CLARK STATE COMMUNITY COLLEGE FOUNDATION

Financial Statements

June 30, 2014 and 2013

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

Dave Yost · Auditor of State

Board of Directors
Clark State Community College Foundation
570 Leffels Lane
Springfield, OH 45502-4795

We have reviewed the *Independent Auditors' Report* of the Clark State Community College Foundation, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2013 through June 30, 2014. 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 Clark State Community College Foundation is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

October 29, 2014

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Clark State Community College Foundation
Springfield, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Clark State Community College Foundation ("Foundation"), a component unit of Clark State Community College, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditors' 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 entity'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 entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clark State Community College Foundation as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014, on our consideration of Clark State Community College Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Clark State Community College Foundation's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 15, 2014

		2014	2013
Assets			
Cash and cash equivalents	$	283,174	284,367
Investments		16,056,838	13,851,113
Pledges receivable		1,778,702	2,015,528
Student loans receivable, net of allowance for doubtful loans of $50,385 in 2014 and $81,842 in 2013		71,714	60,405
Other receivables		36	458
	$	18,190,464	16,211,871
Liabilities and Net Assets			
Liabilities			
Accounts payable, Clark State Community College	$	4,508	40,815
Wages payable		869	615
		5,377	41,430
Net assets			
Unrestricted		381,151	323,069
Temporarily restricted		8,598,812	6,901,021
Permanently restricted		9,205,124	8,946,351
		18,185,087	16,170,441
	$	18,190,464	16,211,871

See accompanying notes to financial statements.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
Revenues and other support					
Campaign contributions	$ 13,605	131,083	2,134	146,822	236,175
Foundation contributions	2,414	246,853	256,639	505,906	374,814
Interest	984	303,391	-	304,375	293,739
Net realized and unrealized gains (losses) on investment	74,173	1,838,703	-	1,912,876	1,308,581
Miscellaneous	8,418	32,331	-	40,749	57,402
Net assets released from restrictions	854,570	(854,570)	-	-	-
Total revenues and other support	954,164	1,697,791	258,773	2,910,728	2,270,711
Expenses					
Programs	821,599	-	-	821,599	803,127
Management and general	74,483	-	-	74,483	73,501
Total expenses	896,082	-	-	896,082	876,628
Change in net assets	58,082	1,697,791	258,773	2,014,646	1,394,083
Net assets at beginning of year	323,069	6,901,021	8,946,351	16,170,441	14,776,358
Net assets at end of year	$ 381,151	8,598,812	9,205,124	18,185,087	16,170,441

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013
Revenues and other support					
Campaign contributions	$	37,351	198,824	-	236,175
Foundation contributions		3,109	110,290	261,415	374,814
Interest		759	292,980	-	293,739
Net realized and unrealized gains (losses) on investment		33,465	1,275,116	-	1,308,581
Miscellaneous		5,663	51,739	-	57,402
Net assets released from restrictions		776,786	(776,786)	-	-
Total revenues and other support		857,133	1,152,163	261,415	2,270,711
Expenses					
Programs		803,127	-	-	803,127
Management and general		73,501	-	-	73,501
Total expenses		876,628	-	-	876,628
Change in net assets		(19,495)	1,152,163	261,415	1,394,083
Net assets at beginning of year		342,564	5,748,858	8,684,936	14,776,358
Net assets at end of year	$	323,069	6,901,021	8,946,351	16,170,441

Clark State Community College Foundation
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

		2014	2013
Cash flows from operating activities:			
Change in net assets	$	2,014,646	1,394,083
Adjustments to reconcile change in net assets to net cash from operating activities :			
Net realized and unrealized (gains) losses on investments		(1,912,876)	(1,308,581)
Contributions restricted for long-term purposes		(258,773)	(261,415)
Effects of changes in operating assets and liabilities			
Receivables		225,939	380,028
Accounts payable		(36,307)	(130,193)
Wages payable		254	(557)
Net cash from operating activities		32,883	73,365
Cash flows from investing activities:			
Sales of investments		375,455	1,163,718
Purchases of investments		(668,304)	(1,259,072)
Net cash from investing activities		(292,849)	(95,354)
Cash flows from financing activities:			
Contributions restricted for long-term purposes		258,773	261,415
Change in cash and cash equivalents		(1,193)	239,426
Cash and cash equivalents at beginning of year		284,367	44,941
Cash and cash equivalents at end of year	$	283,174	284,367

See accompanying notes to financial statements.

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Clark State Community College Foundation have been prepared on the accrual basis of accounting. The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Organization
The Clark State Community College Foundation ("Foundation") is a not-for-profit Ohio corporation and is considered to be a component unit of Clark State Community College. The Foundation's purpose is to assist students attending Clark State Community College. Administrative services are provided by Clark State Community College.

Method of accounting
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation is required to report, where applicable, information regarding its financial position and activities according to three classes of net assets. Net assets are reported as follows:

Unrestricted net assets represent funds which can be used by the Foundation for any purpose authorized by the Board of Directors.

Temporarily restricted net assets represent funds which are restricted for a specific purpose determined by the donor. A donor-imposed restriction permits the Foundation to expend the donated assets as specified and is satisfied either by the passage of time or by actions of the Foundation. The Foundation maintains separate balances in its accounting records to account for the amounts available for such restricted purposes.

Permanently restricted net assets represent contributions in which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the earnings of the fund are expended as the donor has specified.

Cash and cash equivalents
For purposes of the statement of cash flows, the Foundation considers all demand bank deposits as cash. The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. This includes amounts on deposit with STAR Ohio which were $280,052 and $281,769 at June 30, 2014 and 2013, respectively. STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the balance sheet date.

Investments
Investments are carried at fair value in accordance with FASB guidance. Investments include shares with The Common Fund, a not-for-profit organization, and Federated Government Obligation, Tax Managed Select Treasuries (Fund #637). Realized and unrealized gains and losses are reported in the statement of activities. Fair value is determined by market quotations. Donated investments are recorded at the fair market value at the time received.

Pledges, accounts and loans receivable and revenues
Revenues are reported as an increase in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Contributions are recognized as revenue in the period the commitment or payment is first received. Conditional contributions are not recognized until the conditions are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Certain funding from non-government agencies is accounted for as temporarily restricted until either the required use, passage of time or receipt of funds occurs. Accordingly, such contributions are then released from restriction and recorded as unrestricted. Contributions that were received as temporarily restricted in a certain fiscal year whose restriction is fulfilled in the same fiscal year are directly reported as unrestricted revenue.

Potentially uncollectible loans and pledges receivable are provided for on the allowance method based on management's evaluation of outstanding loans receivable at year end. This estimation takes into consideration historical trends, past history with specific consumers as well as current economic conditions. After establishing the allowance, accounts and loans receivable are typically written off when reasonable and cost effective collection efforts are exhausted. Actual results could vary from the estimate.

In-kind income
The facilities occupied by the Foundation are provided by Clark State Community College. In addition, the College assists the Foundation in fund raising, gift processing and accounting. The value of the office space and services provided constitutes additional in-kind income to the Foundation that is immaterial to the financial statements and is not recorded.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes and uncertainty in tax position
The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax exempt purpose is subject to taxation as unrelated business income. Therefore, the Foundation adopted the provisions of *Accounting for Uncertainty in Income Taxes* which clarify the accounting and recognition for income tax positions taken or expected to be taken in the Foundation's annual reporting returns. The Foundation's reporting returns are subject to audit by federal and state taxing authorities. The Foundation's open audit periods are 2011 through 2013. No income tax provision has been included in the financial statements as the Foundation has determined it does not have unrelated business income subject to taxation.

Expense allocation
For purposes of reporting expenses, identifiable expenses are directly recorded to program and management and general. Expenses related to more than one function are allocated to these categories based on periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific program service but provide for the overall support and direction of the Foundation.

Concentration of credit risk
Investments consist primarily of financial instruments including cash equivalents, equity and fixed income securities and money market funds. These financial instruments may subject the Foundation to concentrations of credit risk, as, from time to time, balance may exceed amounts insured by the Federal Deposit Insurance Corporation, the market value of securities are dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values. Certain receivables also subject the Foundation to concentrations of credit risk.

The majority of the Foundation's contributions are received from donors located in the greater Springfield, Ohio area. As such, the Foundation's ability to generate resources via contributions is dependent on the economic health of that area. An economic downturn could cause a decrease in contributions that coincides with an increase in the need among the individuals the Foundation supports.

Subsequent events
The Foundation evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through October 15, 2013, the date which the financial statements were available to be issued.

2. CASH:

A summary of cash follows:

	2014	2013
Imprest cash fund	$ 3,122	$ 2,598
STAR Ohio	280,052	281,769
	$ 283,174	$ 284,367

3. INVESTMENTS:

The following summarizes investment values at June 30:

	2014		2013	
	Fair Value	Cost Basis	Fair Value	Cost Basis
Bond fund	$ 4,084,229	$ 3,663,790	$ 3,531,624	$ 3,214,126
Equity fund	7,809,938	3,153,674	6,517,789	3,347,230
High quality bond fund	1,763,548	1,562,340	1,742,572	1,578,619
Money market accounts	111,422	111,422	70,453	70,453
Mutual fund - fixed	641,790	630,220	583,830	589,758
Common stock	388,382	283,764	327,330	263,881
Real Estate Investment Trust	13,471	10,372	12,370	10,372
Mutual fund - closed-end equity	27,600	29,787	40,680	80,954
Mutual fund - equity	1,216,458	864,086	1,024,465	861,215
Total	$ 16,056,838	$10,309,455	$ 13,851,113	$ 10,016,608

Investment fees are netted against interest income in the Statement of Activities. Total fees for 2014 and 2013 were $48,458 and $43,589, respectively.

Assets and Liabilities Measured on a Recurring Basis

FASB defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

> Level 1: Quoted prices 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.

The fair values of equity and fixed income mutual funds, and preferred stock that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Funds of funds investments have observable inputs and market activity that allow for pricing based on the underlying market prices of the items in the fund adjusted information developed by management for historical and current performance of the underlying funds, liquidity and credit premiums required by a market participant and financial trend analysis with respect to the overall fund compared to benchmark performance ratios (Level 2 inputs). The Foundation owns three funds that are pooled funds that fall in this category. The funds invest in equity and fixed income securities whose investment objectives are to:

1) Invest in a group of diversified equity funds to outperform the S&P 500 index over a full market cycle;
2) Offer a program devoted to investing in high-quality, investment-grade fixed income securities to outperform the Barclays Aggregated Bond Index over a full market cycle, and;
3) Offer an actively managed, multi-manger investment program that will provide, in a single fund, broad exposure to global debt markets to add value above the return of the U.S. bond market over a full market cycle, as measured by the Barclays Capital U.S. Aggregate Bond Index, and to reduce volatility as compared to investing in the indices.

The fair values of investments in these categories have been estimated using the net asset value per share of the investments. Redemption policies of these funds range from weekly to monthly and there were no unfunded commitments at June 30, 2014.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

Fair Value Measurements at June 30, 2014

	Balance as of June 30, 2014	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foundation Investments:				
Privately held funds:				
U.S. fixed income	$ 1,763,548	$ -	$ 1,763,548	$ -
Large cap	3,128,166	-	3,128,166	-
All cap	2,462,093	-	2,462,093	-
International equity	118,942	-	118,942	-
Emerging markets	190,307	-	190,307	-
MSEF cash equalization	35,683	-	35,683	-
Directional strategies	868,274	-	868,274	-
Core bonds	3,984,545	-	3,984,545	-
Global bonds	368,719	-	368,719	-
Credit	59,471	-	59,471	-
Opportunistic	451,978	-	451,978	-
Distressed debt	225,989	-	225,989	-
Total privately held funds	$ 13,657,715	$ -	$ 13,657,715	$ -
Common stock	$ 388,382	$ 388,382	$ -	$ -
Mutual funds:				
Large cap	$ 844,952	$ 844,952	$ -	$ -
Mid cap	215,770	215,770	-	-
Short-term bonds	403,676	403,676	-	-
Intermediate-term bonds	122,754	122,754		
Long-term bonds	115,360	115,360	-	-
Foreign large cap	155,736	155,736	-	-
REIT	13,471	13,471	-	-
High yield bond	27,600	27,600	-	-
Total Mutual Funds	$ 1,899,319	$ 1,899,319	$ -	$ -

Fair Value Measurements at June 30, 2013

	Balance as of June 30, 2013	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foundation Investments:				
Privately held funds:				
U.S. fixed income	$ 1,742,572	$ -	$ 1,742,572	$ -
Large cap	2,241,019	-	2,241,019	-
All cap	2,150,574	-	2,150,574	-
International equity	80,395	-	80,395	-
Emerging markets	311,532	-	311,532	-
Directional strategies	743,657	-	743,657	-
MSEF cash equalization	30,148	-	30,148	-
Core bonds	3,577,593	-	3,577,593	-
Global bonds	321,581	-	321,581	-
Credit	60,296	-	60,296	-
Opportunistic	331,631	-	331,631	-
Distressed debt	200,988	-	200,988	-
Total privately held funds	$ 11,791,986	$ -	$ 11,791,986	$ -
Common stock	$ 327,330	$ 327,330	$ -	$ -
Mutual funds:				
Large cap	$ 748,137	$ 748,137	$ -	$ -
Mid cap	186,072	186,072	-	-
Short-term bonds	262,243	262,243	-	-
Long-term bonds	141,050	141,050	-	-
Foreign large cap	130,935	130,935	-	-
REIT	41,860	41,860	-	-
High yield bond	29,400	29,400	-	-
Financial	121,647	121,647	-	-
Total Mutual Funds	$ 1,661,344	$ 1,661,344	$ -	$ -

4. PLEDGES RECEIVABLE:

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded after discounting at 3.34% and 3.52% to the present value of future cash flows, for the years ended June 30, 2014 and 2013, respectively.

Unconditional promises are expected to be realized in the following periods:

	2014	2013
One year or less	$ 315,965	$ 305,252
Between one and five years	1,007,250	1,068,760
Longer than five years	625,000	875,000
	1,948,215	2,249,012
Discounts and allowances	(169,513)	(233,484)
Net pledges	$ 1,778,702	$ 2,015,528

5. NET ASSETS:

Net assets at June 30 consist of the following:

	2014	2013
Unrestricted		
Major gifts	$ 275	$ 3,168
Board designated for scholarships and special projects	103,042	79,076
Board designated for endowment	236,774	206,746
Unrestricted	41,060	34,079
Total	$ 381,151	$ 323,069

	2014	2013
Temporarily restricted		
Major gifts	$ 1,898,872	$ 2,064,373
Scholarships and other	485,536	454,489
Endowment	6,040,328	4,233,679
Mumma loan fund	174,076	148,480
Total	$ 8,598,812	$ 6,901,021

	2014	2013
Permanently restricted		
Scholarships	$ 2,965,467	$ 2,763,984
Performing Arts Center	3,510,771	3,453,481
Technology	202,694	202,694
Champion City Scholarships	2,526,192	2,526,192
Total	$ 9,205,124	$ 8,946,351

6. DISTRIBUTIONS TO CLARK STATE COMMUNITY COLLEGE:

During the years ended June 30, 2014 and 2013, the Foundation distributed $306,998 and $434,540, respectively, to the College for both restricted and unrestricted purposes.

7. ENDOWMENT COMPOSITION:

The Foundation's endowment primarily consists of funds held at Commonfund. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by applicable standards, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 6,040,328	$ 9,205,124	$ 15,245,452
Board-designated funds	236,774	-	-	236,774
Total funds	$ 236,774	$ 6,040,328	$ 9,205,124	$ 15,482,226

Endowment net asset composition by type of fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 4,233,679	$ 8,946,351	$ 13,180,030
Board-designated funds	206,746	-	-	206,746
Total funds	$ 206,746	$ 4,233,679	$ 8,946,351	$ 13,386,776

Changes in endowment net assets for year ended June 30, 2014.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 206,746	$ 4,233,679	$ 8,946,351	$ 13,386,776
Investment return				-
Investment income, net	361	291,421	-	291,782
Net appreciation	35,743	1,838,703	-	1,874,446
Total investment return	36,104	2,130,124	-	2,166,228
Contributions	-	2,025	258,773	260,798
Appropriation of endowment assets for expenditure	(6,076)	(325,500)	-	(331,576)
Net assets, end of year	$ 236,774	$ 6,040,328	$ 9,205,124	$ 15,482,226

Changes in endowment net assets for year ended June 30, 2013.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 271,728	$ 2,942,466	$ 8,684,936	$ 11,899,130
Investment return				
Investment income, net	227	251,003	-	251,230
Net appreciation	15,281	1,275,116	-	1,290,397
Total investment return	15,508	1,526,119	-	1,541,627
Contributions	-	3,070	261,415	264,485
Appropriation of endowment assets for expenditure	(80,490)	(237,976)	-	(318,466)
Net assets, end of year	$ 206,746	$ 4,233,679	$ 8,946,351	$ 13,386,776

Interpretation of UPMIFA

The Board of Directors of the Foundation has interpreted 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 organization 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 organization

(7) The investment policies of the organization

Return objectives and risk parameters

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 Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index and the Barclays Index while assuming a moderate level of investment risk.

Strategies employed for achieving objectives
The purpose of the endowment fund is to facilitate donors' desires to make substantial long-term gifts to the Foundation and to develop a new and significant source of revenue for the Foundation. In so doing, the endowment fund will provide a secure, long-term source of funds to: (i) stabilize scholarship funding during periods of below normal annual campaigns; (ii) fund special initiatives; (iii) ensure long-term growth; (iv) enhance our ability to meet changing Foundation needs in both the short and long-term; and, (v) support the administrative expenses of the Foundation as deemed appropriate.

Spending policy and how the investment objectives relate to spending policy
The Finance/Investment Committee of the Board of Directors reviews the income distribution and spending policy annually and makes recommendations to the Board of Directors. Currently, the practice is to spend interest earned on endowment funds and retain any market gains in the endowment fund. Any other related proceeds are reinvested in the endowment fund. Within these parameters, the amount of the disbursement shall be determined annually by the Foundation Board of Directors, who may also elect to take no distribution in any given year.

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. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. The Foundation did not have any such deficiencies for fiscal year 2014 or 2013.

Endowment fund principal, unless otherwise directed by the donor, shall not be disbursed except for emergency situations. In order to make a principal disbursement, a two-thirds majority vote by the Foundation Board of Directors will be required.

INDEPENDENT AUDITORS' 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*

Board of Directors
Clark State Community College Foundation
Springfield, Ohio

We have audited, 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, the financial statements of Clark State Community College Foundation, which comprise the statements of financial position as of June 30, 2014 and 2013 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2014.

Internal Control Over Financial Reporting
In planning and performing our audits of the financial statements, we considered Clark State Community College 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 Clark State Community College Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Clark State Community College 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 the entity'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 may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clark State Community College 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 audits, 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 15, 2014

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

SINCE 1938

At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success.

Dave Yost • Auditor of State

CLARK STATE COMMUNITY COLLEGE FOUNDATION

CLARK 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
NOVEMBER 13, 2014