

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

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2006 AND 2005**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the Lorain County Community College Foundation, Inc., Lorain County, prepared by Barnes Wendling CPAs, 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 Lorain County Community College Foundation, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

December 20, 2006

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

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## INDEPENDENT AUDITORS' REPORT

October 16, 2006

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) a component unit of Lorain County Community College as of June 30, 2006 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 2005 financial statements and, in our report dated September 27, 2005, 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, 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 dated October 16, 2006, 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,	
	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 158,314	\$ 22,507
Accounts receivable	14,567	90
Unconditional promises to give	1,006,761	1,387,074
Investments	16,614,736	15,978,945
Prepaid expenses	10,550	-0-
Equipment, net	12,445	18,475
Other asset	-0-	48,000
	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 17,817,373</u></b>	<b><u>\$ 17,455,091</u></b>
<b>LIABILITIES</b>		
Accounts and support payable	\$ 92,623	\$ 79,384
Deferred revenue	-0-	6,287
Annuity obligation	11,179	6,976
Funds held as fiscal agent	42,365	26,833
Engineering building support payable	282,914	582,582
	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES</b>	<b>429,081</b>	<b>702,062</b>
<b>NET ASSETS</b>		
Unrestricted	755,852	630,904
Temporarily restricted	1,616,448	1,628,061
Permanently restricted	15,015,992	14,494,064
	<u>                    </u>	<u>                    </u>
<b>TOTAL NET ASSETS</b>	<b>17,388,292</b>	<b>16,753,029</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 17,817,373</u></b>	<b><u>\$ 17,455,091</u></b>

See Notes to Financial Statements

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

## **Statements of Activities**

	Years Ended June 30,				2005
	2006			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue and support					
Contributions	\$ 151,753	\$ 33,464	\$ 360,515	\$ 545,732	\$ 549,098
Investment income, net	493,080	433,804	100,913	1,027,797	1,173,633
Special event	58,290	-0-	60,500	118,790	111,220
Other income	-0-	300,000	-0-	300,000	132
<b>Total revenues and support</b>	<b>703,123</b>	<b>767,268</b>	<b>521,928</b>	<b>1,992,319</b>	<b>1,834,083</b>
Net assets released from restrictions	778,881	( 778,881)	-0-	-0-	-0-
	<u>1,482,004</u>	<u>( 11,613)</u>	<u>521,928</u>	<u>1,992,319</u>	<u>1,834,083</u>
Expenses					
Scholarships	620,632	-0-	-0-	620,632	605,954
Support for Lorain County Community College	341,158	-0-	-0-	341,158	298,538
Management and general	241,835	-0-	-0-	241,835	279,666
Fundraising	153,431	-0-	-0-	153,431	134,059
<b>Total expenses</b>	<b>1,357,056</b>	<b>-0-</b>	<b>-0-</b>	<b>1,357,056</b>	<b>1,318,217</b>
Change in net assets	124,948	( 11,613)	521,928	635,263	515,866
Net assets, beginning of year	630,904	1,628,061	14,494,064	16,753,029	16,237,163
<b>NET ASSETS, end of year</b>	<b><u>\$ 755,852</u></b>	<b><u>\$ 1,616,448</u></b>	<b><u>\$15,015,992</u></b>	<b><u>\$17,388,292</u></b>	<b><u>\$16,753,029</u></b>

See Notes to Financial Statements



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

## **Statements of Cash Flows**

	Years Ended June 30,	
	2006	2005
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 635,263	\$ 515,866
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	6,030	8,858
(Gain) loss on disposition of assets	-0-	1,402
Forgiveness of engineering building support payable	( 300,000)	-0-
Unconditional promises to give bad debts	19,500	-0-
Deferred revenue	( 6,287)	13,514
Transfer artwork to College	48,000	-0-
Net gain on investments	( 532,297)	( 909,049)
(Increase) decrease in assets		
Accounts receivable	( 14,477)	70
Unconditional promises to give	360,813	303,952
Prepaid expenses	( 10,550)	-0-
Increase (decrease) in liabilities		
Accounts payable	13,239	25,025
Annuity obligation	4,203	( 432)
Funds held as fiscal agent	15,532	1,833
Engineering building support payable	332	( 159,992)
Contributions restricted for permanent investment	( 360,515)	( 241,261)
Net cash used in operating activities	( 121,214)	( 440,214)
<b>Cash Flows From Investing Activities</b>		
Payments for property and equipment	-0-	( 5,969)
Proceeds from the sale of investments	2,875,695	1,815,205
Purchase of investments	( 2,979,189)	( 1,704,955)
Net cash provided by (used in) investing activities	( 103,494)	104,281
<b>Cash Flows From Financing Activities</b>		
Contributions restricted for permanent investment	360,515	241,261
Net increase (decrease) in cash	135,807	( 94,672)
Cash and cash equivalents at beginning of year	22,507	117,179
<b>Cash and cash equivalents at end of year</b>	<b>\$ 158,314</b>	<b>\$ 22,507</b>

See Notes to Financial Statements

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

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## **Notes to Financial Statements Years Ended June 30, 2006 and 2005**

### **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.

#### **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, 2005, 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.

#### **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.

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

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## **Notes to Financial Statements Years Ended June 30, 2006 and 2005**

### **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 is generally five 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, 2006 and 2005 was \$6,030 and \$8,858, respectively. Accumulated depreciation at June 30, 2006 and 2005 was \$55,762 and \$65,864, respectively.

#### **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. There were no donated services contributed during the years ended June 30, 2006 and 2005.

#### **Unrestricted Net Assets**

Net assets not subject to donor-imposed stipulations. This category periodically includes net assets designated by the Board. At June 30, 2006 and 2005 there were no board designated net assets.

#### **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 1.25% and 0.9% administration fee on temporarily and permanently restricted net assets, excluding unconditional promises to give, to provide for indirect program, management and general, and fundraising expenses for the years ended June 30, 2006 and 2005, respectively. The total amount charged to net assets related to this fee was \$191,429 and \$131,158 for the years ended June 30, 2006 and 2005, 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 amounts from 2005 have been reclassified to conform with the 2006 presentation.

# LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

## Notes to Financial Statements Years Ended June 30, 2006 and 2005

### NOTE B - PROMISES TO GIVE

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

	<u>2006</u>	<u>2005</u>
Receivable in less than one year	\$ 417,000	\$ 435,500
Receivable in one to five years	<u>627,750</u>	<u>989,000</u>
Total unconditional promises to give	1,044,750	1,424,500
Less discounts to present value	<u>( 37,989)</u>	<u>( 37,426)</u>
Net unconditional promises to give	<u>\$1,006,761</u>	<u>\$1,387,074</u>

The discount rate used on long-term promises to give was 4.0% and 2.0% at June 30, 2006 and 2005, respectively. The Foundation has not recorded a reserve for uncollectible promises to give. During the years ended June 30, 2006 and 2005, the Foundation wrote off uncollectible promises to give of \$19,500 and -0-, 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:

	<u>June 30, 2006</u>		<u>June 30, 2005</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common equity securities	\$ 928,138	\$ 1,695,965	\$ 900,739	\$ 1,707,096
Mutual equity funds	8,784,250	11,098,613	8,545,863	10,360,620
Mutual bond funds	3,778,947	3,513,594	3,610,217	3,557,108
Cash and cash equivalents	<u>306,564</u>	<u>306,564</u>	<u>354,119</u>	<u>354,119</u>
	<u>\$13,797,899</u>	<u>\$16,614,736</u>	<u>\$13,410,938</u>	<u>\$15,978,945</u>

Investment income for the years ended June 30, 2006 and 2005 consisted of the following:

	<u>2006</u>	<u>2005</u>
Interest and dividends	\$ 376,383	\$ 316,926
Net gains	711,832	909,049
Management fees	<u>( 60,418)</u>	<u>( 52,342)</u>
Total investment income	<u>\$1,027,797</u>	<u>\$1,173,633</u>

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

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## **Notes to Financial Statements Years Ended June 30, 2006 and 2005**

### **NOTE D - 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, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Payable in less than one year	\$ -0-	\$ 150,000
Payable in one to five years	<u>300,000</u>	<u>450,000</u>
Total committed support payable	300,000	600,000
Less discounts to present value	<u>( 17,086)</u>	<u>( 17,418)</u>
Net engineering building support payable	<u>\$ 282,914</u>	<u>\$ 582,582</u>

The discount rate used on long-term support payable was 4.0% and 2.0% at June 30, 2006 and 2005, respectively.

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

Net assets as of June 30, 2006 and 2005 were temporarily restricted for the following purposes:

	<u>2006</u>	<u>2005</u>
Support of the College's faculty, programs, facilities and Foundation's operation	\$ 462,147	\$ 181,331
Scholarships	<u>1,154,301</u>	<u>1,446,730</u>
Total temporarily restricted net assets	<u>\$1,616,448</u>	<u>\$1,628,061</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Support of the College's faculty, programs, facilities and Foundation's operation	\$ 117,620	\$ 125,118
Scholarships	550,261	512,237
Collection of unrestricted promises to give	<u>111,000</u>	<u>-0-</u>
Total restrictions released	<u>\$ 778,881</u>	<u>\$ 637,355</u>

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

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## **Notes to Financial Statements Years Ended June 30, 2006 and 2005**

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

Net assets as of June 30, 2006 and 2005 were permanently restricted for the following purposes:

	<u>2006</u>	<u>2005</u>
Support of the College's faculty, programs, and facilities	\$ 2,483,677	\$ 1,736,403
Scholarships	9,944,523	9,668,357
Operations and general support	<u>2,587,792</u>	<u>3,089,304</u>
Total permanently restricted net assets	<u>\$15,015,992</u>	<u>\$14,494,064</u>

Permanently restricted net asset investment income available for expenditure is limited to 4.5% 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 spending policy and the administrative fee will result in long-term preservation of permanently restricted net asset corpus.

### **NOTE G - 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 H - CHARITABLE REMAINDER UNITRUSTS**

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

The Foundation has two charitable gift annuity agreements with a donor. The Foundation was named as trustee and beneficiary. At June 30, 2006 and 2005, the related asset is included within investments of the accompanying financial statements. At June 30, 2006 and 2005, an annuity obligation liability of \$11,179 and \$6,976 was recorded for the present value of the expected liability based on fixed quarterly payments for the remainder of the annuitants lives.

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

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## **Notes to Financial Statements Years Ended June 30, 2006 and 2005**

### **NOTE I - CONCENTRATIONS**

The Foundation may, from time to time, maintain cash balances that exceed federal depository limits.

One donor's promise to give represented approximately 58% and 55%, respectively, of the unconditional promises to give balance at June 30, 2006 and 2005.

### **NOTE J - RELATED PARTY**

As described in Note A, the Foundation is affiliated with the College. During the year ended June 30, 2006 and 2005, the College provided the Foundation with professional staffing valued at \$146,460 and \$167,595, 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.

During the years ended June 30, 2006 and 2005, the Foundation provided scholarships and support to the College of \$961,790 and \$904,492 respectively.

At June 30, 2006 and 2005, amounts due to the College totaled \$349,103 and \$631,700, respectively.

During the year ended June 30, 2006, a portion of a donor's intention on a promise to give was changed from support for the engineering building payable to supporting the levy endowment. In conjunction with the redirection of the funds the College forgave \$300,000 of the engineering building payable.



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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

October 16, 2006

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) a component unit of Lorain County Community College as of and for the year ended June 30, 2006, and have issued our report thereon dated October 16, 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 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 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 over financial reporting 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

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 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.

In addition, we noted several other matters involving internal control and its operation that we have reported to management of Lorain County Community College Foundation in a separate letter dated October 16, 2006.

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.*





**Auditor of State  
Betty Montgomery**

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

**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 2, 2007**