

THE EDISON FOUNDATION, INC.

FINANCIAL STATEMENTS

June 30, 2012 and 2011



Dave Yost • Auditor of State

Board of Directors
The Edison Foundation, Inc.
1973 Edison Drive
Piqua, Ohio 45356

We have reviewed the *Independent Auditor's Report* of The Edison Foundation, Inc., Miami County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2011 through June 30, 2012. 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 Edison Foundation, Inc. is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

December 14, 2012

This page intentionally left blank.

THE EDISON FOUNDATION, INC.

Piqua, Ohio

FINANCIAL STATEMENTS

June 30, 2012 and 2011

CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS.....	3
STATEMENTS OF CASH FLOWS.....	5
NOTES TO FINANCIAL STATEMENTS	6
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	13

This page intentionally left blank.

Independent Auditor's Report

To the Board of Directors
The Edison Foundation, Inc.

We have audited the accompanying statements of financial position of The Edison Foundation, Inc. (the "Foundation") as of June 30, 2012 and 2011 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2012 and 2011 and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the financial statements, the June 30, 2011 financial statements have been restated to correct a misstatement.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2012 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

Toledo, Ohio
October 5, 2012

THE EDISON FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	June 30	
	2012	2011
		As Restated (Note 9)
ASSETS		
Cash and cash equivalents	\$ 303,254	\$ 503,801
Receivables		
Pledges - Net (Note 3)	202,507	452,980
Interest and dividends	4,085	3,950
Investments (Note 4)	1,517,769	1,474,496
Total assets	\$ 2,027,615	\$ 2,435,227
 LIABILITIES AND NET ASSETS		
Liabilities - Payable to Edison State Community College (Note 8)	\$ -	\$ 431
Net Assets (Note 6)		
Unrestricted	1,222,436	1,254,644
Temporarily restricted	672,847	1,046,920
Permanently restricted	132,332	133,232
Total net assets	2,027,615	2,434,796
Total liabilities and net assets	\$ 2,027,615	\$ 2,435,227

See accompanying notes to financial statements.

THE EDISON FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012
Revenues and other support				
Gifts and grants	\$ 6,030	\$ 288,246	\$ 100	\$ 294,376
Investment earnings				
Interest and dividends	37,762	5,743	-	43,505
Net realized and unrealized losses	(5,850)	(3,361)	-	(9,211)
Net assets released from restrictions	<u>665,701</u>	<u>(664,701)</u>	<u>(1,000)</u>	<u>-</u>
Total revenues and other support	703,643	(374,073)	(900)	328,670
Expenses				
College scholarships awarded	72,693	-	-	72,693
Holiday evening event	76,962	-	-	76,962
Debt service for College	475,000	-	-	475,000
Graduate academy	9,938	-	-	9,938
Investment advisory fee	11,869	-	-	11,869
Miscellaneous	<u>89,389</u>	<u>-</u>	<u>-</u>	<u>89,389</u>
Total expenses	<u>735,851</u>	<u>-</u>	<u>-</u>	<u>735,851</u>
Decrease in net assets	(32,208)	(374,073)	(900)	(407,181)
Net assets at beginning of year	<u>1,254,644</u>	<u>1,046,920</u>	<u>133,232</u>	<u>2,434,796</u>
Net assets at end of year	<u>\$ 1,222,436</u>	<u>\$ 672,847</u>	<u>\$ 132,332</u>	<u>\$ 2,027,615</u>

See accompanying notes to financial statements.

THE EDISON FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011
Revenues and other support				
Gifts and grants	\$ 9,819	\$ 333,551	\$ 31,690	\$ 375,060
Investment earnings				
Interest and dividends	39,895	7,777	-	47,672
Net realized and unrealized gains	115,006	12,957	-	127,963
Net assets released from restrictions	<u>2,299,785</u>	<u>(2,299,785)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	2,464,505	(1,945,500)	31,690	550,695
Expenses				
College scholarships awarded	77,218	-	-	77,218
Holiday evening event	95,487	-	-	95,487
Debt service for College	2,125,000	-	-	2,125,000
Graduate academy	8,388	-	-	8,388
Investment advisory fee	14,437	-	-	14,437
Athletic department	4,733	-	-	4,733
Miscellaneous	<u>68,268</u>	<u>-</u>	<u>-</u>	<u>68,268</u>
Total expenses	<u>2,393,531</u>	<u>-</u>	<u>-</u>	<u>2,393,531</u>
Increase (decrease) in net assets	70,974	(1,945,500)	31,690	(1,842,836)
Net assets at beginning of year - as restated (Note 9)	<u>1,183,670</u>	<u>2,992,420</u>	<u>101,542</u>	<u>4,277,632</u>
Net assets at end of year	<u>\$ 1,254,644</u>	<u>\$ 1,046,920</u>	<u>\$ 133,232</u>	<u>\$ 2,434,796</u>

See accompanying notes to financial statements.

THE EDISON FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Decrease in net assets	\$ (407,181)	\$ (1,842,836)
Adjustments to reconcile decrease in net assets to net cash from operating activities		
Net realized and unrealized losses (gains)	9,211	(127,963)
Change in other assets and liabilities		
Pledges receivable	250,473	375,519
Interest and dividends receivable	(135)	2,432
Grants and other payables	(431)	431
Net cash used in operating activities	(148,063)	(1,592,417)
Cash flows from investing activities		
Cash paid for investments	(240,509)	(515,287)
Cash received from sale of investments	188,025	491,861
Net cash used in investing activities	(52,484)	(23,426)
Decrease in cash and cash equivalents	(200,547)	(1,615,843)
Cash and cash equivalents, beginning of year	503,801	2,119,644
Cash and cash equivalents, end of year	\$ 303,254	\$ 503,801

See accompanying notes to financial statements.

THE EDISON FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Edison Foundation, Inc. (the "Foundation") was established in 1993 as a charitable foundation under Section 501(c)(3) of the Internal Revenue Code whereby it is exempt from federal income tax. Its purpose is to solicit, receive and administer assets exclusively for charitable purposes which would most effectively assist and benefit Edison State Community College (the "College"), its students, and its faculty.

The Foundation's financial information is included in the College's financial statements as a component unit.

Basis of Presentation: In accordance with generally accepted accounting principles as applied to not-for-profit organizations, the financial statements of the Foundation have been prepared on the accrual basis of accounting. Consequently, revenues and related assets are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents: The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Net Assets: Net assets are classified into three categories:

Unrestricted net assets. Unrestricted net assets have no donor-imposed restrictions.

Temporarily restricted net assets. Temporarily restricted net assets have donor-imposed restrictions that will expire or be satisfied in the future. Generally, these donor restrictions limit the use of these net assets to scholarships and other College programs.

Permanently restricted net assets. Permanently restricted net assets have donor-imposed restrictions that neither expire by passage of time nor can be fulfilled by actions of the Foundation.

Contributions: Contributions are recorded as revenues in the year received or when a bequest is legally finalized. Unconditional pledges are recorded in the period that the pledges are received. Conditional pledges are recorded in the period in which the conditions have been met. Funds from pledges to be collected in future years are recorded at net present value. All pledges are net of an allowance for doubtful collections. The allowances are based upon prior experience, management's judgment, and other related factors.

Investments: Investments are stated at fair value and realized and unrealized gains and losses are reflected in the statements of activities and changes in net assets. Fair value is determined by market quotations. Donated investments are recorded at fair value at the time received.

Investment Earnings: Interest and dividends from endowment investments are credited to temporarily restricted funds and spent in compliance with donor stipulations and the Foundation's spending policy. Interest and dividends from non-endowment investments are credited to the unrestricted fund for expenditure at the discretion of the Foundation's board of trustees. Realized gains or losses are determined based on the average cost method.

THE EDISON FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Expenses by functional classification for the years ended June 30 are summarized as follows:

	<u>Year Ended June 30</u>	
	<u>2012</u>	<u>2011</u>
Program services	\$ 574,341	\$ 2,258,560
Management and general	107,137	70,311
Fundraising	<u>54,373</u>	<u>64,660</u>
Total operating expenses	<u>\$ 735,851</u>	<u>\$ 2,393,531</u>

Net Assets Released from Restrictions: When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

Income Taxes: Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2012 and 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2009.

Related Parties: The Foundation has maintained capital campaign and other contributions for the purpose of assisting the College with making principal and interest payments on the College's long-term debt. During 2012 and 2011, the Foundation transferred these balances, in the amount of \$475,000 and \$2,125,000, respectively, to the College based on the Board of Directors' determination that the College is better suited to manage risks and administer the funds supporting the College's payments on long-term debt. See Note 8.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from those estimates.

Reclassification: Certain revenues on the statement of activities and changes in net assets were reclassified in the 2011 financial statements to conform to the classifications used in 2012.

THE EDISON FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events: The financial statements and related disclosures include evaluation of events up through and including October 5, 2012, which is the date the financial statements were available to be issued.

NOTE 2 - BUSINESS AND CONCENTRATIONS OF CREDIT RISK

The Foundation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and investments. The Foundation places its cash in federally insured banks. Cash is generally in excess of the Federal Deposit Insurance Corporation's insurance limit.

Investments are managed by a professional investment manager. The investment manager is subject to the Foundation's investment policies which contain objectives, guidelines and restrictions designed to provide for preservation of capital with emphasis on providing current income and achieving long-term growth of the funds.

NOTE 3 - PLEDGES RECEIVABLE

As of June 30, 2012 and 2011, contributors to the Foundation have outstanding unconditional pledges totaling \$224,750 and \$506,650, respectively. Gross pledges receivable have been discounted to a net present value of \$208,770 and \$466,990 as of June 30, 2012 and 2011, respectively, which represents fair value. The discount rate was 5% for 2012 and 2011, approximately based on the College's debt borrowing rate. An allowance for doubtful pledges of \$6,263 and \$14,010 has been applied to the gross receivable balance as of June 30, 2012 and 2011, respectively. All pledges have been classified as temporarily restricted net assets since they will either expire or be fulfilled within a specified period of time. Net pledges are due as follows:

	<u>2012</u>	<u>2011</u>
Less than one year	\$ 105,717	\$ 245,900
One to five years	<u>96,790</u>	<u>207,080</u>
Total	<u>\$ 202,507</u>	<u>\$ 452,980</u>

NOTE 4 - INVESTMENTS

Investments at June 30, 2012 and 2011, by major security type, were as follows:

	<u>2012</u>	<u>2011</u>
Corporate bonds	\$ 564,526	\$ 465,261
Equities	334,968	348,399
Mutual funds - Fixed income	389,390	471,646
Mutual funds - Equities	<u>228,885</u>	<u>189,190</u>
Total	<u>\$1,517,769</u>	<u>\$1,474,496</u>

THE EDISON FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 4 - INVESTMENTS (Continued)

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

There were no capital gains distributions in either year.

The investment policy is determined based on the goals, objectives, and risk tolerance of the Foundation. As new information regarding the economic environment becomes available, the investment policy may need to be revised. Asset allocations fluctuate due to market performance; however, the target asset allocation is as follows:

Equity securities	25%
Fixed income	50%
Cash and cash equivalents	25%

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended June 30, 2012 and 2011, there were no transfers between levels of the fair value hierarchy.

THE EDISON FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Assets Measured on a Recurring Basis:

Assets measured at fair value on a recurring basis are summarized below (in thousands):

	Fair Value Measurements at June 30, 2012		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Fixed income - Domestic	\$ 643,486	\$ -	\$ -
Fixed income - International	53,068	-	-
Fixed income - U.S. agencies	257,362	-	-
Equities - Domestic	523,202	-	-
Equities - International	40,651	-	-
Total	\$ 1,517,769	\$ -	\$ -

	Fair Value Measurements at June 30, 2011		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Fixed income - Domestic	\$ 677,974	\$ -	\$ -
Fixed Income - International	52,177	-	-
Fixed income - U.S. agencies	206,756	-	-
Equities - Domestic	468,675	-	-
Equities - International	68,914	-	-
Total	\$ 1,474,496	\$ -	\$ -

No assets are carried at fair value measured on a nonrecurring basis.

THE EDISON FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012 and 2011

NOTE 6 - NET ASSETS

Net assets at June 30 consist of the following:

	June 30, 2012		June 30, 2011	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Capital	\$ 10,509	\$ -	\$ 203,748	\$ -
Scholarship	453,003	132,332	383,364	133,232
Pledges	202,507	-	452,980	-
Miscellaneous	6,828	-	6,828	-
Total	<u>\$ 672,847</u>	<u>\$ 132,332</u>	<u>\$ 1,046,920</u>	<u>\$ 133,232</u>

NOTE 7 - ENDOWMENT COMPOSITION

The Foundation's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment fund as of June 30, 2012 and 2011 was \$132,332 and \$133,232, respectively, of permanently restricted net assets. There were no unspent accumulations of earnings. The Foundation spends the earnings each year.

Interpretation of UPMIFA: The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

THE EDISON FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012 and 2011

NOTE 7 - ENDOWMENT COMPOSITION (Continued)

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Foundation's board of directors.

Return Objectives, Risk Parameters, and Strategies: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as funds functioning as endowment. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve an after-cost total real rate of return, including investment income as well as a capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return. Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a policy of only spending the earnings, including appreciation, of the endowment fund. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

NOTE 8 - RELATED PARTY

Most of the Foundation's expenses are processed by the College. The Foundation reimburses the College monthly for those checks written on its behalf. For the years ended June 30, 2012 and 2011, the College agreed to waive the Foundation's reimbursement of salaries expenses paid by the College on the Foundation's behalf. At June 30, 2012, the balance owed to the College was zero. At June 30, 2011, the balance owed to the College was \$431. As noted in Note 1, the Foundation also transferred \$475,000 and \$2,125,000 to the College during 2012 and 2011, respectively, to support the College's payments on long-term debt.

NOTE 9 - RESTATEMENT

The accompanying financial statements for the year ended June 30, 2011 have been restated to correct the beginning net asset classifications. As a result of the prior period adjustment, total net assets and total change in net assets were unchanged. The following beginning net asset classifications for fiscal year 2011 were affected by the change as follows:

	<u>As Originally Reported</u>	<u>As Restated</u>	<u>Effect of Change</u>
Beginning Net Assets			
Unrestricted	\$ 886,697	\$ 1,183,670	\$ 296,973
Temporarily Restricted	3,297,053	2,992,420	(304,633)
Permanently Restricted	93,882	101,542	7,660
Total Beginning Net Assets	<u>\$ 4,277,632</u>	<u>\$ 4,277,632</u>	<u>\$ -</u>

(Continued)

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
The Edison Foundation, Inc.

We have audited the financial statements of The Edison Foundation, Inc. (the "Foundation") as of and for the years ended June 30, 2012 and 2011 and have issued our report thereon dated October 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of The Edison Foundation, Inc. is responsible for establishing and maintaining an effective internal control over financial reporting. In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (finding 2012-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Trustees
The Edison Foundation, Inc.

The Foundation's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Foundation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of trustees, others within the entity, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 5, 2012

Schedule of Findings and Responses

Reference Number

Findings

2012-1

Finding Type - Material weakness

Criteria - With respect to net asset classifications, management is responsible for determining the classification for net assets and determining the disclosures that are to be included in the financial statements. As part of fulfilling its responsibility, management is required to establish an accounting and financial reporting process for determining the net asset allocation for activity during the year.

Condition - In fiscal year 2011, the Foundation did not have a reliable tracking system of the restrictions on net assets and the related accumulation of earnings for the net asset balances. In fiscal year 2012, the Foundation implemented a system which does reliably track this information. In implementing that system, the Foundation discovered material changes to their classifications as reported in the 2011 financial statements. The total net assets was not changed, only classification within the net assets.

Context - The Foundation's spreadsheet for net assets is now producing reliable information of the net assets between the permanently restricted, temporarily restricted, and unrestricted net asset classifications. As previously mentioned, there was a material reclassification required to be made to the net asset classification previously reported on.

Cause and Effect/Potential Effect - Due to a lack of controls and procedures over net asset tracking in prior years, the Foundation was reporting materially incorrect classifications of net assets on the statements of financial position.

Recommendation - The Foundation has resolved this issue in fiscal year 2012 and this finding relates to the correction required to be made regarding net asset classifications as reported in previous financial statements.

Management's Response and Corrective Action - As noted above, the Foundation has resolved the issue in fiscal year 2012.

This page intentionally left blank.



Dave Yost • Auditor of State

THE EDISON FOUNDATION INC

MIAMI 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 27, 2012**