

Cincinnati State Technical and Community College Foundation

Financial Statements

June 30, 2020 and 2019

with Independent Auditors' Report



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Board of Directors
Cincinnati State Technical and Community College Foundation
3520 Central Parkway
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We have reviewed the *Independent Auditors' Report* of the Cincinnati State Technical and Community College Foundation, Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2019 through June 30, 2020. 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 Cincinnati State Technical and Community College Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 6, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Cincinnati State Technical and Community College Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Cincinnati State Technical and Community College Foundation (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses 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 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 audits 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 Cincinnati State Technical and Community College Foundation as of June 30, 2020 and 2019, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020, on our consideration of Cincinnati State Technical and 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 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 Cincinnati State Technical and Community College Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cincinnati State Technical and Community College Foundation's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 14, 2020

Cincinnati State Technical and Community College Foundation
 Statements of Financial Position
 June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 1,866,824	908,631
Investments	10,101,064	10,433,115
Pledges receivable - net	480,794	301,420
Assets held in remainder unitrust	253,274	273,650
Prepaid expenses and other assets	<u>8,219</u>	<u>11,412</u>
	\$ <u>12,710,175</u>	<u>11,928,228</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 216,585	125,773
Charitable remainder unitrust obligation	<u>89,142</u>	<u>102,446</u>
	<u>305,727</u>	<u>228,219</u>
 Net assets		
Without donor restrictions	168,517	341,689
With donor restrictions	<u>12,235,931</u>	<u>11,358,320</u>
	<u>12,404,448</u>	<u>11,700,009</u>
	\$ <u>12,710,175</u>	<u>11,928,228</u>

See accompanying notes to the financial statements.

Cincinnati State Technical and Community College Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions	\$ 32,510	2,077,957	2,110,467
In-kind support from College	195,225	-	195,225
Investment return, net	(8,859)	(34,919)	(43,778)
Net assets released from restrictions	<u>1,165,427</u>	<u>(1,165,427)</u>	<u>-</u>
Total revenues and other support	<u>1,384,303</u>	<u>877,611</u>	<u>2,261,914</u>
Expenses			
Program	954,742	-	954,742
Management and general	352,977	-	352,977
Fundraising	<u>249,756</u>	<u>-</u>	<u>249,756</u>
Total expenses	<u>1,557,475</u>	<u>-</u>	<u>1,557,475</u>
Change in net assets	(173,172)	877,611	704,439
Net assets at beginning of year	<u>341,689</u>	<u>11,358,320</u>	<u>11,700,009</u>
Net assets at end of year	\$ <u><u>168,517</u></u>	<u><u>12,235,931</u></u>	<u><u>12,404,448</u></u>

See accompanying notes to the financial statements.

Cincinnati State Technical and Community College Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions	\$ 166,592	1,295,922	1,462,514
In-kind support from College	198,101	-	198,101
Investment return, net	73,705	572,458	646,163
Net assets released from restrictions	<u>1,173,439</u>	<u>(1,173,439)</u>	<u>-</u>
Total revenues and other support	<u>1,611,837</u>	<u>694,941</u>	<u>2,306,778</u>
Expenses			
Program	1,130,722	-	1,130,722
Management and general	481,616	-	481,616
Fundraising	<u>283,081</u>	<u>-</u>	<u>283,081</u>
Total expenses	<u>1,895,419</u>	<u>-</u>	<u>1,895,419</u>
Change in net assets	(283,582)	694,941	411,359
Net assets at beginning of year	<u>625,271</u>	<u>10,663,379</u>	<u>11,288,650</u>
Net assets at end of year	\$ <u><u>341,689</u></u>	<u><u>11,358,320</u></u>	<u><u>11,700,009</u></u>

See accompanying notes to the financial statements.

Cincinnati State Technical and Community College Foundation
Statement of Functional Expenses
Year Ended June 30, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Accounting fees	\$ -	22,300	-	22,300
Campaign expense	-	153,000	51,000	204,000
Bank and other fees	-	6,382	-	6,382
Instruction	721,491	-	-	721,491
In-kind support	198,755	16,563	198,756	414,074
Retention initiative	4,961	-	-	4,961
Schell loan initiative	9,643	-	-	9,643
Uncollectible pledges	-	2,350	-	2,350
Subcontracted services	-	126,371	-	126,371
Software and training expense	-	9,750	-	9,750
Meetings	15,043	-	-	15,043
Legal fees	-	14,561	-	14,561
Sundry	4,849	1,700	-	6,549
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	\$ <u>954,742</u>	<u>352,977</u>	<u>249,756</u>	<u>1,557,475</u>

See accompanying notes to the financial statements.

Cincinnati State Technical and Community College Foundation
Statement of Functional Expenses
Year Ended June 30, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Accounting fees	\$ -	23,540	-	23,540
Campaign expense	-	218,500	64,500	283,000
Bank and other fees	-	6,337	-	6,337
Instruction	870,395	-	-	870,395
In-kind support	218,581	18,215	218,581	455,377
Retention initiative	4,173	-	-	4,173
Schell loan initiative	12,512	-	-	12,512
Uncollectible pledges	-	21,008	-	21,008
Subcontracted services	-	124,847	-	124,847
Software and training expense	-	57,883	-	57,883
Meetings	13,396	-	-	13,396
Legal fees	-	10,313	-	10,313
Sundry	11,665	973	-	12,638
	<u>11,665</u>	<u>973</u>	<u>-</u>	<u>12,638</u>
Total expenses	\$ <u>1,130,722</u>	<u>481,616</u>	<u>283,081</u>	<u>1,895,419</u>

See accompanying notes to the financial statements.

Cincinnati State Technical and Community College Foundation
 Statements of Cash Flows
 Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 704,439	411,359
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for endowment	(299,103)	(50,835)
Net realized and unrealized losses (gains) on investments	239,492	(420,017)
Net change in value of remainder trust	7,046	(32,713)
Bad debt expense	2,350	21,008
Changes in operating assets and liabilities:		
Pledges receivable	(181,724)	345,108
Prepaid expenses and other assets	3,193	9,443
Payable due to College	90,812	(103,910)
Charitable remainder unitrust obligation	(13,304)	102,446
Net cash provided by operating activities	553,201	281,889
Cash flows from investing activities:		
Purchase of investments, net of sales and maturities	92,559	(764,814)
Purchase of assets in remainder trust	13,330	(240,937)
Net cash provided by (used in) investing activities	105,889	(1,005,751)
Cash flows from financing activities:		
Contributions permanently restricted for endowment	299,103	50,835
Change in cash and cash equivalents	958,193	(673,027)
Cash and cash equivalents at beginning of year	908,631	1,581,658
Cash and cash equivalents at end of year	\$ 1,866,824	908,631

See accompanying notes to the financial statements.

1. Nature of Organization and Significant Accounting Policies

Organization

Cincinnati State Technical and Community College Foundation (the "Foundation") was organized to promote and support the programs, services, and capital improvement projects of Cincinnati State Technical and Community College (the "College") and to solicit, receive, hold, and administer gifts and grants for the benefit of the College. The Foundation is a component unit of the College.

The Foundation is governed by a self-perpetuating Board of Directors whose membership consists of certain ex-officio and other members from the College's board and management and members (a majority) who are not from the College's board or employed by the College.

Adoption of new accounting standards

During 2020, the Foundation adopted Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard assists entities in determining whether transactions should be recorded as a contribution (nonreciprocal transaction) or as an exchange (reciprocal transaction). The standard also provides expanded guidance on determining whether or not a contribution is conditional. The Foundation's revenue recognition policies were not impacted by this standard.

Also during 2020, the Foundation adopted ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The Foundation has implemented this guidance on a modified retrospective basis to all periods presented as permitted under the ASU. There was no material impact to the financial statements presented upon adoption of this standard.

Basis of presentation

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United State of America (GAAP), which requires the Foundation to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

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

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions that are likely to be met by actions of the Foundation or by the passage of time. Some donor restrictions are perpetual in nature whereby the principal is to be maintained intact in perpetuity and that only the income from investment thereof be expended either for the general purpose of the Foundation, or purposes specified by the donor.

Cash equivalents

The Foundation considers all investments with an original maturity of three months or less when purchased to be cash equivalents. The Foundation has cash equivalents included in its investment portfolio that are combined with total investments. The carrying amount of cash and cash equivalents shown in the accompanying financial statements includes checking and overnight investment accounts with one local financial institution.

Investments

Investments are stated at fair value. The fair value of investments is estimated based on quoted market prices for those similar investments. Realized and unrealized gains or losses are determined by the difference between carrying value and fair value. Gains and losses and investment income derived from investments are accounted for as income with donor restrictions or income without donor restrictions based on any restrictions imposed by donors. Interest and dividends are reported net of related investment fees.

Assets held in remainder unitrust

Assets held in remainder unitrust are resources held and administered by an outside trustee for the benefit of the Foundation. This account is reported at estimated fair value of the Foundation's interest of assets within the trust with changes in value included in the statements of activities and changes in net assets. Under the terms of the trust, the Foundation has the irrevocable right to receive the trust assets when the trust terminates in accordance with the trust agreement. During the term of the trust, income distributions are made to a third-party beneficiary in accordance with the terms of the trust. This beneficiary's right to receive these distributions is recognized as a charitable remainder unitrust obligation on the statements of financial position.

Contributions

Contributions, including unconditional promises to give in the future, are measured at fair value and reported as revenue when received or receivable. Donor unconditional promises to give in the future are recorded at the present value of estimated future cash flows. Contributions with donor-imposed time or purpose restrictions are reported as support with donor restrictions. All other contributions are reported as support without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Amounts for services provided by the College are valued and reported as in-kind donations. See Note 7 for further information.

Pledges receivable 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 discounts on those amounts are computed using risk-free interest rates (based on the 52-week daily treasury bill rates of .16% and 1.87% as of June 30, 2020 and 2019, respectively). Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible. Based upon management's judgment, considering such factors as prior collection history, type of contribution, and nature of fundraising activity, the Foundation recorded an allowance of \$52,350 and \$61,000 for uncollectible pledges receivable as of June 30, 2020 and 2019, respectively.

Functional allocation of expenses

Total expenses consist of expenses relating to program services, management and general, and fundraising. Costs are allocated between the various programs and support services on an actual basis, where available, or based upon reasonable methods. Personnel and related benefit costs that are included in campaign and in-kind support, are allocated based upon management's estimates of time expended by function. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Income taxes

The Foundation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Subsequent events

The financial statements and related disclosures include evaluation of events up through and including October 14, 2020, which is the date the financial statements were available to be issued.

2. Pledges Receivable

As of June 30, 2020 and 2019, net pledges receivable are classified as net assets with donor restrictions since they will either expire or be fulfilled within a specified period of time. Net pledges receivable consist of the following as of June 30, 2020 and 2019:

	2020	2019
Pledges due in one year or less	\$ 409,363	210,534
Pledges due from one to five years	85,881	124,821
Pledges due after five years	39,000	42,001
Gross pledges receivable	534,244	377,356
Less allowance for uncollectible pledges	52,350	61,000
Less discount for long-term pledges	1,100	14,936
Net pledges receivable	\$ 480,794	301,420

3. Investments

Investments consisted of the following at June 30:

	2020	2019
Cash equivalents	\$ 997,450	305,261
Equity securities	5,984,445	7,071,842
Debt securities	2,690,060	2,637,327
Real estate investments	18,897	26,564
Alternative investments	410,212	392,121
Total investments	\$ 10,101,064	10,433,115

Investment income during the years ended June 30, 2020 and 2019 are net of investment fees of \$58,967 and \$55,758, respectively.

4. Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2020 and 2019 and the valuation techniques used by the Foundation to determine those fair values.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2020

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
Equities - common stocks	\$ 3,503,734	-	-	3,503,734
Equities - mutual funds	2,455,585	-	-	2,455,585
Fixed income - preferred stock	25,126	-	-	25,126
Fixed income - mutual funds	2,477,663	-	-	2,477,663
Fixed income - corporate bonds	203,901	-	-	203,901
Fixed income - U.S. Government	8,496	-	-	8,496
Real estate mutual funds	18,897	-	-	18,897
Alternative mutual funds	410,212	-	-	410,212
	<u>\$ 9,103,614</u>	<u>-</u>	<u>-</u>	<u>9,103,614</u>

Assets Measured at Fair Value on a Recurring Basis at June 30, 2019

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Equities - common stocks	\$ 4,050,916	-	-	4,050,916
Equities - mutual funds	3,005,813	-	-	3,005,813
Fixed income - preferred stock	15,114	-	-	15,114
Fixed income - mutual funds	2,455,021	-	-	2,455,021
Fixed income - corporate bonds	172,594	-	-	172,594
Fixed income - U.S. Government	9,711	-	-	9,711
Real estate mutual funds	26,564	-	-	26,564
Alternative mutual funds	392,121	-	-	392,121
	<u>\$ 10,127,854</u>	<u>-</u>	<u>-</u>	<u>10,127,854</u>

Investments on the statements of financial position at June 30, 2020 and 2019 include cash equivalents of \$997,450 and \$305,261, respectively. The Foundation's investments in cash equivalents are measured at amortized cost; therefore, they are not included in the table above.

5. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted for the following purposes or periods at June 30:

	2020	2019
Pledges receivable	\$ 480,794	301,420
Special purpose funds	4,595,042	3,588,531
(Loss) Income on endowments	(34,919)	572,458
Endowment funds - perpetual portion	7,195,014	6,895,911
Total	<u>\$ 12,235,931</u>	<u>11,358,320</u>

6. Endowment

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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 net assets with perpetual donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 net assets with perpetual donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Funds with deficiencies:

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

Funds with deficiencies are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Fair value of underwater endowment assets	\$ 590,128	330,214
Original endowment gift amounts	<u>616,978</u>	<u>332,727</u>
Endowment gifts in excess of endowment assets	\$ <u><u>(26,850)</u></u>	<u><u>(2,513)</u></u>

Investment return objectives:

The Foundation has adopted the investment and spending policies for endowment assets. The investment strategy of the Endowment is to emphasize total return with reasonable withdrawal requirements being met from interest, dividends and capital appreciation. The endowment will strive for a proper balance between preservation of capital and enhancement of purchasing power. The commitment to total return is based on the premise that over longer periods of time, common stocks should outperform fixed income instruments and the Endowment will be better served by taking a long-term perspective and weighting asset allocations towards capital appreciation. It is recognized that over shorter time frames this approach carries with it the risks of volatility, the threat of investment losses, and the possibility of using principal when total return is less than the needs of the Endowment. The Foundation's overall goal is to provide additional real growth through new endowment gifts and investment returns.

Specific investment goals:

The investment time horizon for the Endowment is aimed to last in perpetuity. The Finance Committee requires that all the Endowment assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Endowment, with minimal impact on market price. It is the goal of the aggregate Endowment assets to meet or exceed the absolute rate of return of a benchmark policy index based upon the strategic asset allocation of the fund to various broad asset classes. The Endowment will be managed with a long-term risk tolerance of moderate/aggressive, reflecting a benchmark of 65% S&P 500 and 35% Bloomberg Barclays US Aggregate Bond Index.

Annual spending policy:

The Foundation has a policy of appropriating for distribution each year 5% of the 3-year rolling balance average of its endowment funds, or an amount equal to the previous year's distribution, whichever is higher. The calculation is based on the calendar year end preceding the fiscal year in which the distribution is planned.

The endowment fund composition and activity for the years ended June 30, 2020 and 2019 was as follows:

Endowment Net Assets			
<u>Composition by Type of Fund as of June 30, 2020</u>			
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
Donor-restricted endowment funds	\$ -	8,532,443	8,532,443
Term endowment funds	-	215,687	215,687
Total	\$ -	8,748,130	8,748,130

Cincinnati State Technical and Community College Foundation
Notes to the Financial Statements
June 30, 2020 and 2019

Changes in Endowment			
<u>Net Assets for the Fiscal Year Ended June 30, 2020</u>			
		<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u> <u>Total</u>
Endowment net assets, July 1, 2019	\$	-	8,824,836 8,824,836
Investment income:			
Investment income, net of fees		-	166,776 166,776
Net losses, realized and unrealized		-	(201,695) (201,695)
Contributions		-	299,103 299,103
Appropriations of assets for expenditure		-	(340,890) (340,890)
Endowment net assets, June 30, 2020	\$	<u>-</u>	<u>8,748,130</u> <u>8,748,130</u>

Endowment Net Assets			
<u>Composition by Type of Fund as of June 30, 2019</u>			
		<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u> <u>Total</u>
Donor-restricted endowment funds	\$	-	8,609,149 8,609,149
Term endowment funds		-	215,687 215,687
Total	\$	<u>-</u>	<u>8,824,836</u> <u>8,824,836</u>

Changes in Endowment			
<u>Net Assets for the Fiscal Year Ended June 30, 2019</u>			
		<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u> <u>Total</u>
Endowment net assets, July 1, 2018	\$	-	8,511,810 8,511,810
Investment income:			
Investment income, net of fees		-	189,035 189,035
Net gains, realized and unrealized		-	383,423 383,423
Contributions		-	50,835 50,835
Appropriations of assets for expenditure		-	(310,267) (310,267)
Endowment net assets, June 30, 2019	\$	<u>-</u>	<u>8,824,836</u> <u>8,824,836</u>

7. Related Party Transactions

The College provides office space, personnel, computer, and other administrative services to the Foundation. All compensation and benefits for the personnel are paid by the College. For the years ended June 30, 2020 and 2019, these amounts totaled \$195,225 and \$198,101, respectively. These amounts are classified as in-kind support from College in the statements of activities and changes in net assets. The College also pays certain expenses of the Foundation and the Foundation reimburses the College quarterly. Amounts reimbursed to the College for scholarships, student services and other expenses were \$1,075,444 and \$1,145,562 for the years end June 30, 2020 and 2019, respectively. Amounts due to the College were \$195,813 and \$121,129 as of June 30, 2020 and 2019, respectively, and are included in accounts payable on the statements of financial position.

8. Risks and Uncertainties

Financial instruments which subject the Foundation to a concentration of credit risk include cash and investments. The Foundation maintains cash and investment balances at several financial institutions. Bank accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. To limit these risks, the Foundation places its cash investments with high credit quality financial institutions.

The Foundation has investments managed by professional investment managers in compliance with the investment policy established by the Investment Committee of the Foundation. The underlying investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, including due to the pandemic noted below, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

The extent of the impact of the COVID-19 pandemic on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. In addition to the potential impact to the fair value of investments noted above, the pandemic has affected certain donors. The extent to which the pandemic may further impact the Foundation's financial condition or results of operations is uncertain at this time.

9. Intention to Give

In January 2017, the Foundation was notified that it was a beneficiary of a revocable trust in which it has a 1/6th interest in its assets. The trust has subsequently been included in a lawsuit to determine which assets should be included in the trust for distribution to beneficiaries. As of June 30, 2019, the Foundation was unable to estimate the value of the remaining trust assets that will be distributed due to the ongoing litigation. Due to this, the Foundation did not record a bequest receivable on the statements of financial position at June 30, 2019. In June 2020, the Foundation received \$436,750 which is recorded as a contribution on the statement of activities and changes in net assets.

10. Availability of Financial Assets

The following table presents the financial assets available to meet cash needs for general expenditures within one year at June 30, 2020 and 2019:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 1,866,824	908,631
Investments	10,101,064	10,433,115
Pledges receivable	480,794	301,420
Financial assets available at year-end	12,448,682	11,643,166
Less those unavailable for general expenditures within one year due to:		
Net assets with donor restrictions	12,235,931	11,358,320
Financial assets available to meet cash needs for general expenditure within one year	\$ 212,751	284,846

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Excess cash is invested in short-term, highly liquid investments during the year. If additional financial assets are needed based on unexpected needs, certain amounts from the endowment fund could be made available as necessary by adjusting the endowment spending policy distributions. In accordance with the annual spending policy described in Note 6, the 2021 distributions should be at least \$340,000.

**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 of
Cincinnati State Technical and Community College Foundation

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 Cincinnati State Technical and Community College Foundation, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cincinnati State Technical and Community College Foundation's internal control over financial reporting (internal control) as a basis for designing 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 Cincinnati State Technical and Community College Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Cincinnati State Technical and 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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cincinnati State Technical and Community College Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cincinnati State Technical and Community College Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 14, 2020



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OHIO AUDITOR OF STATE KEITH FABER



CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE FOUNDATION

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/19/2020

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

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