

SINCLAIR COMMUNITY COLLEGE FOUNDATION
MONTGOMERY COUNTY
DAYTON, OHIO

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the Sinclair Community College Foundation, Montgomery County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2020 through June 30, 2021. 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.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 24, 2021

This page intentionally left blank.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
MONTGOMERY COUNTY
DAYTON, OHIO

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	3
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7
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 <i>GOVERNMENT AUDITING STANDARDS</i>	19

This page intentionally left blank.

Independent Auditor's Report

To the Board of Trustees
Sinclair Community College Foundation

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Sinclair Community College Foundation (the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2021 and 2020 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 audits 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 consolidated 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sinclair Community College Foundation as of June 30, 2021 and 2020 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.

To the Board of Trustees
Sinclair Community College Foundation

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021 on our consideration of Sinclair Community College Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sinclair Community College Foundation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 29, 2021

SINCLAIR COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and June 30, 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 183,709	\$ 305,006
Receivable from Sinclair Community College	445,423	-
Investments:		
Fixed income security funds	7,534,994	5,043,347
Equity funds	33,231,155	25,377,642
Limited partnerships	189,159	211,678
Total investments	40,955,308	30,632,667
Prepaid expenses	-	9,766
Cash surrender value of life insurance	282,922	279,700
Property and equipment - Net	5,088,126	5,123,437
Total assets	\$ 46,955,488	\$ 36,350,576
 Liabilities and Net Assets		
Liabilities		
Payable to Sinclair Community College	\$ -	\$ 308,506
Other payables	75,664	75,664
Total liabilities	75,664	384,170
 Net Assets		
Without donor restrictions	31,860,636	23,833,312
With donor restrictions	15,019,188	12,133,094
Total net assets	46,879,824	35,966,406
Total liabilities and net assets	\$ 46,955,488	\$ 36,350,576

SINCLAIR COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the years ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions	\$ 1,608,320	\$ 1,766,538	\$ 3,374,858	\$ 599,937	\$ 1,850,702	\$ 2,450,639
Net investment income (loss)	7,344,455	2,974,652	10,319,107	291,313	363,944	655,257
Lease income	640,322	-	640,322	136,156	-	136,156
Administration fee income	105,445	-	105,445	106,216	-	106,216
Other income	-	2,497	2,497	-	3,399	3,399
Net assets released from restrictions - Satisfaction of donor restrictions	1,857,593	(1,857,593)	-	2,142,524	(2,142,524)	-
Total revenue, gains, and other support	11,556,135	2,886,094	14,442,229	3,276,146	75,521	3,351,667
Expenses						
Expenses:						
Program	2,819,026	-	2,819,026	3,032,394	-	3,032,394
Management and general	356,697	-	356,697	318,918	-	318,918
Fundraising	353,088	-	353,088	302,952	-	302,952
Total expenses	3,528,811	-	3,528,811	3,654,264	-	3,654,264
Increase (Decrease) in Net Assets	8,027,324	2,886,094	10,913,418	(378,118)	75,521	(302,597)
Net Assets - Beginning of year	23,833,312	12,133,094	35,966,406	24,211,430	12,057,573	36,269,003
Net Assets - End of year	\$ 31,860,636	\$ 15,019,188	\$ 46,879,824	\$ 23,833,312	\$ 12,133,094	\$ 35,966,406

SINCLAIR COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended June 30, 2021 and 2020

2021				
	Program	Management and General	Fundraising	Total
Distributions to College	\$ 2,713,581	\$ -	\$ -	\$ 2,713,581
Salaries and related expenses	-	219,709	230,458	450,167
Administration fee	105,445	-	-	105,445
Administrative costs and supplies	-	78,962	17,999	96,961
Donor cultivation	-	22,715	104,631	127,346
Depreciation	-	35,311	-	35,311
Total	\$ 2,819,026	\$ 356,697	\$ 353,088	\$ 3,528,811
2020				
	Program	Management and General	Fundraising	Total
Distributions to College	2,926,178	\$ -	\$ -	\$ 2,926,178
Salaries and related expenses	-	213,444	246,790	460,234
Administration fee	106,216	-	-	106,216
Administrative costs and supplies	-	69,772	14,908	84,680
Donor cultivation	-	391	41,254	41,645
Depreciation	-	35,311	-	35,311
Total	\$ 3,032,394	\$ 318,918	\$ 302,952	\$ 3,654,264

SINCLAIR COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ 10,913,418	\$ (302,597)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	35,311	35,311
Contributions of marketable securities	(716,498)	(40,181)
Net realized and unrealized (gains) losses on investments and investment income	(10,319,107)	(655,257)
Restricted contribution revenue and investment income	(2,897,292)	(624,197)
Changes in operating assets and liabilities that provided (used) cash:		
Contributions receivable	-	180,540
Prepaid expenses	9,766	(346)
Cash surrender value of life insurance	(3,222)	(3,429)
Receivable/Payable - Sinclair Community College	(753,929)	97,456
Other payables	-	(2,058)
Net cash used in operating activities	<u>(3,731,553)</u>	<u>(1,314,758)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	6,910,505	5,270,998
Purchase of investments	<u>(6,197,541)</u>	<u>(4,490,506)</u>
Net cash provided by investing activities	712,964	780,492
Cash Flows from Financing Activities:		
Restricted contribution revenue and investment income	<u>2,897,292</u>	<u>624,197</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(121,297)	89,931
Cash and Cash Equivalents - Beginning of year	<u>305,006</u>	<u>215,075</u>
Cash and Cash Equivalents - End of year	<u>\$ 183,709</u>	<u>\$ 305,006</u>
Noncash donations of equipment and materials	\$ 281,776	\$ 147,764

SINCLAIR COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and June 30, 2020

NOTE 1 – NATURE OF BUSINESS

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. The Foundation established Courseview Holdings, LLC, and Dayton Campus Holdings, LLC, two separate non-profit limited liability companies, for the purposes of acquiring and holding real estate located in the vicinity of campus locations. The Foundation is the sole member of both companies.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The consolidated financial statements of the Foundation have been prepared on the basis of generally accepted accounting principles (GAAP).

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

Cash and Cash Equivalents: For the purpose of the accompanying consolidated financial statements, the Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The carrying amount reported in the consolidated statement of financial position for cash and cash equivalents approximates fair value due to the short-term nature of these investments.

Investments: Investments in equity funds and fixed income security funds are recorded at fair value. The venture capital funds, which are not readily marketable, are measured at fair value, valued at net asset value per share as the practical expedient. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and significant assumptions used in determining fair value. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

Property and Equipment: Property and equipment are recorded at cost at date of acquisition or fair value at the date of donation. Depreciation is computed using the straight-line method over the estimate useful lives of the assets. The estimated useful life of the building is 25 years.

Classification of Net Assets: Net assets of the Foundation are classified based on the presence or absence for donor-imposed restrictions:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed or the donor-imposed restriction have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and June 30, 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions: Unconditional promises to give cash and other assets to the Foundation are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

The Foundation reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports the expiration of donor restrictions when the assets are placed in service.

Contributions 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 applicable to the years in which the promises are received. 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.

Contributions of marketable securities are recorded at fair value as of the date of the gift. It is the Foundation's practice to determine appropriate disposition of such gifts of securities at the time of receipt, unless there are donor restrictions restricting the sale of such securities.

Functional Allocation of Expense: The Foundation's functional expenses are limited as the Foundation's sole purpose is to support the College. The costs of providing the program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. The consolidated financial statements report certain expense categories that are attributable to more than one function; therefore, these expenses require allocation on a reasonable basis that is consistently applied.

Distributions to College include scholarships and project support provided to the College, which is program expense for the Foundation. Salaries and related expenses are allocated based on an estimate of time incurred on management and general and fundraising for those employees that cross over multiple functions. The administration fee is allocated to program expenses, as the fee is charged to assist Foundation operations in support of the College. Other expenses, including administrative costs and supplies, donor cultivation, and depreciation expense are allocated directly based on the underlying function.

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). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2017.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and June 30, 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

New Accounting Pronouncement: As of July 1, 2019, the Foundation adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Foundation adopted the new standard on a modified prospective basis and there was no impact to the recognition of contribution and grant agreements. The standard did not require a restatement of prior year.

Upcoming Accounting Pronouncement: In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presented and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not-for-profit organizations receive, known as gifts-in-kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements and there will be additional disclosures included for each category including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Foundation's year ending June 30, 2022 and will be applied using the retrospective method.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Foundation's year ending June 30, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The ASU will increase short and long-term assets and liabilities upon adoption. The effects on the results of operations are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

COVID-19 Pandemic: On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventative or protective actions, such as temporary closures of non-essential businesses and "shelter-at-home" guidelines for individuals. As a result, the global economy has been negatively affected. During fiscal year 2021, the Foundation was not significantly impacted by COVID-19.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and June 30, 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

The severity of the continued impact due to COVID-19 on the Foundation's financial condition, results of operations or cash flows will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Foundation's community, all of which are uncertain and cannot be predicted. No impairments were recorded as of June 30, 2021; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future.

Subsequent Events: The consolidated financial statements and related disclosures include evaluation of events up through and including October 29, 2021, which is the date the consolidated financial statements were available to be issued.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative, and general expenses, and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures by operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets, and maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and June 30, 2020

NOTE 3 – AVAILABILITY AND LIQUIDITY (Continued)

The table below presents financial assets available for general expenditures within one year:

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 183,709	\$ 305,006
Receivable from Sinclair Community College	445,423	-
Investments	40,955,308	30,632,667
Cash surrender value of life insurance	282,922	279,700
Total financial assets	41,867,362	31,217,373
Less amounts not available to be used within one year:		
Donor restricted investments	15,019,188	12,133,094
Board designated	822,307	-
Board designated quasi endowments	101,774	82,810
Total	15,943,269	12,215,904
Financial assets available to meet general expenditures within one year	\$ 25,924,093	\$ 19,001,469

NOTE 4 – INVESTMENTS

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

	2021	2020
Interest and dividend income	\$ 676,556	\$ 873,197
Investment fees and other expenses	(42,676)	(41,787)
Realized and unrealized gains (losses)	9,685,227	(176,153)
Total	\$ 10,319,107	\$ 655,257

NOTE 5 – FAIR VALUE MEASUREMENTS

Accounting standards require certain assets 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.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2021 and 2020 and the valuation techniques used by the Foundation to determine those fair values.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and June 30, 2020

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets 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.

	June 30, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Fixed income security funds	\$ 7,534,994	\$ -	\$ -	\$ 7,534,994
Domestic equity funds	18,760,564			18,760,564
International equity funds	11,479,735			11,479,735
Alternative equity funds	2,990,856	-	-	2,990,856
Total	40,766,149	-	-	40,766,149
Investments valued at NAV				189,159
Total				\$ 40,955,308

	June 30, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Fixed income security funds	\$ 5,043,347	\$ -	\$ -	\$ 5,043,347
Domestic equity funds	14,123,492			14,123,492
International equity funds	8,999,102			8,999,102
Alternative equity funds	2,255,048	-	-	2,255,048
Total	30,420,989	-	-	30,420,989
Investments valued at NAV				211,678
Total				\$ 30,632,667

SINCLAIR COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and June 30, 2020

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

The fair value of the investments valued at net asset value (NAV) at June 30, 2021 and 2020 was determined primarily based on unobservable inputs. The Foundation estimates the fair value of these investments based on the most recent investment statement provided for the respective funds. The Foundation holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period.

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company. At June 30, the fair value of those investments are as follows:

	2021	2020
Limited partnerships	\$ 189,159	\$ 211,678

There were unfunded commitments of \$400,000 as of June 30, 2021 and 2020. The limited partnerships do not have any redemption restrictions or notice periods.

The limited partnership investments hold investments in various preferred stocks, convertible promissory notes, and common stocks. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2021	2020
Land	\$ 4,526,086	\$ 4,526,086
Building	882,783	882,783
Total cost	5,408,869	5,408,869
Less accumulated depreciation	(320,743)	(285,432)
Net property and equipment	\$ 5,088,126	\$ 5,123,437

Depreciation expense for the year ended June 30, 2021 and 2020 was \$35,311. The land and building are leased to the College (See Note 9).

SINCLAIR COMMUNITY COLLEGE FOUNDATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2021 and June 30, 2020

NOTE 7 – NET ASSETS

Net assets with donor restrictions were as follows:

	2021	2020
Specified purpose:		
Scholarships	\$ 10,457,350	\$ 8,429,729
Program support	4,561,838	3,703,365
Total	\$ 15,019,188	\$ 12,133,094

Net assets without donor restrictions were as follows:

	2021	2020
Undesignated	\$ 30,936,555	\$ 23,750,502
Board designated	822,307	-
Quasi endowment	101,774	82,810
Total	\$ 31,860,636	\$ 23,833,312

Net assets released from net assets with donor restrictions were as follows:

	2021	2020
Satisfaction of purpose or restrictions:		
Scholarships	\$ 758,529	\$ 642,142
Program support	1,099,064	1,500,382
Total	\$ 1,857,593	\$ 2,142,524

NOTE 8 – ENDOWMENT FUNDS

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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:

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

SINCLAIR COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and June 30, 2020

NOTE 8 – ENDOWMENT FUNDS (Continued)

- (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

The Foundation board of trustees has interpreted the state of Ohio's UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. The Foundation classifies as net assets with donor restrictions (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.

Return Objectives and Risk Parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds. 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 five percentage points over time on an annualized basis while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: 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) and current yield (interest and dividends). 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.

Spending Policy: The Foundation may distribute up to 5 percent of the market value of the endowment as of the beginning of the fiscal year per policy. The amount of spendable portion will reflect due consideration of spending needs, the investment market environment, donor intent, and maintenance of the economic value of the endowment by adjusting for inflation.

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. As of June 30, 2021 and 2020, there were no funds with deficiencies.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and June 30, 2020

NOTE 8 – ENDOWMENT FUNDS (Continued)

The endowment net asset composition by type of fund as of June 30, 2021 was as follows:

	June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Totals
Donor-restricted endowment funds:			
Original amount	\$ -	\$ 7,564,594	\$ 7,564,594
Accumulated gains	-	5,039,504	5,039,504
Quasi endowment funds	101,774	-	101,774
Total	<u>\$ 101,774</u>	<u>\$ 12,604,098</u>	<u>\$ 12,705,872</u>

The change in endowment fund net assets for the year ended June 30, 2021 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Totals
Net assets, June 30, 2020	\$ 82,810	\$ 9,960,920	\$ 10,043,730
Investment return	22,690	2,713,398	2,736,088
Contributions	-	279,083	279,083
Appropriation of endowment assets for expenditure	(3,726)	(349,303)	(353,029)
Net assets, June 30, 2021	<u>\$ 101,774</u>	<u>\$ 12,604,098</u>	<u>\$ 12,705,872</u>

The endowment net asset composition by type of fund as of June 30, 2020 was as follows:

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Totals
Donor-restricted endowment funds:			
Original amount	\$ -	\$ 7,149,944	\$ 7,149,944
Accumulated gains	-	2,810,976	2,810,976
Quasi endowment funds	82,810	-	82,810
Total	<u>\$ 82,810</u>	<u>\$ 9,960,920</u>	<u>\$ 10,043,730</u>

The change in endowment fund net assets for the year ended June 30, 2020 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Totals
Net assets, June 30, 2019	\$ 84,586	\$ 9,625,658	\$ 9,710,244
Investment return	2,876	236,212	239,088
Contributions	-	387,985	387,985
Appropriation of endowment assets for expenditure	(4,652)	(288,935)	(293,587)
Net assets, June 30, 2020	<u>\$ 82,810</u>	<u>\$ 9,960,920</u>	<u>\$ 10,043,730</u>

SINCLAIR COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and June 30, 2020

NOTE 9 – RELATED PARTY TRANSACTIONS

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, which is included in management and general expenses on the consolidated statement of activities and changes in net assets and statement of functional expenses.

The College also allocates certain donor development staff costs to the Foundation, which is included in management and general expenses on the consolidated statement of activities and changes in net assets and statement of functional expenses. For the years ended June 30, 2021 and 2020, the amounts allocated to the Foundation were \$95,725 and \$128,836, respectively.

The College provides the Foundation with certain salaries and employee benefits related to administrative activities. For the years ended June 30, 2021 and 2020, the amount of expense paid by the College to support the Foundation totaled \$354,442 and \$331,398, respectively. This amount is included on the consolidated statement of activities and changes in net assets within contributions and on the statement of functional expenses within management and general and fundraising expenses.

The Foundation leases land and buildings to the College under operating leases. The leases have three-year terms that have a June 30, 2024 expiration date with renewal options at the end of each term. On the renewal date, the rate is to 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 previous payment. Also, in connection with each lease renewal a calculation is to be performed to compare lease income for the three-year term just ended to the amount that would have been earned had the Foundation kept the funds from the purchase of the property in the investment portfolio's bond fund. If the bond fund's three-year return outperformed the lease rate, then this calculation will result in an additional payment by the College to the Foundation. Conversely, the calculation will result in a refund by the Foundation to the College if the bond fund's three-year return underperformed the lease rate.

In 2019, the leases were all renewed. The new lease rates are lower than rates during the previous three-year terms. Also, the bond fund's return over performed the lease rate during each of the expired terms and, as a result, \$504,166 of additional investment income was recorded for 2021 from the College. Lease income under operating leases for the years ended June 30, 2021 and 2020 was \$640,322 and \$136,156, respectively.

Future minimum lease payments due to the Foundation under these operating leases are as follows:

2022	\$	136,156
2023		136,156
2024		136,156
	\$	<u>408,468</u>

SINCLAIR COMMUNITY COLLEGE FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and June 30, 2020

NOTE 10 – ADMINISTRATION FEE

The Foundation, per the board approved gift policy, assessed an administrative fee on endowment funds. The gross assessment rate was 1 percent of investment earnings in 2021 and 2020. Revenue to the Foundation from the fee was \$105,445 and \$106,216 for the years ended June 30, 2021 and 2020, respectively. The administrative fee is also recorded as program expense on the consolidated statement of functional expenses (see Note 2).

NOTE 11 – DONATED EQUIPMENT AND MATERIALS

The Foundation receives donations of equipment and materials that are passed on to the College for various educational uses. These donations are reported as contributions and program expenses on the consolidated statement of activities and changes in net assets. In 2021 and 2020, the Foundation received donations of equipment and materials of \$281,776 and \$147,764, respectively.

NOTE 12 – LIFE INSURANCE POLICIES

The face value of donated life insurance policies was \$1,050,572 and \$1,051,616 as of June 30, 2021 and 2020, respectively. The change in cash surrender value of the life insurance policies is recorded as other income on the consolidated statement of activities and changes in net assets.

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*

Independent Auditor's Report

To Management and the Board of Trustees
Sinclair 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 consolidated financial statements of Sinclair Community College Foundation (the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2021 and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated October 29, 2021.

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) as a basis for designing 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 Foundation'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated 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*.

To Management and the Board of Trustees
Sinclair Community College Foundation

Purpose of This Report

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

Plante & Moreau, PLLC

October 29, 2021

OHIO AUDITOR OF STATE KEITH FABER



SINCLAIR COMMUNITY COLLEGE FOUNDATION

MONTGOMERY 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 12/7/2021

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