

Clark State Community College Foundation

Financial Statements

June 30, 2019 and 2018

with Independent Auditors' Report



CLARK SCHAEFER HACKETT
CPAs & ADVISORS



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Board of Directors
Clark State Community College Foundation
570 E. Leffel Lane
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We have reviewed the *Independent Auditors' Report* of the Clark State Community College Foundation, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2018 through June 30, 2019. 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 Clark State Community College Foundation is responsible for compliance with these laws and regulations.

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

Keith Faber
Auditor of State
Columbus, Ohio

November 4, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Clark State Community College Foundation
Springfield, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Clark State Community College Foundation ("Foundation"), a component unit of Clark State Community College, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clark State Community College Foundation as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019, on our consideration of Clark State Community College Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Clark State Community College Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clark State Community College Foundation's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 15, 2019

Clark State Community College Foundation
 Statements of Financial Position
 June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 427,258	389,873
Investments	21,166,674	19,595,626
Accounts receivable, Clark State Community College	-	13,958
Pledges receivable	960,898	1,343,054
Student loans receivable, net of allowance for doubtful loans of \$71,093 in 2019 and \$80,256 in 2018	72,996	83,413
Other receivables	5,003	1,270
Prepaid expenses	8,181	20,164
	\$ 22,641,010	21,447,358
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ -	3,830
Accounts payable, Clark State Community College	1,848	-
Wages payable	2,690	4,516
	4,538	8,346
Net assets		
Without donor restrictions	533,772	525,833
With donor restrictions	22,102,700	20,913,179
	22,636,472	21,439,012
	\$ 22,641,010	21,447,358

See accompanying notes to the financial statements.

Clark State Community College Foundation
 Statements of Activities and Changes in Net Assets
 Year Ended June 30, 2019 with Comparative 2018 Totals

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2019</u>	<u>Total 2018</u>
Revenues and other support				
Campaign contributions	\$ 7,052	243,753	250,805	535,594
Foundation contributions	494	224,335	224,829	347,261
Investment return, net	47,943	1,552,616	1,600,559	1,383,706
Miscellaneous	3,909	74,186	78,095	116,882
Net assets released from restrictions	<u>905,369</u>	<u>(905,369)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>964,767</u>	<u>1,189,521</u>	<u>2,154,288</u>	<u>2,383,443</u>
Expenses				
Programs	829,456	-	829,456	834,746
Management and general	122,463	-	122,463	93,537
Fundraising	<u>4,909</u>	<u>-</u>	<u>4,909</u>	<u>4,624</u>
Total expenses	<u>956,828</u>	<u>-</u>	<u>956,828</u>	<u>932,907</u>
Change in net assets	7,939	1,189,521	1,197,460	1,450,536
Net assets at beginning of year	<u>525,833</u>	<u>20,913,179</u>	<u>21,439,012</u>	<u>19,988,476</u>
Net assets at end of year	\$ <u><u>533,772</u></u>	<u><u>22,102,700</u></u>	<u><u>22,636,472</u></u>	<u><u>21,439,012</u></u>

See accompanying notes to the financial statements.

Clark State Community College Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2018</u>
Revenues and other support			
Campaign contributions	\$ 4	535,590	535,594
Foundation contributions	14,105	333,156	347,261
Investment return, net	48,419	1,335,287	1,383,706
Miscellaneous	3,036	113,846	116,882
Net assets released from restrictions	<u>942,112</u>	<u>(942,112)</u>	<u>-</u>
Total revenues and other support	<u>1,007,676</u>	<u>1,375,767</u>	<u>2,383,443</u>
Expenses			
Programs	834,746	-	834,746
Management and general	93,537	-	93,537
Fundraising	<u>4,624</u>	<u>-</u>	<u>4,624</u>
Total expenses	<u>932,907</u>	<u>-</u>	<u>932,907</u>
Change in net assets	74,769	1,375,767	1,450,536
Net assets at beginning of year	<u>451,064</u>	<u>19,537,412</u>	<u>19,988,476</u>
Net assets at end of year	\$ <u>525,833</u>	<u>20,913,179</u>	<u>21,439,012</u>

See accompanying notes to the financial statements.

Clark State Community College Foundation
 Statements of Functional Expenses
 Year Ended June 30, 2019

<u>June 30, 2019</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 74,766	43,529	-	118,295
Pension plan	8,994	5,254	-	14,248
Employee benefits	7,888	6,842	-	14,730
Payroll taxes	977	505	-	1,482
Professional fees	25,775	10,106	-	35,881
Advertising	5,110	8,090	3,034	16,234
Office expenses	35,144	4,407	-	39,551
Information technology	1,200	14,034	1,875	17,109
Travel	393	2,160	-	2,553
Conferences	384	9,143	-	9,527
Scholarships	193,384	-	-	193,384
Miscellaneous	322,609	18,393	-	341,002
Rental and repairs	44,160	-	-	44,160
Bad debt	57,633	-	-	57,633
Concession supplies	47,619	-	-	47,619
Champion City student expense	3,420	-	-	3,420
	<u>\$ 829,456</u>	<u>122,463</u>	<u>4,909</u>	<u>956,828</u>

<u>June 30, 2018</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 67,306	28,871	-	96,177
Pension plan	8,023	5,064	-	13,087
Employee benefits	15,334	7,523	313	23,170
Payroll taxes	801	496	-	1,297
Professional fees	24,705	7,154	-	31,859
Advertising	498	7,977	3,075	11,550
Office expenses	35,966	6,852	1,236	44,054
Information technology	800	7,030	-	7,830
Travel	236	561	-	797
Conferences	2,575	6,124	-	8,699
Scholarships	297,354	-	-	297,354
Miscellaneous	234,188	15,885	-	250,073
Rental and repairs	2,624	-	-	2,624
Bad debt	84,620	-	-	84,620
Concession supplies	52,560	-	-	52,560
Champion City student expense	7,156	-	-	7,156
	<u>\$ 834,746</u>	<u>93,537</u>	<u>4,624</u>	<u>932,907</u>

See accompanying notes to the financial statements

Clark State Community College Foundation
 Statements of Cash Flows
 Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 1,197,460	1,450,536
Adjustments to reconcile change in net assets to net cash from operating activities :		
Net realized and unrealized gains on investments	(1,119,828)	(917,214)
Contributions restricted for long-term purposes	(139,169)	(364,593)
Effects of changes in operating assets and liabilities		
Receivables	402,798	294,016
Prepaid expenses	11,983	(13,099)
Accounts payable	(1,982)	(216,590)
Wages payable	(1,826)	(56)
Net cash from operating activities	349,436	233,000
Cash flows from investing activities:		
Sales of investments	120,863	590,900
Purchases of investments	(572,083)	(1,033,219)
Net cash from investing activities	(451,220)	(442,319)
Cash flows from financing activities:		
Contributions restricted for long-term purposes	139,169	364,593
Change in cash and cash equivalents	37,385	155,274
Cash and cash equivalents at beginning of year	389,873	234,599
Cash and cash equivalents at end of year	\$ 427,258	389,873

See accompanying notes to the financial statements.

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Clark State Community College Foundation have been prepared on the accrual basis of accounting. The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Organization

The Clark State Community College Foundation ("Foundation") is a not-for-profit Ohio corporation and is considered to be a component unit of Clark State Community College ("College"). The Foundation's purpose is to assist students attending the College. Administrative services are provided by the College.

Adoption of New Accounting Standard

During 2019, the Foundation adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about investment return and functional expenses, including allocation methodologies and presentation of a statement of functional expenses as part of the basic financial statements. The Foundation has implemented this guidance and applied retrospectively to all periods presented, except for information about liquidity, which is permitted by the ASU. There was no impact to total net asset balances.

Basis of presentation

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

Net assets without donor restrictions represent funds available for grants and expenses which are not otherwise limited by donor restrictions. When a donor-imposed restriction is met in the same reporting period as received, the support is recorded as net assets without donor restrictions. These assets, which include board-designated funds, may be used at the discretion of the Foundation's management and the Board of Directors.

Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time. Some donor restrictions are perpetual in nature whereby principal is to be maintained intact in perpetuity and that only income from investment thereof can be expended either for the general purpose of the Foundation, or purposes specified by the donor. The Foundation maintains separate balances in its accounting records to account for the amounts available for donor-restricted purposes.

Estimates

The preparation of 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statements of cash flows, the Foundation considers all demand bank deposits as cash. The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. This includes amounts on deposit with STAR Ohio which were \$297,363 and \$387,771 at June 30, 2019 and 2018, respectively. STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the statement of financial position date.

Investments

Investments are carried at fair value in accordance with GAAP guidance. Investments include shares with Commonfund, a not-for-profit organization, and Federated Government Obligation, Tax Managed Select Treasuries. Realized and unrealized gains and losses are reported in the statements of activities and changes in net assets. Fair value is determined by market quotations. Donated investments are recorded at fair value at the time received.

Income taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation's reporting returns are subject to audit by federal and state taxing authorities. No income tax provision has been included in the financial statements as the Foundation has determined it does not have unrelated business income subject to taxation.

Functional expense allocation

For purposes of reporting expenses, identifiable expenses are directly recorded to program, management and general and fundraising. Expenses related to more than one function are allocated to these categories based on periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific program service but provide for the overall support and direction of the Foundation.

Pledges, accounts and loans receivable and revenues

Revenues are reported as an increase in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Contributions are recognized as revenue in the period the commitment or payment is first received. Conditional contributions are not recognized until the conditions are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Certain funding from non-government agencies is accounted for as donor restricted until either the required use, passage of time or receipt of funds occurs. Accordingly, such contributions are then released from restriction and recorded as net assets without donor restrictions. Contributions that were received as net assets with donor restrictions in a certain fiscal year whose restriction is fulfilled in the same fiscal year are directly reported as revenue without donor restrictions.

Potentially uncollectible loans and pledges receivable are provided for on the allowance method based on management's evaluation of outstanding loans receivable at year end. This estimation takes into consideration historical trends, past history with specific consumers as well as current economic conditions. After establishing the allowance, accounts and loans receivable are typically written off when reasonable and cost-effective collection efforts are exhausted. Actual results could vary from the estimates.

In-kind contributions

The facilities occupied by the Foundation are provided by the College. In addition, the College assists the Foundation in fund raising, gift processing and accounting. The value of the office space and services provided constitutes in-kind contributions to the Foundation that are immaterial to the financial statements and are not recognized as revenue and expense on the statements of activities and changes in net assets.

Concentration of credit risk

Investments consist primarily of financial instruments including cash equivalents, equity and fixed income securities and money market funds. These financial instruments may subject the Foundation to concentrations of credit risk, as, from time to time, balance may exceed amounts insured by the Federal Deposit Insurance Corporation. The fair value of securities are dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values. Certain receivables also subject the Foundation to concentrations of credit risk.

The majority of the Foundation's contributions are received from donors located in the greater Springfield, Ohio area. As such, the Foundation's ability to generate resources via contributions is dependent on the economic health of that area. An economic downturn could cause a decrease in contributions that coincides with an increase in the need among the individuals the Foundation supports.

Subsequent events

The Foundation evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through October 15, 2019, the date which the financial statements were available to be issued.

2. INVESTMENTS:

The following summarizes investment composition at June 30:

	2019		2018	
	<u>Fair Value</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Cost Basis</u>
Bond funds	\$ 5,280,252	4,895,234	4,936,556	4,699,353
Equity funds	10,682,964	2,699,720	9,809,257	2,634,311
High quality bond fund	2,038,665	1,805,401	1,889,024	1,734,166
Money market accounts	192,655	192,655	88,793	88,793
Mutual fund - fixed	576,740	582,646	619,284	631,297
Corporate bonds	175,515	175,648	196,757	202,058
Common stock	357,252	215,425	394,061	256,251
Real Estate Investment Trust	15,732	10,372	14,661	10,372
ADR / foreign - bonds	46,185	45,408	44,207	44,750
US Government Agency	25,000	24,663	24,487	24,663
Mutual fund - equity	<u>1,775,714</u>	<u>1,522,849</u>	<u>1,578,539</u>	<u>1,272,229</u>
 Total investments	 \$ <u>21,166,674</u>	 <u>12,170,021</u>	 <u>19,595,626</u>	 <u>11,598,243</u>

Investment fees are netted against interest and dividend income in the statements of activities and changes in net assets. Total fees for 2019 and 2018 were \$62,538 and \$60,208, respectively.

Assets and Liabilities Measured on a Recurring Basis

GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of equity and fixed income mutual funds, and preferred stock that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Funds of funds investments have observable inputs and market activity that allow for pricing based on the underlying market prices of the items in the fund adjusted information developed by management for historical and current performance of the underlying funds, liquidity and credit premiums required by a market participant and financial trend analysis with respect to the overall fund compared to benchmark performance ratios (Level 2 inputs). The Foundation owns three funds that are pooled funds that fall in this category. The funds invest in equity and fixed income securities whose investment objectives are to:

- 1) Invest in a group of diversified equity funds to outperform the S&P 500 index over a full market cycle;
- 2) Offer a program devoted to investing in high-quality, investment-grade fixed income securities to outperform the Barclays Aggregated Bond Index over a full market cycle, and;
- 3) Offer an actively managed, multi-manger investment program that will provide, in a single fund, broad exposure to global debt markets to add value above the return of the U.S. bond market over a full market cycle, as measured by the Barclays Capital U.S. Aggregate Bond Index, and to reduce volatility as compared to investing in the indices.

The fair values of investments in these categories have been estimated using the net asset value per share of the investments. Redemption policies of these funds range from weekly to monthly and there were no unfunded commitments at June 30, 2019.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

Fair Value Measurements at June 30, 2019

	<u>Balance as of June 30, 2019</u>	<u>Active Markets for Identical Assets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Foundation Investments:				
Privately held funds:				
Equities:				
U.S. Equity	\$ 7,722,807	-	7,722,807	-
International equity	1,027,907	-	1,027,907	-
Emerging markets	464,449	-	464,449	-
Fixed income:				
Intermediate term	640,867	-	640,867	-
Core bonds	5,668,792	-	5,668,792	-
Credit	145,816	-	145,816	-
Opportunistic	808,284	-	808,284	-
Distressed debt	122,413	-	122,413	-
Diversifying strategies	<u>1,400,546</u>	<u>-</u>	<u>1,400,546</u>	<u>-</u>
Total privately held funds	<u>18,001,881</u>	<u>-</u>	<u>18,001,881</u>	<u>-</u>
U.S. Government agency	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Corporate and ADR bonds	<u>221,700</u>	<u>-</u>	<u>221,700</u>	<u>-</u>
Common stock	<u>357,252</u>	<u>357,252</u>	<u>-</u>	<u>-</u>
Mutual funds:				
Equity	1,775,714	1,775,714	-	-
Fixed income	576,740	576,740	-	-
REIT	<u>15,732</u>	<u>15,732</u>	<u>-</u>	<u>-</u>
Total mutual funds	<u>2,368,186</u>	<u>2,368,186</u>	<u>-</u>	<u>-</u>
Money market accounts	<u>192,655</u>			
Total investments	<u><u>\$ 21,166,674</u></u>			

Fair Value Measurements at June 30, 2018

	Balance as of June 30, 2018	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foundation Investments:				
Privately held funds:				
Equities:				
U.S. Equity	\$ 7,136,345	-	7,136,345	-
International equity	949,849	-	949,849	-
Emerging markets	429,179	-	429,179	-
Fixed income:				
Intermediate term	592,200	-	592,200	-
Core bonds	5,238,310	-	5,238,310	-
Credit	134,743	-	134,743	-
Opportunistic	746,904	-	746,904	-
Distressed debt	113,117	-	113,117	-
Diversifying strategies	1,294,190	-	1,294,190	-
Total privately held funds	16,634,837	-	16,634,837	-
U.S. Government Agency	24,487	-	24,487	-
Corporate bonds	196,757	-	196,757	-
Common stock	394,061	394,061	-	-
Mutual funds:				
Large cap	1,000,626	1,000,626	-	-
Mid cap	368,645	368,645	-	-
Short-term bonds	247,663	247,663	-	-
Intermediate-term bonds	321,648	321,648	-	-
Foreign large cap	209,268	209,268	-	-
REIT	14,661	14,661	-	-
High yield bond	94,180	94,180	-	-
Total mutual funds	2,256,691	2,256,691	-	-
Money market accounts	88,793			
Total investments	\$ 19,595,626			

3. PLEDGES RECEIVABLE:

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded after discounting at 2.09% and 2.11% to the present value of future cash flows, for the years ended June 30, 2019 and 2018, respectively.

Unconditional promises are expected to be realized in the following periods:

	<u>2019</u>	<u>2018</u>
One year or less	\$ 455,706	466,124
Between one and five years	<u>547,168</u>	<u>945,636</u>
	1,002,874	1,411,760
Discounts and allowances	<u>(41,976)</u>	<u>(68,706)</u>
Net pledges	<u>\$ 960,898</u>	<u>1,343,054</u>

4. NET ASSETS:

Net assets at June 30 consist of the following:

	<u>2019</u>	<u>2018</u>
Without donor restrictions		
Major gifts	\$ -	1,648
Board designated for scholarships and special projects	103,675	95,600
Board designated for endowment	365,470	324,726
Unrestricted	<u>64,627</u>	<u>103,859</u>
Total	<u>\$ 533,772</u>	<u>525,833</u>
	<u>2019</u>	<u>2018</u>
With donor restrictions		
Time / purpose restrictions		
Major gifts	\$ 1,352,747	1,512,255
Scholarships and other	467,434	448,122
Endowment	10,063,885	8,881,024
Mumma loan fund	<u>155,713</u>	<u>148,026</u>
	<u>12,039,779</u>	<u>10,989,427</u>
Perpetually restricted		
Scholarships	\$ 3,235,177	3,104,837
Performing Arts Center	3,689,377	3,680,548
Champion City scholarships	<u>3,138,367</u>	<u>3,138,367</u>
	<u>10,062,921</u>	<u>9,923,752</u>
Total	<u>\$ 22,102,700</u>	<u>20,913,179</u>

5. RELATED PARTY TRANSACTIONS WITH CLARK STATE COMMUNITY COLLEGE:

During the years ended June 30, 2019 and 2018, the Foundation distributed \$305,715 and \$174,948, respectively, to the College for both restricted and unrestricted purposes. At June 30, 2019, the Foundation owed the College \$1,848. At June 30, 2018, the College owed the Foundation \$13,958.

6. ENDOWMENT COMPOSITION:

The Foundation's endowment primarily consists of funds held at Commonfund. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by applicable standards, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	20,126,806	20,126,806
Board-designated funds	<u>365,470</u>	<u>-</u>	<u>365,470</u>
Total funds	<u>\$ 365,470</u>	<u>20,126,806</u>	<u>20,492,276</u>

Endowment net asset composition by type of fund as of June 30, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	18,804,776	18,804,776
Board-designated funds	<u>324,726</u>	<u>-</u>	<u>324,726</u>
Total funds	<u>\$ 324,726</u>	<u>18,804,776</u>	<u>19,129,502</u>

Changes in endowment net assets for year ended June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 324,726	18,804,776	19,129,502
Investment return			
Investment income, net	980	577,232	578,212
Net appreciation	<u>35,855</u>	<u>952,394</u>	<u>988,249</u>
Total investment return	36,835	1,529,626	1,566,461
Contributions and other income	3,909	134,938	138,847
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(342,534)</u>	<u>(342,534)</u>
Net assets, end of year	<u>\$ 365,470</u>	<u>20,126,806</u>	<u>20,492,276</u>

Changes in endowment net assets for year ended June 30, 2018.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 295,163	17,466,328	17,761,491
Investment return			
Investment income, net	682	446,339	447,021
Net depreciation	<u>25,845</u>	<u>871,443</u>	<u>897,288</u>
Total investment return	26,527	1,317,782	1,344,309
Contributions and other income	3,036	431,113	434,149
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(410,447)</u>	<u>(410,447)</u>
Net assets, end of year	\$ <u><u>324,726</u></u>	<u><u>18,804,776</u></u>	<u><u>19,129,502</u></u>

Interpretation of UPMIFA

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual donor restrictions is classified as net assets with time or purpose donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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(s) as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index and the Barclays Index while assuming a moderate level of investment risk.

Strategies employed for achieving objectives

The purpose of the endowment fund is to facilitate donors' desires to make substantial long-term gifts to the Foundation and to develop a new and significant source of revenue for the Foundation. In so doing, the endowment fund will provide a secure, long-term source of funds to: (i) stabilize scholarship funding during periods of below normal annual campaigns; (ii) fund special initiatives; (iii) ensure long-term growth; (iv) enhance our ability to meet changing Foundation needs in both the short and long-term; and, (v) support the administrative expenses of the Foundation as deemed appropriate.

Spending policy and how the investment objectives relate to spending policy

The Finance/Investment Committee of the Board of Directors reviews the income distribution and spending policy annually and makes recommendations to the Board of Directors. Currently, the practice is to spend interest earned on endowment funds and retain any market gains in the endowment fund. Any other related proceeds are reinvested in the endowment fund. Within these parameters, the amount of the disbursement shall be determined annually by the Foundation Board of Directors, who may also elect to take no distribution in any given year.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. The Foundation did not have any such deficiencies at June 30, 2019 or 2018.

Endowment fund principal, unless otherwise directed by the donor, shall not be disbursed except for emergency situations. In order to make a principal disbursement, a two-thirds majority vote by the Foundation Board of Directors will be required.

7. AVAILABILITY OF FINANCIAL ASSETS:

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

Financial assets:	
Cash and cash equivalents	\$ 427,258
Investments	21,166,674
Pledges receivable, one year or less	455,706
Student loans receivable	72,996
Other receivables	<u>5,003</u>
	22,127,637
Less those unavailable for general expenditures - donor-restricted:	<u>22,102,700</u>
Financial assets available to meet general cash needs within one year	\$ <u><u>24,937</u></u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. If additional financial assets are needed based on unexpected needs, certain amounts from endowment funds could be made available, as necessary, in addition to the normal annual spending policy distributions.

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

Board of Directors
Clark State Community College Foundation
Springfield, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Clark State Community College Foundation, which comprise the statement of financial position as of June 30, 2019 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 October 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Clark State Community College 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 Clark State Community College Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Clark State Community College Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clark State Community College Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Clark State Community College Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clark State Community College Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 15, 2019



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OHIO AUDITOR OF STATE KEITH FABER



CLARK STATE COMMUNITY COLLEGE FOUNDATION

CLARK 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
NOVEMBER 19, 2019**