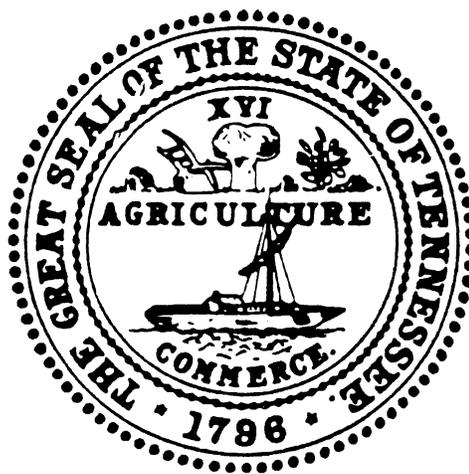


AUDIT REPORT

Chattanooga State Technical Community College
Foundation

For the Years Ended
June 30, 2004, and June 30, 2003



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit
Division of State Audit



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www.comptroller.state.tn.us/sa/reports/index.html.
For more information about the Comptroller of the Treasury, please visit our website at
www.comptroller.state.tn.us.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

August 16, 2005

The Honorable Phil Bredesen, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and

The Honorable Charles W. Manning, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217

and

Mr. Archie Meyers, Jr., President
Chattanooga State Technical Community College Foundation
4501 Amnicola Highway
Chattanooga, Tennessee 37406-1097

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Chattanooga State Technical Community College Foundation, for the years ended June 30, 2004, and June 30, 2003. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance resulted in no audit findings.

Sincerely,

A handwritten signature in black ink that reads "John G. Morgan".

John G. Morgan
Comptroller of the Treasury

JGM/sds
05/036

State of Tennessee

A u d i t H i g h l i g h t s

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Chattanooga State Technical Community College Foundation
For the Years Ended June 30, 2004, and June 30, 2003

AUDIT OBJECTIVES

The objectives of the audit were to consider the foundation's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, contracts, and grant agreements; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

AUDIT FINDINGS

The audit report contains no findings.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

Audit Report
Chattanooga State Technical Community College Foundation
For the Years Ended June 30, 2004, and June 30, 2003

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Chattanooga State Technical Community College Foundation For the Years Ended June 30, 2004, and June 30, 2003

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Chattanooga State Technical Community College Foundation. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The Chattanooga State Technical Community College Foundation is a nonprofit foundation incorporated on November 18, 1977. The foundation’s purpose is to aid Chattanooga State Technical Community College in carrying out its goals and purposes. The foundation is not authorized to issue capital stock. All corporate powers are executed by the board of directors.

ORGANIZATION

The Chattanooga State Technical Community College Foundation is governed by a board of directors. The directors are chosen from the Chattanooga State Technical Community College Board of Associates or are placed on the Board of Associates upon accepting the Foundation appointment to the board of directors. The exact number of directors is determined by the board; however, no fewer than three directors can serve at any time. The board’s normal transactions are executed by an executive committee.

AUDIT SCOPE

The audit was limited to the period July 1, 2002, through June 30, 2004, and was conducted 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. Financial statements are presented for the years ended June 30, 2004, and June 30, 2003.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the college's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
 2. to determine compliance with certain provisions of laws, regulations, contracts, and grant agreements;
 3. to determine the fairness of the presentation of the financial statements; and
 4. to recommend appropriate actions to correct any deficiencies.
-

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

OBSERVATIONS AND COMMENTS

FRAUD CONSIDERATIONS

Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*, promulgated by the American Institute of Certified Public Accountants, requires auditors to specifically assess the risk of material misstatement of an audited entity's financial statements due to fraud. The standard also restates the obvious premise that management, and not the auditors, is primarily responsible for preventing and detecting fraud in its own entity. Management's responsibility is fulfilled in part when it takes appropriate steps to assess the risk of fraud within the entity and to implement adequate internal controls to address the results of those risk assessments.

During our audit, we discussed these responsibilities with management and how management might approach meeting them. We also increased the breadth and depth of our inquiries of management and others in the entity as we deemed appropriate. We obtained formal assurances from top management that management had reviewed the entity's policies and procedures to ensure that they are properly designed to prevent and detect fraud and that management had made changes to the policies and procedures where appropriate. Top management further assured us that all staff had been advised to promptly alert management of all allegations of fraud, suspected fraud, or detected fraud and to be totally candid in all communications with the auditors. All levels of management assured us there were no known instances or allegations of fraud that were not disclosed to us.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the foundation's financial statements for the years ended June 30, 2004, and June 30, 2003, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by 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. Consideration of internal control over financial reporting disclosed no material weaknesses.

Compliance

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the foundation's financial statements.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT

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**Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
*Government Auditing Standards***

May 12, 2005

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the financial statements of Chattanooga State Technical Community College Foundation as of and for the years ended June 30, 2004, and June 30, 2003, and have issued our report thereon dated May 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be

The Honorable John G. Morgan
May 12, 2005
Page Two

detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted a matter involving the internal control over financial reporting, which we have reported to the foundation's management in a separate letter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the foundation's financial statements are free of material misstatement, we performed tests of the foundation's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." in a cursive script.

Arthur A. Hayes, Jr., CPA
Director

AAH/sds



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
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Independent Auditor's Report

May 12, 2005

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying statements of financial position of Chattanooga State Technical Community College Foundation as of June 30, 2004, and June 30, 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the foundation's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chattanooga State Technical Community College Foundation as of June 30, 2004, and June 30, 2003, and the changes in net assets and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable John G. Morgan
May 12, 2005
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2005, on our consideration of the foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

A handwritten signature in black ink, reading "Arthur A. Hayes, Jr." in a cursive style.

Arthur A. Hayes, Jr., CPA
Director

AAH/sds

CHATTANOOGA STATE TECHNICAL COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2004, AND JUNE 30, 2003

	June 30, 2004				June 30, 2003			
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Assets:								
Cash and cash equivalents (Note 2)	\$ 52,248.79	\$ 43,759.30	\$ 3,139.12	\$ 99,147.21	\$ 28,219.62	\$ 347,732.91	\$ 69,978.26	\$ 445,930.79
Investments (Note 3)	1,405,637.86	1,783,552.31	924,837.83	4,114,028.00	1,408,840.97	1,393,187.24	821,081.25	3,623,109.46
Due from temporarily restricted funds	1,484.37	-	-	1,484.37	17,661.81	-	-	17,661.81
Unconditional promises to give (Note 4)	-	-	-	-	-	4,500.00	-	4,500.00
Prepaid expenses	3,000.00	-	-	3,000.00	105.00	-	-	105.00
Land	-	725,603.03	-	725,603.03	-	725,603.03	-	725,603.03
Total assets	\$ 1,462,371.02	\$ 2,552,914.64	\$ 927,976.95	\$ 4,943,262.61	\$ 1,454,827.40	\$ 2,471,023.18	\$ 891,059.51	\$ 4,816,910.09
Liabilities and net assets:								
Liabilities:								
Due to unrestricted funds	\$ -	\$ 1,484.37	\$ -	\$ 1,484.37	\$ -	\$ 17,661.81	\$ -	\$ 17,661.81
Accounts payable	44,839.38	-	-	44,839.38	25,771.65	-	-	25,771.65
Other liabilities (Note 6)	-	-	65,000.00	65,000.00	-	-	45,000.00	45,000.00
Total liabilities	44,839.38	1,484.37	65,000.00	111,323.75	25,771.65	17,661.81	45,000.00	88,433.46
Net assets:								
Unrestricted	1,417,531.64	-	-	1,417,531.64	1,429,055.75	-	-	1,429,055.75
Temporarily restricted (Note 5)	-	2,551,430.27	-	2,551,430.27	-	2,453,361.37	-	2,453,361.37
Permanently restricted (Note 5)	-	-	862,976.95	862,976.95	-	-	846,059.51	846,059.51
Total net assets	1,417,531.64	2,551,430.27	862,976.95	4,831,938.86	1,429,055.75	2,453,361.37	846,059.51	4,728,476.63
Total liabilities and net assets	\$ 1,462,371.02	\$ 2,552,914.64	\$ 927,976.95	\$ 4,943,262.61	\$ 1,454,827.40	\$ 2,471,023.18	\$ 891,059.51	\$ 4,816,910.09

The notes to the financial statements are an integral part of this statement.

CHATTANOOGA STATE TECHNICAL COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other additions:				
Contributions	\$ 34,510.08	\$ 189,521.85	\$ 11,970.00	\$ 236,001.93
Investment income	30,895.55	57,886.20	776.91	89,558.66
Net realized/unrealized gains	91,615.94	147,061.96	1,100.39	239,778.29
Net assets released from restrictions	<u>278,399.95</u>	<u>(278,399.95)</u>	<u>-</u>	<u>-</u>
Total revenues and other additions	<u>435,421.52</u>	<u>116,070.06</u>	<u>13,847.30</u>	<u>565,338.88</u>
Expenses:				
Program expenses:				
Scholarships	228,870.61	-	-	228,870.61
Faculty/staff development	15,751.87	-	-	15,751.87
Employee awards	3,000.00	-	-	3,000.00
Program development	150,890.12	-	-	150,890.12
Special event - chamber orchestra	29,354.94	-	-	29,354.94
Academic dues	9,550.00	-	-	9,550.00
Other program expenses	6,578.21	-	-	6,578.21
General and administrative expenses:				
Operating expenses	1,740.94	-	-	1,740.94
Club dues	1,068.00	-	-	1,068.00
Insurance	593.16	-	-	593.16
Taxes	11,846.63	-	-	11,846.63
Other	<u>2,326.98</u>	<u>305.19</u>	<u>-</u>	<u>2,632.17</u>
Total expenses	<u>461,571.46</u>	<u>305.19</u>	<u>-</u>	<u>461,876.65</u>
Transfers:				
Unrestricted	14,625.83	(14,625.83)	-	-
Permanently restricted	-	(10,000.00)	10,000.00	-
Temporarily restricted	-	6,929.86	(6,929.86)	-
Total transfers	<u>14,625.83</u>	<u>(17,695.97)</u>	<u>3,070.14</u>	<u>-</u>
Changes in net assets	(11,524.11)	98,068.90	16,917.44	103,462.23
Net assets at beginning of year	1,429,055.75	2,453,361.37	846,059.51	4,728,476.63
Net assets at end of year	<u>\$ 1,417,531.64</u>	<u>\$ 2,551,430.27</u>	<u>\$ 862,976.95</u>	<u>\$ 4,831,938.86</u>

The notes to the financial statements are an integral part of this statement.

CHATTANOOGA STATE TECHNICAL COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other additions:				
Contributions	\$ 30,304.66	\$ 628,963.64	\$ 71,045.00	\$ 730,313.30
Investment income	33,306.71	58,500.36	845.85	92,652.92
Net realized/unrealized gains (losses)	15,591.51	9,857.95	(1,238.60)	24,210.86
Net assets released from restrictions	<u>228,385.36</u>	<u>(228,385.36)</u>	-	-
Total revenues and other additions	<u>307,588.24</u>	<u>468,936.59</u>	<u>70,652.25</u>	<u>847,177.08</u>
Expenses:				
Program expenses:				
Scholarships	188,946.83	-	-	188,946.83
Faculty/staff development	14,654.85	-	-	14,654.85
Employee awards	3,000.00	-	-	3,000.00
Program development	160,706.53	-	-	160,706.53
Special event - TBR meeting	15,450.00	-	-	15,450.00
Alumni newsletter	4,513.27	-	-	4,513.27
General and administrative expenses:				
Operating expenses	528.66	-	-	528.66
Fund raising	2,433.56	-	-	2,433.56
Club dues	2,501.00	-	-	2,501.00
Insurance	543.73	-	-	543.73
Property taxes	18,208.11	-	-	18,208.11
Other	<u>2,993.39</u>	-	-	<u>2,993.39</u>
Total expenses	<u>414,479.93</u>	<u>-</u>	<u>-</u>	<u>414,479.93</u>
Transfers:				
Unrestricted	16,008.85	(16,008.85)	-	-
Temporarily restricted	(17,661.81)	17,661.81	-	-
Permanently restricted	-	(139,841.27)	139,841.27	-
Total transfers	<u>(1,652.96)</u>	<u>(138,188.31)</u>	<u>139,841.27</u>	<u>-</u>
Changes in net assets	(108,544.65)	330,748.28	210,493.52	432,697.15
Net assets at beginning of year	<u>1,537,600.40</u>	<u>2,122,613.09</u>	<u>635,565.99</u>	<u>4,295,779.48</u>
Net assets at end of year	<u>\$ 1,429,055.75</u>	<u>\$ 2,453,361.37</u>	<u>\$ 846,059.51</u>	<u>\$ 4,728,476.63</u>

The notes to the financial statements are an integral part of this statement.

CHATTANOOGA STATE TECHNICAL COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2004, AND JUNE 30, 2003

	Year Ended <u>June 30, 2004</u>	Year Ended <u>June 30, 2003</u>
Cash flows from operating activities:		
Increase in net assets	\$ 103,462.23	\$ 432,697.15
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Decrease in unconditional promises to give	4,500.00	20,500.00
Increase (decrease) in prepaid expense	(2,895.00)	210.00
Decrease in note payable	-	(162,500.00)
Increase (decrease) in accounts payable	19,067.73	(22,322.87)
Increase in other liabilities	20,000.00	25,000.00
Net realized/unrealized losses on investments	<u>(239,778.29)</u>	<u>(44,265.64)</u>
Net cash provided (used) by operating activities	<u>(95,643.33)</u>	<u>249,318.64</u>
Cash flows from investing activities:		
Purchases of investments	(373,096.38)	(322,538.77)
Proceeds from sale of investments	<u>121,956.13</u>	<u>(134,580.52)</u>
Net cash used for investing activities	<u>(251,140.25)</u>	<u>(457,119.29)</u>
Net decrease in cash and cash equivalents	(346,783.58)	(207,800.65)
Cash and cash equivalents at beginning of year	<u>445,930.79</u>	<u>653,731.44</u>
Cash and cash equivalents at end of year	<u>\$ 99,147.21</u>	<u>\$ 445,930.79</u>

The notes to the financial statements are an integral part of this statement.

Chattanooga State Technical Community College Foundation
Notes to the Financial Statements
June 30, 2004, and June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Chattanooga State Technical Community College Foundation is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The foundation was formed to support Chattanooga State Technical Community College. The foundation receives support from individual, corporate, and other donors and uses its resources for scholarships, property and equipment, and other purposes to further the college's goals.

Basis of Presentation

The foundation's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board. The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Promises to Give

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give 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 net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest

Chattanooga State Technical Community College Foundation
Notes to the Financial Statements (Cont.)
June 30, 2004, and June 30, 2003

rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Investments

Investments in marketable securities are stated at fair value. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NOTE 2. CASH AND CASH EQUIVALENTS

At June 30, 2004, cash and cash equivalents consisted of \$77,469.78 in bank accounts and \$21,677.43 in money market mutual funds. At June 30, 2003, cash and cash equivalents consisted of \$422,435.63 in bank accounts and \$23,495.16 in money market mutual funds.

Financial instruments that potentially subject the foundation to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions.

At June 30, 2004, the carrying amount of the foundation's deposits was \$77,469.78, and the bank balance was \$77,943.87. Of the bank balance, all was insured.

At June 30, 2003, the carrying amount of the foundation's deposits was \$422,435.63, and the bank balance was \$431,647.11. Of the bank balance, \$100,000.00 was insured, and \$331,647.11 was uninsured.

Chattanooga State Technical Community College Foundation
Notes to the Financial Statements (Cont.)
June 30, 2004, and June 30, 2003

NOTE 3. INVESTMENTS

The Chattanooga State Technical Community College Foundation is authorized to invest funds in accordance with its board of directors' policies. The foundation's investments are presented in the financial statements at fair value and are summarized as follows:

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Investment as limited partner in hedge fund	\$ 763,268.00	\$ 375,254.00
Mutual funds	103,391.84	-
Common stock	2,194,049.26	1,866,887.96
U.S. government bonds	947,393.90	1,273,470.00
Corporate bonds	<u>105,925.00</u>	<u>107,497.50</u>
 Total investments	 <u>\$4,114,028.00</u>	 <u>\$3,623,109.46</u>

Concentrations of credit risk exist with respect to the foundation's investments.

NOTE 4. UNCONDITIONAL PROMISES TO GIVE

At June 30, 2003, unconditional promises to give totaled \$4,500. The foundation expected to collect this total amount within one year, and the amount was therefore reported at full value.

NOTE 5. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for scholarship assistance, the college's building program, the college's academic programs, and certain other community-related projects.

Chattanooga State Technical Community College Foundation
Notes to the Financial Statements (Cont.)
June 30, 2004, and June 30, 2003

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Purchase of property and equipment for the college	\$1,772,539.39	\$1,765,638.80
Scholarship assistance	646,779.37	576,505.82
Academic programs	105,838.52	76,739.02
Other	<u>26,272.99</u>	<u>34,477.73</u>
	<u>\$ 2,551,430.27</u>	<u>\$2,453,361.37</u>

Permanently restricted net assets are to provide a permanent endowment for the foundation, with investment income restricted primarily for scholarships or other academic purposes.

NOTE 6. OTHER LIABILITIES

Associates in Diagnostic Radiology deposited \$20,000 in fiscal year ended June 30, 2002; \$25,000 in fiscal year ended June 30, 2003; and \$20,000 in fiscal year ended June 30, 2004, with the foundation to generate income for the Diagnostic Imaging and Radiation Therapy Programs with the stipulation that should the program close within five years, the deposit will be returned.