

Stark State College Foundation

Regular Audit

July 1, 2005 through June 30, 2006

Fiscal Year Audited Under GAGAS: 2006

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

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Mary Taylor, CPA
Auditor of State

Board of Trustees
Stark State College Foundation
6200 Frank Avenue, NW
Canton, Ohio 44720-7299

We have reviewed the *Report of Independent Accountants* of the Stark State College Foundation, Stark County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2005 through June 30, 2006. 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 Stark State College Foundation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 31, 2007

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Stark State College Foundation
Table of Contents
For the Fiscal Year Ended June 30, 2006

<u>Title</u>	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities.....	3
Statement of Cash Flows	4
Notes to Financial Statements.....	5 - 11
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	12

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Stark State College Foundation
6200 Frank Ave. N.W.
North Canton, Ohio 44720-7299

We have audited the accompanying statement of financial position of Stark State College Foundation (the Foundation), a component unit of Stark State College of Technology, as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2006, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2006 on our consideration of the Foundation's internal control over financial reporting and 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 report 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* and should be considered in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.
December 15, 2006

Stark State College Foundation
Statement of Financial Position
June 30, 2006

Assets	
Cash and cash equivalents	\$55,969
Unconditional promises to give:	
Unrestricted	7,840
Restricted to aesthetics	246
Restricted to instructional departments	2,687
Restricted to scholarships	314
Restricted to endowments	10,074
Restricted to student services	324
Prepaid expenses	2,206
Short-term investments	58,480
Long-term investments	<u>1,514,629</u>
 Total Assets	 <u><u>\$1,652,769</u></u>
 Liabilities	
Accounts payable	<u>\$53</u>
 Total Liabilities	 <u>53</u>
 Net Assets	
Unrestricted	64,074
Temporarily restricted	58,117
Permanently restricted	<u>1,530,525</u>
 Total Net Assets	 <u><u>\$1,652,716</u></u>

See the accompanying notes to the financial statements.

Stark State College Foundation
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Individuals, corporations & foundations	\$450	\$0	\$0	\$450
Income for managing assets	1,119	0	0	1,119
Investment income	2,065	28,451	503	31,019
Support for instructional departments	0	178	0	178
Support for capital projects	0	6,600	0	6,600
Support for scholarships	0	18,817	0	18,817
Support for aesthetics	0	15	0	15
Support for student services	0	20	0	20
Investment gains, net	2,704	46,785	912	50,401
Endowment fund support	0	0	9,001	9,001
Net assets released from restriction (Note 5):				
Restrictions satisfied by payments	254,590	(254,590)	0	0
Transfer for managing assets	10,401	(10,401)	0	0
Total Support and Revenues	271,329	(164,125)	10,416	117,620
Expenses				
Supporting college activities				
Auditorium renovation	165,000	0	0	165,000
Scholarships for students	77,377	0	0	77,377
Instructional equipment and supplies	5,299	0	0	5,299
Faculty & staff professional development	6,205	0	0	6,205
Aesthetics	306	0	0	306
Student services	403	0	0	403
Operations				
Management and general	14,016	0	0	14,016
Unrealized pledges	1,370	0	0	1,370
Total Expenses	269,976	0	0	269,976
Change in Net Assets	1,353	(164,125)	10,416	(152,356)
Net Assets, Beginning of Fiscal Year	62,721	222,242	1,520,109	1,805,072
Net Assets, End of Fiscal Year	\$64,074	\$58,117	\$1,530,525	\$1,652,716

See the accompanying notes to the financial statements.

Stark State College Foundation
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2006

Cash Flows from Operating Activities	
Decrease in net assets	(\$152,356)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Net gain on long-term investments	(50,401)
Decrease in restricted conditional promises to give	158,400
Decrease in restricted unconditional promises to give	22,516
Decrease in unrestricted unconditional promises to give	9,172
Increase in accounts payable	9
Increase in prepaid expenses	(84)
Investment income from long-term investments	(29,514)
Investment income from short-term investments	(1,505)
Restricted cash contributions for long-term investment	<u>(25,613)</u>
Net Cash Provided by Operating Activities	(69,376)
Cash Flows from Investing Activities	
Sales of long-term investments	<u>58,432</u>
Net Cash Provided by Investing Activities	58,432
Cash Flows from Financing Activities	
Collection of endowment fund support	<u>25,613</u>
Net Cash Provided by Financing Activities	<u>25,613</u>
Net Increase (Decrease) in Cash and Cash Equivalents	14,669
Beginning Cash and Cash Equivalents	<u>41,300</u>
Ending Cash and Cash Equivalents	<u><u>\$55,969</u></u>

See the accompanying notes to the financial statements.

Stark State College Foundation
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2006

1. **DESCRIPTION OF THE REPORTING ENTITY**

The Stark State College Foundation (the Foundation) is organized and operated exclusively for educational, scientific or charitable purposes by conducting and supporting activities which benefit or carry out the purpose of the Stark State College of Technology (herein, “the College”). The College is a state institution of higher learning, authorized and existing under Chapter 3357 of the Ohio Revised Code. The Foundation is a not-for-profit organization established in accordance with Section 501(c)(3) of the Internal Revenue Code and is empowered to exercise all rights and powers conferred by the laws of Ohio upon nonprofit corporations.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Contributions

The Foundation reports contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, “Accounting for Contributions Received and Contributions Made”. SFAS No. 116 requires that unconditional promises to give, with payments due in future periods, be recorded as receivables and support in either unrestricted, temporarily restricted, or permanently restricted net assets as appropriate in the period received at their net present value. The accumulated discount of net present value of the pledge is accounted for as contribution income of the related class of net assets. Conditional promises to give are not recorded as support until the condition upon which they depend has been substantially met by the Foundation.

Financial Statement Presentation

SFAS No. 117, “Financial Statements of Not-For-Profit Organizations”, requires that the amounts for each of three classes of net assets: unrestricted, temporarily restricted and permanently restricted, be presented in an aggregated statement of financial position and that the amounts of changes in each of those classes of net assets be presented in a statement of activities. This statement requires that resources be classified into three net asset categories according to donor-imposed restrictions. A description of the categories is as follows:

Unrestricted Net Assets

Assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets.

Temporarily Restricted Net Assets

Assets which include gifts and pledges receivable for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds are not permanently restricted.

Permanently Restricted Assets

Assets that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income from these assets is included in the investment income of unrestricted and restricted funds, as appropriate, in the accompanying Statement of Activities.

Stark State College Foundation
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2006

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

The Foundation reports investments in accordance with SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations". Investments in marketable securities with readily determined fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

Investments of the unrestricted, temporarily restricted and permanently restricted funds are pooled for making investment transactions and are carried at market value. Interest and dividend income, as well as realized and unrealized gains and losses, are allocated to unrestricted, temporarily restricted and permanently restricted funds.

Promises to Give

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 (fair value). Promises designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. Conditional promises are recorded when donor stipulations are substantially met.

The Foundation requires an initial minimum balance of \$5,000 to establish an endowed scholarship fund. The policy allows a period, generally not to exceed 60 months, for the accumulation of contributions and interest to meet the minimum \$5,000 requirement.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results may differ from those estimates.

3. **INVESTMENTS**

The various investments in fixed income securities, mutual funds and other investment securities are exposed to various risks, such as interest rate, market fluctuations and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Stark State College Foundation
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2006

3. **INVESTMENTS** (continued)

At June 30, 2006, investments consisted of the following:

	Fair Value
Mutual Funds	\$1,514,629
Money Market Account	58,480
Total	\$1,573,109

4. **PROMISES TO GIVE**

Unconditional promises to give are included in the financial statements as contributions receivable and contributions of the appropriate net asset category. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimate of future cash flows. Conditional promises to give are not included as support until conditions are met.

Unconditional promises to give:

Unrestricted	
Amounts Due:	
Less than one year	\$7,840
Restricted	
Amounts Due:	
Less than one year	13,645
Total	\$21,485

5. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily and permanently restricted assets are those whose use by the Foundation has been limited by the donors to a specific time period or purpose. Temporarily restricted net assets are available for providing scholarships to the College's students, providing professional development funds to the College staff and purchasing equipment for the benefit of the College. Permanently restricted net assets are restricted to investment in perpetuity and the income from which is expendable for scholarships to the College's students.

Stark State College Foundation
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2006

5. **TEMPORARILY RESTRICTED NET ASSETS** (continued)

The different types of temporarily restricted net assets are classified as follows:

Scholarships for Students:	
Donald & Pauline Colaner Scholarship	\$133
Diversity Scholarship	3,630
Mel Kallis Scholarship	302
Kids College Scholarship	313
Samuel Krugliak Scholarship	400
John McGrath Presidential Scholarship	2,028
Fred F. Silk Scholarship	21,071
Student Scholarship	11,201
Ervin & Marie Wilkof Scholarship	48
Total Scholarships for Students	39,126
Faculty and Staff Professional Development:	
Faculty and Staff Professional Development	6,531
Total Faculty and Staff Professional Development	6,531
Pathway to the Future:	
Pathway to the Future	9,203
Total Pathway to the Future	9,203
Aesthetics Project:	
Aesthetics	246
Total Aesthetics Project	246
Departmental Equipment and Supplies:	
Adaptive Equipment	324
Business Division Equipment	1,831
Engineering Division Equipment	42
General Studies Division Equipment	104
Health Division Equipment	689
Instructional Equipment	21
Total Departmental Equipment and Supplies	3,011
Total Temporarily Restricted Net Assets	\$ 58,117

Stark State College Foundation
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2006

5. **TEMPORARILY RESTRICTED NET ASSETS** (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors as follows:

Purpose Restriction Accomplished:

Scholarships for Students:

Leon & Helene Albert Scholarship	\$218
Alumni Class Scholarships	3,241
Bridgestone/Firestone Automotive Scholarship	256
Edward & Henry Cain Automotive Scholarship	11,561
Canton Veteran Car Club Scholarship	171
Cleveland Auto Dealers Scholarship	15,000
Donald & Pauline Colaner Scholarship	211
Diversity Scholarship	2,437
Deuble Foundation Scholarship	3,812
East Ohio Gas Company Scholarship	406
Engineering Memorial Scholarship	614
Janet C. Fisher Scholarship	1,401
Albert & Edith Flowers Scholarship	325
GAR Scholarship	1,954
Robert & Celine Hallier Scholarship	211
William & Martha Haverlock Scholarship	190
Herbert Hoover Scholarship	3,124
Hoover Foundation Scholarship	3,655
Kids College Scholarship	390
Samuel Krugliak Scholarship	338
William & Sharon Luntz Scholarship	153
John McGrath Presidential Scholarship	1,787
Betty Morford Scholarship	345
Ada & Helen Rank Scholarship	167
Ned Saums Scholarship	410
SCADA Automotive Scholarship	2,362
Daniel Schonhoft Scholarship	1,000
Fred F. Silk Scholarship	12,821
Stark Community Foundation Scholarship	843
Student Scholarship	5,143
Edward & Ruth Wilkof Scholarship	492
Ervin & Marie Wilkof Scholarship	521
Dale Young Scholarship	1,818
Total Scholarships for Students	77,377

Stark State College Foundation
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2006

5. **TEMPORARILY RESTRICTED NET ASSETS** (continued)

Professional Development:	
Faculty and Staff Professional Development	\$5,941
Mary Powers Professional Development	264
Total Professional Development	6,205
Aesthetics:	
Aesthetics	306
Total Aesthetics	306
Departmental Equipment and Supplies:	
Accounting Lab	1,334
Adaptive Equipment	403
Business Division Equipment	2,268
Engineering Division Equipment	52
General Studies Division Equipment	103
Health Division Equipment	855
Instructional Equipment	26
Instructional Resources	394
Pathway to the Future	267
Total Departmental Equipment and Supplies	5,702
Capital Projects:	
Auditorium Renovation	165,000
Total Capital Projects	165,000
Total Net Assets Released from Donor Restrictions	\$254,590

6. **PERMANENTLY RESTRICTED NET ASSETS**

Scholarships for Students:	
Leon & Helene Albert Scholarship	\$8,881
Alumni Class Scholarships	74,344
Bridgestone/Firestone Automotive Scholarship	9,550
Edward & Henry Cain Automotive Scholarship	240,000
Canton Veteran Car Club Scholarship	5,000
David & Pauline Colaner Scholarship	5,000
Deuble Foundation Scholarship	100,000
Diversity Scholarship	58,152
East Ohio Gas Company Scholarship	10,000
Engineering Memorial Scholarship	18,102
Faculty Association Scholarship	4,655
Janet C. Fisher Scholarship	35,099
Albert & Edith Flowers Scholarship	10,000
Robert & Celine Hallier Scholarship	5,220
William & Martha Haverlock Scholarship	9,824

Stark State College Foundation
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2006

6. **PERMANENTLY RESTRICTED NET ASSETS** (continued)

Herbert Hoover Scholarship	\$100,000
Hoover Foundation Scholarship	100,000
Mel Kallis Scholarship	12,732
Samuel Krugliak Scholarship	10,000
William & Sharon Luntz Scholarship	5,456
John McGrath Presidential Scholarship	79,957
Betty Morford Scholarship	9,801
Ada & Helen Rank Scholarship	10,000
Ned Saums Scholarship	11,531
Scada Automotive Scholarship	50,000
Fred F. Silk Scholarship	230,000
Student Scholarship	95,856
Edward & Ruth Wilkof Scholarship	15,000
Ervin & Marie Wilkof Scholarship	15,000
Dale Young Scholarship	61,661
Total Scholarships for Students	<u>1,400,821</u>
Professional Development:	
Faculty and Staff Professional Development	112,596
Mary Powers Professional Development	7,015
Total Professional Development	<u>119,611</u>
Departmental Equipment and Supplies:	
Instructional Resources	10,093
Total Departmental Equipment and Supplies	<u>10,093</u>
Total Permanently Restricted Net Assets	<u><u>\$1,530,525</u></u>

7. **INCOME TAXES**

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore makes no provision for income taxes. It is however, required to file annually, IRS Form 990, which reports the activity of the Foundation during the fiscal year.

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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
Stark State College Foundation
6200 Frank Ave. N.W.
North Canton, Ohio 44720-7299

We have audited the accompanying financial statements of Stark State College Foundation (the Foundation), a component unit of Stark State College of Technology, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 15, 2006. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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*.

This report is intended solely for the information and use of the audit committee, management, members of the Board, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
December 15, 2006



Mary Taylor, CPA
Auditor of State

STARK STATE COLLEGE FOUNDATION

STARK 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
FEBRUARY 13, 2007**