

## **Owens Community College Foundation**

Financial Statements

June 30, 2019 and 2018

with Independent Auditors' Report



**CLARK SCHAEFER HACKETT**  
CPAS & ADVISORS

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors of  
Owens Community College Foundation  
Toledo, Ohio

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Owens Community College Foundation (a nonprofit organization), 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 Owens 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 4, 2019, on our consideration of Owens 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Owens Community College Foundation's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
October 4, 2019

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

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 583,460	341,730
Investments	4,593,950	4,324,958
Pledges receivable	<u>14,411</u>	<u>37,171</u>
	<u>\$ 5,191,821</u>	<u>4,703,859</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Due to Owens State Community College	\$ 10,029	18,859
Funds in custody (agency funds)	<u>71,306</u>	<u>78,614</u>
	<u>81,335</u>	<u>97,473</u>
<b>Net assets</b>		
Without donor restrictions	1,205,555	916,529
With donor restrictions	<u>3,904,931</u>	<u>3,689,857</u>
	<u>5,110,486</u>	<u>4,606,386</u>
	<u>\$ 5,191,821</u>	<u>4,703,859</u>

See accompanying notes to financial statements.

Owens Community College Foundation  
Statement of Activities and Changes in Net Assets  
Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Revenues and other support			
Donations received	\$ 251,632	348,727	600,359
Investment income:			
Interest and dividend income	30,030	61,855	91,885
Unrealized loss on investments	(31,836)	(112,087)	(143,923)
Realized gain on investments	95,095	255,759	350,854
Net assets released from restrictions	339,180	(339,180)	-
Total revenues and other support	684,101	215,074	899,175
Expenses			
Program service	351,470	-	351,470
Management and general	34,505	-	34,505
Fundraising	9,100	-	9,100
Total expenses	395,075	-	395,075
Change in net assets	289,026	215,074	504,100
Net assets at beginning of year	916,529	3,689,857	4,606,386
Net assets at end of year	\$ 1,205,555	3,904,931	5,110,486

See accompanying notes to financial statements.

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

	Without Donor Restriction	With Donor Restriction	Total
Revenues and other support			
Donations received	\$ 479,828	224,257	704,085
Investment income:			
Interest and dividend income	17,715	64,303	82,018
Unrealized gain on investments	88,671	102,144	190,815
Realized gain on investments	12,310	52,324	64,634
Grant revenue	-	55,149	55,149
Net assets released from restrictions	323,620	(323,620)	-
Total revenues and other support	922,144	174,557	1,096,701
Expenses			
Program service	331,622	-	331,622
Management and general	26,594	-	26,594
Fundraising	18,769	-	18,769
Total expenses	376,985	-	376,985
Change in net assets	545,159	174,557	719,716
Net assets at beginning of year	371,370	3,515,300	3,886,670
Net assets at end of year	\$ 916,529	3,689,857	4,606,386

See accompanying notes to financial statements.

Owens Community College Foundation  
Statement of Functional Expenses  
Year Ended June 30, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Scholarship awards	\$ 206,473	-	-	206,473
Grants distributed	131,139	-	-	131,139
Advertising and marketing	-	-	8,763	8,763
Professional fees	-	10,483	-	10,483
Office expenses	883	2,067	-	2,950
Insurance	-	2,736	-	2,736
Information technology	8,800	11,791	-	20,591
Donor relations	-	-	337	337
Travel	-	2,717	-	2,717
Meeting expense	4,175	3,244	-	7,419
Contracts and agreements	-	1,080	-	1,080
Other	-	387	-	387
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	\$ <u>351,470</u>	<u>34,505</u>	<u>9,100</u>	<u>395,075</u>

See accompanying notes to financial statements.

Owens Community College Foundation  
Statement of Functional Expenses  
Year Ended June 30, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Scholarship awards	\$ 153,834	-	-	153,834
Grants distributed	177,788	-	-	177,788
Advertising and marketing	-	-	12,882	12,882
Professional fees	-	12,172	-	12,172
Office expenses	-	5,230	-	5,230
Insurance	-	3,358	-	3,358
Information technology	-	-	-	-
Donor relations	-	-	1,283	1,283
Travel	-	110	-	110
Meeting expense	-	-	4,604	4,604
Contracts and agreements	-	5,500	-	5,500
Other	-	224	-	224
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	\$ <u>331,622</u>	<u>26,594</u>	<u>18,769</u>	<u>376,985</u>

See accompanying notes to financial statements.

Owens 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	\$ 504,100	719,716
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized (gain) loss on investments	143,923	(190,815)
Net realized gain on investments	(350,854)	(64,634)
Donations restricted for long-term endowment investments	(146,818)	(95,912)
Changes in operating assets and liabilities:		
Pledge receivable	22,760	8,626
Amounts due to Owens Community College	(8,830)	7,302
Funds in custody (agency funds)	(7,308)	12,381
Net cash from operating activities	156,973	396,664
Cash flows from investing activities:		
Purchases of investments	(3,811,328)	(1,166,895)
Proceeds from the sale of investments	3,749,267	653,454
Net cash from investing activities	(62,061)	(513,441)
Cash flows from financing activities:		
Proceeds from donations restricted for long-term endowment investments	146,818	95,912
Payments on note payable	-	(10,893)
Net cash from financing activities	146,818	85,019
Change in cash and cash equivalents	241,730	(31,758)
Cash and cash equivalents at beginning of year	341,730	373,488
Cash and cash equivalents at end of year	\$ 583,460	341,730

See accompanying notes to financial statements.

## **Note 1 – Organization and Purpose**

Effective July 1, 1996, pursuant to Chapter 3358 of the Ohio Revised Code, the trustees of Owens State Community College (the “College”) terminated the Michael J. Owens Technical College Charitable Trust (the “Trust”). The assets of the Trust were transferred to the newly established Owens State Community College Foundation (the “Foundation”). The Foundation was established for the benefit of the College and its students. The Foundation was incorporated in April 2002 and the name was changed to Owens Community College Foundation effective November 25, 2003. The Foundation also serves as an agent for Owens Community College Alumni Association. The net assets of the alumni association are represented as funds in custody at June 30, 2019 and 2018.

## **Note 2 – Summary of Significant Accounting Policies**

### **Financial Statement Presentation**

The Foundation’s financial statements are prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

### **Basis of Presentation**

Net assets, revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation’s management and the Board of Directors.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions that are likely to be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Foundation has donor restricted net assets that are perpetual in nature of \$2,335,145 and \$2,186,179 at June 30, 2019 and 2018, respectively.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restriction unless their use is restricted by explicit donor stipulation or by law.

### **Cash and cash equivalents**

For purposes of the statement of cash flows, the Foundation considers all cash in the bank, time deposits, and highly liquid debt instruments with maturities of three months or less when purchased to be cash and cash equivalents.

The Foundation maintains cash balances at one institution. Cash maintained at a bank is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times balances will exceed federally insured limits. However, management has not experienced any significant losses and does not believe they are subject to significant risk.

### **Investments**

In 2019 and 2018, investments are recorded at current market value based on quoted market prices and consist of individual stocks, stock and bond mutual funds, corporate bonds, and a master limited partnership.

**Contributions**

Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. As of June 30, 2019 and 2018, the Foundation deems all outstanding pledge receivables collectible.

**Grant Revenue**

Grant revenue is recognized as related expenses are incurred.

**Functional Allocation of Expenses**

Total expenses consisted of expenses relating to program services, management and general, and fundraising. Costs are allocated between the various programs and support services on an actual basis, where available, or based upon reasonable methods. Informational technology is allocated based on time and effort. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

**Income Taxes**

The Internal Revenue Service, in a letter dated September 29, 1997 and again on September 22, 2004, determined that the Foundation was exempt from federal income taxes under the provisions of Section 501(c)(3) of the internal Revenue Code. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**Use of Estimates**

Management of the Foundation has made estimates and assumptions related to the reporting of assets, liabilities, the disclosure of contingent assets and liabilities, and revenue and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

**Adoption of new accounting standards**

During 2019, the Foundation adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *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 consolidated statement of functional expenses as part of the basic financial statements. The Foundation has implemented this guidance and applied retrospectively to all periods presented.

**Reclassifications**

Certain reclassifications have been made to the 2018 financial statement presentations in order to conform with the 2019 financial statement presentation.

**Subsequent Events**

The financial statements and related disclosures include evaluation of events up through and including October 4, 2019, which is the date the financial statements were issued.

**Note 3 – Investments**

Investments at June 30, 2019, by major security type, were as follows:

	<u>Cost</u>	<u>Market Value</u>
Bond mutual funds	\$ 218,623	\$ 224,131
Equity mutual funds	1,008,039	1,149,964
Common stocks	2,343,175	2,664,419
Coporate bonds	<u>548,116</u>	<u>555,436</u>
Total investments	<u>\$ 4,117,953</u>	<u>\$ 4,593,950</u>

Investments at June 30, 2018, by major security type, were as follows:

	<u>Cost</u>	<u>Market Value</u>
Bond mutual funds	\$ 946,734	\$ 917,936
Equity mutual funds	1,523,700	1,709,528
Common stocks	<u>1,234,603</u>	<u>1,697,494</u>
Total investments	<u>\$ 3,705,037</u>	<u>\$ 4,324,958</u>

**Risks and Uncertainties**

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

**Note 4 – Pledges Receivable**

As of June 30, 2019 and 2018, contributors to the Foundation have made written unconditional promises to give. The pledges receivable recorded as of June 30, 2019 and 2018 are from related parties of the Foundation, members of the Foundation’s board of directors, and the Owens Alumni Association. The promises are reported at present value of estimated future cash flows and are discounted at 3 percent based on the risk-free rate in the year the promise was received by the Foundation. The Foundation determines the risk-free rate based on the collection period of the pledge. This rate is commensurate with risks involved and is consistent with past experience.

Pledges receivable at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Unconditional promises to give	\$ 14,989	\$ 40,000
Less unamortized discount	<u>(578)</u>	<u>(2,829)</u>
Net unconditional promises to give	<u>\$ 14,411</u>	<u>\$ 37,171</u>
Amounts due in:		
Less than one year	\$ 10,000	\$ 10,000
One to five years	<u>4,411</u>	<u>27,171</u>
Total	<u>\$ 14,411</u>	<u>\$ 37,171</u>

**Note 5 – Related Party Transactions**

Grants and scholarships in the combined amount of \$337,612 and \$331,622 for fiscal years 2019 and 2018, respectively, were paid on behalf of the Foundation to the College. At June 30, 2019 and 2018, the net amounts owed to the College for reimbursement by the Foundation were \$10,029 and \$18,859, respectively.

Refer to Note 4 regarding related party pledges received during the year ended June 30, 2019 and 2018.

The Foundation had a note payable to Owens State Community College related to consulting expenses paid on the Foundation's behalf by the College. During 2018, the note payable was paid in full.

**Note 6 – Restrictions and Limitations on Net Asset Balances**

Net assets with donor restrictions are restricted for the following purposes at June 30:

Gifts and other donations available for:

	<u>2019</u>	<u>2018</u>
Subject to expenditures for a specific purpose:		
Library	\$ 12,950	\$ 13,923
Equipment and other program expenses	521,880	493,187
Scholarships	<u>1,034,956</u>	<u>996,568</u>
Donor -restricted endowment	<u>1,569,786</u>	<u>1,503,678</u>
Other funds restricted by donor in perpetuity:		
Equipment and other program expenses	459,326	434,276
Scholarships	<u>1,875,819</u>	<u>1,751,903</u>
Funds restricted in perpetuity	<u>2,335,145</u>	<u>2,186,179</u>
Net assets with donor restrictions	<u>\$ 3,904,931</u>	<u>\$ 3,689,857</u>

Net assets held in perpetuity consist of endowment funds. In certain cases, the donors of these funds have restricted the use of the income from such funds for scholarships. These expenses are reflected in the appropriate program services category on the statement of activities and changes in net assets.

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

	<u>2019</u>	<u>2018</u>
Library	\$ 1,492	\$ 200
Equipment and other program expenses	137,961	177,040
Scholarships	<u>199,727</u>	<u>146,380</u>
Total	<u>\$ 339,180</u>	<u>\$ 323,620</u>

**Note 7 – Fair Value Measurements**

The following tables present information about the Foundation’s assets measured at fair value on a recurring basis at June 30, 2019 and 2018 and the valuation techniques used by the Foundation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specified to each asset.

Disclosures concerning assets measured at fair value are as follows:

**Fair Value Measurements at June 30, 2019**

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Mutual funds:				
Equity investments	\$ 1,149,964	\$ -	\$ -	\$ 1,149,964
Fixed-income investments	<u>224,131</u>	-	-	<u>224,131</u>
Total mutual funds	1,374,095	-	-	1,374,095
Common Stock:				
Consumer discretionary	344,174	-	-	344,174
Consumer staples	280,945	-	-	280,945
Energy/Utilities	276,372	-	-	276,372
Financial	407,911	-	-	407,911
Health care	398,030	-	-	398,030
Industrials	242,289	-	-	242,289
Materials	45,016	-	-	45,016
Real estate investment trust	-	-	-	-
Technology	639,121	-	-	639,121
Telecommunication services	<u>30,561</u>	-	-	<u>30,561</u>
Total common stock	2,664,419	-	-	2,664,419
Corporate bonds	555,436	-	-	555,436
Money market mutual funds	379,414	-	-	379,414

**Note 7 – Fair Value Measurements (continued)**

**Fair Value Measurements at June 30, 2018**

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Mutual funds:				
Equity investments	\$ 1,709,528	\$ -	\$ -	\$ 1,709,528
Fixed-income investments	<u>917,936</u>	<u>-</u>	<u>-</u>	<u>917,936</u>
Total mutual funds	2,627,464	-	-	2,627,464
Common Stock:				
Consumer discretionary	227,994	-	-	227,994
Consumer staples	123,295	-	-	123,295
Energy/Utilities	101,791	-	-	101,791
Financial	257,492	-	-	257,492
Health care	271,388	-	-	271,388
Industrials	147,397	-	-	147,397
Materials	32,960	-	-	32,960
Real estate investment trust	31,345	-	-	31,345
Technology	475,895	-	-	475,895
Telecommunication services	<u>27,937</u>	<u>-</u>	<u>-</u>	<u>27,937</u>
	1,697,494	-	-	1,697,494
Money market mutual funds	161,940	-	-	161,940

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended June 30, 2019 and 2018, there were no transfers between levels of the fair value hierarchy.

**Note 8 – Donor and Board–restricted Endowments**

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. 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.

**Interpretation of Relevant Law**

The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historical value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted new 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 of 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.

**Note 8 – Donor and Board–restricted Endowments (continued)**

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

**Endowment Net Asset Composition by Type of Fund as of June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment	\$ -	\$ 3,320,243	\$ 3,320,243
(Quasi) Endowment	<u>24,777</u>	<u>-</u>	<u>24,777</u>
Total funds	<u>\$ 24,777</u>	<u>\$ 3,320,243</u>	<u>\$ 3,345,020</u>

**Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of the year	\$ 23,342	\$ 3,092,074	\$ 3,115,416
Investment return:			
Investment income	2,397	313,677	316,074
Net appreciation	<u>(962)</u>	<u>(122,902)</u>	<u>(123,864)</u>
Total investment return	1,435	190,775	192,210
Contributions	-	148,818	148,818
Appropriation of endowment assets for expenditures	-	(95,005)	(95,005)
Administrative fees	-	(12,127)	(12,127)
Other changes - Transfers to other temporarily restricted funds	<u>-</u>	<u>(4,292)</u>	<u>(4,292)</u>
Endowment net assets - End of the year	<u>\$ 24,777</u>	<u>\$ 3,320,243</u>	<u>\$ 3,345,020</u>

**Note 8 – Donor and Board–restricted Endowments (continued)**

**Endowment Net Asset Composition by Type of Fund as of June 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment	\$ -	\$ 3,092,074	\$ 3,092,074
(Quasi) Endowment	<u>23,342</u>	<u>-</u>	<u>23,342</u>
Total funds	<u>\$ 23,342</u>	<u>\$ 3,092,074</u>	<u>\$ 3,115,416</u>

**Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets -			
Beginning of the year	\$ 22,834	\$ 2,883,714	\$ 2,906,548
Investment return:			
Investment income	858	111,724	112,582
Net appreciation	<u>650</u>	<u>108,536</u>	<u>109,186</u>
Total investment return	1,508	220,260	221,768
Contributions	-	97,912	97,912
Appropriation of endowment assets for expenditures	(1,000)	(75,207)	(76,207)
Administrative fees	-	(10,471)	(10,471)
Other changes -			
Transfers to other temporarily restricted funds	<u>-</u>	<u>(24,134)</u>	<u>(24,134)</u>
Endowment net assets -			
End of the year	<u>\$ 23,342</u>	<u>\$ 3,092,074</u>	<u>\$ 3,115,416</u>

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Note 8 – Donor and Board–restricted Endowments (continued)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation’s spending policy stipulates that 3 to 6 percent of a three-year moving average of the value of the endowment is available to spend and the remaining income is to be reinvested. If an investment loss is realized, the loss is allocated entirely as currently expendable. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of CPI annually. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**Note 9 – Liquidity Disclosures**

The Foundation is substantially supported by contributions from donors and investment income. 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. In addition, the Foundation invests cash in excess of daily requirements in investments as deemed appropriate.

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 583,460	\$ 341,730
Investments	4,593,950	4,324,958
Pledges receivable	<u>14,411</u>	<u>37,171</u>
Financial assets available at year-end	<u>5,191,821</u>	<u>4,703,859</u>
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with purpose restriction	1,569,786	1,503,678
Assets held in perpetuity	2,335,145	2,186,179
Estimated 2020 grants and scholarships to be disbursed	<u>(500,000)</u>	<u>(337,000)</u>
Total limitations on available resources	<u>3,404,931</u>	<u>3,352,857</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,786,890</u>	<u>\$ 1,351,002</u>

**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 of  
Owens Community College Foundation  
Toledo, 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 Owens Community College Foundation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 4, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Owens 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 Owens Community College Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Owens 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 Owens 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 Owens 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 Owens 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 4, 2019

