



# **Balestra, Harr & Scherer, CPAs, Inc.**

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments  
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## **NORTH CENTRAL STATE COLLEGE FOUNDATION INC. RICHLAND COUNTY**

### **REGULAR AUDIT**

For the Year Ended June 30, 2013  
Fiscal Year Audited Under GAGAS: 2013





# Dave Yost • Auditor of State

Board of Trustees  
North Central State College Foundation  
PO Box 698  
Mansfield, Ohio 44901

We have reviewed the *Independent Auditor's Report* of the North Central State College Foundation, Richland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2012 through June 30, 2013. 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 North Central State College Foundation is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

January 15, 2014

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**North Central State College Foundation Inc.**  
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For the Fiscal Year Ended June 30, 2013

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## INDEPENDENT AUDITOR'S REPORT

North Central State College Foundation Inc.  
2441 Kenwood Circle  
Mansfield, Ohio 44903

To the Board of Trustees:

### Report on the Financial Statements

We have audited the accompanying financial statements of North Central State College Foundation Inc., Richland County, Ohio (the Organization), a component unit of North Central State College, which comprise the statements of financial position as of June 30, 2013 and the related statements of activities, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Organization's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Central State College Foundation Inc., Richland County, Ohio, as of June 30, 2013, and the respective changes in net assets and cash flows, thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and results of that testing, and does not opine 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 the Organization's internal control over financial reporting and compliance.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 5, 2013



**North Central State College Foundation, Inc.**  
*Statement of Financial Position*  
*As of June 30, 2013*

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**ASSETS**

Cash and cash equivalents	\$	282,139
Investments		3,412,534
Interest in Assets held by Richland County Foundation		350,000
Contributions receivable (net of allowance for uncollectible and accumulated amortization discount)		418,695
Prepaid Expense		40,714
Emergency Loan Receivable		5,130
Capital Assets, Net		<u>6,140</u>
Total Assets	\$	<u><u>4,515,352</u></u>

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts Payable	\$	59,749
Deferred Income		<u>8,122</u>
Total Liabilities		<u>67,871</u>
Net Assets:		
Unrestricted		(182,843)
Temporarily Restricted		1,341,715
Temporarily Restricted-Assets held by Richland County Foundation		<u>350,000</u>
Total Temporarily Restricted		1,691,715
Permanently Restricted		<u>2,938,609</u>
Total Net Assets		<u>4,447,481</u>
Total Liabilities and Net Assets	\$	<u><u>4,515,352</u></u>

The notes to the financial statements are an integral part of this statement.

**North Central State College Foundation, Inc.**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b><u>PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS</u></b>				
Contributions, net of future values and bad debts	\$ 83,847	\$ 365,000	\$ 169,552	\$ 618,399
Investment income, including realized and unrealized gains and losses, net	28,673	136,090	-	164,763
Richland County Foundation Revenue	30,718	-	-	30,718
Fundraising Revenue	201,894	-	-	201,894
Other Revenue	73,088	-	-	73,088
Net assets released from restrictions	443,187	(443,187)	-	-
	<u>861,407</u>	<u>57,903</u>	<u>169,552</u>	<u>1,088,862</u>
<b><u>EXPENSES</u></b>				
Program Services:				
Scholarships	443,187	-	-	443,187
Entrepreneur Hall of Fame	17,053	-	-	17,053
Professional development	1,060	-	-	1,060
Personnel reimbursement	165,418	-	-	165,418
Management and General:				
Fundraising	180,377	-	-	180,377
Materials and Supplies	754	-	-	754
Contractual Services	4,054	-	-	4,054
Outreach Fund	15,155	-	-	15,155
Other Expense	32,081	-	-	32,081
	<u>859,139</u>	<u>-</u>	<u>-</u>	<u>859,139</u>
Changes in Net Assets	2,268	57,903	169,552	229,723
Net Assets, Beginning of Year (Restated)	<u>(185,111)</u>	<u>1,633,812</u>	<u>2,769,057</u>	<u>4,217,758</u>
Net Assets, End of Year	<u>\$ (182,843)</u>	<u>\$ 1,691,715</u>	<u>\$ 2,938,609</u>	<u>\$ 4,447,481</u>

The notes to the financial statements are an integral part of this statement.

**North Central State College Foundation, Inc.**  
*Statement of Cash Flows*  
For the Fiscal Year Ended June 30, 2013

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<b>Cash Flows from Operating Activities:</b>	
Change in net assets	\$ 229,723
Adjustments to reconcile net assets to net cash used for operating activities:	
Decrease in contributions receivable	403,297
Increase in emergency loan receivable	(4,630)
Increase in prepaid expenses	8,610
Decrease in accounts payable	16,193
Increase in line of credit	(384,081)
Decrease in deferred revenue	1,132
Contributions restricted for investment in endowment	(169,552)
Net unrealized and realized loss on investments	<u>5,613</u>
Total adjustments	<u>(123,418)</u>
Net cash used for operating activities	106,305
<b>Cash flows from investing activities:</b>	
Proceeds from sale of investments	3,223,096
Purchase of Investments	<u>(3,390,806)</u>
Net cash provided by financing activities	<u>(167,710)</u>
<b>Cash flows from financing activities:</b>	
Proceeds from contributions restricted for investment in endowment	<u>169,552</u>
Net cash provided by financing activities	<u>169,552</u>
Net decrease in cash and cash equivalents	108,147
Cash and cash equivalents at beginning of year	<u>173,992</u>
Cash and cash equivalents at end of year	<u><u>\$ 282,139</u></u>

The notes to the financial statements are an integral part of this statement.

**North Central State College Foundation, Inc.**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**1. DESCRIPTION OF THE FOUNDATION**

North Central State College Foundation, Inc. (the Foundation) financial statements have been prepared on an accrual basis of accounting. The Foundation is a not-for-profit organization established in accordance with Section 501(c) (3) of the Internal Revenue Code. The Foundation operates under a Board of Trustees who is appointed, not to be less than twelve, but not to exceed forty members. The Foundation is organized primarily to engage in activities and programs to provide support and services to the North Central State College (the College).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Contributions*

The Foundation reports contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. SFAS No. 116 requires that unconditional promises to give, with payments due in future periods, be recorded as receivables and support in either unrestricted, temporarily restricted, or permanently restricted net assets as appropriate in the period received at their net present value. The accumulated discount of net present value of the pledge is accounted for as contribution income of the related class of net assets. Conditional promises to give are not recorded as support until the condition upon which they depend has been substantially met by the Foundation.

*Financial Statement Presentation*

SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*, requires that the amounts for each of three classes of net assets: unrestricted, temporarily restricted and permanently restricted, be presented in an aggregated statement of financial position and that the amounts of changes in each of those classes of net assets be presented in a statement of activities. This statement requires that resources be classified into three net asset categories according to donor-imposed restrictions. A description of each of the categories is as follows:

**Unrestricted Net Assets**

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

**Temporarily Restricted Net Assets**

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

**Permanently Restricted Net Assets**

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

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

*Cash and Cash Equivalents*

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

**North Central State College Foundation, Inc.**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Investments*

The Foundation reports investments in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Investments in marketable securities with readily determined fair values and all investments in debt securities are reported at their fair values in the Statement of Net Assets. Unrealized gains and losses are included in the change in net assets. Investments of the unrestricted, temporarily restricted, and permanently restricted funds are pooled for making investment transactions and are carried at market value. Interest and dividend income, as well as realized and unrealized gains and losses, are allocated to unrestricted, temporarily restricted, and permanently restricted funds.

*Donated Service and Facilities*

The Foundation has no employees or property (other than cash and investments). Substantially all clerical and management duties are presently performed by business office personnel who are employees of North Central State College, utilizing equipment and facilities of North Central State College.

For accounting purposes, the value of facilities is considered immaterial and it has not been recognized in the financial statements. However, the value of the services provided by College personnel have been recognized in the Statement of Activities as personnel reimbursement expenses as required by SFAS 116.

*Contributions Receivable*

Contributions received, including unconditional promises to give, are recognized as revenue by net asset class when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. Conditional promises are recorded when donor stipulations are substantially met. The Foundation requires an initial minimum balance of \$10,000 to establish a scholarship fund.

*Prepaid Expenses*

Certain payments to vendors for fundraising activities reflect costs applicable to future accounting periods and are recorded as prepaid items.

*Capital Assets*

Capital assets acquired by the Foundation consist of office equipment. All expenditures for capital assets in excess of \$1,000 are capitalized. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets not to exceed ten years.

*Deferred Revenue*

Deferred revenue results from various fundraising activities. It represents amounts received from sponsors, vendors, and sales of admission tickets in advance. Deferred revenue is recognized as revenue in the period that the fundraising activity actually occurs.

**North Central State College Foundation, Inc.**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Estimates*

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

**3. INVESTMENTS**

The various investments in fixed income securities, mutual funds and other investment securities are exposed to various risks, such as interest rate, market fluctuations, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities could occur in the near term and those changes could materially affect the amounts reported in the financial statements.

At June 30, 2013, investments consisted of the following:

	Market / Carrying Value	Maturity			
		Less Than One Year	1-2 Years	3-5 Years	6-7 Years
Money Market Investments - US Government Obligations	641,897	641,897	-	-	-
Mutual Funds - Fixed Income Corporations	1,058,893	958,770	100,123	-	-
Mutual Funds - Equity Securities	1,711,744	1,711,744	-	-	-
Total	3,412,534	3,312,411	100,123	-	-

The Foundation determines the fair market values of its financial instruments based on the fair value hierarchy established in SFAS No. 157, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the Foundation's own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The Standard describes three levels within its hierarchy that may be used to measure fair value:

Level 1 Inputs: 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 Inputs: Significant other observable inputs other than Level 1 quoted 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 Inputs: 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.

**North Central State College Foundation, Inc.**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

**3. INVESTMENTS (Continued)**

The fair value of investments held by the Foundation at June 30, 2013 is summarized as follows:

Investment Type	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observ- able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Investments –			
U.S. Government Obligations	\$641,897	\$0	\$0
Mutual Funds - Fixed Income			
Corporations	1,058,893	0	0
Mutual Funds - Equity Securities	1,711,744	0	0
Total	<u>\$3,412,534</u>	<u>\$0</u>	<u>\$0</u>

**4. CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give are included in the financial statements as contributions receivable and contributions of 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 estimated future cash flows. The discount rate on those amounts is computed using a risk free interest rate applicable to the years in which the promises are to be received. The discount rate used for the year ended June 30, 2013 was 3.25%. The amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until conditions of those promises have been met.

Contributions receivable consisted of the following at June 30, 2013:

Unconditional promises to give before unamortized discount and allowance for uncollectible contributions:

Unrestricted	\$53,405
Temporarily restricted	321,583
Permanently restricted	<u>113,601</u>
Gross unconditional promises to give	488,589
Less: Unamortized discount	(21,035)
Less: Allowance for uncollectible contributions	<u>(48,859)</u>
Amounts due:	
Less than one year	<u>\$418,695</u>

**North Central State College Foundation, Inc.**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**5. TEMPORARILY RESTRICTED NET ASSETS**

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

Scholarships for Students	\$142,225
Grants	5,753
Other	295,209
Total Released Net Assets	<u>\$443,187</u>

Temporarily and permanently restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are available for providing scholarships to the College's students, providing professional development funds to the College staff and purchasing equipment for the benefit of the College. Permanently restricted net assets are restricted to investment in perpetuity and the income from which is expendable for scholarships to the College's students.

The different types of temporarily restricted net assets are classified as follows:

**Scholarships for Students:**

ADA Ford Educational Aid	\$3,747
Alumni Association	6,000
Bennett	543
Brown Respiratory Care	1,000
Cardwell/Near	988
Carter Memorial	2,581
Cobey	1,844
Coleman	1,853
Cress	1,225
Emerson	7,861
Faculty	751
Galion FOP	1,231
Garber	4,939
Gimble – Health Chair	13,783
G-R Civic	1,066
G-R Rupp	3,388
Gubkin	500
Haring	1,709
Jenko	57,241
Kroger	1,650
Necessities	12,520
Necessities – Crawford	6,305
Necessities – Shelby	5,971
Necessities – Wayne	3,283
Nursing	11,600
Orange and Blue	8,146
PTA Fund	1,798
Phillips Fund	2,000
Phillips E Troop	3,571
Plotts	500
President Emeritus	1,881



**North Central State College Foundation, Inc.**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**5. TEMPORARILY RESTRICTED NET ASSETS (Continued)**

Preston	1,616
RMC	1,010
Scheaffer	500
Searle – PTN	4,692
Searle – RN	4,500
Welsh	2,452
Vetter	513
YES Entrepreneur	11,501
Ambassador	800
Gimbel Scholarship	22,946
Gorman Fund	1,236
Scholarships (General)	5,818
Mansfield University	3,822
Innovation Fund	21,382
Rabel Machine Scholarship	2,601
Radiology Merit Scholarship	3,591
Tech Prep	2,514
Equipment	4,381
Kehoe Center	874,050
Urban Center Fund	(14,303)
Temporarily Restricted Other	214,618
Total Temporarily Restricted	<u>\$1,341,715</u>

**6. PERMANENTLY RESTRICTED NET ASSETS**

**Endowment Scholarships for**

ADA Ford Educational Aid Fund	\$20,000
Alumni Association	17,334
Bennett	10,000
Brown Respiratory Care	11,876
Cardwell Neer	10,000
Carter Memorial Endowment	31,267
Cobey Scholarship	19,201
Coleman Scholarship	19,102
Cress	26,800
Emerson Scholarship	105,152
Faculty Scholarship	10,976
Galion FOP	12,276
Garber Scholarship	28,440
Gimble Health Chair	500,000
G-R Civic	22,463
G-R Rupp	56,661
Gubkin Scholarship	10,170
Haring Scholarship	24,334
Jenko	699,933

**North Central State College Foundation, Inc.**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**6. PERMANENTLY RESTRICTED NET ASSETS (Continued)**

Kroger	36,129
MIMA – Urban Center	11,866
Necessities	128,938
Necessities – Crawford	54,950
Necessities – Shelby	50,700
Necessities – Wayne	26,275
Nursing Scholarship	236,746
Orange and Blue Scholarship	167,963
PTA Fund	27,285
Phillips	80,000
Phillips E Troop	26,673
Plotts Endowment	4,303
President Emeritus	20,320
Preston	35,385
RMC	19,703
Sheaffer	10,000
Searle – PTA	80,000
Searle – RN	80,000
Welsh	53,678
Vetter	12,125
Yes Entrepreneur	38,651
Restricted Contributions	100,934
Total Permanently Restricted	<u>\$2,938,609</u>

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 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

**North Central State College Foundation, Inc.**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**6. PERMANENTLY RESTRICTED NET ASSETS (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. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. The Foundation had no such amounts totaled as of June 30, 2013.

**7. RICHLAND COUNTY FOUNDATION**

During 1991, the Foundation established a "Direct Fund" in which an irrevocable gift was made to the Richland County Foundation. This fund is identified by the Richland County Foundation as the North Central State College Foundation "Endowment Fund" and is subject to the provisions contained within the fund agreement dated December 31, 1991. This fund is the property of the Richland County Foundation, whereby, those funds will be held in perpetuity, and the investment income will be distributed to the Foundation annually to benefit the North Central State College. One of the provisions in this fund agreement, the variance power, concerns the power to vary some of the terms of the agreement. As defined by United States Treasury Regulations, the Richland County Foundation has the right to modify the terms of the fund agreement if in the judgment of the Richland County Foundation's Board of Trustees, the restrictions and conditions in the agreement become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

In accordance with SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Hold Contributions for Others*, the portion of this fund contributed by the Foundation is considered a reciprocal transfer because the Foundation is also the beneficiary of this fund. This balance is shown on the Richland County Foundation's Statement of Financial Position as a liability called "Funds Held as Agency Endowments". This amounted to \$350,000 at June 30, 2013.

Also, under SFAS No. 136, the portion of this fund contributed by unrelated third party donors is considered a contribution to the Richland County Foundation and is included in the net assets of Richland County Foundation. The amount recognized in the Statement of Financial Position of the Richland County Foundation at June 30, 2013 totaled \$295,988.

**8. INCOME TAXES**

The Foundation is a not-for-profit corporation as described in Section 501 (c) (3) of the Internal Revenue Code, and the organization is exempt from federal and state income taxes.

**9. RELATED PARTY**

The Foundation is affiliated with the College. During the year ended June 30, 2013, the College provided the Foundation with professional services valued at \$165,418. The value of those services is included as personnel reimbursement expenses in the financial statements.

During the year ended June 30, 2013, the Foundation provided scholarships and support to the College of \$443,187.

**North Central State College Foundation, Inc.**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**10. LINE OF CREDIT**

In Fiscal Year 2011, the College Foundation obtained a line of credit for up to \$600,000, secured by future Capital Campaign pledges, to complete the funding of the construction project at North Central State College's Fallerius Center. The construction project was completed during the fall of 2011 (Fiscal Year 2012). Payments from donors on Foundation-secured financial pledges for the construction project will be made over the next two years and used to pay off the Richland Bank Line of Credit. As of June 30, 2013 the balance has been paid in full.

**11. SUBSEQUENT EVENTS**

The Foundation has evaluated events occurring between the end of its most recent fiscal year and December 5, 2013, the date the financial statements were issued. No material subsequent events were identified for recognition or disclosure.



## Balestra, Harr & Scherer, CPAs, Inc.

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

[www.bhscpas.com](http://www.bhscpas.com)

### Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

North Central State College Foundation Inc.  
2441 Kenwood Circle  
Mansfield, Ohio 44903

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of North Central State College Foundation Inc., Richland County, (the Organization), a component unit of North Central State College, as of and for the years ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2013.

#### Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Organization's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Organization's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

#### Compliance and Other Matters

As part of reasonably assuring whether the Organization's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

**Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 5, 2013



# Dave Yost • Auditor of State

**NORTH CENTRAL STATE COLLEGE FOUNDATION**

**RICHLAND 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  
JANUARY 28, 2014**