

***CUYAHOGA COMMUNITY
COLLEGE FOUNDATION***

*(A Component Unit of
Cuyahoga Community College)*

*Financial Statements
Years Ended June 30, 2017 and 2016
And Independent Auditor's Report*



Dave Yost • Auditor of State

Board of Directors
Cuyahoga Community College Foundation
700 Carnegie Avenue
Cleveland, Ohio 44115

We have reviewed the *Independent Auditor's Report* of the Cuyahoga Community College Foundation, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2016 through June 30, 2017. 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 Cuyahoga Community College Foundation is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

December 7, 2017

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CUYAHOGA COMMUNITY COLLEGE FOUNDATION

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Independent Auditor's Report

To the Board of Directors
Cuyahoga Community College Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Cuyahoga Community College Foundation (the "Foundation," a nonprofit corporation), a component unit of Cuyahoga Community College, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for 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.

Auditor's 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 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 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.

To the Board of Directors
Cuyahoga Community College Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2017 and 2016, 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 November 3, 2017 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.

Ciuni + Panichi, Inc.

Cleveland, Ohio
November 3, 2017

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2017 AND 2016

ASSETS	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 4,836,423	\$ 2,286,903
Investments	66,412,700	56,210,142
Receivables:		
Interest	6,479	302
Pledges - Net	4,667,611	6,092,451
Due from Related Party	54,005	62,742
Beneficial Interest in Remainder Unitrust	458,438	373,768
Cash Surrender Value of Insurance	141,780	144,942
Prepaid Expenses	75,500	30,500
Other Assets	<u>125,000</u>	<u>125,000</u>
TOTAL	<u>\$ 76,777,936</u>	<u>\$ 65,326,750</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Due to Related Party	\$ 2,937,540	\$ 1,543,516
Accounts Payable	75,500	0
Annuities Payable	<u>16,033</u>	<u>16,754</u>
Total Liabilities	<u>3,029,073</u>	<u>1,560,270</u>
NET ASSETS:		
Unrestricted	304,418	(103,888)
Temporarily Restricted	58,907,285	49,407,323
Permanently Restricted	<u>14,537,160</u>	<u>14,463,045</u>
Total Net Assets	<u>73,748,863</u>	<u>63,766,480</u>
TOTAL	<u>\$ 76,777,936</u>	<u>\$ 65,326,750</u>

The accompanying notes are an integral part of these financial statements.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND INVESTMENT ACTIVITIES:				
Contributions and Grants	\$ 317,556	\$ 7,149,504	\$ 74,115	\$ 7,541,175
Special Events Revenue	453,478	1,255,088	0	1,708,566
Interest and Dividend Income	120,070	1,080,630	0	1,200,700
Net Increase in Fair Value of Investments	336,606	6,400,828	0	6,737,434
Net Assets Released from Restriction	6,386,088	(6,386,088)	0	0
 Total Revenues	 <u>7,613,798</u>	 <u>9,499,962</u>	 <u>74,115</u>	 <u>17,187,875</u>
 EXPENSES:				
Program Services:				
Scholarships	1,576,354	0	0	1,576,354
Educational Development	4,916,155	0	0	4,916,155
Total Program Services	<u>6,492,509</u>			<u>6,492,509</u>
Special Events	72,628	0	0	72,628
Administration and General	193,027	0	0	193,027
Fundraising	447,328	0	0	447,328
 Total Expenses	 <u>7,205,492</u>	 <u>0</u>	 <u>0</u>	 <u>7,205,492</u>
 CHANGES IN NET ASSETS	 408,306	 9,499,962	 74,115	 9,982,383
NET ASSETS - Beginning of year	<u>(103,888)</u>	<u>49,407,323</u>	<u>14,463,045</u>	<u>63,766,480</u>
NET ASSETS - End of year	<u>\$ 304,418</u>	<u>\$ 58,907,285</u>	<u>\$ 14,537,160</u>	<u>\$ 73,748,863</u>

The accompanying notes are an integral part of these financial statements.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND INVESTMENT ACTIVITIES:				
Contributions and Grants	\$ 280,767	\$ 7,850,116	\$ 53,852	\$ 8,184,735
Special Events Revenue	358,591	1,204,751	0	1,563,342
Other Income	9,292	0	0	9,292
Interest and Dividend Income	100,660	905,939	0	1,006,599
Net Decrease in Fair Value of Investments	(271,049)	(1,925,013)	0	(2,196,062)
Net Assets Released from Restriction	4,831,307	(4,831,307)	0	0
	<u>5,309,568</u>	<u>3,204,486</u>	<u>53,852</u>	<u>8,567,906</u>
Total Revenues				
EXPENSES:				
Program Services:				
Scholarships	1,459,906	0	0	1,459,906
Educational Development	3,465,885	0	0	3,465,885
Total Program Services	4,925,791			4,925,791
Special Events	225,195	0	0	225,195
Administration and General	185,027	0	0	185,027
Fundraising	336,620	0	0	336,620
	<u>5,672,633</u>	<u>0</u>	<u>0</u>	<u>5,672,633</u>
Total Expenses				
CHANGES IN NET ASSETS	(363,065)	3,204,486	53,852	2,895,273
NET ASSETS - Beginning of year	259,177	46,202,837	14,409,193	60,871,207
NET ASSETS - End of year	<u>\$ (103,888)</u>	<u>\$ 49,407,323</u>	<u>\$ 14,463,045</u>	<u>\$ 63,766,480</u>

The accompanying notes are an integral part of these financial statements.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 9,982,383	\$ 2,895,273
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Permanently Restricted Contributions	(74,115)	(53,852)
(Increase) Decrease in Fair Value of Investments - Net	(6,737,434)	2,196,062
Increase in Interest Receivable	(6,177)	(99)
Decrease (Increase) in Pledges Receivable - Net	1,106,622	(1,514,330)
Decrease (Increase) in Due From Related Party	8,737	(6,641)
(Increase) Decrease in Beneficial Interest in Remainder Trust	(84,670)	21,979
(Increase) Decrease in Prepaid Expenses	(45,000)	37,000
Increase in Due To Related Party	1,394,024	267,172
Increase in Accounts Payable	75,500	0
Cash Provided by Operating Activities	<u>5,619,870</u>	<u>3,842,564</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(8,769,223)	(14,055,108)
Proceeds from Sale of Investments	5,307,261	4,191,047
Cash Used in Investing Activities	<u>(3,461,962)</u>	<u>(9,864,061)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collection of Permanently Restricted Contributions	392,333	5,357,639
Decrease in Annuities Payable	(721)	(732)
Cash Provided by Financing Activities	<u>391,612</u>	<u>5,356,907</u>
CHANGE IN CASH AND CASH EQUIVALENTS	2,549,520	(664,590)
CASH AND CASH EQUIVALENTS - Beginning of Year	2,286,903	2,951,493
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 4,836,423</u>	<u>\$ 2,286,903</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Pledges receivable satisfied with donated stock	\$ 0	\$ 9,980

The accompanying notes are an integral part of these financial statements.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 AND 2016

1. DESCRIPTION OF ORGANIZATION

The Cuyahoga Community College Foundation (the “Foundation”) was incorporated in August 1973 as a tax-exempt, nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code for the purpose of collecting donations from individuals, corporations, and foundations, located primarily in northeast Ohio, to be distributed as scholarships to persons attending Cuyahoga Community College (the “College”), and to be used for other purposes benefiting the College. The Foundation is a component unit of Cuyahoga Community College.

The Foundation accounts for income taxes in accordance with the “Income Taxes” topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Uncertain income tax positions are evaluated at least annually by management. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation files its Form 990 in the U.S. federal jurisdiction and a charitable registration with the office of the state’s attorney general for the State of Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation—The financial statements of the Foundation are prepared on the accrual basis of accounting. The accompanying financial statements of the Foundation present information regarding its net assets and activities in the following three categories:

Unrestricted - Net assets that are under the discretionary control of the Board of Directors (the “Board”), are free from any and all donor restrictions, and include amounts designated by the Board for specified purposes.

Temporarily Restricted - Net assets that are restricted by the donor for a specific purpose (generally scholarships or educational development programs) or use in a future time period. The income on these net assets is either temporarily restricted or unrestricted based on the intentions of the donor.

Permanently Restricted - Net assets that are subject to the donor’s restriction that the principal remain invested in perpetuity. The income on these net assets may also be restricted by the donor and is generally used for scholarships or educational development programs.

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

The Foundation follows authoritative guidance issued by the FASB which established the ASC as the single source of authoritative accounting principles generally accepted in the United States of America.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash and cash equivalents include cash in checking accounts and short-term investments with an original maturity of three months or less. Substantially all of the Foundation's cash and cash equivalents are composed of investments in money market funds. At times, cash on hand may exceed federally insured limits.

Investments—Investments of the unrestricted, temporarily restricted, and permanently restricted funds are pooled for making investment transactions and are carried at fair value with any realized or unrealized gains and losses reported in the statement of activities. Ten percent of the total interest and dividend income is allocated to the Foundation's General Operating Fund. The remaining interest and dividend income is allocated proportionally each month and is awarded according to the terms and conditions of the funds. For endowed funds, interest and dividend income and capital gains are considered temporarily restricted unless otherwise specified by the donor.

Contributions Receivable—Contributions received, including unconditional promises to give, are recognized as revenue by net asset class when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. The Foundation provides for uncollectible pledges receivable using the allowance method. Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. Conditional promises are recorded when donor stipulations are substantially met. It is the Foundation's policy that an initial minimum balance of \$50,000 be required to establish an endowment fund. The policy allows for an annual review to determine if the accumulation of contributions and interest meet the minimum principal balance requirements.

Beneficial Interest in Remainder Unitrust—The Foundation is the beneficiary of a charitable remainder unitrust for which the Foundation is not the trustee. The Foundation recognizes the present value of the estimated future benefits to be received when the unitrust assets are distributed as an asset with changes in the estimated fair value recorded as temporarily restricted contribution revenue.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Contributions and Special Events—Contributions, including bequests, special gifts and other donations, are recorded as revenue when received or by pledge when an unconditional pledge is made. All contributions and gifts are considered to be available for unrestricted use unless specifically restricted by the donor. Noncash bequests, gifts, and donations, if any, would be recorded at the fair value of the asset at the date of donation. Special Event revenue is primarily generated through the annual Presidential Scholarship Luncheon (temporarily restricted) and through parking receipts generated from special events (unrestricted).

In-Kind Gifts—In-kind gifts, when received, are reflected as contributions in the accompanying financial statements at the estimated fair value as of the date of receipt. Such in-kind support is offset by like amounts in educational development, general and administrative, and fundraising expenses.

Program Services Expenses—All scholarships and other program services distributions are approved by the Board. Unconditional gifts to the College are recognized as educational development expense when approved. Gifts approved by the Board that are payable upon performance of specified conditions by the grantee (if any) are recognized in the statement of activities when the specified conditions are satisfied.

Annuities Payable—The Foundation is obligated under three annuity contracts, whereby donors have contributed cash to the Foundation with the agreement that the donors shall be the sole recipient of quarterly annuity payments. These quarterly payments, currently totaling \$1,630 per year, shall terminate on the last payment date preceding the death of the donors. The discount rates used to estimate the obligations range from 1.4% to 3.0%.

Subsequent Events—The Foundation has evaluated subsequent events through November 3, 2017, which is the date the financial statements were available to be issued.

Recent Accounting Pronouncements—In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, “Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities” (ASU 2016-14). The purpose of ASU 2016-14 is to improve the current net asset classification requirements and the information presented in financial statements about a not-for-profit entity’s liquidity, financial performance, and cash flows. Organizations may use either a full retrospective or a modified retrospective approach to adopt ASU 2016-14. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017, and interim reporting periods within annual reporting periods beginning after December 15, 2018. Earlier application is permitted. The Foundation will be evaluating the potential impact of adopting this guidance on its financial statements.

In May 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-07, “Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)” (ASU 2015-07). The purpose of ASU 2015-07 is to remove the requirement to categorize within the fair value hierarchy all investments where fair value using the net asset value per share is used as a practical expedient. Organizations should apply the amendment using a retrospective approach to all periods presented. ASU 2015-07 is effective for annual reporting periods beginning after December 15, 2016. Earlier application is permitted. The Foundation will be evaluating the potential impact of adopting this guidance on its financial statements.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 AND 2016

3. INVESTMENTS

For investment purposes, assets of the various unrestricted, temporarily restricted and permanently restricted classifications are pooled. Realized and unrealized gains and losses and investment income are allocated according to the net asset classifications of the individual funds until appropriated and disbursed in accordance with the agreements of the donors.

Description	2017	2016
Mutual Funds	\$ 57,964,998	\$ 48,253,634
Common Stock	338,770	258,968
Alternative Investments	8,108,932	7,697,540
Total	<u>\$ 66,412,700</u>	<u>\$ 56,210,142</u>

The investments are exposed to various risks such as interest rate, market, and credit risks. The Foundation is required to give up to 90 days advance notice of its intent to withdraw from the alternative investments.

4. CONTRIBUTIONS RECEIVABLE

For fiscal years 2017 and 2016, the recorded value of contributions receivable is the present value of estimated future cash receipts using a discount rate of 4.75%. Management has established an allowance of 0.5% of gross contributions receivable for uncollectible promises to give. Amounts due are as follows:

	2017	2016
Less than one year	\$ 2,619,430	\$ 4,090,663
One to five years	2,257,203	2,178,774
Six to ten years	90,076	2,500
Totals	4,966,709	6,271,937
Unamortized Discount	(274,264)	(148,126)
Allowance for Uncollectible Pledges	(24,834)	(31,360)
Total	<u>\$ 4,667,611</u>	<u>\$ 6,092,451</u>

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 AND 2016

5. BENEFICIAL INTEREST IN REMAINDER UNITRUST

The beneficial interest in the charitable remainder unitrust totaled \$458,438 and \$373,768 at June 30, 2017 and 2016, respectively, representing the estimated portion of the unitrust for which the Foundation is the designated beneficiary.

6. CASH SURRENDER VALUE OF INSURANCE

The Foundation is the owner of certain life insurance policies on various donors who have named the Foundation as beneficiary. These policies are valued at their cash surrender values. The cash surrender value of these policies totaled \$141,780 and \$144,942 at June 30, 2017 and 2016, respectively.

7. RELATED PARTY TRANSACTIONS

The Foundation recognized contributions and special events revenue from the College during the years ended June 30, 2017 and 2016 of \$870,874 and \$1,158,452, respectively. The amounts owed to the Foundation as of June 30, 2017 and 2016 are \$54,005 and \$62,742, respectively, which are reported as due from related party on the statements of financial position.

The Foundation recognizes contributed services received from the College when those services (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by College employees possessing those skills, and would typically need to be purchased if not provided by the donation. The Foundation recognized \$227,268 and \$185,468 of contributed services as contribution revenue and as administrative, general, and fundraising expenses in fiscal years 2017 and 2016.

The Foundation received grants restricted for educational development programs at the College from various donors of \$3,532,134 and \$3,825,166 in fiscal years 2017 and 2016, respectively. These grants are classified as temporarily restricted until the College meets certain conditions. The undistributed amounts for which the College has met the conditions are \$2,937,540 and \$1,543,516 as of June 30, 2017 and 2016, respectively, which are reported as due to related party on the statements of financial position.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 AND 2016

8. NET ASSETS

Net assets are restricted primarily for scholarships and educational purposes. Net assets were released from restriction for the following purposes during the years ended June 30:

	<u>2017</u>	<u>2016</u>
Scholarships	\$ 1,500,549	\$ 1,347,002
Educational Development	4,840,294	3,403,587
Special Events	10,699	25,054
Other	34,546	55,664
Totals	<u>\$ 6,386,088</u>	<u>\$ 4,831,307</u>

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2017</u>	<u>2016</u>
Scholarships	\$ 53,456,134	\$ 44,101,062
Educational Development	4,852,775	4,698,210
Special Events	598,376	608,051
Totals	<u>\$ 58,907,285</u>	<u>\$ 49,407,323</u>

Permanently restricted net assets are subject to the donor's restriction that the principal remain invested in perpetuity. The income and capital gains on these net assets may also be restricted by the donor. Permanently restricted net assets are invested to generate income to support the following purposes at June 30:

	<u>2017</u>	<u>2016</u>
Scholarships	\$ 3,037,160	\$ 2,978,160
Educational Development	11,500,000	11,484,885
Totals	<u>\$ 14,537,160</u>	<u>\$ 14,463,045</u>

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 AND 2016

9. INVESTMENT OBJECTIVES AND ENDOWMENT FUNDS

The Foundation places great importance on risk reduction through asset allocation and style diversification. Investment results are measured using a rolling five to seven year period or a full market cycle. The following are the investment performance objectives, in order of importance, for the portfolio:

- To generate a minimum annual real rate of return of approximately 5.0% after deducting for advisory, money management, custodial fees, and total transaction costs.
- To obtain a total return on the portfolio, net of all investment related fees, that exceeds the total return of the policy benchmark.
- Performance will be evaluated versus achievement of spending policy and comparisons to a similar set of investments.

The goals of the strategic asset allocation policy are to establish a long-term asset allocation plan for the Foundation's portfolio that is consistent with objectives and guidelines contained in this policy and carried out in an efficient manner. To that end, this policy establishes an acceptable range, defined to be any percentage above a minimum and below a maximum percentage of the portfolio allocated to a particular asset class, and a target percentage, defined to be the percentage goal for the investment of the portfolio in that asset class.

Market value fluctuations and operational needs may cause variations from the strategic asset allocation policy ranges stated in this policy. Depending upon market conditions, the percentage allocation to each asset class may vary as much as plus or minus 5.0%. The Foundation does not deem it acceptable to time the market with tactical allocation shifts. Asset mixes and the possibilities for rebalancing are considered on a monthly basis. The intention of this policy is to avoid short-term judgments that introduce significant unplanned risk.

Distributions from endowment funds are spent in compliance with the donor's restrictions applicable to the funds being distributed. The Foundation classifies as permanently restricted net assets (a) the original value of the 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.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 AND 2016

9. INVESTMENT OBJECTIVES AND ENDOWMENT FUNDS – continued

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with UPMIFA, the College 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 College
7. The investment policies of the Foundation

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. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were \$-0- and \$336,606 as of June 30, 2017 and 2016, respectively. These deficits resulted from unfavorable market fluctuations that occurred after the investment of newly established endowments.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 AND 2016

9. INVESTMENT OBJECTIVES AND ENDOWMENT FUNDS – continued

The Foundation's endowment fund activity was as follows for the year ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (336,606)	\$ 42,477,361	\$ 13,811,493	\$ 55,952,248
Investment return:				
Investment income	0	1,046,718	0	1,046,718
Net appreciation (realized and unrealized)	336,606	6,301,521	0	6,638,127
Total investment return	336,606	7,348,239	0	7,684,845
Contributions and transfers	0	4,288,844	392,333	4,681,177
Appropriation of endowment assets for expenditure	0	(1,394,417)	0	(1,394,417)
Endowment net assets, end of year	<u>\$ 0</u>	<u>\$ 52,720,027</u>	<u>\$ 14,203,826</u>	<u>\$ 66,923,853</u>

Below is a reconciliation of permanently restricted net assets included in the endowment fund to total permanently restricted net assets:

	<u>2017</u>
Permanently restricted net assets within the endowment fund	\$ 14,203,826
Permanently restricted contributions included in pledges receivable	333,334
Total permanently restricted net assets	<u>\$ 14,537,160</u>

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 AND 2016

9. INVESTMENT OBJECTIVES AND ENDOWMENT FUNDS – continued

The Foundation's endowment fund activity was as follows for the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (65,557)	\$ 41,779,749	\$ 8,453,854	\$ 50,168,046
Investment return:				
Investment income	0	892,107	0	892,107
Net depreciation (realized and unrealized)	<u>(271,049)</u>	<u>(1,893,175)</u>	<u>0</u>	<u>(2,164,224)</u>
Total investment return	(271,049)	(1,001,068)	0	(1,272,117)
Contributions and transfers	0	3,051,106	5,357,639	8,408,745
Appropriation of endowment assets for expenditure	<u>0</u>	<u>(1,352,426)</u>	<u>0</u>	<u>(1,352,426)</u>
Endowment net assets, end of year	<u>\$ (336,606)</u>	<u>\$ 42,477,361</u>	<u>\$ 13,811,493</u>	<u>\$ 55,952,248</u>

Below is a reconciliation of permanently restricted net assets included in the endowment fund to total permanently restricted net assets:

	<u>2016</u>
Permanently restricted net assets within the endowment fund	\$ 13,811,493
Permanently restricted contributions included in pledges receivable	<u>651,552</u>
Total permanently restricted net assets	<u>\$ 14,463,045</u>

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 AND 2016

10. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles provides a framework for measuring fair value, requires disclosure about fair value measurements, and establishes a three level hierarchy for disclosure to show the extent and the level of judgment used to estimate fair value measurements:

Level 1 – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets or liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

Level 3 – Uses inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models and market assumptions.

The following tables set forth by level within the fair value hierarchy the Foundation's financial assets that were accounted for at a fair value on a recurring basis as of June 30, 2017 and 2016. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels. The table does not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value.

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 AND 2016

10. FAIR VALUE MEASUREMENTS – continued

Financial assets consisted of the following at June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Common Stock	\$ 338,770	\$ 0	\$ 0	\$ 338,770
Equity Mutual Funds				
Domestic Large-Cap	18,271,623	0	0	18,271,623
Domestic Mid-Cap	2,801,756	0	0	2,801,756
Domestic Small-Cap	2,227,987	0	0	2,227,987
Long-Short Equity	1,761,238	0	0	1,761,238
Global	3,865,150	0	0	3,865,150
International	13,246,122	0	0	13,246,122
Fixed Income Mutual Funds	15,791,122	0	0	15,791,122
Alternative Investments	<u>0</u>	<u>0</u>	<u>8,108,932</u>	<u>8,108,932</u>
Total Investments	<u>\$ 58,303,768</u>	<u>\$ 0</u>	<u>\$ 8,108,932</u>	<u>\$ 66,412,700</u>
Beneficial Interest in Remainder Unitrust	0	0	458,438	458,438
Cash Surrender Value of Insurance	0	0	141,780	141,780
Total	<u>\$ 58,303,768</u>	<u>\$ 0</u>	<u>\$ 8,709,150</u>	<u>\$ 67,012,918</u>

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 AND 2016

10. FAIR VALUE MEASUREMENTS – continued

Financial assets consisted of the following at June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Common Stock	\$ 258,968	\$ 0	\$ 0	\$ 258,968
Equity Mutual Funds				
Domestic Large-Cap	15,723,600	0	0	15,723,600
Domestic Mid-Cap	2,427,745	0	0	2,427,745
Domestic Small-Cap	1,562,215	0	0	1,562,215
Global	3,829,524	0	0	3,829,524
International	10,315,705	0	0	10,315,705
Fixed Income Mutual Funds	14,394,845	0	0	14,394,845
Alternative Investments	0	0	7,697,540	7,697,540
Total Investments	<u>\$ 48,512,602</u>	<u>\$ 0</u>	<u>\$ 7,697,540</u>	<u>\$ 56,210,142</u>
Beneficial Interest in Remainder Unitrust	0	0	373,768	373,768
Cash Surrender Value of Insurance	0	0	144,942	144,942
Total	<u>\$ 48,512,602</u>	<u>\$ 0</u>	<u>\$ 8,216,250</u>	<u>\$ 56,728,852</u>

For the years ended June 30, 2017 and 2016, the changes in assets measured using significant unobservable inputs (Level 3) were as follows:

	<u>2017</u>	<u>2016</u>
Beginning Balance	\$ 8,216,250	\$ 3,573,091
Purchases	400,000	5,150,000
Sales	(650,000)	0
Unrealized Gains (Losses)	742,900	(506,841)
Ending Balance	<u>\$ 8,709,150</u>	<u>\$ 8,216,250</u>

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 AND 2016

10. FAIR VALUE MEASUREMENTS – continued

Common Stock—Common stock is valued at the closing price reported on the active markets in which the individual securities are traded and therefore is classified as Level 1.

Equity Mutual Funds—Equity mutual funds primarily invest in common stock of domestic and international corporations in a variety of industries. Quoted prices in active markets are used to value the equity mutual funds and therefore are classified as Level 1.

Fixed Income Mutual Funds—Fixed income mutual funds primarily invest in U.S. Treasuries and corporate bonds. Quoted prices in active markets are used to value the fixed income mutual funds and therefore are classified as Level 1.

Alternative Investments—Alternative investments do not have readily determined fair values as they are not listed on national exchanges or over-the-counter markets. Fair value has been determined based on the individual fund's net asset valuation provided by the investment managers, based on the guidelines established by those investment managers, which is considered to be an unobservable input and classified as Level 3 of the fair value hierarchy. The Foundation obtains and considers the audited financial statements of these investments when evaluating the overall reasonableness of the carrying value. The fund's annual financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and the underlying investments are reported at fair value.

Beneficial Interest in Charitable Remainder Unitrust—The fair value of the beneficial interest in the charitable remainder unitrust is estimated at the present value of the projected proceeds that will be received from the unitrust as calculated annually according to IRS Publication 1458, *Actuarial Valuations*. As such, the fair value of the beneficial interest is considered to be determined based on Level 3 inputs.

Cash Surrender Value of Insurance—The cash surrender value of insurance is presented at fair value based on the amount in cash upon cancellation of the insurance policy before maturity as of the reporting period. The fair value is determined by the insurer and represents the exit price from the perspective of the Foundation. Since the valuation is unobservable, the cash surrender value calculation is considered a Level 3 input.

**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***

To the Board of Directors
Cuyahoga Community College Foundation

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 financial statements of Cuyahoga Community College Foundation (the “Foundation,” a nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the 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 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 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.

To the Board of Directors
Cuyahoga Community College Foundation

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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 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.

Ciuni + Panichi, Inc.

Cleveland, Ohio
November 3, 2017

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND COMPLIANCE

YEAR ENDED JUNE 30, 2017

There were no comments on internal control and compliance included in the prior year reports.

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Dave Yost • Auditor of State

CUYAHOGA COMMUNITY COLLEGE FOUNDATION

CUYAHOGA 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
DECEMBER 19, 2017**