

**LORAIN COUNTY COMMUNITY COLLEGE
FOUNDATION, INC.**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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The Board of Directors
Lorain County Community College Foundation
1005 North Abbe Road
Elyria, Ohio 44035-1691

We have reviewed the Independent Auditor's Report of the Lorain County Community College Foundation, Lorain County, prepared by Barnes Wendling CPAs, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

December 7, 2001

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

September 27, 2001

The Board of Directors
Lorain County Community College Foundation
Elyria, Ohio

We have audited the accompanying statement of financial position of Lorain County Community College Foundation, Inc. (an Ohio non-profit organization) as of June 30, 2001 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2000, from which the summarized information is derived. The financial statements for June 30, 2000 were previously audited by Mitchell Zunich & Company whose report dated September 29, 2000 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lorain County Community College Foundation, Inc. as of June 30, 2001, 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 of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2001, on our consideration of Lorain County Community College Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Barnes Wendling CPAs, Inc.

Certified Public Accountants / Management Consultants

1288 Abbe Road, Suite B
Elyria, OH 44035-1649

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Statement of Financial Position June 30, 2001 with Summarized Financial Information for June 30, 2000

	June 30,	
	<u>2001</u>	<u>2000</u>
ASSETS		
Cash	\$ 239,249	\$ 638,651
Receivables	610	19,126
Unconditional promises to give	2,417,089	2,591,356
Investments	15,452,892	19,504,194
Art collection	-0-	126,260
Equipment, net of accumulated depreciation of \$55,881 and \$47,789	<u>27,049</u>	<u>19,433</u>
TOTAL ASSETS	<u>\$18,136,889</u>	<u>\$22,899,020</u>
LIABILITIES		
Accounts payable	\$ 24,833	\$ 31,512
Support payable	260,794	254,713
Deferred revenue	67,790	18,119
Engineering building support payable	<u>1,189,454</u>	<u>1,451,436</u>
TOTAL LIABILITIES	1,542,871	1,755,780
NET ASSETS		
Unrestricted	837,619	1,001,935
Temporarily restricted	2,564,801	2,926,473
Permanently restricted	<u>13,191,598</u>	<u>17,214,832</u>
TOTAL NET ASSETS	<u>16,594,018</u>	<u>21,143,240</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$18,136,889</u>	<u>\$22,899,020</u>

See Notes to Financial Statements

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Statement of Activities

Year Ended June 30, 2001 with Summarized Financial
Information for June 30, 2000

	2001			2000
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contributions	\$ 288,633	\$ 733,303	\$ 498,975	\$ 1,520,911
Investment income	183,071	(26,094)	(4,553,753)	(4,396,776)
Special event	74,276		31,544	105,820
	<u>545,980</u>	<u>707,209</u>	<u>(4,023,234)</u>	<u>(2,770,045)</u>
Net assets released from restrictions	<u>1,068,881</u>	<u>(1,068,881)</u>		<u>-0-</u>
Total revenues and support	<u>1,614,861</u>	<u>(361,672)</u>	<u>(4,023,234)</u>	<u>(2,770,045)</u>
Expenses				
Scholarships	600,525			600,525
Support for Lorain County Community College	619,795			619,795
Management and general	204,632			204,532
Fundraising	354,225			354,225
Total expenses	<u>1,779,177</u>	<u>-0-</u>	<u>-0-</u>	<u>1,779,177</u>
Change in net assets	(164,316)	(361,672)	(4,023,234)	(4,549,222)
Net assets, beginning of year	<u>1,001,935</u>	<u>2,926,473</u>	<u>17,214,832</u>	<u>21,143,240</u>
NET ASSETS, end of year	<u>\$ 837,619</u>	<u>\$ 2,564,801</u>	<u>\$13,191,598</u>	<u>\$16,594,018</u>
			<u>\$16,594,018</u>	<u>\$21,143,240</u>

See Notes to Financial Statements

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Statement of Cash Flows

Year Ended June 30, 2001 with Summarized Financial Information
for June 30, 2000

	Years Ended June 30,	
	2001	2000
Cash Flows From Operating Activities		
Change in net assets	(\$4,549,222)	\$2,514,196
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	10,484	18,641
Net gain (loss) on investments	4,642,367	(2,650,380)
Donation of art collection	126,260	120,000
Increase (decrease) in assets		
Receivables	18,516	(19,126)
Additional promises to give	(488,320)	(1,549,840)
Collections on promises to give	662,587	563,726
Increase (decrease) in liabilities		
Change in accounts and support payable	(262,580)	1,404,562
Deferred revenue	49,671	(33,308)
Contributions restricted for permanent investment	(530,519)	(435,768)
Investment (income) loss restricted for long-term investment	<u>4,553,753</u>	<u>(1,813,157)</u>
Net cash provided (used) by operating activities	4,232,997	(1,880,454)
 Cash Flows From Investing Activities		
Payments for property and equipment	(18,100)	(12,062)
Proceeds from the sale of investments	2,571,600	8,449,740
Purchase of investments	(3,162,665)	(9,244,976)
Purchase of art	<u>-0-</u>	<u>(5,000)</u>
Net cash used by investing activities	(609,165)	(812,298)
 Cash Flows From Financing Activities		
Contributions restricted for permanent investment	530,519	435,768
Investment income (loss) restricted for long-term investment	<u>(4,553,753)</u>	<u>1,813,157</u>
Net cash provided (used) by financing activities	<u>(4,023,234)</u>	<u>2,279,907</u>
 Net increase (decrease) in cash	(399,402)	(443,827)
 Cash and cash equivalents at beginning of year	<u>638,651</u>	<u>1,082,478</u>
 Cash and cash equivalents at end of year	<u>\$ 239,249</u>	<u>\$ 638,651</u>
See Notes to Financial Statements		

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Year Ended June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Lorain County Community College Foundation, Inc. (the Foundation), a Non-Governmental, Non-Profit corporation established under the laws of the State of Ohio, was established to foster excellence in teaching and learning by encouraging philanthropic support for students, faculty, programs, and facilities of Lorain County Community College (the College).

Basis of Accounting

The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Furthermore, the accounting policies adhered to by the Foundation are generally consistent with the *Audit and Accounting Guide for Not-For-Profit Organizations* issued by the American Institute of Certified Public Accountants.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and Cash Equivalents

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

Comparative Financial Information

The financial statements include certain prior year summarized comparative financial information. Such information does not include sufficient detail to constitute a full financial statement presentation. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2000, from which the summarized information was derived.

Use of Estimates

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

Equipment

Equipment is recorded at historical cost or fair market value in case of donation. Depreciation is recorded on the straight-line method over the useful lives of the respective assets, which is generally five years. The Foundation capitalizes all long-lived assets with a useful life in excess of one year.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Year Ended June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Art Collection

The Foundation's art collection is valued at cost or fair market value, at the date of acquisition, in the case of donation. During the year ended June 30, 2001, the entire art collection was donated to the College.

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Unrestricted net assets

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

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

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

Administration Fee

The Foundation allocates a .9 percent administration fee on temporarily and permanently restricted net assets to provide for indirect program, management and general, and fundraising expenses. The total amount charged to net assets related to this fee was \$168,090 and \$142,938 for the years ended June 30, 2001 and 2000, respectively.

Functional Allocation of Expenses

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

Reclassifications

Certain June 30, 2000 balances have been reclassified to conform with the June 30, 2001 presentation.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Year Ended June 30, 2001

NOTE B - TAXES

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

NOTE C - CHARITABLE REMAINDER UNITRUSTS

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

NOTE D - INVESTMENTS

Investments consist of debt and equity securities and mutual funds. Investments are carried at fair value and are summarized as follows:

	June 30, 2001		June 30, 2000	
	Cost	Market Value	Cost	Market Value
Common equity securities	\$ 6,341,061	\$ 8,373,079	\$ 6,373,453	\$12,651,237
Mutual equity funds	2,146,598	2,163,612	3,185,811	3,416,983
Mutual bond funds	4,653,490	4,877,422	3,338,085	3,354,946
Cash and cash equivalents	<u>38,779</u>	<u>38,779</u>	<u>81,028</u>	<u>81,028</u>
	<u>\$13,179,928</u>	<u>\$15,452,892</u>	<u>\$12,978,377</u>	<u>\$19,504,194</u>

Investment income for the years ended June 30, 2001 and 2000 consisted of the following:

	2001	2000
Interest and dividends	\$ 339,278	\$ 373,293
Net realized gains	307,530	263,661
Unrealized appreciation (depreciation)	(4,949,896)	2,386,719
Management fees	(93,688)	(122,699)
Total investment income	<u>(\$ 4,396,776)</u>	<u>\$ 2,900,974</u>

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Year Ended June 30, 2001

NOTE E - PROMISES TO GIVE

Unconditional promises to give at June 30, 2001 and 2000 are as follows:

	<u>2001</u>	<u>2000</u>
Receivable in less than one year	\$ 579,500	\$ 622,196
Receivable in one to five years	1,618,500	1,842,390
Receivable after five years	<u>501,000</u>	<u>602,000</u>
Total unconditional promises to give	2,699,000	3,066,586
Less discounts to present value	<u>(281,911)</u>	<u>(475,230)</u>
Net unconditional promises to give	<u>\$ 2,417,089</u>	<u>\$ 2,591,356</u>

The discount rate used on long-term promises to give at June 30, 2001 and 2000 was 4.15% and 6.35%, respectively. During the years ended June 30, 2001 and 2000, \$-0- and \$13,625 was written off as not collectable.

NOTE F - ENGINEERING BUILDING SUPPORT PAYABLE

The Foundation has committed to funding support for the College's engineering building. The following payments due under this commitment for the years ended June 30, 2001 and 2000 are as follows:

	<u>2001</u>	<u>2000</u>
Payable in less than one year	\$ 200,000	\$ 400,000
Payable in one to five years	850,000	900,000
Payable after five years	<u>300,000</u>	<u>450,000</u>
Total committed support payable	1,350,000	1,750,000
Less discounts to present value	<u>(160,546)</u>	<u>(298,564)</u>
Net support payable	<u>\$ 1,189,454</u>	<u>\$ 1,451,436</u>

The discount rate used on long-term support payable at June 30, 2001 and 2000 was 4.15% and 6.35%, respectively.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Year Ended June 30, 2001

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

Net assets as of June 30, 2001 and 2000 were temporarily restricted for the following purposes:

	<u>2001</u>	<u>2000</u>
Support of the College's faculty, programs, facilities and Foundation's operation	\$ 764,274	\$ 932,477
Scholarships	<u>1,800,527</u>	<u>1,993,996</u>
Total temporarily restricted net assets	<u>\$ 2,564,801</u>	<u>\$ 2,926,473</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended June 30, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Support of the College's faculty, programs, facilities and Foundation's operation	\$ 492,446	\$ 1,791,816
Scholarships	<u>576,435</u>	<u>419,141</u>
Total restrictions released	<u>\$ 1,068,881</u>	<u>\$ 2,210,957</u>

NOTE H - PERMANENTLY RESTRICTED NET ASSETS

Net assets as of June 30, 2001 and 2000 were permanently restricted for the following purposes:

	<u>2001</u>	<u>2000</u>
Support of the College's faculty, programs, and facilities	\$ 1,148,535	\$ 1,499,272
Scholarships	8,420,450	10,738,989
Operations and general support	<u>3,622,613</u>	<u>4,976,571</u>
Total permanently restricted net assets	<u>\$ 13,191,598</u>	<u>\$17,214,832</u>

Permanently restricted net asset investment income available for expenditure is limited to 4.5 percent of the trailing three year average of the permanently restricted net asset balance, with any excess investment income added to permanently restricted net assets. The Foundation's intent is that the 4.5% spending policy and .9 percent administrative fee will result in long-term preservation of permanently restricted net asset corpus.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Year Ended June 30, 2001

NOTE I - OPERATING LEASES

The Foundation leases a vehicle and equipment under operating leases expiring in various years through 2006.

The minimum future lease payments under all non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2001 for each of the next five years are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2002	\$ 11,892
2003	12,023
2004	4,320
2005	5,040
2006	<u>3,360</u>
Total	<u>\$ 36,635</u>

Rental expense was \$9,069 and \$6,237 for the years ended June 30, 2001 and 2000, respectively.

NOTE J - CONCENTRATIONS

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

At June 30, 2001, one donor's promise represented approximately 50% of the unconditional promises to give balance.

NOTE K - RELATED PARTY

As described in Note A, the Foundation is affiliated with the College. During the year ended June 30, 2001, the College provided professional services valued at \$191,449 to the Foundation. The value of those services are included as contributions in the financial statement and expensed on a functional basis based on the type of service.

During the years ended June 30, 2001 and 2000, the Foundation incurred expenses of \$1,220,320 and \$2,335,974 for scholarships and support of the College.

At June 30, 2001 and 2000, amounts due to the College totaled \$1,470,468 and \$1,706,149, respectively.



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

September 27, 2001

The Board of Directors
Lorain County Community College Foundation
Elyria, Ohio

We have audited the financial statements of Lorain County Community College Foundation, Inc. (an Ohio nonprofit organization) as of and for the year ended June 30, 2001, and have issued our report dated September 27, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits obtained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lorain County Community College Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lorain County Community College Foundation, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

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

Barnes Wendling CPAs, Inc.

Certified Public Accountants / Management Consultants

1288 Abbe Road, Suite B
Elyria, OH 44035-1649



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 18, 2001**