

THE LAKELAND FOUNDATION
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006



Mary Taylor, CPA
Auditor of State

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 Varney, Fink & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 16, 2007

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**THE LAKELAND FOUNDATION
INDEPENDENT AUDITOR’S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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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, 2006, 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, 2006, 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, 2006 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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, 2006

The Lakeland Foundation
Lake County, Ohio
Statement of Financial Position
June 30, 2006
(With Comparative Financial Information for June 30, 2005)

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash and Cash Equivalents	\$292,247	\$290,849
Cash Held for Others	19,114	19,832
Investments (See Note 3)	1,968,660	1,812,935
Pledges Receivable (See Note 5)	228,332	274,425
Donation Receivable	29,465	14,072
Loans Receivable (See Note 6)	20,910	19,033
Other Assets	1,597	297
Prepaid Expense	0	7,177
	<hr/>	<hr/>
Total Assets	<u>\$2,560,325</u>	<u>\$2,438,620</u>
<u>LIABILITIES</u>		
Payables (Scholarship and Trade)	\$62,734	\$111,197
Due to Custodial Funds	19,114	19,832
Contingent Pledge Liability	50,000	75,000
	<hr/>	<hr/>
Total Liabilities	<u>131,848</u>	<u>206,029</u>
<u>NET ASSETS</u>		
Permanently Restricted (Note 4)	1,497,253	1,305,800
Temporarily Restricted (Note 4)	690,230	651,425
Unrestricted	240,994	275,366
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Total Net Assets	<u>2,428,477</u>	<u>2,232,591</u>
Total Liabilities and Net Assets	<u>\$2,560,325</u>	<u>\$2,438,620</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, 2006
(With Comparative Financial Information for June 30, 2005)

	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED	UNRESTRICTED	2006 TOTALS	2005 TOTALS
SUPPORT, REVENUE AND RECLASSIFICATIONS					
Private and Corporate Contributions and Grants	\$85,781	\$609,444	\$105,680	\$800,905	\$829,464
Donations - In-Kind	0	303,129	3,746	306,875	52,078
Interest and Dividends	42,279	0	13,263	55,542	57,248
Realized Gain (Loss) on Investments	22,975	0	(808)	22,167	7,325
Unrealized Gain (Loss) on Investments	17,448	(1,968)	0	15,480	25,267
Total Support and Revenue	168,483	910,605	121,881	1,200,969	971,382
Net Assets Released from Restrictions	22,970	(871,800)	848,830	0	0
Total Support, Revenue and Reclassifications	191,453	38,805	970,711	1,200,969	971,382
PROGRAM AND SUPPORT EXPENSES					
Program Services:					
Scholarships	0	0	361,712	361,712	365,341
Educational and Related Programs	0	0	137,246	137,246	164,563
In-Kind	0	0	253,972	253,972	12,794
Support Services:					
Administration	0	0	137,103	137,103	128,491
Administration - In-Kind	0	0	0	0	250
Fundraising	0	0	62,147	62,147	57,989
Fundraising - In-Kind	0	0	52,903	52,903	39,034
Total Program and Support Expenses	0	0	1,005,083	1,005,083	768,462
Change in Net Assets	191,453	38,805	(34,372)	195,886	202,920
Net Assets, Beginning of Fiscal Year	1,305,800	651,425	275,366	2,232,591	2,029,671
Net Assets, End of Fiscal Year	<u>\$1,497,253</u>	<u>\$690,230</u>	<u>\$240,994</u>	<u>\$2,428,477</u>	<u>\$2,232,591</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, 2006
(With Comparative Financial Information for June 30, 2005)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Change in Net Assets	\$195,886	\$202,920
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Allowance for Uncollectible Loans	6,975	6,128
Change in Allowance for Uncollectible Pledges	(12,938)	2,444
Change in Discounts to Net Present Value	(11,168)	21,466
Realized Loss (Gain) on Investments	(22,167)	(7,324)
Unrealized Loss (Gain) on Investments	(15,479)	(25,266)
Contributions Restricted for Long-Term Investment	(89,981)	(63,537)
Interest and Dividends Restricted for Reinvestment	(46,276)	(33,205)
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Pledges Receivable	70,198	(199,268)
Decrease (Increase) in Loans Receivable	(8,852)	(8,885)
Decrease (Increase) in Accounts Receivable	(15,393)	(3,782)
Decrease (Increase) in Prepaid Expense	7,177	(5,210)
Decrease (Increase) in Other Assets	(1,300)	183
(Decrease) Increase in Payables	(48,463)	23,648
(Decrease) Increase in Contingent Pledge Liability	(25,000)	(25,000)
Total Adjustments	<u>(212,667)</u>	<u>(317,608)</u>
Net cash (used for) operating activities	<u>(16,781)</u>	<u>(114,688)</u>
Cash flows from investing activities:		
Proceeds from Sales and Maturity of Investments	592,895	584,251
Purchase of Investments	(603,983)	(753,602)
Change in Investment Money Market funds	(106,990)	113,639
Net Cash (Used for) Investing Activities	<u>(118,078)</u>	<u>(55,712)</u>
Cash flows from financing activities:		
Interest and Dividends Restricted for Reinvestment	46,276	33,205
Contributions Restricted for Long-Term Investment	89,981	63,537
Net Cash Provided by Financing Activities	<u>136,257</u>	<u>96,742</u>
Net increase/(decrease) in cash and cash equivalents	1,398	(73,658)
Cash and cash equivalents, beginning of fiscal year	<u>290,849</u>	<u>364,507</u>
Cash and cash equivalents, end of fiscal year	<u><u>\$292,247</u></u>	<u><u>\$290,849</u></u>
Supplemental Schedule of Non-Cash Operating Activities:		
Donated Goods	\$306,875	\$52,078
Donated Goods Used in Operations	(306,875)	(52,078)
Net change affecting net assets	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

THE LAKELAND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 fiscal agent for Suit Yourself and Partners in Science Excellence (PSE). Both Suit Yourself and Partners in Science Excellence are separate organizations that have their own boards. During FY 2006, Suit Yourself became a separate 501(c)(3) entity and those related assets ceased to be a component of the Foundation. The cash on hand and due PSE 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 Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of such assets permit the Foundation to use all or part of the income earned on the assets.

THE LAKELAND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior-year (2005) 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, 2005, from which the comparative total amounts are 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 instruments 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 an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash and cash equivalents at the institution exceeded the federally insured limits. The amount in excess of the FDIC limit totaled \$176,988 as of June 30, 2006. 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, 2006

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, 2006.

THE LAKELAND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

3. **INVESTMENTS**

Investments are recorded at fair value. The historical and fair value at June 30, 2006 were as follows:

	<u>COST</u>	<u>FAIR VALUE</u>
Corporate Stocks	\$836,163	\$933,024
Corporate Bonds	209,116	204,825
Municipal Bonds	15,148	14,055
Agency Bonds	402,102	391,930
Foreign Bonds	25,028	24,257
U.S. Obligations	174,445	173,320
Money Market Accounts	227,249	227,249
Total	<u>\$1,889,251</u>	<u>\$1,968,660</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 designated temporarily restricted. These funds include private and corporate contributions which have been temporarily restricted for these specific purposes. Earnings on investments of this fund are included in the unrestricted fund unless such earnings have been stipulated as temporarily restricted by donors.

Temporarily restricted net assets are available for the following purposes as of June 30, 2006 and June 30, 2005. Approximate totals are:

	<u>2006</u>	<u>2005</u>
Scholarships	\$413,633	\$376,512
Loans (Note 6)	36,621	43,596
Educational and Related Programs	239,976	231,317
Total Temporarily Restricted Net Assets	<u>\$690,230</u>	<u>\$651,425</u>

THE LAKELAND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

4. **NET ASSETS** (continued)

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

	2006	2005
Scholarships	\$220,359	\$203,897
Loans (Note 6)	6,976	6,128
Educational and Related Programs	644,465	370,536
Total Net Assets Released from Donor Restrictions	\$871,800	\$580,561

PERMANENTLY RESTRICTED FUNDS

The Endowment Fund includes contributions restricted in perpetuity or for terms designated 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, 2006 and June 30, 2005. Approximate totals are:

	2006	2005
Endowments	\$1,472,438	\$1,306,195
Endowment Activity	24,815	(395)
Total Permanently Restricted Net Assets	\$1,497,253	\$1,305,800

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

	2006	2005
Endowment Activity	(\$22,970)	\$36,626

5. **PLEDGES RECEIVABLE**

At June 30, 2006, \$268,126 of pledges were still outstanding. The related allowance for uncollected pledges at June 30 is \$19,466 (2006) and \$32,403 (2005).

THE LAKELAND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

5. **PLEDGES RECEIVABLE** (continued)

Unconditional promises to give at June 30, 2006 and June 30, 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Total Unconditional Promises to Give	\$268,126	\$338,324
Less: Discount to Net Present Value	(20,328)	(31,496)
Less: Allowance for Uncollectible Pledges	(19,466)	(32,403)
Net Unconditional Promises to Give	<u>\$228,332</u>	<u>\$274,425</u>

Discount rates used on long-term promises to give average 6% in 2006.

	<u>2006</u>	<u>2005</u>
Unconditional Pledges to give:		
Unrestricted Amounts due:		
Less than One Year	\$48,932	\$45,870
One to Five Years	41,167	79,601
Temporarily Restricted Amounts Due:		
Less than One Year	107,458	93,883
One to Five Years	21,817	41,909
Permanently Restricted Amounts Due:		
Less than One Year	8,469	6,271
One to Five Years	489	6,891
Total	<u>\$228,332</u>	<u>\$274,425</u>

6. **LOANS RECEIVABLE**

As of June 30, 2006, loans receivable totaled \$90,940. During fiscal year ended June 30, 2006 a total of \$16,130 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, 2006, \$7,278 had been repaid. The related allowance for uncollectible loans is \$70,030 and \$63,054 for fiscal years ended June 30, 2006 and June 30, 2005, 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.

THE LAKELAND FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

8. **RELATED PARTY TRANSACTION**

The College made distributions to the Foundation of \$151,433 and \$146,628 for the years ended June 30, 2006 and June 30, 2005, respectively. The Foundation distributed \$667,378 and \$637,409 for the years ended June 30, 2006 and June 30, 2005, respectively, to the College. The Foundation also distributed \$253,972 and \$13,044 in Gifts-in-Kind for the years ended June 30, 2006 and June 30, 2005, respectively. The Foundation had receivables from the College of \$18,359 and \$8,018 as of June 30, 2006 and June 30, 2005, respectively. The Foundation had payables to the College of \$41,452 and \$86,852 as of June 30, 2006 and June 30, 2005, 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, 2006, and have issued our report thereon dated October 31, 2006. 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 reportable 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, 2006



Mary Taylor, CPA
Auditor of State

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
JANUARY 30, 2007**