



**MASSILLON MUSEUM
STARK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2003



**Auditor of State
Betty Montgomery**

**MASSILLON MUSEUM
STARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Cash Flows	5
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Prior Audit Findings.....	15

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying statement of financial position of Massillon Museum, Stark County, Ohio, (the Museum) as of December 31, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Museum's 2002 financial statements, and in our report dated December 15, 2003, we expressed an qualified opinion over completeness of receipts on those financial statements.

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 the Museum 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.

As described in Note 2, the Museum restated its net assets at December 31, 2002, to reflect a receivable for government appropriations that was not previously recorded.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2004 on our consideration of the Museum's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 31, 2004

111 Second St., NW / Fourth Floor / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

This page intentionally left blank.

**MASSILLON MUSEUM
STARK COUNTY**

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2003
WITH COMPARATIVE TOTALS FOR 2002**

ASSETS

	2003	2002 (Restated)
Current Assets		
Cash and Cash Equivalents	\$ 153,994	\$ 98,367
Government Appropriations Receivable	360,733	364,797
Inventory	9,728	
Prepaid Insurance and Expenses	11,347	7,941
Total Current Assets	535,802	471,105
Fixed Assets		
Land	7,093	7,093
Building and Improvements	2,133,098	2,126,066
Furniture and Fixtures	129,395	114,801
	2,269,586	2,247,960
Less Accumulated Depreciation	(422,785)	(350,655)
Net Fixed Assets	1,846,801	1,897,305
Other Assets		
Industrial Insurance Deposit	97	97
Investments - Restricted	50,492	43,147
Investments - Unrestricted	133,044	112,290
Total Other Assets	183,633	155,534
Total Assets	\$ 2,566,236	\$ 2,523,944

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	10,872	4,935
Compensated Absences	4,080	
Withheld and Accrued Payroll Taxes	2,168	3,932
Withheld and Accrued Retirement	1,845	2,779
Total Current Liabilities	18,965	11,646
Net Assets		
Unrestricted	2,491,221	2,462,298
Permanently Restricted	56,050	50,000
Total Net Assets	2,547,271	2,512,298
Total Liabilities and Net Assets	\$ 2,566,236	\$ 2,523,944

See Accompanying Notes to Financial Statements

**MASSILLON MUSEUM
STARK COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003
WITH COMPARATIVE TOTALS FOR 2002**

	UNRESTRICTED	PERMANENTLY RESTRICTED	2003 TOTALS	2002 (Restated) TOTALS
Support and Revenue				
Special Fund Raising Events	\$7,905	\$0	\$7,905	\$5,898
Government Appropriation Tax	305,095	0	305,095	658,105
Grants	20,939	6,050	26,989	0
Members of Museum	12,615	0	12,615	10,680
Contributions, Gifts and Bequests	6,862	0	6,862	5,075
Art Classes	3,869	0	3,869	4,201
Photo Reproduction Income	490	0	490	757
Miscellaneous Income (Misc. & Lobby)	3,139	0	3,139	3,585
Interest and Investment Income	3,449	0	3,449	4,967
Unrealized Gain (Loss) on Investments	28,418	0	28,418	(28,996)
Gift Shop	9,528	0	9,528	1,590
Framing	203	0	203	3,300
Refunds	(125)	0	(125)	(1,336)
Total Support and Revenue	402,387	6,050	408,437	667,826
Expenses				
Purchases - Art Class Supplies	3,068	0	3,068	8,241
Advertising	1,102	0	1,102	1,459
Auto Expenses	2,480	0	2,480	2,927
Change in Inventory	(6,214)	0	(6,214)	0
Depreciation	72,130	0	72,130	66,197
Dues and Subscription	1,745	0	1,745	1,660
Equipment Rental	459	0	459	345
Insurance - General	4,984	0	4,984	4,984
Insurance - Industrial	230	0	230	327
Insurance - Health	1,303	0	1,303	19,035
Legal and Accounting	7,297	0	7,297	5,700
Public Relations	7,200	0	7,200	0
Miscellaneous	5,394	0	5,394	5,532
Office Expense	7,376	0	7,376	6,969
Outside Services	16,240	0	16,240	16,856
Printing and Publishing	28,519	0	28,519	18,536
Repairs and Maintenance	8,370	0	8,370	7,379
Supplies	7,620	0	7,620	6,387
Gift Shop Items for Resale	4,344	0	4,344	0
Taxes - Payroll	8,965	0	8,965	13,255
Retirement	595	0	595	2,353
Telephone and Internet	6,895	0	6,895	8,895
Travel and Entertainment	2,220	0	2,220	4,645
Trustee Fees	1,131	0	1,131	1,190
Utilities	40,815	0	40,815	46,276
Wages	117,179	0	117,179	167,672
Fundraising Expenses	7,519	0	7,519	10,984
Total Expenses	358,966	0	358,966	427,804
Change in Net Assets Related to Collection Items Not Capitalized:				
Collection and Exhibit Expense	14,498	0	14,498	18,802
Change in Net Assets	28,923	6,050	34,973	221,220
Net Assets as of Beginning of Year (Restated)	2,462,298	50,000		
Net Assets as of End of Year	\$2,491,221	\$56,050		

See Accompanying Notes to Financial Statements

**MASSILLON MUSEUM
STARK COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER, 31, 2003
WITH COMPARATIVE TOTALS FOR 2002**

	2003	2002 (Restated)
Cash Flows From Operating Activities		
Increase/Decrease in Net Assets	\$34,973	\$221,220
Adjustments to Reconcile Increase/Decrease in Net Assets to Net Cash Provided By (Used By) Operating Activities		
Depreciation	72,130	66,197
Other Current Assets	(9,070)	(369,909)
Accounts Payable and Accrued Liabilities	7,319	(52)
	105,352	(82,544)
Net Cash Provided by (Used By) Operating Activities		
Cash Flows From Investing Activities		
Purchase of Fixed Assets	(21,626)	(9,094)
Increase in Investments	(28,099)	(5,422)
	(49,725)	(14,516)
Net Cash (Used By) Investing Activities		
Net Increase/Decrease in Cash and Cash Equivalents	55,627	(97,060)
Cash and Cash Equivalents as of Beginning of Year	98,367	195,427
Cash and Cash Equivalents as of End of Year	\$153,994	\$98,367

See Accompanying Notes to Financial Statements

This page intentionally left blank.

**MASSILLON MUSEUM
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

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

Public Support and Revenue

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

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

Art Collections

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

Contributed Services

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

Property and Equipment

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

**MASSILLON MUSEUM
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the Museum will compensate the employees for the benefits through paid time off or some other means. The Museum records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are identified by the Museum as probable of receiving termination benefits in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the Museum's termination policy. The Museum records accumulated unused sick leave for all employees.

Financial Statement Presentation

The Museum has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Non-for-Profit Organization." Under SFAS No. 117, the Museum 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. The Museum does not have any temporarily restricted net assets. In addition, the Museum is required to present a statement of cash flows.

Investments

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

Advertising Costs

Advertising costs are expensed as incurred.

Inventory

Inventories are stated at cost on a first-in, first-out basis and are expensed when used. Inventories consist of supplies held for resale within the Museum Shop.

**MASSILLON MUSEUM
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

403B Thrift Retirement Plan

The Museum has a 403B Thrift Retirement Plan (Plan) to provide retirement for its employees. Employees may contribute a percentage of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Museum matches employee contributions dollar for dollar up to a 3% ceiling. All matching contributions vest immediately. The Museum's matching contributions to the Plan totaled \$595 in 2003, \$2,353 in 2002 and \$1,782 in 2001.

Estimates

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

Prior Period Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2002, from which the summarized information was derived.

2. RESTATED BALANCES

The Museum restated its 2002 financial statements to include government appropriations that should have been recorded as receivable at December 31, 2002. The amount of governmental appropriations receivable at December 31, 2002, was \$364,797.

3. FUNDING AGREEMENTS

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

4. DEPOSITS AND INVESTMENTS

The Museum's carrying value of demand deposits was \$24,645.

The Museum held \$129,349 at December 31, 2003 in U.S. Government money market funds.

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

Long-term investments are stated at fair value and consist of mutual funds, treasury obligation, certificates of deposits and common stock. Fair values and unrealized appreciation at December 31, 2003 are summarized as follows:

**MASSILLON MUSEUM
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Permanent Restricted:			
Gar Funds - Federated Treasury Obligations	\$3,593	\$3,593	\$0
Gar Funds - Federated Mutual Funds	30,103	35,473	5,370
Certificate of Deposit	11,426	11,426	0
Total Permanent Restricted	45,122	50,492	5,370
Unrestricted:			
Federal Treasury Obligations	1,358	1,358	0
Federal Mutual Funds	113,420	130,203	16,783
IBM Stocks	1	1,483	1,482
Total Unrestricted	114,779	133,044	18,265
Totals	\$159,901	\$183,536	\$23,635

The endowment totaling \$50,000 as of December 31, 2003 allows current income to be used. The principal is restricted and is reported as restricted. The Museum reports the income and expenses on the \$50,000 as Unrestricted since the current income can be used.

5. Government Appropriations Tax

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

The County Treasurer collects property tax on behalf of all taxing districts within the county, including the Massillon Museum. The County Auditor periodically remits to the City of Massillon its portion of the taxes along with the Museum's taxes. Subsequently, the City periodically remits to the Museum its portion of taxes. Government Appropriations receivable represents real and tangible personal property taxes, public utility taxes and delinquencies which are measurable as of December 31, 2003 and for which there is an enforceable legal claim.

**MASSILLON MUSEUM
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

6. FIXED ASSETS

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

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

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

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

7. ENDOWMENT FUND

The Museum entered into an agreement in 1997 with the Stark Community Foundation, Inc. (the Foundation), a legally separate charitable organization to create a permanent endowment fund (the Fund) as a component fund of the Foundation into which the Museum itself and other persons or corporations may make contributions of cash and other property from time to time for the support of the Museum. The Foundation administers the endowment fund for the benefit of the Museum in accordance with the terms of the agreement. Income from the Fund, after payment of all expenses, is distributed to the Museum in quarterly installments based upon the level of need as presented by the Museum to the Foundation in accordance with the terms of the agreement. At December 31, 2003, the total value of the fund was \$36,514. The Fund is to be used for educational purposes including teacher salaries, equipment and supplies.

8. RELATED PARTY TRANSACTION

During fiscal year 2003, the Museum utilized Bates Printing to provide printed material and services for Museum events. Dan Bates, Board Member of the Museum's Board of Trustees during 2003, is the Vice-President of Bates Printing. A total of \$17,433 was paid to Bates Printing by the Museum during 2003. Mr. Bates, subsequently, resigned from the Museum Board in February 2004.

This page intentionally left blank.



Auditor of State Betty Montgomery

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

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

To the Board of Trustees:

We have audited the financial statements of the Massillon Museum, Stark County, Ohio, (Museum) as of and for the year ended December 31, 2003, and have issued our report thereon dated August 31, 2004, where in we noted the Financial Statements contain prior year summarized comparative information which was restated. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Museum's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Museum's internal control over financial reporting 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 operations that we consider to be material weaknesses.

111 Second St., NW / Fourth Floor / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Museum's management in a separate letter dated August 31, 2004.

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

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

Betty Montgomery
Auditor of State

August 31, 2004

**MASSILLON MUSEUM
STARK COUNTY
DECEMBER 31, 2003**

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Monitoring of Receipts	No	Partially Corrected. There were still some issues with Museum Shop Receipts. See the management letter for a recommendation.
2002-002	Investment Ledger	Yes	



**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

MASSILLON MUSEUM

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 21, 2004**