

MASSILLON MUSEUM
AUDITED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS

December 31, 2007



Mary Taylor, CPA
Auditor of State

Board of Directors
Massillon Museum
121 Lincoln Way E.
Massillon, Ohio 44646

We have reviewed the *Independent Auditor's Report* of the Massillon Museum, Stark County, prepared by Smith, Barta & Company, for the audit period January 1, 2007 through December 31, 2007. 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 Massillon Museum is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 25, 2009

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Smith Barta & Company

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors
Massillon Museum
Massillon, Ohio

We have audited the accompanying statement of financial position of Massillon Museum (a not-for-profit corporation) as of December 31, 2007 and the related statements of activities, functional expenses, 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.

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 Massillon Museum as of December 31, 2007, 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.

In accordance with Government Auditing Standards, we have also issued our report dated December 31, 2008, on our consideration of Massillon 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.

Smith, Barta + Company
Certified Public Accountants

December 31, 2008

Canton, Ohio

MASSILLON MUSEUM
STATEMENT OF FINANCIAL POSITION

December 31, 2007

ASSETS

ASSETS

| | |
|---|--------------|
| Cash and cash equivalents | \$ 171,177 |
| Investments - at fair value - NOTE B | 210,850 |
| Beneficial interest in assets of Stark Community Foundation - NOTE C | 44,442 |
| Accounts receivable | 2,755 |
| Government appropriations receivable | 305,000 |
| Inventory - museum shop | 1,980 |
| Collections | 1,925 |
| Property and equipment (net of \$709,589 accumulated depreciation) - NOTE D | 1,630,584 |
| Prepaid expenses | 7,540 |
| Other assets | 97 |
| | <hr/> |
| TOTAL ASSETS | \$ 2,376,350 |

LIABILITIES AND NET ASSETS

LIABILITIES

| | |
|---|-----------|
| Accounts payable | \$ 14,733 |
| Accrued payroll and related liabilities | 22,237 |
| Commitments and contingent liabilities - NOTE H | - |
| | <hr/> |
| TOTAL LIABILITIES | 36,970 |

NET ASSETS

| | |
|----------------------------------|--------------|
| Unrestricted | 2,138,888 |
| Temporarily restricted - NOTE E | 100,771 |
| Permanently restricted - NOTE E | 99,721 |
| | <hr/> |
| TOTAL NET ASSETS | 2,339,380 |
| | <hr/> |
| TOTAL LIABILITIES AND NET ASSETS | \$ 2,376,350 |

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

MASSILLON MUSEUM

STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> |
|--|---------------------|-----------------------------------|
| <u>REVENUES, GAINS AND OTHER SUPPORT</u> | | |
| Contributions | \$ 13,046 | \$ 100,000 |
| Government appropriation tax - NOTE F | 322,275 | - |
| In-kind contributions | 15,071 | - |
| Grants | 91,543 | - |
| Exhibitions | 35,177 | - |
| Membership of museum | 20,425 | - |
| Museum shop sales: | | |
| Gross profit | 12,257 | - |
| Less cost of sales | (8,653) | - |
| Program and other fees | 13,133 | - |
| Fundraisers (revenue of \$5,497 net of direct costs of \$346) | 5,151 | - |
| Interest and dividends | 8,038 | 564 |
| Realized gain on sale of investments and beneficial interest | 20,771 | - |
| Unrealized loss on sale of investments and beneficial interest | (6,616) | - |
| Miscellaneous | 1,542 | - |
| Net assets released from restrictions: | | |
| Satisfaction of donor or program restrictions | 41,150 | (41,150) |
| TOTAL REVENUES, GAINS AND OTHER SUPPORT | <u>584,310</u> | <u>59,414</u> |
| <u>EXPENSES</u> | | |
| Program services | 321,043 | - |
| Fundraising | 32,467 | - |
| Management and general | 310,174 | - |
| TOTAL EXPENSES | <u>663,684</u> | <u>-</u> |
| INCREASE (DECREASE) IN NET ASSETS | (79,374) | 59,414 |
| NET ASSETS AT BEGINNING OF YEAR | <u>2,218,262</u> | <u>41,357</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 2,138,888</u> | <u>\$ 100,771</u> |

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

| <u>PERMANENTLY RESTRICTED</u> | <u>TOTAL</u> |
|-----------------------------------|--------------|
| \$ - | \$ 113,046 |
| - | 322,275 |
| - | 15,071 |
| - | 91,543 |
| - | 35,177 |
| - | 20,425 |
| - | 12,257 |
| - | (8,653) |
| - | 13,133 |
| - | 5,151 |
| - | 8,602 |
| 1,565 | 22,336 |
| - | (6,616) |
| - | 1,542 |
| - | - |
| 1,565 | 645,289 |
| - | 321,043 |
| - | 32,467 |
| - | 310,174 |
| - | 663,684 |
| 1,565 | (18,395) |
| 98,156 | 2,357,775 |
| \$ 99,721 | \$ 2,339,380 |

MASSILLON MUSEUM

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2007

| | <u>PROGRAM SERVICES</u> | <u>FUNDRAISING</u> | <u>MANAGEMENT AND GENERAL</u> | <u>TOTAL</u> |
|---------------------------------------|-----------------------------|--------------------|---------------------------------------|--------------|
| Salaries | \$ 42,038 | \$ 15,106 | \$ 116,717 | \$ 173,861 |
| Employee benefits - NOTE G | 4,658 | 198 | 14,392 | 19,248 |
| Payroll taxes | 4,877 | 1,777 | 13,733 | 20,387 |
| | | | | |
| TOTAL PAYROLL AND RELATED BENEFITS | 51,573 | 17,081 | 144,842 | 213,496 |
| | | | | |
| Advertising | - | - | 15,886 | 15,886 |
| Auto expense | - | - | 2,172 | 2,172 |
| Banking fees | - | - | 7,143 | 7,143 |
| Collection care | 6,271 | - | 2,451 | 8,722 |
| Dues and subscriptions | - | - | 1,354 | 1,354 |
| Educational expenses | 1,389 | - | - | 1,389 |
| Employee welfare | 477 | 477 | 954 | 1,908 |
| Equipment purchases | - | - | 2,343 | 2,343 |
| Equipment rental | - | - | 3,473 | 3,473 |
| Exhibitions | 47,330 | - | - | 47,330 |
| Grant expenditures | 38,070 | - | - | 38,070 |
| Insurance | 140 | 51 | 12,624 | 12,815 |
| Investment fees | - | - | 3,215 | 3,215 |
| Miscellaneous expense | 587 | 372 | 4,312 | 5,271 |
| Office supplies | - | - | 8,943 | 8,943 |
| Outside services | 30,927 | 6,374 | - | 37,301 |
| Postage | 9,895 | 1,649 | 4,947 | 16,491 |
| Printing and publishing | 28,491 | 4,749 | 14,245 | 47,485 |
| Professional fees | - | - | 12,238 | 12,238 |
| Repairs and maintenance | - | - | 19,221 | 19,221 |
| Special events | 9,713 | 746 | - | 10,459 |
| Supplies | - | - | 8,166 | 8,166 |
| Taxes | 895 | - | 283 | 1,178 |
| Telephone | - | - | 3,237 | 3,237 |
| Travel and entertainment | 1,440 | 968 | 8,160 | 10,568 |
| Utilities | 39,882 | - | 11,978 | 51,860 |
| | | | | |
| TOTAL EXPENSES BEFORE DEPRECIATION | 267,080 | 32,467 | 292,187 | 591,734 |
| | | | | |
| Depreciation | 53,963 | - | 17,987 | 71,950 |
| | | | | |
| TOTAL EXPENSES | \$ 321,043 | \$ 32,467 | \$ 310,174 | \$ 663,684 |

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

MASSILLON MUSEUM

STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|-------------|
| Decrease in net assets | \$ (18,395) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | |
| Depreciation | 71,950 |
| Realized gain on sale of investments and beneficial interest | (22,336) |
| Unrealized loss on sale of investments and beneficial interest | 6,616 |
| Increase in accounts receivable | (2,755) |
| Decrease in government appropriations receivable | 3,000 |
| Decrease in inventory - museum shop | 1,290 |
| Increase in prepaid expenses | (562) |
| Increase in accounts payable | 5,774 |
| Decrease in accrued payroll and related liabilities | 625 |
| | <hr/> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 45,207 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|--------------|
| Net increase in investments | <hr/> 22,076 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 22,076 |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|--|------------------------|
| Net decrease in line-of-credit | <hr/> (55,058) |
| NET CASH USED BY FINANCING ACTIVITIES | <hr/> (55,058) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 12,225 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <hr/> 158,952 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <hr/> <hr/> \$ 171,177 |

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

MASSILLON MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Massillon Museum (the Museum), an Ohio not-for-profit corporation, 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.

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of checking and savings.

INVESTMENTS

Under Statement of Financial Accounting Standards (SFAS) No. 124 "Accounting for Certain Investments Held by Not-for-Profit Organizations," investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

BENEFICIAL INTEREST IN ASSETS HELD BY STARK COMMUNITY FOUNDATION

The Museum carries the beneficial interest in assets held by Stark Community Foundation at fair market value. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

INVENTORY

Inventory is stated at the lower of cost or market using the average cost method, which approximates the first-in, first-out (FIFO) method.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed for financial statement purposes principally on the straight-line method over the estimated useful lives of the related assets. The Museum capitalizes all property and equipment with a cost of \$500 or more.

Expenditures for major renewals and betterments which extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

COLLECTION ITEMS

In accordance with the provisions of SFAS No. 116, "Accounting for Contributions Received and Contributions Made," the Museum does not capitalize donated or purchased collections. Such donations and acquisitions need not be recognized since they are added to collections that are held for public exhibition, education, and research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to a policy that requires the proceeds from sales of deaccessioned collection items to be used to acquire other items for collections.

MASSILLON MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

FEDERAL INCOME TAXES

The Museum qualifies under Section 501(c)(3) of the Internal Revenue Code as an organization exempt from Federal income taxes.

CONCENTRATION OF CREDIT RISK

The Museum maintains cash balances in excess of \$100,000 in a certain financial institution, which is insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007, the Museum's uninsured cash balance totaled \$113,733.

FINANCIAL STATEMENT PRESENTATION

Under SFAS No. 117, "Financial Statements of Not-for-Profit Organizations," 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. In addition, the Museum is required to present a statement of cash flows.

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 statement of activities as net assets released from restrictions.

DONATED SERVICES

A large number of people have contributed significant amounts of time to the activities and administration of the Museum without compensation. The financial statements do not reflect the value of those contributed services because, although clearly substantial, no reliable basis exists for determining an appropriate amount.

FUNCTIONAL EXPENSES

Expenses are charged directly to program, fundraising or management in general categories based on specific identification. Indirect expenses have been allocated based on management judgment.

ADVERTISING

The Museum participates in various advertising and marketing programs. All costs related to marketing and advertising the Museum's products are expensed in the period incurred. Advertising costs charged to operations were \$15,886 in 2007.

MASSILLON MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE B - INVESTMENTS

Investments are stated at fair value and are as follows:

| | <u>Amortized Cost</u> | <u>Fair Value</u> | <u>Unrealized Gain</u> |
|--|---------------------------|-----------------------|----------------------------|
| Cash and cash equivalents - restricted | \$ 7,778 | \$ 7,778 | \$ - |
| Certificate of deposit | 12,675 | 12,675 | - |
| Equities | <u>176,232</u> | <u>190,397</u> | <u>14,165</u> |
| | <u>\$ 196,685</u> | <u>\$ 210,850</u> | <u>\$ 14,165</u> |

NOTE C - BENEFICIAL INTEREST IN ASSETS OF STARK COMMUNITY FOUNDATION

The Museum placed certain funds with the Stark Community Foundation (Foundation), a community trust established to administer gifts or bequests for public charitable uses. The Museum specified that the Foundation is to distribute the income from this fund, after payment of expenses, to the Museum to be used in their operations. The principal may be obtained for use by the Museum upon approval of the Foundation's board.

The fair value of investments held in trust by the Foundation for the benefit of the Museum was \$44,442 at December 31, 2007.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classifications as follows:

| | |
|-------------------------------|---------------------|
| Land | \$ 7,093 |
| Buildings | 2,128,108 |
| Buildings improvements | 54,681 |
| Furniture and equipment | <u>150,291</u> |
| | 2,340,173 |
| Less accumulated depreciation | <u>709,589</u> |
| | <u>\$ 1,630,584</u> |

MASSILLON MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE E - RESTRICTIONS ON ASSETS

Temporarily restricted net assets are available for the following purposes:

| | | |
|---|----|----------------|
| Jean Baptist Massillon project | \$ | 100,000 |
| Stark Community Foundation income account | | <u>771</u> |
| | \$ | <u>100,771</u> |

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income from which is expendable to support program services. These consist of:

| | | |
|--|----|---------------|
| Stark Community Foundation – principal | \$ | 43,670 |
| GAR Fund | | 44,003 |
| Other | | <u>12,048</u> |
| | \$ | <u>99,721</u> |

NOTE F - 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 provided by one 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). If the tax levy collection drops, it would have a significant effect on the Museum's activities.

NOTE G - EMPLOYEE BENEFIT PLAN

The Museum has a SIMPLE IRA retirement plan covering all eligible employees. Employees may contribute a percentage of compensation, but not in excess of the maximum allowed under the Internal Revenue Code. The plan provides for a matching contribution by the Museum up to 3%. Total contributions for the year ended December 31, 2007, amounted to \$3,985.

MASSILLON MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE H - COMMITMENTS AND CONTINGENT LIABILITIES

LINE-OF-CREDIT

The Museum has an available line-of-credit of \$175,000 with a bank through February 21, 2008. At December 31, 2007, no amount was outstanding. The line-of-credit is secured by property and bears interest at the bank's prime rate.

OPERATING LEASE

The Museum leases a copier under a sixty-three month non-cancelable agreement expiring in 2011. The following is a schedule of future minimum rental payments required under the above operating lease as of December 31:

| | | |
|------|----|---------------|
| 2008 | \$ | 3,204 |
| 2009 | | 3,204 |
| 2010 | | 3,204 |
| 2011 | | 534 |
| | \$ | <u>10,146</u> |

Total rent expense for the copier was \$3,204 the year ended December 31, 2007.

OTHER REPORTS AND SCHEDULES



Smith Barta & Company

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Massillon Museum
Massillon, Ohio

We have audited the financial statements of Massillon Museum as of and for the year ended December 31, 2007, and have issued our report thereon dated December 31, 2008. 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 Massillon 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 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 Massillon Museum's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Massillon Museum's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Museum's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Museum's financial statements that is more than inconsequential will not be prevented or detected by the Museum's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned cost as 2007-01 and 2007-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Museum's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraphs and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency #2007-02 described in the schedule of findings and questioned costs is a material weakness.

The Museum's responses to the findings identified in our audit are also described in the accompanying schedule of findings and questioned costs. We did not audit the Museum's responses and accordingly, we express no opinion on them.

We noted certain matters that we have reported to management of the Museum in a separate letter dated December 31, 2008.

This report is intended solely for the information and use of the audit committee, management and 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.

Smith, Barta & Company
Certified Public Accountants

December 31, 2008

Canton, Ohio

MASSILLON MUSEUM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2007

Audit Finding 2007-01 – Credit Card Invoices

Criteria: The internal control structure should be established and designed to ensure that Museum management is reviewing store receipts and approving credit card purchases made by Museum employees.

Condition: As part of our audit, we found credit card statements that did not have the store receipts attached to support the purchase for the Museum.

Effect: The potential exists that a more than inconsequential, but less than material, misstatement of the financial statements could occur and not be prevented or detected by the Museum's internal control.

Recommendation: We recommend that management establish a formal, written policy concerning the use of credit cards by employees and an approval process be implemented by management of the Museum.

Auditee response: The Museum's management will implement the review and approval of all credit card purchases made by employees.

Prior Year Audit Finding 2007-02 -- Material Weakness – Fixed Assets

Condition: As noted in the prior audit, the Museum does not have a formal procedure in place for updating fixed assets. The Museum's fixed asset listing is updated annually based on the general ledger property and equipment account. An addition/deletion list to reflect changes to fixed assets is not perpetually updated as assets are acquired or sold. As a result, the master fixed asset listing for year-end may have inconsistencies.

Additionally, the Museum does not have a formal policy to define management's criteria for capturing costs, capitalizing assets, and choosing the method of depreciation and the treatment of donated or other unusual acquisitions or dispositions. Currently, the Museum has four fully depreciated assets, and for the remaining capital assets, the Museum's management should periodically reevaluate asset lives. If an asset will outlive its expected life, management should increase the asset life. These changes would require allocating the remaining undepreciated life over the new estimate of the remaining life.

Finally, according to Statement of Financial Accounting Standards (SFAS) No. 116, contributed collection items should be recognized as revenues or gains if collections are capitalized, and should not be recognized as revenues or gains if collections are not capitalized. Massillon Museum does not capitalize their collection items. An entity that does not recognize and capitalize its collections should disclose the additional information required within SFAS No. 116 on the face of its statement of activities. However, the additional information was not reported by the Museum.

Effect: The control deficiency described above could increase the risk that assets could be lost or stolen and not be detected in a timely manner. The accurate recording of fixed assets is not only necessary for the preparation of financial statements, but it is also essential for an effective internal control structure.

Recommendation: To adequately record and safeguard fixed assets, the Museum should update and thoroughly review its asset listing along with the calculations for depreciation. In addition, the Museum should establish the internal policies necessary to provide sound internal controls with regard to the recording and deleting of Museum assets at the time of their purchase or disposal (including identification numbers such as model numbers and/or serial numbers, or the Museum may choose to assign and attach inventory tags numbers to all assets).

MASSILLON MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

Prior Year Audit Finding 2007-02 -- Material Weakness -- Fixed Assets -- (Continued)

In addition, the Board should adopt a fixed asset policy that outlines the following:

- the threshold amount for fixed assets to be capitalized, including the useful life;
- whether items that are purchased which, in aggregate, exceed the threshold, but individually do not, should be capitalized;
- whether the Museum will capitalize software;
- how depreciation will be computed (straight-line, fraction of years);
- how assets will be deleted; and
- accounting procedures for fixed asset changes.

Finally, the Museum should refer to Statement of Financial Accounting Standards (SFAS) No. 116 and ensure their financial statements report the required information.

Auditee Response: The Museum will update the fixed asset listing on a more regular basis and consider the items related to contributed assets.



Mary Taylor, CPA
Auditor of State

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
APRIL 7, 2009**