

TERRA COLLEGE FOUNDATION

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2003

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



**Auditor of State
Betty Montgomery**

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 & Associates, Inc., for the audit period January 1, 2003 through December 31, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 15, 2004

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TERRA COLLEGE FOUNDATION
Audit Report
For the Year Ended December 31, 2003

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

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Trustees
Terra College Foundation
Fremont, Ohio

We have audited the accompanying financial statements of Terra College Foundation (the Foundation), as of and for the year ended December 31, 2003, 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 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 Foundation as of December 31, 2003 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 a report dated June 14, 2004 on our consideration of the City'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.
June 14, 2004

Terra College Foundation
Statement of Financial Position
December 31, 2003

ASSETS

Cash and Cash Equivalents (Note 1)	\$ 268,583
Unconditional Promises to Give (Note 3)	144,144
Investments (Notes 1 and 4)	<u>677,382</u>

Total Assets \$ 1,090,109

NET ASSETS

Unrestricted	\$ 9,304
Temporarily Restricted (Note 5)	239,611
Permanently Restricted (Noted 5)	<u>841,194</u>

Total Net Assets \$ 1,090,109

The accompanying notes are an integral part of these financial statements

**Terra College Foundation
Statement of Activities
For the Year Ended December 31, 2003**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions:				
Business Organizations	\$ 250	\$ 148,790	\$ 19,329	\$ 168,369
Foundations	850	53,154	1,962	55,966
Individuals	6,011	87,582	10,356	103,949
Lending Institutions	-	5,269	-	5,269
Other Organizations	-	102,332	1,500	103,832
Contributed Services & Supplies	76,575	-	-	76,575
	83,686	397,127	33,147	513,960
Investment Return	7,418	34,913	-	42,331
Net Assets Released from Restrictions	402,865	(402,865)	-	-
Change in Donor Designations	-	53,147	(53,147)	-
	-	53,147	(53,147)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	493,969	82,322	(20,000)	556,291
 EXPENSES				
Program Services:				
Scholarships & Loans	130,716	-	-	130,716
Instructional Equipment	132,186	-	-	132,186
Supplies	1,062	-	-	1,062
Other	8,682	-	-	8,682
Supporting Services:				
Management & General	110,133	-	-	110,133
Fund-Raising	142,466	-	-	142,466
	142,466	-	-	142,466
TOTAL EXPENSES	525,245	-	-	525,245
 CHANGES IN NET ASSETS	 (31,276)	 82,322	 (20,000)	 31,046
NET ASSETS AS OF BEGINNING OF YEAR	 40,580	 157,289	 861,194	 1,059,063
NET ASSETS AS OF END OF YEAR	 \$ 9,304	 \$ 239,611	 \$ 841,194	 \$ 1,090,109

The accompanying notes are an integral part of these financial statements

Terra College Foundation
Statement of Functional Expenses
For the Year Ended December 31, 2003

	<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	\$ 130,716	-	-	\$ 130,716
Equipment expenditures to Terra Community College	132,186	-	-	132,186
Services provided to Terra Community College		\$ 46,575	\$ 30,000	76,575
Supplies	1,062	-	-	1,062
Other	8,682	-	-	8,682
Supporting Services:				
Management & General	-	33,558	-	33,558
Golf Outing Fund Raising	-	-	7,966	7,966
Other Fundraising	-	-	134,500	134,500
Total Functional Expenses	\$ 272,646	\$ 80,133	\$ 172,466	\$ 525,245

The accompanying notes are an integral part of these financial statements

**Terra College Foundation
Statement of Cash Flows
For the Year Ended December 31, 2003**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2003</u>
Increase in Net Assets	\$ 31,046
Adjustments to reconcile Net Assets to Net Cash used in Operating Activities:	
Unrealized loss on investments	4,582
Increases in operating assets:	
Unrestricted unconditional promises to give	(4,294)
Contributions restricted for long-term purposes	(430,274)
Investment return restricted for long-term investment	<u>(42,331)</u>
Net Cash Provided by Operating Activities	(441,271)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceed from sale of long-term investments	318,805
Purchases of long-term investments	<u>(417,479)</u>
Net Cash Provided by Investing Activities	(98,674)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from contributions restricted for long-term purposes	430,274
Investment return restricted for long-term purposes	<u>42,331</u>
Net Cash Provided by Capital and Related Financing Activities	472,605
Net Increase in Cash & Cash Equivalents	(67,340)
Cash & Cash Equivalents, Beginning of Year	<u>335,923</u>
Cash & Cash Equivalents, End of Year	<u><u>\$ 268,583</u></u>

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, 2003

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 interviews 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 Administrative Assistant and the Fundraising Consultant in the amount of \$66,435 and supplies in the amount of \$10,140 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, 2003

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 loss are included in the change in net assets in the accompanying statement of activities.

Financial instruments, which potentially subject the Foundation to a concentration of credit risk, consist principally of contributions receivable and investments of the Foundation. Exposure to losses on contributions receivable is principally dependent on each donor's financial condition. The Foundation monitors the exposure for credit losses and maintains allowances for anticipated losses.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the Foundation's statements of financial position and 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 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2003 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Receivable in less than one year	\$ 1,300	\$ 1,000	\$ 21,900	\$ 24,200
Receivable in one to five years	200	-	120,750	120,950
Receivable in more than five years	-	-	<u>5,000</u>	<u>5,000</u>
Total unconditional promises to give	1,500	1,000	147,650	150,150
Less discount to net present value	<u>(60)</u>	<u>(40)</u>	<u>(5,906)</u>	<u>(6,006)</u>
Net unconditional promise to give	1,440	960	141,744	144,144

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.

NOTE 3 - INVESTMENTS

Investments as of December 31, 2003 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Restricted Cash	\$ 66,855	\$ 107,522
Debt Securities	259,720	256,075
Equity Securities	290,322	211,074
Accrued Income	<u>31</u>	<u>31</u>
Total Investments	<u>616,928</u>	<u>574,702</u>

TERRA COLLEGE FOUNDATION
Notes to the Financial Statements
For the Year Ended December 31, 2003

NOTE 3 – INVESTMENTS (CONTINUED)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Dividend Income	\$ 772	\$ 4,079
Interest Income	2,715	17,884
Short Term Capital Gain	3,931	17,532
Net Unrealized Loss	<u>-</u>	<u>(4,582)</u>
Total Investment Return	<u>7,418</u>	<u>34,913</u>

NOTE 4 - RESTRICTIONS ON NET ASSETS

Restricted net assets are available for the following purposes after December 31, 2003:

	<u>Temporarily Restricted Amount</u>	<u>Permanently Restricted Amount</u>
Golf Outing Scholarships	\$12,304	0
Center for Integrated Manufacturing	23,449	0
Society of Plastics Engineers Scholarships	21,033	0
Environmental Science Fund	10,712	0
Amistad Scholarship Endowment	251	5,708
Uzelac and Friends Endowment	2,439	8,285
Klay I Memorial School Endowment	1,725	19,690
Klay II Memorial School Endowment	7,571	30,000
Sanchez Memorial School Endowment	2,133	21,230
Mosser Construction School Endowment	1,993	25,000
Dudley Scholarship Endowment	749	9,605
Alumni Association School Endowment	652	10,075
Capucini Memorial School Endowment	175	2,600
CIS Program Fund	5,313	0
Culturally Diverse Student Scholarship Endowment	3,932	26,100
Denman-Recktenwald Scholarship Endowment	273	6,286
Doust Memorial School Endowment	1,536	27,420
Early Learning Center Fund	6,046	0
Cunningham ElderCollege Endowment	1,298	13,058
Equipment Endowment	11,348	94,970
Fostoria Tech Prep	1,758	0
Foundation Operating Endowment	11,214	215,400
Fremont Rotary Club School Endow	148	3,475
Gala	608	0
Guarantee Scholarship	1,781	0
General Equipment	14,268	0
General Scholarship	500	0
Grace Delaware Hamilton School Endowment	1,293	12,673
GCA Program Fund	425	0
Graphics School Endowment Fund	307	5,990
Herrit Memorial Scholarship Endowment	1,082	5,854
HVAC Program Fund	6,360	0
Industrial Electricity Fund	14,580	0

TERRA COLLEGE FOUNDATION
Notes to the Financial Statements
For the Year Ended December 31, 2003

NOTE 4 - RESTRICTIONS ON NET ASSETS (CONTINUED)

	<u>Temporarily Restricted Amount</u>	<u>Permanently Restricted Amount</u>
Kids College Scholarship Fund	\$2,166	\$0
Kelly Maines Memorial School Endowment	5,053	53,320
Law Enforcement Technology Fund	25	0
Maddy Endowment Fund	129	1,780
Memorial Scholarship Fund	1,070	0
Music Program Fund	2,484	0
Newman Memorial Scholarship Fund	969	0
Norton Endowment (Metal-working)	2,146	154,488
Perry Memorial School Endowment	564	10,545
Polter Memorial Fund	85	0
Quilter CCC Fund	488	0
Recktenwald Memorial School Endowment	606	10,260
Schell Foundation Loan	35,105	0
Scholarship Endowment	3,082	47,357
Scholarship Endowment – Business	299	5,025
Soroptomist Scholarship Fund	1,497	0
Student Activity Center Fund	36	0
TCC Fund	1,416	0
TFA Scholarship Fund	7,663	0
Van Voorhis School Endowment	799	15,000
VVV Music Scholarship Fund	1,435	0
Welding Technology Fund	25	0
Whirlpool Citizenship Grant Fund	0	0
Wilson Memorial Scholarship Fund	3,212	0
TOTALS	<u>\$ 239,610</u>	<u>\$ 841,194</u>

Included in the above totals are unconditional promises to give in the amount of \$144,144 at December 31, 2003.

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

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

**REPORT ON COMPLIANCE AND 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 financial statements of the Terra College Foundation (the Foundation) as of and for the year ended December 31, 2003, and have issued our report thereon dated June 14, 2004. 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 Controls 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 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.
June 14, 2004

STATUS OF PRIOR YEAR'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ended December 31, 2002 did not include material citations or recommendations.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

TERRA 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
SEPTEMBER 30, 2004**