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**The Lakeland Foundation**  
(a component unit of Lakeland Community College)

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**Financial Report**  
**June 30, 2022**



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Directors  
The Lakeland Foundation  
7700 Clocktower Drive  
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We have reviewed the *Independent Auditor's Report* of The Lakeland Foundation, Lake County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2021 through June 30, 2022. 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 "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

January 11, 2023

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## **Independent Auditor's Report**

To the Board of Directors  
The Lakeland Foundation

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of The Lakeland Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Report on Prior Year Financial Statements and Restatement***

The financial statements of the Foundation as of June 30, 2021 were audited by other auditors, who expressed an unmodified opinion on those statements on November 12, 2021 prior to the restatement described in Note 10.

As part of our audit of the 2022 financial statements, we also audited the adjustments described in Note 10 that were applied to restate the 2021 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of the Foundation other than with respect to the adjustments, and, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

To the Board of Directors  
The Lakeland Foundation

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022 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, 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.

*Plante & Moran, PLLC*

November 8, 2022



**Statement of Financial Position**

**June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 553,019	\$ 442,896
Cash held for others	8,178	7,779
Investments (Notes 3 and 4)	6,795,667	7,106,499
Receivables - Net of allowances:		
Accounts receivable	66,990	103,966
Pledges receivable (Note 7)	245,314	261,845
Loans receivable	24,211	19,377
	<u>336,515</u>	<u>385,188</u>
Total receivables - Net of allowances		
	336,515	385,188
<b>Other Assets</b>	<u>5,633</u>	<u>3,335</u>
	<u>\$ 7,699,012</u>	<u>\$ 7,945,697</u>
Total assets		
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Payables (scholarship and trade)	\$ 7,498	\$ 11,783
Deferred revenue	48,916	46,416
Due to custodial funds	8,178	7,779
	<u>64,592</u>	<u>65,978</u>
Total liabilities		
	64,592	65,978
<b>Net Assets</b>		
Without donor restrictions (Note 5)	197,699	148,779
With donor restrictions (Note 5)	7,436,721	7,730,940
	<u>7,634,420</u>	<u>7,879,719</u>
Total net assets		
	7,634,420	7,879,719
Total liabilities and net assets	<u>\$ 7,699,012</u>	<u>\$ 7,945,697</u>

## The Lakeland Foundation

# Statement of Activities and Changes in Net Assets

Years Ended June 30, 2022 and 2021

	2022			2021 (As Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains, and Other Support from Operations</b>						
Contributions of cash and other financial assets	\$ 160,781	\$ 1,537,092	\$ 1,697,873	\$ 109,611	\$ 967,022	\$ 1,076,633
Contributions of nonfinancial assets	3,880	26,779	30,659	-	42,464	42,464
Contributed services and supplies from LCC (Note 10)	429,358	-	429,358	418,835	-	418,835
Net realized and unrealized (losses) gains on investments	(44,807)	(1,022,315)	(1,067,122)	30,552	1,320,363	1,350,915
Net assets released from restrictions	835,775	(835,775)	-	862,133	(862,133)	-
Total revenue, (losses) gains, and other support	1,384,987	(294,219)	1,090,768	1,421,131	1,467,716	2,888,847
<b>Expenses</b>						
Program services:						
Scholarships	510,299	-	510,299	471,284	-	471,284
Educational and related programs	223,799	-	223,799	279,990	-	279,990
In-kind educational and related programs	19,401	-	19,401	41,120	-	41,120
Contributed services and supplies from LCC (Note 10)	122,265	-	122,265	118,937	-	118,937
Total program services	875,764	-	875,764	911,331	-	911,331
Support services:						
Administrative	141,009	-	141,009	145,149	-	145,149
Fundraising	2,647	-	2,647	15,116	-	15,116
Fundraising - In kind	9,554	-	9,554	3,594	-	3,594
Contributed services and supplies from LCC (Note 10)	307,093	-	307,093	299,898	-	299,898
Total support services	460,303	-	460,303	463,757	-	463,757
Total expenses	1,336,067	-	1,336,067	1,375,088	-	1,375,088
<b>Increase (Decrease) in Net Assets - Before nonoperating income</b>	48,920	(294,219)	(245,299)	46,043	1,467,716	1,513,759
<b>Nonoperating Income - Gain on forgiveness of Paycheck Protection Program loan</b>	-	-	-	73,800	-	73,800
<b>Increase (Decrease) in Net Assets</b>	48,920	(294,219)	(245,299)	119,843	1,467,716	1,587,559
<b>Net Assets - Beginning of year</b>	148,779	7,730,940	7,879,719	28,936	6,263,224	6,292,160
<b>Net Assets - End of year</b>	<b>\$ 197,699</b>	<b>\$ 7,436,721</b>	<b>\$ 7,634,420</b>	<b>\$ 148,779</b>	<b>\$ 7,730,940</b>	<b>\$ 7,879,719</b>

**Statement of Functional Expenses**

**Year Ended June 30, 2022**

	Program Services	Support Services		Total
		General and Administrative	Fundraising	
Scholarships	\$ 510,299	\$ -	\$ -	\$ 510,299
Educational and related programs	223,799	-	-	223,799
In-kind educational and related programs	19,401	-	-	19,401
Professional fees	-	101,748	-	101,748
Meetings/Conferences	-	7,818	-	7,818
Merchant and bank fees	-	832	-	832
Information and communication	-	1,348	-	1,348
Miscellaneous	-	3,306	-	3,306
Sponsorships	-	500	-	500
Travel and entertainment	-	6,504	-	6,504
Supplies	-	1,256	-	1,256
Lobbying	-	7,875	-	7,875
Special events	-	-	12,201	12,201
Bad debts	-	9,822	-	9,822
Contributed services and supplies from LCC	122,265	218,855	88,238	429,358
<b>Total functional expenses</b>	<b>\$ 875,764</b>	<b>\$ 359,864</b>	<b>\$ 100,439</b>	<b>\$ 1,336,067</b>

**Statement of Functional Expenses**

**Year Ended June 30, 2021  
(As Restated)**

	Program Services	Support Services		Total
		General and Administrative	Fundraising	
Scholarships	\$ 471,284	\$ -	\$ -	\$ 471,284
Educational and related programs	279,990	-	-	279,990
In-kind educational and related programs	41,120	-	-	41,120
Professional fees	-	89,273	7,296	96,569
Merchant/Bank fees	-	1,407	-	1,407
Information and communication	-	350	-	350
Miscellaneous	-	100	-	100
Sponsorships	-	6,420	-	6,420
Travel and entertainment	-	1,077	-	1,077
Lobbying	-	39,000	-	39,000
Special events	-	-	11,414	11,414
Bad debts	-	7,522	-	7,522
Contributed services and supplies from LCC (Note 10)	118,937	213,948	85,950	418,835
<b>Total functional expenses</b>	<b>\$ 911,331</b>	<b>\$ 359,097</b>	<b>\$ 104,660</b>	<b>\$ 1,375,088</b>

**Statement of Cash Flows**

**Years Ended June 30, 2022 and 2021**

	2022	2021
<b>Cash Flows from Operating Activities</b>		
(Decrease) increase in net assets	\$ (245,299)	\$ 1,587,559
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Allowance for uncollectible loans	9,822	7,522
Allowance for uncollectible pledges	(548)	(1,809)
Discounts to net present value	(707)	2,597
Unrealized loss (gain) on investments	1,369,464	(1,295,199)
Contributions restricted for long-term investment	(863,307)	(219,410)
Gain on forgiveness of Paycheck Protection Program loan	-	(73,800)
Changes in operating assets and liabilities that provided (used) cash:		
Pledges receivable	17,786	(37,335)
Loans receivable	(14,656)	(4,279)
Accounts receivable	36,976	(87,653)
Other assets	(2,298)	3,161
Payables	(4,285)	(4,473)
Deferred revenue	2,500	(7,500)
Custodial funds	399	(2,250)
	305,847	(132,869)
Net cash provided by (used in) operating activities		
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturity of investments	-	798,541
Purchases of investments	(1,058,632)	(950,476)
Net purchases of money market funds	-	(6,349)
	(1,058,632)	(158,284)
Net cash used in investing activities		
<b>Cash Flows Provided by Financing Activities</b> - Collection of contributions restricted for long-term investment	863,307	217,765
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	110,522	(73,388)
<b>Cash and Cash Equivalents</b> - Beginning of year	450,675	524,063
<b>Cash and Cash Equivalents</b> - End of year	<b>\$ 561,197</b>	<b>\$ 450,675</b>
<b>Statement of Financial Position Classification of Cash and Cash Equivalents</b>		
Cash and cash equivalents	\$ 553,019	\$ 442,896
Cash held for others	8,178	7,779
	<b>\$ 561,197</b>	<b>\$ 450,675</b>
Total cash and cash equivalents		

**June 30, 2022 and 2021**

**Note 1 - Nature of Business**

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 to 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 donations from individuals, corporations, foundations, and trusts located primarily in northeastern Ohio.

**Note 2 - Significant Accounting Policies**

***Basis of Presentation***

The financial statements of the Foundation have been prepared on the basis of generally accepted accounting principles (GAAP).

***Classification of Net Assets***

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

***COVID-19 Impact***

In early calendar year 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 percent 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 and changes in net assets as nonoperating income.

**Note 2 - Significant Accounting Policies (Continued)**

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

The Foundation considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

***Concentration of Credit Risk***

At various times during the years ended June 30, 2022 and 2021, the Foundation's cash in bank balances may have exceeded the federally insured limits.

***Investments***

Investments in equity securities are reported at fair value, with unrealized gains and losses included in earnings.

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

***Contributions***

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as contributions without donor restrictions.

***Contributed Services and Assets***

Certain donated services are recognized as support in the statement of activities and changes in net assets. The value of these services is determined based on estimated fair value. During the years ended June 30, 2022 and 2021, a variety of companies agreed to provide the Foundation with catering and other services for its annual golf outing valued at \$30,659 and \$42,464, respectively.

***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 percent of the past-due amount, and pledges receivable past due greater than one year use an allowance percentage of 100 percent of the past-due amount. Pledges receivable are written off when they are determined to be uncollectible.

**Note 2 - 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.

***Deferred Revenue***

Various organizations prepay certain funds to the Foundation in advance of meeting certain conditions being met. Revenue related to these payments is deferred and recognized as income as the conditions are met.

***Functional Allocation of Expenses***

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas.

The costs of providing the program and support services are reported on a functional basis. Costs are allocated between the various program and support services on an actual basis, where available, or based upon reasonable methods. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

***Income Taxes***

The Foundation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

***Contributed Services and Supplies***

Certain administrative functions of the Foundation are performed by administrative employees of LCC at no charge to the Foundation, which totaled \$415,863 and \$402,943 for the years ended June 30, 2022 and 2021, respectively. Additionally, LCC provides access to office supplies, meeting rooms, and equipment at no charge to the Foundation, which totaled \$13,495 and 15,892 for the years ended June 30, 2022 and 2021, respectively. The Foundation records these items as revenue and expense at the value of the costs incurred by LCC.

***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.

***Adoption of New Accounting Pronouncement***

As of June 30, 2022, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets are now reported by category within the financial statements, and there are additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. The standard was applied using the retrospective method, but there was no impact to the amounts included in the statement of financial position or the statement of activities and changes in net assets.



June 30, 2022 and 2021

**Note 2 - Significant Accounting Policies (Continued)**

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including November 8, 2022, which is the date the financial statements were available to be issued.

**Note 3 - Investments**

The details of the Foundation’s investments at June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Mutual funds:		
Fixed-income mutual funds	\$ 1,231,986	\$ 1,180,056
Large-cap equity	1,351,729	1,549,650
Mid-cap equity	847,130	1,029,110
Domestic equity mutual funds	1,005,034	1,062,045
International equities	901,472	1,115,943
Alternative strategy mutual funds	1,009,232	836,937
Emerging markets equities	113,444	138,046
Money market/Cash and reserve mutual funds	335,640	194,712
	<u>\$ 6,795,667</u>	<u>\$ 7,106,499</u>
Total		

**Note 4 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

June 30, 2022 and 2021

**Note 4 - Fair Value Measurements (Continued)**

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2022 and 2021 and the valuation techniques used by the Foundation to determine those fair values:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2022				
Quoted Prices in				
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
<b>Assets</b>				
Mutual funds:				
Fixed-income mutual funds	\$ 1,231,986	\$ -	\$ -	\$ 1,231,986
Large-cap equity	1,351,729	-	-	1,351,729
Mid-cap equity	847,130	-	-	847,130
Domestic equity mutual funds	1,005,034	-	-	1,005,034
International equities	901,472	-	-	901,472
Alternative strategy mutual funds	1,009,232	-	-	1,009,232
Emerging markets equities	113,444	-	-	113,444
Money market/Cash and reserves	305,076	30,564	-	335,640
<b>Total assets</b>	<b>\$ 6,765,103</b>	<b>\$ 30,564</b>	<b>\$ -</b>	<b>\$ 6,795,667</b>

Assets Measured at Fair Value on a Recurring Basis at June 30, 2021				
Quoted Prices in				
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
<b>Assets</b>				
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 strategy mutual funds	836,937	-	-	836,937
Emerging markets equities	138,046	-	-	138,046
Money market/Cash and reserves	194,712	-	-	194,712
<b>Total assets</b>	<b>\$ 7,106,499</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,106,499</b>

The fair value of certain money market funds at June 30, 2022 was determined primarily based on Level 2 inputs. The Foundation estimates the fair value of these investments utilizing asset valuation provided by its investment custodian.

June 30, 2022 and 2021

**Note 5 - Net Assets**

Net assets without donor restrictions consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Board-designated net assets - Compassionate care	\$ 30,046	\$ 30,046
Undesignated net assets	167,653	118,733
Total net assets without donor restrictions	<u>\$ 197,699</u>	<u>\$ 148,779</u>

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

	<u>2022</u>	<u>2021</u>
Subject to expenditures for donor purpose and time restrictions:		
Scholarships	\$ 846,678	\$ 701,012
Loans	78,629	88,452
Educational and related programs	813,233	1,009,033
Future sponsorship activities	20,100	26,730
Portion of endowment funds classified for scholarships and educational purposes	620,214	1,857,423
Total subject to expenditures for donor purpose and time restrictions	2,378,854	3,682,650
Subject to perpetual donor restrictions:		
Endowment funds	5,050,475	4,039,403
Pledges receivable - Net for endowment	7,392	8,887
Total subject to perpetual donor restrictions	<u>5,057,867</u>	<u>4,048,290</u>
Total net assets with donor restrictions	<u>\$ 7,436,721</u>	<u>\$ 7,730,940</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>2022</u>	<u>2021</u>
Scholarships	\$ 510,299	\$ 471,284
Loans	9,822	7,522
Educational and related programs	242,424	329,273
Future sponsorship activities	9,900	13,270
Administration/Fundraising	48,938	37,277
Transferred - Without donor restrictions	14,392	3,507
Total	<u>\$ 835,775</u>	<u>\$ 862,133</u>

**Note 6 - Donor-restricted and Board-designated Endowments**

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Note 6 - Donor-restricted and Board-designated Endowments (Continued)**

*Interpretation of Relevant Law*

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Foundation had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of June 30, 2022			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 30,046	\$ -	\$ 30,046
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	4,626,613	4,626,613
Accumulated investment gains	-	997,806	997,806
Total donor-restricted endowment funds	-	5,624,419	5,624,419
Total	\$ 30,046	\$ 5,624,419	\$ 5,654,465

June 30, 2022 and 2021

**Note 6 - Donor-restricted and Board-designated Endowments (Continued)**

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 30,046	\$ 5,896,827	\$ 5,926,873
Investment return:			
Interest and dividends	555	88,075	88,630
Net realized and unrealized loss	(356)	(1,077,969)	(1,078,325)
Management fees	(199)	(32,421)	(32,620)
Total investment return	-	(1,022,315)	(1,022,315)
Contributions	-	864,801	864,801
Appropriation of endowment assets for expenditure	-	(214,894)	(214,894)
Other changes - Transfer to create endowment fund	-	100,000	100,000
Endowment net assets - End of year	<u>\$ 30,046</u>	<u>\$ 5,624,419</u>	<u>\$ 5,654,465</u>

	Endowment Net Asset Composition by Type of Fund as of June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 30,046	\$ -	\$ 30,046
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	3,661,811	3,661,811
Accumulated investment gains	-	2,235,016	2,235,016
Total donor-restricted endowment funds	-	5,896,827	5,896,827
Total	<u>\$ 30,046</u>	<u>\$ 5,896,827</u>	<u>\$ 5,926,873</u>

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 30,046	\$ 4,499,817	\$ 4,529,863
Investment return:			
Interest and dividends	481	68,641	69,122
Net realized and unrealized gain	(302)	1,289,872	1,289,570
Management fees	(179)	(25,688)	(25,867)
Total investment return	-	1,332,825	1,332,825
Contributions	-	217,765	217,765
Appropriation of endowment assets for expenditure	-	(170,072)	(170,072)
Other changes - Transfer to create endowment fund	-	16,492	16,492
Endowment net assets - End of year	<u>\$ 30,046</u>	<u>\$ 5,896,827</u>	<u>\$ 5,926,873</u>

**Note 6 - Donor-restricted and Board-designated Endowments (Continued)**

***Underwater Endowment Funds***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in 12 donor-restricted endowment funds, which together have an original gift value of \$1,307,207 and \$783,268, a current fair value of \$1,207,974 and \$1,422,629, and a deficiency of \$99,227 and \$0 as of June 30, 2022 and 2021, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the board of directors.

***Management Fees***

Management fees are recorded based on actual costs of the fees incurred.

***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.

***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 percent 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's 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. The remaining portfolio funds may be invested in either fixed income, alternatives, or cash equivalent securities.

***Spending Policy and How the Investment Objectives Relate to 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 percent 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 percent 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.

June 30, 2022 and 2021

**Note 7 - Pledges Receivable**

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

	2022	2021
Gross promises to give before unamortized discount	\$ 260,678	\$ 277,368
Less allowance for uncollectible contributions	(1,496)	(948)
Less allowance for net present value discount	(13,868)	(14,575)
Net contributions receivable	\$ 245,314	\$ 261,845
Amounts due in:		
Less than one year	\$ 2,941	\$ 156,952
One to five years	233,865	103,544
More than five years	23,872	16,872
Total	\$ 260,678	\$ 277,368

**Note 8 - Related Party Transactions**

LCC made distributions to the Foundation of \$122,610 and \$158,053 for the years ended June 30, 2022 and 2021, respectively, which are recorded on the statement of activities and changes in net assets as contributions of cash and other financial assets. The Foundation distributed \$875,764 and \$911,331 during the years ended June 30, 2022 and 2021, respectively, to LCC. The Foundation also distributed \$19,401 and \$41,120 in gifts in kind to LCC during the years ended June 30, 2022 and 2021, respectively. The Foundation had receivables from LCC of \$24,709 and \$64,379 as of June 30, 2022 and 2021, respectively. The Foundation had payables to LCC of \$7,216 and \$11,111 as of June 30, 2022 and 2021, respectively.

**Note 9 - Liquidity and Availability of Resources**

The following reflects the Foundation's financial assets as of June 30, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2022	2021
Cash and cash equivalents	\$ 553,019	\$ 442,896
Cash held for others	8,178	7,779
Investments	6,795,667	7,106,499
Accounts receivable	66,990	103,966
Pledges receivable - Net	245,314	261,845
Loans receivable - Net	24,211	19,377
Financial assets - At year end	7,693,379	7,942,362
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	2,378,854	3,682,650
Restricted by donor with perpetual restrictions	5,011,598	4,048,290
Cash held for others	8,178	7,779
Board designations - Quasi-endowment fund, primarily for long-term investing	30,046	30,046
Financial assets available to meet cash needs for general expenditures within one year	\$ 264,703	\$ 173,597

**June 30, 2022 and 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 endowments by special authorization of the board of directors, if necessary.

**Note 10 - Prior Period Adjustment**

The accompanying financial statements for 2021 have been restated to correct an error for the recording of contributed services and supplies from the Lakeland Community College, an affiliated entity. The effect of the restatement was to increase revenue and expenses in 2021 by \$418,835, with no impact on net income or net assets with or without donor restrictions.



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*

### Independent Auditor's Report

To Management and the Board of Directors  
The Lakeland Foundation

We have audited, 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, the financial statements of The Lakeland Foundation (the "Foundation") as of and for the year ended June 30, 2022 and the related notes to the financial statements and have issued our report thereon dated November 8, 2022.

#### Report on 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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2022-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2022-002 to be a significant deficiency.

#### Report on 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 financial statements. 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 Management and the Board of Directors  
The Lakeland Foundation

### **The Foundation's Responses to the Findings**

*Government Auditing Standards* require the auditor to perform limited procedures on the Foundation's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Foundation's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

### **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.

*Plante & Moran, PLLC*

November 8, 2022

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## Schedule of Findings and Questioned Costs

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Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Financial Statement Audit Findings

Reference Number	Finding
2022-001	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Contributed services and supplies from an affiliate should be recorded in accordance with generally accepted accounting principles (GAAP) (ASC 958-720-25-9).</p> <p><b>Condition</b> - During our audit procedures, we identified that the Foundation did not record contributed services and supplies from an affiliate in accordance with GAAP for the years ended June 30, 2022 and 2021.</p> <p><b>Context</b> - The current year and the adjusted prior year financial statements contributed services and supplies from LCC totaling \$429,358 and \$418,835 for the years ended June 30, 2022 and 2021, respectively.</p> <p><b>Cause</b> -The Foundation did not have procedures in place to identify, quantify, and record donated services and supplies.</p> <p><b>Effect</b> - Certain revenue and expense amounts were understated by \$429,358 in 2022 and \$418,835 in 2021, resulting in a restatement of the 2021 financial statements.</p> <p><b>Recommendation</b> - Management should put a process in place to ensure proper recording of donated services in accordance with GAAP.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The Foundation's financial management fully agrees with implementing Plante &amp; Moran, PLLC's comment.</p> <p>It should be recognized, however, that we have always cooperatively worked with our external auditors on the Foundation's compliance with generally accepted accounting principles. In that regard, the Foundation followed our previous independent accountant's GAAP recommendation to solely disclose LLC-donated services and supplies to the Foundation as a footnote disclosure.</p> <p>Equally important, if not more so, from an operations and accounting control perspective, LCC and the Foundation annually prepare and agree on the budgeting and subsequently the accounting for those donated LCC services.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2022

Financial Statement Audit Findings (Continued)

Reference Number	Finding
2022-002	<p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - Proper segregation of duties should be in place as a key internal control related to cash activity in accordance with GAAP.</p> <p><b>Condition</b> - There was no proper segregation of duties in the online banking system related to transfers between LCC and the Foundation.</p> <p><b>Context</b> - The lack of segregation of duties could lead to material amounts being transferred out of the Foundation's cash accounts without secondary approval.</p> <p><b>Cause</b> - The lack of segregation of duties is a result of access to the online banking system and the ability to initiate and reconcile these transactions.</p> <p><b>Effect</b> - The lack of segregation of duties over these areas could allow for misappropriation of assets and fraudulent banking transactions in the online banking system.</p> <p><b>Recommendation</b> - The Foundation should put additional controls in place to mitigate these risks.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The Foundation agrees and has already added an additional approver electronically going forward.</p> <p>It should be recognized, however, that in previously establishing our banking controls, cash transfer access was always restricted to solely transferring funds from the Foundation to LCC; within that KeyBank account controls setup, transfers were prohibited to people or other organizations. There are also preventive controls in place that require the upfront documentation of the Foundation's bank transfers and mandating the regular monthly reconciliation of these bank accounts and transfers.</p>

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# 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 1/24/2023**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)