SINCLAIR COMMUNITY COLLEGE FOUNDATION
Dayton, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

Dave Yost • Auditor of State

Board of Trustees
Sinclair Community College Foundation
444 West Third Street
Dayton, Ohio 45402 – 1460

We have reviewed the *Independent Auditor's Report* of the Sinclair Community College Foundation, Montgomery County, prepared by Crowe Horwath LLP, for the audit period January 1, 2013 through December 31, 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 Sinclair Community College Foundation is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

July 15, 2014

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Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sinclair Community College Foundation
Dayton, Ohio

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Sinclair Community College Foundation and Courseview Holdings, LLC, collectively, "the Foundation", which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our 2013 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated June 24, 2014 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 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 the Foundation's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
June 24, 2014

SINCLAIR COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 844,997	$ 641,280
Accounts receivable	10,000	10,500
Investments		
Fixed income security funds	4,384,956	3,426,304
Equity funds	20,767,196	17,621,637
Venture capital funds	449,862	491,221
Total investments	25,602,014	21,539,162
Pledges receivable, net of allowances of $3,643 and $3,049 at December 31, 2013 and 2012, respectively	393,006	363,928
Land	4,281,836	4,281,836
Buildings, net of accumulated depreciation	826,874	862,185
Total assets	$ 31,958,727	$ 27,698,891
LIABILITIES AND NET ASSETS		
Liabilities		
Payable to Sinclair Community College	$ 56,072	$ 50,385
Other payables	97,603	75,000
Total liabilities	153,675	125,385
Net assets		
Unrestricted	21,150,416	18,166,126
Temporarily restricted	4,891,808	3,565,334
Permanently restricted	5,762,828	5,842,046
Total net assets	31,805,052	27,573,506
Total liabilities and net assets	$ 31,958,727	$ 27,698,891

See accompanying notes to consolidated financial statements

SINCLAIR COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years ended December 31, 2013 and 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Contributions	$ 226,701	$ 3,326,809	$ 186,040	$ 3,739,550	$ 252,192	$ 3,855,987	$ 167,621	$ 4,275,800
Investment income	3,336,263	1,202,704	194,742	4,733,709	2,039,969	771,453	97,828	2,909,250
Lease income	194,925	-	-	194,925	118,434	-	-	118,434
Net assets released from restrictions	3,672,079	(3,672,079)	-	-	4,521,206	(4,521,206)	-	-
Total revenue and support	7,429,968	857,434	380,782	8,668,184	6,931,801	106,234	265,449	7,303,484
Expenses:								
Scholarships	751,872	-	-	751,872	896,473	-	-	896,473
Project support	3,377,819	-	-	3,377,819	4,200,955	-	-	4,200,955
Operating expenses	306,947	-	-	306,947	217,508	-	-	217,508
Total expenses	4,436,638	-	-	4,436,638	5,314,936	-	-	5,314,936
Change in net assets from operations	2,993,330	857,434	380,782	4,231,546	1,616,865	106,234	265,449	1,988,548
Change in donor restriction	(9,040)	469,040	(460,000)	-	-	-	-	-
Change in net assets	2,984,290	1,326,474	(79,218)	4,231,546	1,616,865	106,234	265,449	1,988,548
Net assets, beginning of year	18,166,126	3,565,334	5,842,046	27,573,506	16,549,261	3,459,100	5,576,597	25,584,958
Net assets, end of year	$ 21,150,416	$ 4,891,808	$ 5,762,828	$ 31,805,052	$ 18,166,126	$ 3,565,334	$ 5,842,046	$ 27,573,506

See accompanying notes to consolidated financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	$ 4,231,546	$ 1,988,548
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	35,311	20,598
Net realized/unrealized gain on investments	(4,726,851)	(2,934,444)
Contributions and investment income restricted for long-term investment	(380,782)	(265,449)
Change in assets and liabilities		
Accounts receivable	500	38,665
Pledges receivable	(29,078)	317,308
Payable to Sinclair Community College	5,687	(43,375)
Other payables	22,603	25,000
Net cash used in operating activities	(841,064)	(853,149)
Cash flows from investing activities		
Proceeds from sale of investments	5,196,368	5,341,432
Purchase of investments	(4,532,369)	(661,960)
Purchase of land and buildings	-	(5,164,619)
Net cash provided by (used in) investing activities	663,999	(485,147)
Cash flows from financing activities		
Contributions restricted for endowments	186,040	167,621
Investment income restricted for endowments	194,742	97,828
Net cash provided by financing activities	380,782	265,449
Net change in cash and cash equivalents	203,717	(1,072,847)
Cash and cash equivalents at beginning of year	641,280	1,714,127
Cash and cash equivalents at end of year	$ 844,997	$ 641,280
Noncash activities		
Donations of equipment and materials	$ 85,355	$ 70,235

See accompanying notes to consolidated financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Organization: The Sinclair Community College Foundation (the "Foundation") was established in 1969 for the sole purpose of providing scholarships and other financial assistance to Sinclair Community College (the "College") and its students. Revenue sources for the Foundation are private gifts from individuals, businesses and other foundations and investment income. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Foundation established Courseview Holdings, LLC, a non-profit limited liability company, for the purposes of acquiring and holding real estate located in the vicinity of Courseview Drive. The Foundation is the sole member of the company.

Basis of presentation: The accompanying consolidated financial statements include the accounts of the Foundation and Courseview Holdings, LLC (collectively referred to herein as "the Foundation"). All significant intercompany transactions have been eliminated in the consolidation.

The Foundation classifies net assets, revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. These classifications are permanently restricted, temporarily restricted, and unrestricted net assets.

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents: The Foundation considers all highly liquid investments with maturity of three months or less at the time of purchase, including money market accounts which are recorded at fair value, to be cash equivalents.

Investments: Investments in equity funds and fixed income security funds are carried at fair value under accounting principles generally accepted in the United States of America. Other investments, if acquired by gift, are recorded at fair value at the date of the gift. Realized and unrealized gains and losses on all investments are recorded in the period earned.

Venture capital funds are measured at cost. The Foundation reviews the funds for impairment on an annual basis. The Foundation would recognize impairment losses if the carrying amount is determined not to be recoverable. As of December 31, 2013 and 2012, the Foundation believes that no impairment existed.

The Foundation utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities could result in the subsequent values of investment securities differing materially from the amounts reported in the statement of financial position.

(Continued)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property: Land and buildings are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The Foundation owns one building which is being depreciated over its estimated useful life of 25 years using the straight-line method.

Impairment of Long-Lived Assets: On an ongoing basis, the Foundation reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. The impairment loss would adjust the assets to fair value. As of December 31, 2013 and 2012, the Foundation believes no impairment existed.

Contributions: Contributions are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted support, while contributions without donor-imposed restrictions are reported as unrestricted support.

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 that affect the reported amounts of assets at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2013 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2013. Management has performed its analysis through June 24, 2014, the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investment income includes interest, dividends, fees and realized and unrealized gains and losses on investments as follows:

	2013	2012
Interest and dividend income	$ 54,484	$ 33,331
Investment fees	(47,626)	(58,525)
Realized and unrealized gains	4,726,851	2,934,444
	$ 4,733,709	$ 2,909,250

Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, 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.

NOTE 2 – INVESTMENTS (Continued)

ASC 820 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 (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.

For equity funds and fixed income security funds that have sufficient activity or liquidity within the fund, fair value is determined using the net asset value (or its equivalent) provided by the fund manager and are classified within Level 2 of the hierarchy. The market approach is utilized for equity funds and fixed income security funds which have observable inputs and market activity that allow for pricing based on the fund manager indirectly pricing the individual bonds and securities held by the fund on December 31 by comparing them to bonds and equities with similar characteristics that were actively traded on that date. The fixed income security funds and equity funds are index funds with strategies designed to replicate the capitalization-weighted compositions of third-party indices that represent the investment performance of specific segments of public securities' markets in the United States and/or foreign countries. Redemption restrictions range up to one week and there were no unfunded commitments at December 31, 2013 and 2012.

The reported fair values of the Foundation's investments in fixed income security funds and equity funds are based on inputs from the various fund managers and are presented by caption and by level in the tables below.

	Fair Value Measurements at December 31, 2013 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Fixed income security funds	$ -	$ 4,384,956	$ -	$ 4,384,956
Equity funds	-	20,767,196	-	20,767,196
Total	$ -	$ 25,152,152	$ -	$ 25,152,152

(Continued)

NOTE 2 – INVESTMENTS (Continued)

	Fair Value Measurements at December 31, 2012 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Fixed income security funds	$ -	$ 3,426,304	$ -	$ 3,426,304
Equity funds	-	17,621,637	-	17,621,637
Total	$ -	$ 21,047,941	$ -	$ 21,047,941

NOTE 3 – PLEDGES RECEIVABLE

As the collection of pledges is estimated to be probable, the Foundation has recorded a receivable of $393,006 and $363,928, representing the present value of those pledges receivable at December 31, 2013 and 2012, respectively. The fair value of pledges due within one year approximates its carrying value due to the short-term nature of the receivable. The remaining receivables have been discounted to reflect the present value of expected future cash flows using discount rates ranging from 2 - 5%.

Pledges receivable at December 31, 2013 and 2012 are summarized as follows:

	2013	2012
Less than one year	$ 158,158	$ 143,871
One to five years	26,305	9,190
More than five years	214,510	214,510
	398,973	367,571
Allowance for doubtful accounts	(3,643)	(3,049)
Discount	(2,324)	(594)
	$ 393,006	$ 363,928

NOTE 4 – LAND AND BUILDINGS

Capital assets consist of the following at December 31, 2013 and 2012:

	2013	2012
Land	$ 4,281,836	$ 4,281,836
Buildings	882,783	882,783
Total cost	5,164,619	5,164,619
Accumulated depreciation	(55,909)	(20,598)
	$ 5,108,710	$ 5,144,021

(Continued)

NOTE 4 – LAND AND BUILDINGS (Continued)

The Foundation purchased all of the land and the building in 2012 and donated it to Courseview Holdings, LLC, a limited liability company created in 2011 for that purpose. The Foundation is the sole member of the LLC. All of the property is being leased by the LLC to the College for the College's use in expanding its Courseview Campus in Mason, Ohio.

Depreciation expense for the years ended December 31, 2013 and 2012 was $35,311 and $20,598, respectively.

NOTE 5 – NET ASSETS

Unrestricted Net Assets: Unrestricted net assets represent funds which can be used by the Foundation for any purpose authorized by the Board of Trustees.

Temporarily Restricted Net Assets: Temporarily restricted net assets represent funds whose corpus are restricted to be spent for a specific purpose determined by the donor and unspent earnings from funds whose corpus is permanently restricted by donors. The Foundation maintains separate balances in its accounting records to account for the amounts available for such restricted purposes. Net assets released from donor restrictions as of December 31, 2013 and 2012, were as follows:

	2013	2012
Scholarships	$ 450,553	$ 457,664
Project support	3,137,878	3,990,954
Operating fee	83,648	72,588
	$ 3,672,079	$ 4,521,206

Permanently Restricted Net Assets: Permanently restricted net assets are restricted to investment in perpetuity as endowment funds. The endowment funds represent contributions for which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the investment income (or portions thereof) of the funds be expended as the donor has specified, principally for scholarships and student financial aid. Such investment income is recognized as income generally in temporarily restricted net assets in accordance with donor stipulations when it is earned.

(Continued)

NOTE 5 – NET ASSETS (Continued)

The following summarizes the programs supported by net assets of the Foundation at December 31:

	2013		
	Temporarily Restricted	Permanently Restricted	Totals
Scholarships	$ 2,413,023	$ 3,842,930	$ 6,255,953
Project support	2,478,785	1,536,689	4,015,474
Undesignated	-	383,209	383,209
Total funds	$ 4,891,808	$ 5,762,828	$ 10,654,636

	2012		
	Temporarily Restricted	Permanently Restricted	Totals
Scholarships	$ 1,796,146	$ 3,967,310	$ 5,763,456
Project support	1,769,188	1,491,527	3,260,715
Undesignated	-	383,209	383,209
Total funds	$ 3,565,334	$ 5,842,046	$ 9,407,380

NOTE 6 – ENDOWMENT COMPOSITION

The Foundation's endowment primarily consists of funds held by BlackRock Institutional Trust Company, N.A. Its endowment includes donor-restricted endowment funds. As required by applicable standards, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of December 31, 2013 and 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Donor-restricted endowment funds - 2013	$ -	$ 4,891,808	$ 5,762,828	$ 10,654,636
Donor-restricted endowment funds - 2012	$ -	$ 3,565,334	$ 5,842,046	$ 9,407,380

(Continued)

NOTE 6 – ENDOWMENT COMPOSITION (Continued)

Changes in endowment net assets for year ended December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Net assets, beginning of year	$ -	$ 3,565,334	$ 5,842,046	$ 9,407,380
Investment return				
Investment income, net	-	1,740	282	2,022
Net appreciation (realized and unrealized gains/losses)	-	1,200,964	194,460	1,395,424
Total investment return	-	1,202,704	194,742	1,397,446
Contributions	-	3,326,809	186,040	3,512,849
Appropriation of endowment assets for expenditure	-	(3,672,079)	-	(3,672,079)
Change in donor restriction	-	469,040	(460,000)	9,040
Net assets, end of year	$ -	$ 4,891,808	$ 5,762,828	$ 10,654,636

Changes in endowment net assets for year ended December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Net assets, beginning of year	$ (1,367)	$ 3,459,100	$ 5,576,597	$ 9,034,330
Investment return				
Investment income, net	-	(6,658)	(848)	(7,506)
Net appreciation (realized and unrealized gains/losses)	1,367	778,111	98,676	878,154
Total investment return	1,367	771,453	97,828	870,648
Contributions	-	3,855,987	167,621	4,023,608
Appropriation of endowment assets for expenditure	-	(4,521,206)	-	(4,521,206)
Net assets, end of year	$ -	$ 3,565,334	$ 5,842,046	$ 9,407,380

Change in Donor Restriction: In 2013, unrelated donors provided written instructions to the Foundation to change the restrictions on amounts they had contributed in prior years. The changed restrictions resulted in the transfer of those amounts from one net asset class to another.

Interpretation of Relevant Law: The Board of Trustees of the Foundation interprets the Ohio Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to require consideration (except as otherwise provided by the donor in a gift instrument) of the following factors, if relevant, in making management and investment decisions for donor-restricted endowment funds:

(Continued)

NOTE 6 – ENDOWMENT COMPOSITION (Continued)

(a) The duration and preservation of the endowment fund

(b) The purposes of the Foundation and donor-restricted endowment fund

(c) The investment policy of the Foundation

(d) General economic conditions

(e) The possible effect of inflation or deflation

(f) The expected tax consequence, if any, of investment decisions or strategies

(g) The role that each investment or course of action plays within the overall investment portfolio of the fund

(h) The expected total return from income and the appreciation of investments

(i) Other resources of the Foundation

(j) The need of the Foundation and of the fund to make distributions and preserve capital

(k) An asset's special relationship or special value, if any, to the charitable purpose of the Foundation

Foundation Board policy requires the preservation of the fair value of original gifts as of the gift date for donor-restricted endowment funds absent explicit donor stipulations to the contrary. Investment losses that would lower a gift's fair value below this amount are reported in unrestricted net assets.

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.

<u>Strategies Employed for Achieving Objectives</u>: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved primarily through capital appreciation (realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

<u>Return Objectives and Risk Parameters</u>: 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 intends to hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the rate of inflation (the Consumer Price Index) by three (3) percentage points over time on an annualized basis while assuming a moderate level of investment risk.

<u>Spending Policy</u>: The Foundation has a policy of appropriating for distribution each year up to 5 percent of its endowment funds' three-year moving average fair value, calculated on a monthly basis, through the calendar year-end preceding the year in which the distribution is planned.

(Continued)

NOTE 6 – 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. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. There were no such deficiencies at December 31, 2013 or 2012.

NOTE 7 – TRANSACTIONS WITH SINCLAIR COMMUNITY COLLEGE

The Foundation processes payments through and maintains accounting and donor records on the computer systems of the College. The College allocates the cost of accounting, donor database management, and computer system support to the Foundation. The College also allocates certain donor development staff costs to the Foundation. Such allocations amounted to $117,124 and $105,310 for the years ended December 31, 2013 and 2012, respectively.

In 2012, the Foundation leased land and buildings to the College under operating leases as disclosed in Note 4. The leases have three year terms that have varying expiration dates through December 2015 with renewal options at the end of each term. On the renewal date of each lease, the rate will be adjusted based on the latest projected return for a domestic fixed income class benchmark that is specified in the lease. This will result in a new lease payment amount that could be higher or lower than the current payment. Future minimum lease payments due to the Foundation under these operating leases are as follows:

2014	$ 194,925
2015	132,374
Total	$ 327,299

Lease income under operating leases for the year ended December 31, 2013 was $194,925.

NOTE 8 – DONATED EQUIPMENT AND MATERIALS

The Foundation receives donations of equipment and materials which are passed on to the College for various educational uses. For the years ended December 31, 2013 and 2012, these donations were valued at $85,355 and $70,235, respectively, and were reported as unrestricted contribution revenue and project support expense.

NOTE 9 – FUND-RAISING COSTS

Operating expenses include fund-raising costs of $76,560 and $53,008 for the years ended December 31, 2013 and 2012, respectively.

NOTE 10 – LIFE SETTLEMENT CONTRACTS

As a result of donor bequests, the Foundation is the owner and beneficiary of two life insurance policies with a combined carrying value of $215,000 and a combined face value of $1,060,000. The carrying values are reported in pledges receivable. Both policies are paid in full. The Foundation does not expect to receive any proceeds from these policies within the next five years.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Sinclair Community College Foundation and
Dave Yost, Auditor of State
Dayton, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Sinclair Community College Foundation (the "Foundation"), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Foundation's consolidated 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 consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
June 24, 2014

SUPPLEMENTARY INFORMATION

SINCLAIR COMMUNITY COLLEGE FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
Year ended December 31, 2013

	Program Services	Management and General	Fundraising	Total
Scholarships and project support	$ 4,129,691	$ -	$ -	$ 4,129,691
Salaries and related expenses	-	111,624	-	111,624
Accounting fees	-	5,500	-	5,500
Legal fees	-	2,704	-	2,704
Professional fundraising service	-	-	424	424
Consultants	-	-	46,750	46,750
Postage and supplies	-	16	4,439	4,455
Software maintenance	-	8,379	3,000	11,379
Printing and publications	-	-	18,476	18,476
Annual audit	-	19,346	-	19,346
Donor cultivation and receptions	-	3,612	3,471	7,083
State registration fee	-	200	-	200
Bank fees	-	2,382	-	2,382
Property taxes	-	41,313	-	41,313
Depreciation	-	35,311	-	35,311
Total functional expenses	$ 4,129,691	$ 230,387	$ 76,560	$ 4,436,638

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SINCLAIR COMMUNITY COLLEGE FOUNDATION

MONTGOMERY 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
JULY 29, 2014