The Lakeland Foundation

(A Component Unit of Lakeland Community College)

Financial Statements
June 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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Board of Trustees
Lakeland Foundation
7700 Clocktower Drive
Kirtland, Ohio 44094

We have reviewed the *Independent Auditor's Report* of The Lakeland Foundation, Lake County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

December 24, 2019

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The Lakeland Foundation

Financial Statements

June 30, 2019

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Ciuni &
Panichi
CPAs and Business Advisors

Where Relationships Count.

Independent Auditor's Report

To the Board of Directors
The Lakeland Foundation
Kirtland, Ohio

Report on Financial Statements

We have audited the accompanying financial statements of The Lakeland Foundation (a nonprofit corporation, the "Foundation"), a component unit of Lakeland Community College, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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To the Board of Directors
The Lakeland Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements of Not-for-Profit Entities* during the year ended June 30, 2019. This ASU changes the reporting requirements for nonprofit organizations and their required disclosures and has been applied retrospectively. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2019, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Ciuni & Panichi, Inc.

Cleveland, Ohio
November 9, 2019

The Lakeland Foundation

Statement of Financial Position

June 30, 2019 (with comparative totals for 2018)

Assets

	2019	2018
Cash and cash equivalents	$ 608,920	$ 898,477
Cash held for others	5,974	9,141
Pledges receivable, net	194,483	221,531
Accounts receivable	9,094	55,219
Loans receivable, net	22,896	8,983
Other assets	5,841	305
Prepaid expenses	10,418	10,300
Investments	4,925,322	4,656,838
Total assets	$ 5,782,948	$ 5,860,794

Liabilities and Net Assets

	2019	2018
Liabilities:		
Payables (scholarship & trade)	$ 9,045	$ 9,700
Deferred revenue	57,301	46,416
Due to custodial funds	5,974	9,141
Total liabilities	72,320	65,257
Net assets:		
Without donor restrictions:		
Undesignated	93,224	218,742
Board-designated	30,046	30,046
Total net assets without donor restrictions	123,270	248,788
With donor restrictions:		
Purpose restrictions	2,801,420	2,973,785
Perpetual in nature	2,785,938	2,572,964
Total net assets with donor restrictions	5,587,358	5,546,749
Total net assets	5,710,628	5,795,537
Total liabilities and net assets	$ 5,782,948	$ 5,860,794

The accompanying notes are an integral part of these financial statements

The Lakeland Foundation

Statement of Activities

For the year ended June 30, 2019 (with comparative totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Totals
Support, revenue, and gains:				
Private and corporate contributions and grants	$ 116,824	$ 1,363,815	$ 1,480,639	$ 1,619,853
Donations-in-kind	2,353	25,500	27,853	370,614
Investment return, net	18,441	188,217	206,658	249,195
Total support, revenue, and gains	137,618	1,577,532	1,715,150	2,239,662
Net assets released from restrictions or transferred	1,536,923	(1,536,923)	-	-
Total support, revenue, gains, and transfers	1,674,541	40,609	1,715,150	2,239,662
Program and supporting expenses:				
Program services:				
Scholarships	537,647	-	537,647	415,737
Educational and related programs	1,000,490	-	1,000,490	285,647
In-kind educational and related programs	14,286	-	14,286	360,736
Total program services	1,552,423	-	1,552,423	1,062,120
Supporting services:				
Administration	223,261	-	223,261	248,862
Fundraising	16,343	-	16,343	14,016
Fundraising – in-kind	8,032	-	8,032	10,269
Total supporting services	247,636	-	247,636	273,147
Total program and supporting expenses	1,800,059	-	1,800,059	1,335,267
Change in net assets	(125,518)	40,609	(84,909)	904,395
Net assets – beginning of year (Note 2)	248,788	5,546,749	5,795,537	4,891,142
Net assets – end of year	$ 123,270	$ 5,587,358	$ 5,710,628	$ 5,795,537

The accompanying notes are an integral part of these financial statements

The Lakeland Foundation

Statement of Functional Expenses

For the year ended June 30, 2019 (with comparative totals for 2018)

		Supporting Services			
	Programs	General & Administrative	Fundraising	2019 Total	2018 Total
Scholarships	$ 537,647	$ -	$ -	$ 537,647	$ 415,737
Educational and related programs	1,000,490	-	-	1,000,490	285,647
In-kind educational and related programs	14,286	-	-	14,286	360,736
Professional fees	-	74,799	-	74,799	74,777
Meetings and conferences	-	3,304	-	3,304	10,650
Miscellaneous	-	2,126	-	2,126	4,506
Administrative fee	-	-	-	-	5,000
Sponsorships	-	3,400	-	3,400	2,420
Travel and entertainment	-	13,542	-	13,542	10,589
Dues and memberships	-	3,384	-	3,384	490
Lobbying	-	112,000	-	112,000	143,000
Special events	-	-	24,375	24,375	20,955
Schell loan allowance	-	10,706	-	10,706	760
Total	$ 1,552,423	$ 223,261	$ 24,375	$ 1,800,059	$ 1,335,267

The accompanying notes are an integral part of these financial statements

The Lakeland Foundation

Statement of Cash Flows

For the year ended June 30, 2019 (with comparative totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (84,909)	$ 904,395
Adjustments to reconcile change in net assets		
to net cash (used) provided by operating activities:		
Change in allowance for uncollectible loans	10,706	760
Change in allowance for uncollectible pledges	1,431	1,194
Change in discounts to net present value	(24,868)	20,062
Change in fair value of investments, net	(133,189)	(198,771)
Contributions restricted for long-term investment	(212,998)	(104,958)
Premium/discount amortization	251	792
Changes in operating assets and liabilities:		
Decrease (increase) in pledges receivable	56,012	(117,571)
Decrease (increase) in loans receivable	(24,619)	(4,468)
Decrease (increase) in accounts receivable	46,125	(8,461)
Decrease (increase) in other assets	(5,536)	391
Decrease (increase) in prepaid expenses	(118)	(1,500)
Increase (decrease) in payables	(655)	1,908
Increase (decrease) in deferred revenue	10,885	2,048
Net cash (used) provided by operating activities	(361,482)	495,821
Cash flows from investing activities:		
Proceeds from sales and maturity of investments	741,943	1,003,869
Purchases of investments	(894,332)	(989,774)
Change in money market funds	16,843	(75,822)
Net cash used by investing activities	(135,546)	(61,727)
Cash flows from financing activities:		
Collection of contributions restricted for long-term investment	207,471	100,627
Net cash provided by financing activities	207,471	100,627
Net change in cash and cash equivalents	(289,557)	534,721
Cash and cash equivalents – beginning of year	898,477	363,756
Cash and cash equivalents – end of year	$ 608,920	$ 898,477

The accompanying notes are an integral part of these financial statements

The Lakeland Foundation

Notes to Financial Statements

June 30, 2019

Note 1: Nature of Activities

The Lakeland Foundation (the "Foundation") was formed in 1981 to obtain private financing support for the promotion of excellence at Lakeland Community College (LCC) and operates for the benefit and is a component unit of LCC. The Foundation provides scholarships, support, and loans to financially disadvantaged students, students demonstrating excellent academic abilities, and students meeting criteria of specific donor stipulations. The Foundation also provides support to specific educational departments and programs of LCC. The accounting records for the Foundation are maintained at LCC in Kirtland, Ohio. Certain administrative expenses of the Foundation are paid directly by LCC.

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

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

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Basis of Presentation

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

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

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

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

Note 2: Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

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

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

Adopted Accounting Pronouncement

The FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* in August 2016. This ASU changes the current reporting requirements for nonprofit organizations and their required disclosures. The changes include: (a) requiring the presentation of only two classes of net assets, entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation and disclosure of underwater endowment funds, (c) requiring the use of the placed-in-service approach to recognize the releases from restriction for gifts utilized to acquire or construct long-lived assets, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes to the financial statements and to summarize the allocation methodologies utilized to allocate the costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity, and (f) modifying other financial statement reporting requirements and disclosures to enhance the usefulness of nonprofit financial statements. This ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Foundation's financial statements have been updated to reflect the implementation of this standard. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted and permanently restricted net assets are now combined and reported as net assets with donor restrictions.

Comparative Financial Statements

The financial statements include certain prior-year comparative total amounts. Such comparative total amounts do not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such amounts should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the comparative total amounts were derived.

Note 2: Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits and certificates of deposit. Money market investments are considered investments. Cash held for others is excluded from the definition of cash and cash equivalents.

Concentrations of Credit Risk

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

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

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

At various times during the year ended June 30, 2019, the Foundation's cash in bank balances may have exceeded the federal insured limits.

Investments

Investments in marketable securities are stated at fair market value.

The Foundation's practice with respect to contributions of equity securities is to sell the securities upon receipt for their current fair market value. Realized and unrealized gains and losses, interest, dividends, and investment fees arising during the period are included in investment return, net in the accompanying statement of activities.

Note 2: Summary of Significant Accounting Policies (continued)

Contributions

The Foundation accounts for donations in accordance with ASC 958. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor- imposed restrictions, if any, on the contributions.

Functional Allocation of Expenses

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

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services. FASB subsequently issued ASU 2015-14, which deferred the effective date of adoption for the Foundation until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange transactions subject to the guidance issued under ASU 2014-09. This ASU gives further guidance related to when a contribution is deemed to be conditional such that recognition of revenue should be delayed until conditions are substantially met. This ASU is effective for fiscal years beginning after December 15, 2018 for recipients of funds and for fiscal years beginning after December 15, 2019 for resource providers. Early adoption is permitted.

The Foundation is evaluating the potential impact of adopting this guidance on its financial statements.

Note 2: Summary of Significant Accounting Policies (continued)

Tax Status

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

The Foundation accounts for income taxes in accordance with the "Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. The Foundation classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements. As of June 30, 2019, the Foundation has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

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

Pledges Receivable

Pledges receivable are funds primarily committed as part of the major gifts campaign. The Foundation provides for uncollectible pledges receivable using the allowance method. Management estimates an allowance based on an aging schedule and a calculation using past due pledges receivable. Pledges receivable past due less than one year use an allowance percentage of 50% of the past due amount and pledges receivable past due greater than one year use an allowance percentage of 100% of the past due amount. Pledges receivable are written off when they are determined to be uncollectible.

Loans Receivable

Loans receivable are funds committed to qualifying students in the C. Schell Loan Program. This revolving student loan program grants interest-free loans with various repayment terms. The Foundation provides for uncollectible loans receivable using the allowance method. Management estimates an allowance based on historical collection percentages, an aging schedule, and a calculation based on maturity dates of individual loans. Loans receivable are written-off when they are determined to be uncollectible.

Donated Administrative Expenses

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

Donated Fundraising Expenses

Significant time has been provided by many volunteers in fundraising activities; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Note 2: Summary of Significant Accounting Policies (continued)

Subsequent Events

The date to which events occurring after June 30, 2019, have been evaluated for possible adjustment to the financial statements or disclosure is November 9, 2019, which is the date on which the financial statements were available to be issued. No events were identified that would require adjustment to or disclosure in the financial statements.

Note 3: Investments

Investments are recorded at fair value. The historical cost and fair value at June 30, 2019 and 2018 were as follows:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Debt securities:				
Corporate bonds	$ 70,067	$ 70,073	$ 190,228	$ 189,569
Mutual funds:				
Fixed-income mutual funds	754,652	740,123	728,664	706,939
Large cap equity	868,938	1,092,429	808,756	1,017,257
Mid cap equity	674,178	689,645	590,410	636,531
Domestic equity mutual funds	785,396	793,015	586,775	578,704
International equities	657,228	681,832	646,655	685,977
International fixed-income	181,952	177,385	170,989	165,625
Alternative assets	488,709	480,563	478,011	467,556
Emerging markets equities	82,856	97,394	81,798	88,974
Money market/cash and reserves	102,863	102,863	119,706	119,706
	$ 4,666,839	$ 4,925,322	$ 4,401,992	$ 4,656,838

Fair Value of Financial Instruments – The Foundation adopted applicable sections of ASC 820: *Fair Value Measurements and Disclosures* for financial assets and financial liabilities. In accordance with ASC 820, fair value is defined as the price the Foundation would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the asset or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs may be used in determining the value of the Foundation's investments. The inputs are summarized in the three broad levels below:

Note 3: Investments (continued)

Level 1 – quoted prices in active markets for identical assets and liabilities

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

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

The input or methodology used for valuing securities is not necessarily an indication of the risk associated with maintaining those investments.

The following is a summary of the inputs used as of June 30, 2019, in valuing the Foundation's investments carried at fair value:

	Level 1	Level 2	Level 3	Total
Debt securities:				
Corporate bonds	$ -	$ 70,073	$ -	$ 70,073
Mutual funds:				
Fixed-income mutual funds	740,123	-	-	740,123
Large cap equity	1,092,429	-	-	1,092,429
Mid cap equity	689,645	-	-	689,645
Domestic equity mutual funds	793,015	-	-	793,015
International equities	681,832	-	-	681,832
International fixed-income	177,385	-	-	177,385
Alternative assets	480,563	-	-	480,563
Emerging markets equities	97,394	-	-	97,394
Money market/cash and reserves	102,863	-	-	102,863
Investments	$ 4,855,249	$ 70,073	$ -	$ 4,925,322

The Foundation's corporate bonds are valued based on bid-side quotations from dealers, or if a bond has not been traded recently, it is valued using a "matrix-based" pricing model. This pricing model analyzes bonds with similar attributes from the same issuer or other issuers.

The Lakeland Foundation

Notes to Financial Statements

June 30, 2019

Note 4: Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30, 2019 and 2018:

	2019	2018
Scholarships	$ 728,627	$ 799,555
Loans (Note 7)	100,197	110,904
Educational and related programs	877,580	988,520
Portion of endowment fund classified as purpose restricted	1,095,016	1,074,806
Total net assets with donor purpose restrictions	2,801,420	2,973,785
Endowment fund	2,775,115	2,567,598
Pledges receivable for endowment	10,823	5,366
Total net assets with perpetual donor restrictions	2,785,938	2,572,964
Total net assets with donor restrictions	$ 5,587,358	$ 5,546,749

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

	2019	2018
Scholarships	$ 537,647	$ 415,737
Loans (Note 7)	10,706	760
Educational and related programs	954,757	622,421
Administration/fundraising	30,263	45,547
Transferred – without donor restrictions	3,550	2,384
Total net assets released from donor restrictions or transferred	$ 1,536,923	$ 1,086,849

Note 5: Net Asset Classification of Endowment Funds

The endowment fund includes contributions restricted in perpetuity or for terms designated by the donor. Earnings on investments of the endowment fund are classified as net assets with donor purpose restrictions. However, the earnings may be used for current purposes of the Foundation. A majority of endowment activity is restricted for the use of scholarships.

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

The Board of Directors of the Foundation has interpreted the State of Ohio enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as perpetually restricted net assets with donor restrictions (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetually restricted net assets with donor restrictions is classified as purpose restricted net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds:

(1) Preservation of the fund
(2) The purpose of the Foundation and the donor-restricted Endowment Fund
(3) General economic conditions
(4) The investment policies of the Foundation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Foundation
(7) The investment policies of the Foundation

Endowment net asset composition by type of fund as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 3,870,131	$ 3,870,131
Board-designated endowment funds	30,046	-	30,046
Total funds	$ 30,046	$ 3,870,131	$ 3,900,177

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

Changes in endowment net assets for the fiscal year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 30,046	$ 3,642,404	$ 3,672,450
Investment return:			
Interest and dividends	638	72,860	73,498
Net realized and unrealized gain	(475)	117,652	117,177
Management fees	(163)	(18,651)	(18,814)
Total investment return	-	171,861	171,861
Contributions	-	207,471	207,471
Appropriation of endowment assets for expenditure	-	(151,651)	(151,651)
Transfers		46	46
Endowment net assets, end of year	$ 30,046	$ 3,870,131	$ 3,900,177

The portion of the endowment with donor restrictions includes $352,596 of net assets that by the donor's restrictions are purpose restricted. The Board of Directors has determined that the donations will be maintained similar to a perpetual endowment.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for the Endowment Fund. The policy goal for the Foundation's endowment investment portfolio is to provide a real total return that preserves the purchasing power of the endowment assets, while providing an income stream to support the Foundation's activities in support of LCC. Assets for the investment pool include those assets of donor-restricted funds that the Foundation must hold in perpetuity. The Foundation engages an investment manager whose performance is measured against respective benchmarks. The endowment's real total return is sought from an investment strategy that provides an opportunity for superior total returns within acceptable levels of risk and volatility. The Foundation recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the potential loss in purchasing power due to inflation are present to some degree with all types of investment vehicles. While high levels of risk are to be avoided, the assumption of a moderate level of risk is warranted and encouraged in order to allow the investment portfolio the opportunity to achieve satisfactory results consistent with the objectives and character of the portfolio.

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

Strategies Employed for Achieving Objectives

For the long-term (defined as a rolling five-year period), the primary investment objective for the endowment portfolio is to earn a total return (net of portfolio management and custody fees) within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the endowment's assets and support a desired annual spending policy of up to 4.5% of the five-year average of the market value of the endowment portfolio.

The Foundation's asset allocation guidelines are reviewed periodically by the Foundation Investment Committee with changes approved by the Board of Directors. The portfolio's major allocation guidelines allow an allocation of the portfolio to be invested in equity securities. Remaining portfolio funds may be invested in either fixed-income, alternatives, or cash equivalent securities.

Spending Policy

The Lakeland Foundation spending policy is based on a total return approach in order to maintain stable cash flows over an extended period of time, to protect endowment funds against inflation, and to preserve the purchasing power of endowment funds by improving investment growth and management. The spending policy allows up to a maximum of 4.5% of the five-year average market value of a designated endowment fund. Spending may include net realized gains earnings over that five-year period, and is offset by any previously designated spending amounts. All returns (gains, losses, and income-net of external and internal fees and previously designated spending amount) above 4.5% will be reinvested in the endowment fund's portfolio. The spending policy is closely monitored by the Investment Committee and recommendations for any changes are forwarded to the Executive Committee and full Board for review and approval.

Note 6: Pledges Receivable

Pledges were discounted to their present value assuming their respective terms (up to five years) and a discount rate of 6%. The pledges receivable, net as of June 30, 2019 are scheduled to be collected as follows:

Pledges receivable:	
Payable within one year	$ 110,084
Payable in one to five years	97,633
Total pledges receivable	207,717
Less: discount to net present value	(10,199)
Less: allowance for uncollectible pledges	(3,035)
Pledges receivable, net at June 30, 2019	$ 194,483

Note 7: Loans Receivable

As of June 30, 2019 and 2018, loans receivable totaled $129,349 and $104,729, respectively. During the fiscal year ended June 30, 2019, $27,400 was distributed to qualifying students in a revolving student loan from the C. Schell Loan Program. The loans are interest-free and have various repayment terms. During the fiscal year ended June 30, 2019, $5,130 was repaid. Repayment of the outstanding loans is poor primarily because, as a condition of the loan program, repayment is not to impose an undue burden on the borrower. The related allowance for uncollectible loans is $106,453 and $95,746 at June 30, 2019 and 2018, respectively.

Note 8: Related-Party Transactions

LCC made distributions to the Foundation of $129,508 and $134,100 for the years ended June 30, 2019 and 2018, respectively. LCC also made gifts of $-0- and $300,000 to the Foundation during the years ended June 30, 2019 and 2018, respectively. The Foundation distributed $1,301,707 and $789,273 during the years ended June 30, 2019 and 2018, respectively, to LCC. The Foundation also distributed $14,286 and $360,736 in Gifts-in-Kind to LCC during the years ended June 30, 2019 and 2018, respectively. The Foundation had receivables from LCC of $8,024 and $20,170 as of June 30, 2019 and 2018, respectively. The Foundation had payables to LCC of $8,010 and $9,226 as of June 30, 2019 and 2018, respectively.

Note 9: Liquidity and Availability of Resources

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

	2019
Cash and cash equivalents	$ 608,920
Cash held for others	5,974
Pledges receivable, net	194,483
Accounts receivable	9,094
Loans receivable, net	22,896
Investments	4,925,322
Total financial assets	5,766,689
Less:	
Amounts unavailable for general expenditure within one year, due to:	
Restricted by donors – purpose restrictions	2,801,420
Restricted by donors – perpetual restrictions	2,785,938
Cash held for others	5,974
	5,593,332
Amounts unavailable to management without Board approval:	
Funds functioning as endowment	30,046
Total amounts unavailable for general expenditure within one year	5,623,378
Total financial assets available to management for general expenditure within one year	$ 143,311

Note 9: Liquidity and Availability of Resources (continued)

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

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

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
The Lakeland Foundation
Kirtland, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Lakeland Foundation (a nonprofit corporation, the "Foundation"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2019, wherein we noted that the Foundation implemented Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements of Not-for-Profit Entities* during the year ended June 30, 2019, as disclosed in Note 2.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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To the Board of Directors
The Lakeland Foundation

Compliance and Other Matters

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

Purpose of this Report

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

Ciuni & Panichi, Inc.

Cleveland, Ohio
November 9, 2019

LAKELAND FOUNDATION

LAKE 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 7, 2020