

TERRA COLLEGE FOUNDATION

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2001

Charles E. Harris and Associates, Inc.
Certified Public Accountants



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Terra College Foundation
2830 Napoleon Road
Fremont, Ohio 43420-9670

We have reviewed the Independent Auditor's Report of the Terra College Foundation, Sandusky County, prepared by Charles E. Harris and Associates, Inc., for the audit period January 1, 2001 through December 31, 2001. 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 Terra 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

June 28, 2002

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TERRA COLLEGE FOUNDATION
Audit Report
For the Year Ended December 31, 2001

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REPORT OF INDEPENDENT ACCOUNTANTS

**The Board of Trustees
Terra College Foundation
Fremont, Ohio**

We have audited the accompanying financial statements of Terra College Foundation (Foundation), as of and for the year ended December 31, 2001, as listed in the table of contents. 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 Terra College Foundation as of December 31, 2001, and the changes in its net assets and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, the Foundation adopted Governmental Accounting and Standards Board Statements Nos. 33 and 36 for the year ended December 31, 2001.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 19, 2002 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 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 our audit.

Charles E. Harris & Associates, Inc.
April 19, 2002

Terra College Foundation
Statement of Financial Position
December 31, 2001

ASSETS

| | |
|-----------------------------------------|----------------|
| Cash and Cash Equivalents (Note 1) | 426,806 |
| Refunds Receivable | 27 |
| Unconditional Promises To Give (Note 3) | 208,350 |
| Investments (Note 1 and 4) | <u>438,527</u> |

Total Assets 1,073,710

NET ASSETS

| | |
|---------------------------------|----------------|
| Unrestricted | 91,657 |
| Temporarily Restricted (Note 5) | 153,563 |
| Permanently Restricted (Note 5) | <u>828,490</u> |

Total Net Assets 1,073,710

The accompanying notes are an integral part of these financial statements.

Terra College Foundation
Statement of Activities
For the Year Ended December 31, 2001

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|-----------------------------------------------------|---------------------|-----------------------------------|-----------------------------------|--------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | | |
| Contributions: | \$ | \$ | \$ | \$ |
| Business Organizations | 11,022 | 47,990 | 223,012 | 282,024 |
| Foundations | - | 51,466 | - | 51,466 |
| Individuals | 58,916 | 22,986 | 16,176 | 98,078 |
| Lending Institution | - | 3,140 | - | 3,140 |
| Other Organizations | - | 99,287 | 2,558 | 101,845 |
| Contributed Services & Supplies | 65,974 | - | - | 65,974 |
| | 135,912 | 224,869 | 241,746 | 602,527 |
| Investment Return | 4,282 | (5,036) | - | (754) |
| Net Assets Released From Restrictions | 150,704 | (150,704) | - | - |
| | | | | |
| TOTAL REVENUES, GAINS, AND OTHER SUPPORT | 290,898 | 69,129 | 241,746 | 601,773 |
| EXPENSES | | | | |
| Program Services: | | | | |
| Scholarships & Loans | 83,786 | - | - | 83,786 |
| Instructional Equipment | 66,918 | - | - | 66,918 |
| Supplies | 5,485 | 129 | - | 5,614 |
| Other | 4,116 | 1,850 | - | 5,966 |
| Supporting Services: | | | | |
| Management & General | 26,390 | 60 | - | 26,450 |
| Fund-Raising | 48,838 | 59,103 | - | 107,941 |
| | | | | |
| TOTAL EXPENSES | 235,533 | 61,142 | - | 296,675 |
| CHANGE IN NET ASSETS | 55,365 | 7,987 | 241,746 | 305,098 |
| NET ASSETS AS OF BEGINNING OF YEAR | 36,292 | 145,576 | 586,744 | 768,612 |
| NET ASSETS AS OF END OF YEAR | 91,657 | 153,563 | 828,490 | 1,073,710 |

The accompanying notes are an integral part of these financial statements.

Terra College Foundation
Statement of Functional Expenses
For the Year Ended December 31, 2001

| | <u>Program Services</u> | <u>Supporting Services</u> | | <u>Total</u> |
|-----------------------------------------------------------------|-----------------------------|-----------------------------------|--------------------------|-------------------|
| | | <u>Management and General</u> | <u>Fund- Raising</u> | |
| UNRESTRICTED | | | | |
| Program Services: | | | | |
| Scholarship and loan expenditures to Terra Community College | \$ 83,786 | \$ - | \$ - | \$ 83,786 |
| Equipment expenditure to Terra Community College | 66,918 | - | - | 66,918 |
| Services provided to Terra Community College | - | 26,390 | 48,838 | 75,228 |
| Supplies | 5,485 | - | - | 5,485 |
| Other | 4,116 | - | - | 4,116 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Unrestricted | \$ <u>160,305</u> | \$ <u>26,390</u> | \$ <u>48,838</u> | \$ <u>235,533</u> |
| TEMPORARILY RESTRICTED | | | | |
| Program Services: | | | | |
| Supplies | 129 | - | - | 129 |
| Other | 1,850 | - | - | 1,850 |
| Supporting Services: | | | | |
| Management & General | - | 60 | - | 60 |
| Golf outing | - | - | 7,401 | 7,401 |
| Other Fundraising | - | - | 51,702 | 51,702 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Temporarily Restricted | <u>1,979</u> | <u>-</u> | <u>59,103</u> | <u>61,142</u> |
| Total Functional Expenses | <u>162,284</u> | <u>26,390</u> | <u>107,941</u> | <u>296,675</u> |

The accompanying notes are an integral part of these financial statements.

**TERRA COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2001**

| | 2001 |
|-------------------------------------------------------------------------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Increase in Net Assets | \$ 305,098 |
| Adjustments to reconcile Net Assets to Net Cash used in Operating Activities: | |
| Unrealized loss on investments | 21,767 |
| Increases in operating assets: | |
| Unrestricted unconditional promises to give | (19,963) |
| Contributions restricted for long-term purposes | (466,615) |
| Investment return restricted for long-term investment | (16,731) |
| Net Cash Provided by Operating Activities | (176,444) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Proceeds from sale of long-term investments | 214,973 |
| Purchases of long-term investments | (215,874) |
| Net Cash Provided by Investing Activities | (901) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Proceeds from contributions restricted for long-term purposes | 466,615 |
| Investment return restricted for long-term purposes | 16,731 |
| Net Cash Provided by Capital and Related Financing Activities | 483,346 |
| Net Increase in Cash & Cash Equivalents | 306,001 |
| Cash & Cash Equivalents, Beginning of Year | 120,805 |
| Cash & Cash Equivalents, End of Year | \$ 426,806 |

The accompanying notes are an integral part of these financial statements.

TERRA COLLEGE FOUNDATION
Notes to the Financial Statements
For the Year Ended December 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - Terra College Foundation (the Foundation) exists to provide financial assistance to the educational programs, services and facilities of Terra Community College. To that end, the Foundation solicits inter vivos and testamentary gifts.

BASIS OF ACCOUNTING - The financial statements of Terra College Foundation have been prepared on the accrual basis and accordingly reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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. Cash and cash equivalents for purposes of the statement of cash flows exclude donor restricted cash and cash equivalents.

DONATED SERVICE AND FACILITIES - The Foundation has no employees or property (other than cash and investments). Substantially all clerical management and fund raising duties are presently performed by the Executive Director and an assistant, both of whom are employees of Terra Community College, utilizing equipment and facilities of Terra Community College.

For accounting purposes, the value of facilities is considered immaterial and it has not been recognized in the financial statements. However, the value of the services provided by the Executive Director and her assistant in the amount of \$58,499 and supplies in the amount of \$7,475 have been recognized in the statement of activities as supporting revenue and as supporting services expense as required by SFAS 116.

MANAGEMENT ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

RESTRICTED AND UNRESTRICTED REVENUE - Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

INCOME TAX STATUS - The Foundation is a not-for-profit organization that the Internal Revenue Service has determined to be exempt from income taxes under Section 501(C)(3) of the Internal Revenue Code.

TERRA COLLEGE FOUNDATION
Notes to the Financial Statements
For the Year Ended December 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS - Investments are comprised of common stock and are carried at fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

EXPENSE ALLOCATION - Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year 2001, the Foundation has implemented GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Transactions.” The implementation of these statements did not create a material change in net assets at December 31, 2001.

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2001 are as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--------------------------------------|---------------------|-----------------------------------|-----------------------------------|-----------------|
| Receivable in less than one year | \$ 26,650 | \$ 1,500 | \$ 40,200 | \$ 68,350 |
| Receivable in one to five years | 750 | - | 125,000 | 125,750 |
| Receivable in more than five years | - | - | 45,000 | 45,000 |
| Total unconditional promises to give | <u>27,400</u> | <u>1,500</u> | <u>210,200</u> | <u>239,100</u> |
| Less discount to net present value | <u>(1,092)</u> | <u>(58)</u> | <u>(29,600)</u> | <u>(30,750)</u> |
| Net unconditional promise to give | 26,308 | 1,442 | 180,600 | 208,350 |

Unconditional promises to give that are receivable in more than one year are discounted at 4% to recognize the present value of future cash flows. No allowance for uncollectible promises to give is considered necessary.

TERRA COLLEGE FOUNDATION
Notes to the Financial Statements
For the Year Ended December 31, 2001

NOTE 4 - INVESTMENTS

Investments as of December 31, 2001 are summarized as follows:

| | <u>Cost</u> | <u>Market Value</u> |
|-------------------|----------------|---------------------|
| Restricted Cash | \$ 32,208 | \$ 32,208 |
| Debt Securities | 224,667 | 226,510 |
| Equity Securities | 223,086 | 179,659 |
| Accrued Income | 150 | 150 |
| Total Investments | <u>480,111</u> | <u>438,527</u> |

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> |
|-------------------------|---------------------|-------------------------------|
| Dividend Income | \$ 790 | \$ 2,997 |
| Interest Income | 3,379 | 13,241 |
| Short Term Capital Gain | 113 | 493 |
| Net Unrealized Loss | - | (21,767) |
| Total Investment Return | <u>4,282</u> | <u>(5,036)</u> |

TERRA COLLEGE FOUNDATION
Notes to the Financial Statements
For the Year Ended December 31, 2001

NOTE 5 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes after December 31, 2001:

| | |
|--------------------------------------------|-----------------------|
| Instructional Equipment Purchases | 5,645 |
| Fall Galla Scholarships | 10,261 |
| Golf Outing Scholarships | 8,197 |
| General and Memorial Scholarships | 79,171 |
| Minority Scholarships | 2,583 |
| Society of Plastics Engineers Scholarships | 27,880 |
| Terra Faculty Association Scholarships | 8,725 |
| Environmental Science Course | <u>11,101</u> |
| Total Temporarily Restricted Net Assets | <u><u>153,563</u></u> |

Permanently restricted net assets consist of endowment funds to be held indefinitely, income from which is to be used for the following purposes at December 31, 2001:

| | |
|------------------------------------------------------|-----------------------|
| General and Memorial Scholarships | 68,620 |
| Minority Scholarships | 26,100 |
| Amistad Scholarships | 3,208 |
| Steve Uzelec and Friends Scholarships | 8,285 |
| Klay Memorial Scholarships | 49,190 |
| Sanchez Memorial Scholarships | 17,894 |
| Mosser Scholarships | 25,000 |
| Dudley Memorial Scholarships | 9,605 |
| Elder College Scholarships | 11,893 |
| Kelly Maines Scholarships | 53,320 |
| Lee Family Scholarships | 1,530 |
| Glen Maddy Scholarships | 1,500 |
| Grace Hamilton Scholarships | 9,673 |
| Capucini Memorial Scholarships | 2,365 |
| Denman Recktenwald Memorial Scholarships | 2,006 |
| Herrit Memorial Scholarships | 5,854 |
| Perry Memorial Scholarships | 7,005 |
| Refrigeration Service Engineers Society Scholarships | 7,500 |
| Recktenwald Memorial Scholarships | 7,665 |
| Foundation Operating Scholarships | 225,000 |
| Van Voorhis Memorial Scholarships | 1,500 |
| Instructional Equipment | <u>283,777</u> |
| Total Permanently Restricted Net Assets | <u><u>828,490</u></u> |

Included in the above totals are unconditional promises to give in the amount of \$208,350 at December 31, 2001.

**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 Trustees
Terra College Foundation
Fremont, Ohio

We have audited the accompanying financial statements of the Terra College Foundation (the Foundation), as of and for the year ended December 31, 2001, and have issued our report thereon dated April 19, 2002, wherein we noted the Foundation adopted Governmental Accounting Standards Board Statements Nos. 33 and 36 for the year ended December 31, 2001. 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 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 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 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 the 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 Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
April 19, 2002

STATUS OF PRIOR YEAR'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ended December 31, 2000 did not include material citations or recommendations.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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TERRA COMMUNITY COLLEGE FOUNDATION

SANDUSKY 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
JULY 25, 2002**