

TERRA COLLEGE FOUNDATION

FINANCIAL STATEMENTS

June 30, 2005 and 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 July 1, 2004 through June 30, 2005. 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

November 14, 2005

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TERRA COLLEGE FOUNDATION

FINANCIAL STATEMENTS
June 30, 2005 and 2004

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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, 2005 and 2004, and the related statements of activities and cash flows for the year and 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 audits.

We conducted our audits 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 audits provide 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, 2005 and 2004, and the change in its net assets and its cash flows for the year and 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 12, 2005, 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 audits.

Crowe Chizek and Company LLC
Crowe Chizek and Company LLC

Columbus, Ohio
August 12, 2005

TERRA COLLEGE FOUNDATION
STATEMENTS OF NET ASSETS
June 30, 2005 and June 30, 2004

Assets	June 30, 2005	June 30, 2004
Cash and cash equivalents	\$ 322,094	\$ 233,412
Contributions receivable	118,192	125,112
Other accounts receivable	131,961	--
Investments	<u>728,517</u>	<u>679,603</u>
Total assets	<u>1,300,764</u>	<u>1,038,127</u>
Liabilities		
Accounts payable	<u>77,822</u>	<u>--</u>
Total liabilities	<u>77,822</u>	<u>--</u>
Net assets		
Unrestricted	42	2,890
Temporarily restricted	369,742	192,707
Permanently restricted	<u>853,158</u>	<u>842,530</u>
Total net assets	<u>\$ 1,222,942</u>	<u>\$ 1,038,127</u>

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support				
Contributions	\$ 1,250	\$ 241,870	\$ 10,628	\$ 253,748
Contributed services and supplies	77,882	--	--	77,882
Investment return	7,443	58,037	--	65,480
Net assets released from restrictions	<u>122,872</u>	<u>(122,872)</u>	<u>--</u>	<u>--</u>
Total revenues, gains and other support	209,447	177,035	10,628	397,110
Expenses				
Program services				
Scholarships and loans	36,224	--	--	36,224
Instructional equipment	4,639	--	--	4,639
Other	7,715	--	--	7,715
Supporting services				
Management and general	30,327	--	--	30,327
Fund raising	<u>133,390</u>	<u>--</u>	<u>--</u>	<u>133,390</u>
Total expenses	<u>212,295</u>	<u>--</u>	<u>--</u>	<u>212,295</u>
Change in net assets	(2,848)	177,035	10,628	184,815
Net assets				
Net assets - beginning of year	<u>2,890</u>	<u>192,707</u>	<u>842,530</u>	<u>1,038,127</u>
Net assets - end of year	<u>\$ 42</u>	<u>\$ 369,742</u>	<u>\$ 853,158</u>	<u>\$ 1,222,942</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
STATEMENTS OF CASH FLOWS
Year ended June 30, 2005 and six months ended June 30, 2004

	June 30, 2005	June 30, 2004
	<u>(twelve months)</u>	<u>(six months)</u>
Cash flows from operating activities		
Change in net assets	\$ 184,815	\$ (51,982)
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized gain on investments	(29,776)	6,067
Change in contributions receivable	6,920	19,032
Contributions restricted for long-term purposes	(10,628)	(1,336)
Investment return restricted for long-term purposes	--	(11,581)
Changes in operating assets and liabilities		
Accounts receivable	(131,961)	--
Accounts payables	<u>77,822</u>	<u>--</u>
Net cash from operating activities	<u>97,192</u>	<u>(41,359)</u>
Cash flows from investing activities		
Proceeds from sale of long-term investments	<u>531,720</u>	<u>111,161</u>
Purchase of long-term investments	<u>(550,858)</u>	<u>(106,309)</u>
Net cash from investing activities	<u>(19,138)</u>	<u>4,852</u>
Cash flows from financing activities		
Proceeds from contributions restricted for long-term purposes	<u>10,628</u>	<u>1,336</u>
Net cash from financing activities	<u>10,628</u>	<u>1,336</u>
Net change in cash	88,682	(35,171)
Cash and cash equivalents, beginning of period	<u>233,412</u>	<u>268,583</u>
Cash and cash equivalents, end of period	<u>\$ 322,094</u>	<u>\$ 233,412</u>

See accompanying notes to financial statements

TERRA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005 and 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 of activities.

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 \$77,882 and \$46,222 for the year ended June 30, 2005 and \$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.

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TERRA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005 and 2004

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Concentration of Credit Risk: The Federal Deposit Insurance Corporation insures financial institution depositors up to \$100,000. The Company maintains deposits exceeding \$100,000 in a financial institution.

Reclassifications: Certain prior year amounts have been reclassified to conform with the current year presentation.

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, 2005 and 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, 2005 and 2004 is summarized as follows:

	<u>2005</u>	<u>2004</u>
Money market funds	\$ 51,715	\$ 64,991
Debt securities	161,941	270,570
Equity securities	<u>514,861</u>	<u>344,042</u>
Total	<u>\$ 728,517</u>	<u>\$ 679,603</u>

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TERRA COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005 and 2004

NOTE 3 - INVESTMENTS (Continued)

Investment income for the year ended June 30, 2005 and the six months ended June 30, 2004 is comprised of the following:

	<u>2005</u>	<u>2004</u>
Dividends and interest	\$ 35,704	\$ 6,570
Net unrealized gains	<u>29,776</u>	<u>7,073</u>
Total	<u>\$ 65,480</u>	<u>\$ 13,643</u>

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2005 and 2004 are promises to give from various donors that are unconditional. At June 30, 2005 approximately \$28,108 is due within one year, \$92,162 is due within five years and \$5,000 is due after five years. 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, 2005 and 2004 was approximately \$6,000 and \$3,500.

NOTE 5 - SUPPORT TO TERRA COMMUNITY COLLEGE

During the year ended June 30, 2005, the Foundation made contributions of approximately \$48,500 to or on behalf of the College for both restricted and unrestricted purposes. 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.



Crowe Chizek and Company LLC
Member Horwath International

REPORT 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, 2005, and have issued our report thereon dated August 12, 2005. 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 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 to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management of Terra College Foundation in a separate letter dated August 12, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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

Crowe Chizek and Company LLC

Columbus, Ohio
August 12, 2005



**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 1, 2005**