

**OWENS STATE COMMUNITY COLLEGE
FOUNDATION**

Financial Statements

June 30, 2002 and 2001

(With Independent Auditors' Reports Thereon)



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P. O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Board of Directors
Owens Community College Foundation
P.O. Box 10,000 Oregon Road
Toledo, Ohio 43699

We have reviewed the Independent Auditor's Report of the Owens Community College Foundation, Wood County, prepared by KPMG, for the audit period July 1, 2001 through June 30, 2002. 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, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

November 21, 2002

**OWENS STATE COMMUNITY COLLEGE
FOUNDATION**

Table of Contents

	Page
Independent Auditors' Report	1
Statements of Financial Position as of June 30, 2002 and 2001	2
Statement of Activities – Year ended June 30, 2002	3
Statement of Activities – Year ended June 30, 2001	4
Statements of Cash Flows – Years ended June 30, 2002 and 2001	5
Notes to Financial Statements	6
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10



Suite 1200
150 West Jefferson
Detroit, MI 48226-4429

Independent Auditors' Report

The Board of Directors
Owens State Community College Foundation:

We have audited the accompanying statements of financial position of Owens State Community College Foundation (Foundation) as of June 30, 2002 and 2001, 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 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 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 audits provide 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 Owens State Community College Foundation as of June 30, 2002 and 2001, and the related changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2002 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions, laws, regulations, contracts, and grants. 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 the audit.

KPMG LLP

September 13, 2002

**OWENS STATE COMMUNITY COLLEGE
FOUNDATION**

Statements of Financial Position

June 30, 2002 and 2001

Assets	2002	2001
Cash and cash equivalents	\$ 672,805	598,842
Investments	83,985	89,759
Pledges receivable	14,568	5,000
Land	68,806	68,806
Total assets	\$ 840,164	762,407
Liabilities and Net Assets		
Due to Owens Community College	\$ 16,274	4,242
Total liabilities	16,274	4,242
Net assets:		
Unrestricted	160,227	168,061
Temporarily restricted	315,289	310,004
Permanently restricted	348,374	280,100
Total net assets	823,890	758,165
Total liabilities and net assets	\$ 840,164	762,407

See accompanying notes to financial statements.

**OWENS STATE COMMUNITY COLLEGE
FOUNDATION**

Statement of Activities

Year ended June 30, 2002

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Revenue and support:				
Investment income (loss):				
Interest and dividend income	\$ 8,258	7,785	192	16,235
Unrealized gain (loss) on investments	294	(6,068)	—	(5,774)
Donations received	—	54,290	68,082	122,372
Special event revenue (net of direct expense of \$6,118)	—	2,357	—	2,357
Revenue released from restrictions	53,079	(53,079)	—	—
Total revenue and support	<u>61,631</u>	<u>5,285</u>	<u>68,274</u>	<u>135,190</u>
Expenses:				
Program services:				
Scholarships	43,413	—	—	43,413
Equipment grant	5,000	—	—	5,000
Other program services	4,916	—	—	4,916
Total program services	<u>53,329</u>	<u>—</u>	<u>—</u>	<u>53,329</u>
Management and general	<u>16,136</u>	<u>—</u>	<u>—</u>	<u>16,136</u>
Total expenses	<u>69,465</u>	<u>—</u>	<u>—</u>	<u>69,465</u>
Change in net assets	(7,834)	5,285	68,274	65,725
Net assets – beginning of year	<u>168,061</u>	<u>310,004</u>	<u>280,100</u>	<u>758,165</u>
Net assets – end of year	<u>\$ 160,227</u>	<u>315,289</u>	<u>348,374</u>	<u>823,890</u>

See accompanying notes to financial statements.

**OWENS STATE COMMUNITY COLLEGE
FOUNDATION**

Statement of Activities

Year ended June 30, 2001

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Revenue and support:				
Investment income (loss):				
Interest and dividend income	\$ 11,827	11,405	332	23,564
Unrealized gain (loss) on investments	209	(7,301)	—	(7,092)
Donations received	550	60,243	26,173	86,966
Revenue released from restrictions	77,178	(77,178)	—	—
Total revenue and support	<u>89,764</u>	<u>(12,831)</u>	<u>26,505</u>	<u>103,438</u>
Expenses:				
Program services:				
Scholarships	71,145	—	—	71,145
Equipment grant	29,544	—	—	29,544
Other program services	836	—	—	836
Total program services	<u>101,525</u>	<u>—</u>	<u>—</u>	<u>101,525</u>
Management and general	<u>16,803</u>	<u>—</u>	<u>—</u>	<u>16,803</u>
Total expenses	<u>118,328</u>	<u>—</u>	<u>—</u>	<u>118,328</u>
Change in net assets	(28,564)	(12,831)	26,505	(14,890)
Net assets – beginning of year	<u>196,625</u>	<u>322,835</u>	<u>253,595</u>	<u>773,055</u>
Net assets – end of year	<u>\$ 168,061</u>	<u>310,004</u>	<u>280,100</u>	<u>758,165</u>

See accompanying notes to financial statements.

**OWENS STATE COMMUNITY COLLEGE
FOUNDATION**

Statements of Cash Flows

Years ended June 30, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ 65,725	(14,890)
Adjustments to reconcile (decrease) increase in net assets to net cash provided by (used in) operating activities:		
Unrealized loss on investments	5,774	7,092
Increase in pledges receivable	(9,568)	—
(Decrease) increase in due to Owens Community College	12,032	(7,033)
Donations restricted for long-term endowment investment	(68,082)	(26,173)
Net cash provided by (used in) operating activities	5,881	(41,004)
Cash flows provided by (used in) investing activities:		
Purchase of investments	—	(15,663)
Proceeds from the sale of investments	—	360,027
Net cash provided by investing activities	—	344,364
Cash flows provided by financing activities:		
Proceeds from donations restricted for long-term endowment investment	68,082	26,173
Increase in cash and cash equivalents	73,963	329,533
Cash and cash equivalents at beginning of year	598,842	269,309
Cash and cash equivalents at end of year	\$ 672,805	598,842

See accompanying notes to financial statements.

**OWENS STATE COMMUNITY COLLEGE
FOUNDATION**

Notes to Financial Statements

June 30, 2002 and 2001

(1) Organization and Purpose

Effective July 1, 1996, pursuant to Chapter 3358 of the Ohio Revised Code, the trustees of Owens 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.

(2) Summary of Significant Accounting Policies

(a) 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.

(b) Basis of Presentation

Net assets and revenues, 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 revenues of the unrestricted net asset class.
- *Permanently restricted net assets* – Net assets subject 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.

Revenues are reported as increases in unrestricted net assets unless 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 of net assets.

(c) Cash and Cash Equivalents

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

**OWENS STATE COMMUNITY COLLEGE
FOUNDATION**

Notes to Financial Statements

June 30, 2002 and 2001

(d) Investments

Investments are recorded at fair value based on quoted market prices and consist of certificates of deposit with maturities in excess of three months and marketable securities. Investment income is recognized as earned.

(e) Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenues 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.

(f) Land

Land is stated at cost of the property, which approximates fair market value.

(g) Income Taxes

The Internal Revenue Service, in a letter dated September 29, 1997, determined that the Foundation was exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

(h) Use of Estimates

Management of the Foundation has made estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities 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.

(3) Investments

Investments at June 30, 2002, by major security type, were as follows:

	Cost	Fair value
Marketable securities	\$ 10,454	83,985
Total investments	\$ 10,454	83,985

Investments at June 30, 2001, by major security type, were as follows:

	Cost	Fair value
Marketable securities	\$ 10,454	89,759
Total investments	\$ 10,454	89,759

**OWENS STATE COMMUNITY COLLEGE
FOUNDATION**

Notes to Financial Statements

June 30, 2002 and 2001

(4) Pledges Receivable

As of June 30, 2002 and 2001, contributors to the Foundation have made written unconditional promises to give. These promises are reported at present value of estimated future cash flows and are discounted at 3%. This rate is commensurate with risks involved and is consistent with past experience.

	June 30	
	2002	2001
Unconditional promises to give	\$ 15,000	5,000
Less unamortized discount	(432)	—
Net unconditional promises to give	\$ 14,568	5,000
Amounts due in:		
Less than one year	\$ 10,000	5,000
One to five years	5,000	—
Total	\$ 15,000	5,000

(5) Related Party Transactions

Program services in the amount of \$53,329 and \$101,525 for fiscal years 2002 and 2001, respectively, are paid to the College by the Foundation. At June 30, 2002 and 2001, the net amount owed to the College for reimbursement by the Foundation was \$16,274 and \$4,242, respectively.

(6) Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets are available for the following purposes:

	2002	2001
Gifts and other unexpended revenues available for:		
Library campaign	\$ 28,227	33,227
Other supplies and equipment	62,734	42,430
Scholarships	220,149	230,168
Student loans	4,179	4,179
	\$ 315,289	310,004

**OWENS STATE COMMUNITY COLLEGE
FOUNDATION**

Notes to Financial Statements

June 30, 2002 and 2001

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

	<u>2002</u>	<u>2001</u>
Other supplies and equipment	\$ 9,916	30,133
Scholarships	<u>43,163</u>	<u>47,045</u>
	<u>\$ 53,079</u>	<u>77,178</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 specific program services. Earnings on these endowment funds are considered temporarily or permanently restricted until the program restrictions are met. These expenses are reflected in the appropriate program services category on the statement of activities.



Suite 1200
150 West Jefferson
Detroit, MI 48226-4429

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

The Board of Directors
Owens State Community College Foundation:

We have audited the financial statements of Owens State Community College Foundation (the Foundation) as of and for the year ended June 30, 2002 and have issued our report thereon, dated September 13, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

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 assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components do not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors and management of the Foundation and the Auditor of State of Ohio, and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

September 13, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

OWENS 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
DECEMBER 5, 2002**