



**Auditor of State  
Betty Montgomery**



**MASSILLON MUSEUM  
STARK COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Massillon Museum  
Stark County  
121 Lincoln Way East  
Massillon, Ohio 44646-6633

To the Board of Trustees:

We have audited the accompanying statement of financial position of the Massillon Museum, Stark County, Ohio, (Museum) as of December 31, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Museum's December 31, 2001 financial statements which were audited by another auditor, whose report thereon dated July 24, 2002 was unqualified.

Except as discussed in the following paragraph, 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.

The Museum did not create and maintain adequate documentation supporting the completeness of receipts reported in the following support and revenue categories: special fund raising events; contributions, gifts and bequests; art classes; photo reproduction income; miscellaneous income; and framing. Accordingly, we were unable to satisfy ourselves regarding the completeness of these items of support and revenues in the accompanying financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had we been able to satisfy ourselves regarding support and revenues as discussed in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of December 31, 2002, and the changes in its net assets and its cash flows for the year 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 December 15, 2003 on our consideration of the Museum'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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 15, 2003

**MASSILLON MUSEUM  
STARK COUNTY**

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2002**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$98,367	
Prepaid Insurance and Expenses	7,941	
Total Current Assets		106,308

**Fixed Assets**

Land	7,093	
Building and Improvements	2,126,066	
Furniture and Fixtures	114,801	
	2,247,960	
Less Accumulated Depreciation	(350,655)	
Net Fixed Assets		1,897,305

**Other Assets**

Industrial Insurance Deposit	97	
Investments - Restricted	43,147	
Investments - Unrestricted	112,290	
Total Other Assets		155,534

Total Assets		<b>\$2,159,147</b>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	4,935	
Withheld and Accrued Payroll Taxes	3,932	
Withheld and Accrued Retirement	2,779	
Total Current Liabilities		11,646

**Net Assets**

Unrestricted	2,097,501	
Permanently Restricted	50,000	
Total Net Assets		2,147,501

Total Liabilities and Net Assets		<b>\$2,159,147</b>
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See Accompanying Notes to Financial Statements

**MASSILLON MUSEUM  
STARK COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2002  
WITH COMPARATIVE TOTALS FOR 2001**

	<u>UNRESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2002 TOTALS</u>	<u>2001 TOTALS</u>
<b>Support and Revenue</b>				
Special Fund Raising Events	\$5,898	\$0	\$5,898	\$5,268
Government Appropriation Tax	293,308	0	293,308	315,288
Members of Museum	10,680	0	10,680	10,160
Contributions, Gifts and Bequests	5,075	0	5,075	4,528
Art Classes	4,201	0	4,201	5,240
Photo Reproduction Income	757	0	757	384
Miscellaneous Income (Misc. & Lobby)	3,585	0	3,585	4,472
Interest and Investment Income	4,967	0	4,967	9,076
Unrealized Gain (Loss) on Investments	(28,996)	0	(28,996)	(21,020)
Gift Shop	1,590	0	1,590	2,651
Framing	3,300	0	3,300	0
Refunds	(1,336)	0	(1,336)	(1,078)
<b>Total Support and Revenue</b>	<b>303,029</b>	<b>0</b>	<b>303,029</b>	<b>334,969</b>
<b>Expenses</b>				
Purchases - Art Class Supplies	8,241	0	8,241	1,566
Advertising	1,459	0	1,459	5,173
Auto Expenses	2,927	0	2,927	1,189
Depreciation	66,197	0	66,197	65,129
Dues and Subscription	1,660	0	1,660	4,009
Equipment Rental	345	0	345	368
Insurance - General	4,984	0	4,984	7,360
Insurance - Industrial	327	0	327	147
Insurance - Health	19,035	0	19,035	13,523
Legal and Accounting	5,700	0	5,700	5,415
Miscellaneous	5,532	0	5,532	4,218
Office Expense	6,969	0	6,969	4,864
Outside Services	16,856	0	16,856	14,308
Printing and Publishing	18,536	0	18,536	27,183
Repairs and Maintenance	7,379	0	7,379	5,220
Supplies	6,387	0	6,387	5,329
Taxes - Payroll	13,255	0	13,255	11,747
Retirement	2,353	0	2,353	1,782
Telephone and Internet	8,895	0	8,895	6,484
Travel and Entertainment	4,645	0	4,645	4,494
Trustee Fees	1,190	0	1,190	1,310
Utilities	46,276	0	46,276	45,106
Wages	167,672	0	167,672	144,590
Fundraising Expenses	10,984	0	10,984	3,561
<b>Total Expenses</b>	<b>427,804</b>	<b>0</b>	<b>427,804</b>	<b>384,075</b>
<b>Change in Net Assets Related to Collection Items Not Capitalized:</b>				
Collection and Exhibit Expense	18,802	0	18,802	31,905
<b>Change in Net Assets</b>	<b>(143,577)</b>	<b>0</b>	<b>(143,577)</b>	<b>(81,011)</b>
Net Assets as of Beginning of Year	2,241,078	50,000		
<b>Net Assets as of End of Year</b>	<b>\$2,097,501</b>	<b>\$50,000</b>		

See Accompanying Notes to Financial Statements



**MASSILLON MUSEUM  
STARK COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER, 31, 2002  
WITH COMPARATIVE TOTALS FOR 2001**

	2002	2001
<b>Cash Flows From Operating Activities</b>		
Decrease in Net Assets	(\$143,577)	(\$81,011)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Used By Operating Activities		
Depreciation	66,197	65,129
Other Current Assets	(5,112)	5,657
Accounts Payable and Accrued Liabilities	(52)	(194)
Net Cash Used By Operating Activities	(82,544)	(10,419)
 <b>Cash Flows From Investing Activities</b>		
Purchase of Fixed Assets	(9,094)	(33,512)
Increase in Investments	(5,422)	20,944
Net Cash Used By Investing Activities	(14,516)	(12,568)
 Net Decrease in Cash and Cash Equivalents	(97,060)	(22,987)
 Cash and Cash Equivalents as of Beginning of Year	195,427	218,414
 Cash and Cash Equivalents as of End of Year	\$98,367	\$195,427

See Accompanying Notes to Financial Statements

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**MASSILLON MUSEUM  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Massillon Museum (Museum) is a not-for-profit organization exempt from income tax under Section 501(c) (3) of the U.S. Internal Revenue Code.

The Museum engages in the traditional museum functions of collecting, exhibiting, conserving, and educating. The Museum collects and exhibits local and regional art, including local historical artifacts.

The Museum is supported by property tax money from the citizens of the community which is voted on by the citizens of the City of Massillon for a five year period to provide for a free Museum of art and history that is maintained and operated by a private, not-for-profit organization as authorized by Section 5709.19(A)(A) of the Ohio Revised Code. The Board of Trustees formulates and adopts the by-laws and policies that govern the operations of the Museum. The Board consists of as many as twenty-five voluntary trustees who may serve two consecutive three-year terms.

**Public Support and Revenue**

Grant and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restriction are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

**Art Collections**

In conformity with the practice followed by many museums, the value of art objects acquired by gift is not reflected in these statements.

**Contributed Services**

Many individuals volunteer their time and perform a variety of tasks that assist the Museum, but these services do not meet the criteria for recognition as contributed services.

**Property and Equipment**

It is the Museum's policy to capitalize property and equipment over \$500. Lesser amounts are expended. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using the straight-line method.

**MASSILLON MUSEUM  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment (Continued)**

The collections, which are acquired through purchases and contributions since the Museum's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

**Financial Statement Presentation**

The Museum has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Non-for-Profit Organization." Under SFAS No. 117, the Organization 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. In addition, the Organization is required to present a statement of cash flows.

**Investments**

The Museum has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**Advertising Costs**

Advertising costs are expensed as incurred.

**403B Thrift Retirement Plan**

The Museum has a 403B Thrift Retirement Plan (Plan) to provide retirement for its employees. Employees may contribute a percentage of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Museum matches employee contributions dollar for dollar up to a 3% ceiling. All matching contributions vest immediately. The Museum matching contributions to the Plan totaled \$2,353 in 2002 and \$1,782 in 2001.

**2. FUNDING AGREEMENTS**

The Museum receives substantially all of its funding from the City of Massillon. A significant reduction in the level of funding provided by the City would have a significant effect on the Museum's activities.

**MASSILLON MUSEUM  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**3. DEPOSITS AND INVESTMENTS**

The Museum's carrying value of demand deposits was \$40,073.

The Museum held \$58,294 at December 31, 2002 in U.S. Government money market funds.

The above deposits and investments are reported on the Statement of Financial Position as cash and cash equivalents.

Long-term investments are stated at fair value and consist of mutual funds, certificates of deposits and common stock. Fair values and unrealized appreciation at December 31, 2002 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Permanent Restricted:			
Gar Funds - Federated Mutual Funds	\$33,114	\$31,781	(\$1,333)
Certificate of Deposit	<u>11,366</u>	<u>11,366</u>	<u>0</u>
Total Permanent Restricted	44,480	43,147	(1,333)
Unrestricted:			
Federal Mutual Funds	113,583	111,050	(2,533)
IBM Stocks	<u>1</u>	<u>1,240</u>	<u>1,239</u>
Total Unrestricted	<u>113,584</u>	<u>112,290</u>	<u>(1,294)</u>
Totals	<u><u>\$158,064</u></u>	<u><u>\$155,437</u></u>	<u><u>(\$2,627)</u></u>

The endowment totaling \$50,000 as of December 31, 2002 allows current income to be used. The principal is restricted and is reported as restricted. The Museum reports the income and expenses on the \$50,000 as Unrestricted since the current income can be used.

**4. PROPERTY TAX**

The taxing authority of the Council of the City of Massillon, Stark County, Ohio certifies a copy of Council resolution requesting the Stark County Auditor to certify to the City of Massillon the total current tax valuation of the subdivision and the amount of revenue that would be produced by one (1) mill, to levy a tax outside the ten-mill limitation for the purpose of providing a free Museum of Art and History that is maintained and operated by a private, not-for-profit organization as authorized by the Ohio Revised Code Section 5709.19(A)(A).

**MASSILLON MUSEUM  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**5. FIXED ASSETS**

Fixed assets reflected on the Statement of Financial Position are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated</u>
Buildings and Improvements	4 to 50 years
Equipment, Furniture and Fixtures	3 to 10 years

The Museum's fixed asset values were determined using original acquisition costs when such information was available. In cases when original costs were not practicably determinable, estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Contributions of works of art, historical treasures, and similar assets which meets the conditions of SFAS No. 117 were not capitalized.

The Museum's collections are made up of artifacts of historical significance and art objects that are held for educational, research and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections.

**6. ENDOWMENT FUND**

The Museum entered into an agreement in 1997 with the Stark Community Foundation, Inc., a legally separate charitable organization to create a permanent endowment fund as a component Fund of the Foundation into which the Museum itself and other persons or corporations may make contributions of cash and other property from time to time for the support of the Museum. The Foundation administers the endowment fund for the benefit of the Museum in accordance with the terms of the agreement. Income from the Fund, after payment of all expenses, are distributed to the Museum in quarterly installments based upon the level of need as presented by the Museum to the Foundation in accordance with the terms of the agreement. At December 31, 2002, the total value of the fund was \$31,108. The Endowment Fund is to be used for educational purposes including teacher salaries, equipment and supplies.



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Massillon Museum  
Stark County  
121 Lincoln Way East  
Massillon, Ohio 44646-6633

To the Board of Trustees:

We have audited the financial statements of the Massillon Museum, Stark County, Ohio, (Museum) as of and for the year ended December 31, 2002, and have issued our report thereon dated December 15, 2003. The report was qualified as we were unable to obtain sufficient information supporting the amount of reported support and revenues for the following line item accounts: special fund raising events; contributions gifts and bequests; art classes; photo reproduction income; miscellaneous income; and framing. Except as discussed in the preceding sentence, 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 Museum'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 Museum'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Museum's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-001 and 2002-002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2002-001 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Museum in a separate letter dated December 15, 2003.

This report is intended for the information and use of management, Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 15, 2003



**MASSILLON MUSEUM  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

<b>Finding Number</b>	<b>2002-001</b>
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**Material Weakness**

**Monitoring of Receipts**

The Museum did not always create or maintain documents, such as, duplicate receipts, check copies, approved price or and fee lists, or other source documentation, to support various revenue line items in the financial statements. Additionally, the Museum did not have procedures in place, to ensure all services provided were charged for and that revenue and support collected was deposited and posted to the accounting ledgers. To help improve accountability over the receipt procedures, the Museum should:

- Prepare prenumbered duplicate receipts for all collections, including Gift Shop receipts. As an alternative, a cash register could be used to record and track cash received. The register tapes should be adequately coded to record and report the type of receipts collected.
- Retain class rosters for the art classes held in their entirety, as well as class price lists and lists of students receiving refunds (when classes were canceled).
- Maintain source documentation to support lobby rental income (i.e. duplicate receipts, calendar showing the number of times lobby was rented to the public).
- Maintain source documentation relating to cash donations (i.e., amount, date, letter from donee stating if donation is restricted/unrestricted) and copies of checks relating to donations given by check.
- Maintain source documentation (i.e. invoices) relating to framing income in its entirety.
- Maintain source documentation (i.e. invoices) relating to photo reproduction income in its entirety.
- Establish reconciliation procedures by which amounts collected per issued receipt forms or other source documents, are compared to amounts deposited and posted to the accounting ledgers.

Implementation of the above procedures will help to ensure completeness of the Museum receipts.

**Reportable Condition**

<b>Finding Number</b>	<b>2002-002</b>
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**Investment Ledger**

No investment ledger was maintained by the Museum. The Museum sold and purchased several investments during the year; however, the activity was not reported on the books. The only investment activities recorded on the Museum's books were dividend income, interest income and the trustee fees. Therefore, the original gains/loss on investments amount was improperly reported on the financial statements, including the activity on the cash flow statement.

To help ensure an accurate and complete listing of investment activity and amounts, an investment ledger should be maintained including but not limited to the purchase date of the investment, type of investment, account (i.e., restricted or unrestricted) where the principal belongs, amounts of the investment, interest rate, interest earned on the investment, the date the investment was sold or redeemed and the resulting gain or loss from the investment.





**Auditor of State  
Betty Montgomery**

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**MASSILLON MUSEUM**

**STARK 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  
FEBRUARY 12, 2004**