

Terra College Foundation

Regular Audit

July 1, 2008 through June 30, 2009

Fiscal Year Audited Under GAGAS: 2009



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Mary Taylor, CPA

Auditor of State

Board of Trustees
Terra College Foundation
2830 Napoleon Road
Fremont, Ohio 43420

We have reviewed the *Independent Auditor's Report* of the Terra College Foundation, Sandusky County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 18, 2009

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Terra College Foundation
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Terra College Foundation
2830 Napoleon Road
Fremont, OH 43420

We have audited the accompanying statements of financial position of Terra College Foundation (the Foundation), a component unit of Terra Community College, as of June 30, 2009, and June 30, 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on the 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 Foundation as of June 30, 2009, and June 30, 2008, and the changes in 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 September 30, 2009 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer".

Balestra, Harr & Scherer, CPAs, Inc.
September 30, 2009

Terra College Foundation
Statements of Financial Position
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash & cash equivalents	\$ 363,022	\$ 368,519
Contributions Receivable	618,305	556,722
Other receivables	135,287	82,327
Investments	<u>1,409,661</u>	<u>1,260,962</u>
Total assets	2,526,275	2,268,530
Liabilities		
Accounts payable	<u>28,839</u>	<u>9,675</u>
Total liabilities	<u>28,839</u>	<u>9,675</u>
Net assets		
Unrestricted	190,279	117,860
Temporarily restricted	434,201	506,431
Permanently restricted	<u>1,872,956</u>	<u>1,634,564</u>
Total net assets	<u>\$ 2,497,436</u>	<u>\$ 2,258,855</u>

See accompanying notes to the financial statements.

**Terra College Foundation
Statement of Activities
For the Year Ended June 30, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support				
Contributions	\$ 77,692	\$ 142,456	\$ 238,392	\$ 458,540
Contributed services and supplies	112,887	-	-	112,887
Investment return	7,419	(49,860)	-	(42,441)
Net assets released from restrictions	<u>164,826</u>	<u>(164,826)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	362,824	(72,230)	238,392	528,986
Expenses				
Program services				
Scholarships and loans	82,174	-	-	82,174
Instructional equipment	3,774	-	-	3,774
Other	14,099	-	-	14,099
Supporting Services				
Management and general	61,248	-	-	61,248
Fund raising	<u>129,110</u>	<u>-</u>	<u>-</u>	<u>129,110</u>
Total expenses	<u>290,405</u>	<u>-</u>	<u>-</u>	<u>290,405</u>
Change in net assets	72,419	(72,230)	238,392	238,581
Net assets				
Net assets- beginning of year	<u>117,860</u>	<u>506,431</u>	<u>1,634,564</u>	<u>2,258,855</u>
Net assets- end of year	<u>\$ 190,279</u>	<u>\$ 434,201</u>	<u>\$ 1,872,956</u>	<u>\$ 2,497,436</u>

See accompanying notes to the financial statements.

**Terra College Foundation
Statement of Activities
For the Year Ended June 30, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support				
Contributions	\$ 114,789	\$ 360,224	\$ 723,478	\$ 1,198,491
Contributed services and supplies	110,746	-	-	110,746
Investment return	15,511	(72,022)	-	(56,511)
Net assets released from restrictions	<u>224,016</u>	<u>(224,016)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	465,062	64,186	723,478	1,252,726
Expenses				
Program services				
Scholarships and loans	86,497	-	-	86,497
Other	3,674	-	-	3,674
Supporting Services				
Management and general	59,709	-	-	59,709
Fund raising	<u>201,056</u>	<u>-</u>	<u>-</u>	<u>201,056</u>
Total expenses	<u>350,936</u>	<u>-</u>	<u>-</u>	<u>350,936</u>
Change in net assets	114,126	64,186	723,478	901,790
Net assets				
Net assets- beginning of year	<u>3,734</u>	<u>442,245</u>	<u>911,086</u>	<u>1,357,065</u>
Net assets- end of year	<u>\$ 117,860</u>	<u>\$ 506,431</u>	<u>\$ 1,634,564</u>	<u>\$ 2,258,855</u>

See accompanying notes to the financial statements.

**Terra College Foundation
Statements of Cash Flows
For The Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 238,581	\$ 901,790
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Unrealized (gain)/loss on investments	42,276	89,954
Contributions restricted for long-term purposes	(238,392)	(723,478)
Increase in Accounts receivable	(52,960)	(18,979)
(Increase) in contributions receivable	(61,583)	(466,056)
Increase/(Decrease) in Accounts payable	<u>19,164</u>	<u>(24,561)</u>
Net Cash From Operating Activities	(52,914)	(241,330)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of long-term investments	46,021	48,742
Purchase of long-term investments	<u>(236,996)</u>	<u>(489,992)</u>
Net Cash From Investing Activities	(190,975)	(441,250)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from contributions restricted for long-term purposes	<u>238,392</u>	<u>723,478</u>
Net Cash From Financing Activities	<u>238,392</u>	<u>723,478</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(5,497)	40,898
Cash and Cash Equivalents, Beginning of the Year	<u>368,519</u>	<u>327,621</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 363,022</u></u>	<u><u>\$ 368,519</u></u>

See the accompanying notes to the financial statements.

TERRA COLLEGE FOUNDATION

Notes to the Financial Statements

June 30, 2009 and 2008

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.

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 provided, in the amount of \$112,887 and \$110,746 for the years ended June 30, 2009 and 2008 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.

Concentration of Credit Risk: The Federal Deposit Insurance Corporation insures financial institution depositors up to \$250,000. The Foundation maintains deposits exceeding \$250,000 in a financial institution.

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

TERRA COLLEGE FOUNDATION

Notes to the Financial Statements

June 30, 2009 and 2008

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Recently Issued Pronouncements:

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements. This standard clarifies the definition of fair value reporting, establishes a framework for measuring fair value and greatly expands disclosures about the use of fair value measurements. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007.

In August 2008, FASB issued Staff Position No. FAS 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds ("FSP 117-1"). This FSP provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Additional disclosures about endowments for both donor-restricted funds and board designated funds for all organizations, including those that are not yet subject to an enacted version of the UPMIFA, are required to enable users to understand its endowment funds' net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies. FSP 117-1 is effective for all fiscal years ending after December 15, 2008.

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, 2008 and 2007, 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 is 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. Release of restrictions represents primarily amounts for capital purchases and other operational items and scholarships.

TERRA COLLEGE FOUNDATION

Notes to the Financial Statements

June 30, 2009 and 2008

NOTE 3 - INVESTMENTS

The Foundation determines the fair market values of its financial instruments based on the fair value hierarchy established in SFAS No. 157, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the Foundation's own assumptions based on market data and on assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The Standard describes three levels within its hierarchy that may be used to measure fair value:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 Inputs: Significant other observable inputs other than Level 1 quoted prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Inputs: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value of investments held by the Foundation at June 30, 2009 is summarized as follows:

	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observ- able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 127,880	\$-0-	\$-0-
Debt Securities	176,799	-0-	-0-
Equity Securities	<u>1,104,982</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$1,409,661</u>	<u>\$-0-</u>	<u>\$-0-</u>

The fair value of investments held by the Foundation at June 30, 2008 is summarized as follows:

	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observ- able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 513,968	\$-0-	\$-0-
Debt Securities	137,869	-0-	-0-
Equity Securities	<u>609,125</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$1,260,962</u>	<u>\$-0-</u>	<u>\$-0-</u>

TERRA COLLEGE FOUNDATION

Notes to the Financial Statements

June 30, 2009 and 2008

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2009 and 2008 are promises to give from various donors that are unconditional and are summarized as follows:

	<u>2009</u>	<u>2008</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 154,172	\$ 148,048
One year to five years	448,541	383,354
Over five years	<u>54,658</u>	<u>85,771</u>
	657,371	617,173
Less:		
Unamortized discount and allowance for doubtful pledges	<u>39,066</u>	<u>60,451</u>
	<u>\$ 618,305</u>	<u>\$ 556,722</u>

NOTE 5 - SUPPORT TO TERRA COMMUNITY COLLEGE

During the years ended June 30, 2009 and 2008, the Foundation made contributions of approximately \$100,000 and \$90,000 to or on behalf of the College for both restricted and unrestricted purposes.

NOTE 6 – ENDOWMENT COMPOSITION

Interpretation of UPMIFA: The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

TERRA COLLEGE FOUNDATION

Notes to the Financial Statements

June 30, 2009 and 2008

NOTE 6 – ENDOWMENT COMPOSITION (Continued)

Return Objectives and Risk Parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, the endowment assets are invested in a manner that is intended to maximize the total rate of return on investment within prudent parameters of risk of this type and in keeping with liquidity requirements as they relate to life income gifts.

Strategies Employed for Achieving Objectives: The purpose of the Endowment Fund is to facilitate donors' desires to make substantial long-term gifts to the Foundation and to develop significant sources of revenue for the Foundation. In so doing, the Endowment Fund will enhance the ability of the Foundation to meet ongoing and changing needs in both the short and long-term.

To assist in achieving these objectives, the Foundation has established a Spending Policy that provides the criteria for annual distributions from the Endowment Fund. Each year, distributions will be limited to 5% of the average market value of the Endowment Fund balance over the previous twenty quarters. Within these parameters, the amount of the disbursement shall be determined annually by the Board of Directors, who may also elect to take no distribution in any given year.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. The Foundation did not have any deficiencies of this nature as of June 30, 2009 or June 30, 2008.



**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
2830 Napoleon Road
Fremont, OH 43420

We have audited the financial statements of Terra College Foundation (the Foundation), a component unit of Terra Community College, as of and for the year ended June 30, 2009, and have issued our report thereon dated September 30, 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood the Foundation's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Foundation's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Terra College Foundation

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*

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Compliance and Other Matters

As part of reasonably assuring whether the Foundation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the Board of Trustees and the Foundation's management. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

September 30, 2009



Mary Taylor, CPA
Auditor of State

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 31, 2009**