

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Report on Examination of Financial Statements
As of June 30, 2000

Mitchell Zurich & Company
Certified Public Accountants



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

To the Board of Directors
Lorain County Community College Foundation

We have reviewed the Independent Auditor's Report of the Lorain County Community College Foundation, Lorain County, prepared by Mitchell Zunich & Company, CPAs, for the audit period July 1, 1999 to June 30, 2000. 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 Lorain County Community College Foundation is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

December 7, 2000

MITCHELL ZUNICH & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
43075 NORTH RIDGE ROAD
ELYRIA, OHIO 44035

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lorain County Community College Foundation

We have audited the accompanying statement of financial position of Lorain County Community College Foundation, Inc. (an Ohio non-profit organization) as of June 30, 2000 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the organization'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 the accounting principles used and the 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 Lorain County Community College Foundation, Inc. as of June 30, 2000, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2000, on our consideration of Lorain County Community College Foundation, Inc.'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.

Mitchell Zunich & Co.

Elyria, Ohio
September 29, 2000

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Statement of Financial Position
 As of June 30, 2000
 (with comparative totals for 1999)

	<u>2000</u>	<u>1999</u>
Assets		
Cash	\$638,651	\$1,082,478
Scholarship funding receivable	19,126	-
Unconditional promises to give	2,591,356	1,605,242
Investments	19,504,194	16,058,578
Art collection	126,260	241,260
Equipment, net of accumulated depreciation of \$45,397 and \$47,789	<u>19,433</u>	<u>26,012</u>
Total assets	<u>\$22,899,020</u>	<u>\$19,013,570</u>
Liabilities		
Accounts payable	\$31,512	\$160,884
Support payable	254,713	172,215
Deferred revenue	18,119	51,427
Engineering building support payable	<u>1,451,436</u>	<u>-</u>
Total liabilities	<u>1,755,780</u>	<u>384,526</u>
Net assets		
Unrestricted	1,001,935	899,949
Temporarily restricted	2,926,473	2,763,188
Permanently restricted	<u>17,214,832</u>	<u>14,965,907</u>
Total net assets	<u>21,143,240</u>	<u>18,629,044</u>
Total liabilities and net assets	<u>\$22,899,020</u>	<u>\$19,013,570</u>

The accompanying notes are an integral part of these financial statements

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Statement of Activities
 For the Year Ended June 30, 2000
 (with comparative totals for 1999)

	2000			1999	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues and support					
Contributions	\$57,184	\$1,727,282	\$399,534	\$2,184,000	\$801,780
Investment income	440,857	646,960	1,813,157	2,900,974	2,481,379
Special event	68,316	-	36,234	104,550	
	<u>566,357</u>	<u>2,374,242</u>	<u>2,248,925</u>	<u>5,189,524</u>	<u>3,283,159</u>
Net assets released from restrictions	<u>2,210,957</u>	<u>(2,210,957)</u>	-	-	-
Total revenues and support	<u>2,777,314</u>	<u>163,285</u>	<u>2,248,925</u>	<u>5,189,524</u>	<u>3,283,159</u>
Expenses					
Scholarships	428,040	-	-	428,040	316,701
Support for Lorain County Community College	1,907,934	-	-	1,907,934	298,381
Management and general	176,501	-	-	176,501	126,215
Fundraising	162,853	-	-	162,853	76,370
Total expenses	<u>2,675,328</u>	<u>-</u>	<u>-</u>	<u>2,675,328</u>	<u>817,667</u>
Increase in net assets	101,986	163,285	2,248,925	2,514,196	2,465,492
Net assets, beginning of year	<u>899,949</u>	<u>2,763,188</u>	<u>14,965,907</u>	<u>18,629,044</u>	<u>16,163,552</u>
Net assets, end of year	<u><u>\$1,001,935</u></u>	<u><u>\$2,926,473</u></u>	<u><u>\$17,214,832</u></u>	<u><u>\$21,143,240</u></u>	<u><u>\$18,629,044</u></u>

The accompanying notes are an integral part of these financial statements

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Statement of Cash Flows
 For the Year Ended June 30, 2000
 (with comparative totals for 1999)

	<u>2000</u>	<u>1999</u>
Increase (decrease) in cash		
Operating activities		
Increase in net assets	\$2,514,196	\$2,465,635
Adjustments to reconcile increase in net assets to net cash used by operating activities		
Depreciation	18,641	17,496
Net gains on investments	(2,650,380)	(2,191,376)
Loss on the sale of real estate	-	5,060
Donation of sculpture	120,000	-
Scholarship funding receivable	(19,126)	-
Additional promises to give	(1,549,840)	(61,399)
Collections on promises to give	563,726	618,900
Change in accounts and support payable	1,404,562	247,321
Deferred revenue	(33,308)	19,858
Contributions restricted for permanent investment	(466,750)	(471,869)
Investment income		
restricted for long-term investment	(1,813,157)	(1,613,968)
Total operating activities	<u>(1,911,436)</u>	<u>(964,342)</u>
Investing activities		
Capital expenditures	(12,062)	(4,949)
Proceeds from the sale of investments	8,449,740	4,152,810
Purchase of investments	(9,244,976)	(4,842,036)
Proceeds from the sale of real estate	-	263,120
Purchase of art	(5,000)	(89,000)
Total investing activities	<u>(812,298)</u>	<u>(520,055)</u>
Financing activities		
Contributions restricted for permanent investment	466,750	471,869
Investment income		
restricted for long-term investment	1,813,157	1,613,968
Total financing activities	<u>2,279,907</u>	<u>2,085,837</u>
Increase (decrease) in cash	(443,827)	601,440
Cash, beginning of year	<u>1,082,478</u>	<u>481,038</u>
Cash, end of year	<u><u>\$638,651</u></u>	<u><u>\$1,082,478</u></u>

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

June 30, 2000

1. Organization

Lorain County Community College Foundation, Inc. (the Foundation), a not-for-profit corporation established under the laws of the State of Ohio, was established to foster excellence in teaching and learning by encouraging philanthropic support for students, faculty, programs, and facilities of Lorain County Community College (the College).

2. Significant Accounting Policies

Method of Accounting

The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting.

Cash and Cash Equivalents

The Foundation classifies its checking and money market accounts as cash. Any cash or cash equivalents maintained in any professional managed account is classified as investments, due to the overall non-current investment strategy of their investment philosophy.

Investments

Investments consist of debt and equity securities and mutual funds. Investments are carried at market value which are based on year-end published quotations.

Art Collection

The Foundation's art collection is valued at cost or fair market value, at the date of acquisition, in the case of donation.

Equipment

Equipment is recorded at historical cost or fair market value in case of donation.

Depreciation is recorded on the straight-line method over the useful lives of the respective assets. Depreciation expense was \$18,641 in 2000.

Income Tax Status

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements

June 30, 2000

2. Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications have been made to amounts reported in 1998 to conform to the presentation used in 1999.

Basis of Presentation

Financial statement presentation follows the recommendations of Financial Accounting Standards Board in its 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 its financial position and activities under the following three categories:

Unrestricted net assets

Net assets not subject to donor-imposed stipulations. This category includes net assets designated by the Board.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met by actions of the Board/Organization and/or the passage of time.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

3. Investments

Investments are carried at market value and are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation</u>
Common Equity Securities	\$6,373,453	\$12,651,237	\$6,277,784
Mutual equity funds	3,185,811	3,416,983	231,172
Mutual bond funds	3,338,085	3,354,946	16,861
Cash and cash equivalents	<u>81,028</u>	<u>81,028</u>	<u>-</u>
	<u>\$12,978,377</u>	<u>\$19,504,194</u>	<u>\$6,525,817</u>

Investment income consisted of the following:

Interest	\$254,276
Dividends	119,017
Net realized gains	263,661
Unrealized appreciation	2,386,719
Management fees	<u>(122,699)</u>
Total investment income	<u>\$2,900,974</u>

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements
June 30, 2000

4. Administration Fee

The Foundation implemented a .9 percent administration fee on temporarily and permanently restricted net assets to provide for indirect program, management and general, and fundraising expenses. The total amount charged to net assets related to this fee was \$142,938 for 2000.

5. Promises to Give

Unconditional promises to give at June 30, 2000 are as follows:

Receivable in less than one year	\$622,196
Receivable in one to five years	1,842,390
Receivable after five years	<u>602,000</u>
Total unconditional promises to give	3,066,586
Less discounts to present value	<u>(475,230)</u>
Net unconditional promises to give	<u>\$2,591,356</u>

The discount rate used on long-term promises to give at June 30, 2000 was 6.35 percent. During the year, \$13,625 was written off as not collectable.

6. Engineering Building Support Payable

The Foundation has committed to funding support for the College's engineering building. The following payment are due under this commitment:

Payable in less than one year	\$400,000
Payable in one to five years	900,000
Payable after five years	<u>450,000</u>
Total committed payables	1,750,000
Less discounts to present value	<u>(298,564)</u>
Net unconditional promises to give	<u>\$1,451,436</u>

The discount rate used on long-term support payable at June 30, 2000 was 6.35 percent.

7. Functional Allocation of Expenses

The cost of providing various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements
June 30, 2000

8. Temporarily Restricted Net Assets

Net assets were temporarily restricted for the following purposes at June 30, 1999

Support of the College's faculty, programs, facilities and Foundation's operation	\$932,477
Scholarships	<u>1,993,996</u>
Total temporarily restricted net assets	<u><u>\$2,926,473</u></u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes for the year ended June 30, 2000:

Support of the College's faculty, programs, facilities and Foundation's operation	\$1,791,816
Scholarships	<u>419,141</u>
Total restrictions released	<u><u>\$2,210,957</u></u>

9. Permanently Restricted Net Assets

Net assets were permanently restricted for the following purposes at June 30, 2000:

Support of the College's faculty, programs, and facilities	\$1,499,272
Scholarships	10,738,989
Operations and general support	<u>4,976,571</u>
Total permanently restricted net assets	<u><u>\$17,214,832</u></u>

Permanently restricted net asset investment income available for expenditure is limited to 4.5 percent of the trailing three year average of the permanently restricted net asset balance, with any excess investment income added to permanently restricted net assets for the year ended June 30, 2000.

10. Charitable Remainder Unitrusts

The Foundation was named co-beneficiary of three charitable remainder unitrusts. Despite the fact the trusts are irrevocably funded, no amounts have been recorded in the accompanying financial statements, as the naming and changing of the charities in each trust are revocable by the trustees.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements
June 30, 2000

11. Concentration of Credit Risk

The Foundation may, from time to time, maintain balances in cash accounts in financial institutions which exceed federal depository limits.

12. Operating Lease

The Foundation leases an automobile which they account for as an operating lease. The lease expires in March 2001 and requires monthly payments of \$539. Rental expenses was \$6,237 in fiscal year 2000.

MITCHELL ZUNICH & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

43075 NORTH RIDGE ROAD

ELYRIA, OHIO 44035

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

To the Board of Directors
Lorain County Community College Foundation

We have audited the financial statements of Lorain County Community College Foundation, Inc. (an Ohio nonprofit organization) as of and for the year ended June 30, 2000, and have issued our report dated September 29, 2000. 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 Lorain County Community College Foundation, Inc.'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 Lorain County Community College Foundation, Inc.'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 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 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 operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Lorain County Community College Foundation, Inc. in a separate letter dated September 29, 2000.

This report is intended solely for the information and use of the board of trustees, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Mitchell Zunich & Co.

Elyria, Ohio
September 29, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION

LORAIN 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 19, 2000**