

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

STARK COUNTY

Regular Audit

For the Year Ended June 30, 2023





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Columbus, Ohio 43215
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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, 2022 through June 30, 2023. 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.

Keith Faber
Auditor of State
Columbus, Ohio

January 23, 2024

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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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Stark State College Foundation, Stark County, Ohio (the Foundation), a not-for-profit corporation and component unit of Stark State College, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation, as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023 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.

Charles E. Harris & Associates, Inc.
December 20, 2023

Stark State College Foundation
Stark County
Statement of Financial Position
June 30, 2023

Assets	
Cash and cash equivalents	\$ 2,753,607
Unconditional promises to give:	
Without donor restrictions	2,633
Donor restricted to student services	68,973
Donor restricted to scholarships	55,102
Investments held for others	349,246
Endowment assets:	
Cash and cash equivalents	
Long-term investments	<u>9,170,073</u>
 Total assets	 <u><u>12,399,634</u></u>
 Liabilities	
Amounts due to College	859,853
Investments held for others	<u>349,246</u>
Total liabilities	1,209,099
 Net Assets	
Without donor restrictions	320,269
With donor restrictions	<u>10,870,266</u>
Total net assets	<u>11,190,535</u>
Total net assets and liabilities	<u><u>\$ 12,399,634</u></u>

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

Stark State College Foundation
Stark County
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2023

Changes in net assets without donor restrictions:

Support:		
Individuals	\$	18,550
Corporations & foundations		3,550
In-kind donations		44,074
Investment return, net		87,502
Net assets released from restrictions:		
Restrictions satisfied by payments		1,885,542
 Total support, revenues and gains without donor restrictions		 2,039,218

Expenses:

Student scholarships		1,713,798
Instructional supplies		70,161
Student services		57,115
Campus improvements		44,468
General and administrative		17,201
 Total expenses		 1,902,743

Increase in net assets without donor restrictions	136,475
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Changes in net Assets with Donor restrictions:

Support for:		
Scholarships and loans for students		2,452,369
Student services		213,058
Capital		60,900
Investment return, net		878,877
Net assets released from donor restrictions		(1,885,542)
Transfer of In-Kind Donations		(44,074)
Increase in net assets with donor restrictions		1,675,588

Increase in total net assets	1,812,063
Net assets at beginning of year	9,378,472

Net assets at end of year	\$ <u><u>11,190,535</u></u>
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The accompanying notes are an integral part of these financial statements.

Stark State College Foundation
Stark County
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program	Management and General	Total Expenses
Functional Expenses:			
Subscriptions & publications	\$ -	\$ 9,259	\$ 9,259
Travel and meals	-	500	500
Miscellaneous other	-	7,442	7,442
Functional expenses, subtotal	-	17,201	17,201
Student scholarships	1,713,798	-	1,713,798
Student services	57,115	-	57,115
Instructional equipment	70,161	-	70,161
Campus improvements	44,468	-	44,468
Total functional expenses	\$ 1,885,542	\$ 17,201	\$ 1,902,743

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

Stark State College Foundation
Stark County
Statement of Cash Flows
Year Ended June 30, 2023

Cash Flows from Operating Activities

Change in net Assets	\$	1,812,063
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized net gains		(966,379)
Contributions restricted for long-term investments		258,210
Discounting of unconditional promises to give		(5,774)
Changes in operating assets and liabilities:		
Unrestricted unconditional promises to give		251,480
Restricted unconditional promises to give		124,075
Related Party net payable		(47,713)
Net Cash used by operating activities		<u><u>(386,101)</u></u>

Cash Flows from Investing Activities

(Purchase)/Sale of long-term investments		<u>(589,710)</u>
Net cash used by investing activities		<u><u>(589,710)</u></u>

Cash Flows from Financing Activities

Collection of endowment fund support		<u>(17,201)</u>
Net cash provided by financing activities		<u><u>(17,201)</u></u>

Net increase (decrease) in cash		819,051
Cash - beginning of year		<u>1,934,556</u>
Cash - end of Year	\$	<u><u>2,753,607</u></u>

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

Stark State College Foundation
Stark County
Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 1: Description of the Reporting Entity

The Stark State College Foundation (the “Foundation”) is organized and operated exclusively for educational, scientific or charitable purpose 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 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 non-profit corporations. The Foundation is a component unit of the College.

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

Note 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 as with and without donor-imposed restrictions.

Financial Statement Presentation

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The ASU amends the previous reporting for not-for-profit entities and enhances some disclosures. The changes require only two net asset types as more fully described below 1) “net assets with donor restrictions 2) “net assets without donor restriction”.

The financial statements for the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), as the single source of authoritative accounting principles.

ASC 958: Not-for-Profit Entities requires that the Foundation report information regarding its financial position and activities to the following net asset classifications:

* Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation’s management and board of directors.

* Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantor. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases to net with donor restrictions. When restrictions expire net assets are reclassified from net assets with donor restriction to net assets without donor restrictions in the statement of activities.

The net assets with donor restrictions as of June 30, 2023 are stipulated for the following purposes:

Stark State College Foundation
Stark County
Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 2: Summary of Significant Accounting Policies (continued)

Scholarships	\$	8,488,671
Instructional equipment and supplies		81,568
Student Services		1,707,486
Professional development		64,054
Aesthetics		528,487
Total net assets with donor restrictions	\$	10,870,266

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 either net assets without donor restrictions or net assets with donor restrictions depending on the existence and nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires when the stipulated time restriction ends or the purpose restriction is accomplished the net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

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 as a non-operating activity. Investment fees were \$54,311 during the year ended June 30, 2023.

Investments of net assets with donor restrictions and without donor restrictions are pooled for making investment transactions and are carried at market value. Interest and dividend income, gains and losses are allocated based on having donor restrictions.

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, with or without donor restrictions for specific purposes are reported as support. Conditional promises are recorded when donor stipulations are substantially met.

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, 2023.

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.

Stark State College Foundation
Stark County
Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 2: Summary of Significant Accounting Policies (continued)

Estimates

The preparation of the financial statements in conformity with accepted accounting principles requires management to make estimates and assumptions that affect the amount 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, 2023, 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. 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.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 1, 2023, the date the financial statements were available to be issued.

Investments

Investments consist of the following at June 30, 2023:

	Foundation	Held for College
Fixed income	\$ 2,911,800	\$ 108,673
Cash equivalents	513,444	8,061
Equity	5,744,829	232,512
	\$ 9,170,073	\$ 349,246

Stark State College Foundation
Stark County
Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 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)

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

	Level 1	Level 2	Total
Equity:			
Corporate stock	\$ 3,483,408	-	\$ 3,483,408
Fixed Income:			
Corporate notes	-	1,697,772	\$ 1,697,772
Mutual funds	2,261,421	-	\$ 2,261,421
U.S. agencies	-	1,214,028	\$ 1,214,028
Money Market funds	513,444	-	\$ 513,444
	\$ 6,258,273	\$ 2,911,800	\$ 9,170,073

The following is a summary of the inputs used as of June 30, 2023, in valuing the Foundation’s investments held on behalf of others carried at fair value.

	Level 1	Level 2	Total
Equity:			
Corporate stock	\$ 139,115	\$ -	\$ 139,115
Fixed Income:			
Corporate notes	-	59,288	59,288
Mutual funds	93,397	-	93,397
Money Market funds	8,061	-	8,061
US Agencies	-	49,385	49,385
	\$ 240,573	\$ 108,673	\$ 349,246

Stark State College Foundation
Stark County
Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 3: Fair Value Measurements (continued)

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

Note 4: Endowment Fund

The Foundation endowments are established for a variety of purposes. The Foundations endowment includes contributed funds to be maintained in perpetuity or donor-restricted funds contributed for a specific purpose or term. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

As described in Note 2, FASB ASU 2016-14 prescribes new guidelines for expenditure of donor-restricted endowment funds where the focus is shifted from prudent spending to the management of the entirety of the fund. The amount that is classified as donor-restricted is the amount of the fund that (a) must be retained permanently in accordance with explicit donor stipulations, or (b) that in the absence of such stipulations, the Foundation’s Board of Directors determines must be retained permanently under the relevant law.

	Without Donor Restrictions	With Donor Restrictions	Total
Net asset balances June 30, 2022	\$ 66,915	\$ 8,699,987	\$ 8,766,902
Investment return, net			
Interest and dividends	999	128,445	129,444
Realized and unrealized gains	6,118	706,884	713,002
Contributions	764	253,255	254,019
Appropriation of funds for expenditure	(20)	(211,538)	(211,558)
Net asset balances June 30, 2023	\$ 74,776	\$ 9,577,033	\$ 9,651,809

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.

Stark State College Foundation
Stark County
Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 4: Endowment Fund (continued)

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.

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.

Note 5: 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 0.1595%. Conditional promises to give are not included as support until conditions are met.

Stark State College Foundation
Stark County
Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 5: Promises to Give (continued)

Unconditional promises to give:		
Gross receivables due within:		
Less than one year	\$	109,710
One to five years		<u>17,398</u>
		127,108
Less discount		(400)
Promises to give, net FY23	\$	<u><u>126,708</u></u>

The promises to give at year end are from one hundred donors including employees of the college with total net pledges of \$33,928 at June 30, 2023. Fifteen donors accounted for 7% of net pledges, or \$24,887.

Note 6: Net Assets Released from Donor Restrictions

The following schedule shows qualifying expenses satisfying the donor restrictions as follows:

Scholarships and loans for students Instructional	\$	1,713,798
equipment and supplies		70,161
Aesthetics		44,468
Student services		<u>57,115</u>
Total net assets released from donor restrictions	\$	<u><u>1,885,542</u></u>

Stark State College Foundation
Stark County
Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 7: Liquidity and Funds Availability

The following schedule reflects the Foundation's financial assets as of June 30, 2023 reduced by amounts not available for general use within one year because of donor imposed restrictions. The Foundation's financial assets available within one year of the date of the Statement of Financial Position are as follows:

Financial Assets:	
Cash and cash equivalents	\$ 2,753,607
Pledges receivable-Net	126,708
Investments	<u>9,170,073</u>
Financial Assets at Year end	12,050,388
Less those unavailable for general expenditure within one year due to Donor restricted contribution (excluding time restrictions)	8,924,449
Financial assets available to meet cash needs for expenditures within one year.	<u>\$ 3,125,939</u>

Note 8: 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, 2023, 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.

Note 9: 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 \$1,860,581 in fiscal year ended June 30, 2023.

The Foundation has invested \$349,246 on behalf of the College which is reflected as "Investments held for others." The Foundation also has a net payable due to the College in the amount of \$859,853.

**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 (the Foundation), a nonprofit organization and component unit of Stark State College, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Bureau'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 to be material weaknesses. However, material weaknesses or significant deficiencies 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*

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.

December 20, 2023

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OHIO AUDITOR OF STATE KEITH FABER



STARK STATE COLLEGE FOUNDATION

STARK COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 2/6/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov