

Owens Community College Foundation

Financial Statements

June 30, 2020 and 2019

with Independent Auditors' Report



CLARK SCHAEFER HACKETT
CPAS & ADVISORS



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Board of Directors
Owens Community College Foundation
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We have reviewed the *Independent Auditor's Report* of the Owens Community College Foundation, Wood County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2019 through June 30, 2020. 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 black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 6, 2020

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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, 2020 and 2019, 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, 2020 and 2019, 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 13, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 13, 2020

Owens Community College Foundation
 Statements of Financial Position
 June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 216,538	583,460
Investments	5,195,652	4,593,950
Pledges receivable	842,300	14,411
Due from Owens State Community College	163	-
	\$ 6,254,653	5,191,821
Liabilities and Net Assets		
Liabilities		
Due to Owens State Community College	\$ -	10,029
Funds in custody (agency funds)	-	71,306
	-	81,335
Net assets		
Without donor restrictions	1,264,652	1,205,555
With donor restrictions	4,990,001	3,904,931
	6,254,653	5,110,486
	\$ 6,254,653	5,191,821

See accompanying notes to financial statements.

Owens Community College Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
Revenues and other support			
Contributions	\$ 67,131	1,617,111	1,684,242
Investment income:			
Interest and dividend income, net	32,443	62,167	94,610
Unrealized gain on investments	45,603	117,567	163,170
Realized loss on investments	(12,301)	(19,728)	(32,029)
Net assets released from restrictions	692,047	(692,047)	-
Total revenues and other support	824,923	1,085,070	1,909,993
Expenses			
Program service	717,037	-	717,037
Management and general	34,553	-	34,553
Fundraising	14,236	-	14,236
Total expenses	765,826	-	765,826
Change in net assets	59,097	1,085,070	1,144,167
Net assets at beginning of year	1,205,555	3,904,931	5,110,486
Net assets at end of year	\$ 1,264,652	4,990,001	6,254,653

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			
Contributions	\$ 251,632	348,727	600,359
Investment income:			
Interest and dividend income, net	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 Functional Expenses
Year Ended June 30, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Scholarship awards	\$ 275,875	-	-	275,875
Grants distributed	437,903	-	-	437,903
Advertising and marketing	-	-	13,760	13,760
Professional fees	-	10,975	-	10,975
Insurance	-	3,000	-	3,000
Printing and postage	-	1,967	-	1,967
Donor relations	-	-	476	476
Travel	-	142	-	142
Meeting expense	3,259	2,561	-	5,820
Contracts and agreements	-	15,246	-	15,246
Other	-	662	-	662
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	\$ <u>717,037</u>	<u>34,553</u>	<u>14,236</u>	<u>765,826</u>

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	1,154	-	2,037
Insurance	-	2,736	-	2,736
Printing and postage	-	913	-	913
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
 Statements of Cash Flows
 Years Ended June 30, 2019 and 2018

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,144,167	504,100
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized (gain) loss on investments	(163,170)	143,923
Net realized loss (gain) on investments	32,029	(350,854)
Donations restricted for long-term endowment investments	(69,391)	(146,818)
Changes in operating assets and liabilities:		
Pledge receivable	(827,889)	22,760
Amounts due to/ from Owens Community College	(10,192)	(8,830)
Funds in custody (agency funds)	<u>(71,306)</u>	<u>(7,308)</u>
Net cash from operating activities	<u>34,248</u>	<u>156,973</u>
Cash flows from investing activities:		
Purchases of investments	(2,702,672)	(3,811,328)
Proceeds from the sale of investments	<u>2,232,111</u>	<u>3,749,267</u>
Net cash from investing activities	<u>(470,561)</u>	<u>(62,061)</u>
Cash flows from financing activities:		
Proceeds from donations restricted for long-term endowment investments	<u>69,391</u>	<u>146,818</u>
Change in cash and cash equivalents	(366,922)	241,730
Cash and cash equivalents at beginning of year	<u>583,460</u>	<u>341,730</u>
Cash and cash equivalents at end of year	\$ <u>216,538</u>	<u>583,460</u>

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.

On June 30, 2020, Owens Community College Alumni Association (the Association), a not-for-profit organization, was dissolved and the assets of the Association were contributed to the Foundation. Prior to the dissolution, the Foundation served as an agent for the Association. At June 30, 2019 the net assets of the Association were represented as funds in custody.

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.

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.

Investments

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.

Pledges receivable

Pledges, or promises to give, are recognized at fair market value as revenues in the period in which there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional pledges are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. The allowance for uncollectible pledges is estimated based upon historical collection rates and specific identification of uncollectible amounts. The remaining balance is expected to be fully collectible within one year of the year end. As of June 30, 2020 and 2019, the Foundation deems all outstanding pledge receivables collectible.

Contributions

Contributions are recognized as revenue when they are received or unconditionally pledged. The Foundation reports gifts of cash and other assets at fair value on the date of the contribution as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. During 2020 and 2019, the Foundation received in-kind donations of \$108,027 and \$76,572, respectively, which were recognized at fair value and are included in contributions on the statements of activities and changes in net assets.

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 and meeting expense 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, 2020 and 2019, 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 2020, the Foundation adopted ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard assists entities in determining whether transactions should be recorded as a contribution (nonreciprocal transaction) or as an exchange (reciprocal transaction). The standard also provides expanded guidance on determining whether or not a contribution is conditional. The Foundation's revenue recognition policies were not impacted by this standard.

Also during 2020, the Foundation adopted ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The Foundation has implemented this guidance on a modified retrospective basis to all periods presented as permitted under the ASU. There was no material impact to the financial statements presented upon adoption of this standard.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 13, 2020, which is the date the financial statements were issued.

Note 3 – Investments

Investments at June 30, 2020, by major security type, were as follows:

	<u>Cost</u>	<u>Market Value</u>
Bond mutual funds	\$ 443,829	\$ 472,402
Equity mutual funds	791,392	780,674
Common stocks	2,714,298	3,319,168
Coporate bonds	<u>606,965</u>	<u>623,408</u>
Total investments	<u>\$ 4,556,484</u>	<u>\$ 5,195,652</u>

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>

Note 4 – Pledges Receivable

As of June 30, 2020 and 2019, contributors to the Foundation have made written unconditional promises to give. The promises are reported at present value of estimated future cash flows and are discounted between 1.6% and 1.79% 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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Unconditional promises to give	\$ 874,000	\$ 14,989
Less unamortized discount	<u>(31,700)</u>	<u>(578)</u>
Net unconditional promises to give	<u>\$ 842,300</u>	<u>\$ 14,411</u>
Amounts due in:		
Less than one year	\$ 276,000	\$ 10,000
One to five years	<u>566,300</u>	<u>4,411</u>
Total	<u>\$ 842,300</u>	<u>\$ 14,411</u>

Note 5 – Related Party Transactions

Grants and scholarships in the combined amount of \$713,778 and \$337,612 for fiscal years 2020 and 2019, respectively, were paid on behalf of the Foundation to the College. At June 30, 2020, the net amounts due from the College for reimbursements to the Foundation was \$163. At June 30, 2019, the net amounts owed to the College for reimbursements by the Foundation was \$10,029.

Note 6 – Owens Community College Alumni Association

At June 30, 2020, Owens Community College Alumni Association was dissolved at which time the assets were contributed to Foundation. The Foundation recognized a contribution of \$64,306 which was recognized at fair value at the date of the contribution.

Note 7 – 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>2020</u>	<u>2019</u>
Subject to expenditures for a specific time or purpose:		
Library	\$ 11,003	\$ 12,950
Equipment and other program expenses	1,420,398	521,880
Scholarships	<u>1,165,892</u>	<u>1,034,956</u>
Funds restricted for a specific time or purpose:	<u>2,597,293</u>	<u>1,569,786</u>
Other funds restricted by donor in perpetuity:		
Equipment and other program expenses	461,774	459,326
Scholarships	<u>1,930,934</u>	<u>1,875,819</u>
Funds restricted in perpetuity	<u>2,392,708</u>	<u>2,335,145</u>
Net assets with donor restrictions	<u>\$ 4,990,001</u>	<u>\$ 3,904,931</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>2020</u>	<u>2019</u>
Library	\$ 1,997	\$ 1,492
Equipment and other program expenses	425,145	137,961
Scholarships	<u>264,905</u>	<u>199,727</u>
Total	<u>\$ 692,047</u>	<u>\$ 339,180</u>

Note 8 – Fair Value Measurements

The following tables present information about the Foundation’s assets measured at fair value on a recurring basis at June 30, 2020 and 2019 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, 2020

Description	(Level 1)	(Level 2)	(Level 3)	Balance at June 30, 2020
Mutual funds:				
Equity investments	\$ 780,674	\$ -	\$ -	\$ 780,674
Fixed-income investments	<u>472,402</u>	-	-	<u>472,402</u>
Total mutual funds	<u>1,253,076</u>	-	-	<u>1,253,076</u>
Common Stock:				
Consumer discretionary	511,124	-	-	511,124
Consumer staples	270,795	-	-	270,795
Energy/Utilities	163,011	-	-	163,011
Financial	492,026	-	-	492,026
Health care	368,998	-	-	368,998
Industrials	308,528	-	-	308,528
Technology	<u>1,204,686</u>	-	-	<u>1,204,686</u>
Total common stock	<u>3,319,168</u>	-	-	<u>3,319,168</u>
Corporate bonds	-	<u>623,408</u>	-	<u>623,408</u>
Total investments	<u>4,572,244</u>	<u>623,408</u>	-	<u>5,195,652</u>
Money market mutual funds	<u>118,109</u>	-	-	<u>118,109</u>

Note 8 – Fair Value Measurements (continued)

Fair Value Measurements at June 30, 2019

Description	(Level 1)	(Level 2)	(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	<u>1,374,095</u>	-	-	<u>1,374,095</u>
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
Technology	639,121	-	-	639,121
Telecommunication services	<u>30,561</u>	-	-	<u>30,561</u>
	<u>2,664,419</u>	-	-	<u>2,664,419</u>
Corporate bonds	-	<u>555,436</u>	-	<u>555,436</u>
Total investments	<u>4,038,514</u>	<u>555,436</u>	-	<u>4,593,950</u>
Money market mutual funds	<u>379,414</u>	-	-	<u>379,414</u>

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position:

Mutual funds: Valued at the daily net asset value (NAV) published by the U.S. Securities and Exchange Commission. The mutual funds held by the Foundation are deemed to be actively traded.

Common Stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

During 2020, the Foundation transferred the valuation of corporate obligations from level 1 to level 2 to more accurately reflect the valuation technique described above. The transfer was retrospectively applied to 2019.

Note 9 – 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 net assets with perpetual donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time of accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the 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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment	\$ -	\$ 3,394,459	\$ 3,394,459
(Quasi) Endowment	<u>25,873</u>	<u>-</u>	<u>25,873</u>
Total funds	<u>\$ 25,873</u>	<u>\$ 3,394,459</u>	<u>\$ 3,420,332</u>

Note 9 – Donor and Board–restricted Endowments (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of the year	\$ 24,777	\$ 3,331,238	\$ 3,356,015
Investment return:			
Investment income, net	295	15,960	16,255
Net appreciation	<u>801</u>	<u>105,744</u>	<u>106,545</u>
Total investment return	1,096	121,704	122,800
Contributions	-	69,792	69,792
Appropriation of endowment assets for expenditures	-	(96,745)	(96,745)
Release to other temporarily restricted funds	<u>-</u>	<u>(31,530)</u>	<u>(31,530)</u>
Endowment net assets - End of the year	<u>\$ 25,873</u>	<u>\$ 3,394,459</u>	<u>\$ 3,420,332</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment	\$ -	\$ 3,331,238	\$ 3,331,238
(Quasi) Endowment	<u>24,777</u>	<u>-</u>	<u>24,777</u>
Total funds	<u>\$ 24,777</u>	<u>\$ 3,331,238</u>	<u>\$ 3,356,015</u>

Note 9 – Donor and Board–restricted Endowments (continued)

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	\$ 3,102,432	\$ 3,125,774
Investment return:			
Investment income, net	2,397	302,614	305,011
Net appreciation	<u>(962)</u>	<u>(123,329)</u>	<u>(124,291)</u>
Total investment return	1,435	179,285	180,720
Contributions	-	148,818	148,818
Appropriation of endowment assets for expenditures	-	(95,005)	(95,005)
Other changes -			
Release 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>\$ 3,331,238</u>	<u>\$ 3,356,015</u>

During 2020, the Foundation identified an endowment fund that was previously omitted from endowment net assets and subsequently revised the changes in endowment net assets footnote noted above. The result of the revision increased endowment net assets as of June 1, 2018 by \$10,358 and ending endowment net assets as of June 30, 2019 by \$10,995. The change did not result in a restatement of total net assets on the statement of financial position or the statement of activities and changes in net assets.

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 (unrealized) and current yield (interest, dividends and realized gains (losses)). 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.

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 10 - Risks and Uncertainties

Financial instruments which subject the Foundation to a concentration of credit risk include cash and investments. The Foundation maintains cash and investment balances at several financial institutions. Bank accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. To limit these risks, the Foundation places its cash investments with high credit quality financial institutions.

The Foundation has investments managed by professional investment managers in compliance with the investment policy established by the Investment Committee of the Foundation. The underlying investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, including due to the pandemic noted below, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

The extent of the impact of the COVID-19 pandemic on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. In addition to the potential impact to the fair value of investments noted above, the pandemic has affected certain donors. The extent to which the pandemic may further impact the Foundation's financial condition or results of operations is uncertain at this time.

Note 11 – 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>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 216,538	\$ 583,460
Investments	5,195,652	4,593,950
Pledges receivable	<u>842,300</u>	<u>14,411</u>
Financial assets available at year-end	<u>6,254,490</u>	<u>5,191,821</u>
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with purpose restriction	2,597,293	1,569,786
Assets held in perpetuity	2,392,708	2,335,145
Estimated grants and scholarships to be disbursed in next twelve months	<u>(500,000)</u>	<u>(500,000)</u>
Total limitations on available resources	<u>4,490,001</u>	<u>3,404,931</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,764,489</u>	<u>\$ 1,786,890</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, 2020, 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 13, 2020.

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) as a basis for designing 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 financial statements. 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 13, 2020



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OHIO AUDITOR OF STATE KEITH FABER



OWENS STATE COMMUNITY COLLEGE FOUNDATION

WOOD COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/19/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov