

OWENS STATE COMMUNITY COLLEGE FOUNDATION

Financial Statements

June 30, 2003 and 2002

(With Independent Auditors' Reports Thereon)



**Auditor of State
Betty Montgomery**

Board of Directors
Owens State Community College Foundation
P.O. Box 10000
Toledo, Ohio 43699-1947

We have reviewed the Independent Auditor's Report of the Owens State Community College Foundation, Wood County, prepared by KPMG LLP, for the audit period July 1, 2002 to June 30, 2003. 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 Owens State Community College Foundation is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 12, 2003

This Page is Intentionally Left Blank.

OWENS STATE COMMUNITY COLLEGE FOUNDATION

Table of Contents

	Page
Independent Auditors' Report	1
Statements of Financial Position as of June 30, 2003 and 2002	2
Statement of Activities – Year ended June 30, 2003	3
Statement of Activities – Year ended June 30, 2002	4
Statements of Cash Flows – Years ended June 30, 2003 and 2002	5
Notes to Financial Statements	6
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10

This Page is Intentionally Left Blank.



Suite 1200
150 West Jefferson
Detroit, MI 48226-4429

Independent Auditors' Report

The Board of Directors
Owens State Community College Foundation:

We have audited the accompanying statements of financial position of Owens State Community College Foundation (Foundation) as of June 30, 2003 and 2002, 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 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 of America. 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 Owens State Community College Foundation as of June 30, 2003 and 2002, 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 17, 2003 on our consideration of the Foundation's internal control over financial reporting and on 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 the audit.

KPMG LLP

September 17, 2003

OWENS STATE COMMUNITY COLLEGE FOUNDATION

Statements of Financial Position

June 30, 2003 and 2002

Assets	2003	2002
Cash and cash equivalents	\$ 396,414	672,805
Investments	582,234	83,985
Pledges receivable	57,268	14,568
Accounts receivable	1,356	—
Land	68,806	68,806
Total assets	<u>\$ 1,106,078</u>	<u>840,164</u>
Liabilities and Net Assets		
Due to Owens Community College	\$ 42,641	16,274
Deposits held in custody for others	24,499	—
Total liabilities	<u>67,140</u>	<u>16,274</u>
Net assets:		
Unrestricted	145,986	160,227
Temporarily restricted	344,441	315,289
Permanently restricted	548,511	348,374
Total net assets	<u>1,038,938</u>	<u>823,890</u>
Total liabilities and net assets	<u>\$ 1,106,078</u>	<u>840,164</u>

See accompanying notes to financial statements.

OWENS STATE COMMUNITY COLLEGE FOUNDATION

Statement of Activities

Year ended June 30, 2003

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Revenue and support:				
Investment income (loss):				
Interest and dividend income	\$ 6,898	5,709	192	12,799
Unrealized loss on investments	(1,243)	(39,439)	—	(40,682)
Realized gain (loss) on investments	1,124	87,353	(147)	88,330
Donations received	15,692	63,908	200,092	279,692
Other revenue	15,000	—	—	15,000
Revenue released from restrictions	88,379	(88,379)	—	—
Total revenue and support	<u>125,850</u>	<u>29,152</u>	<u>200,137</u>	<u>355,139</u>
Expenses:				
Program services:				
Scholarships	69,575	—	—	69,575
Equipment grant	22,317	—	—	22,317
Other program services	5,737	—	—	5,737
Total program services	<u>97,629</u>	<u>—</u>	<u>—</u>	<u>97,629</u>
Management and general	42,462	—	—	42,462
Total expenses	<u>140,091</u>	<u>—</u>	<u>—</u>	<u>140,091</u>
Change in net assets	(14,241)	29,152	200,137	215,048
Net assets – beginning of year	<u>160,227</u>	<u>315,289</u>	<u>348,374</u>	<u>823,890</u>
Net assets – end of year	<u>\$ 145,986</u>	<u>344,441</u>	<u>548,511</u>	<u>1,038,938</u>

See accompanying notes to financial statements.

OWENS STATE COMMUNITY COLLEGE FOUNDATION

Statement of Activities

Year ended June 30, 2002

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Revenue and support:				
Investment income (loss):				
Interest and dividend income	\$ 8,258	7,785	192	16,235
Unrealized gain (loss) on investments	294	(6,068)	—	(5,774)
Donations received	—	54,290	68,082	122,372
Special event revenue (net of direct expense of \$6,118)	—	2,357	—	2,357
Revenue released from restrictions	<u>53,079</u>	<u>(53,079)</u>	<u>—</u>	<u>—</u>
Total revenue and support	61,631	5,285	68,274	135,190
Expenses:				
Program services:				
Scholarships	43,413	—	—	43,413
Equipment grant	5,000	—	—	5,000
Other program services	<u>4,916</u>	<u>—</u>	<u>—</u>	<u>4,916</u>
Total program services	53,329	—	—	53,329
Management and general	<u>16,136</u>	<u>—</u>	<u>—</u>	<u>16,136</u>
Total expenses	<u>69,465</u>	<u>—</u>	<u>—</u>	<u>69,465</u>
Change in net assets	(7,834)	5,285	68,274	65,725
Net assets – beginning of year	<u>168,061</u>	<u>310,004</u>	<u>280,100</u>	<u>758,165</u>
Net assets – end of year	<u>\$ 160,227</u>	<u>315,289</u>	<u>348,374</u>	<u>823,890</u>

See accompanying notes to financial statements.

OWENS STATE COMMUNITY COLLEGE FOUNDATION

Statements of Cash Flows

Years ended June 30, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Increase in net assets	\$ 215,048	65,725
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Unrealized loss on investments	40,682	5,774
Net realized gains on investments	(88,330)	—
Increase in pledges receivable	(42,700)	(9,568)
Increase in accounts receivable	(1,356)	—
Increase in due to Owens Community College	26,367	12,032
Increase in deposits held in custody for others	24,499	—
Donations restricted for long-term endowment investment	(200,092)	(68,082)
Net cash (used in) provided by operating activities	(25,882)	5,881
Cash flows used in investing activities:		
Purchase of investments	(580,941)	—
Proceeds from the sale of investments	130,340	—
Net cash used in investing activities	(450,601)	—
Cash flows provided by financing activities:		
Proceeds from donations restricted for long-term endowment investment	200,092	68,082
(Decrease) increase in cash and cash equivalents	(276,391)	73,963
Cash and cash equivalents at beginning of year	672,805	598,842
Cash and cash equivalents at end of year	\$ 396,414	672,805

See accompanying notes to financial statements.

OWENS STATE COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2003 and 2002

(1) Organization and Purpose

Effective July 1, 1996, pursuant to Chapter 3358 of the Ohio Revised Code, the trustees of Owens Community College (the College) terminated the Michael J. Owens Technical College Charitable Trust (the Trust). The assets of the Trust were transferred to the newly established Owens State Community College Foundation (the Foundation). The Foundation was established for the benefit of the College and its students.

(2) Summary of Significant Accounting Policies

(a) Financial Statement Presentation

The Foundation's financial statements are prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

(b) Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(c) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers cash in bank, time deposits, and highly liquid debt instruments with maturities of three months or less when purchased to be cash and cash equivalents.

OWENS STATE COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2003 and 2002

(d) Investments

Investments are recorded at fair value based on quoted market prices and consist of certificates of deposit with maturities in excess of three months, mutual funds, and marketable securities. Investment income is recognized as earned. Realized and unrealized gains and losses are included in the statement of activities.

(e) Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period made. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

(f) Land

Land is stated at cost of the property.

(g) Income Taxes

The Internal Revenue Service, in a letter dated September 29, 1997, determined that the Foundation was exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

(h) Use of Estimates

Management of the Foundation has made estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(3) Investments

Investments at June 30, 2003, by major security type, were as follows:

	<u>Cost</u>	<u>Fair value</u>
Bond mutual funds	\$ 196,287	197,115
Equity mutual funds	353,096	385,119
Total investments	<u>\$ 549,383</u>	<u>582,234</u>

Investments at June 30, 2002, by major security type, were as follows:

	<u>Cost</u>	<u>Fair value</u>
Common stock	\$ 10,454	83,985
Total investments	<u>\$ 10,454</u>	<u>83,985</u>

OWENS STATE COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2003 and 2002

(4) Pledges Receivable

As of June 30, 2003 and 2002, contributors to the Foundation have made written, unconditional promises to give. These promises are reported at present value of estimated future cash flows and are discounted at 3%. This rate is commensurate with risks involved and is consistent with past experience.

	<u>2003</u>	<u>2002</u>
Unconditional promises to give	\$ 57,413	15,000
Less unamortized discount	(145)	(432)
Net unconditional promises to give	<u>\$ 57,268</u>	<u>14,568</u>
Amounts due in:		
Less than one year	\$ 57,413	10,000
One to five years	—	5,000
Total	<u>\$ 57,413</u>	<u>15,000</u>

(5) Related Party Transactions

Program services in the amount of \$97,629 and \$53,329 for fiscal years 2003 and 2002, respectively, are paid to the College by the Foundation. At June 30, 2003 and 2002, the net amount owed to the College for reimbursement by the Foundation was \$42,641 and \$16,274, respectively.

(6) Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets are available for the following purposes:

	<u>2003</u>	<u>2002</u>
Gifts and other unexpended revenues available for:		
Library campaign	\$ 28,227	28,227
Other supplies and equipment	85,935	62,734
Scholarships	226,100	220,149
Student loans	4,179	4,179
	<u>\$ 344,441</u>	<u>315,289</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors as follows:

	<u>2003</u>	<u>2002</u>
Other supplies and equipment	\$ 28,054	9,916
Scholarships	60,325	43,163
	<u>\$ 88,379</u>	<u>53,079</u>

OWENS STATE COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2003 and 2002

Permanently restricted net assets consist of endowment funds. In certain cases, the donors of these funds have restricted the use of the income from such funds for specific program services. Earnings on these endowment funds are considered temporarily or permanently restricted until the program restrictions are met. These expenses are reflected in the appropriate program services category on the statement of activities.

(7) Concentration of Credit Risk

Financial instruments, which potentially subject the Foundation to a concentration of credit risk, consist principally of cash, cash equivalents, investments, and pledges receivable. The Foundation places its cash and cash equivalents with high-quality financial institutions, which provides FDIC insurance coverage up to \$100,000. During the year, the Foundation's cash and cash equivalents balances may exceed the amount of the FDIC insurance coverage. The Foundation, however, does not anticipate nonperformance by the institutions.

Investments are recorded at fair value. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the Foundation's statements of financial position and activities.

Exposure to losses on pledges receivable is principally dependent on each donor's financial condition. The Foundation monitors the exposure for credit losses and maintains all receivables are fully collectible.



Suite 1200
150 West Jefferson
Detroit, MI 48226-4429

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

The Board of Directors
Owens State Community College Foundation:

We have audited the financial statements of Owens State Community College Foundation (the Foundation) as of and for the year ended June 30, 2003 and have issued our report thereon dated September 17, 2003. 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 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 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 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 operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors and management of the Foundation and the Auditor of State of Ohio, and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

September 17, 2003



**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

OWENS STATE COMMUNITY COLLEGE FOUNDATION

WOOD 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
NOVEMBER 25, 2003**