

THE OHIO HISTORICAL SOCIETY, INC.
Columbus, Ohio

Report on Audits of Financial Statements
and
Additional Reports in Accordance
with Government Auditing Standards
and OMB Circular A-133

For the years ended June 30, 2002 and 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P. O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Board of Trustees
Ohio Historical Society
1982 Velma Avenue
Columbus, Ohio 43211

We have reviewed the Independent Auditor's Report of the Ohio Historical Society, Franklin County, prepared by Schneider Downs & Company, Inc., for the audit period July 1, 2001 through June 30, 2002. 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 Ohio Historical Society 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

December 4, 2002

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Ohio Historical Society, Inc.
Columbus, Ohio

We have audited the accompanying statements of financial position of The Ohio Historical Society, Inc. (the Society) as of June 30, 2002 and 2001, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 6 to the financial statements, the Society has not consolidated the accounts of the Ohio Historical Foundation, Inc. with those of the Society. Accounting principles generally accepted in the United States of America require that the accounts be consolidated. The effects on the Society's financial statements are summarized in Note 6 to the financial statements and are based upon information audited by other auditors.

As discussed in Notes 1 and 9 to the financial statements, the Society until June 30, 1997 had followed the practice of charging the acquisition cost of property and equipment to expense when purchased. Accounting principles generally accepted in the United States of America require that all such purchases be capitalized when purchased and depreciated over their estimated useful lives. The effects on the financial statements of the Society's practice are not reasonably determinable.

In our opinion, except for the effects of not consolidating the accounts of The Ohio Historical Foundation, Inc. and not capitalizing and depreciating all property and equipment purchases as discussed in the preceding two paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of The Ohio

Historical Society, Inc. as of June 30, 2002 and 2001, and the changes in its net assets and its cash flows for the years 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 August 8, 2002 on our consideration of the Society'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.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Schneider Downs, C. Inc.

Columbus, Ohio
August 8, 2002

THE OHIO HISTORICAL SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2002 AND 2001

ASSETS	June 30, 2002				June 30, 2001			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents (Notes 1 and 2)	\$ 4,631,355	\$2,205,908	-	\$ 6,837,263	\$ 5,806,837	\$1,431,525	-	\$ 7,238,362
Short-term investments (Note 3)	-	-	-	-	119,000	-	-	119,000
Receivables:								
Grants	133,696	-	-	133,696	104,971	-	-	104,971
Contracts	1,524,812	-	-	1,524,812	1,698,897	-	-	1,698,897
Other	45,674	-	-	45,674	199,832	-	-	199,832
Inventory (Note 1) (net of allowance of \$79,000 in 2002 and \$89,000 in 2001)	634,529	-	-	634,529	716,101	-	-	716,101
Accrued interest receivable and other assets	247,841	-	-	247,841	230,287	-	-	230,287
Long-term investments (Note 3)	1,811,506	-	\$ 549,642	2,361,148	1,953,633	-	\$ 531,002	2,484,635
Fixed assets (Notes 1 and 9) (net of accumulated depreciation of \$435,295 in 2002 and \$305,281 in 2001)	481,416	-	-	481,416	514,465	-	-	514,465
Collections and exhibits (Note 8)	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 9,510,829</u>	<u>\$2,205,908</u>	<u>\$ 549,642</u>	<u>\$ 12,266,379</u>	<u>\$ 11,344,023</u>	<u>\$1,431,525</u>	<u>\$ 531,002</u>	<u>\$ 13,306,550</u>
LIABILITIES AND NET ASSETS								
LIABILITIES:								
Accrued salaries and wages and other accrued liabilities (Note 4)	\$ 1,372,606	-	-	\$ 1,372,606	\$ 1,326,828	-	-	\$ 1,326,828
Accounts payable	1,218,322	-	-	1,218,322	1,179,126	-	-	1,179,126
Deferred state support	176,624	-	-	176,624	94,918	-	-	94,918
Deferred subscription and other revenue (Note 1)	418,319	-	-	418,319	911,877	-	-	911,877
Accrued leave liability (Note 1)	1,946,812	-	-	1,946,812	2,033,271	-	-	2,033,271
Total Liabilities	<u>5,132,683</u>	<u>-</u>	<u>-</u>	<u>5,132,683</u>	<u>5,546,020</u>	<u>-</u>	<u>-</u>	<u>5,546,020</u>
NET ASSETS (Note 1):								
Operations	663,496	\$2,205,908	-	2,869,404	1,436,365	\$1,431,525	-	2,867,890
Board designated:								
Reserves	1,548,283	-	-	1,548,283	1,661,228	-	-	1,661,228
Specific programs and projects	2,166,367	-	-	2,166,367	2,700,410	-	-	2,700,410
Endowments	-	-	\$ 549,642	549,642	-	-	\$ 531,002	531,002
Total Net Assets	<u>4,378,146</u>	<u>2,205,908</u>	<u>549,642</u>	<u>7,133,696</u>	<u>5,798,003</u>	<u>1,431,525</u>	<u>531,002</u>	<u>7,760,530</u>
Commitments (Note 10)	-	-	-	-	-	-	-	-
Total Liabilities and Net Assets	<u>\$ 9,510,829</u>	<u>\$2,205,908</u>	<u>\$ 549,642</u>	<u>\$ 12,266,379</u>	<u>\$ 11,344,023</u>	<u>\$1,431,525</u>	<u>\$ 531,002</u>	<u>\$ 13,306,550</u>

See accompanying notes to financial statements.

THE OHIO HISTORICAL SOCIETY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

	Fiscal Year 2002				Fiscal Year 2001			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT:								
State appropriations:								
Operating subsidies (Note 1)	\$ 12,446,297	\$ 3,904,998	-	\$ 16,351,295	\$ 13,919,340	\$ 1,171,821	-	\$ 15,091,161
Capital projects (Notes 1 and 5)	9,652,329	-	-	9,652,329	4,731,427	-	-	4,731,427
Federal grants	1,252,190	-	-	1,252,190	1,077,897	-	-	1,077,897
Foundation distributions (Note 6)	793,186	-	-	793,186	597,678	-	-	597,678
Contributions (Note 1)	633,321	701,018	\$ 18,640	1,352,979	840,503	90,167	\$ 896	931,566
Contributed materials and services (Note 1)	644,368	-	-	644,368	662,667	-	-	662,667
Other support	971,093	20,000	-	991,093	860,510	500,336	-	1,360,846
Total Support	26,392,784	4,626,016	18,640	31,037,440	22,690,022	1,762,324	896	24,453,242
REVENUE:								
Sales	717,012	-	-	717,012	751,449	-	-	751,449
Investment income (Note 3)	277,864	31,177	-	309,041	612,830	35,376	-	648,206
Unrealized loss on investments (Note 3)	(152,188)	(81,441)	-	(233,629)	(194,837)	(12,807)	-	(207,644)
Admissions	667,874	-	-	667,874	667,599	-	-	667,599
Memberships	427,920	-	-	427,920	460,969	-	-	460,969
Special events	67,952	-	-	67,952	198,721	-	-	198,721
Colonel Crawford Inn	136,726	-	-	136,726	183,644	-	-	183,644
Archives library revenue	176,803	-	-	176,803	166,262	-	-	166,262
Facilities use revenue	110,435	-	-	110,435	41,584	-	-	41,584
Other revenue	129,462	97,175	-	226,637	155,290	-	-	155,290
Total Revenue	2,559,860	46,911	-	2,606,771	3,043,511	22,569	-	3,066,080
Net assets released from restrictions (Note 7)	3,898,544	(3,898,544)	-	-	1,944,384	(1,944,384)	-	-
Total Support and Revenues	32,851,188	774,383	18,640	33,644,211	27,677,917	(159,491)	896	27,519,322
EXPENSES:								
Program expenses:								
Site operations, educational & interpretive programs	16,580,635	-	-	16,580,635	15,713,724	-	-	15,713,724
State archives & library	1,892,272	-	-	1,892,272	1,959,079	-	-	1,959,079
Historic preservation office	1,869,926	-	-	1,869,926	1,686,630	-	-	1,686,630
Capital projects (Notes 1 and 5)	9,710,957	-	-	9,710,957	4,885,737	-	-	4,885,737
Support services:								
Management and general	2,897,377	-	-	2,897,377	2,909,283	-	-	2,909,283
Fundraising	635,579	-	-	635,579	457,559	-	-	457,559
Total Expenses	33,586,746	-	-	33,586,746	27,612,012	-	-	27,612,012
Changes in net assets before changes related to collection items not capitalized	(735,558)	774,383	18,640	57,465	65,905	(159,491)	896	(92,690)
Collection items purchased but not capitalized (Note 8)	(56,769)	-	-	(56,769)	(123,109)	-	-	(123,109)
Changes in net assets before transfers	(792,327)	774,383	18,640	696	(57,204)	(159,491)	896	(215,799)
Transfers to the Ohio Historical Society Foundation (Note 6)	(627,530)	-	-	(627,530)	-	-	-	-
Changes in nets assets	(1,419,857)	774,383	18,640	(626,834)	(57,204)	(159,491)	896	(215,799)
NET ASSETS, BEGINNING OF YEAR	5,798,003	1,431,525	531,002	7,760,530	5,855,207	1,591,016	530,106	7,976,329
NET ASSETS, END OF YEAR	\$ 4,378,146	\$ 2,205,908	\$ 549,642	\$ 7,133,696	\$ 5,798,003	\$ 1,431,525	\$ 531,002	\$ 7,760,530

See accompanying notes to financial statements.

THE OHIO HISTORICAL SOCIETY, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (626,834)	\$ (215,799)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Loss on sale of short-term investment	15,449	-
Contribution of short-term investment	-	(119,000)
Unrealized losses on investments	233,629	207,644
Depreciation	130,016	99,654
Changes in assets and liabilities:		
Receivables	299,518	(220,837)
Inventory (net)	81,572	12,995
Accrued interest receivable and other assets	(17,554)	(63,551)
Accrued salaries and wages and other accrued liabilities	45,778	186,932
Accounts payable	39,196	393,620
Deferred state support	81,706	(93,777)
Deferred subscription and other revenue	(493,558)	(336,272)
Accrued leave liability	(86,459)	137,746
Net Adjustments	<u>329,293</u>	<u>205,154</u>
Net Cash Used In Operating Activities	<u>(297,541)</u>	<u>(10,645)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of long-term investments	(329,190)	(199,943)
Maturities of long-term investments	219,048	248,266
Proceeds from sale of short-term investments	103,551	-
Purchase of equipment and vehicles	(96,967)	(215,832)
Net Cash Used In Investing Activities	<u>(103,558)</u>	<u>(167,509)</u>
Net Decrease In Cash And Cash Equivalents	(401,099)	(178,154)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,238,362</u>	<u>7,416,516</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,837,263</u>	<u>\$ 7,238,362</u>

See accompanying notes to financial statements.

THE OHIO HISTORICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Ohio Historical Society, Inc. (Society) have been prepared on the accrual basis of accounting, except as discussed in Note 9. The significant accounting policies followed are described below.

Organization

The Society was incorporated in 1885 as a private nonprofit organization. The Society conducts programs that identify, authenticate, collect, preserve, educate and interpret records, objects, and places related to Ohio's pre-history, history, and natural history and publishes a historical journal, a magazine, books, and pamphlets. The Society has been authorized and directed by numerous acts of the General Assembly of Ohio to perform certain functions such as manage the State historic preservation program, supervise the State archives and a major history library, and act as custodian and administrator of certain historic sites owned by the State. The Society operates several museums and sites (some of which are owned by the Society) throughout the State. The Society is governed by a board of trustees comprised of 21 members serving three-year staggered terms. Nine members of the board are elected by the Society's membership, nine members are appointed by the governor of the State, and three members are appointed by the Society's board.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Society, the accounts of the Society are maintained in accordance with the principles of fund accounting. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups according to their nature, purpose, and donor-imposed restrictions and/or conditions.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash at financial institutions and financial instruments with an original maturity of 90 days or less.

Inventory

Inventory items consist of supplies and resale merchandise, and are valued at the lower of cost (first-in, first-out method) or market.

(Continued)

THE OHIO HISTORICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

The Society capitalizes in part the cost of property and equipment when incurred.

The Society has established a fixed-asset policy and has capitalized property and equipment pertaining to Phase I of its plan addressing the issue of capitalizing all fixed assets, including real property. See Note 9.

Classes of assets are:

- Land
- Land renovations and improvements
- Buildings
- Building renovations and improvements
- Machinery and equipment
- Motor vehicles
- Construction-in-progress

Property and equipment are depreciated over the assets useful life and the expense charged against operations. Depreciation is calculated using the straight-line method.

Accrued Leave Liability

Vacation leave is earned by employees based on number of years of service and can be accumulated to a maximum that can be earned in four years of service (up to 800 hours), although upon termination, a maximum of three years (up to 600 hours) is paid out. Sick leave and personal leave are earned based on hours worked during the year. Sick leave accumulates without limit, while personal leave accumulates to a maximum of 40 hours. Employees may elect to be paid in cash for unused sick and personal leave annually (up to 56 and 40 hours, respectively). In FY2002, employees were given the additional option to be paid in cash for unused vacation leave up to 80 hours. The annual payout of unused vacation leave is subject to yearly reauthorization. Employees are paid for all unused leave upon termination. When paid in cash, vacation and personal leave are paid at the employee's current hourly rate, while sick leave is paid at 50% of the current hourly rate.

(Continued)

THE OHIO HISTORICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Subsidies

The Society receives grants from various government agencies. Revenue is recognized when earned, which is at the time qualifying expenses are incurred. The Society's grant support activity is subject to review by the granting entities. The Society also receives significant subsidies from the State of Ohio.

Subsidies appropriated to defray operational costs (mandated under Section 149 of the Ohio Revised Code) are recognized as unrestricted support when received. Subsidies appropriated for capital improvements are recognized as support at the time related expenditures are made. Any excess of receipts over expenditures for State capital improvement appropriations or government grants is recorded as deferred support.

Contributions and Memberships

Contributions are recorded as support when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor restricted contributions whose restrictions are met in the same reporting period are reported as temporarily restricted support. A portion of membership receipts, representing subscription revenue, is deferred and recognized over the period to which the subscriptions relate, and the remaining portion of membership receipts is recorded as revenue when received.

Collections and Exhibits

Purchased and contributed collection and library objects are not included in the statement of financial position. No amounts are included in the statement of activity and changes in net assets for contributed collection objects because reasonable estimates of value are generally not available due to the nature of the objects. Donated items fall in the category of works of art, historical treasures, and similar assets. See Note 8.

Board-Designated Net Assets

Board-Designated net assets are composed of net assets earmarked as reserves and for various programs and projects. The Board of Trustees can, at its discretion, change the intent and purpose as to how these funds are utilized.

(Continued)

THE OHIO HISTORICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets are composed of net assets earmarked or appropriated for specific purposes or sites by external parties. At June 30, 2002 and 2001, respectively, the majority of these assets were earmarked for the Ohio Bicentennial Commission.

Permanently Restricted Net Assets

Permanently restricted net assets are composed of net assets donated by external parties, the principal of which may not be spent. These endowed resources are invested and earnings generated are used to address specific program areas or general operations depending on the wishes of the donor. At June 30, 2002 and 2001, respectively, the majority of these assets addressed two areas: the partial underwriting of the operation of the Dorn House in Erie County and to further the common goals of the Society in cooperation with the Ohio Gun Collectors Association.

Contributed Facilities, Services and Materials

The Society occupies, without charge, certain administrative offices owned by the State of Ohio. A substantial number of individuals have made significant contributions of their time to Society programs. The Society received in-kind contributions of services and materials that are reflected in the financial statements at their fair value. The value of these contributions is reflected in the statement of activity and changes in net assets as contributed materials and services and as program expenses. A breakdown of the kind of service volunteered, associated hours, and estimated value is shown below.

(Continued)

THE OHIO HISTORICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Kind of Service</u>	<u>2002</u>		<u>2001</u>	
	<u>Hours Contributed</u>	<u>Estimated Value</u>	<u>Hours Contributed</u>	<u>Estimated Value</u>
Interpretive Services	42,000	\$421,168	39,400	\$395,367
Collection/Curatorial Services	4,800	67,600	3,500	48,700
Maintenance	3,300	32,900	2,600	25,800
Research	4,100	61,900	5,500	82,300
Clerical Services	2,100	30,900	3,600	54,500
Gift Shop/Sales	2,300	22,900	5,100	51,400
All Other Services	<u>500</u>	<u>7,000</u>	<u>300</u>	<u>4,600</u>
Total	<u>59,100</u>	<u>\$644,368</u>	<u>60,000</u>	<u>\$662,667</u>

Deferred Compensation

Employees of the Society are eligible to participate, on a voluntary basis, in several deferred compensation plans that permit the deferral of compensation to future years. These plans are covered by either Section 457 or Section 403(b) of the Internal Revenue Code. All deferred compensation is paid to third-party administrators.

Income Taxes

The Society is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes is required.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(Continued)

THE OHIO HISTORICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of:	<u>6/30/02</u>	<u>6/30/01</u>
Cash	\$ 833,105	\$ (96,706)
Money Market Funds - STAR Ohio	1,701,041	1,659,105
Money Market Funds - All Others	1,823,788	1,265,188
Commercial Paper	<u>2,479,329</u>	<u>4,410,775</u>
	<u>\$6,837,263</u>	<u>\$7,238,362</u>

Concentration of Financial Risk

As of June 30, 2002, the Society had bank deposits that were in excess of the federally insured limit. The realization of these deposits depends upon the stability of the financial institution with which the company conducts business. The Society also has investments in securities that are subject to fluctuation in market value. These investments are diversified to minimize the impact of market fluctuations.

3. INVESTMENTS

Short-term investments, if any, are valued at market (fair value) and consist of financial instruments with an original maturity of over 90 days, but less than one year. These financial instruments may be comprised of certificates of deposit, U.S. Government Agency discount notes, commercial paper, or banker's acceptances.

Long-term investments are presented in the financial statements at market (fair value). The Society has the ability and intent to hold all certificates of deposit until maturity. Other long-term investments consist of an externally managed portfolio (managed by Fifth Third Investments) that includes stocks and fixed-income securities.

Long-term Investments at June 30 consist of:

	<u>2002</u>		<u>2001</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Certificates of Deposit	\$ 699,000	\$ 699,000	\$ 699,000	\$ 699,000
Common & Preferred Stocks	1,003,589	1,009,798	1,055,141	1,252,191
Corporate & State Gov't Bonds	<u>629,252</u>	<u>652,350</u>	<u>527,082</u>	<u>533,444</u>
Total	<u>\$2,331,841</u>	<u>\$2,361,148</u>	<u>\$2,281,223</u>	<u>\$2,484,635</u>

(Continued)

THE OHIO HISTORICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

3. INVESTMENTS (continued)

Investment returns for the year ending June 30, is as follows:

	<u>2002</u>	<u>2001</u>
Interest & Dividends	\$ 349,491	\$ 659,522
Realized Gains & Losses (net)	(40,450)	(11,316)
Unrealized Gains & Losses (net)	<u>(233,629)</u>	<u>(207,644)</u>
Total	<u>\$ 75,412</u>	<u>\$ 440,562</u>

At June 30, 2002, the Society had on deposit with the Ohio Bureau of Employment Services, \$149,000 of Certificates of Deposit (recorded as long-term investments in unrestricted funds). This deposit is collateral for unemployment repayments and is required by State statute for reimbursing employers.

4. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Society contributes to the Public Employees Retirement System of Ohio (System) a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. The System provides basic retirement benefits, disability, survivor and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System.

Plan members, Society employees, are required to contribute 8.5% of their annual covered salary to fund pension obligations, and the Society is required to contribute 13.31% and 10.65% in 2002 and 2001, respectively. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Society's contributions to the System for the years ended June 30, 2002 and 2001 were approximately \$1,755,000 and \$1,330,000, respectively, equal to the required contributions for each year.

Post Employment Benefits Other Than Pension Benefits

The System also provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. A portion of each employer's contribution to the System is set aside for the funding

(Continued)

THE OHIO HISTORICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

4. PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The fiscal year 2002 and 2001 employer contribution rates were 13.31% and 10.65% of covered payroll, respectively; 4.3% was the portion that was used to fund health care for both years.

The Ohio Revised Code provides the statutory authority permitting public employers to fund post-retirement health care through their contributions to the System.

The System's unaudited estimated net assets available for payment of benefits at December 2000 (the latest information available) were \$11,736 million.

5. STATE CAPITAL APPROPRIATIONS

As of June 30, 2002, the Society still has available for future use bond money appropriated to the Ohio Arts and Sports Facilities Commission from the State of Ohio for various capital projects in the amount of \$10,102,630. Budgetary restrictions imposed by the State of Ohio may reduce the amount of funds actually available.

6. OHIO HISTORICAL SOCIETY FOUNDATION

The Ohio Historical Society Foundation, Inc. (Foundation) is a tax-exempt nonprofit corporation founded in 1983 by the Society to assist with fund-raising activities. The Society is the sole member of the Foundation and, as such, appoints the board of trustees. The assets and earnings of the Foundation are not included in the accompanying financial statements, but are accumulating for the benefit of the Society. The practice of not consolidating the accounts of the Foundation with those of the Society is not in accordance with U.S. generally accepted accounting principles.

(Continued)

THE OHIO HISTORICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

6. OHIO HISTORICAL SOCIETY FOUNDATION (continued)

Unaudited

Financial information of the Foundation at June 30, 2002 and 2001 and for the years then ended is as follows:

	<u>2002</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Total Assets	\$ 575,502	\$1,264,324	\$2,318,478	\$4,158,304
Total Liabilities	\$ 32,507	\$ -	\$ -	\$ 32,507
Net Assets	\$ 542,995	\$1,264,324	\$2,318,478	\$4,125,797
Revenues	\$1,191,202	\$ (167,137)	\$ 25,100	\$1,049,165
Expenses and Foundation Distributions	\$ 1,023,082	\$ -	\$ -	\$1,023,082

	<u>2001</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Total Assets	\$439,621	\$1,431,461	\$2,293,378	\$4,164,460
Total Liabilities	\$ 64,746	\$ -	\$ -	\$ 64,746
Net Assets	\$374,875	\$1,431,461	\$2,293,378	\$4,099,714
Revenues	\$406,551	\$ (55,425)	\$ 85,939	\$ 437,065
Expenses and Foundation Distributions	\$840,898	\$ -	\$ -	\$ 840,898

The Foundation disbursed approximately \$793,000 and \$598,000 to the Society for use in its operations during the years ended June 30, 2002 and 2001, respectively. Such amounts are reflected in the statement of activities and changes in net assets primarily as Foundation distributions.

During the year ended June 30, 2002, at the discretion of the Board of Trustees, the Society also transferred approximately \$628,000 to the Foundation.

(Continued)

THE OHIO HISTORICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

6. OHIO HISTORICAL SOCIETY FOUNDATION (continued)

Substantially all of the operating expenses of the Foundation are paid by the Society and amounted to approximately \$636,000 and \$458,000 in fiscal years 2002 and 2001, respectively.

7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donor.

8. COLLECTIONS

The Society does not capitalize its artifacts and collections. The Society's museum collections consist of approximately 2,300,000 objects divided into three broad categories: archaeology, natural history, and history. The archaeological collection contains objects from all prehistoric cultures in the Midwest. The natural history collection preserves representative specimens of mineral, flora, fauna, and fossils from the region that is now Ohio. The history collection documents the people, events, and activities of Ohio's historic period from 1650 to the present. The library contains one of the largest museum collections of books, microfilm, manuscripts, maps, state and local government records, newspapers, photographs, films, videos, and recordings.

The Society has a formal collection policy, which addresses the acquisition, use, and disposition of objects as well as guidelines for making and receiving loans.

The Society had no material deaccessions during fiscal year 2002 and 2001.

9. PROPERTY AND EQUIPMENT

The Society is addressing the issue of capitalizing and depreciating all property and equipment by implementing changes in two phases. Phase I addresses primarily office furniture and equipment, computers and related equipment, and motor vehicles. Phase II will address real property.

(Continued)

THE OHIO HISTORICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

9. PROPERTY AND EQUIPMENT (continued)

Property and equipment capitalized and accumulated depreciation (pertaining to Phase I) at June 30, 2002 and 2001 are as follows:

	<u>2002</u>	<u>2001</u>
Machinery and Equipment	\$ 494,529	\$468,071
Vehicles	<u>422,182</u>	<u>351,675</u>
Gross Fixed Assets	916,711	819,746
Less Accumulated Depreciation	<u>435,295</u>	<u>305,281</u>
Net Book Value	<u>\$ 481,416</u>	<u>\$ 514,465</u>

Depreciation expense for the years ended June 30, 2002 and 2001 were \$130,016 and \$99,654, respectively.

10. COMMITMENTS AND CONTINGENCIES

The Society is committed to certain levels of cost sharing (match) pertaining to specific federal grants, and is obligated to complete various ongoing capital projects.



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

Board of Trustees
The Ohio Historical Society, Inc.
Columbus, Ohio

We have audited the financial statements of The Ohio Historical Society, Inc. (the Society) as of and for the year ended June 30, 2002, and have issued our report thereon dated August 8, 2002. 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.

As discussed in Note 6 to the financial statements, the Society has not consolidated the accounts of the Ohio Historical Foundation, Inc. with those of the Society. Accounting principles generally accepted in the United States of America require that the accounts be consolidated. The effects on the Society's financial statements are summarized in Note 6 to the financial statements and are based upon information audited by other auditors.

As discussed in Note 9 to the financial statements, the Society until June 30, 1997 had followed the practice of charging the acquisition cost of property and equipment to expense when purchased. Accounting principles generally accepted in the United States of America require that all such purchases be capitalized when purchased and depreciated over their estimated useful lives. The effects on the financial statements of the Society's practice are not reasonably determinable.

Compliance

As part of obtaining reasonable assurance about whether the Society'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 Society'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, Auditor of State of Ohio, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Schneider Downs, A Inc.

Columbus, Ohio
August 8, 2002

THE OHIO HISTORICAL SOCIETY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2002

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>US Department of Interior</u>		
Grant # 39-02- 17565-A National Historic Preservation Act	15.904	\$ 499,514
Grant # 39-01- 16435-A National Historic Preservation Act	15.904	211,515
Grant # 39-01-16435-B National Historic Preservation Act	15.904	160,744
Grant # 39-00-15339-B National Historic Preservation Act	15.904	80,610
Grant # 39-99-ML-9914 National Park Service – Save America’s Treasures	15.904	66,080
Grant # 301810G027 US Fish and Wildlife Service National Park Service – Newark Earthworks Historic Landmark	15.FFC	116,095 2,610
Grant # 39-97-MH-07018 National Park Service - Maritime Heritage Trust	15.925	1,393
		<u>1,138,561</u>
<u>Institute of Museum and Library Services</u>		
Grant # 1G-00148-00 General Operating Support	45.301	98,384
<u>US Department of Housing and Urban Development</u>		
Grant # 13-98-SP-OH-0085	868-00162	10,283
<u>National Archives and Records Administration</u>		
Grant #00-032 Ohio Historical Records Advisory Board Planning	89.003	4,962
Total Expenditures of Federal Awards		<u>\$ 1,252,190</u>

THE OHIO HISTORICAL SOCIETY, INC.
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant transactions of The Ohio Historical Society, Inc. (the Society) recorded on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. Subrecipients

Of the federal expenditures presented in the accompanying schedule, the Society provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
National Historic Preservation Act	15.904	<u>\$ 101,028</u>



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
The Ohio Historical Society, Inc.
Columbus, Ohio

Compliance

We have audited the compliance of The Ohio Historical Society, Inc. (the Society) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The Society's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Society's management. Our responsibility is to express an opinion on the Society's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Society's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Society's compliance with those requirements.

In our opinion, the Society complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the Society is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Society's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance 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, Auditor of State of Ohio, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Schneider Downs & Co Inc.

Columbus, Ohio
August 8, 2002

THE OHIO HISTORICAL SOCIETY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2002

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statement Section:

Internal Control Over Financial Reporting:

Type of auditors' report issued:

Qualified

Material weaknesses identified

No

Reportable conditions identified

None reported

Noncompliance material to financial statements noted

No

Federal Awards Section:

Internal Control Over Major Program:

Material weaknesses identified

No

Reportable conditions identified

None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Audit findings required to be reported in accordance with Section 501(a) of OMB Circular A-133

No

Identification of Major Program:

CFDA NUMBER

15.904

FEDERAL PROGRAM TITLE

Historic Preservation Fund

Dollar threshold to determine Type A programs:

\$300,000

Auditee qualified as a low-risk auditee

No

SECTION 2 - FINANCIAL STATEMENT FINDINGS

No matters reported.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported.

THE OHIO HISTORICAL SOCIETY, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2002

FINANCIAL STATEMENT FINDINGS

No matters reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

OHIO HISTORICAL SOCIETY, INC.

FRANKLIN 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 17, 2002**