

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

**AUDITED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2009 AND 2008**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Lorain County Community College Foundation, Lorain County, prepared by Barnes Wendling CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 14, 2010

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

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INDEPENDENT AUDITORS' REPORT

December 8, 2009

The Board of Directors  
Lorain County Community College Foundation, Inc.  
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, 2009 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 prior years' summarized comparative information has been derived from the Foundation's 2008 financial statements and, in our report dated December 21, 2008; we expressed an unqualified opinion on those financial 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, 2009, 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 December 8, 2009, 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 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 read in conjunction with this report in considering the results of our audit.

*Barnes Wendling CPAs, Inc.*

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

## **Statements of Financial Position**

	June 30,	
	2009	2008
<b>ASSETS</b>		
Cash and cash equivalents	\$ 167,592	\$ 1,257,603
Grants receivable	530,000	230,642
Unconditional promises to give	2,610,269	1,149,009
Investments	19,695,567	22,082,282
Prepaid expenses	1,721	3,220
Equipment, net	8,165	12,602
<b>TOTAL ASSETS</b>	<b>\$ 23,013,314</b>	<b>\$ 24,735,358</b>
<b>LIABILITIES</b>		
Accounts, support and awards payable	\$ 301,868	\$ 675,986
Deferred revenue	17,838	14,400
Annuity obligation	7,967	9,126
Funds held as fiscal agent	37,115	42,614
<b>TOTAL LIABILITIES</b>	<b>364,788</b>	<b>742,126</b>
<b>NET ASSETS</b>		
Unrestricted	376,962	602,184
Temporarily restricted	5,224,958	3,131,564
Permanently restricted	17,046,606	20,259,484
<b>TOTAL NET ASSETS</b>	<b>22,648,526</b>	<b>23,993,232</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 23,013,314</b>	<b>\$ 24,735,358</b>

See Notes to Financial Statements



# LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

## Statements of Activities and Changes in Net Assets

	Years Ended June 30,				2008
	2009			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue and support					
Contributions	\$ 60,833	\$ 3,477,779	\$ 165,508	\$ 3,704,120	\$ 6,755,957
Innovation fund income	-0-	634,956	-0-	634,956	571,323
Investment income (loss), net	324,188	273,207	( 3,389,062)	( 2,791,667)	( 1,063,817)
Special event	84,695	-0-	10,676	95,371	120,005
Other income	-0-	-0-	-0-	-0-	303,932
Total revenues and support	469,716	4,385,942	( 3,212,878)	1,642,780	6,687,400
Net assets released from restrictions	2,292,548	( 2,292,548)	-0-	-0-	-0-
	2,762,264	2,093,394	( 3,212,878)	1,642,780	6,687,400
Expenses					
Scholarships	658,678	-0-	-0-	658,678	615,027
Support for Lorain County Community College	506,792	-0-	-0-	506,792	570,355
Innovation fund awards	914,532	-0-	-0-	914,532	335,000
Management and general	465,991	-0-	-0-	465,991	425,267
Fundraising	441,493	-0-	-0-	441,493	392,972
Total expenses	2,987,486	-0-	-0-	2,987,486	2,338,621
Changes in net assets	( 225,222)	2,093,394	( 3,212,878)	( 1,344,706)	4,348,779
Net assets, beginning of year	602,184	3,131,564	20,259,484	23,993,232	19,644,453
<b>NET ASSETS, end of year</b>	<b><u>\$ 376,962</u></b>	<b><u>\$ 5,224,958</u></b>	<b><u>\$17,046,606</u></b>	<b><u>\$22,648,526</u></b>	<b><u>\$23,993,232</u></b>

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

## **Statements of Cash Flows**

	Years Ended June 30,	
	2009	2008
<b>Cash Flows From Operating Activities</b>		
Changes in net assets	(\$ 1,344,706)	\$ 4,348,779
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	4,437	3,461
Forgiveness of engineering building support payable	-0-	( 300,000)
Unconditional promises to give bad debts	-0-	25,000
Deferred revenue	3,438	4,382
Net loss on investments	3,440,353	1,605,317
(Increase) decrease in assets		
Grants receivable	( 299,358)	( 214,694)
Unconditional promises to give	( 1,461,260)	( 501,659)
Prepaid expenses	1,499	( 1,801)
Increase (decrease) in liabilities		
Accounts, support and awards payable	( 374,118)	563,794
Annuity obligation	( 1,159)	( 1,068)
Funds held as fiscal agent	( 5,499)	( 6,290)
Engineering building support payable	-0-	7,143
Contributions restricted for permanent investment	( 176,184)	( 5,298,218)
Net cash provided by (used in) operating activities	( 212,557)	234,146
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	-0-	( 8,498)
Proceeds from the sale of investments	806,262	13,048,688
Purchase of investments	( 1,859,900)	( 17,407,172)
Net cash used in investing activities	( 1,053,638)	( 4,366,982)
<b>Cash Flows From Financing Activities</b>		
Contributions restricted for permanent investment	176,184	5,298,218
Net increase (decrease) in cash	( 1,090,011)	1,165,382
Cash and cash equivalents at beginning of year	1,257,603	92,221
<b>Cash and cash equivalents at end of year</b>	<b>\$ 167,592</b>	<b>\$ 1,257,603</b>

See Notes to Financial Statements

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

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## **Notes to Financial Statements Years Ended June 30, 2009 and 2008**

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Nature of Activities**

Lorain County Community College Foundation, Inc. (the Foundation), a non-governmental, non-profit organization 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. Financial statement presentation also follows the recommendations of FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*.

#### **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, 2008, from which the summarized information was derived.

#### **Use of Estimates**

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

#### **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.

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

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## **Notes to Financial Statements Years Ended June 30, 2009 and 2008**

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Investments**

The Foundation has adopted Statement of Financial Accounting Standards No. 124 (SFAS 124), *Accounting for Certain Investments Held by Not-for-Profit Organizations*. SFAS 124 provides that certain investments in equity and debt securities be reported at fair value.

#### **Fair Value Reporting**

The Foundation has adopted Statement of Financial Accounting Standards No. 157 (SFAS No. 157) *Fair Value Measurements*, which provides clarification and guidance regarding reporting of financial instruments at fair value. In accordance with SFAS No. 157, fair value is defined as the price that the Foundation would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. SFAS No. 157 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Foundation's investments. The inputs are summarized in the three broad levels listed below:

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of the investments)

The input or methodology used for valuation of securities is not necessarily an indication of the risk associated with investing in those securities.

The Foundation's investments are summarized in Note C to the financial statements. Fair value for these investments has been determined by quoted prices in active markets (Level 1 inputs) for these assets.

#### **Grants Receivable**

Grants receivable are comprised primarily of prospective and reimbursable awards committed from various funding agencies for use in the Foundation's activities. All grants receivable are expected to be collected within one year. The foundation has not recorded a provision for doubtful accounts since it is the opinion of management that these receivables are collectible in full.

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

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## **Notes to Financial Statements Years Ended June 30, 2009 and 2008**

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **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 generally ranges from three to seven years. The Foundation capitalizes all long-lived assets that cost more than \$500 and have a useful life in excess of one year. Depreciation expense for the years ended June 30, 2009 and 2008 was \$4,437 and \$3,461, respectively. Accumulated depreciation at June 30, 2009 and 2008 was \$68,540 and \$64,103, respectively.

#### **Contributions**

The Foundation has adopted Statement of Financial Accounting Standards No. 116 (SFAS 116), *Accounting for Contributions Received and Contributions Made*. SFAS 116 provides that contributions be recognized as revenue in the period in which the pledge (promise to give) is received.

The Foundation has also adopted Statement of Financial Accounting Standards No. 136 (SFAS 136), *Transfers of Assets to a Not-for-Profit Organization or Charitable trust that Raises or Holds Contributions for Others*. SFAS 136 provides that when a donor transfers assets to the Foundation and the transfers are revocable, repayable or reciprocal, the transfer does not constitute a contribution to the Foundation. Such transactions and subsequent activity relating to these funds are separately identified as "funds held as fiscal agent" in the Foundation's financial statements.

#### **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 non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Note G to the financial statements discloses the value of services donated by Lorain County Community College to the Foundation during the years ended June 30, 2009 and 2008.

#### **Unrestricted Net Assets**

This category includes net assets not subject to donor-imposed stipulations. This category periodically includes net assets designated by the Board. At June 30, 2009 and 2008 there were no board designated net assets.

#### **Temporarily Restricted Net Assets**

This category includes 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**

This category includes net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

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

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## **Notes to Financial Statements Years Ended June 30, 2009 and 2008**

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Administration Fee**

The Foundation allocates a 1.25% administration fee on temporarily and permanently restricted net assets, excluding unconditional promises to give, to provide for indirect program, general management and fundraising expenses. The total amount charged to net assets related to this fee was \$263,310 and \$221,643 for the years ended June 30, 2009 and 2008, 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.

#### **Income Taxes**

The Foundation is exempt from income taxes under Section 501(c) (3) as a non-governmental, non-profit entity under provisions 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) of the Internal Revenue Code.

#### **Innovation Fund Awards**

The innovation fund bestows awards in two categories, type A awards and type B awards. Type A awards are \$25,000 and contain no right of replenishment. Type B awards are greater than \$25,000 and contain a right of replenishment as disclosed in Note J to the financial statements. It is the policy of the foundation to fully reserve against the possibility of replenishment at the time of the award based on insufficient financial information regarding the future collectability of these awards, creating a net \$-0- effect to receivables. If the right of replenishment is exercised for an award, the receivable will be recorded at that time the Foundation determines an entity is financially viable for repayment of its innovation fund award. During the years ended June 30, 2009 and 2008, the Organization made innovation award payments of \$914,532 and \$335,000, respectively, to entities selected by the Innovation Fund Committee. At June 30, 2009 and 2008, the Foundation had \$-0- and \$40,000, respectively, included within accounts, support and awards payable for awards authorized but not paid. At June 30, 2009 and 2008, the Foundation had additional unpaid awards which were considered conditional and therefore not included within accounts payable of \$892,000 and \$150,000, respectively.

#### **Subsequent Events**

The Foundation has evaluated subsequent events through December 8, 2009, the date which the financial statements were available to be issued.

#### **Reclassifications**

Certain amounts from 2008 have been reclassified to conform to the 2009 presentation.

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

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## **Notes to Financial Statements Years Ended June 30, 2009 and 2008**

### **NOTE B - PROMISES TO GIVE**

Unconditional promises to give at June 30, 2009 and 2008 are as follows:

	2009	2008
Receivable in less than one year	\$ 607,007	\$ 410,390
Receivable in one to five years	1,499,880	203,077
Receivable in six to ten years	653,000	658,000
Total unconditional promises to give	2,759,887	1,271,467
Less discounts to present value	( 149,618)	( 122,458)
Net unconditional promises to give	<u>\$2,610,269</u>	<u>\$1,149,009</u>

The discount rate used on long-term promises to give was 2.00% and 2.10% at June 30, 2009 and 2008, respectively. Certain promises to give do not designate a payment term but management does not anticipate payment of these obligations within the next 5 - 10 years so they have been estimated as payable in 10 years.

The Foundation has not recorded a reserve for uncollectible promises to give because the amount would be immaterial. During the years ended June 30, 2009 and 2008, the Foundation wrote off uncollectible promises to give of \$-0- and \$25,000, respectively.

### **NOTE C - INVESTMENTS**

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

	June 30, 2009		June 30, 2008	
	Cost	Fair Value	Cost	Fair Value
Common equity securities	\$ 882,779	\$ 912,705	\$ 804,578	\$ 1,171,814
Mutual equity funds	11,363,079	8,905,348	9,213,437	10,024,188
Mutual bond funds	7,887,657	7,501,199	6,974,133	6,825,774
Cash and cash equivalents	2,376,315	2,376,315	4,060,506	4,060,506
	<u>\$22,509,830</u>	<u>\$19,695,567</u>	<u>\$21,052,654</u>	<u>\$22,082,282</u>

Investment income for the years ended June 30, 2009 and 2008 consisted of the following:

	2009	2008
Interest and dividends	\$ 697,541	\$ 563,459
Net gains (losses)	( 3,440,236)	( 1,572,996)
Management fees	( 48,972)	( 54,280)
Total investment income (loss)	<u>(\$ 2,791,667)</u>	<u>(\$ 1,063,817)</u>

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

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## **Notes to Financial Statements Years Ended June 30, 2009 and 2008**

### **NOTE D - CHARITABLE REMAINDER UNITRUSTS**

#### **Charitable Remainder Trusts**

The Foundation was named co-beneficiary of a charitable remainder unitrust. Despite the fact the trust is irrevocably funded, no amount has been recorded in the accompanying financial statements, as the naming and changing of the charities in the trust is revocable by the trustees.

#### **Charitable Gift Annuities**

The Foundation has two charitable gift annuity agreements with a donor. The Foundation was named as trustee and beneficiary. At June 30, 2009 and 2008, the related asset is included within investments of the accompanying financial statements. At June 30, 2009 and 2008, an annuity obligation liability of \$7,967 and \$9,126, respectively, was recorded for the present value of the expected liability based on fixed quarterly payments for the remainder of the annuitants lives.

### **NOTE E - TEMPORARILY RESTRICTED NET ASSETS**

Net assets as of June 30, 2009 and 2008 were temporarily restricted for the following purposes:

	<u>2009</u>	<u>2008</u>
Support of the College's faculty, programs, facilities and Foundation's operation	\$3,343,203	\$2,152,724
Scholarships	1,879,917	976,541
Passage of time	<u>1,838</u>	<u>2,299</u>
Total temporarily restricted net assets	<u>\$5,224,958</u>	<u>\$3,131,564</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Support of the College's faculty, programs, facilities and Foundation's operation	\$ 506,792	\$ 459,623
Innovation fund awards	914,531	335,000
Scholarships	658,678	563,327
Management and general	62,047	-0-
Collection of unrestricted promises to give	<u>150,500</u>	<u>3,133</u>
Total restrictions released	<u>\$2,292,548</u>	<u>\$ 1,361,083</u>



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

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## **Notes to Financial Statements Years Ended June 30, 2009 and 2008**

### **NOTE F - ENDOWMENTS**

During 2008, the State of Ohio adopted the Unified Prudent Management of Institutional Funds Act (UPMIFA), which became effective June 1, 2009. In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, to address the net asset classification of donor-restricted endowment funds for nonprofit organizations that are subject to an enacted version of the UPMIFA. In addition, however, the FASB decided to use FSP FAS 117-1 as an opportunity to improve the disclosures about endowments. Accordingly, FSP FAS 117-1 requires certain disclosures applicable to all nonprofit organizations that have endowments, even if an organization is not yet subject to a version of UPMIFA or if it only has board-designated endowment funds.

The Foundation's endowment includes 134 scholarship funds and 8 program funds. As required by accounting principles generally accepted in the United States of America, 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.

The Board of Directors of the Foundation has interpreted the Unified Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Ohio, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

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

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## **Notes to Financial Statements Years Ended June 30, 2009 and 2008**

### **NOTE F - ENDOWMENTS (CONTINUED)**

#### **Investment Return Objectives, Risk Parameters and Strategies**

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also preserving the fair value of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes cash and cash equivalents, mutual equity and bond funds, and common equity securities intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions in accordance with the Foundation's Investment and Allocation Policy of up to 4.5% of the audited June 30 trailing three year moving market value average of investments. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return in excess of 6% which allows for transfers of endowed net assets in accordance with both the spending policy and administrative fee policy, while maintaining growth within the endowment. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

#### **Spending Policy**

The Foundation has a policy of appropriating for distribution on an annual basis, up to 4.5% of the fair market value of its investment portfolio as approved by the board, plus the administrative fee described in Note A to the financial statements. The Foundation charges an administrative fee to offset the costs of operating the Foundation. In establishing these policies, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment to grow over the long-term. This is consistent with the Foundation's objective to preserve the fair value of the endowment assets as well as to provide additional real growth through new gifts and investment return. All withdrawals or transfers to other funds are subject to approval by the board of directors.

# LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

## Notes to Financial Statements Years Ended June 30, 2009 and 2008

### NOTE F - ENDOWMENTS (CONTINUED)

Changes in endowment net assets as of June 30, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 589,582	\$ 1,905,893	\$ 20,259,484	\$ 22,754,959
Investment return:				
Administrative fee	263,428	( 16,009)	( 243,071)	4,348
Transfers	116,474	562,565	(679,039)	-0-
Investment income	<u>( 55,382)</u>	<u>( 227,403)</u>	<u>( 2,466,952)</u>	<u>( 2,749,737)</u>
Total investment return	324,520	319,153	( 3,389,062)	( 2,745,389)
Contributions	21,571	120,000	165,571	307,142
Innovation fund income	-0-	634,956	-0-	634,956
Special events	-0-	-0-	10,676	10,676
Appropriation of endowment assets for expenditure	<u>( 567,158)</u>	<u>( 1,590,629)</u>	<u>-0-</u>	<u>( 2,157,787)</u>
Endowment net assets, end of year	<u>\$ 368,515</u>	<u>\$ 1,389,373</u>	<u>\$ 17,046,669</u>	<u>\$ 18,804,557</u>

#### **Funds with Deficiencies**

From time to time, the fair value of assets associated with the donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets. The Foundation had no funds with deficiencies at June 30, 2009 and 2008.

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

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## **Notes to Financial Statements Years Ended June 30, 2009 and 2008**

### **NOTE G - PERMANENTLY RESTRICTED NET ASSETS**

Net assets as of June 30, 2009 and 2008 were permanently restricted for the following purposes:

	<u>2009</u>	<u>2008</u>
Support of the College's faculty, programs, and facilities	\$ 4,155,384	\$ 4,804,663
Scholarships	9,874,369	11,816,026
Operations and general support	<u>3,016,853</u>	<u>3,638,795</u>
Total permanently restricted net assets	<u>\$17,046,606</u>	<u>\$20,259,484</u>

### **NOTE H - RELATED PARTY**

As described in Note A, the Foundation is affiliated with Lorain County Community College. During the years ended June 30, 2009 and 2008, the College provided the Foundation with professional staffing valued at \$65,324 and \$44,748, respectively. 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 provided by the employee.

During the years ended June 30, 2009 and 2008, the Foundation provided scholarships and support to the College of \$1,165,470 and \$1,185,382, respectively.

At June 30, 2009 and 2008, amounts due to the College totaled \$254,158 and \$557,352, respectively.

During the year ended June 30, 2008, the College forgave \$300,000 of the engineering building payable.

The foundation is also related to Citizens for LCCC. The foundation made contributions of \$-0- and \$290,000, respectively, to Citizens for LCCC during the years ended June 30, 2009 and 2008. These contributions fall within the mission of the Foundation as Citizens for LCCC supports the growth of the College through support for tax levies benefiting the College.

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

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## **Notes to Financial Statements Years Ended June 30, 2009 and 2008**

### **NOTE I - CONCENTRATIONS**

The Foundation maintains cash balances at a bank. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. These limits are subject to change by the FDIC. The Foundation's cash balances may exceed this amount from time to time.

At June 30, 2009, one donor's promise to give represented approximately 63% of the outstanding promises to give. At June 30, 2008, a separate donor's promise to give represented approximately 55% of the outstanding promises to give. This amount was received in full during the year ended June 30, 2009.

### **NOTE J - CONDITIONAL EVENTS**

#### **Innovation Award Replenishment**

As described in Note A to the financial statements, the Foundation holds a right of replenishment over all Type B funds awarded. The awards specify an organization may repay the Foundation without interest the amount of the award within two years. Subsequent to the two year anniversary of the award, the Foundation may exercise its right of replenishment through the fifth year, at which point the right of replenishment is forfeited.

The Foundation holds the right of replenishment on 19 Type B Innovation Awards maturing in:

<u>Years Ending</u>	<u>Amount</u>
2010	\$ 500,000
2011	900,000
2012	<u>500,000</u>
	<u>\$ 1,900,000</u>

The purpose of the Innovation Fund is to reward innovation and ingenuity. The Foundation's objective in providing these awards was not the return of principal, which is why Innovation Fund awards are expensed when all conditions of the award are fulfilled. The Foundation has not recorded an estimate of funds receivable from award replenishment because the amount cannot be reasonably estimated. As such, the Foundation's ability to realize these amounts is based on the success of the organizations receiving Innovation Fund awards.

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

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## **Notes to Financial Statements Years Ended June 30, 2009 and 2008**

### **NOTE I - CONDITIONAL EVENTS (CONTINUED)**

#### **Grants Receivable**

Subsequent to year end, the Foundation was awarded a \$1,500,000 conditional grant by the Ohio Department of Development to support the Innovation Fund. The Foundation was approved to receive the funds over a 3 year period through June 2012. The Foundation may request reimbursement of funds disbursed as Innovation Fund Awards by submitting fund requests based on pre-approval of the program and compliance with specific limitations of the awards and financial reporting requirements of the Foundation and the sponsored organizations. The grant is similar to a \$500,000 conditional grant the Foundation received from the Ohio Department of Development in September 2008 to support the Innovation Fund, for which all conditions were met during fiscal year 2009 and reimbursement was requested from the grant.

#### **Awards Payable**

As described in Note A to the financial statements, the Foundation's Innovation Fund involves multi-year conditional awards provided to start-up businesses that create or enhance technology. The Foundation has awarded \$2,400,000 to date and has commitments outstanding under Type B awards of \$892,000. These awards are expected to be paid out over the next two years once the sponsored organizations fulfill required conditions which may include completion and testing of a prototype, filing and protection of necessary patents, and meeting certain financial reporting metrics. The conditional obligations are measured by Great Lakes Innovation and Development Enterprise ("GLIDE"), which monitors the organizations and reports progress of the organizations to the Foundation, which then approves payment of the conditional portion of the awards.

As these awards are conditional, no liability has been recorded for the \$892,000 at June 30, 2009.

INDEPENDENT AUDITORS' 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

December 8, 2009

The Board of Directors  
Lorain County Community College Foundation, Inc.  
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, 2009, and have issued our report thereon dated December 8, 2009. 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 Lorain County Community College Foundation, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lorain County Community College Foundation, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lorain County Community College Foundation, Inc.'s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

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 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 matters 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.

We noted certain matters that we reported to management of Lorain County Community College Foundation in a separate letter dated December 8, 2009.

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

*Barnes Wendling CPAs, Inc.*





**Mary Taylor, CPA**  
Auditor of State

**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  
JANUARY 28, 2010**