
The Lakeland Foundation
(a component unit of Lakeland Community College)

Financial Report
June 30, 2024



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

We have reviewed the *Independent Auditor's Report* of The Lakeland Foundation, Lake County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2023 through June 30, 2024. 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.

Keith Faber
Auditor of State
Columbus, Ohio

December 10, 2024

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Independent Auditor's Report

To the Board of Directors
The Lakeland Foundation

Opinion

We have audited the financial statements of The Lakeland Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2024 and 2023 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024 and 2023 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are independent of the Foundation, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
The Lakeland Foundation

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2024 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Plante & Moran, PLLC". The signature is cursive and fluid, with "Plante & Moran" on the top line and "PLLC" on the bottom line.

November 14, 2024

The Lakeland Foundation

Statement of Financial Position

June 30, 2024 and 2023

	2024	2023
Assets		
Assets		
Cash and cash equivalents	\$ 598,412	\$ 530,117
Cash held for others	4,392	7,362
Investments (Notes 4 and 5)	11,118,505	9,776,911
Receivables - Net of allowances:		
Accounts receivable	28,621	134,407
Pledges receivable (Note 8)	479,676	488,708
Loans receivable	47,119	35,539
	<hr/>	<hr/>
Total receivables - Net of allowances	555,416	658,654
Other assets	6,563	2,048
	<hr/>	<hr/>
Total assets	\$ 12,283,288	\$ 10,975,092
Liabilities and Net Assets		
Liabilities		
Payables (scholarship and trade)	\$ 27,622	\$ 25,071
Deferred revenue	-	38,750
Due to custodial funds	4,392	7,362
	<hr/>	<hr/>
Total liabilities	32,014	71,183
Net Assets		
Without donor restrictions (Note 6)	411,800	254,230
With donor restrictions (Note 6)	11,839,474	10,649,679
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Total net assets	12,251,274	10,903,909
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Total liabilities and net assets	\$ 12,283,288	\$ 10,975,092

The Lakeland Foundation

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support from Operations						
Contributions of cash and other financial assets	\$ 210,355	\$ 1,374,868	\$ 1,585,223	\$ 155,031	\$ 3,284,268	\$ 3,439,299
Contributions of nonfinancial assets	-	7,934	7,934	-	235,948	235,948
Contributed services and supplies from LCC	393,549	-	393,549	439,069	-	439,069
Net realized and unrealized gains on investments and other investment income	40,677	1,064,262	1,104,939	9,865	673,724	683,589
Net assets released from restrictions	<u>1,257,269</u>	<u>(1,257,269)</u>	-	<u>980,982</u>	<u>(980,982)</u>	-
Total revenue, gains, and other support	1,901,850	1,189,795	3,091,645	1,584,947	3,212,958	4,797,905
Expenses						
Program services:						
Scholarships	606,443	-	606,443	544,760	-	544,760
Educational and related programs	423,025	-	423,025	282,314	-	282,314
In-kind educational and related programs	3,323	-	3,323	17,860	-	17,860
Contributed services and supplies from LCC	<u>105,341</u>	<u>-</u>	<u>105,341</u>	<u>120,230</u>	<u>-</u>	<u>120,230</u>
Total program services	1,138,132	-	1,138,132	965,164	-	965,164
Support services:						
Administrative	302,202	-	302,202	234,978	-	234,978
Fundraising	9,772	-	9,772	2,788	-	2,788
Fundraising - In kind	5,966	-	5,966	6,647	-	6,647
Contributed services and supplies from LCC	<u>288,208</u>	<u>-</u>	<u>288,208</u>	<u>318,839</u>	<u>-</u>	<u>318,839</u>
Total support services	606,148	-	606,148	563,252	-	563,252
Total expenses	<u>1,744,280</u>	<u>-</u>	<u>1,744,280</u>	<u>1,528,416</u>	<u>-</u>	<u>1,528,416</u>
Increase in Net Assets						
Net Assets - Beginning of year	157,570	1,189,795	1,347,365	56,531	3,212,958	3,269,489
Net Assets - End of year	<u>\$ 411,800</u>	<u>\$11,839,474</u>	<u>\$12,251,274</u>	<u>\$ 254,230</u>	<u>\$10,649,679</u>	<u>\$10,903,909</u>

The Lakeland Foundation

Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services	Support Services			Total
		General and Administrative	Fundraising		
Scholarships	\$ 606,443	\$ -	\$ -	\$ -	606,443
Educational and related programs	423,025	-	-	-	423,025
In-kind educational and related programs	3,323	-	-	-	3,323
Professional fees	-	101,439	-	-	101,439
Meetings/conferences	-	23,691	-	-	23,691
Merchant and bank fees	-	716	-	-	716
Information and communication	-	3,395	-	-	3,395
Miscellaneous	-	116,578	-	-	116,578
Travel and entertainment	-	16,406	-	-	16,406
Supplies	-	309	-	-	309
Special events	-	-	15,738	-	15,738
Bad debts	-	19,081	-	-	19,081
Contributed services and supplies from LCC	105,341	214,038	74,170	-	393,549
Bequest expenses	-	20,353	-	-	20,353
Rentals and utilities	-	234	-	-	234
 Total functional expenses	 <u>\$ 1,138,132</u>	 <u>\$ 516,240</u>	 <u>\$ 89,908</u>	 <u>\$ 1,744,280</u>	

The Lakeland Foundation

Statement of Functional Expenses

Year Ended June 30, 2023

	Support Services			Total
	Program Services	General and Administrative	Fundraising	
Scholarships	\$ 544,760	\$ -	\$ -	\$ 544,760
Educational and related programs	282,314	-	-	282,314
In-kind educational and related programs	17,860	-	-	17,860
Professional fees	-	87,523	-	87,523
Merchant/bank fees	-	14,472	-	14,472
Information and communication	-	696	-	696
Miscellaneous	-	1,393	-	1,393
Sponsorships	-	5,381	-	5,381
Meetings/conferences	-	85,243	-	85,243
Travel and entertainment	-	12,596	-	12,596
Lobbying	-	2,630	-	2,630
Special events	-	-	9,435	9,435
Bad debts	-	14,806	-	14,806
Contributed services and supplies from LCC	120,230	235,654	83,185	439,069
Bequest expenses	-	8,056	-	8,056
Rental and utilities	-	2,182	-	2,182
Total functional expenses	\$ 965,164	\$ 470,632	\$ 92,620	\$ 1,528,416

The Lakeland Foundation

Statement of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,347,365	\$ 3,269,489
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Allowance for uncollectible loans	19,081	14,806
Allowance for uncollectible pledges	3,691	302
Discounts to net present value	9,729	(1,755)
Unrealized gain on investments	(726,904)	(100,319)
Contributions restricted for long-term investment	(490,808)	(2,490,585)
Changes in operating assets and liabilities that (used) provided cash:		
Pledges receivable	(4,388)	(241,941)
Loans receivable	(30,661)	(26,134)
Accounts receivable	105,786	(267,417)
Other assets	(4,515)	3,585
Payables	2,551	17,573
Deferred revenue	(38,750)	(10,166)
Custodial funds	(2,970)	(816)
Net cash provided by operating activities	189,207	166,622
Cash Flows from Investing Activities		
Purchases of investments	(3,804,582)	(8,823,988)
Proceeds from sales and maturities of investments	3,189,892	6,143,063
Net cash used in investing activities	(614,690)	(2,680,925)
Cash Flows Provided by Financing Activities - Collection of contributions restricted for long-term investment	490,808	2,490,585
Net Increase (Decrease) in Cash and Cash Equivalents	65,325	(23,718)
Cash and Cash Equivalents - Beginning of year	537,479	561,197
Cash and Cash Equivalents - End of year	\$ 602,804	\$ 537,479
Statement of Financial Position Classification of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 598,412	\$ 530,117
Cash held for others	4,392	7,362
Total cash and cash equivalents	\$ 602,804	\$ 537,479

Note 1 - Nature of Business

The Lakeland Foundation (the "Foundation") was formed in 1981 to obtain private financing support for the promotion of excellence at Lakeland Community College (LCC) and operates for the benefit and is a component unit of LCC. The Foundation provides scholarships, support, and loans to financially disadvantaged students, students demonstrating excellent academic abilities, and students meeting 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.

The Foundation serves as fiscal agent for two community organizations. The cash on hand and due to these organizations is reflected on the statement of financial position as cash held for others and due to custodial funds.

The Foundation's primary sources of revenue are endowment income and public support through donations from individuals, corporations, foundations, and trusts located primarily in northeastern Ohio.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the Foundation have been prepared on the basis of generally accepted accounting principles (GAAP).

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Foundation considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Note 2 - Significant Accounting Policies (Continued)

Accounts Receivable

The Foundation's trade accounts receivable balance consists of amounts due from its customers. Trade accounts receivable are stated at invoice amounts. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. The Foundation collectively evaluates trade receivables to determine the allowance for credit losses based on historical cash collections on applicable customers and their assessed creditworthiness. The Foundation calculates the allowance using an expected loss model that considers the Foundation's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. The Foundation considers current economic conditions and known factors in the Foundation's industry when making adjustments for reasonable and supportable forecasts. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received.

Concentration of Credit Risk

At various times during the years ended June 30, 2024 and 2023, the Foundation's cash in bank balances may have exceeded the federally insured limits.

Investments

Investments in equity securities are reported at fair value, with unrealized gains and losses included in earnings.

The Foundation invests in various investment securities. 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 reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as contributions without donor restrictions.

Contributed Services and Assets

Certain donated services are recognized as support in the statement of activities and changes in net assets. The value of these services is determined based on estimated fair value. During the years ended June 30, 2024 and 2023, a variety of companies agreed to provide the Foundation with catering and other services for its annual golf outing valued at \$74,709 and \$61,850, respectively.

Pledges Receivable

Pledges receivable are funds primarily committed as part of the major gifts campaign. The Foundation provides for uncollectible pledges receivable using the allowance method. Management estimates an allowance based on an aging schedule and a calculation using past-due pledges receivable. Pledges receivable past due less than one year use an allowance percentage of 50 percent of the past-due amount, and pledges receivable past due greater than one year use an allowance percentage of 100 percent of the past-due amount. Pledges receivable are written off when they are determined to be uncollectible.

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Loans Receivable

Loans receivable are funds committed to qualifying students in the C. Schell Loan Program. This revolving student loan program grants interest-free loans with various repayment terms. The Foundation calculates the allowance using an expected loss model that considers the Foundation's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. The Foundation has recorded an allowance for credit losses of \$161,908 in the accompanying financial statements as of June 30, 2024.

Deferred Revenue

Various organizations prepay certain funds to the Foundation in advance of meeting certain conditions being met. Revenue related to these payments is deferred and recognized as income as the conditions are met.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas.

The costs of providing the program and support services are reported on a functional basis. Costs are allocated between the various program and support services on an actual basis, where available, or based upon reasonable methods. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Foundation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Contributed Services and Supplies

Certain administrative functions of the Foundation are performed by administrative employees of LCC at no charge to the Foundation, which totaled \$378,972 and \$407,289 for the years ended June 30, 2024 and 2023, respectively. Additionally, LCC provides access to office supplies, meeting rooms, and equipment at no charge to the Foundation, which totaled \$14,577 and \$31,780 for the years ended June 30, 2024 and 2023, respectively. The Foundation records these items as revenue and expense at the value of the costs incurred by LCC.

Donated Fundraising Expenses

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

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 14, 2024, which is the date the financial statements were available to be issued.

June 30, 2024 and 2023**Note 3 - Adoption of New Accounting Pronouncement**

As of July 1, 2023, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU included changes to the accounting and measurement of financial assets, including the Foundation's accounts receivable, by requiring the Foundation to recognize an allowance for all expected losses over the life of the financial assets at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. The Foundation adopted the ASU using the modified retrospective transition method to the beginning of the earliest period presented or June 30, 2022. As a result of the adoption of ASU No. 2016-13, the Foundation updated the disclosures and no changes to retained earnings were made.

Note 4 - Investments

The details of the Foundation's investments at June 30 are as follows:

	<u>2024</u>	<u>2023</u>
Mutual funds:		
Fixed-income mutual funds	\$ 3,306,630	\$ 3,153,839
Large-cap equity	3,055,252	3,445,221
Mid-cap equity	1,010,450	862,397
International equities	1,469,446	1,026,199
Alternative strategy mutual funds	1,047,418	424,956
Emerging markets equities	597,509	423,009
Money market/Cash and reserves	631,800	241,290
Real estate	-	200,000
Total	<u>\$ 11,118,505</u>	<u>\$ 9,776,911</u>

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

June 30, 2024 and 2023

Note 5 - Fair Value Measurements (Continued)

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2024 and 2023 and the valuation techniques used by the Foundation to determine those fair values:

<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2024</u>					
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Balance at June 30, 2024</u>	
Assets					
Mutual funds:					
Fixed-income mutual funds	\$ 3,306,630	\$ -	\$ -	\$ 3,306,630	
Large-cap equity	3,055,252	-	-	3,055,252	
Mid-cap equity	1,010,450	-	-	1,010,450	
International equities	1,469,446	-	-	1,469,446	
Alternative strategy mutual funds	1,047,418	-	-	1,047,418	
Emerging markets equities	597,509	-	-	597,509	
Money market/Cash and reserves	592,739	39,061	-	631,800	
Total assets	\$ 11,079,444	\$ 39,061	\$ -	\$ 11,118,505	

<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2023</u>					
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Balance at June 30, 2023</u>	
Assets					
Mutual funds:					
Fixed-income mutual funds	\$ 3,153,839	\$ -	\$ -	\$ 3,153,839	
Large-cap equity	3,445,221	-	-	3,445,221	
Mid-cap equity	862,397	-	-	862,397	
International equities	1,026,199	-	-	1,026,199	
Alternative strategy mutual funds	424,956	-	-	424,956	
Emerging markets equities	423,009	-	-	423,009	
Money market/Cash and reserves	174,393	66,897	-	241,290	
Real estate	-	200,000	-	200,000	
Total assets	\$ 9,510,014	\$ 266,897	\$ -	\$ 9,776,911	

The fair value of certain money market funds at June 30, 2024 and 2023 was determined primarily based on Level 2 inputs. The Foundation estimates the fair value of these investments utilizing asset valuation provided by its investment custodian.

June 30, 2024 and 2023

Note 6 - Net Assets

Net assets without donor restrictions consist of the following as of June 30:

	2024	2023
Board-designated net assets	\$ 30,046	\$ 30,046
Undesignated net assets	381,754	224,184
Total net assets without donor restrictions	\$ 411,800	\$ 254,230

Net assets with donor restrictions as of June 30 are available for the following purposes:

	2024	2023
Subject to expenditures for donor purpose and time restrictions:		
Scholarships	\$ 857,296	\$ 826,672
Loans	44,742	63,823
Educational and related programs	874,804	1,136,330
Future sponsorship activities	-	10,100
Portion of endowment funds classified for scholarships and educational purposes	1,897,243	1,112,393
Total subject to expenditures for donor purpose and time restrictions	3,674,085	3,149,318
Subject to perpetual donor restrictions:		
Endowment funds	8,000,049	7,498,264
Pledges receivable - Net for endowment	165,340	2,097
Total subject to perpetual donor restrictions	8,165,389	7,500,361
Total net assets with donor restrictions	\$ 11,839,474	\$ 10,649,679

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors or transferred in accordance with donor intentions as follows:

	2024	2023
Scholarships	\$ 606,209	\$ 544,012
Loans	19,081	14,806
Educational and related programs	426,258	294,761
Administration/fundraising	204,275	125,815
Transferred - Without donor restrictions	1,446	1,588
Total	\$ 1,257,269	\$ 980,982

Note 7 - Donor-restricted and Board-designated Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

June 30, 2024 and 2023

Note 7 - Donor-restricted and Board-designated Endowments (Continued)

Interpretation of Relevant Law

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Foundation had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of June 30, 2024			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 30,046	\$ -	\$ 30,046
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	7,592,412	7,592,412
Accumulated investment gains	-	2,284,879	2,284,879
Total donor-restricted endowment funds	-	9,877,291	9,877,291
Total	\$ 30,046	\$ 9,877,291	\$ 9,907,337

June 30, 2024 and 2023

Note 7 - Donor-restricted and Board-designated Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 30,046	\$ 8,590,657	\$ 8,620,703
Investment return:			
Interest and dividends	1,085	290,637	291,722
Net realized and unrealized (loss) gain	(949)	790,127	789,178
Management fees	(136)	(36,702)	(36,838)
Total investment return	-	1,044,062	1,044,062
Contributions	-	490,808	490,808
Appropriation of endowment assets for expenditure	-	(259,213)	(259,213)
Other changes - Transfer to create endowment fund	-	10,977	10,977
Endowment net assets - End of year	<u>\$ 30,046</u>	<u>\$ 9,877,291</u>	<u>\$ 9,907,337</u>
Endowment Net Asset Composition by Type of Fund as of June 30, 2023			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 30,046	\$ -	\$ 30,046
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	7,090,625	7,090,625
Accumulated investment gains	-	1,500,032	1,500,032
Total donor-restricted endowment funds	-	8,590,657	8,590,657
Total	<u>\$ 30,046</u>	<u>\$ 8,590,657</u>	<u>\$ 8,620,703</u>
Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 30,046	\$ 5,624,419	\$ 5,654,465
Investment return:			
Interest and dividends	712	287,360	288,072
Net realized and unrealized (loss) gain	(551)	415,462	414,911
Management fees	(161)	(29,098)	(29,259)
Total investment return	-	673,724	673,724
Contributions	-	2,490,585	2,490,585
Appropriation of endowment assets for expenditure	-	(201,546)	(201,546)
Other changes - Transfer to create endowment fund	-	3,475	3,475
Endowment net assets - End of year	<u>\$ 30,046</u>	<u>\$ 8,590,657</u>	<u>\$ 8,620,703</u>

June 30, 2024 and 2023

Note 7 - Donor-restricted and Board-designated Endowments (Continued)

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2024, deficiencies of this nature exist in 9 donor-restricted endowment funds, which together have an original gift value of \$1,255,390, a current fair value of \$1,237,789, and a deficiency of \$17,601. As of June 30, 2023, deficiencies of this nature exist in 16 donor-restricted endowment funds, which together have an original gift value of \$3,784,915, a current fair value of \$3,651,415, and a deficiency of \$133,500. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the board of directors.

Management Fees

Management fees are recorded based on actual costs of the fees incurred.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for the endowment fund. The policy goal for the Foundation's endowment investment portfolio is to provide a real total return that preserves the purchasing power of the endowment assets while providing an income stream to support the Foundation's activities in support of LCC. Assets for the investment pool include those assets of donor-restricted funds that the Foundation must hold in perpetuity. The Foundation engages an investment manager whose performance is measured against respective benchmarks. The endowment's real total return is sought from an investment strategy that provides an opportunity for superior total returns within acceptable levels of risk and volatility. The Foundation recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the potential loss in purchasing power due to inflation are present to some degree with all types of investment vehicles. While high levels of risk are to be avoided, the assumption of a moderate level of risk is warranted and encouraged in order to allow the investment portfolio the opportunity to achieve satisfactory results consistent with the objectives and character of the portfolio.

Strategies Employed for Achieving Objectives

For the long term (defined as a rolling five-year period), the primary investment objective for the endowment portfolio is to earn a total return (net of portfolio management and custody fees) within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the endowment's assets and support a desired annual spending policy of up to 4.5 percent of the five-year average of the market value of the endowment portfolio.

The Foundation's asset allocation guidelines are reviewed periodically by the Foundation's investment committee, with changes approved by the board of directors. The portfolio's major allocation guidelines allow an allocation of the portfolio to be invested in equity securities. The remaining portfolio funds may be invested in either fixed-income, alternatives, or cash equivalent securities.

June 30, 2024 and 2023**Note 7 - Donor-restricted and Board-designated Endowments (Continued)*****Spending Policy and How the Investment Objectives Relate to Spending Policy***

The Lakeland Foundation spending policy is based on a total return approach in order to maintain stable cash flows over an extended period of time, to protect endowment funds against inflation, and to preserve the purchasing power of endowment funds by improving investment growth and management. The spending policy allows up to a maximum of 4.5 percent of the five-year average market value of a designated endowment fund. Spending may include net realized gains earnings over that five-year period and is offset by any previously designated spending amounts. All returns (gains, losses, and income - net of external and internal fees and previously designated spending amount) above 4.5 percent will be reinvested in the endowment fund's portfolio. The spending policy is closely monitored by the investment committee, and recommendations for any changes are forwarded to the executive committee and full board of directors for review and approval.

In 2023, the Foundation received a large gift that included a condominium, which is included in investments as of June 30, 2023. This asset is measured at fair value based on active quoted prices in the real estate market as of June 30, 2023, totaling \$200,000. The condominium was sold in August 2023.

Note 8 - Pledges Receivable

Pledges were discounted to their present value assuming their respective terms (up to five years) and a discount rate of 6 percent. The pledges receivable - net as of June 30 are scheduled to be collected as follows:

	<u>2024</u>	<u>2023</u>
Gross promises to give before unamortized discount	\$ 507,007	\$ 502,619
Less allowance for uncollectible contributions	(5,489)	(1,798)
Less allowance for net present value discount	<u>(21,842)</u>	<u>(12,113)</u>
Net contributions receivable	<u><u>\$ 479,676</u></u>	<u><u>\$ 488,708</u></u>
Amounts due in:		
Less than one year	\$ 259,456	\$ 358,241
One to five years	241,622	134,802
More than five years	5,929	9,576
Total	<u><u>\$ 507,007</u></u>	<u><u>\$ 502,619</u></u>

Note 9 - Related Party Transactions

LCC made distributions to the Foundation of \$136,471 and \$162,477 for the years ended June 30, 2024 and 2023, respectively, which are recorded on the statement of activities and changes in net assets as contributions of cash and other financial assets. The Foundation distributed \$1,291,186 and \$1,007,346 during the years ended June 30, 2024 and 2023, respectively, to LCC. The Foundation also distributed \$400 and \$17,860 in gifts in kind to LCC during the years ended June 30, 2024 and 2023, respectively. The Foundation had receivables from LCC of \$19,315 and \$15,403 as of June 30, 2024 and 2023, respectively. The Foundation had payables to LCC of \$24,146 and \$22,098 as of June 30, 2024 and 2023, respectively.

The Lakeland Foundation

Notes to Financial Statements

June 30, 2024 and 2023

Note 10 - Liquidity and Availability of Resources

The following reflects the Foundation's financial assets as of June 30, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2024	2023
Cash and cash equivalents	\$ 598,412	\$ 530,117
Cash held for others	4,392	7,362
Investments	11,118,505	9,776,911
Accounts receivable	28,621	134,407
Pledges receivable - Net	479,676	488,708
Loans receivable - Net	47,119	35,539
Financial assets - At year end	12,276,725	10,973,044
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	3,674,085	3,149,318
Restricted by donor with perpetual restrictions	8,165,389	7,500,361
Cash held for others	4,392	7,362
Board designations	30,046	30,046
Financial assets available to meet cash needs for general expenditures within one year	\$ 402,813	\$ 285,957

The Foundation maintains a policy of structuring its financial assets to be available as its general expenses, liabilities, and other obligations come due. The Foundation is largely supported by donor contributions and grants. The Foundation takes into account donor restrictions that require resources to be used in a particular manner or in a future period and, therefore, maintains sufficient resources to meet those responsibilities. In addition, the Foundation has the ability to access board-designated funds functioning as endowments by special authorization of the board of directors, if necessary.

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

Independent Auditor's Report

To Management and the Board of Directors
The Lakeland Foundation

We have audited, 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, the financial statements of The Lakeland Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2024 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Board of Directors
The Lakeland Foundation

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

November 14, 2024

OHIO AUDITOR OF STATE KEITH FABER



LAKELAND FOUNDATION

LAKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/24/2024

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This report is a matter of public record and is available online at
www.ohioauditor.gov