

**LAKELAND FOUNDATION**

**LAKE COUNTY**

**JULY 1, 2002 TO JUNE 30, 2003**

**PREPARED BY: HEISER & JESKO, INC.**





**Auditor of State  
Betty Montgomery**

Board of Directors  
Lakeland Foundation  
7700 Clocktower Drive  
Kirkland, Ohio 44094-5198

We have reviewed the Independent Auditor's Report of the Lakeland Foundation, Lake County, prepared by Heiser & Jesko, Inc., for the audit period July 1, 2002 through 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.

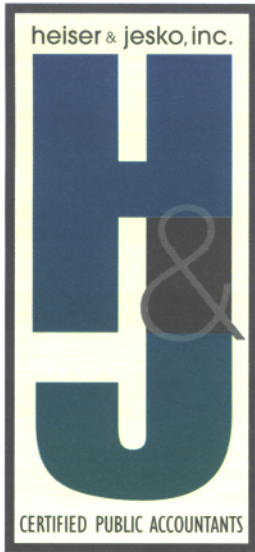
Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lakeland Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 4, 2003

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# THE LAKELAND FOUNDATION

## FINANCIAL STATEMENTS

**JUNE 30, 2003**

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**INDEPENDENT AUDITOR'S REPORT**

TO THE BOARD OF DIRECTORS  
THE LAKELAND FOUNDATION

We have audited the accompanying statement of financial position of The Lakeland Foundation (the "Foundation") as of June 30, 2003 and the related statements of activities and cash flows 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. The prior year summarized comparative information has been derived from the Foundation's 2002 financial statements and, in our report dated August 29, 2002 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 The Foundation as of June 30, 2003, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 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 our audit.

Willoughby, Ohio  
August 27, 2003

Heiser & Jesko

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**THE LAKELAND FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
 JUNE 30, 2003  
 (WITH COMPARATIVE TOTALS FOR 2002)

	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED	UNRESTRICTED	TOTALS	
				<u>2003</u>	<u>2002</u>
<b>ASSETS</b>					
Cash & Cash Equivalents	\$	\$	\$ 396,774	<b>\$ 396,774</b>	\$ 480,672
Investments (Note 3)	1,000,901	550,076		<b>1,550,977</b>	1,514,352
Pledges Receivable (Note 5)	9,188	89,513	55,122	<b>153,823</b>	198,612
Donation Receivable			3,965	<b>3,965</b>	6,851
Loans Receivable (Note 6)		36,559		<b>36,559</b>	39,557
Prepaid Expense			7,181	<b>7,181</b>	5,741
	<u>\$1,010,089</u>	<u>\$ 676,148</u>	<u>\$ 463,042</u>	<b><u>\$2,149,279</u></b>	<u>\$2,245,785</u>
<b>LIABILITIES AND NET ASSETS</b>					
Payables (Scholarships & Trade)	\$	\$ 9,529	\$ 38,735	<b>\$ 48,264</b>	\$ 28,622
Payables - Custodial Funds		21,028		<b>21,028</b>	18,939
Contingent Pledge Liability		1,667		<b>1,667</b>	21,667
		32,224	38,735	<b>70,959</b>	69,228
<b>NET ASSETS</b>					
Permanently Restricted (Note 4)	1,010,089			<b>1,010,089</b>	954,677
Temporarily Restricted (Note 4)		643,924		<b>643,924</b>	762,779
Unrestricted			424,307	<b>424,307</b>	459,101
Total Fund Balances	<u>1,010,089</u>	<u>643,924</u>	<u>424,307</u>	<b><u>2,078,320</u></b>	<u>2,176,557</u>
	<u>\$1,010,089</u>	<u>\$ 676,148</u>	<u>\$ 463,042</u>	<b><u>\$2,149,279</u></b>	<u>\$2,245,785</u>

See accompanying notes.



**THE LAKELAND FOUNDATION**  
 STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2003  
 (WITH COMPARATIVE TOTALS FOR 2002)

	<u>PERMANENTLY RESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>UNRESTRICTED</u>	<u>2003 TOTALS</u>	<u>2002 TOTALS</u>
<b>SUPPORT, REVENUE &amp; RECLASSIFICATIONS</b>					
Private & Corporate Contributions & Grants	\$ 46,948	\$ 356,373	\$ 44,071	\$ <b>447,392</b>	\$ 404,789
Donations - In-Kind		8,070	3,112	<b>11,182</b>	14,235
Interest & Dividends	25,977		11,994	<b>37,971</b>	54,981
Realized Loss on Investments	(86,947)		(919)	<b>(87,866)</b>	(63,664)
Unrealized Gain(Loss) on Investments	<u>86,040</u>	<u>(16)</u>	<u>          </u>	<u><b>86,024</b></u>	<u>(55,768)</u>
Total Support & Revenue	72,018	364,427	58,258	<b>494,703</b>	354,573
Net Assets Released from Restrictions	<u>(16,606)</u>	<u>(483,282)</u>	<u>499,888</u>	<u>          </u>	<u>          </u>
Total Support, Revenues & Reclassifications	<u>55,412</u>	<u>(118,855)</u>	<u>558,146</u>	<u><b>494,703</b></u>	<u>354,573</u>
<b>PROGRAM &amp; SUPPORT EXPENSES</b>					
Program Services:					
Scholarships			407,293	<b>407,293</b>	357,972
Educational & Related Programs			101,178	<b>101,178</b>	83,226
In-Kind			11,182	<b>11,182</b>	14,075
Support Services:					
Administration			73,287	<b>73,287</b>	67,937
Fundraising			<u>          </u>	<u>          </u>	<u>4,771</u>
TOTAL PROGRAM & SUPPORT EXPENSES			<u>592,940</u>	<u><b>592,940</b></u>	<u>527,981</u>
CHANGE IN NET ASSETS	55,412	(118,855)	(34,794)	<b>(98,237)</b>	(173,408)
NET ASSETS - Beginning of Year	<u>954,677</u>	<u>762,779</u>	<u>459,101</u>	<u><b>2,176,557</b></u>	<u>2,349,965</u>
NET ASSETS - End of Year	<u>\$1,010,089</u>	<u>\$ 643,924</u>	<u>\$ 424,307</u>	<u><b>\$2,078,320</b></u>	<u>\$2,176,557</u>

See accompanying notes.



**THE LAKELAND FOUNDATION**

STATEMENT OF CASH FLOWS

JUNE 30, 2003

(WITH COMPARATIVE TOTALS FOR 2002)

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (98,237)	\$ (173,408)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Allowance for Uncollectible Loans	19,167	15,150
Change in Allowance for Uncollectible Pledges	15,229	
Change in Discounts to Net Present Value	(2,200)	(9,600)
Realized Loss on Investments	87,866	63,664
Unrealized Loss(Gain) on Investments	(86,025)	55,768
Contributions Restricted for Long-Term Investment	(46,948)	(44,695)
Interest & Dividends Restricted for Reinvestment	(25,977)	1,255
Changes in Operating Assets & Liabilities:		
Decrease in Interest Receivable		24,716
Decrease in Pledges Receivable	31,760	135,699
Increase in Program Loans Receivable	(16,169)	(34,654)
Decrease in Donations Receivable	2,886	15,351
Increase in Prepaid Expenses	(1,440)	(521)
Increase(Decrease) in Payables	21,731	(21,982)
Decrease in Contingent Pledge Liability	(20,000)	(20,000)
Total Adjustments	<u>(20,120)</u>	<u>180,151</u>
Net Cash Provided by(Used by) Operating Activities	<u>(118,357)</u>	<u>6,743</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturity of Investments	423,745	521,468
Purchase of Investments	<u>(462,211)</u>	<u>(733,206)</u>
Net Cash Used by Investing Activities	<u>(38,466)</u>	<u>(211,738)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest and Dividends Restricted for Reinvestment	25,977	(1,255)
Contributions Restricted for Long-Term Investment	<u>46,948</u>	<u>44,695</u>
Net Cash Provided by Financing Activities	<u>72,925</u>	<u>43,440</u>
Net Change in Cash and Cash Equivalents	<u>(83,898)</u>	<u>(161,555)</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>480,672</u>	<u>642,227</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 396,774</u>	<u>\$ 480,672</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH OPERATING ACTIVITIES		
Donated Goods	\$ 11,182	\$ 14,235
Donated Goods Passed on to LCC	<u>(11,182)</u>	<u>(14,235)</u>
Net Change Affecting Net Assets	<u>\$ -0-</u>	<u>\$ -0-</u>
See accompanying notes.		



## THE LAKELAND FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

#### NOTES:

#### 1. NATURE OF ACTIVITIES

The Lakeland Foundation (the "Foundation") was formed in 1981 to obtain private financing support for the promotion of excellence at Lakeland Community College ("LCC"). The Foundation provides scholarships, support and loans to financially disadvantaged students, students demonstrating excellent academic abilities, and students meeting the criteria of specific donor stipulations. The Foundation also provides support to specific educational departments and programs of LCC. The accounting records for the Foundation are maintained at LCC in Kirtland, Ohio. Certain administrative expenses of the Foundation are paid directly by LCC.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### BASIS OF ACCOUNTING

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

##### BASIS OF PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions 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 can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.
- **Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of such assets permit the Foundation to use all or part of the income earned on the assets.

##### COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior-year (2002) comparative total amounts. Such total amounts do not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such amounts should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2002, from which the comparative total amounts were derived. The 2002 audited financial statement had an unqualified opinion expressed on it by Heiser & Jesko, Inc., CPA's.

**THE LAKELAND FOUNDATION**

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTES (CONTINUED) :

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit and liquid debt instruments that may be used within one year. Money Market investments are considered investments and are classified as such in the cash flow statement.

CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash and cash equivalents in various bank accounts, the amounts of which may at times exceed federally insured limits. The Foundation's cash investments are placed with high-credit-quality financial institutions. The Foundation has not experienced any losses in such accounts, and management believes the Foundation is not subject to a risk of loss beyond that related to market changes.

INVESTMENTS

Investments in marketable securities are stated at fair market value.

The Foundation's practice with respect to contributions of equity securities is to sell the securities upon receipt for their current fair market value.

FINANCIAL INSTRUMENTS

The amounts recorded on the Statement of Financial Position for the financial instruments approximates the fair value of those items.

CONTRIBUTIONS

The Foundation accounts for donations in accordance with the recommendations of the FASB in SFAS No. 116, Accounting for Contributions Received and Contributions Made. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.



**THE LAKELAND FOUNDATION**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTES (CONTINUED):

TAX STATUS

The Foundation is considered a charitable organization under Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from federal income tax.

DONATIONS AND PLEDGES RECEIVABLE

Donations receivable are funds committed in the ordinary course of the Foundation's operations.

Pledges receivable are funds committed as part of the major gifts campaign.

DONATED ADMINISTRATIVE EXPENSES

Certain administrative functions of the Foundation are performed by administrative employees of Lakeland Community College at no charge to the Foundation. The value of these services is not recognized in these financial statements. The dollar value is not significant in relation to the financial statements taken as a whole.

DONATED FUNDRAISING EXPENSES

Significant time has been provided by many volunteers in fundraising activities; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

COMMITMENTS

There were no significant commitments not recognized at June 30, 2003.

**3. INVESTMENTS**

Investments are recorded at fair value. The historical and fair value at June 30, 2003 were as follows:

	<u>COST</u>	<u>FAIR VALUE</u>
Corporate Stocks	\$ 735,070	\$ 654,623
Corporate Bonds	25,875	25,550
U.S. Obligations	254,545	261,623
Money Market	<u>609,183</u>	<u>609,181</u>
	<u>\$1,624,673</u>	<u>\$1,550,977</u>



**THE LAKELAND FOUNDATION**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTES (CONTINUED):

**4. NET ASSETS**

UNRESTRICTED FUNDS

These funds have no donor-imposed stipulations and the funds are used for general operating purposes and for purposes deemed necessary by the Board of Directors.

TEMPORARILY RESTRICTED FUNDS

The Foundation has three types of funds which have been designated temporarily restricted. These funds include private and corporate contributions which have been temporarily restricted for these specific purposes. Earnings on investments of this fund are included in the unrestricted fund unless such earnings have been stipulated as temporarily restricted by donors.

Temporarily restricted net assets are available for the following purposes as of June 30, 2003 and 2002. Approximate totals are:

	<u>2003</u>	<u>2002</u>
Scholarships	\$403,708	\$533,095
Loans (Note 6)	70,724	89,891
Educational & Related Programs	<u>169,492</u>	<u>139,793</u>
	<u>\$643,924</u>	<u>\$762,779</u>

PERMANENTLY RESTRICTED FUNDS

The Endowment Fund includes contributions restricted in perpetuity or for terms designated by donors. Earnings on investments of the Endowment Fund are included in the Endowment Fund. However, the earnings may be used for current purposes of the Foundation.

**5. PLEDGES RECEIVABLE**

At June 30, 2003, \$187,023 of pledges were still outstanding. The related allowance for uncollected pledges at June 30 is \$20,000 (2003) and \$4,771 (2002).

Unconditional promises to give at June 30, 2003 are as follows:

Total Unconditional Promises	
to Give in One to Four Years	\$187,023
Less - Discount to Net Present Value	(13,200)
- Allowance for Uncollectible Pledges	<u>(20,000)</u>
Net Unconditional Promises to Give at June 30, 2003	<u>\$153,823</u>

Discount rates used on long-term promises to give average 6% in 2003.

**THE LAKELAND FOUNDATION**

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2003

NOTES (CONTINUED):

**6. LOANS RECEIVABLE**

As of June 30, 2003, a total of \$100,000 has been donated to the Foundation to be used for revolving student loans in the C. Shell Loan Program. At June 30, 2003, \$98,560 had been loaned to students qualifying under the C. Shell Loan Program. The loans are interest-free and have various repayment terms. As of June 30, 2003 \$20,075 has been repaid. The related allowance for uncollectible loans is \$41,926 and \$22,759 for the years ended June 30, 2003 and 2002, respectively.





**INDEPENDENT AUDITOR'S 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  
THE LAKELAND FOUNDATION

We have audited the financial statements of The Lakeland Foundation (the "Foundation") as of and for the year ended June 30, 2003 and have issued our report thereon dated August 27, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 from 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 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 operation that we consider to be material weaknesses.

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

Willoughby, Ohio  
August 27, 2003

*Heiser & Jesko*



**THE LAKELAND FOUNDATION**

SCHEDULE OF FINDINGS

JUNE 30, 2003

PRIOR YEAR FINDINGS

There were no prior year findings.

CURRENT YEAR FINDINGS

There were no current year findings.



**Auditor of State  
Betty Montgomery**

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**LAKELAND FOUNDATION**

**LAKE 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 20, 2003**