

THE LAKELAND FOUNDATION

(A COMPONENT UNIT OF LAKELAND COMMUNITY COLLEGE)

LAKE COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2021

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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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 Ciuni & Panichi, Inc., for the audit period July 1, 2020 through June 30, 2021. 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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

December 06, 2021

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The Lakeland Foundation

(A Component Unit of Lakeland Community College)

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The Lakeland Foundation

Financial Statements

June 30, 2021

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Independent Auditor's Report

To the Board of Directors
The Lakeland Foundation
Kirtland, Ohio

We have audited the accompanying financial statements of The Lakeland Foundation (a nonprofit corporation, the "Foundation"), a component unit of Lakeland Community College, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
The Lakeland Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Cimini + Panichi, Inc.

Cleveland, Ohio
November 12, 2021

The Lakeland Foundation

Statement of Financial Position

June 30, 2021 (with comparative totals for 2020)

| | <u>Assets</u> | |
|---------------------------|----------------------------|----------------------------|
| | 2021 | 2020 |
| Assets: | | |
| Cash and cash equivalents | \$ 442,896 | \$ 514,034 |
| Cash held for others | 7,779 | 10,029 |
| Accounts receivable | 103,966 | 16,313 |
| Pledges receivable, net | 261,845 | 223,653 |
| Loans receivable, net | 19,377 | 22,620 |
| Prepaid expenses | - | 1,711 |
| Other assets | 3,335 | 4,785 |
| Investments | <u>7,106,499</u> | <u>5,653,016</u> |
| Total assets | \$ <u><u>7,945,697</u></u> | \$ <u><u>6,446,161</u></u> |

| | <u>Liabilities and Net Assets</u> | |
|---|-----------------------------------|----------------------------|
| Liabilities: | | |
| Payables (scholarship & trade) | \$ 11,783 | \$ 16,256 |
| Deferred revenue | 46,416 | 53,916 |
| Due to custodial funds | 7,779 | 10,029 |
| Note payable | - | 73,800 |
| Total liabilities | <u>65,978</u> | <u>154,001</u> |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 118,733 | (1,110) |
| Board-designated | <u>30,046</u> | <u>30,046</u> |
| Total net assets without donor restrictions | 148,779 | 28,936 |
| With donor restrictions: | | |
| Purpose and time restrictions | 3,682,650 | 2,450,835 |
| Perpetual in nature | <u>4,048,290</u> | <u>3,812,389</u> |
| Total net assets with donor restrictions | <u>7,730,940</u> | <u>6,263,224</u> |
| Total net assets | <u>7,879,719</u> | <u>6,292,160</u> |
| Total liabilities and net assets | \$ <u><u>7,945,697</u></u> | \$ <u><u>6,446,161</u></u> |

The accompanying notes are an integral part of these financial statements

The Lakeland Foundation

Statement of Activities

For the year ended June 30, 2021 (with comparative totals for 2020)

| | Without Donor <u>Restrictions</u> | With Donor <u>Restrictions</u> | 2021 <u>Total</u> | 2020 <u>Total</u> |
|---|--------------------------------------|-----------------------------------|----------------------|----------------------|
| Support, revenue, and gains: | | | | |
| Private and corporate contributions and grants | \$ 53,374 | \$ 967,022 | \$ 1,020,396 | \$ 1,246,581 |
| Special events | 74,542 | - | 74,542 | 46,720 |
| Less: direct benefit to donor costs | (18,305) | - | (18,305) | (14,842) |
| Donations-in-kind | - | 42,464 | 42,464 | 57,554 |
| Investment return, net | 30,552 | 1,320,363 | 1,350,915 | 181,205 |
| Total support, revenue, and gains | <u>140,163</u> | <u>2,329,849</u> | <u>2,470,012</u> | <u>1,517,218</u> |
| Net assets released from restrictions or transferred | <u>862,133</u> | <u>(862,133)</u> | <u>-</u> | <u>-</u> |
| Total support, revenue, and gains | <u>1,002,296</u> | <u>1,467,716</u> | <u>2,470,012</u> | <u>1,517,218</u> |
| Program and supporting expenses: | | | | |
| Program services: | | | | |
| Scholarships | 471,284 | - | 471,284 | 469,665 |
| Educational and related programs | 279,990 | - | 279,990 | 197,359 |
| In-kind educational and related programs | 41,120 | - | 41,120 | 44,939 |
| Total program services | <u>792,394</u> | <u>-</u> | <u>792,394</u> | <u>711,963</u> |
| Supporting services: | | | | |
| Administration | 145,149 | - | 145,149 | 201,192 |
| Fundraising | 15,116 | - | 15,116 | 7,100 |
| Fundraising – in-kind | 3,594 | - | 3,594 | 15,431 |
| Total supporting services | <u>163,859</u> | <u>-</u> | <u>163,859</u> | <u>223,723</u> |
| Total expenses | <u>956,253</u> | <u>-</u> | <u>956,253</u> | <u>935,686</u> |
| Change in net assets before gain on loan forgiveness | 46,043 | 1,467,716 | 1,513,759 | 581,532 |
| Other income: | | | | |
| Gain on forgiveness of Paycheck Protection Program loan | <u>73,800</u> | <u>-</u> | <u>73,800</u> | <u>-</u> |
| Change in net assets | 119,843 | 1,467,716 | 1,587,559 | 581,532 |
| Net assets – beginning of year | <u>28,936</u> | <u>6,263,224</u> | <u>6,292,160</u> | <u>5,710,628</u> |
| Net assets – end of year | <u>\$ 148,779</u> | <u>\$ 7,730,940</u> | <u>\$ 7,879,719</u> | <u>\$ 6,292,160</u> |

The accompanying notes are an integral part of these financial statements

The Lakeland Foundation

Statement of Functional Expenses

For the year ended June 30, 2021 (with comparative totals for 2020)

| | Program | Supporting Services | | 2021 | 2020 |
|--|-------------------|--------------------------|------------------|-------------------|-------------------|
| | | General & Administrative | Fundraising | Total | Total |
| Scholarships | \$ 471,284 | \$ - | \$ - | \$ 471,284 | \$ 469,665 |
| Educational and related programs | 279,990 | - | - | 279,990 | 197,359 |
| In-kind educational and related programs | 41,120 | - | - | 41,120 | 44,939 |
| Professional fees | - | 89,273 | 7,296 | 96,569 | 159,780 |
| Meetings and conferences | - | - | - | - | 908 |
| Merchant/bank fees | - | 1,407 | - | 1,407 | 1,349 |
| Information/Communication | - | 350 | - | 350 | 1,466 |
| Miscellaneous | - | 100 | - | 100 | 1,295 |
| Sponsorships | - | 6,420 | - | 6,420 | - |
| Travel and entertainment | - | 1,077 | - | 1,077 | 5,933 |
| Dues and memberships | - | - | - | - | 6,237 |
| Lobbying | - | 39,000 | - | 39,000 | 20,000 |
| Special events | - | - | 11,414 | 11,414 | 22,531 |
| Schell loan allowance | - | 7,522 | - | 7,522 | 4,224 |
| Total expenses | \$ 792,394 | \$ 145,149 | \$ 18,710 | \$ 956,253 | \$ 935,686 |

The accompanying notes are an integral part of these financial statements

The Lakeland Foundation

Statement of Cash Flows

For the year ended June 30, 2021 (with comparative totals for 2020)

| | 2021 | 2020 |
|--|--------------|-------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 1,587,559 | \$ 581,532 |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Change in allowance for uncollectible loans | 7,522 | 4,224 |
| Change in allowance for uncollectible pledges | (1,809) | (278) |
| Change in discounts to net present value | 2,597 | 1,779 |
| Change in fair value of investments, net | (1,295,199) | (115,495) |
| Contributions restricted for long-term investment | (219,410) | (620,423) |
| Gain on forgiveness of Paycheck Protection Program loan | (73,800) | - |
| Premium/discount amortization | - | 33 |
| Changes in operating assets and liabilities: | | |
| (Increase) in pledges receivable | (37,335) | (23,430) |
| (Increase) in loans receivable | (4,279) | (3,948) |
| (Increase) in accounts receivable | (87,653) | (7,219) |
| Decrease in other assets | 1,450 | 1,056 |
| Decrease in prepaid expenses | 1,711 | 8,707 |
| (Decrease) increase in payables | (4,473) | 7,211 |
| (Decrease) in deferred revenue | (7,500) | (3,385) |
| (Decrease) increase in custodial funds | (2,250) | 4,055 |
| Net cash used by operating activities | (132,869) | (165,581) |
| Cash flows from investing activities: | | |
| Proceeds from sales and maturity of investments | 798,541 | 848,921 |
| Purchases of investments | (950,476) | (1,406,082) |
| Net purchases of money market funds | (6,349) | (55,071) |
| Net cash used by investing activities | (158,284) | (612,232) |
| Cash flows from financing activities: | | |
| Proceeds from loan payable | - | 73,800 |
| Collection of contributions restricted for long-term investment | 217,765 | 613,182 |
| Net cash provided by financing activities | 217,765 | 686,982 |
| Net change in cash and cash equivalents | (73,388) | (90,831) |
| Cash and cash equivalents – beginning of year | 524,063 | 614,894 |
| Cash and cash equivalents – end of year | \$ 450,675 | \$ 524,063 |

The accompanying notes are an integral part of these financial statements

The Lakeland Foundation

Statement of Cash Flows (continued)

For the year ended June 30, 2021 (with comparative totals for 2020)

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Reconciliation to cash and cash equivalents on Statement of Financial Position | | |
| Cash and cash equivalents | \$ 442,896 | \$ 514,034 |
| Cash held for others | <u>7,779</u> | <u>10,029</u> |
| | <u>\$ 450,675</u> | <u>\$ 524,063</u> |

The accompanying notes are an integral part of these financial statements

The Lakeland Foundation

Notes to Financial Statements

June 30, 2021

Note 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 LCC. 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 in Kirtland, Ohio. Certain administrative expenses of the Foundation are paid directly by LCC.

The Foundation serves as fiscal agent for two community organizations. The cash on hand and due these organizations is reflected on the statement of financial position as “Cash held for others” and “Due to custodial funds.”

The Foundation’s primary sources of revenue are endowment income and public support through grants and donations from individuals, corporations, foundations, and trusts located primarily in northeastern Ohio.

Note 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

The Foundation follows authoritative guidance issued by the Financial Accounting Standards Board (FASB) which established the FASB Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations, and are therefore available for use at the discretion of the Board of Directors and/or management for general operating purposes.

Net Assets Without Donor Restrictions (Undesignated) – Consists of net assets that are not subject to donor-imposed restrictions nor have been designated for a specific purpose by the Foundation’s Board of Directors. The purpose of these net assets is to provide support for the daily operations and the mission of the Foundation.

The Lakeland Foundation

Notes to Financial Statements

June 30, 2021

Note 2: Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Net Assets Without Donor Restrictions (Board-designated) – Consists of net assets that can be used only for the specific purposes determined by a formal action of the Foundation’s Board of Directors, which is the Foundation’s highest level of decision-making authority. Commitments may be changed or lifted only by the Foundation’s Board of Directors taking the same formal action that imposed the constraint originally.

Net Assets With Donor Restrictions – Net assets whose use has been limited by donor-imposed time and/or purpose restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Some net assets with donor restrictions include a donor stipulation that assets provided be maintained permanently (perpetual in nature) by the Foundation. Generally, the donors of such assets permit the Foundation to use all or part of the income earned on the assets for general or specific purposes.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements, including the allocation of net assets with donor restrictions for endowment between those restricted in perpetuity and those restricted as to time and/or purpose.

Comparative Financial Statements

The financial statements include certain prior-year comparative total amounts. Such comparative 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, 2020, from which the comparative total amounts were derived.

COVID-19 Impact

In early calendar 2020, the world began dealing with the effects of the Coronavirus pandemic (COVID-19). Disruptions to business operations, including government mandated actions and employee, supplier and customer related challenges have affected many businesses. The financial markets have experienced significant volatility. During May 2020, the Foundation received a loan through the U.S. Small Business Administration under the provisions of the Paycheck Protection Program (PPP) in the amount of \$73,800, at an interest rate of 1% per annum with a two-year maturity. Under terms of the PPP certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The entire loan was forgiven in February 2021, and was recognized as a gain on forgiveness of Paycheck Protection Program loan on the accompanying statement of activities.

The Lakeland Foundation

Notes to Financial Statements

June 30, 2021

Note 2: Summary of Significant Accounting Policies (continued)

COVID-19 Impact (continued)

The potential impact of COVID-19 on the Foundation's operations is inherently difficult to predict and could adversely impact its business, financial condition, and/or results of operations.

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 and certificates of deposit. Money market investments are considered investments.

Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents, investments, and pledges receivable.

At various times during the year ended June 30, 2021, the Foundation's cash in bank balances may have exceeded the federal insured limits.

The Foundation has significant investments in equity and debt securities and is, therefore, subject to concentrations of credit risk. Investments are managed by investment advisors who are overseen by an Investment Committee. Though the market value of investments is subject to fluctuations on a year-to-year basis, the Investment Committee believes that the investment policy is prudent for the long-term welfare of the Foundation.

Credit risk with respect to pledges receivable is limited due to the number and credit worthiness of the foundations, corporations, governmental units, and individuals who comprise the contributor base.

Revenue Recognition

The Foundation identifies a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. For special event revenue, this is generally accomplished through a sponsor's or supporter's registration for an upcoming event and acceptance by both parties of the related terms and conditions of the sponsorship/registration.

The Lakeland Foundation

Notes to Financial Statements

June 30, 2021

Note 2: Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Foundation enters into contracts that may include exchange components for resources received in conjunction with special events. For special event revenue, the exchange component is recognized at the point in time when the event takes place (performance obligations met). As a practical expedient, the Foundation may apply revenue recognition guidance to a portfolio of contracts with similar characteristics if the Foundation reasonably expects the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio. The Foundation is taking the practical expedient approach with regard to the special event revenue, as all of the contracts are very similar.

The Foundation had special event revenue that was recognized at a point in time of \$18,305 and \$14,842 for the years ended June 30, 2021 and 2020, respectively. There were no contract assets or liabilities at June 30, 2021 and 2020.

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. Realized and unrealized gains and losses, interest, dividends, and investment fees arising during the period are included in investment return, net in the accompanying statement of activities.

Contributions

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 upon 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.

Pledges Receivable

Pledges receivable are funds primarily 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 an aging schedule and a calculation using past due pledges receivable. Pledges receivable past due less than one year use an allowance percentage of 50% of the past due amount and pledges receivable past due greater than one year use an allowance percentage of 100% of the past due amount. Pledges receivable are written off when they are determined to be uncollectible.

The Lakeland Foundation

Notes to Financial Statements

June 30, 2021

Note 2: Summary of Significant Accounting Policies (continued)

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 historical collection percentages, an aging schedule, and a calculation based on maturity dates of individual loans. Loans receivable are written-off when they are determined to be uncollectible.

Functional Allocation of Expenses

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas.

Tax Status

The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The Foundation accounts for income taxes in accordance with the "*Income Taxes*" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. The Foundation classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements. As of June 30, 2021, the Foundation has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

The Foundation files its Form 990 in the U.S. federal jurisdiction and an on-line charitable registration in the office of the state's attorney general for the State of Ohio.

Donated Administrative Expenses

Certain administrative functions of the Foundation are performed by administrative employees of LCC at no charge to the Foundation. The value of these services is not recognized in these financial statements.

Donated Fundraising Expenses

Time has been provided by 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 Financial Statements

June 30, 2021

Note 2: Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which clarifies the presentation of contributed nonfinancial assets as a separate line item in the statement of activities and enhances disclosure requirements. This ASU is effective for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022.

Management is currently evaluating the impact of this ASU on its financial statements.

Subsequent Events

The date to which events occurring after June 30, 2021, have been evaluated for possible adjustment to the financial statements or disclosure is November 12, 2021, which is the date upon which the financial statements were available to be issued. No events were identified that would require adjustment to, or disclosure in, the financial statements.

Note 3: Investments

Investments are recorded at fair value. The historical cost and fair value at June 30, 2021 and 2020 were as follows:

| | 2021 | | 2020 | |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Mutual funds: | | | | |
| Fixed-income mutual funds | \$ 1,161,818 | \$ 1,180,056 | \$ 1,109,997 | \$ 1,100,421 |
| Large-cap equity | 872,986 | 1,549,650 | 919,786 | 1,204,041 |
| Mid-cap equity | 854,543 | 1,029,110 | 770,811 | 698,775 |
| Domestic equity mutual funds | 1,049,933 | 1,062,045 | 948,068 | 972,642 |
| International equities | 886,414 | 1,115,943 | 810,190 | 837,365 |
| Alternative assets | 791,248 | 836,937 | 575,373 | 554,454 |
| Emerging markets equities | 84,446 | 138,046 | 84,251 | 96,966 |
| U.S. government obligations | - | - | 30,417 | 30,417 |
| Money market/cash and reserves | <u>194,712</u> | <u>194,712</u> | <u>157,935</u> | <u>157,935</u> |
| | \$ <u>5,896,100</u> | \$ <u>7,106,499</u> | \$ <u>5,406,828</u> | \$ <u>5,653,016</u> |

The Lakeland Foundation

Notes to Financial Statements

June 30, 2021

Note 3: Investments (continued)

Fair Value of Financial Instruments – The Foundation adopted applicable sections of 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 asset 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 asset 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 may be 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 assets and liabilities

Level 2 – other significant observable inputs (including quoted prices for similar assets and liabilities, interest rates, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Foundation’s own assumptions in determining the fair value of the assets and liabilities)

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, 2021, 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> |
|--------------------------------|---------------------|----------------|----------------|---------------------|
| Mutual funds: | | | | |
| Fixed-income mutual funds | \$ 1,180,056 | \$ - | \$ - | \$ 1,180,056 |
| Large-cap equity | 1,549,650 | - | - | 1,549,650 |
| Mid-cap equity | 1,029,110 | - | - | 1,029,110 |
| Domestic equity mutual funds | 1,062,045 | - | - | 1,062,045 |
| International equities | 1,115,943 | - | - | 1,115,943 |
| Alternative assets | 836,937 | - | - | 836,937 |
| Emerging markets equities | 138,046 | - | - | 138,046 |
| Money market/cash and reserves | <u>194,712</u> | <u>-</u> | <u>-</u> | <u>194,712</u> |
| | \$ <u>7,106,499</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>7,106,499</u> |

The Lakeland Foundation

Notes to Financial Statements

June 30, 2021

Note 4: Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Scholarships | \$ 701,012 | \$ 736,025 |
| Loans (Note 7) | 88,452 | 95,973 |
| Educational and related programs | 1,009,033 | 884,167 |
| Future sponsorship activities | 26,730 | 40,000 |
| Portion of endowment fund classified as purpose and time restricted | <u>1,857,423</u> | <u>694,670</u> |
| Total net assets with donor purpose and time restrictions | 3,682,650 | 2,450,835 |
| | | |
| Endowment fund | 4,039,403 | 3,805,147 |
| Pledges receivable, net for endowment | <u>8,887</u> | <u>7,242</u> |
| Total net assets with perpetual donor restrictions | <u>4,048,290</u> | <u>3,812,389</u> |
| | | |
| Total net assets with donor restrictions | \$ <u>7,730,940</u> | \$ <u>6,263,224</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors or transferred in accordance with donor intentions as follows:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Scholarships | \$ 471,284 | \$ 469,665 |
| Loans (Note 7) | 7,522 | 4,224 |
| Educational and related programs | 329,273 | 238,933 |
| Future sponsorship activities | 13,270 | - |
| Administration/fundraising | 37,277 | 49,579 |
| Transferred – without donor restrictions | <u>3,507</u> | <u>1,739</u> |
| | | |
| Total net assets released from donor restrictions or transferred | \$ <u>862,133</u> | \$ <u>764,140</u> |

Note 5: Net Asset Classification of Endowment 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 net assets with donor purpose restrictions. A majority of endowment activity is restricted for the use of scholarships.

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 Lakeland Foundation

Notes to Financial Statements

June 30, 2021

Note 5: Net Asset Classification of Endowment Funds (continued)

The Board of Directors of the Foundation has interpreted the State of Ohio enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 perpetually restricted net assets with donor restrictions (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the perpetual 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 perpetually restricted net assets with donor restrictions is classified as purpose restricted net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation 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
- (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

Endowment net asset composition by type of fund as of June 30, 2021:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|----------------------------------|---------------------------------------|------------------------------------|---------------------|
| Donor-restricted endowment funds | \$ - | \$ 5,896,827 | \$ 5,896,827 |
| Board-designated endowment funds | <u>30,046</u> | <u>-</u> | <u>30,046</u> |
| Total funds | \$ <u>30,046</u> | \$ <u>5,896,827</u> | \$ <u>5,926,873</u> |

The Lakeland Foundation

Notes to Financial Statements

June 30, 2021

Note 5: Net Asset Classification of Endowment Funds (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2021:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| Endowment net assets, beginning of year | \$ 30,046 | \$ 4,499,817 | \$ 4,529,863 |
| Investment return, net: | | | |
| Interest and dividends | 481 | 68,641 | 69,122 |
| Net realized and unrealized gain | (302) | 1,289,872 | 1,289,570 |
| Management fees | <u>(179)</u> | <u>(25,688)</u> | <u>(25,867)</u> |
| Total investment return, net | - | 1,332,825 | 1,332,825 |
| Contributions | - | 217,765 | 217,765 |
| Appropriation of endowment assets for expenditure | - | (170,072) | (170,072) |
| Transfers | <u>-</u> | <u>16,492</u> | <u>16,492</u> |
| Endowment net assets, end of year | \$ <u>30,046</u> | \$ <u>5,896,827</u> | \$ <u>5,926,873</u> |

The portion of the endowment with donor restrictions includes \$408,636 of net assets, that by the donor's restrictions are purpose restricted. The Board of Directors has determined that the donations will be maintained similar to a perpetual endowment.

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 LCC. Assets for the investment pool include those assets of donor-restricted funds that the Foundation must hold in perpetuity. 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.

The Lakeland Foundation

Notes to Financial Statements

June 30, 2021

Note 5: Net Asset Classification of Endowment Funds (continued)

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 to 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.

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 funds 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 fund's 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 of Directors for review and approval.

Note 6: Pledges Receivable

Pledges were discounted to their present value assuming their respective terms (up to five years) and a discount rate of 6%. The pledges receivable, net as of June 30, 2021 are scheduled to be collected as follows:

| | |
|---|--------------------------|
| Pledges receivable: | |
| Payable within one year | \$ 156,952 |
| Payable in one to five years | 103,544 |
| Payable over five years | <u>16,872</u> |
| Total pledges receivable | 277,368 |
| Less: discount to net present value | (14,575) |
| Less: allowance for uncollectible pledges | <u>(948)</u> |
| Pledges receivable, net at June 30, 2021 | \$ <u><u>261,845</u></u> |

The Lakeland Foundation

Notes to Financial Statements

June 30, 2021

Note 7: Loans Receivable

As of June 30, 2021 and 2020, loans receivable totaled \$137,576 and \$133,297, respectively. During the fiscal year ended June 30, 2021, \$14,097 was distributed to qualifying students in a revolving student loan from the C. Schell Loan Program. The loans are interest-free and have various repayment terms. During the fiscal year ended June 30, 2021, \$9,818 was repaid. Repayment of the outstanding loans is poor primarily because, as a condition of the loan program, repayment is not to impose an undue burden on the borrower. The related allowance for uncollectible loans is \$118,199 and \$110,677 at June 30, 2021 and 2020, respectively.

Note 8: Related-Party Transactions

LCC made distributions to the Foundation of \$158,053 and \$107,595 for the years ended June 30, 2021 and 2020, respectively. The Foundation distributed \$768,056 and \$689,726 during the years ended June 30, 2021 and 2020, respectively, to LCC. The Foundation also distributed \$41,120 and \$44,939 in Gifts-in-Kind to LCC during the years ended June 30, 2021 and 2020, respectively. The Foundation had receivables from LCC of \$64,379 and \$14,787 as of June 30, 2021 and 2020, respectively. The Foundation had payables to LCC of \$11,111 and \$14,760 as of June 30, 2021 and 2020, respectively.

Note 9: Liquidity and Availability of Resources

The financial assets available within one year of June 30, 2021 for general expenditures are as follows:

| | | |
|--|----|------------------|
| Cash and cash equivalents | \$ | 442,896 |
| Cash held for others | | 7,779 |
| Accounts receivable | | 103,966 |
| Pledges receivable, net | | 261,845 |
| Loans receivable, net | | 19,377 |
| Investments | | <u>7,106,499</u> |
| Total financial assets | | 7,942,362 |
| Less: | | |
| Amounts unavailable for general expenditure within one year, due to: | | |
| Restricted by donors – purpose and time restrictions | | 3,682,650 |
| Restricted by donors – perpetual restrictions | | 4,048,290 |
| Cash held for others | | <u>7,779</u> |
| | | 7,738,719 |
| Amounts unavailable to management without Board of Directors approval: | | |
| Funds functioning as endowment | | <u>30,046</u> |
| Total amounts unavailable for general expenditure within one year | | <u>7,768,765</u> |
| Total financial assets available to management for general expenditure within one year | \$ | <u>173,597</u> |

The Lakeland Foundation

Notes to Financial Statements

June 30, 2021

Note 9: Liquidity and Availability of Resources (continued)

The Foundation maintains a policy of structuring its financial assets to be available as its general expenses, liabilities, and other obligations come due. The Foundation is largely supported by donor contributions and grants. The Foundation takes into account donor restrictions that require resources to be used in a particular manner or in a future period, and therefore maintains sufficient resources to meet those responsibilities.

In addition, the Foundation has the ability to access Board-designated funds functioning as endowment by special authorization of the Board of Directors, if necessary.

**Independent Auditor’s 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
The Lakeland Foundation
Kirtland, Ohio

We have audited, in accordance with the 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, the financial statements of The Lakeland Foundation (the “Foundation”, a nonprofit corporation and a component unit of Lakeland Community College), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control.

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 a 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, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
The Lakeland Foundation

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cimini + Panichi, Inc.

Cleveland, Ohio
November 12, 2021

OHIO AUDITOR OF STATE KEITH FABER



LAKELAND FOUNDATION

LAKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/16/2021

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov