

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

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Lorain County Community College Foundation, Lorain County, prepared by Barnes Wendling CPAs, Inc., for the audit period July 1, 2007 through June 30, 2008. 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 is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 14, 2009

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LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

December 21, 2008

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, 2008 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior years' summarized comparative information has been derived from the Foundation's 2007 financial statements and, in our report dated October 12, 2007; we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lorain County Community College Foundation, Inc. as of June 30, 2008, 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 December 21, 2008, on our consideration of Lorain County Community College Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Barnes Wendling CPAs, Inc.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Statements of Financial Position

	June 30,	
	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 1,257,603	\$ 92,221
Accounts receivable	230,642	15,948
Unconditional promises to give	1,149,009	672,350
Investments	22,082,282	19,329,115
Prepaid expenses	3,220	1,419
Equipment, net	12,602	7,565
TOTAL ASSETS	<u>\$ 24,735,358</u>	<u>\$ 20,118,618</u>
LIABILITIES		
Accounts and support payable	\$ 675,986	\$ 112,192
Deferred revenue	14,400	10,018
Annuity obligation	9,126	10,194
Funds held as fiscal agent	42,614	48,904
Engineering building support payable	-0-	292,857
TOTAL LIABILITIES	742,126	474,165
NET ASSETS		
Unrestricted	602,184	925,819
Temporarily restricted	3,131,564	2,096,015
Permanently restricted	20,259,484	16,622,619
TOTAL NET ASSETS	<u>23,993,232</u>	<u>19,644,453</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,735,358</u>	<u>\$ 20,118,618</u>

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Statements of Activities

	Years Ended June 30,				2007
	2008			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue and support					
Contributions	\$ 166,319	\$ 1,334,456	\$ 5,255,182	\$ 6,755,957	\$ 960,965
Innovation fund income	-0-	571,323	-0-	571,323	-0-
Investment income (loss), net	106,683	490,853	(1,661,353)	(1,063,817)	2,783,343
Special event	76,969	-0-	43,036	120,005	124,905
Other income	303,932	-0-	-0-	303,932	-0-
Total revenues and support	653,903	2,396,632	3,636,865	6,687,400	3,869,213
Net assets released from restrictions	1,361,083	(1,361,083)	-0-	-0-	-0-
	2,014,986	1,035,549	3,636,865	6,687,400	3,869,213
Expenses					
Scholarships	615,027	-0-	-0-	615,027	574,104
Support for Lorain County Community College	905,355	-0-	-0-	905,355	615,046
Management and general	425,267	-0-	-0-	425,267	235,626
Fundraising	392,972	-0-	-0-	392,972	188,276
Total expenses	2,338,621	-0-	-0-	2,338,621	1,613,052
Change in net assets	(323,635)	1,035,549	3,636,865	4,348,779	2,256,161
Net assets, beginning of year	925,819	2,096,015	16,622,619	19,644,453	17,388,292
NET ASSETS, end of year	\$ 602,184	\$ 3,131,564	\$20,259,484	\$23,993,232	\$19,644,453

See Notes to Financial Statements

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Statements of Cash Flows

	Years Ended June 30,	
	2008	2007
Cash Flows From Operating Activities		
Change in net assets	\$ 4,348,779	\$ 2,256,161
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	3,461	4,880
Forgiveness of engineering building support payable	(300,000)	-0-
Unconditional promises to give bad debts	25,000	-0-
Deferred revenue	4,382	10,018
Net gain on investments	1,605,317	(2,431,253)
(Increase) decrease in assets		
Accounts receivable	(214,694)	(1,381)
Unconditional promises to give	(501,659)	334,411
Prepaid expenses	(1,801)	9,131
Increase (decrease) in liabilities		
Accounts payable	563,794	19,569
Annuity obligation	(1,068)	(985)
Funds held as fiscal agent	(6,290)	6,539
Engineering building support payable	7,143	9,943
Contributions restricted for permanent investment	(5,298,218)	(446,049)
Net cash provided by (used in) operating activities	234,146	(229,016)
Cash Flows From Investing Activities		
Purchase of property and equipment	(8,498)	-0-
Proceeds from the sale of investments	13,048,688	2,063,193
Purchase of investments	(17,407,172)	(2,346,319)
Net cash used in investing activities	(4,366,982)	(283,126)
Cash Flows From Financing Activities		
Contributions restricted for permanent investment	5,298,218	446,049
Net increase (decrease) in cash	1,165,382	(66,093)
Cash and cash equivalents at beginning of year	92,221	158,314
Cash and cash equivalents at end of year	\$ 1,257,603	\$ 92,221

See Notes to Financial Statements

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2008 and 2007

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.

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, 2007, from which the summarized information was derived.

Use of Estimates

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

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.

Accounts Receivable

Accounts receivable are comprised primarily of grants and allocations committed from various funding agencies for use in the Foundation's activities. Accounts receivable at June 30, 2008 are expected to be collected within one year. The foundation has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2008 and 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

The Foundation has adopted Statement of Financial Accounting Standards No. 116 (SFAS 116), Accounting for Contributions Received and Contributions Made. SFAS 116 provides that contributions be recognized as revenue in the period in which the pledge (promise to give) is received.

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 or seven 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, 2008 and 2007 was \$3,461 and \$4,880, respectively. Accumulated depreciation at June 30, 2008 and 2007 was \$64,103 and \$60,642, 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, 2008 and 2007 there were no board designated net assets.

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

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

Administration Fee

The Foundation allocates a 1.25% administration fee on temporarily and permanently restricted net assets, excluding unconditional promises to give, to provide for indirect program, general management and fundraising expenses for the years ended June 30, 2008 and 2007, respectively. The total amount charged to net assets related to this fee was \$221,643 and \$197,716 for the years ended June 30, 2008 and 2007, 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.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2008 and 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Innovation Fund Awards

The innovation fund bestows awards in two categories, type A awards and type B awards. Type A awards are \$25,000 and contain no right of replenishment. Type B awards are greater than \$25,000 and contain a right of replenishment. It is the policy of the foundation to fully reserve for the possible receivable at the time of the award as there is insufficient financial information regarding collectibility, creating a net \$-0- effect to receivables. If the right of replenishment is exercised for an award, the receivable will be recorded at that time. The Organization made payments of \$335,000 to innovation fund awards during the year ended June 30, 2008 of which \$40,000 was included in accounts payable as of June 30, 2008. Additional unpaid awards which were considered conditional and therefore not recorded at June 30, 2008 totaled \$150,000.

Reclassifications

Certain amounts from 2007 have been reclassified to conform to the 2008 presentation.

NOTE B - PROMISES TO GIVE

Unconditional promises to give at June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Receivable in less than one year	\$ 410,390	\$ 326,500
Receivable in one to five years	203,077	366,900
Receivable in six to ten years	<u>658,000</u>	<u>-0-</u>
Total unconditional promises to give	1,271,467	693,400
Less discounts to present value	<u>(122,458)</u>	<u>(21,050)</u>
Net unconditional promises to give	<u>\$1,149,009</u>	<u>\$ 672,350</u>

The discount rate used on long-term promises to give was 2.1% and 5.0% at June 30, 2008 and 2007, respectively. Certain promises to give do not designate a payment term but management does not anticipate payment of these obligations within the next 5 – 10 years so they have been estimated as payable in 10 years.

The Foundation has not recorded a reserve for uncollectible promises to give because the amount would be immaterial. During the years ended June 30, 2008 and 2007, the Foundation wrote off uncollectible promises to give of \$25,000 and \$-0-, respectively.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2008 and 2007

NOTE C - INVESTMENTS

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

	June 30, 2008		June 30, 2007	
	Fair Value	Cost	Fair Value	Cost
Common equity securities	\$ 804,578	\$ 1,171,814	\$ 1,123,383	\$ 2,016,907
Mutual equity funds	9,213,437	10,024,188	8,820,311	11,581,503
Mutual bond funds	6,974,133	6,825,774	5,331,280	5,704,323
Cash and cash equivalents	4,060,506	4,060,506	26,382	26,382
	<u>\$21,052,654</u>	<u>\$22,082,282</u>	<u>\$15,301,356</u>	<u>\$19,329,115</u>

Investment income for the years ended June 30, 2008 and 2007 consisted of the following:

	2008	2007
Interest and dividends	\$ 563,459	\$ 411,609
Net gains (losses)	(1,572,996)	2,431,252
Management fees	(54,280)	(59,518)
 Total investment income (loss)	<u>(\$ 1,063,817)</u>	<u>\$ 2,783,343</u>

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, 2008 and 2007 are as follows:

	2008	2007
Payable in less than one year	\$ -0-	\$ -0-
Payable in one to five years	-0-	300,000
Total committed support payable	-0-	300,000
Less discounts to present value	-0-	(7,143)
 Net engineering building support payable	<u>\$ -0-</u>	<u>\$ 292,857</u>

The discount rate used on long-term support payable was 5.0% at June 30, 2007.

The balance of the payable was forgiven during the year ended June 30, 2008. The forgiveness of debt was recorded as other income in the year ended June 30, 2008.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2008 and 2007

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Net assets as of June 30, 2008 and 2007 were temporarily restricted for the following purposes:

	<u>2008</u>	<u>2007</u>
Support of the College's faculty, programs, facilities and Foundation's operation	\$2,152,724	\$ 959,950
Scholarships	976,541	1,132,932
Passage of time	<u>2,299</u>	<u>3,133</u>
Total temporarily restricted net assets	<u>\$3,131,564</u>	<u>\$2,096,015</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Support of the College's faculty, programs, facilities and Foundation's operation	\$794,623	\$ 304,904
Scholarships	563,327	574,104
Collection of unrestricted promises to give	<u>3,133</u>	<u>91,000</u>
Total restrictions released	<u>\$1,361,083</u>	<u>\$ 970,008</u>

NOTE F - PERMANENTLY RESTRICTED NET ASSETS

Net assets as of June 30, 2008 and 2007 were permanently restricted for the following purposes:

	<u>2008</u>	<u>2007</u>
Support of the College's faculty, programs, and facilities	\$ 4,804,663	\$ 2,492,971
Scholarships	11,816,026	11,541,856
Operations and general support	<u>3,638,795</u>	<u>2,587,792</u>
Total permanently restricted net assets	<u>\$20,259,484</u>	<u>\$16,622,619</u>

Permanently restricted net asset investment income transferred for expenditures 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.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2008 and 2007

NOTE G - TAXES

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

NOTE H - CHARITABLE REMAINDER UNITRUSTS

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

The Foundation has two charitable gift annuity agreements with a donor. The Foundation was named as trustee and beneficiary. At June 30, 2008 and 2007, the related asset is included within investments of the accompanying financial statements. At June 30, 2008 and 2007, an annuity obligation liability of \$9,126 and \$10,194, respectively, was recorded for the present value of the expected liability based on fixed quarterly payments for the remainder of the annuitants lives.

NOTE I - CONCENTRATIONS

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

Two donors' promises to give represented approximately 55% and 58%, respectively, of the unconditional promises to give balance at June 30, 2008 and 2007.

NOTE J - RELATED PARTY

As described in Note A, the Foundation is affiliated with the College. During the years ended June 30, 2008 and 2007, the College provided the Foundation with professional staffing valued at \$44,748 and \$150,809, 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, 2008 and 2007, the Foundation provided scholarships and support to the College of \$1,520,382 and \$1,189,150 respectively.

At June 30, 2008 and 2007, amounts due to the College totaled \$557,352 and \$323,393, respectively.

During the year ended June 30, 2008, the College forgave \$300,000 of the engineering building payable.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2008 and 2007

NOTE J - RELATED PARTY (CONTINUED)

The foundation is also related to Citizens for LCCC. The foundation made contributions of \$290,000 and \$-0-, respectively, to Citizens for LCCC during the years ended June 30, 2008 and 2007. These contributions fall within the mission of the Foundation as Citizens for LCCC supports the growth of the College through support for tax levies benefiting the College.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 21, 2008

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, 2008, and have issued our report thereon dated December 21, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lorain County Community College Foundation, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lorain County Community College Foundation, Inc.'s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. As significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 matters 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.



We noted certain matters that we reported to management of Lorain County Community College Foundation in a separate letter dated December 21, 2008.

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.



Mary Taylor, CPA
Auditor of State

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 27, 2009**