *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the Board of Trustees, others within the foundation, and the Foundation's management. We intend it for no one other than these specified parties.

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

Balestra, Harr & Scherer, CPAs, Inc.
October 14, 2011



Dave Yost • Auditor of State

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
DECEMBER 13, 2011**