

OWENS COMMUNITY COLLEGE FOUNDATION

Financial Statements

June 30, 2015 and 2014

with Independent Auditors' Report



Dave Yost • Auditor of State

Board of Directors
Owens Community College Foundation
PO Box 10000
Toledo, OH 43699

We have reviewed the *Independent Auditors' Report* of the Owens Community College Foundation, Wood County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2014 through June 30, 2015. 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 Owens Community College Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

November 12, 2015

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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, 2015 and 2014, and the related statements of activities and changes in net assets 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.

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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, 2015 and 2014, 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 09, 2015, 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 09, 2015

Owens Community College Foundation
 Statements of Financial Position
 June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 488,949	606,982
Investments	3,068,527	2,876,657
Pledges receivable	<u>104,488</u>	<u>129,082</u>
	\$ <u><u>3,661,964</u></u>	<u><u>3,612,721</u></u>
Liabilities and Net Assets		
Liabilities		
Due to Owens State Community College	\$ 29,242	35,817
Funds in custody (agency funds)	50,929	56,623
Note payable	<u>25,893</u>	<u>33,393</u>
	<u>106,064</u>	<u>125,833</u>
Net assets		
Unrestricted	347,891	378,983
Temporarily restricted	1,378,061	1,386,015
Permanently restricted	<u>1,829,948</u>	<u>1,721,890</u>
	<u>3,555,900</u>	<u>3,486,888</u>
	\$ <u><u>3,661,964</u></u>	<u><u>3,612,721</u></u>

See accompanying notes to financial statements.

Owens Community College Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support				
Donations received	\$ 23,967	144,536	108,834	277,337
Investment income:				
Interest and dividend income	12,770	54,945	807	68,522
Unrealized gain on investments	(20,642)	(72,636)	(2,845)	(96,123)
Realized gain on investments	19,374	101,945	1,262	122,581
Grant revenue	40,000	-	-	40,000
Net assets released from restrictions	<u>236,744</u>	<u>(236,744)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	312,213	(7,954)	108,058	412,317
Expenses				
Program services:				
Scholarships	186,981	-	-	186,981
Outside grants expense	40,000	-	-	40,000
Other program services	<u>90,545</u>	<u>-</u>	<u>-</u>	<u>90,545</u>
	317,526	-	-	317,526
Management and general	17,537	-	-	17,537
Fundraising	<u>8,242</u>	<u>-</u>	<u>-</u>	<u>8,242</u>
Total expenses	<u>343,305</u>	<u>-</u>	<u>-</u>	<u>343,305</u>
Change in net assets	(31,092)	(7,954)	108,058	69,012
Net assets at beginning of year	<u>378,983</u>	<u>1,386,015</u>	<u>1,721,890</u>	<u>3,486,888</u>
Net assets at end of year	\$ <u><u>347,891</u></u>	<u><u>1,378,061</u></u>	<u><u>1,829,948</u></u>	<u><u>3,555,900</u></u>

See accompanying notes to financial statements.

Owens Community College Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support				
Donations received	\$ 65,914	194,795	76,828	337,537
Investment income:				
Interest and dividend income	11,496	47,515	821	59,832
Unrealized gain on investments	50,283	251,791	4,077	306,151
Realized gain on investments	14,106	73,444	1,047	88,597
Grant revenue	153,419	-	-	153,419
Net assets released from restrictions	<u>230,789</u>	<u>(230,789)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	526,007	336,756	82,773	945,536
Expenses				
Program services:				
Scholarships	149,510	-	-	149,510
Equipment grant	15,371	-	-	15,371
Outside grants expense	153,419	-	-	153,419
Other program services	<u>67,675</u>	<u>-</u>	<u>-</u>	<u>67,675</u>
	385,975	-	-	385,975
Management and general	22,393	-	-	22,393
Fundraising	<u>9,294</u>	<u>-</u>	<u>-</u>	<u>9,294</u>
Total expenses	<u>417,662</u>	<u>-</u>	<u>-</u>	<u>417,662</u>
Change in net assets	108,345	336,756	82,773	527,874
Net assets at beginning of year	<u>270,638</u>	<u>1,049,259</u>	<u>1,639,117</u>	<u>2,959,014</u>
Net assets at end of year	\$ <u>378,983</u>	<u>1,386,015</u>	<u>1,721,890</u>	<u>3,486,888</u>

See accompanying notes to financial statements.

Owens Community College Foundation
 Statements of Cash Flows
 Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 69,012	527,874
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized gain (loss) on investments	96,123	(306,151)
Net realized gain on investments	(122,581)	(88,597)
Donations restricted for long-term endowment investments	(108,834)	(74,127)
Changes in operating assets and liabilities:		
Decrease in pledge receivable	24,594	47,367
Decrease in amounts due to Owens Community College	(6,575)	(44,605)
Increase (decrease) in funds in custody (agency funds)	(5,694)	3,983
Net cash provided by (used in) operating activities	(53,955)	65,744
Cash flows from investing activities:		
Purchases of investments	(781,662)	(704,529)
Proceeds from the sale of investments	616,250	540,400
Net cash used in investing activities	(165,412)	(164,129)
Cash flows from financing activities:		
Proceeds from donations restricted for long-term endowment investments	108,834	74,127
Payments on note payable	(7,500)	(7,500)
Net cash provided by financing activities	101,334	66,627
Change in cash and cash equivalents	(118,033)	(31,758)
Cash and cash equivalents at beginning of year	606,982	638,740
Cash and cash equivalents at end of year	\$ 488,949	606,982

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, 2015.

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:

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 and/or the passage of time. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the unrestricted net asset class.

Permanently Restricted Net Assets

Net assets subjected to donor-imposed stipulations to 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.

Revenue is reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes on net assets.

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 two institutions. 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 2015 and 2014, 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, 2015 and 2014, the Foundation deems all outstanding pledge receivables collectible.

Grant Revenue

Grant revenue is recognized as 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. 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, 2015 and 2014, 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. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2010.

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.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 09, 2015, which is the date the financial statements were issued.

Note 3 – Investments

Investments at June 30, 2015, by major security type, were as follows:

	Cost	Market Value
Bond mutual funds	\$ 718,964	\$ 728,115
Equity mutual funds	620,224	691,195
Common stocks	1,323,688	1,586,764
Other	72,741	62,453
Total investments	\$ 2,735,617	\$ 3,068,527

Note 3 – Investments (continued)

Investments at June 30, 2014, by major security type, were as follows:

	<u>Cost</u>	<u>Market Value</u>
Bond mutual funds	\$ 661,857	\$ 678,642
Equity mutual funds	616,064	702,898
Common stocks	1,169,662	1,495,077
Other	<u>40</u>	<u>40</u>
Total investments	<u>\$ 2,447,623</u>	<u>\$ 2,876,657</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, 2015 and 2014, contributors to the Foundation have made written unconditional promises to give. The pledges receivable recorded as of June 30, 2015 and 2014 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 1.5 to 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, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Unconditional promises to give	\$ 113,500	\$ 141,000
Less unamortized discount	<u>(9,012)</u>	<u>(11,918)</u>
Net unconditional promises to give	<u>\$ 104,488</u>	<u>\$ 129,082</u>
Amounts due in:		
Less than one year	\$ 24,476	\$ 31,517
One to five years	69,833	78,331
Six to ten years	<u>10,179</u>	<u>19,234</u>
Total	<u>\$ 104,488</u>	<u>\$ 129,082</u>

Note 5 – Related Party Transactions

Grants in the amount of \$312,526 and \$380,975 for fiscal years 2015 and 2014, respectively, were paid to the College by the Foundation. At June 30, 2015 and 2014, the net amounts owed to the College for reimbursement by the Foundation were \$29,242 and \$35,817, respectively.

Refer to Note 4 regarding related party pledges received during the year ended June 30, 2015 and 2014.

Note 5 – Related Party Transactions (continued)

The Foundation has a note payable to Owens State Community College related to consulting expenses paid on the Foundations behalf by the College. At June 30, 2015 and 2014, the outstanding balance was \$25,893 and \$33,393, respectively. Annual payments of \$7,500 began in fiscal year 2014. The scheduled minimum payments on this note are as follows:

Years Ending June 30	Amount
2016	\$ 7,500
2017	7,500
2018	7,500
2019	<u>3,393</u>
Total	<u>\$ 25,893</u>

Note 6 – Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Gifts and other donations available for:		
Library	\$ 12,809	\$ 12,504
Equipment and other program expenses	525,492	508,174
Scholarships	<u>839,760</u>	<u>865,337</u>
Total gifts and other donations	<u>\$ 1,378,061</u>	<u>\$ 1,386,015</u>

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

	<u>2015</u>	<u>2014</u>
Equipment and other program expenses	\$ 64,407	\$ 83,779
Scholarships	<u>172,337</u>	<u>147,010</u>
Total	<u>\$ 236,744</u>	<u>\$ 230,789</u>

Permanently restricted net assets 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.

Permanently restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Equipment and other program expenses	\$ 343,286	\$ 298,286
Scholarships	<u>1,486,662</u>	<u>1,423,604</u>
Total	<u>\$ 1,829,948</u>	<u>\$ 1,721,890</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, 2015 and 2014 and the valuation techniques used by the Foundation to determine those fair values.

In general, fair values determined by Level I 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, 2015

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, 2015
Mutual funds:				
Equity investments	\$ 691,195	\$ -	\$ -	\$ 691,195
Fixed-income investments	<u>728,115</u>	<u>-</u>	<u>-</u>	<u>728,115</u>
Total mutual funds	1,419,310	-	-	1,419,310
Common Stock:				
Consumer discretionary	229,570	-	-	229,570
Consumer staples	31,384	-	-	31,384
Energy/Utilities	195,909	-	-	195,909
Financial	256,786	-	-	256,786
Health care	343,906	-	-	343,906
Industrials	97,938	-	-	97,938
Materials	46,618	-	-	46,618
Technology	312,955	-	-	312,955
Telecommunication services	<u>71,698</u>	<u>-</u>	<u>-</u>	<u>71,698</u>
Total common stock	1,586,764	-	-	1,586,764
Real Assets - MLP and other	62,453	-	-	62,453
Money market mutual funds	195,750	-	-	195,750

Note 7 – Fair Value Measurements (continued)

Fair Value Measurements at June 30, 2014

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, 2014
Mutual funds:				
Equity investments	\$ 702,898	\$ -	\$ -	\$ 702,898
Fixed-income investments	<u>678,642</u>	-	-	<u>678,642</u>
Total mutual funds	1,381,540	-	-	1,381,540
Common Stock:				
Consumer discretionary	274,490	-	-	274,490
Consumer staples	25,293	-	-	25,293
Energy/Utilities	151,003	-	-	151,003
Financial	263,019	-	-	263,019
Health care	215,948	-	-	215,948
Industrials	103,332	-	-	103,332
Materials	20,352	-	-	20,352
Technology	368,493	-	-	368,493
Telecommunication services	<u>73,147</u>	-	-	<u>73,147</u>
Total common stock	1,495,077	-	-	1,495,077
Money market mutual funds	295,157	-	-	295,157

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, 2015 and 2014, 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, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment	\$ -	\$ 794,393	\$ 1,829,948	\$ 2,624,341
(Quasi) Endowment	21,114	-	-	21,114
Total funds	<u>\$ 21,114</u>	<u>\$ 794,393</u>	<u>\$ 1,829,948</u>	<u>\$ 2,645,455</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of the year	\$ 20,864	\$ 807,339	\$ 1,721,890	\$ 2,550,093
Investment return:				
Investment income	1,313	153,219	2,069	156,601
Net appreciation	<u>(733)</u>	<u>(70,812)</u>	<u>(2,845)</u>	<u>(74,390)</u>
Total investment return	580	82,407	(776)	82,211
Contributions	-	216	108,834	109,050
Appropriation of endowment assets for expenditures	(330)	(67,577)	-	(67,907)
Administrative fees	-	(7,702)	-	(7,702)
Other changes - Transfers to other temporarily restricted funds	<u>-</u>	<u>(20,290)</u>	<u>-</u>	<u>(20,290)</u>
Endowment net assets - End of the year	<u>\$ 21,114</u>	<u>\$ 794,393</u>	<u>\$ 1,829,948</u>	<u>\$ 2,645,455</u>

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment	\$ -	\$ 807,339	\$ 1,721,890	\$ 2,529,229
(Quasi) Endowment	20,864	-	-	20,864
Total funds	<u>\$ 20,864</u>	<u>\$ 807,339</u>	<u>\$ 1,721,890</u>	<u>\$ 2,550,093</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of the year	\$ 17,713	\$ 511,538	\$ 1,639,117	\$ 2,168,368
Investment return:				
Investment income	1,028	118,561	1,869	121,458
Net appreciation	2,123	244,875	4,077	251,075
Total investment return	3,151	363,436	5,946	372,533
Contributions	-	1,895	76,827	78,722
Appropriation of endowment assets for expenditures	-	(44,957)	-	(44,957)
Administrative fees	-	(7,490)	-	(7,490)
Other changes - Transfers to other temporarily restricted funds	-	(17,083)	-	(17,083)
Endowment net assets - End of the year	<u>\$ 20,864</u>	<u>\$ 807,339</u>	<u>\$ 1,721,890</u>	<u>\$ 2,550,093</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.

**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, 2015, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 09, 2015.

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.

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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 09, 2015



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success.

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Dave Yost • Auditor of State

OWENS STATE COMMUNITY COLLEGE FOUNDATION

WOOD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 24, 2015**