

***TERRA COLLEGE FOUNDATION***

***AUDIT REPORT***

***FOR THE YEAR ENDED DECEMBER 31, 1999***

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



**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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The Board of Trustees  
Terra College Foundation  
Fremont, Ohio

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, 1999 to December 31, 1999. 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.

**JIM PETRO**  
Auditor of State

November 17, 2000

**TERRA COLLEGE FOUNDATION**  
**Audit Report**  
**For the Year Ended December 31, 1999**

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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 (Organization), as of and for the year ended December 31, 1999, as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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, 1999, and the changes in its net assets and its cash flows for the year ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 12, 2000 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.

*Charles E. Harris & Associates, Inc.*  
June 12, 2000

**Terra College Foundation**  
**Statement of Financial Position**  
**December 31, 1999**

**ASSETS**

Cash and Cash Equivalents (Note 1)	131,923
Refunds Receivable	27
Unconditional Promises To Give (Note 2)	247,124
Investments (Note 1 and 3)	<u>330,825</u>

Total Assets 709,899

**NET ASSETS**

Unrestricted (Note 5)	38,506
Temporarily Restricted (Note 6)	145,357
Permanently Restricted (Note 1)	<u>526,036</u>

Total Net Assets 709,899

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

**Terra College Foundation  
Statement of Activities  
December 31, 1999**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Contributions:	\$	\$	\$	\$
Business Organizations	2,000	41,200	22,589	65,789
Foundations	-	71,575	1,150	72,725
Individuals	4,610	14,443	30,000	49,053
Lending Institution	3,000	5,215	-	8,215
Other Organizations	-	28,401	2,600	31,001
Special Event	-	10,390	-	10,390
Contributed Services & Supplies	83,920	-	-	83,920
	93,530	171,224	56,339	321,093
Investment Return	3,306	19,373	-	22,679
Net Assets Released From Restrictions	87,181	(87,181)	-	-
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	184,017	103,416	56,339	343,772
<b>EXPENSES</b>				
Program Services:				
Scholarships & Loans	77,874	-	-	77,874
Instructional Equipment	9,307	-	-	9,307
Supplies	4,380	3,592	-	7,972
Other	12,916	196	-	13,112
Supporting Services:				
Management & General	27,530	120	-	27,650
Fund-Raising	61,093	54,500	-	115,593
<b>TOTAL EXPENSES</b>	193,100	58,408	-	251,508
 <b>CHANGE IN NET ASSETS</b>	 (9,083)	 45,008	 56,339	 92,264
<b>NET ASSETS AS OF BEGINNING OF YEAR</b>	47,589	100,349	469,697	617,635
<b>NET ASSETS AS OF END OF YEAR</b>	38,506	145,357	526,036	709,899

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

**Terra College Foundation**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 1999**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>Management and General</b>	<b>Fund- Raising</b>	
<b>UNRESTRICTED</b>				
Program Services:				
Scholarship and loan expenditures to Terra Community College	\$ 77,874	\$ -	\$ -	\$ 77,874
Equipment expenditure to Terra Community College	9,307	-	-	9,307
Services provided by Terra Community College	-	27,530	61,093	88,623
Supplies	4,380	-	-	4,380
Other	12,916	-	-	12,916
Total Unrestricted	\$ 104,477	\$ 27,530	\$ 61,093	\$ 193,100
<b>TEMPORARILY RESTRICTED</b>				
Program Services:				
Supplies	3,592	-	-	3,592
Other	196	-	-	196
Supporting Services:				
Management & General	-	120	-	120
Golf outing	-	-	12,731	12,731
Other Fundraising	-	-	41,769	41,769
Total Temporarily Restricted	3,788	120	54,500	58,408
Total Functional Expenses	108,265	27,650	115,593	251,508

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

**TERRA COLLEGE FOUNDATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<b>1999</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase in Net Assets	\$ 92,264
Adjustments to reconcile Net Assets to Net Cash used in Operating Activities:	
Unrealized gain on investments	(12,785)
Decreases in operating assets	
Unrestricted unconditional promises to give	4,216
Contributions restricted for long-term purposes	(227,563)
Investment return restricted for long-term investment	(6,588)
<b>Net Cash Provided by Operating Activities</b>	(150,456)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sale of long-term investments	252,513
Purchases of long-term investments	(176,536)
<b>Net Cash Provided by Investing Activities</b>	75,977
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from contributions restricted for long-term purposes	169,155
Investment return restricted for long-term purposes	6,588
<b>Net Cash Provided by Capital and Related Financing Activities</b>	175,743
<b>Net Increase in Cash &amp; Cash Equivalents</b>	101,264
<b>Cash &amp; Cash Equivalents, Beginning of Year</b>	30,659
<b>Cash &amp; Cash Equivalents, End of Year</b>	\$ 131,923

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



**TERRA COLLEGE FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF ACTIVITIES** – Terra College Foundation (the Organization) exists to provide financial assistance to the educational programs, services and facilities of Terra Community College. To that end, the Organization 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 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.

**CASH AND CASH EQUIVALENTS** – For purposes of the statement of cash flows, the Organization 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 Organization 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 \$83,920 and supplies and advertising in the amount of \$4,380 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 unrestricted, or permanently unrestricted net assets, depending on the existence and/or nature of any donor restrictions.

**INCOME TAX STATUS** – The Organization 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  
DECEMBER 31, 1999**

**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 organization.

**NOTE 2 - UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give at December 31, 1999 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Receivable in less than one year	\$ 5,500	\$ 3,500	\$ 37,250	\$ 46,250
Receivable in one to five years	8,100	1,000	157,750	166,850
Receivable in more than five years	-	-	80,000	80,000
Total unconditional promises to give	<u>13,600</u>	<u>4,500</u>	<u>275,000</u>	<u>293,100</u>
Less discount to net present value	<u>(886)</u>	<u>(228)</u>	<u>(44,862)</u>	<u>(45,976)</u>
Net unconditional promise to give	12,714	4,272	230,138	247,124

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**  
**DECEMBER 31, 1999**

**NOTE 3 - INVESTMENTS**

Investments as of December 31, 1999 are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>
Restricted Cash	\$ 73,222	\$ 73,222
Debt Securities	114,721	104,657
Equity Securities	130,661	151,057
Accrued Income	1,889	1,889
Total Investments	<u>320,493</u>	<u>330,825</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Dividend Income	\$ 1,103	\$ 2,332
Interest Income	2,203	4,256
Net Realized Gain	-	-
Net Unrealized Gain	-	12,785
Total Investment Return	<u>3,306</u>	<u>19,373</u>

**NOTE 4 - RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes after December 31, 1999:

Instructional Equipment Purchases	16,502
General and Memorial Scholarships	84,525
Minority Scholarships	3,319
Society of Plastics Engineers Scholarships	18,793
Terra Faculty Association Scholarships	6,049
Environmental Science Course	16,169
Total Temporarily Restricted Net Assets	<u>145,357</u>

**TERRA COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**

**NOTE 4 – RESTRICTIONS ON NET ASSETS (CONTINUED)**

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, 1999:

General and Memorial Scholarships	58,271
Minority Scholarships	26,600
Steve Uzelec and Friends Scholarships	8,285
Heating, Ventilating, Air Conditioning Scholarships	7,500
Klay Memorial Scholarships	14,890
Sanchez Memorial Scholarships	13,796
Mosser Scholarships	25,000
Dudley Memorial Scholarships	9,605
Elder College Scholarships	10,345
Kelly Maines Scholarships	51,500
Grace Hamilton Scholarships	9,673
Instructional Equipment	<u>290,571</u>
Total Permanently Restricted Net Assets	<u><u>526,036</u></u>

Included in the above totals are unconditional promises to give in the amount of \$247,124 at December 31, 1999.

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

**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 financial statements of Terra College Foundation (Organization), as of and for the year ended December 31, 1999, and have issued our report thereon dated June 12, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 Organization'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 Organization'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.

However, we believe that the reportable condition described below is not a material weakness.

## REPORTABLE CONDITIONS

### Operating Budget

The Foundation currently has no policy or procedure to establish an operating budget and to have that budget reviewed and approved by the Board of Trustees. In order to improve the organization's internal controls and safe keeping of assets, it is recommended that a fiscal budget be established and approved prior to the start of each fiscal year.

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 12, 2000

**STATUS OF PRIOR YEAR'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, for the year ended December 31, 1998 did not include material citations. However, the prior audit report did include reportable conditions that have either been resolved or repeated in the current audit report.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**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  
DECEMBER 5, 2000**