

**MUSKINGUM AREA TECHNICAL
COLLEGE FOUNDATION**



FINANCIAL STATEMENTS
JUNE 30, 1999

Rea & Associates, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

**MUSKINGUM AREA TECHNICAL
COLLEGE FOUNDATION**



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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Board of Directors
Muskingum Area Technical College Foundation
Zanesville, Ohio 43701

We have reviewed the independent auditor's report of the Muskingum Area Technical College Foundation, Muskingum County, prepared by Rea & Associates, Inc., Certified Public Accountants, for the audit period July 1, 1998 through June 30, 1999. 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 Muskingum Area Technical College Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized flourish.

JIM PETRO
Auditor of State

February 10, 2000

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Rea & Associates, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

December 28, 1999

Board of Directors
Muskingum Area Technical College Foundation
Zanesville, Ohio 43701

Independent Auditor's Report

We have audited the accompanying statement of assets and net assets - income tax basis of Muskingum Area Technical College Foundation (the "Foundation") (a non-profit organization), as of June 30, 1999, and the related statement of revenue, expenses, and changes in net assets - income tax basis for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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.

As described in Note 1, these financial statements were prepared on the income tax basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets of Muskingum Area Technical College Foundation as of June 30, 1999, and its revenue, expenses, and the changes in its net assets for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 28, 1999 on our consideration of the Muskingum Area Technical College Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Rea & Associates, Inc.

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MUSKINGUM AREA TECHNICAL
COLLEGE FOUNDATION

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STATEMENT OF ASSETS AND NET ASSETS -
INCOME TAX BASIS
AS OF JUNE 30, 1999

ASSETS

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 2,890
Investments	<u>636,467</u>

Total current assets	<u>639,357</u>
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Endowment investments:

Investments	<u>1,055,166</u>
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Total endowment investments	<u>1,055,166</u>
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Total assets	<u>\$ 1,694,523</u>
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NET ASSETS

NET ASSETS:

Unrestricted	\$ 293,835
Temporarily restricted	345,522
Permanently restricted	<u>1,055,166</u>

Total net assets	<u>\$ 1,694,523</u>
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The accompanying notes are an integral part of the financial statements.

**MUSKINGUM AREA TECHNICAL
COLLEGE FOUNDATION**

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**STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET ASSETS -
INCOME TAX BASIS
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and other support:				
Contributions	\$ 42,782	\$ 22,473	\$ 86,036	\$ 151,291
Fund raising	14,662	0	0	14,662
Investment income	17,396	70,677	0	88,073
Loss on investments	(3,881)	(18,143)	0	(22,024)
Other transfers	0	(25,345)	25,345	0
Net assets released from restrictions:				
Satisfaction of purpose restrictions	<u>24,570</u>	<u>(24,570)</u>	<u>0</u>	<u>0</u>
 Total support, revenues, and reclassifications	 95,529	 25,092	 111,381	 232,002
 Expenses:				
Program expenses:				
Scholarships	76,158	0	0	76,158
Faculty activities	<u>568</u>	<u>0</u>	<u>0</u>	<u>568</u>
Total program services	<u>76,726</u>	<u>0</u>	<u>0</u>	<u>76,726</u>
Supporting services:				
General and administrative	34,927	0	0	34,927
Fund-raising	<u>9,674</u>	<u>0</u>	<u>0</u>	<u>9,674</u>
Total supporting services	<u>44,601</u>	<u>0</u>	<u>0</u>	<u>44,601</u>
Total expenses	<u>121,327</u>	<u>0</u>	<u>0</u>	<u>121,327</u>
Changes in net assets	(25,798)	25,092	111,381	110,675
Net assets, June 30, 1998	<u>319,633</u>	<u>320,430</u>	<u>943,785</u>	<u>1,583,848</u>
Net assets, June 30, 1999	<u>\$ 293,835</u>	<u>\$ 345,522</u>	<u>\$ 1,055,166</u>	<u>\$ 1,694,523</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Foundation

The Muskingum Area Technical College Foundation (hereinafter "the Foundation") is a not-for-profit organization as determined by section 501 (c) (3) of the Internal Revenue Code, further, the Foundation is organized under section 509 (a) (1) and 170 (b) (1) (a) (iv) of the Internal Revenue Code.

The Foundation is organized and shall be operated exclusively for directorial, scientific or charitable purposes by conducting or supporting activities which benefit, or carry out the purpose of Muskingum Area Technical College, a state institution of higher learning, authorized under Chapter 3357 of the Ohio Revised Code including, but not limited to the creation of an endowment fund for annual scholarships in each technology program, the improvement of technical laboratory equipment, and opportunities for the professional development of college employees.

Solely for the above purpose, the Foundation is empowered to exercise all rights and powers conferred by the laws of the State of Ohio upon nonprofit corporations, including, but not limited to:

- A. To accept, acquire, receive, take, and hold by bequest, devise, grant, gift, purchase, exchange, lease, transfer, judicial order or decree, or otherwise, for any of its objects and purposes, any property, both real and personal, whatever kind, nature or description and wherever situated;
- B. To seal, exchange, convey, mortgage, lease, transfer, or otherwise dispose of any such property, both real and personal, as the objects and purposes of the Foundation may require, subject to such limitations as may be prescribed by law;
- C. To invest and reinvest its funds in such savings account, stock, bonds, debentures, mortgages, or in such other securities, investments, and property as the Board of Directors shall deem advisable, subject to the limitations and conditions contained in any bequest, devise, grant, or gift, provided such limitations and conditions are not in conflict with those provisions of the Internal Revenue Code and its regulations dealing with organizations exempt from taxation under Section 501 (c) (3), as such provisions now exist or as they may hereafter be amended.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

The accompanying financial statements have been prepared on the income tax basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The support and revenue of the Foundation is recorded in the financial statements as "cash is received." Consequently, amounts due or receivable from contributors are not recorded in the financial statements. The disbursements of the Foundation are recorded in the financial statements as program or support expenses when "cash is disbursed." Consequently, accounts or grants payable are not recorded in the financial statements.

Summary of Significant Accounting Policies

- (a) In the accompanying financial statements, assets with similar characteristics have been combined in the following net asset groups:

Unrestricted Assets - These assets are used for continuing activities, scholarships, and operations of the Foundation at the discretion of the Foundation's governing body.

Temporarily Restricted Assets - A donor imposed restriction that permits the Foundation to expend the donated assets as specified by the donor. The restriction remains in effect until satisfied by either the passage of time or by actions of the Foundation. The Foundation's expenditures of temporarily restricted assets are restricted to scholarships and faculty activities.

Permanently Restricted Assets - A donor imposed restriction that stipulates that resources be maintained permanently but permits the Foundation to expend part or all of the income or other economic benefit derived from the donated asset. The Foundation's income derived from these resources is restricted to expenditures on scholarships.

- (b) Investments are reported at their market value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year; investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at fair value based upon the most recently reported bid prices. Short-term debt securities are valued at cost which approximates market. Securities with original maturities of three months or less are reported as cash equivalents.

The net gain or loss on the investment portfolio is determined by calculating the differences between the market value of investment assets held at the end of the year and their market value as of the beginning of the year. Investment expense of \$8,373 has been netted against unrealized loss on investment portfolio.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Foundation has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Estimates

The preparation of the financial statements in conformity with the principles of a comprehensive basis of accounting requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: INVESTMENTS

The MATC Foundation's investments consist of the following as of June 30:

	<u>Cost or Assigned Amount</u>	<u>Fair Value</u>
<u>June 30, 1999</u>		
Corporate bonds	\$ 473,638	\$ 465,828
Agency bonds	669,831	656,098
Corporate stocks	107,457	237,131
Government notes	24,880	25,562
Certificates of deposit	84,544	84,544
Cash management fund	<u>222,470</u>	<u>222,470</u>
Totals	<u>\$ 1,582,820</u>	<u>\$ 1,691,633</u>

Certificates of deposit with maturity dates in excess of three months are classified as investments.

NOTE 3: DONATED FACILITIES\ OPERATING EXPENSES

The Foundation occupies office space at Muskingum Area Technical College located at 1555 Newark Road, Zanesville, Ohio. No rent is paid by the Foundation.

Muskingum Area Technical College pays operating expenses for the Foundation. The value of the operating expenses paid by the college was \$34,339. This amount has been recorded in the financial statements as a contribution to and an expense from unrestricted net assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 4: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions in fiscal year 1999 by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. The foundation distributed \$24,570 in scholarships that related to the satisfaction of these donor restrictions.

NOTE 5: YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Foundation's operations.

The Foundation utilizes an external service organization for its accounting system. The external service organization reports that the year 2000 issue is not expected to pose significant operational problems.

Because of the unprecedented nature of the year 2000 issues, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the foundation is or will be year 2000 ready, that the foundation's remediation efforts will be successful in whole or in part, or that parties with whom the foundation does business will be year 2000 ready.

NOTE 6: RESTRICTED ASSETS

A. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for various scholarship grant making. The total temporarily net asset balance of \$345,522 relates to scholarship grant making.

B. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support various scholarship grant making. The total permanently restricted net asset balance of \$1,055,166 relates to scholarship grant making.

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Rea & Associates, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

December 28, 1999

Board of Directors
Muskingum Area Technical College Foundation
Zanesville, OH 43701

**Independent Auditor's Report on Compliance and Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

We have audited the accompanying financial statements of Muskingum Area Technical College Foundation (the "Foundation") as of and for the year ended June 30, 1999, and have issued our report thereon dated December 28, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the accompanying 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 general purpose 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 the internal control over financial reporting that we have reported to management of the foundation in a separate letter dated December 28, 1999.

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

Rea & Associates, Inc.

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OFFICE OF THE AUDITOR**

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MUSKINGUM AREA TECHNICAL COLLEGE FOUNDATION

MUSKINGUM 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.

By: *Susan Babbitt*

Date: MARCH 2, 2000