

AUDIT REPORT

COLUMBUS STATE COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION

FINANCIAL REPORT

For the Years Ended June 30, 2013 and 2012



Dave Yost • Auditor of State

Board of Trustees
Columbus State Community College Development Foundation
550 East Spring Street
Columbus, Ohio 43216

We have reviewed the *Independent Auditors' Report* of the Columbus State Community College Development Foundation, Franklin County, prepared by Parns & Company, LLC, for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Columbus State Community College Development 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

January 8, 2014

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**COLUMBUS STATE COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.**

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Independent Auditors' Report

Board of Directors
Columbus State Community College
Development Foundation, Inc.
Columbus, Ohio

We have audited the accompanying statements of Columbus State Community College Development Foundation, (the Foundation), a component unit of Columbus State Community College, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and related notes to the financial statements.

Management's Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free of 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 estimates made by management, as well as evaluating the overall financial statement presentation.

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 Columbus State Community College Development Foundation, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* we have also issued our report dated October 14, 2013, 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 grants 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 the Foundation's internal control over financial reporting and compliance.

Farms & Company, LLC

Columbus, Ohio
October 14, 2013

**COLUMBUS STATE COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
Statements of Financial Position
As of June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 92,131	\$ 99,464
Investments	6,301,020	5,660,956
Pledges receivable	<u>182,160</u>	<u>75,850</u>
Total assets	<u>\$ 6,575,311</u>	<u>\$ 5,836,270</u>
 LIABILITIES		
Trade payables	\$ 19,592	\$ 1,417
Due Columbus State Community College	<u>1,586</u>	<u>826</u>
Total liabilities	21,178	2,243
 NET ASSETS		
Unrestricted	1,221,242	659,317
Temporarily restricted	1,641,593	1,528,190
Permanently restricted	<u>3,691,298</u>	<u>3,646,520</u>
Total net assets	<u>6,554,133</u>	<u>5,834,027</u>
Total liabilities and net assets	<u>\$ 6,575,311</u>	<u>\$ 5,836,270</u>

See accompanying notes to the financial statements.

**COLUMBUS STATE COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
Statement of Activities
For the Year Ended June 30, 2013**

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND SUPPORT				
Contributions	\$ 127,517	480,430	27,208	\$ 635,155
Non-monetary contributions	38,290	-	-	38,290
Investment income:				
Dividends and net realized gain	258,443	73,918	-	332,361
Net unrealized gain	257,756	70,535	-	328,291
Administrative fee income	44,767	-	-	44,767
Net assets released from restrictions:				
Satisfaction of program restrictions	496,226	(496,226)	-	-
Total revenue and support	<u>1,222,999</u>	<u>128,657</u>	<u>27,208</u>	<u>1,378,864</u>
EXPENSES				
Scholarships	350,615	-	-	350,615
College programs	100,844	-	-	100,844
Management and general	207,299	-	-	207,299
Total expenses	<u>658,758</u>	<u>-</u>	<u>-</u>	<u>658,758</u>
CHANGE IN NET ASSETS	564,241	128,657	27,208	720,106
OTHER CHANGES IN NET ASSETS				
Transfer of earnings	(2,316)	(15,254)	17,570	-
NET ASSETS				
Beginning of year	659,317	1,528,190	3,646,520	5,834,027
End of year	<u>\$ 1,221,242</u>	<u>1,641,593</u>	<u>3,691,298</u>	<u>\$ 6,554,133</u>

**COLUMBUS STATE COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
Statement of Activities
For the Year Ended June 30, 2012**

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND SUPPORT				
Contributions	\$ 217,746	252,382	84,155	\$ 554,283
Non-monetary contributions	32,750	-	-	32,750
Investment income:				
Dividends and net realized gain	176,153	48,412	-	224,565
Net unrealized gain	(73,801)	(17,999)	-	(91,800)
Administrative fee income	47,584	-	-	47,584
Net assets released from restrictions:				
Satisfaction of program restrictions	530,022	(530,022)	-	-
Total revenue and support	<u>930,454</u>	<u>(247,227)</u>	<u>84,155</u>	<u>767,382</u>
EXPENSES				
Scholarships	283,420	-	-	283,420
College programs	163,840	-	-	163,840
Management and general	258,413	-	-	258,413
Total expenses	<u>705,673</u>	<u>-</u>	<u>-</u>	<u>705,673</u>
CHANGE IN NET ASSETS	224,781	(247,227)	84,155	61,709
OTHER CHANGES IN NET ASSETS				
Transfer of earnings	(2,484)	-	2,484	-
NET ASSETS				
Beginning of year	437,020	1,775,417	3,559,881	5,772,318
End of year	<u>\$ 659,317</u>	<u>1,528,190</u>	<u>3,646,520</u>	<u>\$ 5,834,027</u>

**COLUMBUS STATE COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 720,106	\$ 61,709
Adjustments to reconcile change in net assets to net cash used by operating activities		
Net unrealized (gains) losses on investments	(328,291)	91,800
Effects of changes in assets and liabilities:		
Change in pledges receivable	(106,310)	(16,254)
Change in accounts payable	<u>18,935</u>	<u>(33,945)</u>
Net cash provided by operating activities	304,440	103,310
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale (purchase) of investments	<u>(311,773)</u>	<u>(205,876)</u>
NET INCREASE IN CASH	(7,333)	(102,566)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>99,464</u>	<u>202,030</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 92,131</u></u>	<u><u>\$ 99,464</u></u>

See accompanying notes to the financial statements.

**COLUMBUS STATE COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended June 30, 2013 and 2012**

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Columbus State Community College Development Foundation, Inc. (the 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 - Columbus State Community College Development Foundation, Inc. is a not-for-profit Ohio corporation formed in 1982. It is considered to be a component unit of Columbus State Community College (the College). The Foundation is organized and operated exclusively to generate, receive, hold, invest, manage and allocate funds and property for the advancement, achievement, and support of the educational programs of the Columbus State Community College, the beneficiaries being its students and community. Columbus State Community College provides administrative services on behalf of the Foundation.

Financial statement presentation - The financial statements have been prepared on the accrual basis of accounting. The financial presentation follows the recommendations of the Financial Accounting Standards Board in ASC 958. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to the following three classes of net assets:

- . Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- . Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation or the passage of time.
- . Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Cash - 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.

Investments - Investments are carried at fair value in accordance with FASB ASC 820. Realized and unrealized gains and losses are reported in the statement of activities. Investments in securities are recorded at fair value based on quoted market values, with changes in market value during the year reflected in the statements of activities. Donated investments are recorded at the fair value at the time received. 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 possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the Foundation's statements of position and activities.

**COLUMBUS STATE COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended June 30, 2013 and 2012**

Note 1 - Summary of Significant Accounting Policies - (Continued)

Concentration of Credit Risk – Financial instruments, which potentially subject the Foundation to concentration of credit risk, consist principally of pledges receivable and investments. Exposure to losses on pledges receivable is dependent on each donor's financial condition. The Foundation monitors the exposure for credit losses including each donor's compliance with terms of the pledge and determines allowances, if any, for anticipated losses.

Pledges Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at its 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 using a risk-free interest rate at time of the pledge.

Contribution Revenue - The Foundation reports contributions as restricted if they are received with donor stipulations that limit the use of the contributions. 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.

Investment Income – All investment income in the form of interest and dividends is credited to unrestricted net assets unless otherwise designated by the donor.

In-Kind Income – Included in the Statement of Activities for 2013 and 2012, is \$38,290 and \$32,750, respectively, in non-monetary contributions. In addition, Columbus State Community College provides an annual budget for personnel and general operating expenses of the Foundation, as well as the facilities occupied by the Foundation. The College also assists the Foundation in fund-raising, gift processing and accounting. The value of the Foundation's operating budget, office space and services provided constitutes additional in-kind income to the Foundation that is not recorded, nor is the associated in-kind expense for the office space and other services. The Foundation approximates the value of these operating costs at \$282,258 and \$398,144, for fiscal years 2013 and 2012, respectively. Annually, the Foundation hosts an event that recognizes donors as well as raises funds for scholarships and special projects called "Taste the Future" in which vendors prepare various gourmet foods. No amounts have been included in the financial statements to value the in-kind donation of time and food items for this event.

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 statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes - The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation has adopted FASB ASC 740-10-25, which clarifies accounting for uncertainty in income taxes reported in financial statements. The interpretation provides criteria for assessment of individual tax positions and a process for recognition and measurement of uncertain tax positions. The Foundation's Form 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2010, 2011, and 2012 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

**COLUMBUS STATE COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended June 30, 2013 and 2012**

Note 1 - Summary of Significant Accounting Policies - (Continued)

Fair value of financial instruments – The carrying values of the Foundation’s financial instruments in the statements of financial position approximate their respective estimated fair value at June 30, 2013 and 2012. The Foundation estimates fair values of its financial instruments using available quoted market information in accordance with FASB ASC 820 *Fair Value Measurements and Disclosures*. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange. Different market assumptions might have a material effect on the estimated fair value amounts.

Donor restricted endowment funds - The provisions of FASB ASC 958-205-45 provides guidance on classifying the net assets associated with donor restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Additional disclosures about endowments for both donor-restricted funds and board designated funds for all organizations, including those that are not yet subject to an enacted version of UPMIFA, are required to enable users to understand its endowment funds’ net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies.

Note 2 - Cash

The Foundation maintains its cash account with one bank. The Foundation’s cash is included in the College’s consolidated cash, which is insured by the FDIC up to \$250,000, as of June 30, 2013. Uninsured cash funds held by the bank are subject to a collateral agreement covering all public funds held by the bank. As of June 30, 2013 and 2012, the Foundation had a balance per bank of \$192,941 and \$108,349, respectively. The difference between bank balance and carrying value represent normal reconciling items.

Note 3 - Investments

The following summarizes the fair value of investments held at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Money Market Accounts	\$ 98,249	\$ 145,578
Equity Mutual Funds	4,282,589	1,950,543
Common & Preferred Stock	1,502,282	3,214,924
Fixed Income Securities	115,863	106,385
Corporate Bonds	250,573	243,526
Other - Hedge Fund	<u>51,464</u>	<u>-</u>
Total	<u>\$6,301,020</u>	<u>\$5,660,956</u>

As defined in FASB ASC 820, *fair value* is 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. FASB ASC 820 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**COLUMBUS STATE COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended June 30, 2013 and 2012**

Note 3 - Investments (Continued)

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

Level 2 Inputs: Significant other observable inputs other than Level 1 quoted 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 Inputs: 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.

Assets Measured on a Recurring Basis: Assets and liabilities measured at fair value on a recurring basis are summarized below as of June 30, 2013 and 2012:

	Fair Value Measurements At June 30, 2013 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash & Money Markets	\$ -	98,249	\$ -
Equity Funds	4,282,589	-	-
Common & Preferred Stock	1,502,282	-	-
Fixed Income Securities	115,863	-	-
Corporate Bonds	250,573	-	-
Hedge Fund	-	-	51,464
Total	<u>\$6,151,307</u>	<u>\$ 98,249</u>	<u>\$ 51,464</u>

	Fair Value Measurements At June 30, 2012 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash & Money Markets	\$ -	\$ 145,578	\$ -
Equity Funds	1,950,543	-	-
Common & Preferred Stock	3,214,924	-	-
Fixed Income Securities	106,385	-	-
Corporate Bonds	243,526	-	-
Municipal Bonds	-	-	-
Total	<u>\$5,515,378</u>	<u>\$ 145,578</u>	<u>\$ -</u>

**COLUMBUS STATE COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended June 30, 2013 and 2012**

Note 3 - Investments (Continued)

Investments are reported as Level 3 assets if the valuation is based on significant unobservable inputs. Often, these assets trade infrequently, or not at all. For some Level 3 assets, both observable and unobservable inputs may be used to determine fair value. As a result, the unrealized gains and losses presented in the tables below may include changes in fair value that were attributable to both observable and unobservable inputs. The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the beginning of the reporting period. For the fiscal years ended June 30, 2013 and June 30, 2012, there were no transfers between levels of the fair value hierarchy. Hedge funds held by the Foundation as of June 30, 2013, are considered alternative investments and are considered to be Level 3 investments.

The following is a reconciliation of assets for which significant unobservable inputs (level 3) were used in determining fair value:

	<u>2013</u>	<u>2012</u>
Balance at Beginning of Year	\$ -	\$ -
Net realized gain/(loss)	-	-
Net change in unrealized appreciation	1,464	-
Purchases	50,000	-
Sales	-	-
Transfers out of Level 3	-	-
Balance at End of Year	\$ <u>51,464</u>	\$ <u>-</u>

Alternative Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares at year end whereby the fair value of the investment held is estimated based on the net asset value per share of the investment company. Certain investments measured at net asset value per share may be classified within Level 2 of the fair value hierarchy if the investment can be redeemed at, or within 1-10 days. If the investment holdings cannot be redeemed at, or within this timeframe, due to redemption restrictions or other factors, then the investment is classified within Level 3 of the fair value hierarchy. Although the Foundation considers all available data in reporting the fair value of investments, the NAV, or its equivalent, is used as the primary valuation input for some Level 2 and most Level 3 assets.

The following tables provide additional information regarding the fair value and liquidity for investments where the NAV was used.

	<u>Fair Value</u>	<u>Redemption Period</u>	<u>Redemption Notice Period</u>
<u>2013 Investment</u>			
Hedge Funds	\$ 51,464	quarterly	30 days
<u>2012 Investment</u>			
None	-	-	-

**COLUMBUS STATE COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended June 30, 2013 and 2012**

Note 4 – Endowment Composition

The Foundation's endowment consists of investments held at Morgan Stanley Wealth Management. These endowments are made up of donor-restricted endowment funds. As required by applicable standards, all net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2013:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Totals</u>
Donor restricted endowment funds	\$(17,800)	199,607	3,691,298	\$3,873,105
Board-designated funds	-	-	-	-
Total	<u>\$(17,800)</u>	<u>199,607</u>	<u>3,691,298</u>	<u>\$3,873,105</u>

Endowment net asset composition by type of fund as of June 30, 2012:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Totals</u>
Donor restricted endowment funds	\$(17,380)	187,786	3,646,520	\$3,816,926
Board-designated funds	-	-	-	-
Total	<u>\$(17,380)</u>	<u>187,786</u>	<u>3,646,520</u>	<u>\$3,816,926</u>

Changes in endowment net assets for the year ended June 30, 2013:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Totals</u>
Net Assets, Beginning of Year	\$ (17,380)	187,786	3,646,520	\$ 3,816,926
Investment income, net	-	43,552	-	43,552
Net appreciation (realized and unrealized gains/losses)	45,085	55,816	-	100,901
Contributions	-	-	44,778	44,778
Reclassification for UPMIFA	(296)	296	-	-
Appropriation of endowment assets for expenditure	<u>(45,209)</u>	<u>(87,843)</u>	<u>-</u>	<u>(133,052)</u>
Net Assets, End of Year	<u>\$ (17,800)</u>	<u>199,607</u>	<u>3,691,298</u>	<u>\$ 3,873,105</u>

Changes in endowment net assets for the year ended June 30, 2012:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Totals</u>
Net Assets, Beginning of Year	\$ (5,330)	297,259	3,559,881	\$ 3,851,810
Investment income, net	-	27,109	-	27,109
Net appreciation (realized and unrealized gains/losses)	2,205	1,099	-	3,304
Contributions	-	-	86,639	86,639
Reclassification for UPMIFA	(5,970)	5,970	-	-
Appropriation of endowment assets for expenditure	<u>(8,285)</u>	<u>(143,651)</u>	<u>-</u>	<u>(151,936)</u>
Net Assets, End of Year	<u>\$ (17,380)</u>	<u>187,786</u>	<u>3,646,520</u>	<u>\$ 3,816,926</u>

**COLUMBUS STATE COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended June 30, 2013 and 2012**

Note 4 – Endowment Composition (Continued)

Interpretation of UPMIFA: The Foundation has interpreted the State of Ohio's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation 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, the endowment assets are invested in a manner that is intended to maximize the total rate of return on investment within prudent parameters of risk of this type and in keeping with liquidity requirements as they relate to life income gifts.

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 significant sources of revenue for the Foundation. In so doing, the Endowment Fund will provide a secure, long-term source of funds to enhance the ability of the Foundation to meet ongoing and changing needs in both the short and long-term.

Spending Policy and How the Investment Objectives Relate to Spending Policy: To assist in achieving these objectives, the Foundation has established a Spending Policy that provides the criteria for annual distributions from the Endowment Fund. The Columbus State Community College Development Foundation, Inc. Board of Directors will determine annually the amount of funds that will be distributed out of the Endowment Income Funds. Distributions will be limited to 5% of the average market value of the Endowment Fund balance over the previous four years, not to exceed 75% of the income balance in any individual account. Within these parameters, the Board of Directors may also elect to make no distribution in any given year. The capital or principal amount of any endowed fund shall remain in perpetuity.

**COLUMBUS STATE COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended June 30, 2013 and 2012**

Note 4 – Endowment Composition (Continued)

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. Such amounts totaled \$17,800, and \$17,380 as of June 30, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations.

Endowment Fund principal, unless otherwise directed by the donor, shall not be disbursed except for emergency situations.

Note 5 – Pledges Receivable

Amounts included in pledges receivable for unconditional promises to give consist of the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Support What Works Campaign Pledges		\$ 23,000
Annual Pledges	202,251	52,888
Less: Discount and allowance	<u>(20,091)</u>	<u>(38)</u>
Total	<u>\$ 182,160</u>	<u>\$ 75,850</u>

Note 5 – Pledges Receivable (Continued)

As of June 30, 2013, amounts due to be received in:

	<u>Gross</u>	<u>Discount</u>	<u>Net</u>
Less than one year	\$ 107,100	(11,781)	95,319
One to five years	<u>95,151</u>	<u>(8,310)</u>	<u>86,841</u>
Total	<u>\$ 202,251</u>	<u>(20,091)</u>	<u>\$ 182,160</u>

As of June 30, 2012, amounts due to be received in:

	<u>Gross</u>	<u>Discount</u>	<u>Net</u>
Less than one year	\$ 75,888	(38)	75,850
One to five years	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 75,888</u>	<u>(38)</u>	<u>\$ 75,850</u>

As of June 30, 2013, management estimates that all promises to give ultimately will be collectible. Due to uncertainties about future events, management's estimate of uncollectible promises to give may subsequently change, although the amount of such a change cannot be estimated. Discounts applied to promises to give total \$60 and \$38 as of June 30, 2013 and 2012.

**COLUMBUS STATE COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.
Notes to the Financial Statements
For the Years Ended June 30, 2013 and 2012**

Note 6 – Net Assets:

Temporarily restricted net assets as of June 30 are summarized for the following programs:

	<u>2013</u>	<u>2012</u>
General Support of College Programs	\$177,609	\$172,387
Equipment	294,445	302,781
Lecture Series	43,258	43,258
Special Projects	105,239	70,238
General Support of Administration	6,212	3,233
Scholarships	<u>1,014,830</u>	<u>936,293</u>
Total Temporarily Restricted Net Assets	<u>\$1,641,593</u>	<u>\$1,528,190</u>

Permanently restricted net assets as of June 30 are summarized for the following programs:

	<u>2013</u>	<u>2012</u>
College Programs	\$ 10,000	\$ 10,000
Special Projects	44,151	44,151
General Support of Administration	285,001	285,001
Scholarships	<u>3,352,146</u>	<u>3,307,368</u>
Total Permanently Restricted Net Assets	<u>\$3,691,298</u>	<u>\$3,646,520</u>

Note 7 - Subsequent Events:

Management has performed an analysis of the activities and transactions subsequent to June 30, 2013 to determine the need for any adjustments or disclosures within the audited financial statements for the year ended June 30, 2013. Management has performed their analysis through October 14, 2013, the date this report was available to be issued.

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

Board of Trustees
Columbus State Community College
Development Foundation, Inc.
Columbus, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Columbus State Community College Development Foundation (the Foundation), a component unit of Columbus State Community College, which comprise the statement of position as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2013.

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 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 of 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 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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 organization's internal control and compliance. According, this communication is not suitable for any other purpose.

Farms & Company, LLC

October 14, 2013
Columbus, Ohio



Dave Yost • Auditor of State

COLUMBUS STATE COMMUNITY COLLEGE DEVELOPMENT FOUNDATION

FRANKLIN 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
JANUARY 16, 2014**