

TERRA COLLEGE FOUNDATION

FINANCIAL STATEMENTS

June 30, 2004



**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 Crowe Chizek and Company LLC, for the audit period January 1, 2004 through June 30, 2004. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 6, 2004

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TERRA COLLEGE FOUNDATION

FINANCIAL STATEMENTS

June 30, 2004

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Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

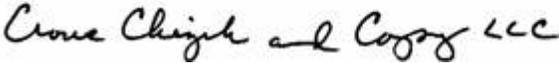
Board of Trustees
Terra College Foundation
Fremont, Ohio

We have audited the accompanying balance sheet of Terra College Foundation. (a not-for-profit component unit of Terra Community College) as of June 30, 2004, and the related statements of activities and cash flows for the six months then ended. These financial statements are the responsibility of Terra College 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 June 30, 2004, and the change in its net assets and its cash flows for the six months then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2004, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


Crowe, Chizek and Company LLC

Columbus, Ohio
August 17, 2004

TERRA COLLEGE FOUNDATION
STATEMENT OF NET ASSETS
JUNE 30, 2004

Assets

Cash and cash equivalents	\$ 233,412
Contributions receivable	125,112
Investments	<u>679,603</u>
Total assets	<u>1,038,127</u>

Net assets

Unrestricted	2,890
Temporarily restricted	192,707
Permanently restricted	<u>842,530</u>
Total net assets	<u>\$ 1,038,127</u>

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Six months ended June 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support				
Contributions	\$ --	\$ 154,737	\$ 1,336	\$ 156,073
Contributed services and supplies	46,222	--	--	46,222
Investment return	2,062	11,581	--	13,643
Net assets released from restrictions	<u>213,222</u>	<u>(213,222)</u>	<u>--</u>	<u>--</u>
 Total revenues, gains and other support	 261,506	 (46,904)	 1,336	 215,938
 Expenses				
Program services				
Scholarships and loans	73,436	--	--	73,436
Instructional equipment	49,490	--	--	49,490
Supplies	51,633	--	--	51,633
Other	15,307	--	--	15,307
Supporting services				
Management and general	51,941	--	--	51,941
Fund raising	<u>26,113</u>	<u>--</u>	<u>--</u>	<u>26,113</u>
 Total expenses	 <u>267,920</u>	 <u>--</u>	 <u>--</u>	 <u>267,920</u>
 Change in net assets	 (6,414)	 (46,904)	 1,336	 (51,982)
 Net assets				
Net assets - beginning of period	<u>9,304</u>	<u>239,611</u>	<u>841,194</u>	<u>1,090,109</u>
 Net assets - end of period	 <u>\$ 2,890</u>	 <u>\$ 192,707</u>	 <u>\$ 842,530</u>	 <u>\$ 1,038,127</u>

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
Six months ended June 30, 2004

Cash flows from operating activities	
Change in net assets	\$ (51,982)
Adjustments to reconcile change in net assets to net cash from operating activities	
Unrealized gain on investments	(7,073)
Decrease in contributions receivable	19,032
Contributions restricted for long-term purposes	<u>(1,336)</u>
Net cash from operating activities	<u>(41,359)</u>
 Cash flows from investing activities	
Change in investments	<u>4,852</u>
Net cash from investing activities	<u>4,852</u>
 Cash flows from financing activities	
Proceeds from contributions restricted for long-term purposes	<u>1,336</u>
Net cash from financing activities	<u>1,336</u>
 Net change in cash	(35,171)
 Cash and cash equivalents, beginning of period	<u>268,583</u>
 Cash and cash equivalents, end of period	<u>\$ 233,412</u>

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization: Terra College Foundation (the Foundation) is an Ohio not-for-profit corporation and is a component unit of Terra Community College. The Foundation operates exclusively for the benefit of Terra Community College. During 2004, the Foundation elected to change its fiscal year end from December 31 to June 30. The period ended June 30, 2004 contains six months.

Financial Statement Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Financial Accounting Standards Board 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 positions 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.

Contributions: Contributions to the Foundation are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted support, while contributions without donor-imposed restrictions are reported as unrestricted support.

Donated Services and Facilities: The Foundation has no employees. Substantially all clerical, management and fund raising duties are presently performed by employees of Terra Community College, utilizing equipment and facilities of Terra Community College. The value of services provide in the amount of \$46,222 for the six months ended June 30, 2004 has been recognized in the statement of activities as required by SFAS No. 116.

Investments: Investments are valued at fair value, which is generally determined by use of published market quotations. Realized gains or losses from sale or redemption of investments are based on the cost of the specific investment sold or redeemed. Purchases and sales of investments are reflected on a trade-date basis.

Income Tax Status: The Foundation is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(Continued)

NOTE 2 – NET ASSETS

Unrestricted net assets represent funds that can be used by the Foundation for any purpose authorized by the Foundation's Board of Trustees.

Temporarily restricted net assets are contributions and investment earnings that have been designated by the donor for a specific purpose, but have not yet been spent. At June 30, 2004 temporarily restricted net assets were designated for scholarships and support of College programs.

Permanently restricted net assets are restricted to investment in perpetuity as endowment funds. The endowment funds represent contributions for which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the investment income (or portions thereof) of the funds be expended as the donor has specified, principally for scholarships and support of College programs.

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose, collecting payment on unconditional promises to give or by occurrence of other events specified by donors.

NOTE 3 – INVESTMENTS

The fair value of investments held by the Foundation at June 30, 2004 is summarized as follows:

Money market funds	\$ 64,991
Debt securities	270,570
Equity securities	<u>344,042</u>
Total	<u>\$ 679,603</u>

Investment income for the six months ended June 30, 2004 is comprised of the following:

Dividends and interest	\$ 6,570
Net unrealized gains	<u>7,073</u>
Total	<u>\$ 13,643</u>

(Continued)

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2004 are promises to give from various donors that are unconditional. At June 30, 2004 approximately \$23,000 is due within one year, \$80,000 is due within five years and \$25,000 is due after five years. Pledges that will not be received in the subsequent year have been discounted to present value. The discount at June 30, 2004 was approximately \$3,500.

NOTE 5 – SUPPORT TO TERRA COMMUNITY COLLEGE

During the six months ended June 30, 2004, the Foundation made contributions of approximately \$190,000 to or on behalf of the College for both restricted and unrestricted purposes.



REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Terra College Foundation
Sandusky County
Fremont, Ohio

We have audited the financial statements of Terra College Foundation (the Foundation) as of and for the six months ended June 30, 2004, and have issued our report thereon dated August 17, 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.

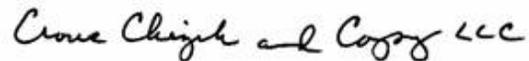
Internal Control Over Financial Reporting

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 an opinion 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 reportable 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 caused by error or fraud 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 material weaknesses.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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.


Crowe Chizek and Company LLC

Columbus, Ohio
August 17, 2004



**Auditor of State
Betty Montgomery**

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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 21, 2004**