

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Lorain County Community College Foundation, Inc., Lorain County, prepared by Barnes Wendling CPAs, Inc. for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lorain County Community College Foundation, Inc. is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

November 28, 2005

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LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

September 27, 2005

The Board of Directors
Lorain County Community College Foundation, Inc.
Elyria, Ohio

We have audited the accompanying statement of financial position of Lorain County Community College Foundation, Inc. (an Ohio non-profit organization) a component unit of Lorain County Community College as of June 30, 2005 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2004, from which the summarized information is derived.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lorain County Community College Foundation, Inc. as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2005, on our consideration of Lorain County Community College Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Barnes Wendling (PA), Inc.

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LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Statements of Financial Position

	June 30,	
	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and cash equivalents	\$ 22,507	\$ 117,179
Accounts receivable	90	160
Unconditional promises to give	1,387,074	1,691,026
Investments	15,978,945	15,180,146
Deferred expenses	-0-	7,227
Equipment, net	18,475	22,766
Other asset	48,000	48,000
TOTAL ASSETS	<u>\$ 17,455,091</u>	<u>\$ 17,066,504</u>
LIABILITIES		
Accounts payable	\$ 79,384	\$ 54,359
Deferred revenue	6,287	-0-
Annuity obligation	6,976	7,408
Funds held as fiscal agent	26,833	25,000
Engineering building support payable	582,582	742,574
TOTAL LIABILITIES	702,062	829,341
NET ASSETS		
Unrestricted	630,904	771,001
Temporarily restricted	1,628,061	1,737,140
Permanently restricted	14,494,064	13,729,022
TOTAL NET ASSETS	<u>16,753,029</u>	<u>16,237,163</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,455,091</u>	<u>\$ 17,066,504</u>

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Statements of Activities

	Years Ended June 30,				2004
	2005				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Revenue and support					
Contributions	\$ 197,124	\$ 110,713	\$ 241,261	\$ 549,098	\$ 824,658
Investment income	273,739	417,563	482,331	1,173,633	2,024,189
Special event	69,770	-0-	41,450	111,220	118,450
Other income	132	-0-	-0-	132	43
Total revenues and support	540,765	528,276	765,042	1,834,083	2,967,340
Net assets released from restrictions	637,355	(637,355)	-0-	-0-	-0-
	1,178,120	(109,079)	765,042	1,834,083	2,967,340
Expenses					
Scholarships	605,954	-0-	-0-	605,954	557,834
Support for Lorain County Community College	298,538	-0-	-0-	298,538	370,640
Management and general	279,666	-0-	-0-	279,666	221,067
Fundraising	134,059	-0-	-0-	134,059	178,454
Total expenses	1,318,217	-0-	-0-	1,318,217	1,327,995
Change in net assets	(140,097)	(109,079)	765,042	515,866	1,639,345
Net assets, beginning of year	771,001	1,737,140	13,729,022	16,237,163	14,597,818
NET ASSETS, end of year	\$ 630,904	\$ 1,628,061	\$14,494,064	\$16,753,029	\$16,237,163

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Statements of Cash Flows

	Years Ended June 30,	
	2005	2004
Cash Flows From Operating Activities		
Change in net assets	\$ 515,866	\$ 1,639,344
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	8,858	9,349
(Gain) loss on disposition of assets	1,402	-0-
Net (gain) loss on investments	(909,049)	(1,786,341)
(Increase) decrease in assets		
Accounts receivable	70	(160)
Unconditional promises to give	303,952	301,764
Increase (decrease) in liabilities		
Accounts payable	25,025	725
Deferred revenue	13,514	(31,655)
Annuity obligation	(432)	369
Funds held as fiscal agent	1,833	25,000
Engineering building support payable	(159,992)	(183,810)
Contributions restricted for permanent investment	(241,261)	(463,151)
Net cash used in operating activities	(440,214)	(488,566)
Cash Flows From Investing Activities		
Payments for property and equipment	(5,969)	(14,656)
Proceeds from the sale of investments	1,815,205	1,305,381
Purchase of investments	(1,704,955)	(1,347,073)
Net cash provided by (used in) investing activities	104,281	(56,348)
Cash Flows From Financing Activities		
Contributions restricted for permanent investment	241,261	463,151
Net decrease in cash	(94,672)	(81,763)
Cash and cash equivalents at beginning of year	117,179	198,942
Cash and cash equivalents at end of year	\$ 22,507	\$ 117,179

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2005 and 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Lorain County Community College Foundation, Inc. (the Foundation), a Non-Governmental, Non-Profit organization established under the laws of the State of Ohio, was established to foster excellence in teaching and learning by encouraging philanthropic support for students, faculty, programs and facilities of Lorain County Community College (the College).

Basis of Accounting

The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Furthermore, the accounting policies adhered to by the Foundation are generally consistent with the *Audit and Accounting Guide for Not-For-Profit Organizations* issued by the American Institute of Certified Public Accountants.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and Cash Equivalents

The Foundation classifies its checking and money market accounts as cash. Any cash or cash equivalents maintained in any professional managed account is classified as investments, due to the overall non-current investment strategy of their investment philosophy.

Comparative Financial Information

The financial statements include certain prior year summarized comparative financial information. Such information does not include sufficient detail to constitute a full financial statement presentation. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2004, from which the summarized information was derived.

Use of Estimates

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

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2005 and 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment

Equipment is recorded at historical cost or fair market value in case of donation. Depreciation is recorded on the straight-line method over the useful lives of the respective assets, which is generally five years. The Foundation capitalizes all long-lived assets that cost more than \$500 and have a useful life in excess of one year. Depreciation expense for the years ended June 30, 2005 and 2004 was \$8,858 and \$9,349, respectively. Accumulated depreciation at June 30, 2005 and 2004 was \$65,864 and \$59,483, respectively.

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations. This category periodically includes net assets designated by the Board. At June 30, 2005 and 2004 there were no board designated net assets.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met by actions of the Board/Organization and/or the passage of time.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Administration Fee

The Foundation allocates a 0.9% administration fee on temporarily and permanently restricted net assets, excluding unconditional promises to give, to provide for indirect program, management and general, and fundraising expenses. The total amount charged to net assets related to this fee was \$131,158 and \$112,992 for the years ended June 30, 2005 and 2004, respectively.

Functional Allocation of Expenses

The cost of providing various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Reclassifications

Certain amounts from 2004 have been reclassified to conform with the 2005 presentation.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2005 and 2004

NOTE B - PROMISES TO GIVE

Unconditional promises to give at June 30, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Receivable in less than one year	\$ 435,500	\$ 413,500
Receivable in one to five years	989,000	1,243,000
Receivable after five years	<u>-0-</u>	<u>50,000</u>
Total unconditional promises to give	1,424,500	1,706,500
Less discounts to present value	<u>(37,426)</u>	<u>(15,474)</u>
 Net unconditional promises to give	 <u>\$1,387,074</u>	 <u>\$1,691,026</u>

The discount rate used on long-term promises to give was 2.00% and 0.50% at June 30, 2005 and 2004, respectively.

NOTE C - INVESTMENTS

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

	<u>June 30, 2005</u>		<u>June 30, 2004</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common equity securities	\$ 900,739	\$ 1,707,098	\$ 906,331	\$ 1,732,157
Mutual equity funds	8,545,863	10,360,620	8,095,256	9,433,703
Mutual bond funds	3,610,217	3,557,108	3,411,687	3,304,280
Cash and cash equivalents	<u>354,119</u>	<u>354,119</u>	<u>710,006</u>	<u>710,006</u>
	<u>\$13,410,938</u>	<u>\$15,978,945</u>	<u>\$13,123,280</u>	<u>\$15,180,146</u>

Investment income for the years ended June 30, 2005 and 2004 consisted of the following:

	<u>2005</u>	<u>2004</u>
Interest and dividends	\$ 316,926	\$ 296,732
Net gains (losses)	909,049	1,786,342
Management fees	<u>(52,342)</u>	<u>(58,884)</u>
 Total investment income (loss)	 <u>\$1,173,633</u>	 <u>\$2,024,189</u>

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2005 and 2004

NOTE D - ENGINEERING BUILDING SUPPORT PAYABLE

The Foundation has committed to funding support for the College's engineering building. The following payments due under this commitment for the years ended June 30, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Payable in less than one year	\$ 150,000	\$ 150,000
Payable in one to five years	<u>450,000</u>	<u>600,000</u>
Total committed support payable	600,000	750,000
Less discounts to present value	<u>(17,418)</u>	<u>(7,426)</u>
Net engineering building support payable	<u>\$ 582,582</u>	<u>\$ 742,574</u>

The discount rate used on long-term support payable was 2.00% and 0.50% at June 30, 2005 and 2004, respectively.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Net assets as of June 30, 2005 and 2004 were temporarily restricted for the following purposes:

	<u>2005</u>	<u>2004</u>
Support of the College's faculty, programs, facilities and Foundation's operation	\$ 181,331	\$ 192,596
Scholarships	<u>1,446,730</u>	<u>1,544,544</u>
Total temporarily restricted net assets	<u>\$1,628,061</u>	<u>\$1,737,140</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Support of the College's faculty, programs, facilities and Foundation's operation	\$ 125,118	\$ 193,614
Scholarships	512,237	473,840
Collection of unrestricted promises to give	<u>0</u>	<u>0</u>
Total restrictions released	<u>\$ 637,355</u>	<u>\$ 667,454</u>

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2005 and 2004

NOTE F - PERMANENTLY RESTRICTED NET ASSETS

Net assets as of June 30, 2005 and 2004 were permanently restricted for the following purposes:

	<u>2005</u>	<u>2004</u>
Support of the College's faculty, programs, and facilities	\$ 1,736,403	\$ 1,638,815
Scholarships	9,668,357	9,093,098
Operations and general support	<u>3,089,304</u>	<u>2,997,109</u>
Total permanently restricted net assets	<u>\$14,494,064</u>	<u>\$13,729,022</u>

Permanently restricted net asset investment income available for expenditure is limited to 4.5% of the trailing three year average of the permanently restricted net asset balance, with any excess investment income added to permanently restricted net assets. The Foundation's intent is that the spending policy and the administrative fee will result in long-term preservation of permanently restricted net asset corpus.

NOTE G - TAXES

The Foundation is exempt from income taxes under Section 501(c)(3) as a Non-Governmental, Non-Profit entity of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

NOTE H - CHARITABLE REMAINDER UNITRUSTS

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

The Foundation has a charitable gift annuity agreement with a donor. The Foundation was named as trustee and beneficiary. At June 30, 2005 and 2004, the related asset is included within investments of the accompanying financial statements.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2005 and 2004

NOTE I - CONCENTRATIONS

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

One donor's promise to give represented approximately 55% and 50%, respectively, of the unconditional promises to give balance at June 30, 2005 and 2004.

NOTE J - RELATED PARTY

As described in Note A, the Foundation is affiliated with the College. During the year ended June 30, 2005 and 2004, the College provided the Foundation with professional services valued at \$167,595 and \$139,627, respectively. The value of those services are included as contributions in the financial statement and expensed on a functional basis based on the type of service.

During the years ended June 30, 2005 and 2004, the Foundation provided scholarships and support to the College of \$845,942 and \$928,474 respectively.

At June 30, 2005 and 2004, amounts due to the College totaled \$631,700 and \$759,706, respectively.



Building and maintaining net worth since 1946.

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

September 27, 2005

The Board of Directors
Lorain County Community College Foundation, Inc.
Elyria, Ohio

We have audited the financial statements of Lorain County Community College Foundation, Inc. (an Ohio nonprofit organization) a component unit of Lorain County Community College as of and for the year ended June 30, 2005, and have issued our report dated September 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lorain County Community College Foundation, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Lorain County Community College Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

In addition, we noted several other matters involving internal control and its operation that we have reported to management of Lorain County Community College Foundation in a separate letter dated September 27, 2005.

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

Barnes Wendling CPAs, Inc.



**Auditor of State
Betty Montgomery**

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LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION , INC.

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 13, 2005**