

***STARK STATE COLLEGE FOUNDATION  
(A COMPONENT UNIT OF STARK STATE  
COLLEGE)***

***STARK COUNTY, OHIO***

**AUDIT REPORT**

**For the Year Ended June 30, 2018**





# OHIO AUDITOR OF STATE KEITH FABER



Board of Trustees  
Stark State College Foundation  
6200 Frank Avenue NW  
North Canton, Ohio 44720

We have reviewed the *Independent Auditor's Report* of the Stark State College Foundation, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. 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 Stark State College Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

January 22, 2019

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**Stark State College Foundation**  
**(a component unit of Stark State College)**  
**Stark County**

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**INDEPENDENT AUDITOR'S REPORT**

Stark State College Foundation  
Stark County  
6200 Frank Avenue NW  
North Canton, Ohio 44720

To the Board of Directors:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Stark State College Foundation, Stark County, Ohio (the Foundation), a nonprofit organization and component unit of Stark State College, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

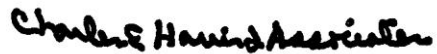
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stark State College Foundation, Stark County, Ohio, as of June 30, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2019, 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 solely 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 effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
January 11, 2019



STARK STATE COLLEGE FOUNDATION  
Statement of Financial Position  
June 30, 2018

<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,056,769
Unconditional promises to give:	
Unrestricted	1,019
Restricted to student services	33,318
Restricted to scholarships	50,599
Investments held for others	304,948
Endowment assets:	
Cash and cash equivalents	170,267
Long-term investments	6,404,822
<b>TOTAL ASSETS</b>	<b>\$ 8,021,742</b>
 <b>LIABILITIES</b>	
Accounts payable	939
Amounts due to College	275,988
Investments held for others	304,948
<b>TOTAL LIABILITIES</b>	<b>581,875</b>
 <b>NET ASSETS</b>	
Unrestricted	106,439
Temporarily restricted	1,877,132
Permanently restricted	5,456,296
<b>TOTAL NET ASSETS</b>	<b>7,439,867</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>	<b>\$ 8,021,742</b>

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

# STARK STATE COLLEGE FOUNDATION

Statement of Activities  
For the Year Ended June 30, 2018

## UNRESTRICTED NET ASSETS

Support, revenues and gains (losses):		
Individuals	\$	8,555
Corporations and foundations		1,900
In-kind donations		81,262
Investment income		12,433
Investment gain		2,817
Net assets released from restrictions:		
Restrictions satisfied by payments		<u>589,411</u>

**TOTAL UNRESTRICTED SUPPORT, REVENUES AND GAINS** 696,378

## Expenses:

Supporting college activities:		
Scholarships and loans for students		446,742
Instructional equipment and supplies		112,935
Aesthetics		473
Professional development		8,481
Student services		102,047
Operations:		
Management and general		<u>15,360</u>

**TOTAL UNRESTRICTED EXPENSES** 686,038

**INCREASE IN UNRESTRICTED NET ASSETS** 10,340

## TEMPORARILY RESTRICTED NET ASSETS

Support for instructional departments		20,640
Support for scholarships and loans for students		340,568
Support for student services		188,895
Support for aesthetics		2,000
Investment income		94,359
Investment gains		230,432
Net assets released from restrictions:		
Restrictions satisfied by payments		<u>(589,411)</u>

**INCREASE IN TEMPORARILY RESTRICTED NET ASSETS** \$ 287,483

(continued)

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

**STARK STATE COLLEGE FOUNDATION**

Statement of Activities

For the Year Ended June 30, 2018

<b>PERMANENTLY RESTRICTED NET ASSETS</b>	
Endowment fund support	\$ 497,476
Investment income	138
Investment gains	<u>401</u>
Increase in permanently restricted net assets	<u>498,015</u>
<b>INCREASE IN NET ASSETS</b>	795,838
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>6,644,029</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 7,439,867</u></u>

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

# STARK STATE COLLEGE FOUNDATION

## Statement of Cash Flows For the Year Ended June 30, 2018

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 795,838
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Net realized and unrealized net gains	(232,858)
Contributions restricted for long-term investments	(497,476)
Discounting of unconditional promises to give	(1,618)
Changes in operating assets and liabilities:	
Unrestricted unconditional promises to give	589
Restricted unconditional promises to give	12,033
Prepaid expenses	3,597
Related party net payable	334,808
Accounts payable	(11,474)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>403,439</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of long-term investments	(1,401,407)
Proceeds from sale of long-term investments	825,659
Purchase of assets restricted for endowment	(13,128)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(588,876)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Collection of endowment fund support	<u>615,192</u>
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<u>615,192</u>
 <b>NET INCREASE IN CASH</b>	 429,755
<b>CASH, BEGINNING OF YEAR</b>	<u>627,014</u>
<b>CASH, END OF YEAR</b>	<u>\$ <u>1,056,769</u></u>

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

# STARK STATE COLLEGE FOUNDATION

Notes to Financial Statements  
For the Year Ended June 30, 2018

## 1. DESCRIPTION OF THE REPORTING ENTITY

The Stark State College Foundation (the “Foundation”) is organized and operated exclusively for educational, scientific or charitable purposes by conducting and supporting activities which benefit or carry out the purpose of the Stark State College (the “College”). The College is a state institution of higher learning, authorized and existing under Chapter 3357 of the Ohio Revised Code. The Foundation is a not-for-profit organization established in accordance with Section 501(c)(3) of the Internal Revenue Code and is empowered to exercise all rights and powers conferred by the laws of Ohio upon nonprofit corporations. The Foundation is a component unit of the College.

The Foundation’s primary sources of revenue are endowment income and public support through donations from individuals, corporations, foundations, and trusts located primarily in northeast Ohio.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

### Financial Statement Presentation

The Foundation follows authoritative guidance issued by the Financial Accounting Standards Board (FASB) which established the Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America.

ASC 958: *Not-for-Profit Entities* requires that the amounts for each of three classes of net assets: unrestricted, temporarily restricted and permanently restricted, be presented in an aggregated Statement of Financial Position and that the amounts of changes in each of those classes of net assets be presented in a Statement of Activities. This standard requires that resources be classified into three net asset categories according to the presence or absence of donor-imposed restrictions. A description of the categories is as follows:

*Unrestricted Net Assets* – Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets.

*Temporarily Restricted Net Assets* – Net assets which include gifts and pledges receivable for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds are not permanently restricted.

*Permanently Restricted Net Assets* – Net assets that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income from these assets is included in the investment income of unrestricted and restricted funds, as appropriate, in the accompanying Statement of Activities.

## STARK STATE COLLEGE FOUNDATION

Notes to Financial Statements  
For the Year Ended June 30, 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### Contributions

The Foundation reports contributions in accordance with ASC 958. ASC 958 requires that unconditional promises to give, with payments due in future periods, be recorded as receivables and support in either unrestricted, temporarily restricted, or permanently restricted net assets as appropriate in the period received at their net present value. The accumulated discount of net present value of the pledge is accounted for as contribution income of the related class of net assets. Conditional promises to give are not recorded as support until the condition upon which they depend has been substantially met by the Foundation.

#### Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

#### Investments

Investments in marketable securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment fees were \$42,796 during the year ended June 30, 2018.

Investments of unrestricted, temporarily restricted and permanently restricted funds are pooled for making investment transactions and are carried at market value. Interest and dividend income, as well as realized and unrealized gains and losses, are allocated to unrestricted, temporarily restricted and permanently restricted funds.

#### Promises to Give

Contributions received, including unconditional promises to give, are recognized as revenue by net asset class when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. Conditional promises are recorded when donor stipulations are substantially met.

## STARK STATE COLLEGE FOUNDATION

Notes to Financial Statements  
For the Year Ended June 30, 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management analyzes the promises to give on a continuing basis to determine collectability and to assess the need for an allowance for doubtful accounts. Pledges are written off when collection is considered doubtful. No allowance was established as of June 30, 2018.

The Foundation requires an initial minimum balance of \$5,000 to establish an endowed scholarship fund. The policy allows a period, generally not to exceed 60 months, for the accumulation of contributions and interest to meet the minimum \$5,000 requirement.

#### Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results may differ from those estimates.

#### Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents, investments, and promises to give.

The Foundation has significant investments in equity and debt securities and is, therefore, subject to concentrations of credit risk. Investments are managed by investment advisors who are overseen by a committee. Though the market value of investments is subject to fluctuations on a year-to-year basis, the committee believes that the investment policy is prudent for the long-term welfare of the Foundation.

Credit risk with respect to promises to give is limited due to the number and credit worthiness of the foundations, corporations, governmental units, and individuals who comprise the contributor base.

At various times during the year ended June 30, 2018, the Foundation's cash in bank balances may have exceeded the federal insured limits.

#### Donated Administrative Expenses

Certain administrative functions of the Foundation are performed by administrative employees of the College at no charge to the Foundation. The value of these services is not recognized in these financial statements.

#### In-Kind Donations

In-kind donations, when received are reflected in the accompanying Statement of Activities at their estimated fair value as of the date of receipt. Such in-kind support is offset by like amounts in instructional equipment and supplies in the accompanying Statement of Activities.

# STARK STATE COLLEGE FOUNDATION

Notes to Financial Statements  
For the Year Ended June 30, 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 11, 2019, the date the financial statements were available to be issued.

Investments consist of the following at June 30, 2018:

	<u>Foundation</u>	<u>Held for College</u>
Equity	\$ 3,846,441	\$ 194,775
Fixed income	2,107,195	92,592
Money market funds	451,186	17,581
	<u>\$ 6,404,822</u>	<u>\$ 304,948</u>

## 3. FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments – The Foundation adopted applicable sections of the ASC 820: *Fair Value Measurements and Disclosures* for financial assets and financial liabilities. In accordance with ASC 820, fair value is defined as the price the Foundation would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs may be used in determining the value of the Foundation’s investments. The inputs are summarized in the three broad levels below:

Level 1 – quoted prices in active markets for identical assets and liabilities

Level 2 – other significant observable inputs (including quoted prices for similar assets and liabilities, interest rates, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Foundation’s own assumptions in determining the fair value of the assets and liabilities)



## STARK STATE COLLEGE FOUNDATION

Notes to Financial Statements  
For the Year Ended June 30, 2018

### 3. FAIR VALUE MEASUREMENTS (continued)

The input or methodology used for valuing securities is not necessarily an indication of the risk associated with maintaining those investments.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity:				
Corporate stock	\$ 3,846,441	\$ -	\$ -	\$ 3,846,441
Fixed income:				
Corporate notes	-	1,628,873	-	1,628,873
Mutual funds	439,607	-	-	439,607
U.S. agencies	-	38,715	-	38,715
Money market funds	451,186	-	-	451,186
	<u>\$ 4,737,234</u>	<u>\$ 1,667,588</u>	<u>\$ -</u>	<u>\$ 6,404,822</u>

The following is a summary of the inputs used as of June 30, 2018, in valuing the Foundation's investments held on behalf of others carried at fair value.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity:				
Corporate stock	\$ 194,775	\$ -	\$ -	\$ 194,775
Fixed income:				
Corporate notes	-	76,028	-	76,028
Mutual funds	16,564	-	-	16,564
Money market funds	17,581	-	-	17,581
	<u>\$ 228,920</u>	<u>\$ 76,028</u>	<u>\$ -</u>	<u>\$ 304,948</u>

The corporate notes and U.S. agencies are valued using a "matrix-based" pricing model. This pricing model analyzes investments with similar attributes.

### 4. ENDOWMENT FUND

#### Net Asset Classification of Endowment Funds

As required by generally accepted accounting principles in the United States of America, net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

## STARK STATE COLLEGE FOUNDATION

Notes to Financial Statements  
For the Year Ended June 30, 2018

### 5. ENDOWMENT FUND (continued)

The Board of Directors (the “Board”) of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair 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, (b) the original value of subsequent gifts, 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 standards of prudence by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purpose of the Foundation and the donor-restricted endowment fund
- c. General economic conditions
- d. The investment policies of the Foundation

During the year ended June 30, 2018, the Foundation had the following endowment related activities:

	Donor- Restricted Endowment Funds	Board- Designated Endowment Funds	Total
Investment return:			
Interest and dividends	\$ 93,853	\$ 892	\$ 94,745
Net realized and unrealized gain	228,636	2,531	231,167
Total investment return	322,489	3,423	325,912
Contributions	541,894	-	541,894
Appropriation of endowment assets for expenditure	(134,165)	-	(134,165)
Total change in endowment	\$ 730,218	\$ 3,423	\$ 733,641

Endowment net asset composition by type of fund as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,136,508	\$ 5,407,284	\$ 6,543,792
Board-designated endowment funds	59,302	-	-	59,302
Total funds	\$ 59,302	\$ 1,136,508	\$ 5,407,284	\$ 6,603,094

**STARK STATE COLLEGE FOUNDATION**

Notes to Financial Statements  
For the Year Ended June 30, 2018

**5. ENDOWMENT FUND (continued)**

Changes in endowment net assets for the year ended June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 55,879	\$ 948,723	\$ 4,864,851	\$ 5,869,453
Investment return:				
Interest and dividends	892	93,715	138	94,745
Net realized and unrealized gain	2,531	228,235	401	231,167
Total investment return	<u>59,302</u>	<u>1,270,673</u>	<u>4,865,390</u>	<u>6,195,365</u>
Contributions			541,894	541,894
Appropriation of endowment assets for expenditure	-	(134,165)	-	(134,165)
Endowment net assets, end of year	\$ <u>59,302</u>	\$ <u>1,136,508</u>	\$ <u>5,407,284</u>	\$ <u>6,603,094</u>

Below is a reconciliation of permanently restricted net assets included in the endowment fund to total permanently restricted net assets:

Permanently restricted net assets within endowment fund	\$ 5,407,284
Permanently restricted net assets included in pledges receivable	<u>49,012</u>
Total permanently restricted net assets	\$ <u>5,456,296</u>

## STARK STATE COLLEGE FOUNDATION

Notes to Financial Statements  
For the Year Ended June 30, 2018

### 5. ENDOWMENT FUND (continued)

#### Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for the endowment fund. The policy goal for the Foundation's endowment investment portfolio is to provide a real total return that preserves the purchasing power of the endowment assets, while providing an income stream to support the Foundation's activities in support of the College. Assets for the investment pool include those assets of donor-restricted funds that the Foundation must hold in perpetuity, as well as board-designated funds. The Foundation engages an investment manager whose performance is measured against respective benchmarks. The endowment's real total return is sought from an investment strategy that provides an opportunity for superior total returns within acceptable levels of risk and volatility. The Foundation recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the potential loss in purchasing power due to inflation are present to some degree with all types of investment vehicles. While high levels of risk are to be avoided, the assumption of a moderate level of risk is warranted and encouraged in order to allow the investment portfolio the opportunity to achieve satisfactory results consistent with the objectives and character of the portfolio.

#### 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). In recognition of the difficulty in predicting the direction of the markets or future state of the economy, the Foundation's assets are diversified among asset classes, managers/funds, and investment styles. The Board has determined that 60% to 70% of the investment portfolio be allocated to equities, including international securities, and 30% to 40% be allocated to fixed income or cash investments. The Board also reviews the portfolio on a regular basis (at least annually) to consider the portfolio's asset mix relative to its target and the allowable range around the target.

The investment strategy for the Foundation's portfolio indicates the principal category of equity investments will be common stocks with primary emphasis on high quality companies that are financially sound and that have favorable prospects for earnings growth. The largest percentage of fixed income investments will be invested in portfolios of high quality (primarily A- to AAA- rated) corporate bonds, U.S. Treasury, and U.S. Government Agency securities. Investments in foreign securities may comprise 15% to 25% of equity investments based upon market conditions and investment manager discretion.

In addition to asset classes, the Foundation may be diversified between managers/funds and investment styles, as well. The purpose of this approach is to incorporate prudent diversification within the Foundation, enhancing expected returns, and/or reducing risk of the total portfolio. This structure will be reviewed by the investment committee on an ongoing basis as part of the overall monitoring process.

## STARK STATE COLLEGE FOUNDATION

Notes to Financial Statements  
For the Year Ended June 30, 2018

### 5. ENDOWMENT FUND (continued)

#### Spending Policy

The Foundation's spending policy is based on a total return approach in order to maintain stable cash flows over an extended period of time, to protect endowment funds against inflation, and to preserve the purchasing power of endowment funds by improving investment growth and management. The spending policy allows up to a maximum of 6% of the three-year average market value of a designated endowment fund to be distributed yearly. Spending may include net realized gains over that three-year period, and is offset by any previously designated spending amounts. All returns (gains, losses, and income-net of external and internal fees and previously designated spending amount) above 6% will be reinvested in the endowment fund's portfolio. The spending policy is closely monitored by the investment committee and recommendations for any changes are forwarded to the full Board for review and approval.

### 6. PROMISES TO GIVE

Unconditional promises to give are included in the financial statements as contributions to the appropriate net asset category. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimate of future cash flows using a discount rate of 2.3%. Conditional promises to give are not included as support until conditions are met.

Unconditional promises to give:	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Gross receivables due within:			
Less than one year	\$ 1,015	\$ 64,386	\$ 65,401
One to five years	<u>26</u>	<u>21,322</u>	<u>21,348</u>
	1,041	85,708	86,749
Discount	<u>(22)</u>	<u>(1,791)</u>	<u>(1,813)</u>
Promises to give, net	\$ <u>1,019</u>	\$ <u>83,917</u>	\$ <u>84,936</u>

The promises to give at year-end are from multiple donors and one individual does not exceed 10% of the total pledges.

Approximately 37% of the promises to give, net balance at June 30, 2018 was due from two donors.

**STARK STATE COLLEGE FOUNDATION**  
**Notes to Financial Statements**  
For the Year Ended June 30, 2018

**7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted assets are those whose use by the Foundation has been limited by the donors to a specific time period or purpose. Temporarily restricted net assets are available for providing scholarships and loans to the College's students, providing professional development funds to the College staff, purchasing equipment for the benefit of the College, and student services.

The temporarily restricted net assets as of June 30, 2018 are restricted for the following purposes:

Scholarships and loans for students	\$ 1,553,365
Instructional equipment and supplies	66,211
Barberton campus	17,057
Aesthetics	2,424
Professional development	30,338
Student services	207,737
Total temporarily restricted net assets	<u>\$ 1,877,132</u>

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

Scholarships and loans for students	\$ 446,737
Instructional equipment and supplies	31,673
Aesthetics	473
Professional development	8,481
Student services	102,047
Total net assets released from donor restrictions	<u>\$ 589,411</u>

**8. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are restricted to investment in perpetuity and the income from which is expendable for scholarships and loans to the College's students, providing professional development funds to the College staff, and student services.

The permanently restricted net assets as of June 30, 2018 are restricted for the following purposes:

Scholarships	\$ 5,311,533
Instructional equipment and supplies	20,123
Professional development	124,640
Total permanently restricted net assets	<u>\$ 5,456,296</u>

**STARK STATE COLLEGE FOUNDATION**  
**Notes to Financial Statements**  
For the Year Ended June 30, 2018

**9. INCOME TAXES**

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore makes no provision for income taxes.

The Foundation accounts for income taxes in accordance with the “*Income Taxes*” topic of the ASC. Income tax provisions are evaluated at least annually by management. The Foundation classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements. As of June 30, 2018, the Foundation has not identified any uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

The Foundation files Form 990 in the U.S. federal jurisdiction and is registered online as a charity with the office of the Ohio Attorney General.

**10. RELATED ORGANIZATIONS**

A significant portion of the general and administrative expenses of the Foundation, including salaries, are paid by the College and are not included with the operations of the Foundation. The Foundation contributes funds to the College in the form of scholarships, instructional equipment, supplies and buildings. Foundation support to the College amounted to \$686,038 in fiscal year ended June 30, 2018.

The Foundation has invested \$304,948 on behalf of the College which is reflected as “Investments held for others.”

The Foundation has a net payable due to the College in the amount of \$275,988.

**INDEPENDENT AUDITOR'S 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**

Stark State College Foundation  
Stark County  
6200 Frank Avenue NW  
North Canton, Ohio 44720

To the Board of Directors:

We have audited, in accordance with the 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, the financial statements of the Stark State College Foundation, Stark County, Ohio (the Foundation), a nonprofit organization and component unit of Stark State College, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 11, 2019.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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 College's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.



*Stark State College Foundation  
Stark County*

Independent Auditor's 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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from 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*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
January 11, 2019

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**STARK STATE COLLEGE FOUNDATION**

**STARK 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  
FEBRUARY 5, 2019**