

THE LAKELAND FOUNDATION
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of The Lakeland Foundation, Lake County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 2003 to June 30, 2004. 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.

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BETTY MONTGOMERY
Auditor of State

November 23, 2004

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**THE LAKELAND FOUNDATION
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Lakeland Foundation
7700 Clocktower Drive
Kirtland, OH 44094

We have audited the accompanying statement of financial position of The Lakeland Foundation (the Foundation), a component unit of Lakeland Community College, as of June 30, 2004, and 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 financial statements of the Foundation as of June 30, 2003 were audited by other auditors whose report dated August 27, 2003, expressed an unqualified opinion on those statements.

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. 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 2004 financial statements referred to above present fairly, in all material respects, the financial position of The Lakeland Foundation as of June 30, 2004 and the changes in net assets and its cash flows for the year 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 September 14, 2004 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 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.



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

September 14, 2004

The Lakeland Foundation
Lake County, Ohio
Statement of Financial Position
June 30, 2004
(With Comparative Financial Information for June 30, 2003)

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$390,551	\$396,774
Investment (See Note 3)	1,724,633	1,550,977
Pledges Receivable (See Note 5)	99,067	153,823
Donation Receivable	10,290	3,965
Loans Receivable (See Note 6)	16,277	36,559
Other Assets	480	0
Prepaid Expenses	1,966	7,181
	<u>1,966</u>	<u>7,181</u>
Total Assets	<u>\$2,243,264</u>	<u>\$2,149,279</u>
<u>LIABILITIES</u>		
Payables (Scholarship and Trade)	87,549	48,264
Payables - Custodial Funds	26,044	21,028
Contingent Pledge Liability	100,000	1,667
	<u>100,000</u>	<u>1,667</u>
Total Liabilities	<u>213,593</u>	<u>70,959</u>
<u>NET ASSETS</u>		
Permanently restricted	1,193,221	1,010,089
Temporarily restricted	658,680	643,924
Unrestricted	177,770	424,307
	<u>177,770</u>	<u>424,307</u>
Total Net Assets	<u>2,029,671</u>	<u>2,078,320</u>
Total Liabilities and Net Assets	<u>\$2,243,264</u>	<u>\$2,149,279</u>

The notes to the financial statements are an integral part of this statement.

The Lakeland Foundation
Lake County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2004
(With Comparative Financial Information for June 30, 2003)

	Permanently Restricted	Temporarily Restricted	Unrestricted	2004 Totals	2003 Totals
SUPPORT, REVENUE AND RECLASSIFICATION					
Private and Corporate Contributions and Grants	\$67,467	\$334,492	\$34,624	\$436,583	\$447,392
Donations - In-Kind	0	0	528	528	11,182
Interest and Dividends	24,956	0	9,660	34,616	37,971
Realized Gain (Loss) on Investments	(3,586)	0	(155)	(3,741)	(87,866)
Unrealized Gain (Loss) on Investments	118,668	(6,310)	0	112,358	86,024
Total Support and Revenue	207,505	328,182	44,657	580,344	494,703
Net Assets Released From Restrictions	(24,373)	(313,426)	337,799	0	0
Total Support, Revenue and Reclassification	183,132	14,756	382,456	580,344	494,703
PROGRAM AND SUPPORT EXPENSES					
Program Services:					
Scholarships	0	0	359,577	359,577	407,293
Educational and Related Programs	0	0	145,895	145,895	101,178
In-Kind	0	0	528	528	11,182
Support Services:					
Administration	0	0	119,693	119,693	73,287
Fundraising	0	0	3,300	3,300	0
Total Program and Support Expenses	0	0	628,993	628,993	592,940
Change in Net Assets	183,132	14,756	(246,537)	(48,649)	(98,237)
Net Assets, Beginning of Fiscal Year	1,010,089	643,924	424,307	2,078,320	2,176,557
Net Assets, End of Fiscal Year	<u>\$1,193,221</u>	<u>\$658,680</u>	<u>\$177,770</u>	<u>\$2,029,671</u>	<u>\$2,078,320</u>

The notes to the financial statements are an integral part of this statement.

The Lakeland Foundation
Lake County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2004
(With Comparative Financial Information for June 30, 2003)

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Change in net assets	(\$48,649)	(\$98,237)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Change in Allowance for Uncollectible Loans	15,000	19,167
Change in Allowance for Uncollectible Pledges	9,959	15,229
Change in Discounts to Net Present Value	(3,170)	(2,200)
Realized Loss (Gain) on Investments	3,741	87,866
Unrealized Loss (Gain) on Investments	(112,358)	(86,025)
Contributions Restricted for Long-Term Investment	(67,467)	(46,948)
Interest and Dividends Restricted for Reinvestment	(24,957)	(25,977)
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Pledges Receivable	47,967	31,760
Decrease (Increase) in Program Loans Receivable	5,282	(16,169)
Decrease (Increase) in Donations Receivable	(6,325)	2,886
Decrease (Increase) in Prepaid Expense	5,215	(1,440)
Decrease (Increase) in Other Assets	(480)	0
(Decrease) Increase in Payables	44,301	21,731
(Decrease) Increase in Contingent Pledge Liability	98,333	(20,000)
Total adjustments	<u>15,041</u>	<u>(20,120)</u>
Net cash (used by) operating activities	<u>(33,608)</u>	<u>(118,357)</u>
Cash flows from investing activities:		
Proceeds from Sales and Maturity of Investments	433,944	423,745
Purchase of Investments	(874,269)	(462,211)
Change in Investment Money Market Funds	375,286	0
Net cash (used for) investing activities	<u>(65,039)</u>	<u>(38,466)</u>
Cash flows from financing activities:		
Interest and Dividends Restricted for Reinvestment	24,957	25,977
Contributions Restricted for Long-Term Investment	67,467	46,948
Net cash provided by financing activities	<u>92,424</u>	<u>72,925</u>
Net (decrease) in cash and cash equivalents	(6,223)	(83,898)
Cash and cash equivalents, beginning of fiscal year	<u>396,774</u>	<u>480,672</u>
Cash and cash equivalents, end of fiscal year	<u><u>\$390,551</u></u>	<u><u>\$396,774</u></u>
Supplemental Schedule of Non-Cash Operating Activities:		
Donated Goods	\$528	\$11,182
Donated Goods Used in Operations	(528)	(11,182)
Net change affecting net assets	<u><u>\$0</u></u>	<u><u>\$0</u></u>

The notes to the financial statements are an integral part of this statement.

THE LAKELAND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2004

1. **DESCRIPTION OF THE REPORTING ENTITY**

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

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

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 Assts – 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 (2003) comparative total amounts. Such total amounts do not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such amounts should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2003, from which the comparative total amounts were derived.

THE LAKELAND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 investments that may be used within one year. Money Market Investments are considered investments and are classified as such in the Statement of Cash Flows.

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 a high-credit-quality financial institution. Accounts at institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash and cash equivalents at the institution exceeded federally insured limits. The amount in excess of the FDIC limit totaled \$179,388 as of June 30, 2004. 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.

THE LAKELAND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2004

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Contributions

The Foundation reports contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made". Contributions, including unconditional promises to give, are recognized as revenue 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.

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, 2004.

THE LAKELAND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

3. **INVESTMENTS**

Investments are recorded at fair value. The historical and fair value at June 30, 2004 were as follows:

	<u>Cost</u>	<u>Fair Value</u>
Corporate Stocks	\$720,143	\$767,772
Corporate Bonds	75,267	73,326
U.S. Obligations	656,661	649,637
Money Market Accounts	233,898	233,898
Total	<u>\$1,685,969</u>	<u>\$1,724,633</u>

4. **NET ASSETS**

Unrestricted Funds

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

Temporarily Restricted Funds

The Foundation has three types of funds which have been designed 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, 2004 and June 30, 2003. Approximate totals are:

	<u>2004</u>	<u>2003</u>
Scholarships	\$379,694	\$403,708
Loans (Note 6)	49,724	70,724
Educational and Related Programs	229,262	169,492
Total Temporarily Restricted Net Assets	<u>\$658,680</u>	<u>\$643,924</u>

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

	<u>2004</u>	<u>2003</u>
Scholarships	\$218,039	\$341,161
Loans (Note 6)	21,000	19,167
Educational and Related Programs	74,387	122,953
Total Net Assets Released from Donor Restrictions	<u>\$313,426</u>	<u>\$483,281</u>

THE LAKELAND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

4. **NET ASSETS** (continued)

Permanently Restricted Funds

The Endowment Fund includes contributions restricted in perpetuity or for terms designed by the donor. 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.

Permanently restricted net assets are available for the following purposes as of June 30, 2004 and June 30, 2003. Approximate totals are:

	<u>2004</u>	<u>2003</u>
Endowments	\$1,234,510	\$1,155,937
Endowment Activity	(41,289)	(145,848)
Total Permanently Restricted Net Assets	<u>\$1,193,221</u>	<u>\$1,010,089</u>

Net assets were released from restriction by incurring expenses for bank management fees and permanently restricted pledges as follows:

	<u>2004</u>	<u>2003</u>
Endowment Activity	\$24,373	\$16,606

5. **PLEDGES RECEIVABLE**

At June 30, 2004, \$139,056 of pledges were still outstanding. The related allowance for uncollected pledges at June 30 is \$29,959 (2004) and \$20,000 (2003)

Unconditional promises to give at June 30, 2004 are as follows:

	<u>2004</u>	<u>2003</u>
Total Unconditional Promises to Give	\$139,056	\$187,023
Less: Discount to Net Present Value	(10,030)	(13,200)
Less: Allowance for Uncollectible Pledges	(29,959)	(20,000)
Net Unconditional Promises to Give at June 30, 2004	<u>\$99,067</u>	<u>\$153,823</u>

Discount rates used on long-term promises to give average 6% in 2004.

Prior to June 30, 2004, the Unconditional Pledges to Give were classified as Unrestricted Amounts Due. For comparison purposes, the June 30, 2003 Unconditional Pledges to Give were categorized into Unrestricted, Temporarily Restricted and Permanently Restricted Amounts Due.

THE LAKELAND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

5. **PLEDGES RECEIVABLE** (continued)

	<u>2004</u>	<u>2003</u>
Unconditional Pledges to Give:		
Unrestricted Amounts Due:		
Less than One Year	\$13,755	\$28,144
One to Five Years	12,656	7,307
Temporarily Restricted Amounts Due:		
Less than One Year	56,930	112,324
One to Five Years	14,669	2,268
Permanently Restricted Amounts Due:		
Less than One Year	1,057	3,193
One to Five Years	<u>0</u>	<u>587</u>
Total	<u>\$99,067</u>	<u>\$153,823</u>

6. **LOANS RECEIVABLE**

A total of \$100,000 has been donated, over the life of the Program, to the Foundation to be used for revolving student loans in the C. Shell Loan Program. At June 30, 2004, \$105,360 had been loaned to students qualifying under the C. Shell Loan Program. The loans are interest free and various repayment terms. As of June 30, 2004, \$32,157 has been repaid. The related allowance for uncollectible loans is \$56,926 and \$41,926 for the years ended June 30, 2004 and June 30, 2003, respectively.

7. **CONTINGENT PLEDGE LIABILITY**

A pledge donation was received in the amount of \$125,000 in July, 2003 and remitted in full during June, 2004. Subject to certain conditions, this is ratably recognized as contribution income over a five-year period ending June 30, 2008. If the conditions are not met, the prorated remaining liability balance must be returned to the donor.

8. **RELATED PARTY TRANSACTIONS**

The College made distributions to the Foundation of \$134,584 and \$163,602 for the years ended June 30, 2004 and June 30, 2003, respectively. The Foundation distributed \$521,104 and \$507,736 for the years ended June 30, 2004 and June 30, 2003, respectively, to the College. The Foundation had receivables from the College of \$6,792 and \$3,965 as of June 30, 2004 and June 30, 2003, respectively. The Foundation had payables to the College of \$41,057 and \$36,616 as of June 30, 2004 and June 30, 2003, respectively.

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

Board of Directors
The Lakeland Foundation
7700 Clocktower Drive
Kirtland, OH 44094

We have audited the financial statements of The Lakeland Foundation (the Foundation) a component unit of Lakeland Community College, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 14, 2004. 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 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.

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

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

A handwritten signature in black ink, appearing to read 'G B Fink', with a stylized flourish at the end.

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

September 14, 2004



**Auditor of State
Betty Montgomery**

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**THE 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
DECEMBER 7, 2004**