

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

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Lorain County Community College Foundation, Inc., Lorain County, prepared by Barnes Wendling CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 "Dave Yost".

Dave Yost
Auditor of State

January 26, 2011

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LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

December 17, 2010

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., as of June 30, 2010 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior years' summarized comparative information has been derived from the Foundation's 2009 financial statements and, in our report dated December 8, 2009; 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, 2010, 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 17, 2010, 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.

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LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Statements of Financial Position

	June 30,	
	2010	2009
ASSETS		
Cash and cash equivalents	\$ 122,196	\$ 167,592
Grants receivable	30,000	530,000
Unconditional promises to give, net	9,019,224	2,610,269
Investments	21,433,040	19,695,567
Prepaid expenses	4,169	1,721
Equipment, net	4,957	8,165
TOTAL ASSETS	\$ 30,613,586	\$ 23,013,314
LIABILITIES		
Accounts, support and awards payable	\$ 132,156	\$ 301,868
Deferred revenue	1,458	17,838
Annuity obligation	6,710	7,967
Due to fund	3,200	-0-
Funds held as fiscal agent	41,564	37,115
TOTAL LIABILITIES	185,088	364,788
NET ASSETS		
Unrestricted	353,017	376,962
Temporarily restricted	10,881,367	5,224,958
Permanently restricted	19,194,114	17,046,606
TOTAL NET ASSETS	30,428,498	22,648,526
TOTAL LIABILITIES AND NET ASSETS	\$ 30,613,586	\$ 23,013,314

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Statements of Activities and Changes in Net Assets Year Ended June 30, 2010 with Comparative Summarized Information for the Year Ended June 30, 2009

	Years Ended June 30,				2009
	2010			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue and support					
Contributions	\$ 167,219	\$ 8,232,137	\$ 1,208,272	\$ 9,607,628	\$ 3,704,120
Present value and other reserves	-0-	(2,899,381)	(226)	(2,899,607)	-0-
Innovation fund income	-0-	1,218,750	-0-	1,218,750	634,956
Investment income (loss), net	615,779	995,126	980,133	2,591,038	(2,791,667)
Special event, net	66,272	-0-	15,240	81,512	95,371
Other income	7,142	-0-	-0-	7,142	-0-
Total revenues and support	856,412	7,546,632	2,203,419	10,606,463	1,642,780
Net assets released from restrictions	1,896,329	(1,896,329)	-0-	-0-	-0-
	<u>2,752,741</u>	<u>5,650,303</u>	<u>2,203,419</u>	<u>10,606,463</u>	<u>1,642,780</u>
Expenses					
Scholarships	491,089	-0-	-0-	491,089	658,678
Support for Lorain County Community College	498,478	-0-	-0-	498,478	506,792
Innovation fund awards and supporting expenses	1,010,012	-0-	-0-	1,010,012	914,532
Management and general	471,756	-0-	-0-	471,756	465,991
Fundraising	355,156	-0-	-0-	355,156	441,493
Total expenses	2,826,491	-0-	-0-	2,826,491	2,987,486
Changes in net assets	(73,750)	5,650,303	2,203,419	7,779,972	(1,344,706)
Equity transfers	49,805	6,106	(55,911)	-0-	-0-
Net assets, beginning of year	376,962	5,224,958	17,046,606	22,648,526	23,993,232
NET ASSETS, end of year	\$ 353,017	\$10,881,367	\$19,194,114	\$30,428,498	\$22,648,526

See Notes to Financial Statements

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Statements of Cash Flows

	Years Ended June 30,	
	2010	2009
Cash Flows From Operating Activities		
Changes in net assets	\$ 7,779,972	(\$ 1,344,706)
Adjustments to reconcile changes in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	1,700	4,437
Unconditional promises to give bad debts	367	-0-
Unconditional promises to give other reserves	2,899,607	-0-
Loss on disposal of fixed assets	1,508	-0-
Deferred revenue	(16,380)	3,438
Net (gain) loss on investments	(2,017,261)	3,440,353
(Increase) decrease in assets		
Grants receivable	500,000	(299,358)
Unconditional promises to give	(9,308,929)	(1,461,260)
Prepaid expenses	(2,448)	1,499
Increase (decrease) in liabilities		
Accounts, support and awards payable	(169,712)	(374,118)
Annuity obligation	(1,257)	(1,159)
Due to fund	3,200	-0-
Funds held as fiscal agent	4,449	(5,499)
Contributions restricted for permanent investment	(1,223,512)	(176,184)
Net cash and cash equivalents used in operating activities	(1,548,696)	(212,557)
Cash Flows From Investing Activities		
Proceeds from the sale of investments	5,563,064	806,262
Purchase of investments	(5,283,276)	(1,859,900)
Net cash and cash equivalents provided by (used) in investing activities	279,788	(1,053,638)
Cash Flows From Financing Activities		
Contributions restricted for permanent investment	1,223,512	176,184
Net decrease in cash and cash equivalents	(45,396)	(1,090,011)
Cash and cash equivalents at beginning of year	167,592	1,257,603
Cash and cash equivalents at end of year	\$ 122,196	\$ 167,592

See Notes to Financial Statements

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Lorain County Community College Foundation, Inc. (the Foundation), a non-governmental, non-profit Foundation 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 Foundations* issued by the American Institute of Certified Public Accountants.

Basis of Presentation

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.

Unrestricted Net Assets

This category includes net assets not subject to donor-imposed stipulations. This category periodically includes net assets designated by the Board. At June 30, 2010 and 2009 there were no board designated net assets.

Temporarily Restricted Net Assets

This category includes net assets subject to donor-imposed stipulations that may or will be met by actions of the Board/Foundation and/or the passage of time. It also includes earnings from the donor restricted endowment net of amounts appropriated by the board of directors.

Permanently Restricted Net Assets

This category includes net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Equity Transfers

From time to time the Foundation's donors reconsider the nature of gifts to the Foundation and request reclassification of net asset balances to more closely align with the intention of their donations. The Foundation records these net asset reclassifications as equity transfers between net asset classifications.

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.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements **Years Ended June 30, 2010 and 2009**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2009, from which the summarized information was derived.

Cash and Cash Equivalents

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

Investments

Investment income includes realized and unrealized gains and losses, and interest and dividends that are reported in the changes in net assets in the accompanying statements of activities.

Fair Value Reporting

Under accounting principles generally accepted in the United States of America, financial and nonfinancial assets and liabilities are required to be remeasured on an annual basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price) and establishes a fair value hierarchy based upon the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities (for example, exchange quoted prices).

Level 2 – Inputs to the valuation methodology are observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not sufficiently active to qualify as Level 1, other observable inputs, or inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs to the valuation methodology are significant to the fair value measurement and unobservable (for example, supported by little or no market activity).

Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Reporting (Continued)

The Foundation has determined the fair value of the investments to be within the Levels 1 and 2, as summarized herein, of the hierarchy. The investments in equity securities, mutual funds, and cash and cash equivalents are valued at the fair value of units held by the Foundation at year end.

The following is a summary of the inputs used as of June 30, 2010 in valuing the Foundation's investments carried at fair value:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and equivalents	\$ 656,829	\$ 616,049	\$ 40,780	\$ -0-
Common equity securities	1,033,490	1,033,490	-0-	-0-
Mutual equity funds	11,639,855	11,639,855	-0-	-0-
Mutual bond funds	8,102,866	8,102,866	-0-	-0-
	<u>\$ 21,433,040</u>	<u>\$ 21,392,260</u>	<u>\$ 40,780</u>	<u>\$ -0-</u>

The following is a summary of the inputs used as of June 30, 2009 in valuing the Foundation's investments carried at fair value:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and equivalents	\$ 2,376,320	\$ 2,340,176	\$ 36,144	\$ -0-
Common equity securities	912,705	912,705	-0-	-0-
Mutual equity funds	8,905,343	8,905,343	-0-	-0-
Mutual bond funds	7,501,199	7,501,199	-0-	-0-
	<u>\$ 19,695,567</u>	<u>\$ 19,659,423</u>	<u>\$ 36,144</u>	<u>\$ -0-</u>

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Reporting (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

Grants Receivable

Grants receivable are comprised primarily of prospective and reimbursable awards committed from various funding agencies for use in the Foundation's activities. All grants receivable 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 these receivables are collectible in full.

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 generally ranges from three to seven years. The Foundation capitalizes all long-lived assets that cost more than \$1,000 and have a useful life in excess of one year. Depreciation expense for the years ended June 30, 2010 and 2009 was \$1,700 and \$4,437, respectively. Accumulated depreciation at June 30, 2010 and 2009 was \$22,942 and \$68,540, respectively.

Contributions

The Foundation recognizes contributions as revenue in the period in which the pledge (promise to give) is received.

Accounting principles generally accepted in the United State of America provide that when a donor transfers assets to the Foundation and the transfers are revocable, repayable or reciprocal, the transfer does not constitute a contribution to the Foundation. Such transactions and subsequent activity relating to these funds are separately identified as "funds held as fiscal agent" in the Foundation's financial statements

Grants from the State of Ohio and collaborating colleges and universities related to the Innovation Fund are conditional based on criteria included within the grant and collaboration agreements. The Innovation Fund recognizes revenue from these agencies when the conditions are fulfilled and the Foundation has requested reimbursement.

Donated Services

Donated services are recognized as contributions 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. Note H to the financial statements discloses the value of services donated by Lorain County Community College to the Foundation during the years ended June 30, 2010 and 2009.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The total amount charged to net assets related to this fee was \$232,114 and \$263,428 for the years ended June 30, 2010 and 2009, 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.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c) (3) as a non-governmental, non-profit entity under provisions 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) of the Internal Revenue Code.

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 as disclosed in Note J to the financial statements. It is the policy of the Foundation to fully reserve against the possibility of replenishment at the time of the award based on insufficient financial information regarding the future collectability of these awards, creating a net \$-0- effect to receivables. If the right of replenishment is exercised for an award, the receivable will be recorded at the time the Foundation determines an entity is financially viable for repayment of its innovation fund award. During the years ended June 30, 2010 and 2009, the Foundation made innovation award payments of \$1,000,137 and \$914,532, respectively, to entities selected by the Innovation Fund Committee. At June 30, 2010 and 2009, the Foundation had additional unpaid awards which were considered conditional and therefore not included within accounts payable of \$1,330,000 and \$1,163,200, respectively.

Subsequent Events

The Foundation has evaluated subsequent events through December 17, 2010, the date which the financial statements were available to be issued.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2010 and 2009

NOTE B - PROMISES TO GIVE

Unconditional promises to give at June 30, 2010 and 2009 are as follows:

	2010	2009
Receivable in less than one year	\$ 1,330,430	\$ 607,007
Receivable in one to five years	7,747,015	1,499,880
Receivable in six to ten years	3,300,000	-0-
Receivable in greater than ten years	<u>653,000</u>	<u>653,000</u>
Total unconditional promises to give	13,030,445	2,759,887
Less discounts to present value	(1,111,614)	(149,618)
Less valuation reserves and for uncollectible promises to give	<u>(2,899,607)</u>	<u>-0-</u>
Net unconditional promises to give	<u>\$ 9,019,224</u>	<u>\$2,610,269</u>

The discount rate used on long-term promises to give was 2.00% at June 30, 2010 and 2009.

The Foundation has estimated a reserve for uncollectible promises to give of \$2,899,607 and \$-0-, respectively, at June 30, 2010 and 2009. During the years ended June 30, 2010 and 2009, the Foundation directly wrote off uncollectible promises to give of \$367 and \$-0-, respectively. During the year ended June 30, 2010, the Foundation recognized other reserves of \$2,899,607 related to duration and valuation of long-term promises to give.

NOTE C - INVESTMENTS

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

	June 30, 2010		June 30, 2009	
	Cost	Fair Value	Cost	Fair Value
Common equity securities	\$ 930,827	\$ 1,033,490	\$ 882,779	\$ 912,705
Mutual equity funds	12,941,432	11,639,855	11,363,079	8,905,348
Mutual bond funds	7,765,032	8,102,346	7,887,657	7,501,199
Cash and cash equivalents	<u>657,349</u>	<u>657,349</u>	<u>2,376,315</u>	<u>2,376,315</u>
	<u>\$22,294,640</u>	<u>\$21,433,040</u>	<u>\$22,509,830</u>	<u>\$19,695,567</u>

Investment income for the years ended June 30, 2010 and 2009 consisted of the following:

	2010	2009
Interest and dividends	\$ 626,050	\$ 697,658
Net gains (losses)	2,017,261	(3,440,353)
Management fees	<u>(52,273)</u>	<u>(48,972)</u>
Total investment income (loss)	<u>\$ 2,591,038</u>	<u>(\$ 2,791,667)</u>

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2010 and 2009

NOTE D - CHARITABLE REMAINDER UNITRUSTS

Charitable Remainder Trusts

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

Charitable Gift Annuities

The Foundation has two charitable gift annuity agreements with a donor. The Foundation was named as trustee and beneficiary. At June 30, 2010 and 2009, the related asset is included within investments of the accompanying financial statements. At June 30, 2010 and 2009, an annuity obligation liability of \$6,710 and \$7,967, respectively, was recorded for the present value of the expected liability based on fixed quarterly payments for the remainder of the annuitants lives.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Net assets as of June 30, 2010 and 2009 were temporarily restricted for the following purposes:

	<u>2010</u>	<u>2009</u>
Support of the College's faculty, programs, facilities and Foundation's operation	\$10,140,507	\$3,343,203
Scholarships	739,389	1,879,917
Passage of time	<u>1,471</u>	<u>1,838</u>
Total temporarily restricted net assets	<u>\$10,881,367</u>	<u>\$5,224,958</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Support of the College's faculty, programs, facilities and Foundation's operation	\$ 399,303	\$ 506,792
Innovation fund awards	1,000,137	914,531
Scholarships	491,090	658,678
Management and general	5,799	62,047
Collection of unrestricted promises to give	<u>-0-</u>	<u>150,500</u>
Total restrictions released	<u>\$1,896,329</u>	<u>\$ 2,292,548</u>

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2010 and 2009

NOTE F - ENDOWMENTS

The Foundation's endowment includes 136 scholarship funds and 11 program funds. As required by accounting principles generally accepted in the United States of America, 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.

The Board of Directors of the Foundation has interpreted the Unified Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Ohio, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundations's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also preserving the fair value of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes cash and cash equivalents, mutual equity and bond funds, and common equity securities intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions in accordance with the Foundation's Investment and Allocation Policy of up to 4.5% of the audited June 30th trailing three year moving market value average of investments. By this practice, the Foundation expects its endowment assets, over time, to produce an average rate of return in excess of 6% which allows for transfers of endowed net assets in accordance with both the spending policy and administrative fee policy, while maintaining growth within the endowment. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2010 and 2009

NOTE F - ENDOWMENTS (CONTINUED)

Spending Policy

The Foundation has a policy of appropriating for distribution on an annual basis, up to 4.5% of the fair market value of its investment portfolio as approved by the board, plus the administrative fee described in Note A to the financial statements. The Foundation charges an administrative fee to offset the costs of operating the Foundation. In establishing these policies, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment to grow over the long-term. This is consistent with the Foundation's objective to preserve the fair value of the endowment assets as well as to provide additional real growth through new gifts and investment return. All withdrawals or transfers to other funds are subject to approval by the board of directors.

Changes in endowment net assets as of June 30, 2010 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 368,515	\$ 1,389,373	\$ 17,046,606	\$ 18,804,494
Investment return:				
Administrative fee	-0-	(10,578)	(204,343)	(214,921)
Transfers	372,521	649,737	(1,022,258)	-0-
Investment income	62,953	159,624	2,206,734	2,429,311
Total investment return - endowed	435,474	798,783	980,133	2,214,390
Contributions	-0-	22,841	1,208,046	1,230,887
Innovation fund income	-0-	641,750	-0-	641,750
Special events	-0-	-0-	15,240	15,240
Equity transfers	49,805	6,106	(55,911)	-0-
Appropriation of endowment assets for expenditure	(853,794)	(1,770,540)	-0-	(2,624,334)
Endowment net assets, end of year	\$ -0-	\$ 1,088,313	\$ 19,194,114	\$ 20,282,427

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2010 and 2009

NOTE F - ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unrestricted general endowment	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Donor-restricted endowment funds	-0-	1,088,313	19,194,114	20,282,427
Total	<u>\$ -0-</u>	<u>\$ 1,088,313</u>	<u>\$19,194,114</u>	<u>\$20,282,427</u>

Changes in endowment net assets as of June 30, 2009 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 589,582	\$ 1,905,893	\$ 20,259,484	\$ 22,754,959
Investment return:				
Administrative fee	263,428	(16,009)	(243,071)	4,348
Transfers	116,474	562,565	(679,039)	-0-
Investment income	(55,382)	(227,403)	(2,466,952)	(2,749,737)
Total investment return – endowed	324,520	319,153	(3,389,062)	(2,745,389)
Contributions	21,571	120,000	165,508	307,079
Innovation fund income	-0-	634,956	-0-	634,956
Special events	-0-	-0-	10,676	10,676
Appropriation of endowment assets for expenditure	(567,158)	(1,590,629)	-0-	(2,157,787)
Endowment net assets, end of year	<u>\$ 368,515</u>	<u>\$ 1,389,373</u>	<u>\$ 17,046,606</u>	<u>\$ 18,804,494</u>

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2010 and 2009

NOTE F - ENDOWMENTS (CONTINUED)

Endowment Net Asset Composition by Type of Fund as of June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 368,515	\$ -0-	\$ -0-	\$ 368,515
Donor-restricted endowment funds	<u>-0-</u>	<u>1,389,373</u>	<u>17,046,606</u>	<u>18,435,979</u>
Total	<u>\$ 368,515</u>	<u>\$ 1,389,373</u>	<u>\$17,046,606</u>	<u>\$18,804,494</u>

NOTE G - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30, 2010 and 2009 were comprised of the following amounts, the earnings of which were available for the following purposes:

	<u>2010</u>	<u>2009</u>
Support of the College's faculty, programs, and facilities	\$ 5,436,413	\$ 4,155,384
Scholarships	10,740,848	9,874,369
Operations and general support	<u>3,016,853</u>	<u>3,016,853</u>
Total permanently restricted net assets	<u>\$19,194,114</u>	<u>\$17,046,606</u>

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2010 and 2009

NOTE H - RELATED PARTY

As described in Note A, the Foundation is affiliated with Lorain County Community College. During the years ended June 30, 2010 and 2009, the College provided the Foundation with professional staffing valued at \$77,611 and \$65,324, 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 provided by the employee.

During the years ended June 30, 2010 and 2009, the Foundation provided scholarships and support to the College of \$989,567 and \$1,165,470, respectively.

At June 30, 2010 and 2009, amounts due to the College and included within "accounts, support and awards payable" totaled \$122,364 and \$254,158, respectively.

The Foundation made contributions of \$111,257 and \$-0-, respectively, to Citizens for LCCC during the years ended June 30, 2010 and 2009. Citizens for LCCC is a non-profit political action committee organized to enhance public support for the College. 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.

NOTE I - CONCENTRATIONS

The Foundation maintains cash balances at a bank. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. These limits are subject to change by the FDIC. The Foundation's cash balances may exceed this amount from time to time.

At June 30, 2010, one donor's promise to give represented approximately 69% of the outstanding promises to give. At June 30, 2009, a separate donor's promise to give represented approximately 63% of the outstanding promises to give.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2010 and 2009

NOTE J - CONDITIONAL EVENTS

Innovation Award Replenishment

As described in Note A to the financial statements, the Foundation holds a right of replenishment over all Type B funds awarded. The awards specify a recipient may repay the Foundation without interest the amount of the award within two years. Subsequent to the two year anniversary of the award, the Foundation may exercise its right of replenishment through the fifth year, at which point the right of replenishment is forfeited.

The Foundation holds the right of replenishment on 28 Type B Innovation Fund Awards maturing in:

<u>Years Ending June 30,</u>	<u>Amount</u>
2011	\$ 900,000
2012	1,000,000
2013	<u>900,000</u>
	<u>\$ 2,800,000</u>

The purpose of the Innovation Fund is to foster entrepreneurship and jobs growth. The Foundation's objective in providing these awards was not the return of principal, which is why Innovation Fund awards are expensed when all conditions of the award are fulfilled. The Foundation has not recorded an estimate of funds receivable from award replenishment because the amount cannot be reasonably estimated. As such, the Foundation's ability to realize these amounts is based on the success of the recipients receiving Innovation Fund awards.

Grants Receivable

During the year ended June 30, 2010, the Foundation was awarded a \$1,500,000 conditional grant by the Ohio Department of Development to support the Innovation Fund. The Foundation was approved to receive the funds over a 3 year period through June 2012. The Foundation may request reimbursement of funds disbursed as Innovation Fund Awards by submitting fund requests based on pre-approval of the program and compliance with specific limitations of the awards and financial reporting requirements of the Foundation and the sponsored organizations. The Foundation has fulfilled some requirements pertaining to the grant and received \$475,000. Subsequent to year end, the Foundation fulfilled additional requirements and submitted \$287,000 for reimbursement.

LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements Years Ended June 30, 2010 and 2009

NOTE J - CONDITIONAL EVENTS (CONTINUED)

Awards Payable

As described in Note A to the financial statements, the Foundation's Innovation Fund involves multi-year conditional awards provided to start-up businesses that create or enhance technology. The Foundation has awarded \$3,600,000 to date and has commitments outstanding under Type A and B awards of \$1,330,000 and \$1,163,200 as of June 30, 2010 and 2009, respectively. These awards are expected to be paid out over the next two years once the sponsored recipients fulfill required conditions which may include completion and testing of a prototype, filing and protection of necessary patents, and meeting certain financial reporting metrics. The conditional obligations are measured by Great Lakes Innovation and Development Enterprise ("GLIDE"), which monitors the recipients and reports progress of the recipients to the Foundation, which then approves payment of the conditional portion of the awards.

As these awards are conditional, no liability has been recorded at June 30, 2010 and 2009.

Grants

The Fund for Our Economic Future (the Fund) is a nonprofit tax exempt public charity which started as a pooled grant fund to dramatically improve the economic climate in Northeast Ohio by organizations with the potential to strengthen the region as a whole. Over \$72 million has been raised by over 100 foundations, corporations, and individuals in the Northeast Ohio region. The Fund received tax exempt 501 (C)(3) status and enters into its third three-year phase in 2010. All grant recipients of the Fund are non-profit organizations and tax-exempt under Section 501 (C)(3) of the Internal Revenue Code. Grants are awarded by the Fund based on extensive due diligence and approval by the members of the board. The board is comprised of representative from member organizations contributing at least \$100,000 over a three year period (phase).

The Foundation had previously made a \$100,000 conditional commitment to Phase II of the Fund, all of which was paid as of November 24, 2009.

The Foundation has made a conditional commitment to Phase III of the Fund for a total of \$100,000. As the grant is conditional, no liability has been recorded for this account at June 30, 2010.

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 17, 2010

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

We have audited the financial statements of Lorain County Community College Foundation, Inc. as of and for the year ended June 30, 2010, and have issued our report dated December 17, 2010. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis..

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 over financial reporting that might be deficiencies, 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 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 other matters that we have reported to management of Lorain County Community College Foundation, Inc. in a separate letter dated December 17, 2010.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Barnes Wendling CPAs, Inc.

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Dave Yost • Auditor of State

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
FEBRUARY 8, 2011