

**THE LAKELAND FOUNDATION
KIRTLAND, OHIO**

**FINANCIAL STATEMENTS
JUNE 30, 2011**



Dave Yost • Auditor of State

Board of Directors
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 Neece, Malec, Seifert & Vitaz, for the audit period July 1, 2010 through June 30, 2011. 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 "Dave Yost".

Dave Yost
Auditor of State

December 2, 2011

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**THE LAKELAND FOUNDATION
FINANCIAL STATEMENTS**

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Certified Public Accountants

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Independent Auditor's Report

To the Board of Directors of
The Lakeland Foundation
7700 Clocktower Drive
Kirtland, OH, 44094

We have audited the accompanying statement of financial position of The Lakeland Foundation (a nonprofit organization) as of June 30, 2011, and the 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. The prior year summarized comparative information has been derived from the Lakeland Foundation's 2010 financial statements and, in our report dated October 11, 2011, 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 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 at June 30, 2011, 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 a report dated September 30, 2011 on our consideration of The Lakeland Foundation'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 considered in assessing the results of our audit.

Mentor, Ohio
September 30, 2011

THE LAKELAND FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

ASSETS	2011	2010
Cash and Cash Equivalents	\$ 202,891	\$ 284,967
Cash Held for Others	16,051	18,503
Investments, at fair value	2,900,864	2,447,214
Pledges Receivable - net	286,292	274,784
Donations Receivable	72,018	22,242
Loans Receivable - net	8,420	4,023
Other Assets	1,431	1,078
Prepaid Expense	11,427	8,867
Total Assets	\$ 3,499,394	\$ 3,061,678
LIABILITIES		
Payables (Scholarship and Trade)	\$ 50,476	\$ 35,600
Due to Custodial Funds	16,051	18,503
Total Liabilities	66,527	54,103
NET ASSETS		
Permanently Restricted	1,683,634	1,586,142
Temporarily Restricted	1,640,322	1,299,004
Unrestricted	108,911	122,429
Total Net Assets	3,432,867	3,007,575
Total Liabilities and Net Assets	\$ 3,499,394	\$ 3,061,678

The accompanying notes are an integral part of the financial statements.

THE LAKELAND FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	PERMANENTLY RESTRICTED		TEMPORARILY RESTRICTED		UNRESTRICTED		2011 TOTALS		2010 TOTALS	
		\$		\$		\$		\$		\$
SUPPORT, REVENUE, and RECLASSIFICATIONS										
Private and Corporate Contributions and Grants		83,235		750,825		68,784		902,844		861,312
Donations - In-Kind		-		59,379		2,735		62,114		44,671
Interest and Dividends		-		30,488		12,713		43,201		53,316
Realized (Loss) on Investments		-		(10,048)		(486)		(10,534)		(24,056)
Unrealized Gain on Investments		-		369,927		2		369,929		167,733
Total Support and Revenue		83,235		1,200,571		83,748		1,367,554		1,102,976
Net Assets Released from Restrictions or Transferred		14,257		(859,253)		844,996		-		-
Total Support, Revenues, and Reclassifications		97,492		341,318		928,744		1,367,554		1,102,976
PROGRAM and SUPPORT EXPENSES										
Program Services:										
Scholarships		-		-		394,134		394,134		314,348
Educational and Related Programs		-		-		264,418		264,418		219,775
In-Kind Educational and Related Programs		-		-		36,229		36,229		25,025
Total Program Services		-		-		694,781		694,781		559,148
Support Services:										
Administration		-		-		134,163		134,163		118,086
Fundraising		-		-		86,908		86,908		47,595
Fundraising - In-Kind		-		-		26,410		26,410		19,121
Total Support Services		-		-		247,481		247,481		184,802
Total Program and Support Expenses		-		-		942,262		942,262		743,950
CHANGE IN NET ASSETS										
		97,492		341,318		(13,518)		425,292		359,026
NET ASSETS - Beginning of Year		1,586,142		1,299,004		122,429		3,007,575		2,648,549
NET ASSETS - End of Year		<u>\$ 1,683,634</u>		<u>\$ 1,640,322</u>		<u>\$ 108,911</u>		<u>\$ 3,432,867</u>		<u>\$ 3,007,575</u>

The accompanying notes are an integral part of the financial statements.

THE LAKELAND FOUNDATION
STATEMENT OF CASH FLOWS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	2011	2010
CASH FLOW FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 425,292	\$ 359,026
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used by) Operating Activities:		
Change in Allowance for Uncollectible Loans	3,694	2,022
Change in Allowance for Uncollectible Pledges	(22,096)	8,524
Change in Discounts to Net Present Value	24,094	1,711
Realized Loss on Investments	10,534	24,056
Unrealized Gain (Loss) on Investments	(369,937)	(167,733)
Contributions Restricted for Long-Term Investment	(83,235)	(102,884)
Premium/Discount Amortization	14,782	5,828
Interest and Dividends Restricted for Reinvestment	(30,488)	(31,738)
Changes in Operating Assets and Liabilities:		
(Increase) in Pledges Receivable	(13,506)	(10,703)
(Increase) Decrease in Program Loans Receivable	(8,090)	1,292
(Increase) Decrease in Accounts Receivable	(49,777)	13,284
(Increase) Decrease in Other Assets	(353)	131
(Increase) in Prepaid Expense	(2,559)	(2,218)
Increase (Decrease) in Payables	14,875	(53,433)
Total Adjustments	(512,062)	(311,861)
Net Cash Provided by (Used by) Operating Activities	(86,770)	47,165
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturity of Investments	1,253,914	1,045,475
Purchase of Investments	(1,333,381)	(1,445,294)
Change in Investment Money Market funds	(29,562)	233,389
Net Cash Used by Investing Activities	(109,029)	(166,430)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest and Dividends Restricted for Reinvestment	30,488	31,738
Contributions Restricted for Long-Term Investment	83,235	102,884
Net Cash Provided by Financing Activities	113,723	134,622
Net Change in Cash and Cash Equivalents	(82,076)	15,357
CASH AND CASH EQUIVALENTS - Beginning of Year	284,967	269,610
CASH AND CASH EQUIVALENTS - End of Year	\$ 202,891	\$ 284,967
SUPPLEMENTAL SCHEDULE OF NON-CASH OPERATING ACTIVITIES		
Donated Goods	62,114	44,671
Donated Goods Used in Operations	(62,639)	(44,146)
Net Change Affecting Net Assets	\$ (525)	\$ 525

The accompanying notes are an integral part of the financial statements.

**THE LAKELAND FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

1. NATURE OF ACTIVITIES

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 students 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 Partners in Science Excellence (PSE). Partners in Science Excellence is a separate organization with its own board. The cash on hand and due PSE is reflected on the Statement of Financial Position and 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, Accounting Standards Codification (ASC) 958: "Financial Statements of Not-for-Profit Organizations". Under 958, 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.

COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior-year comparative total amounts. Such total amounts do not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such amounts should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2010, from which the comparative total amounts were derived.

THE LAKELAND FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 cash flow statement.

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 high-credit-quality financial institutions. Cash and cash equivalents at the institution do not exceed the federally insured limits as of June 30, 2011. 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 approximate the fair value of those items.

CONTRIBUTIONS

The Foundation accounts for donations in accordance with ASC 958. 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.

**THE LAKELAND FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAX STATUS

The Foundation is incorporated as a non-profit organization under the laws of the State of Ohio. The Foundation has qualified for a tax exemption under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Foundation implemented the new provisions of "Accounting for Income Taxes", which clarify the accounting for uncertainty in income taxes recognized in an entity's financial statements. The provisions prescribe certain criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. These provisions also provide guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The implementation did not have a material impact on the financial statements. There were no unrecognized tax benefits as of the date of adoption.

As of June 30, 2011, the Foundation income tax years from 2007 and thereafter remain subject to examination by the Internal Revenue Service, as well as various state and local taxing authorities.

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. The Foundation provides for uncollectible pledges receivable using the allowance method. Management estimates an allowance based on a calculation of maturities of the pledges. Pledges receivable are written off when they are determined to be uncollectible.

LOANS RECEIVABLE

Loans receivable are funds committed to qualifying students in the C. Schell Loan Program. This revolving student loan program grants interest free loans with various repayment terms. The Foundation provides for uncollectible loans receivable using the allowance method. Management estimates an allowance based on the maturity dates of past due balances. Loans receivable are written off when they are determined to be uncollectible.

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.

**THE LAKELAND FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMMITMENTS

There were no significant commitments not recognized at June 30, 2011.

INTERPRETATION OF RELEVANT LAW

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (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
- (7) The investment policies of the Foundation

SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2011 have been evaluated for possible adjustment to the financial statements or disclosure is September 30, 2011, which is the date on which the financial statements were available to be issued. No events were identified that would require adjustment to or disclosure in the financial statements.

3. INVESTMENTS

Investments are recorded at fair value. The historical and fair value at June 30, 2011 and 2010 were as follows:

	<u>2011</u>		<u>2010</u>	
	<u>COST</u>	<u>FAIR VALUE</u>	<u>COST</u>	<u>FAIR VALUE</u>
Municipal Bonds	\$ 650,141	\$ 646,018	\$ 613,239	\$ 612,121
Corporate Bonds	103,551	101,655	103,551	103,089
Agency Bonds	-	-	50,045	50,235
Fixed Income				
Mutual Funds	436,814	453,170	459,388	477,416
Equity Mutual Funds	856,593	1,036,570	893,130	791,982
International Mutual Funds	331,021	395,300	265,196	258,258
Alternative Assets	183,851	218,862	123,262	134,386
Money Market/Cash and Reserves	49,289	49,289	19,727	19,727
	<u>\$ 2,611,260</u>	<u>\$ 2,900,864</u>	<u>\$ 2,527,538</u>	<u>\$ 2,447,214</u>

THE LAKELAND FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

3. INVESTMENTS (CONTINUED)

Fair Value of Financial Instruments - The Foundation adopted applicable sections of the Financial Accounting Standards Board Accounting Standards Codification (ASC) 820: *Fair Value Measurements and Disclosures* for financial assets and financial liabilities. In accordance with ASC 820, fair value is defined as the price 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. ASC 820 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 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 valuing securities is not necessarily an indication of the risk associated with maintaining those investments.

The following is a summary of the inputs used as of June 30, 2011 in valuing the Foundation's investments carried at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Municipal Bonds	\$ 646,018	-	-	\$ 646,018
Corporate Bonds	101,655	-	-	101,655
Agency Bonds	-	-	-	-
Fixed Income Mutual Funds	453,170	-	-	453,170
Equity Mutual Funds	1,036,570	-	-	1,036,570
International Mutual Funds	395,300	-	-	395,300
Alternative Assets	218,862	-	-	218,862
Money Market/Cash and Reserves	49,289	-	-	49,289
Investments	<u>\$ 2,900,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,900,864</u>

**THE LAKELAND FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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, 2011 and 2010. Approximate totals are:

	<u>2011</u>	<u>2010</u>
Scholarships	\$ 732,632	\$ 724,153
Loans (Note 6)	24,969	28,663
Educational & Related Programs	370,644	408,593
Portion of Endowment Fund Classified as Temporarily Restricted	<u>512,077</u>	<u>137,595</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,640,322</u>	<u>\$ 1,299,004</u>

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

	<u>2011</u>	<u>2010</u>
Scholarships	\$ 394,134	\$ 313,902
Loans (Note 6)	3,694	2,022
Educational & Related Programs	287,272	205,056
Administration/Fundraising	128,267	86,054
Release or Transferred-Perm Restricted	14,257	17,447
Released or Transferred-Undesignated	<u>31,629</u>	<u>4,921</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 859,253</u>	<u>\$ 629,402</u>

THE LAKELAND FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

4. NET ASSETS (CONTINUED)

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 classified as temporarily restricted assets. However, the earnings may be used for current purposes of the Foundation.

Endowment activity is as follows:

	Permanent <u>Endowment</u>
Balance July 1, 2010	\$ 1,586,142
Support and Revenue:	
Donations	<u>83,235</u>
Total Support and Revenue	1,669,377
Net Asset Released from Restrictions or by Transfer	
Released or transferred from	
Temporarily Restricted	<u>14,257</u>
Total Net Assets Released from Restrictions or Transferred	<u>14,257</u>
Balance June 30, 2011	<u>\$ 1,683,634</u>

NET ASSET CLASSIFICATION OF ENDOWMENT FUNDS

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The duration and The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, (b) the original value of subsequent gifts, 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. In accordance with SPMIFA, the Association considers the following factors in making a determination to appropriate donor-restricted endowment funds:

- (1) Preservation of the fund
- (2) The purpose of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The investment policies of the Foundation

**THE LAKELAND FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

4. NET ASSETS (CONTINUED)

NET ASSET CLASSIFICATION OF ENDOWMENT FUNDS (CONTINUED)

Endowment Net Asset Composition by Type of Fund as of June 30, 2011:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ 512,077	\$ 1,683,634	\$ 2,195,711
Total funds	<u>\$ 512,077</u>	<u>\$ 1,683,634</u>	<u>\$ 2,195,711</u>

**Changes in Endowment Net Assets for
the Fiscal Year Ended June 30, 2011:**

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 137,595	\$ 1,586,142	\$ 1,723,737
Investment return:			
Investment income	20,440	-	20,440
Net unrealized gain	<u>374,554</u>	<u>-</u>	<u>374,554</u>
Total investment return	532,589	1,586,142	2,118,731
Contributions	57,962	83,235	141,197
Appropriation of endowment assets for expenditure	(57,244)	-	(57,244)
Management fee	(21,230)	-	(21,230)
Transfers in	<u>-</u>	<u>14,257</u>	<u>14,257</u>
Endowment net assets, end of year	<u>\$ 512,077</u>	<u>\$ 1,683,634</u>	<u>\$ 2,195,711</u>

**THE LAKELAND FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

4. NET ASSETS (CONTINUED)

RETURN OBJECTIVES AND RISK PARAMETERS

The Foundation has adopted investment and spending policies for the endowment fund. The policy goal for the Foundation's endowment investment portfolio is to provide a real total return that preserves the purchasing power of the Endowment assets, while providing an income stream to support the Foundation's activities in support of Lakeland Community College. Assets for the investment pool include those assets of donor-restricted funds that the Foundation must hold in perpetuity, as well as board-designated funds. The Foundation engages an investment manager whose performance is measured against respective benchmarks. The Endowment's real total return is sought from an investment strategy that provides an opportunity for superior total returns within acceptable levels of risk and volatility. The Foundation recognizes that risk (i.e. the uncertainty of future events), volatility (i.e. the potential for variability of asset values), and the potential loss in purchasing power due to inflation are present to some degree with all types of investment vehicles. While high levels of risk are to be avoided, the assumption of a moderate level of risk is warranted and encouraged in order to allow the investment portfolio the opportunity to achieve satisfactory results consistent with the objectives and character of the portfolio.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

For the long-term (defined as a rolling five-year period), the primary investment objective for the Endowment portfolio is to earn a total return (net of portfolio management and custody fees) within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the Endowment's assets and support a desired annual spending policy of up 4.5% of the five-year average of the market value of the Endowment portfolio.

The Foundation's asset allocation guidelines are reviewed periodically by the Foundation Investment Committee with changes approved by the Board of Directors. The portfolio's major allocation guidelines allow an allocation of the portfolio to be invested in equity securities. Remaining portfolio funds may be invested in either fixed income, alternatives or cash equivalent securities.

Portfolio Allocation - Strategic Target & Tactical Range

	<u>Low</u>	<u>Target</u>	<u>High</u>
Equities	60%	67%	80%
Fixed Income	20%	26%	40%
Alternatives	0%	5%	10%
Cash Equivalents	0%	<u>2%</u>	10%
		100%	

THE LAKELAND FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

4. NET ASSETS (CONTINUED)

SPENDING POLICY

The Lakeland Foundation spending policy is based on a total return approach in order to maintain stable cash flows over an extended period of time, to protect endowment funds against inflation, and to preserve the purchasing power of endowment funding by improving investment growth and management. The spending policy allows up to a maximum of 4.5% of the five-year average market value of a designated endowment fund. Spending may include net realized gains earnings over that five-year period, and is offset by any previously designated spending amounts. All returns (gains, losses, and income-net of external and internal fees and previously designated spending amount) above 4.5% will be reinvested in the Endowment Funds portfolio. The spending policy is closely monitored by the Investment Committee and recommendations for any changes are forwarded to the Executive Committee and full Board for review and approval.

5. PLEDGES RECEIVABLE

At June 30, 2011 and 2010, pledges outstanding were \$ 347,209 and \$ 333,703, respectively. The related allowance for uncollected pledges at June 30, 2011 and 2010 are \$ 9,582 and \$ 31,678, respectively.

Unconditional promises to give are as follows:

	<u>2011</u>	<u>2010</u>
Total Unconditional Promises to Give	\$ 347,209	\$ 333,703
Less: Discount to Net Present Value	(51,335)	(27,241)
Less: Allowance for Uncollectible Pledges	<u>(9,582)</u>	<u>(31,678)</u>
Net Unconditional Promises to Give	<u>\$ 286,292</u>	<u>\$ 274,784</u>

Discount rates used on long-term promises to give average 6% in 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Unconditional Pledges to give:		
Unrestricted Amounts Due:		
Less than one year	\$ 4,636	\$ 9,997
One to Five Years	11,333	6,803
Temporarily Restricted Amounts Due:		
Less than one year	24,092	175,100
One to Five Years	169,832	64,446
Permanently Restricted Amounts Due:		
Less than one year	1,279	10,828
One to Five Years	<u>75,120</u>	<u>7,610</u>
Total	<u>\$ 286,292</u>	<u>\$ 274,784</u>

THE LAKELAND FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

6. LOANS RECEIVABLE

As of June 30, 2011 and 2010, loans receivable totaled \$ 90,101 and \$ 82,011, respectively. During fiscal year ended June 30, 2011 a total of \$ 9,300 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, 2011, \$ 1,210 had been repaid. The related allowance for uncollectible loans is \$ 81,681 and \$ 77,988 for fiscal years ended June 30, 2011 and June 30, 2010, respectively.

7. RELATED PARTY TRANSACTIONS

The College made distributions to the Foundation of \$ 137,402 and \$ 135,041 for the years ended June 30, 2011 and 2010, respectively. The Foundation distributed \$ 793,795 and \$ 680,544 for the years ended 2011 and 2010, respectively, to the College. The Foundation also distributed \$ 36,229 and \$ 24,757 in Gifts-in-Kind for the years ended 2011 and 2010, respectively. The Foundation had receivables from the College of \$ 30,426 and \$ 1,341 as of June 30, 2011 and 2010, respectively. The Foundation had payables to the College of \$ 17,755 and \$ 8,430 as of June 30, 2011 and 2010, respectively.

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Certified Public Accountants

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**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**

To the Board of Directors of
The Lakeland Foundation

We have audited the financial statements of The Lakeland Foundation (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 30, 2011. 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 Lakeland Foundation'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 the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected in a timely basis.

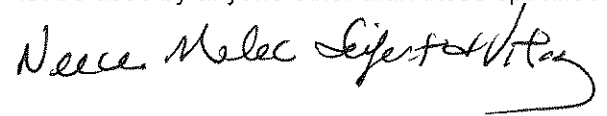
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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 The Lakeland 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*.

To the Board of Directors of
The Lakeland Foundation
Page 2

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

A handwritten signature in black ink, appearing to read "Nance Melec Siefert". The signature is written in a cursive style with a long, sweeping underline.

Mentor, Ohio
September 30, 2011



Dave Yost • Auditor of State

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 15, 2011