

**THE LAKELAND FOUNDATION**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
The Lakeland Foundation  
7700 Clocktower Drive  
Kirtland, Ohio 44094

We have reviewed the Independent Auditor's Report of The Lakeland Foundation, Lake County, prepared by Varney, Fink & Associates, Inc. for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

December 8, 2005

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**THE LAKELAND FOUNDATION  
INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**CERTIFIED PUBLIC ACCOUNTANTS**  
**121 College Street**  
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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, 2005, 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.

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 The Lakeland Foundation as of June 30, 2005, 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 October 31, 2005 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

October 31, 2005

**The Lakeland Foundation**  
**Lake County, Ohio**  
**Statement of Financial Position**  
**June 30, 2005**  
**(With Comparative Financial Information for June 30, 2004)**

	<u>2005</u>	<u>2004</u>
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$290,849	\$364,507
Cash Held for Others	19,832	26,044
Investment (See Note 3)	1,812,935	1,724,633
Pledges Receivable (See Note 5)	274,425	99,067
Donation Receivable	14,072	10,290
Loans Receivable (See Note 6)	19,033	16,277
Other Assets	297	480
Prepaid Expenses	<u>7,177</u>	<u>1,966</u>
Total Assets	<u><u>\$2,438,620</u></u>	<u><u>\$2,243,264</u></u>
<b><u>LIABILITIES</u></b>		
Payables (Scholarship and Trade)	111,197	87,549
Due to Custodial Funds	19,832	26,044
Contingent Pledge Liability	<u>75,000</u>	<u>100,000</u>
Total Liabilities	<u>206,029</u>	<u>213,593</u>
<b><u>NET ASSETS</u></b>		
Permanently Restricted (Note 4)	1,305,800	1,193,221
Temporarily Restricted (Note 4)	651,425	658,680
Unrestricted	<u>275,366</u>	<u>177,770</u>
Total Net Assets	<u>2,232,591</u>	<u>2,029,671</u>
Total Liabilities and Net Assets	<u><u>\$2,438,620</u></u>	<u><u>\$2,243,264</u></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, 2005**  
**(With Comparative Financial Information for June 30, 2004)**

	Permanently Restricted	Temporarily Restricted	Unrestricted	2005 Totals	2004 Totals
<b>SUPPORT, REVENUE AND RECLASSIFICATION</b>					
Private and Corporate Contributions and Grants	\$75,641	\$521,949	\$231,874	\$829,464	\$436,583
Donations - In-Kind	0	49,600	2,478	52,078	528
Interest and Dividends	37,202	0	20,046	57,248	34,616
Realized Gain (Loss) on Investments	12,852	0	(5,527)	7,325	(3,741)
Unrealized Gain (Loss) on Investments	23,510	1,757	0	25,267	112,358
<b>Total Support and Revenue</b>	<b>149,205</b>	<b>573,306</b>	<b>248,871</b>	<b>971,382</b>	<b>580,344</b>
Net Assets Released From Restrictions	(36,626)	(580,561)	617,187	0	0
<b>Total Support, Revenue and Reclassification</b>	<b>112,579</b>	<b>(7,255)</b>	<b>866,058</b>	<b>971,382</b>	<b>580,344</b>
<b>PROGRAM AND SUPPORT EXPENSES</b>					
Program Services:					
Scholarships	0	0	365,341	365,341	359,577
Educational and Related Programs	0	0	164,563	164,563	145,895
In-Kind	0	0	12,794	12,794	528
Support Services:					
Administration	0	0	128,491	128,491	119,693
Administration - In Kind	0	0	250	250	0
Fundraising	0	0	57,989	57,989	3,300
Fundraising - In Kind	0	0	39,034	39,034	0
<b>Total Program and Support Expenses</b>	<b>0</b>	<b>0</b>	<b>768,462</b>	<b>768,462</b>	<b>628,993</b>
Change in Net Assets	112,579	(7,255)	97,596	202,920	(48,649)
Net Assets, Beginning of Fiscal Year	1,193,221	658,680	177,770	2,029,671	2,078,320
Net Assets, End of Fiscal Year	<u>\$1,305,800</u>	<u>\$651,425</u>	<u>\$275,366</u>	<u>\$2,232,591</u>	<u>\$2,029,671</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, 2005**  
**(With Comparative Financial Information for June 30, 2004)**

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Change in net assets	\$202,920	(\$48,649)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Change in Allowance for Uncollectible Loans	6,128	15,000
Change in Allowance for Uncollectible Pledges	2,444	9,959
Change in Discounts to Net Present Value	21,466	(3,170)
Realized Loss (Gain) on Investments	(7,324)	3,741
Unrealized Loss (Gain) on Investments	(25,266)	(112,358)
Contributions Restricted for Long-Term Investment	(63,537)	(67,467)
Interest and Dividends Restricted for Reinvestment	(33,205)	(24,957)
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Pledges Receivable	(199,268)	47,967
Decrease (Increase) in Program Loans Receivable	(8,885)	5,282
Decrease (Increase) in Accounts Receivable	(3,782)	(6,325)
Decrease (Increase) in Prepaid Expense	(5,210)	5,215
Decrease (Increase) in Other Assets	183	(480)
(Decrease) Increase in Payables	23,648	39,285
(Decrease) Increase in Contingent Pledge Liability	(25,000)	98,333
Total adjustments	<u>(317,608)</u>	<u>10,025</u>
Net cash (used by) operating activities	<u>(114,688)</u>	<u>(38,624)</u>
Cash flows from investing activities:		
Proceeds from Sales and Maturity of Investments	584,251	433,944
Purchase of Investments	(753,602)	(874,269)
Change in Investment Money Market Funds	113,639	375,286
Net cash (used for) investing activities	<u>(55,712)</u>	<u>(65,039)</u>
Cash flows from financing activities:		
Interest and Dividends Restricted for Reinvestment	33,205	24,957
Contributions Restricted for Long-Term Investment	63,537	67,467
Net cash provided by financing activities	<u>96,742</u>	<u>92,424</u>
Net (decrease) in cash and cash equivalents	(73,658)	(11,239)
Cash and cash equivalents, beginning of fiscal year	<u>364,507</u>	<u>375,746</u>
Cash and cash equivalents, end of fiscal year	<u><u>\$290,849</u></u>	<u><u>\$364,507</u></u>
Supplemental Schedule of Non-Cash Operating Activities:		
Donated Goods	\$52,078	\$528
Donated Goods Used in Operations	(52,078)	(528)
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, 2005

### 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 (“LCC”) 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 LCC. The accounting records for the Foundation are maintained at LCC, Kirtland, Ohio. Certain administrative expenses of the Foundation are paid directly by LCC.

The Foundation serves as the fiscal agent for Suit Yourself and Partners in Science Excellence. Both Suit Yourself and Partners in Science Excellence are separate organizations that have their own boards. The cash on hand and due to each organization is reflected on the Statement of Financial Position as Cash Held for Others and Due to Custodial Funds.

### 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.

THE LAKELAND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Comparative Financial Statements

The financial statements include certain prior-year (2004) 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, 2004, from which the comparative total amounts were derived.

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 \$100,984 as of June 30, 2005. 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, 2005

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, 2005.

THE LAKELAND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

3. **INVESTMENTS**

Investments are recorded at fair value. The historical and fair value at June 30, 2005 were as follows:

	<u>Cost</u>	<u>Fair Value</u>
Corporate Stocks	\$754,945	\$825,422
Corporate Bonds	136,191	135,316
Municipal Bonds	15,148	15,264
Agency Bonds	382,586	379,248
Foreign Bonds	25,028	24,662
U.S. Obligations	314,846	312,764
Money Market Accounts	120,259	120,259
Total	<u>\$1,749,003</u>	<u>\$1,812,935</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, 2005 and June 30, 2004. Approximate totals are:

	<u>2005</u>	<u>2004</u>
Scholarships	\$376,512	\$379,694
Loans (Note 6)	43,596	49,724
Educational and Related Programs	231,317	229,262
Total Temporarily Restricted Net Assets	<u>\$651,425</u>	<u>\$658,680</u>

THE LAKELAND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

4. **NET ASSETS** (continued)

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

	<u>2005</u>	<u>2004</u>
Scholarships	\$203,897	\$218,039
Loans (Note 6)	6,128	21,000
Educational and Related Programs	<u>370,536</u>	<u>74,387</u>
Total Net Assets Released from Donor Restrictions	<u>\$580,561</u>	<u>\$313,426</u>

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, 2005 and June 30, 2004. Approximate totals are:

	<u>2005</u>	<u>2004</u>
Endowments	\$1,306,195	\$1,234,510
Endowment Activity	<u>(395)</u>	<u>(41,289)</u>
Total Permanently Restricted Net Assets	<u>\$1,305,800</u>	<u>\$1,193,221</u>

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

	<u>2005</u>	<u>2004</u>
Endowment Activity	\$36,626	\$24,373

5. **PLEDGES RECEIVABLE**

At June 30, 2005, \$338,324 of pledges were still outstanding. The related allowance for uncollected pledges at June 30 is \$32,403 (2005) and \$29,959 (2004)

Unconditional promises to give at June 30, 2005 are as follows:

	<u>2005</u>	<u>2004</u>
Total Unconditional Promises to Give	\$338,324	\$139,056
Less: Discount to Net Present Value	(31,496)	(10,030)
Less: Allowance for Uncollectible Pledges	<u>(32,403)</u>	<u>(29,959)</u>
Net Unconditional Promises to Give at June 30, 2005	<u>\$274,425</u>	<u>\$99,067</u>

THE LAKELAND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

5. **PLEDGES RECEIVABLE** (continued)

Discount rates used on long-term promises to give average 6% in 2005.

	<u>2005</u>	<u>2004</u>
Unconditional Pledges to Give:		
Unrestricted Amounts Due:		
Less than One Year	\$45,870	\$13,755
One to Five Years	79,601	12,656
Temporarily Restricted Amounts Due:		
Less than One Year	93,883	56,930
One to Five Years	41,909	14,669
Permanently Restricted Amounts Due:		
Less than One Year	6,271	1,057
One to Five Years	6,891	0
Total	<u>\$274,425</u>	<u>\$99,067</u>

6. **LOANS RECEIVABLE**

As of June 30, 2005, loans receivable totaled \$82,087.50. During fiscal year ended June 30, 2005, a total of \$16,972 was distributed to qualifying students in a revolving student loan in the C. Schell Loan Program. The loans are interest free and have various repayment terms. During fiscal year ended June 30, 2005, \$8,087.50 had been repaid. The related allowance for uncollectible loans is \$63,054 and \$56,926 for fiscal years ended June 30, 2005 and June 30, 2004, 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 \$146,628 and \$134,584 for the years ended June 30, 2005 and June 30, 2004, respectively. The Foundation distributed \$637,409 and \$521,104 for the years ended June 30, 2005 and June 30, 2004, respectively, to the College. The Foundation had receivables from the College of \$8,018 and \$6,792 as of June 30, 2005 and June 30, 2004, respectively. The Foundation had payables to the College of \$86,852 and \$41,057 as of June 30, 2005 and June 30, 2004, respectively.

**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***

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, 2005, and have issued our report thereon dated October 31, 2005. 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.

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 an opinion 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 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 caused by error or fraud 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.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

**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* (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.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

October 31, 2005



**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 27, 2005**