LAKE MICHIGAN COLLEGE

Changing Minds... Changing Lives... Transforming the Region.

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED
JUNE 30, 2010 AND 2009

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Business wisdom delivered.

LAKE MICHIGAN COLLEGE

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MANAGEMENT’S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis - Unaudited

The discussion and analysis of Lake Michigan College's (the "College") financial statements provide an overview of the College's financial activities for the year ended June 30, 2010. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College administration.

Using This Report

This annual financial report includes the report of the independent auditors, the management's discussion and analysis, the basic financial statements, and notes to financial statements. Following the basic financial statements and footnotes are two supplementary schedules, the Combining Balance Sheet and the Combining Statement of Revenues, Expenses, Transfers and Changes in Net Assets. Though GASB does not require this information be present for a fair and complete presentation, the statements do provide additional information regarding the various funds and activities of the College that is not disclosed in the basic statements.

Financial Highlights

For the year ended June 30, 2010, the College recorded total operating revenues of $19,841,440 and total operating expenses of $44,854,488. The difference produced an operating loss of $25,013,048. Net nonoperating revenue of $29,347,226 offset this loss and resulted in an overall increase in net assets of $4,334,178. The increase in net assets is a gain of $880,082 from the Foundation and a $3,454,096 increase in net assets from College activity. The gain for the Foundation was primarily due to an unrealized gain on investments of $730,093.

Net nonoperating revenues included local property taxes of $15,068,324, state appropriations of $5,012,100, Pell grants of $7,480,023, gain on investments of $730,093 and other net miscellaneous revenue of $1,056,686.

Operating revenue accounted for 40% of the College's total revenue, while nonoperating revenues accounted for the other 60% of the College's total revenue. Operating revenue consisted of tuition and fees net of scholarships totaling $6,140,163, grants totaling $11,624,234, auxiliary activities totaling $1,413,234, non credit tuition and fees of $580,007 and other operating revenue of $83,802.

The College had net assets at the beginning of the year totaling $45,270,369. The net increase in net assets of $4,334,178 brought the total net assets at the end of the year to $49,604,547.

The Balance Sheet includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when obligations are incurred regardless when cash is exchanged. The following Statement presents the financial position of the College at June 30, 2010, 2009 and 2008. Net assets, the difference between total assets and total liabilities, is one indicator of the current financial condition of the College. The College's financial position increased $4.334 million during the fiscal year ended June 30, 2010. The significant changes in the assets and liabilities of the College are as follows:

Net Assets as of June 30 (in thousands)

	2010	2009	2008
Current assets	$ 14,174	$ 11,866	$ 10,631
Noncurrent assets	47,030	44,728	45,347
Total assets	**$ 61,204**	**$ 56,594**	**$ 55,978**
Current liabilities	$ 5,049	$ 4,349	$ 3,518
Noncurrent liabilities	6,550	6,975	6,900
Total liabilities	**11,599**	**11,324**	**10,418**
Net assets:			
Invested in capital assets	32,824	31,201	29,488
Restricted - nonexpendable	4,653	4,496	4,440
Restricted - expendable	3,240	2,475	3,695
Unrestricted	8,888	7,098	7,937
Total net assets	**49,605**	**45,270**	**45,560**
Total liabilities and net assets	**$ 61,204**	**$ 56,594**	**$ 55,978**

Current Assets consist of cash and cash equivalents, short-term investments, receivables, inventories and prepaid expenses. Current assets totaled $14.2 million at June 30, 2010, as compared to $11.9 million at June 30, 2009, and $ 10.6 million at June 30, 2008**.**

- Cash and investments have increased by $4,076,000 due to improved operating performances, favorable market adjustments, which offset capital investment.
- Accounts receivable decreased by $165,000 due to decreased Michigan Works! receivable. Contributions receivable declined by $362,000, inventory decreased by $34,000 and prepaid and other assets increased by $118,000.

Noncurrent Assets included contributions receivable, long-term investments, bond issuance costs, and capital assets. Noncurrent assets totaled $47 million at June 30, 2010, and $45 million on June 30, 2009 and 2008.

- Capital Asset additions were $3.5 million. Depreciation expense was $2.1 million. Significant investment in capital included the renovation of several science classrooms as part of the Title III project and new roof.
- Long-term investments increased $886,000 from $6.45 million to $7.34 million. The increase was due to recognition of unrealized gains of $730,000.

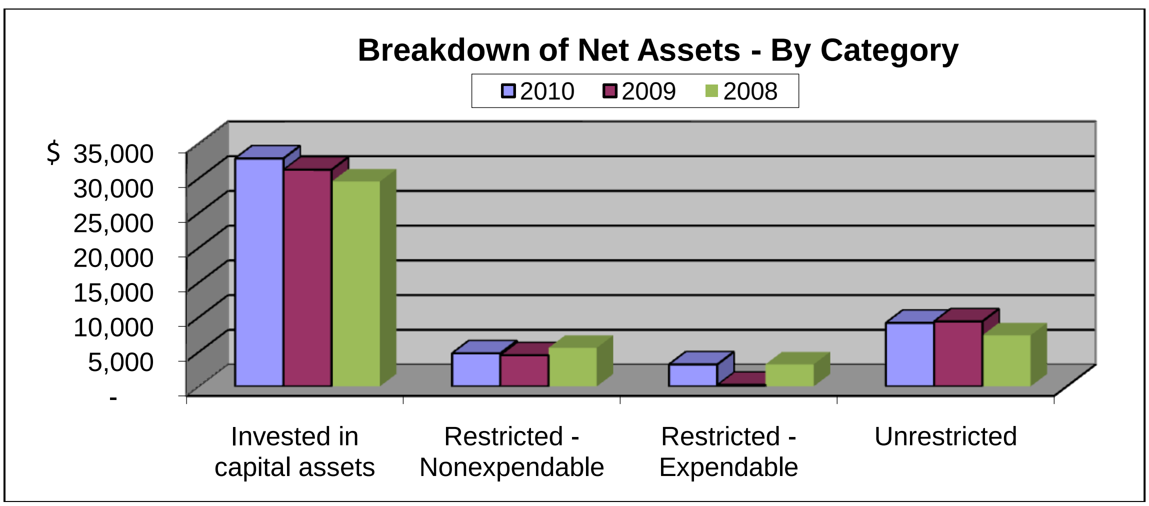
Current liabilities consist of accounts payable, accrued payroll, deferred revenue, and current portion of long-term debt obligations due within the next fiscal year. Current liabilities were $5.0 million at June 30, 2010, compared to $4.3 million at June 30, 2009, and $3.5 million at June 30, 2008. Current liabilities increased by $700,000 due to an increase in accrued payroll.

Noncurrent liabilities consist of long-term debt for which the principal is due in more than one year. Payment of principal of $175,000 in FY 2010 decreased the amount of outstanding debt.

Net assets represent the difference between College assets and liabilities. In total, the College's net assets increased $4.334 million from the previous year. The College has three types of funds, which are defined below:

- Net investment in capital assets, which investment in capital assets, net of depreciation and any outstanding liabilities.
- Restricted nonexpendable net assets consist of endowment funds and their earnings. Earnings on endowed funds are considered restricted expendable once the Foundation Board approves their release.
- Restricted expendable net assets consist of funds, which are restricted for a specific program or services, and certain loan funds.
- Unrestricted net assets represent those balances from operating activities that have not been restricted by external parties to the College such as donors or grant agencies. This includes funds that have been designated by the governing board.

The following chart shows the breakdown of net assets by category.



Key Financial Indicators

The Board of Trustees has **adopted key financial indicators** to help measure the College's financial health.

- Current Ratio measures an entity's ability to pay short-term obligations
- Primary Reserve Ratio measures the organization's ability to measure the flexibility of the organization to fund annual operating expenses
- Debt Service Ratio and the Debt to Capital Ratio are indicators of the organization's capital resources, ability to borrow and financial viability

- Operating Margin measures the organization's ability to cover its current operating expenses and also provide financial resources for the future
- The Acid Ratio is a conservative measure of the organization's ability to pay its short-term obligations. It indicates whether current assets could be quickly converted into cash and if they are sufficient to cover current liabilities
- Days cash on hand helps the organization understand how long the organization could continue to cover operating expenses in the face of no additional revenue

All indicators improved in 2010 with the increase in net assets.

Key Financial Indicators	**2010**	**2009**	**2008**
Current ratio	2.81	2.65	3.02
Primary reserve ratio	0.27	0.23	0.28
Debt service ratio	13.18	3.93	4.71
Debt to capital	0.12	0.13	0.13
Operating margin	0.09	-0.01	0.01
Acid ratio	2.73	2.31	2.90
Days cash on hand	93.13	61.73	63.05

The Statement of Revenues, Expenses and Changes in Net Assets present the revenues earned and the expenses incurred during the year. The utilization of long-lived assets, referred as Capital assets is reflected in the financial statements as depreciation, which amortizes the cost of the asset over the expected life. A summarized comparison of the College's revenues, expenses and changes in net assets for the year ended June 30 is as follows:

Statement of Revenues and Expenses (in thousands)

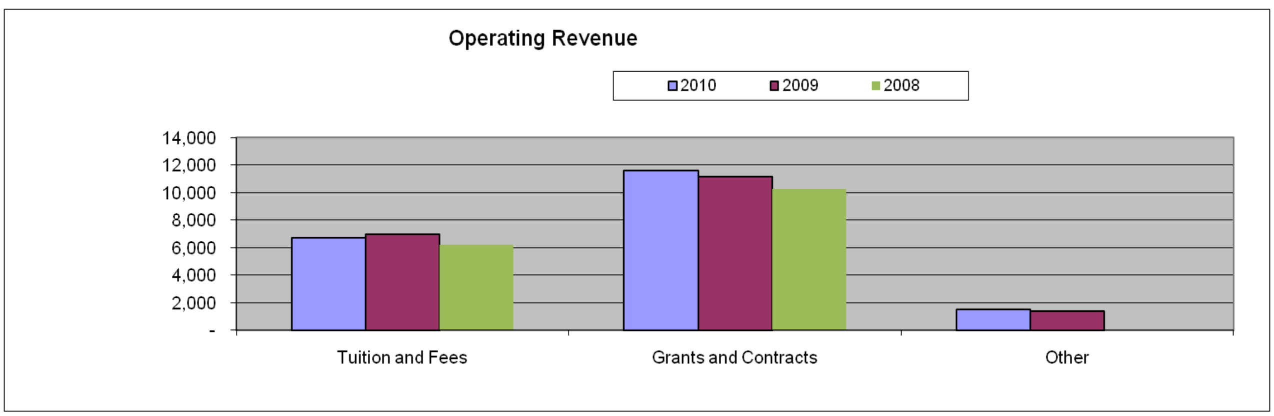
	2010	**2009**	**2008**
Total operating revenues	$ 19,841	$ 19,454	$ 16,471
Total operating expenses	44,854	41,117	37,491
Net operating loss	(25,013)	(21,663)	(21,020)
Nonoperating revenues	29,347	21,373	21,405
Increase (decrease) in net assets	4,334	(290)	385
Net assets - beginning of year	45,270	45,560	45,175
Net assets - end of year	**$ 49,604**	**$ 45,270**	**$ 45,560**

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, Mendel Center operations and other auxiliary operations. In addition, certain federal, state and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

Operating revenues included the following:

- Gross student tuition and fee revenue increased by 28.0% due to an increase in enrollment, however, net tuition and fees decreased by $445,000 due to a $3.9 million increase in Pell which increased the scholarship allowance.
- Federal grants consist primarily of awards in the form of Michigan Works!, Vocational Education, TRIO (Student Support Services, Upward Bound, Equal Opportunity and Talent Search), and Title III increased approximately $1,661,000 from the prior year.
- State grants are primarily comprised of Economic Development Job Training (EDJT) grants and Michigan scholarship programs, including MERIT decreased by nearly $1,108,000 due to cuts in programs by the state.
- Auxiliary activities consist primarily of catering and performing arts revenue and other sales and service activities related to the College. Auxiliary activities increased $168,000 or 14.6% from 2009.

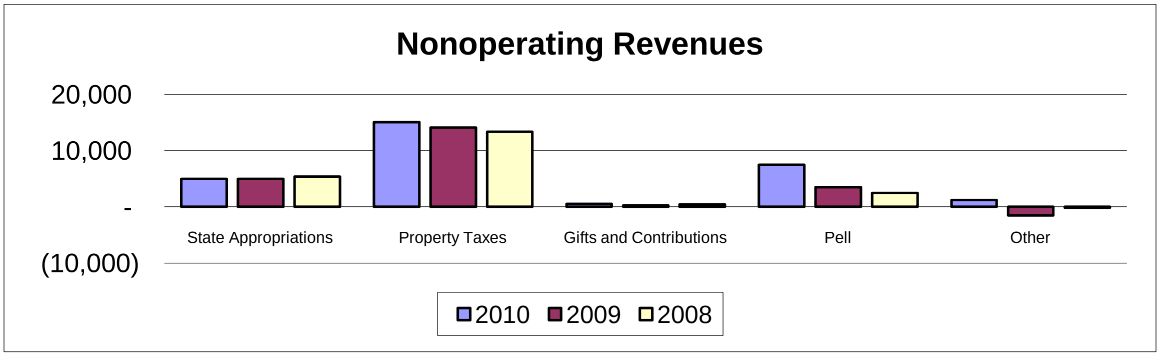
The following is a graphic illustration of operating revenues by source:



Nonoperating revenues are all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, property taxes, Pell grants, gifts, and investment income. Nonoperating revenues changes included the following factors:

- The state appropriation of $5.0 million remained the same as fiscal year 2009.
- Property tax revenue increased by $969,000 or 6.8%. Receipts included $603,000 from the Berrien County revolving loan fund and $418,000 from the State of Michigan for Renaissance Zone reimbursement.

The following is a graphic illustration of nonoperating revenues by major source:



Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. They include salaries and benefits, utilities, supplies, services, and depreciation and are then categorized by function.

Operating expenses increased 9.1% from 2009.

- Salaries and wages expenses increased by $1,412,000 or 7.2% from the prior year. Most of this increase is due to the adding of positions to fulfill the Michigan Works! grants.
- Benefits increased by $950,000 again due to the additional employees required for the Michigan Works! contracts. The increase in benefits was aided by an increase in the MPSERS contribution rate.
- Professional fees increased $65,000 compared to fiscal year 2009 largely due to Michigan Works! training grants and facility repairs.
- Supplies and materials increased by a modest $105,000 due to increases in building supplies.
- Rent, utilities and insurance decreased $157,000 due to decreases in electricity and telephone line charges.
- Travel, communication and miscellaneous increased $1,290,000 as a result of increases in bad debt and excess Pell grant awards.
- Depreciation expense of $2.1 million increased $203,000 in 2010.

The following is a summary illustration of operating expenses.

	2010	**2009**	**2008**
Salaries and wages	$ 21,055	$ 19,643	$ 17,723
Benefits	8,357	7,407	6,883
Professional services	3,871	3,806	2,890
Supplies and materials	2,001	1,896	1,805
Travel, communication and miscellaneous	5,709	4,420	4,401
Rent, utilities and insurance	1,491	1,648	1,671
Depreciation	2,098	1,895	1,749
Capital under $5,000	272	402	369
Total	**$ 44,854**	**$ 41,117**	**$ 37,491**

Restricted Funds

Restricted Funds are funds restricted by the revenue source for specific purposes. Lake Michigan College restricted funds consist of Pell, Trio Grants, Michigan Works!, other federal grants, state grants and non-governmental grants. Grant revenue increased in FY 2010, FY 2009 and FY 2008 due to increased Michigan Works! revenue, Pell and other Federal grants. The following chart shows the revenue grants for FY 2010, 2009 and 2008.

	PELL	Total Trio	Total MI Works!	Total Other Federal	Total State Grant	Total Non-Gov.	Total Restricted
2010	$ 7,480,023	$ 1,237,682	$ 8,977,929	$ 949,404	$ 311,651	$ 244,806	$ 19,201,495
2009	$ 3,522,267	$ 1,170,637	$ 7,379,659	$ 980,060	$1,071,486	$ 242,349	$ 14,366,458
2008	$ 2,452,307	$ 1,143,620	$ 5,686,624	$ 487,694	$ 996,768	$ 172,965	$ 10,942,978

The **Statement of Cash Flows** is another way to assess the financial health of the College. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an institution during a period. The Statement of Cash Flows also helps users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

Major sources of funds from operations came from student tuition and fees, grants and contracts and Mendel Center operations. These sources were offset by expenditures for operations such as payments to employees and suppliers.

Cash Flow for the Years Ended June 30 (in thousands)

	2010	2009	2008
Cash provided by (used in):			
Operating activities	$ (22,131)	$ (19,472)	$ (18,243)
Noncapital financing activities	28,910	24,113	21,986
Capital and related financing activities	(4,053)	(3,948)	(1,860)
Investing activities	1,025	(1,028)	(206)
Net increase (decrease) in cash	3,751	(335)	1,678
Cash - beginning of year	6,959	7,294	5,616
Cash - end of year	**$ 10,710**	**$ 6,959**	**$ 7,294**

Local property taxes, state appropriations, and other sources received during the current year provided noncapital financing sources of $28.9 million in 2010. Cash used by capital and related financing activities totaled $4.1 million primarily from the capital assets acquired and payment of principal and interest on debt.

Capital Assets

At June 30, 2010, the College had $39 million invested in capital assets, net of accumulated depreciation of $32.8 million. Depreciation charges totaled $2.1 million for the current fiscal year. Details of these assets are shown below (in thousands).

Capital Assets at June 30 (in thousands)

	2010	2009	2008
Land and land improvements	$ 2,015	$ 2,065	$ 2,077
Infrastructure	370	239	302
Buildings and improvements	32,599	30,724	31,181
Furniture, fixtures, equipment and library holdings	3,301	3,097	2,391
Construction in progress	1,264	1,976	586
Totals	**$ 39,549**	**$ 38,101**	**$ 36,537**

The following is a summary of the capital assets procured in FY 2010:

Title III	$2,047,681
Information systems	696,296
Mendel Center operations	177,709
FY10 library books	30,923
Harbor Shores leasehold improvements	75,625
Ultrasound machines	48,500
Dental lab relocation	26,867
Bertrand classroom improvements	6,422
Art relocation	3,482
Barnes & Noble leasehold improvements	42,236
General repairs and miscellaneous	383,696
Total	**$3,539,437**

Debt

At year-end, the College had $6.725 million in debt outstanding. Detail of the debt balance is shown below.

Debt at June 30 (in thousands)

	2010	2009	2008
2002 College Building and Site Refunding Bonds, Series VII	$ 6,725	$ 6,900	$ 7,050

Foundation

Since July 1, 2009, net assets have increased by approximately $880,000 or 12%, primarily due to market activity.

After an analysis of its outstanding pledges, the Foundation was able to reduce its allowance for doubtful accounts since the large pledges have been paid in full.

Revenues for the year increased 63% compared to the prior year ended June 30, 2009, primarily due to improved investment performance.

Disbursements for scholarships totaled $246,649, a 3% increase over last year's disbursements. Disbursements for College programs and services were $304,387 a 1% increase from last year.

Expenses and disbursements for the year were $1,024,000 as compared to $925,000 last year, which included salaries and were offset by a transfer of funds from the College.

Lake Michigan College Foundation
Statement of Revenues, Expenses and Changes in Net Assets

	For the Year Ended	
	June 30, 2010	**June 30, 2009**
Total revenues:	**$ 948,305**	**$ 508,554**
Expenses and disbursements:		
Total expenses	473,091	384,668
Scholarship and program expenses	551,036	540,633
Total expenses and disbursements	**1,024,127**	**925,301**
Operating revenues over (under) expenses	**(75,822)**	**(416,747)**
Other sources		
Gains (loss) on investments	730,093	(1,850,735)
College support/salaries and benefits	225,811	362,465
Total other sources	**955,904**	**(1,488,270)**
Total revenue over (under) expenses	**880,082**	**(1,905,017)**
Net assets – beginning of year	7,185,331	8,881,469
Transfer of equity	-	208,879
Net assets – end of year	**$ 8,065,413**	**$ 7,185,331**

Trends and Economic Factors

Academic institutions constantly face financial challenges because they depend on external elements for financial survival, including tuition payments provided by students and their families, funds from the government for operating expenses, training grants and contracts from a range of external agencies and charitable donations from alumni and foundations. In the coming years colleges will be faced with significant challenges, including:

- Declining enrollment as the local economy picks up steam and creates new jobs
- Underprepared students
- State budget problems may continue and colleges face decreases in State and Federal funding
- Healthcare and retirement cost increases
- Aging workforce and infrastructure
- Continued need to develop new programs and services
- New regulations

How well we, and all of higher education institutions manage these challenges while providing the programs, services and technology students expect will cause colleges and universities to continually question and challenge long-held assumptions and ways of doing business.

Student Enrollment

Lake Michigan College's enrollment increased 26% in FY 2010. This trend appears to be continuing in FY 2011 with projected enrollment for summer of 2010 exceeding the prior year by 18% and fall enrollment up 8%.

The following chart shows the trend in enrollment:

	2010	**2009**	**2008**	**2007**	**2006**	**2005**
Head count	7,113	5,897	5,525	5,567	5,943	6,144
Credit hours	92,171	72,568	66,707	67,808	69,909	73,444
Contact hours	103,967	82,318	66,697	67,793	69,438	72,773

The share of 18- to 24-year olds attending college in the United States hit an all-time high in October 2008, driven by a recession-era surge in enrollments in community colleges, according to a Pew Research Center analysis of newly released data from the U.S. Census Bureau. This new peak in college enrollment has come in the midst of a recession that has driven the national unemployment rate to the highest level in more than a quarter century and has had an especially harsh impact on young adults.

LMC Head Count	2010	2009	2008
<= 18	1,518	411	107
19 - 24	2,777	2,918	2,851
25 - 30	968	883	967
31 - 40	961	863	809
41 - 60	893	859	800
Age not reported	8	3	5

Since 1987 women have been a majority of the 18- to 24-year olds attending college in the United States. As of October 2008 women comprised 53% of all young college students. Notwithstanding that trend by gender, the percentage of 18- to 24- year old men enrolled at college reached an all-time high in October 2008 (37%). For many years young men's college participation had remained below the level reached during the height of the Vietnam War (35.2% in October 1969), when many male students extended their education because they wanted to hang on to their student deferment from the military draft. Not until October 2005 did college enrollment among young men surpass the October 1969 level. It has kept rising since then.

LMC	2010	2009	2008
Female	4,181	3,521	3,325
Male	2,904	2,330	2,174
Total head count - credit courses	**7,113**	**5,897**	**5,525**

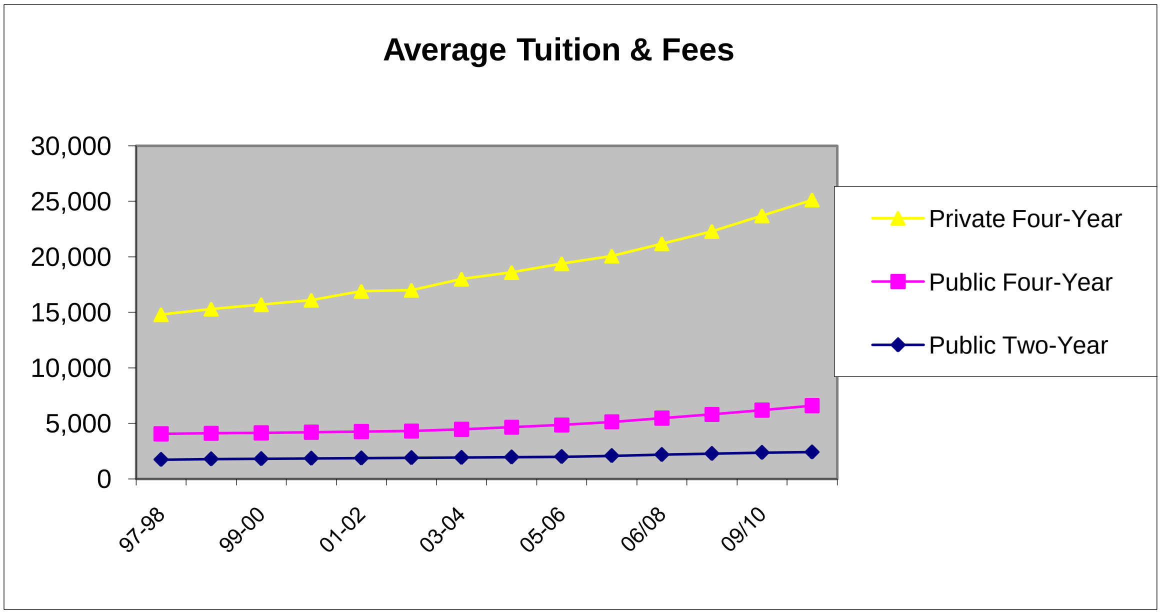
LMC – Percent of Headcount	2010	2009	2008
Female	59%	60%	60%
Male	41%	40%	39%

Some of the College's growth is due to the declining economy and the demand for new skills. Michigan significantly lags behind the rest of the country in recovering from the economic recession. The Niles-Benton Harbor MSA was the only region in West Michigan to gain jobs during the 1st quarter of 2010. Total regional employment expanded by 0.4 percent. Both government and the private service sector added jobs, while the goods-producing sector declined at a relatively moderate pace. The local unemployment situation also improved as the unemployment rate dipped from 14.7 to 13.7 percent over the three-month period. As the economy improves, College enrollment will decline. Several community colleges in Michigan have already reported declines in enrollment, which may be an indicator that enrollment is starting to decline.

Despite, the decrease in state support and increased operating costs, the College has maintained in-district tuition rates at of $72.50 in FY 2010 and budgeted only a modest increase in FY 2011.

This trend has impacted students across the nation, and as a result has impacted the amount of student loan debt which has increased to $23,186 in 2007 from $9,250 in 1993 according to the National Center for Educational Statistics. Average cumulative debt increased by 5.6% or $1,139 a year since 2003-04. Even with the increases in tuition, community colleges continued to be very affordable. However, the increased student debt and the need to make college more affordable will have an impact on the future of the College. Nationally in 2009, the average two year public college cost $2,544, which is significantly less than providing child care. The 2007 average annual price of full-time care for an infant in Michigan averages $8,219 for a daycare center and $6,394 for a family childcare home according to USA Today.

The chart below indicates that a two-year public institution is still the best value in education.



Underprepared Students

High school graduates are often unprepared for college level courses in English and Math. Lake Michigan College faces a major challenge in dealing with under-prepared students. The College is working with the K-12 systems in the area to address this situation. In FY 2010, the number of students enrolled in transitional studies was 1,894 or 27%.

LMC Unduplicated Head Count	2010	2009	2008
College level	6,900	5,694	5,344
Transitional studies	1,894	1,344	1,089
Academic	7,113	5,897	5,525
Percentage students in transitional studies courses	27%	23%	20%

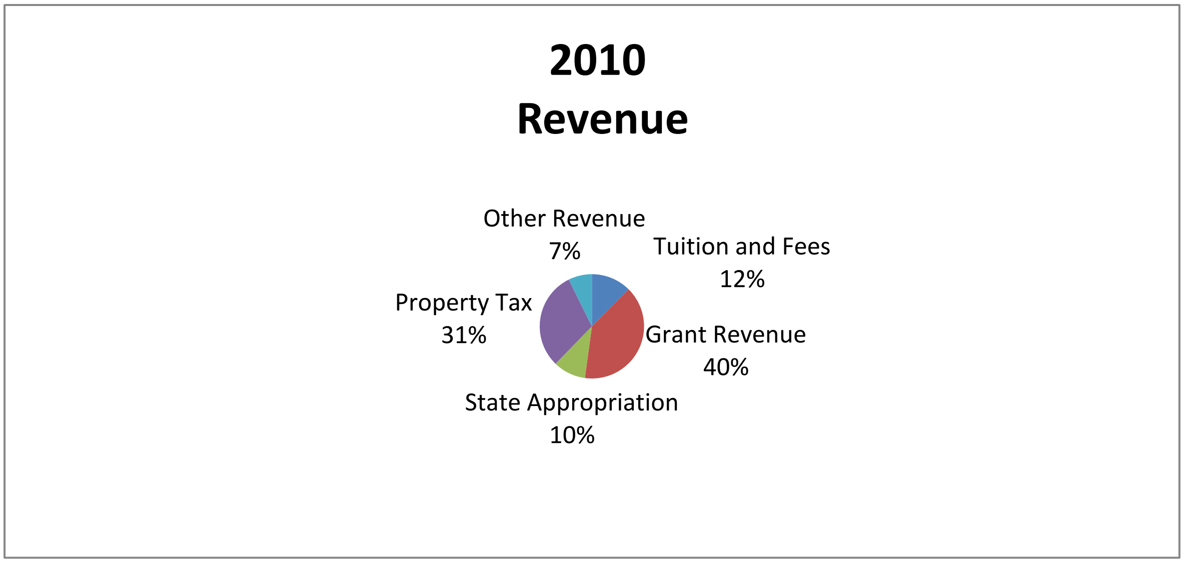
Declining State Funding

The College has seen a continued decrease in state funding for both the college and students. State aid remained the same for FY 2010 and although it is budgeted to remain stable in FY 2011, the state faces a significant budget deficit and the College expects it may see a 10-15% cut in funding. In FY 2010, the State eliminated the "Michigan Promise", which cut funding for college students and in FY 2011 it appears that TIP funds will also be reduced or eliminated.

Reliance on Grant Revenue

Over the last 5 years, the amount of grant revenue has increased from 18% of revenue to 40%. Between FY 2009 and FY 2010, grant revenue grew by more than 6 %. Most of the growth was due to the economic stimulus funding and increased Pell funds as a result of the current federal government plan to restore America. This increase in grants and administrative revenue has not become a core source of revenue for the operating budget of the College. However, the increased revenue resulted in increased compliance and risk for the College and also will probably not continue into the long term future. This loss or decrease in grant funds will impact both enrollment and operations. If Pell or other state or federal funds are reduced, it will also cause the College to look at cost reductions or other funding sources to support its core operations.

The chart below shows the revenue for the College for FY 2010.



Managing in a Changing Economic Environment

Aging Infrastructure

The College has invested over $6 million in capital assets between 2009 and 2010. About $20 million of additional capital will be needed to upgrade the current aging plant. The average age of our buildings is 18 years. The Bertrand Crossing Campus opened in the fall of 1998 and the South Haven Campus is approximately 7 years old. Very little investment in these facilities has been necessary because of the more recent construction. However, in the near future the College will need to make an investment in heating and cooling systems, roofs, mortar, etc., as well as updating classrooms at all campuses.

Historically, the state has provided capital outlay grants which funded about fifty percent of the capital needs. The state has not approved any new capital funds for several years and given the current state of the economy, the College cannot expect funds for some time to come. This will result in the College needing to finance its capital needs with additional debt or continue to defer maintenance.

Retiring Workforce

Lake Michigan College will need to also invest in its most important asset, the employees. Along with the aging facilities the College is also facing a dilemma with an aging workforce. Lake Michigan College currently has 72 full time employees that are 55 years old or older. This represents a quarter (25%) of the current full time workforce. Plans must be made now for the replacement of future retirees and the retention and expansion of their knowledge and skills.

Health and Retirement Costs

Health insurance costs continue to increase and in light of the recently passed Obama health plan, future health costs have an unpredictable future. Lake Michigan College has switched to a high deductible health plan to help reduce costs. Retirement costs, which are set at the state level, continue to increase with a College contribution rate of 19.41% set for October 1, 2010, and employees are required to contribute an additional 3%. Recent increases in employee contributions is designed to slow the trend of rising retirement costs, but at this time no real impact on College operations can be estimated.

New Programs and Services

In FY 2010, the College added several new programs, including energy, agriculture, lineman, etc. The need for new programs to address the changing economy and workforce will be a continuing process for years to come. Community and Business Services has seen a dramatic increase in the amount of services that are offered to business and individuals.

New Regulations

The U.S. Department of Education (ED) has announced plans to publish proposed regulations intended to strengthen federal student aid programs by clarifying student eligibility rules, enhancing consumer protections, and defining the courses and programs that are eligible for federal assistance. The proposed rules include language that will, among other things:

- Require institutions to establish procedures for evaluating the validity of high school diplomas
- Extend eligibility for federal aid to students without a high school diploma if they complete six credits of college coursework
- Enhance the agency’s ability to take action against institutions engaging in misleading marketing and sales practices
- Eliminate a range of ‘safe harbor’ provisions allowing institutions to provide incentive payments to admissions recruiters based on enrollment
- Clarify state authorization requirements for institutions to receive federal student aid
- Provide a standard definition of a “credit hour”

The agency opted not to introduce full regulations on the controversial “gainful employment” issue, which had been viewed as a potential tool for reducing student loan burdens, particularly for individuals attending for-profit schools. Under current law, most programs offered by proprietary schools and postsecondary vocational institutions, as well as some non-degree programs at public or non-profit schools are eligible for federal assistance only if they prepare students for “gainful employment in a recognized occupation,” but this term has never been defined in law or through regulations.

INDEPENDENT AUDITORS' REPORT

Rehmann

Rehmann Robson

2330 East Paris Ave., SE
Grand Rapids, MI 49546
Ph: 616.975.4100
Fx: 616.975.4400
www.rehmann.com

INDEPENDENT AUDITORS' REPORT

October 20, 2010

Board of Trustees
Lake Michigan College
Benton Harbor, Michigan

We have audited the accompanying balance sheets of ***Lake Michigan College*** (Community College District of the Counties of Berrien and Van Buren) (the "College") as of June 30, 2010 and 2009, and the related statements of revenues and expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 ***Lake Michigan College*** as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years 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, under separate cover, a report dated October 20, 2010, on our consideration of Lake Michigan College'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 controls 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 considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the financial statements of Lake Michigan College taken as a whole. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis presented on pages 1 through 14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Rehmann Robson

LAKE MICHIGAN COLLEGE

BALANCE SHEETS

ASSETS	June 30 2010	June 30 2009
Current assets		
Cash and cash equivalents (Note 2)	$ 10,710,473	$ 6,958,700
Accounts receivable, net (Note 3)	2,836,463	3,001,397
Contributions receivable, current portion	27,304	389,633
Short-term investments (Note 2)	200,000	1,200,000
Inventories	35,605	69,634
Prepaid expenses and other assets	363,698	246,070
Total current assets	**14,173,543**	**11,865,434**
Long-term investments (Note 2)	7,338,863	6,452,393
Contributions receivable, net of current portion	12,500	39,015
Bond issuance costs	129,538	135,426
Capital assets (Note 5)		
Non-depreciable	2,829,585	3,541,591
Depreciable, net	36,719,591	34,559,964
Total noncurrent assets	**47,030,077**	**44,728,389**
Total assets	**$ 61,203,620**	**$ 56,593,823**
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of debt obligations (Note 6)	$ 175,000	$ 175,000
Accounts payable	1,255,689	1,387,379
Accrued payroll and related compensation costs	2,633,567	1,878,819
Accrued interest payable	112,146	114,275
Unearned revenue	753,769	679,062
Other	118,901	114,093
Total current liabilities	**5,049,072**	**4,348,628**
Long-term debt obligations, net of current portion (Note 6)	6,550,000	6,725,000
Other long-term obligations	-	249,826
Total liabilities	**11,599,072**	**11,323,454**
Net assets		
Invested in capital assets, net of related debt	32,824,176	31,201,555
Restricted for:		
Nonexpendable scholarships	4,652,590	4,495,646
Expendable scholarships and fellowships	3,239,846	2,474,668
Unrestricted	8,887,936	7,098,500
Total net assets	**49,604,548**	**45,270,369**
Total liabilities and net assets	**$ 61,203,620**	**$ 56,593,823**

The accompanying notes are an integral part of the financial statements.

LAKE MICHIGAN COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended June 30	
	2010	**2009**
Operating revenues		
Tuition and fees	$ 10,975,669	$ 8,364,940
Scholarships and allowances	(4,835,506)	(1,780,273)
Net tuition and fees	6,140,163	6,584,667
Non credit tuition and fees	580,007	362,134
Federal grants and contracts	10,011,669	8,350,681
State grants and contracts	1,497,497	2,605,259
Nongovernmental grants	115,068	164,364
Auxiliary activities and other operating revenue	1,497,036	1,386,800
Total operating revenues	**19,841,440**	**19,453,905**
Operating expenses		
Salaries and wages	21,055,042	19,642,991
Benefits	8,356,505	7,406,922
Professional services	3,871,036	3,805,894
Supplies and materials	2,000,879	1,895,944
Travel, communication and miscellaneous	5,709,497	4,419,936
Rent, utilities and insurance	1,491,006	1,648,339
Depreciation and amortization of assets	2,097,704	1,894,756
Small capital equipment	272,819	401,739
Total operating expenses	**44,854,488**	**41,116,521**
Operating loss	**(25,013,048)**	**(21,662,616)**
Nonoperating revenues (expenses)		
State appropriations	5,012,100	5,012,100
Property taxes	15,068,324	14,098,914
Pell grants	7,480,023	3,522,267
Gifts and contributions	546,865	253,870
Investment income	181,920	246,482
Additions to nonexpendable endowment	156,944	54,036
Gain (loss) on investments	730,093	(1,850,735)
Other nonoperating revenue	507,235	380,146
Interest on capital asset - related debt	(336,278)	(343,688)
Net nonoperating revenues	**29,347,226**	**21,373,392**
Increase (decrease) in net assets	**4,334,178**	**(289,224)**
Net assets - beginning of year	45,270,369	45,559,593
Net assets - end of year	**$ 49,604,547**	**$ 45,270,369**

The accompanying notes are an integral part of the financial statements.

LAKE MICHIGAN COLLEGE

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2010	**2009**
Cash flows from operating activities		
Tuition and fees	$ 6,926,040	$ 6,840,069
Grants and contracts	11,732,172	10,428,019
Payments to suppliers	(13,555,718)	(11,730,372)
Payments to employees	(28,656,799)	(26,327,939)
Auxiliary and other revenue	1,422,869	1,318,577
Net cash used in operating activities	**(22,131,436)**	**(19,471,646)**
Cash flows from noncapital financing activities		
Local property taxes	15,068,324	14,098,914
State appropriations	5,012,100	4,995,318
Gifts and grants for other than capital purposes	1,092,653	860,833
Pell grants	7,480,023	3,522,267
Federal direct lending receipts	4,721,353	2,179,132
Federal direct lending disbursements	(4,721,353)	(2,179,132)
Other nonoperating receipts	257,410	635,860
Net cash provided by noncapital financing activities	**28,910,510**	**24,113,192**
Cash flows from capital and related financing activities		
Purchase of capital assets and construction	(3,539,437)	(3,453,011)
Principal paid on capital debt	(175,000)	(150,000)
Interest paid on capital debt	(338,407)	(345,413)
Net cash used in capital and related financing activities	**(4,052,844)**	**(3,948,424)**
Cash flows from investing activities		
Interest income	181,920	246,482
Purchase of investments	(156,377)	(1,275,108)
Proceeds from sales and maturities	1,000,000	-
Net cash provided by (used in) investing activities	**1,025,543**	**(1,028,626)**
Net increase (decrease) in cash and cash equivalents	**3,751,773**	**(335,504)**
Cash and cash equivalents - beginning of year	6,958,700	7,294,204
Cash and cash equivalents - end of year	**$ 10,710,473**	**$ 6,958,700**

LAKE MICHIGAN COLLEGE

STATEMENTS OF CASH FLOWS (CONCLUDED)

	Year Ended June 30	
	2010	**2009**
Operating loss	$ (25,013,048)	$ (21,662,616)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	2,097,704	1,894,756
Change in operating assets and liabilities which provided (used) cash		
Accounts receivable	164,934	(620,175)
Inventories, prepaids, and other assets	(83,599)	98,558
Accounts payable and accrued liabilities	627,866	1,081,678
Unearned revenue	74,707	(263,847)
Net cash used in operating activities	**$ (22,131,436)**	**$ (19,471,646)**

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Lake Michigan College (the "College") is a Michigan community college whose financial statements have been prepared in accordance with the generally accepted accounting principles (GAAP) as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) No. 35 and the *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001*.

The College reports business - type activities, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the individual component unit discussed in Note 11 is included in the College's reporting entity.

Significant accounting policies followed by the College are described below to enhance the usefulness of the financial statements to the reader:

Basis of Accounting - The financial statements of the College have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

The College follows all applicable GASB pronouncements. In addition, the College applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

Use of Estimates – The preparation of the financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include but are not limited to the accounts receivable allowance and depreciation expense.

Reclassification

Certain amounts as reported in the 2009 financial statements have been reclassified to conform with the 2010 presentation.

New Accounting Pronouncements – As of July 1, 2009, the College adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes standards for the recognition, initial measurement and amortization of intangible assets, as well as requiring that all intangible assets be classified as capital assets. This statement requires that an intangible asset be recognized in the balance sheet only if it is considered identifiable. The adoption of GASB Statement No. 51 resulted in recognizing computer software in the amount of approximately $283,000 in the College's financial statements.

In August 2008, FASB Staff Position (FSP) 117-1 or ASC Topic 958-205-20, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Donor-Restricted Endowment Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds* was issued. FAS 117-1 changed the accounting and disclosure requirements associated with the Foundation's endowment funds. The Foundation adopted the disclosure requirements of FAS 117-1 in 2009 and the provisions related to the net asset classifications for donor-restricted endowment funds in 2010 (see Note 11). The initial application of the net assets classifications provisions of FAS 117-1 resulted in a reclassification of cumulative endowment earnings from unrestricted net assets to temporarily restricted net assets for the year ending June 30, 2010.

On July 1, 2009, the FASB completed the FASB Accounting Standards Codification (the "ASC" or the "Codification") as the single source of authoritative U.S. GAAP, superseding all then-existing authoritative accounting and reporting standards, except for rules and interpretive releases for the Securities and Exchange Commission (SEC) under authority of federal securities laws, which are sources of authoritative GAAP for SEC registrants. ASC Topic 105 reorganized the authoritative literature comprising GAAP into a topical format. ASC is now the source of authoritative GAAP recognized by the FASB to be applied by all nongovernmental entities. The ASC is effective for interim and annual periods ending after September 15, 2009. The Codification did not change GAAP and, therefore, did not impact these financial statements. However, since it completely supersedes existing standards, it affected the way authoritative accounting pronouncements are referenced in these financial statements. Therefore, all references to new or pending FASB financial reporting standards now include the reference to the ASC Topic number.

Cash and Cash Equivalents – Cash and cash equivalents consist of demand deposits and highly liquid investments with an initial maturity of three months or less.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense when necessary and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. An accounts receivable allowance of approximately $184,000 and $58,000 has been established at June 30, 2010 and 2009, respectively.

Gifts and Pledges – Gifts are recorded at estimated fair value when received, and pledges are recorded at their net present value when it is determined that the gift is probable of collection.

Short-term Investments – Short-term investments consist of certificates of deposit with maturities of less than one year.

Investments – The Foundation carries investments in marketable equity securities at fair value, which is determined generally by using quoted market prices. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net assets. The Foundation maintains investment accounts for its temporarily restricted and permanently restricted endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly based on the relationship of the market value of each endowment fund to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Fair Value Measurements – ASC Topic 820 *Fair Value Measurements*, was adopted by the Foundation as of July 1, 2008. As required by ASC Topic 820, the Foundation has categorized its financial assets and liabilities into a three-level fair value hierarchy, based on the nature of the inputs used in determining fair value.

The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). For a further discussion of ASC Topic 820, refer to Note 4.

Inventories – Inventories are stated at the lower of cost using the first-in, first-out method, or market. Inventories consist primarily of food and beverages used in the Mendel Center operations.

Bond Issuance Costs – The bond issuance costs are being amortized over the life of the bonds using the straight-line method.

Capital Assets – Capital assets are recorded at cost. However, gifts of property are recorded at fair market value at the time gifts are received. The College capitalizes its art collection, which is considered inexhaustible. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets. No depreciation is recorded on the land and art collection. Management annually reviews capital assets for impairment.

Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized. The following estimated useful lives are used to compute depreciation:

Land improvements and infrastructure	15-20 years
Buildings	45 years
Equipment	7-15 years
Furniture and fixtures	5-7 years
Library materials	5 years

Unearned Revenue - Revenues received prior to year-end that are related to the next fiscal period are recorded as unearned revenue. Grants received prior to qualifying expenditures are also included in unearned revenue.

Revenue Recognition – Revenue from state appropriations are recognized in accordance with the accounting method described in the *Manual for Uniform Financial Reporting – Michigan Public Community Colleges, 2001*, which provides that state appropriations are recorded as revenue in the period for which such amounts are appropriated. Student tuition and related revenues and expenses of an academic semester are reported in the fiscal year in which the program is conducted. Property taxes are recorded as revenue when received.

The College does not recognize as revenue, sources held for others, such as William D. Ford Direct Loans, Perkins loans, Nursing loans, and loans (subsidized and unsubsidized Stafford and Plus Loans) where the instituton serves only as a conduit.

Operating revenues of the College consist of tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. Transactions related to capital and financing activities, noncapital financing activities, investing activities, state appropriations, and property taxes are components of nonoperating and other revenues. For financial reporting purposes, restricted resources are deemed to be utilized first when both restricted and unrestricted resources are available to satisfy expenses.

Internal Service Activities – Both revenue and expenses related to internal service activities including print shops, office equipment, maintenance, telecommunications, and institutional computing have been eliminated.

Restricted Net Assets - Restricted net assets represent amounts over which third parties have imposed restrictions that cannot be changed by the Board. Funds held by the College and the Foundation for endowments or donor designated purposes were $7,892,436 and $6,970,314 at June 30, 2010 and 2009, respectively.

Reporting – The College reports its expense activities by natural class versus program services. The following table shows expense by functional area.

2010

	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Maintenance of Plant
Salaries and benefits	$ 10,247,125	$ 4,762	$ 2,617,335	$ 2,377,618	$ 3,059,782	$ 1,513,312
Professional services	243,822	-	64,430	581,815	275,335	812,663
Supplies and materials	476,359	-	184,857	122,216	109,967	261,657
Rent, utilities and insurance	24,485	-	14,928	61,218	(27,041)	1,148,640
Travel and communication	192,557	-	122,495	267,722	410,284	21,500
Depreciation	-	-	-	-	-	-
Small capital equipment	137,306	-	12,946	8,612	-	27,263
Total	**$ 11,321,654**	**$ 4,762**	**$ 3,016,991**	**$ 3,419,201**	**$ 3,828,327**	**$ 3,785,035**

	Capital/Debt Service	Auxiliary	Total Unrestricted	Grants	Foundation	Total
Salaries and benefits	$ -	$ 1,506,061	$ 21,325,995	$ 7,870,185	$ 215,367	$ 29,411,547
Professional services	-	603,756	2,581,821	918,448	370,767	3,871,036
Supplies and materials	-	383,335	1,538,391	365,572	96,916	2,000,879
Rent, utilities and insurance	-	229,234	1,451,464	32,722	6,820	1,491,006
Travel and communication	-	53,422	1,067,980	4,311,104	330,413	5,709,497
Depreciation	2,097,704	-	2,097,704	-	-	2,097,704
Small capital equipment	-	6,285	192,412	76,563	3,844	272,819
Total	**$ 2,097,704**	**$ 2,782,093**	**$ 30,255,767**	**$ 13,574,594**	**$ 1,024,127**	**$ 44,854,488**

2009

	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Maintenance of Plant
Salaries and benefits	$ 9,212,514	$ 35,731	$ 2,328,359	$ 2,104,306	$ 3,394,056	$ 1,522,421
Professional services	177,727	37,363	55,195	574,782	282,519	762,374
Supplies and materials	328,471	20,001	154,228	92,891	117,535	259,472
Rent, utilities and insurance	2,842	-	5,978	49,346	212,988	1,110,889
Travel and communication	222,996	11,572	158,614	276,915	425,724	37,796
Depreciation	-	-	-	-	5,888	-
Small capital equipment	4,415	-	98,805	-	-	11,903
Total	$ 9,948,965	$ 104,667	$ 2,801,179	$ 3,098,240	$ 4,438,710	$ 3,704,855

	Capital/Debt Service	Auxiliary	Total Unrestricted	Grants	Foundation	Total
Salaries and benefits	$ -	$ 1,532,000	$ 20,129,387	$ 6,568,577	$ 351,949	$ 27,049,913
Professional services	-	506,928	2,396,888	1,096,889	312,117	3,805,894
Supplies and materials	-	405,129	1,377,727	514,598	3,619	1,895,944
Rent, utilities and insurance	-	209,286	1,591,329	56,510	500	1,648,339
Travel and communication	-	52,705	1,186,322	2,976,498	257,116	4,419,936
Depreciation	1,888,868	-	1,894,756	-	-	1,894,756
Small capital equipment	-	26,219	141,342	260,397	-	401,739
Total	$ 1,888,868	$ 2,732,267	$ 28,717,751	$ 11,473,469	$ 925,301	$ 41,116,521

Income taxes – In July 2006, the FASB issued a new standard related to *Accounting for Uncertainty in Income Taxes*, now codified as Accounting Standards Codification ("ASC") Topic 740. ASC Topic 740 seeks to reduce the significant diversity in practice associated with financial statement recognition and measurement in accounting for income taxes and prescribes the recognition threshold and measurement attribute for disclosures of tax positions previously taken or expected to be taken on an income tax return. Not-for-profit organizations are also within the scope of ASC Topic 740. An organization must consider whether they have engaged in activities that jeopardize their current tax exempt status with the Internal Revenue Service. Furthermore, the organization must determine whether they have any unrelated business income, which may be subject to US Federal Income Tax. The Foundation adopted the provisions of ASC Topic 740 effective July 1, 2009, and, accordingly, analyzed its filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Foundation has also elected to retain its existing accounting policy with respect to the treatment of interest and penalties attributable to income taxes, and continues to reflect any changes for such, to the extent they arise, as a component of its operating expenses. The adoption of ASC Topic 740 had no significant impact on these financial statements.

The Foundation has evaluated the provisions of ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. The evaluation was performed for the tax years 2006 through 2009, the years which remain subject to examination by major tax jurisdiction as of June 30, 2010. The Foundation concluded that there are no significant uncertain tax positions requiring recognition in these financial statements. The Foundation does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly increase or decrease in the next twelve months. The Foundation does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2010, and it is not aware of any claims for such amounts by federal or state income tax authorities.

2. CASH AND INVESMENTS

Cash and Cash Equivalents – Investment policies for cash and cash equivalents as set forth by the Board of Trustees authorize the College to invest in demand accounts, negotiable certificates of deposit, savings accounts, or other interest-earning deposit accounts of banks that are members of the Federal Deposit Insurance Corporation (FDIC) or savings and loan associations that are members of the Federal Savings and Loan Insurance Corporation.

Short-Term Investments – Short-term investments are those authorized by Michigan Public Act 331, as amended through 1997, and by resolution of the Board of Trustees to invest in U.S. Treasury bonds, bills and notes, mutual funds, certain commercial paper and investment pools that are composed of authorized investment vehicles of a duration of less than one year.

Investments – Investment policies as set forth by the Board of Trustees also authorize the College to invest in bonds, bills or notes of the United States or of an agency of an instrumentality of the United States or obligations of the state of Michigan. Funds may be invested in commercial paper that is supported by an irrevocable letter of credit issued by a bank that is a member of the FDIC and commercial paper of corporations located in Michigan. Mutual funds, trusts, or investment pools composed entirely of instruments that are legal for direct investment by a community college are also acceptable investments.

The investment policy of the Lake Michigan College Foundation is established by the Foundation's Board of Directors authorizes investment in a diversified portfolio of domestic or international stocks and bonds based on asset class, market capitalization, industry sector and security. Short sales of securities and investment in derivative securities are prohibited without prior consent of the Foundation's Board. The Foundation Board meets quarterly to review the performance of investments.

Interest Rate Risk – The College's investment policy does not limit investment maturities as a means of managing its exposure to fair market value losses arising from increasing interest rates. However, the College manages its exposure to interest rate risk by limiting the majority of its investment maturities to less than three years.

The Foundation invests in mutual funds with a long-term objective to preserve principal and provide appreciation. Due to the long-term nature of the investments, the Foundation's investment policy does not limit investment maturities.

As of June 30, 2010 and 2009, the Foundation had investments only in mutual funds in the amount of $7,338,863 and $6,452,393, respectively.

Concentration of Credit Risk - Certificates of deposit and commercial paper investments are not limited to any given financial institution or issuer. The College currently has several certificates of deposits, U.S. Treasuries, and has diversity in its mutual fund companies. The College's investment policy does not limit investments in U.S. agencies or treasuries.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned. State law does not require and the College does not have a policy for deposit custodial credit risk, and neither does the Foundation. As of June 30, 2010 and 2009, $10,210,473 and $6,458,700 of the College's bank deposits balance of $10,710,473 and $6,958,700, respectively, was exposed to custodial credit risk because it was uninsured and uncollateralized, respectively.

Custodial Credit Risk - Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investment that are in the possession of an outside party. State law does not require and the College does not have a policy for investment custodial credit risk, as neither does the Foundation. However, all of the investments are in the name of the College or Foundation, as applicable, and the investments are held in trust accounts with each financial institution from which they were purchased. Custodial credit risk for the mutual funds cannot be determined as these investments are not evidenced by specifically identifiable securities. The College has made investments with banks that have a high rating and invested in only the most secure investment opportunities, such as those of the federal government. The Foundation's investments are in mutual funds and are reviewed by the Foundation along with its advisors on a regular basis.

3. RECEIVABLES

Accounts receivable consist of the following at June 30:

	2010	2009
Appropriations from the State of Michigan for operations	$ 911,292	$ 911,290
Federal and state grants receivable	1,617,094	1,725,032
Student receivables	66,750	71,402
Other	425,353	351,186
Total	3,020,489	3,058,910
Allowance for doubtful accounts	(184,026)	(57,513)
Total accounts receivable, net	**$ 2,836,463**	**$ 3,001,397**

Contributions receivable consist of the following at June 30:

	2010	2009
Contributions receivable	$ 62,935	$ 470,176
Allowance for doubtful accounts	(23,131)	(41,528)
Total contributions receivable, net	**$ 39,804**	**$ 428,648**

4. FAIR VALUE

The Foundation utilizes fair value measurements to record fair value adjustments to its investment securities and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

Fair Value Hierarchy

Under ASC Topic 820, the Foundation groups its investments at fair value into three levels, based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset. The Foundation holds no securities classified as Level 3.

The following is a description of the valuation methodology used for assets recorded of fair value:

Investment Securities - Investment securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include equity investments in active markets.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30:

2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Mutual funds				
Equity funds	$ 5,059,676	$ -	$ -	$ 5,059,676
Fixed income funds	1,694,739	-	-	1,694,739
Hedge funds	-	584,448	-	584,448
Total investments at fair value	**$ 6,754,415**	**$ 584,448**	**$ -**	**$ 7,338,863**

2009	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity funds	$ 4,134,919	$ -	$ -	$ 4,134,919
Fixed income funds	1,789,380	-	-	1,789,380
Hedge funds	-	528,094	-	528,094
Total investments at fair value	**$ 5,924,299**	**$ 528,094**	**$ -**	**$ 6,452,393**

5. CAPITAL ASSETS

The following tables present the changes in the various capital asset class categories for the years ended June 30, 2010 and 2009:

	Balance July 1, 2009	Additions	Transfers and Retirements	Balance June 30, 2010
Nondepreciable capital assets:				
Land	$ 1,221,057	$ -	$ -	$ 1,221,057
Art collection	344,173	-	-	344,173
Construction in progress	1,976,361	1,264,355	(1,976,361)	1,264,355
Subtotal nondepreciable assets	**3,541,591**	**1,264,355**	**(1,976,361)**	**2,829,585**
Depreciable capital assets:				
Land improvements	3,326,572	8,440	-	3,335,012
Buildings and improvements	51,203,750	1,531,465	1,751,495	54,486,710
Equipment	5,679,967	441,041	224,866	6,345,874
Infrastructure	1,203,842	200,108	-	1,403,950
Furniture and fixtures	587,577	63,105	-	650,682
Library materials	3,245,136	30,923	-	3,276,059
Subtotal depreciable assets	**65,246,844**	**2,275,082**	**1,976,361**	**69,498,287**
Total	**68,788,435**	**3,539,437**	**-**	**72,327,872**
Less accumulated depreciation:				
Land improvements	2,482,405	58,641	-	2,541,046
Buildings and improvements	20,479,697	1,408,138	-	21,887,835
Equipment	3,363,460	497,536	-	3,860,996
Infrastructure	965,053	68,575	-	1,033,628
Furniture and fixtures	192,783	34,606	-	227,389
Library materials	3,203,482	24,320	-	3,227,802
Total accumulated depreciation	**30,686,880**	**$ 2,091,816**	**$ -**	**32,778,696**
Total depreciable capital assets, net	**34,559,964**			**36,719,591**
Capital assets, net	**$ 38,101,555**			**$ 39,549,176**

	Balance July 1, 2008	Additions	Transfers and Retirements	Balance June 30, 2009
Nondepreciable capital assets:				
Land	$ 1,221,057	$ -	$ -	$ 1,221,057
Art collection	344,173	-	-	344,173
Construction in progress	586,579	1,912,007	(522,225)	1,976,361
Subtotal nondepreciable assets	**2,151,809**	**1,912,007**	**(522,225)**	**3,541,591**
Depreciable capital assets:				
Land improvements	3,279,433	43,372	3,767	3,326,572
Buildings and improvements	50,388,044	815,706	-	51,203,750
Equipment	4,578,558	618,161	483,248	5,679,967
Infrastructure	1,203,842	-	-	1,203,842
Furniture and fixtures	511,391	40,976	35,210	587,577
Library materials	3,222,348	22,788	-	3,245,136
Subtotal depreciable assets	**63,183,616**	**1,541,003**	**522,225**	**65,246,844**
Total	**65,335,425**	**$ 3,453,010**	**$ -**	**68,788,435**
Less accumulated depreciation:				
Land improvements	2,423,494	58,911	-	2,482,405
Buildings and improvements	19,207,133	1,272,564	-	20,479,697
Equipment	2,910,335	453,125	-	3,363,460
Infrastructure	901,504	63,549	-	965,053
Furniture and fixtures	165,909	26,874	-	192,783
Library materials	3,189,638	13,844	-	3,203,482
Total accumulated depreciation	**28,798,013**	**$ 1,888,867**	**$ -**	**30,686,880**
Total depreciable capital assets, net	**34,385,603**			**34,559,964**
Capital assets, net	**$ 36,537,412**			**$ 38,101,555**

6. DEBT

The College has available an unsecured line of credit for $3,000,000 with interest charged as LIBOR plus 2% (effective rate of 2.5% as of June 30, 2010). The agreement expires May 31, 2011. As of June 30, 2010, there were no outstanding borrowings on the line of credit.

Long-term debt obligation activity during the years ended June 30, 2010 and 2009, was as follows:

	Balance July 1, 2009	Deductions	Balance June 30, 2010	Current Portion
2002 College Building and Site Refunding Bonds, Series VII	$ 6,900,000	$ 175,000	$ 6,725,000	$ 175,000

	Balance July 1, 2008	Deductions	Balance June 30, 2009	Current Portion
2002 College Building and Site Refunding Bonds, Series VII	$ 7,050,000	$ 150,000	$ 6,900,000	$ 175,000

Bond principal and interest are payable from the proceeds of ad valorem taxes levied on all taxable property in the district without limitation as to rate or amount.

Building and Site Refunding Bonds, Series VII were issued to fund a portion of the construction costs of the South Haven Campus, other improvements and to establish an escrow fund to provide for payment of principal and interest on the Series VI Bonds. The bonds mature serially through July 1, 2031, with interest due March 1 and September 1. Interest rates range from 1.50 percent to 5.25 percent with an effective rate of 5.05 percent.

Total principal maturities on the debt obligation as of June 30, 2010 and 2009, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	$ 175,000	$ 333,069	$ 508,069
2012	200,000	325,750	525,750
2013	200,000	317,750	517,750
2014	200,000	308,450	508,450
2015	225,000	297,294	522,294
2016–2020	1,275,000	1,296,500	2,571,500
2021–2025	1,600,000	931,606	2,531,606
2026–2030	1,925,000	489,400	2,414,400
2031-2032	925,000	47,812	972,812
Total	**$ 6,725,000**	**$ 4,347,631**	**$ 11,072,631**

7. RETIREMENT PLANS

Defined Benefit Plan

Plan Description – The College participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost–sharing, multiple–employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the College. The System provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPSERS System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909-7671.

Funding Policy – Employer contributions to the System result from the implementing effects of the School Finance Reform Act. Under these procedures, each College is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. In addition, separately computed supplemental contributions will be required for retiree health care benefits. Future contribution requirements, which depend on the level of MPSERS covered payroll, cannot be determined. The pension benefit rate was 16.72% for the period October 1, 2007, through September 30, 2008, and 16.54% for the period October 1, 2008 through September 30, 2009, and 16.94% for the period October 1, 2009 through June 30, 2010. Basic plan members did not make contributions, but will be required to contribute 3% as of July 1, 2010; other members contribute to a Member Investment Plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages, which will increase to 7.3 percent on July 1, 2010. The College's contributions to the MPSERS plan for the years ended June 30, 2010, 2009 and 2008, were approximately $1,153,000, $1,073,000, and $1,103,000, respectively.

Post Employment Benefits – The College also contributes to the MPSERS healthcare plan, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by MPSERS. The plan provides medical benefits to retired employees of participating colleges. Participating colleges are contractually required to make monthly contributions to the plan at amounts assessed each year by MPSERS. The MPSERS board of trustees sets the employer contributions based on the annual required contribution of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The College's contributions to the MPSERS healthcare plan for the years ended June 30, 2010, 2009 and 2008, were approximately $775,000, $721,000 and $710,000, respectively, which equaled the required contributions each year. Thus, the College did not record a liability for this postemployment health care.

Defined Contribution Plan - As an alternative pension option, the College offers all full–time faculty and administrative employees the opportunity to participate in the Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA–CREF). Funding for the plan consists of employer contributions of 14.96% of covered compensation for the years ended June 30, 2010 and 2009, respectively. Benefits vest immediately. Contributions under the plan were approximately $1,170,000 and $550,000 for the years ended June 30, 2010 and 2009, respectively.

8. RISK MANAGEMENT

The College is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The College has purchased commercial insurance for workers' compensation and medical benefits and participates in risk management pools for claims related to auto, property, and liability.

The College participates in the Michigan Community College Risk Management Authority (MCCRMA) management pool for auto, property and liability claims. The program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the pool, which the pool uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the College.

9. RELATED PARTIES

The Lake Michigan College Foundation (the "Foundation"), a not-for-profit corporation was formed to solicit, collect, and invest donations made for the promotion of educational activities at the College and to augment the facilities of the College in such a manner as may be designated by its Board of Trustees. All distributions made out of the Foundation, other than normal operating expenses, are to be made to the College. Substantially all administrative and general costs incurred by the Foundation since its inception, other than commissions and trust administrative fees, have been paid and expensed by the College. Upon dissolution of the Foundation, its remaining assets will be distributed to the College.

The Internal Revenue Service has determined that the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded.

At June 30, 2010, and 2009, the stated value of the net assets of the Foundation totaled $8,065,413 and, $7,185,331, respectively. These assets and all activity of the Foundation are included in the financial statements of the College as a blended componet unit.

10. DONOR–RESTRICTED ENDOWMENT EARNINGS

The Foundation utilizes a total return method distribution policy for unrestricted funds. Under the total return concept, the Foundation will spend 3-5 percent of a 3-year rolling average of market values (principal and interest). Distribution on any endowment fund cannot exceed the accumulated earnings of the fund, without the express written consent of the donor for scholarships established prior to July 1, 2005. The Foundation Investment Committee may establish interim distribution rates for endowments that have yet to reach full maturity. Any unexpended allocations will be returned to the fund unless otherwise approved by the Investment Committee.

In the first calendar quarter of each year, the Lake Michigan College Foundation Investment committee shall evaluate the endowment fund's performance and recommend to the Foundation Board of Directors the specific percentage that shall be available for distribution during the following year. By March of each fiscal year, the Foundation shall inform affected departments of funds available to spend in the succeeding fiscal year.

11. FOUNDATION

The Foundation's endowment consists of approximately 280 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Foundation Board. As required by GAAP, net assets associated with endowment funds, including Board designated funds, are classified and reported based upon the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Beginning in fiscal 2010, the Foundation has interpreted the State of Michigan Prudent Management of Institutional Funds Act (SMPMIFA) 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 the 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, if any, at the time the accumulation is added to the fund. Any donor-restricted endowment fund that would not be classified as 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 SMPMIFA. In accordance with SMPMIFA, 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 fund
2. The purpose of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation (depreciation) of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Following is a summary of the Foundation's endowment and changes therein:

	Unrestricted	Temporary Restricted	Permanently Restricted	Total
Endowment net asset comparison by type of fund as of June 30, 2010				
Donor-restricted funds	$ (269,044)	$ 3,239,846	$ 4,652,590	$ 7,623,392
Board designated endowment funds	442,021	-	-	442,021
	$ 172,977	$ 3,239,846	$ 4,652,590	$ 8,065,413
Changes in endowment net assets for the year ended June 30, 2010				
Investment return				
Investment income	$ 13,978	$ 105,909	$ -	$ 119,886
Unrealized gain	392,028	338,065	-	730,093
Net investment income	406,006	443,974	-	849,979
Contributions and other revenue	368,049	303,426	156,944	828,419
Expenses and expenditures	(486,842)	(537,286)	-	(1,024,127)
Transfers	225,811	-	-	225,811
Change in net assets and transfers	513,024	210,124	156,944	880,082
Net asset reclassification based on change in law	(555,064)	555,064	-	-
Foundation net assets:				
Beginning of year	215,017	2,474,668	4,495,646	7,185,331
End of year	$ 172,977	$ 3,239,846	$ 4,652,590	$ 8,065,413

	Unrestricted	Temporary Restricted	Permanently Restricted	Total
Endowment net asset comparison by type of fund as of June 30, 2009				
Donor-restricted funds	$ -	$ 2,474,668	$ 4,495,646	$ 6,970,314
Board designated endowment funds	215,017	-	-	215,017
	$ 215,017	$ 2,474,668	$ 4,495,646	$ 7,185,331
Changes in endowment net assets for the year ended June 30, 2009				
Investment return				
Investment income	$ 71,325	$ 84,912	$ -	$ 156,237
Unrealized loss	(795,389)	(1,055,346)	-	(1,850,735)
Net investment loss	(724,064)	(970,434)	-	(1,694,498)
Contributions and other revenue	71,522	225,579	55,216	352,317
Expenses and expenditures	(450,279)	(475,022)	-	(925,301)
Transfers	571,344	-	-	571,344
Change in net assets and transfers	(531,477)	(1,219,877)	55,216	(1,696,138)
Foundation net assets:				
Beginning of year	746,494	3,694,545	4,440,430	8,881,469
End of year	$ 215,017	$ 2,474,668	$ 4,495,646	$ 7,185,331

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that were reported in unrestricted assets were $269,044, as of June 30, 2010. Management believes that these deficiencies are temporary in anticipation of a future recovery in the market.

Return Objectives and Risk Parameters

The Foundation has adopted investment policies for assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets, which includes those assets of donor-restricted funds that must be held in perpetuity as well as board-designated funds. Under this policy the assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of established indexes for differing investment classes while assuming an average level of investment risk. The Foundation expects its funds, over time, to provide an average rate of return of inflation plus 5 percent. A minimum return equal to the rate of inflation is required to preserve the real purchasing power of the fund and the additional 5 percent is required to provide for spending and expenses. Specific total rates of return goals are expected to be met on a cumulative basis over a 3- to 5-year time horizon.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

12. VOLUNTARY TERMINATION BENEFITS

Voluntary termination benefits are those provided to employees as a) an inducement to hasten the termination of services or b) as a result of a voluntary early termination plan. The College's obligation to provide benefits for voluntary terminations generally arises as a result of a bilateral agreement in which the College agrees to provide benefits, such as early-retirement incentive benefits, in exchange for which the employee agrees to leave service earlier than he or she otherwise would. Voluntary termination agreements are used primarily by full-time administrative, professional/technical and faculty staff.

Voluntary termination benefits include benefits such as enhanced early retirement options. Other termination benefits may include:

1. Early retirement incentives, such as cash payments or contribution to retirement to MPSERS or TIAA-CREF, or the College's 403(b) plan
2. Health care coverage when none would otherwise be provided (COBRA)
3. Payments due to early release from employment contracts

A terminated employee can continue to access health benefits. If the COBRA payment is provided by the College, then the College would have a termination liability. When a terminated employee pays 100% of the premium, the College would not have a termination liability.

The College entered into three voluntary agreements in 2009. The terms of the contacts ranged from 1 to 3 years, with the last contract expiring June 30, 2011. The costs incurred by the College during fiscal year 2009 were $642,159. The College paid approximately $250,000 and $142,000 in 2010 and 2009, respectively. The remaining liability, approximately $250,000, is payable in fiscal year 2011.

13. SUBSEQUENT EVENTS

The College was awarded a Title III grant to renovate the science labs at the Napier campus. The renovation is occurring in fiscal years 2010 and 2011. At June 30, 2010, $1,264,355 was recorded in construction in process. The College estimates it will incur an additional $1.2 million to complete the project which will be funded by the College.

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SUPPLEMENTARY INFORMATION

LAKE MICIHGAN COLLEGE

COMBINING BALANCE SHEET

JUNE 30, 2010

	General Fund	Plant Fund	Total	Restricted Fund
ASSETS				
Current assets				
Cash and cash equivalents	$ 10,027,713	$ -	$ 10,027,713	$ -
Accounts receivable, net	1,211,899	-	1,211,899	1,620,743
Contributions receivable	-		-	-
Short-term investments	200,000	-	200,000	-
Inventories	33,330	-	33,330	2,275
Prepaid expenses and other assets	279,146	-	279,146	73,570
Due from (due to) other funds	16,298,755	(15,467,469)	831,286	(831,286)
Total current assets	28,050,843	(15,467,469)	12,583,374	865,302
Noncurrent assets				
Long-term investments	-	-	-	-
Contributions receivable	-	-	-	-
Bond issuance costs	-	129,538	129,538	-
Capital assets				
Non-depreciable	-	2,829,585	2,829,585	-
Depreciable, net	-	36,719,591	36,719,591	-
Total capital assets	-	39,549,176	39,549,176	-
Total noncurrent assets	**-**	**39,678,714**	**39,678,714**	**-**
Total assets	**$ 28,050,843**	**$ 24,211,245**	**$ 52,262,088**	**$ 865,302**
LIABILITIES AND NET ASSETS				
Current liabilities				
Current portion of debt obligations	$ -	$ 175,000	$ 175,000	$ -
Accounts payable	802,580	267,836	1,070,416	185,273
Accrued payroll and related compensation costs	2,152,913	-	2,152,913	480,654
Accrued interest payable	-	112,146	112,146	-
Unearned revenue	618,737	-	618,737	124,215
Other	16,816	26,925	43,741	75,160
			-	
Total current liabilities	**3,591,046**	**581,907**	**4,172,953**	**865,302**
Other long-term obligations	-	-	-	-
Long-term debt obligations	-	6,550,000	6,550,000	-
Total liabilities	**3,591,046**	**7,131,907**	**10,722,953**	**865,302**
Net assets (deficit)				
Invested in capital assets, net of related debt	-	32,824,176	32,824,176	-
Restricted for:				
Nonexpendable scholarships	-	-	-	-
Expendable scholarships and fellowships	-	-	-	-
Unrestricted (deficit)	24,459,797	(15,744,838)	8,714,959	-
Total net assets	24,459,797	17,079,338	41,539,135	-
Total liabilities and net assets	**$ 28,050,843**	**$ 24,211,245**	**$ 52,262,088**	**$ 865,302**

Agency Fund	Foundation	Total Restricted	Eliminations	Combined Total
$ -	$ 682,760	$ 682,760	$ -	$ 10,710,473
-	1,115	1,621,858	2,706	2,836,463
-	27,304	27,304	-	27,304
-	-	-	-	200,000
-	-	2,275	-	35,605
-	10,982	84,552	-	363,698
-	2,706	(828,580)	(2,706)	-
-	724,867	1,590,169	-	14,173,543
-	7,338,863	7,338,863	-	7,338,863
-	12,500	12,500	-	12,500
-	-	-	-	129,538
-	-	-	-	2,829,585
-	-	-	-	36,719,591
-	-	-	-	39,549,176
-	**7,351,363**	**7,351,363**	**-**	**47,030,077**
$ -	**$ 8,076,230**	**$ 8,941,532**	**$ -**	**$ 61,203,620**
$ -	$ -	$ -	$ -	$ 175,000
-	-	185,273	-	1,255,689
-	-	480,654	-	2,633,567
-	-	-	-	112,146
-	10,817	135,032	-	753,769
-	-	75,160		118,901
-	**10,817**	**876,119**	**-**	**5,049,072**
-	-	-	-	-
-	-	-	-	6,550,000
-	**10,817**	**876,119**	**-**	**11,599,072**
-	-	-	-	32,824,176
-	4,652,590	4,652,590	-	4,652,590
-	3,239,846	3,239,846	-	3,239,846
-	172,977	172,977	-	8,887,936
-	8,065,413	8,065,413	-	49,604,548
$ -	**$ 8,076,230**	**$ 8,941,532**	**$ -**	**$ 61,203,620**

LAKE MICHIGAN COLLEGE

COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2010

	General Fund	Auxiliary Fund	Plant Fund	Reclass Operations
Operating revenues				
Tuition and fees (net of scholarship allowance of $4,835,506 in 2010)	$ 10,491,005	$ -	$ -	$ -
Non credit tuition and fees	940,369	-	-	-
Federal grants and contracts	619,681	-	-	-
State grants and contracts	42,968	-	-	-
Nongovernmental grants	2,035	-	-	-
Auxiliary activities and other operating revenue (net of internal revenue of $54,673 in 2010)	238,153	1,413,234	-	(99,678)
Total operating revenue	**12,334,211**	**1,413,234**	**-**	**(99,678)**
Operating expenses				
Salaries and wages	14,267,082	1,081,260	-	-
Benefits	5,552,852	424,801	-	-
Professional services	2,072,269	603,756	-	(94,204)
Supplies and materials	1,155,056	383,335	-	-
Rent, utilities and insurance	1,222,230	229,234	-	-
Travel, communication and miscellaneous	1,020,032	53,422	-	(5,474)
Depreciation and amortization of assets	-	-	2,097,704	-
Small capital equipment	186,127	6,285	-	-
Total operating expenses	**25,475,648**	**2,782,093**	**2,097,704**	**(99,678)**
Operating loss	**(13,141,437)**	**(1,368,859)**	**(2,097,704)**	**-**
Nonoperating revenues (expenses)				
State appropriations	5,012,100	-	-	-
Property taxes	15,068,324	-	-	-
Pell grants	-	-	-	-
Gift and contributions	16,593	46,508	117,861	-
Investment income	62,034	-	-	-
Additions to nonexpendable endowment	-	-	-	-
Gain on investments	-	-	-	-
Other nonoperating revenue	264,757	7	-	-
Interest on capital asset - related debt	-	-	(336,278)	-
				-
Net nonoperating revenues (expenses)	**20,423,808**	**46,515**	**(218,417)**	**-**
Increase (decrease) in net assets before transfers	7,282,371	(1,322,344)	(2,316,121)	-
Transfers in (out)	(1,596,654)	1,322,344	84,501	-
Net increase (decrease) in net assets	5,685,717	-	(2,231,620)	-
Net assets - beginning of year	**18,774,080**	**-**	**19,310,958**	**-**
Net assets - end of year	**$ 24,459,797**	**$ -**	**$ 17,079,338**	**$ -**

Total Unrestricted	Restricted Fund	Foundation	Total Restricted	Eliminations	Combined Total
$ 10,491,005	$ -	$ -	$ -	$ (4,350,842)	$ 6,140,163
940,369	-	-	-	(360,362)	580,007
619,681	10,011,669	-	10,011,669	(619,681)	10,011,669
42,968	1,497,497	-	1,497,497	(42,968)	1,497,497
2,035	212,306	-	212,306	(99,273)	115,068
-	-				
1,551,709	-	-	-	(54,673)	1,497,036
13,647,767	**11,721,472**	**-**	**11,721,472**	**(5,527,799)**	**19,841,440**
15,348,342	5,553,460	153,240	5,706,700	-	21,055,042
5,977,653	2,316,725	62,127	2,378,852	-	8,356,505
2,581,821	2,318,428	370,767	2,689,195	(1,399,980)	3,871,036
1,538,391	365,572	96,916	462,488	-	2,000,879
1,451,464	32,722	6,820	39,542	-	1,491,006
1,067,980	8,502,024	330,413	8,832,437	(4,190,920)	5,709,497
2,097,704	-	-	-	-	2,097,704
192,412	76,563	3,844	80,407	-	272,819
-					
30,255,767	**19,165,494**	**1,024,127**	**20,189,621**	**(5,590,900)**	**44,854,488**
-					
(16,608,000)	**(7,444,022)**	**(1,024,127)**	**(8,468,149)**	**63,101**	**(25,013,048)**
5,012,100	-	-	-	-	5,012,100
15,068,324	-	-	-	-	15,068,324
-	7,480,023	-	7,480,023	-	7,480,023
180,962	-	429,004	429,004	(63,101)	546,865
62,034	-	119,886	119,886	-	181,920
-	-	156,944	156,944	-	156,944
-	-	730,093	730,093	-	730,093
264,764	-	242,471	242,471	-	507,235
(336,278)	-	-	-	-	(336,278)
-					
20,251,906	**7,480,023**	**1,678,398**	**9,158,421**	**(63,101)**	**29,347,226**
3,643,906	36,001	654,271	690,272	-	4,334,178
(189,810)	(36,001)	225,811	189,810	-	-
3,454,096	-	880,082	880,082	-	4,334,178
38,085,038	**-**	**7,185,331**	**7,185,331**	**-**	**45,270,369**
$ 41,539,134	**$ -**	**$ 8,065,413**	**$ 8,065,413**	**$ -**	**$ 49,604,547**

LAKE MICHIGAN COLLEGE

COMBINING BALANCE SHEET

JUNE 30, 2009

	General Fund	Plant Fund	Total Unrestricted	Restricted Fund
ASSETS				
Current assets				
Cash and cash equivalents	$ 6,567,638	$ -	$ 6,567,638	$ -
Accounts receivable	1,398,348	-	1,398,348	1,656,340
Contributions receivable, net	-	-	-	-
Short-term investments	1,200,000	-	1,200,000	-
Inventories	68,470	-	68,470	1,164
Prepaid expenses and other assets	245,004	-	245,004	1,066
Due from (due to) other funds	12,128,671	(11,280,751)	847,920	(820,128)
Total current assets	**21,608,131**	**(11,280,751)**	**10,327,380**	**838,442**
Noncurrent assets				
Long-term investments	-	-	-	-
Contributions receivable, net	-	-	-	-
Bond issuance costs	-	135,426	135,426	-
Capital assets				
Nondepreciable	-	3,541,591	3,541,591	-
Depreciable, net	-	34,559,964	34,559,964	-
Total capital assets	-	38,101,555	38,101,555	-
Total noncurrent assets	**-**	**38,236,981**	**38,236,981**	**-**
Total assets	**$21,608,131**	**$26,956,230**	**$48,564,361**	**$ 838,442**
LIABILITIES AND NET ASSETS				
Current liabilities				
Current portion of debt obligations	$ -	$ 175,000	$ 175,000	$ -
Accounts payable	490,361	602,848	1,093,209	343,925
Accrued payroll and related compensation costs	1,526,900	-	1,526,900	351,919
Accrued interest payable	-	114,275	114,275	-
Due to LMC Foundation	-	-	-	-
Unearned revenue	565,345	-	565,345	103,311
Other	1,619	28,149	29,768	39,287
Total current liabilities	**2,584,225**	**920,272**	**3,504,497**	**838,442**
Other long-term obligations	249,826	-	249,826	-
Long-term debt obligations	-	6,725,000	6,725,000	-
Total liabilities	**2,834,051**	**7,645,272**	**10,479,323**	**838,442**
Net assets (deficit)				
Invested in capital assets, net of related debt	-	31,201,555	31,201,555	-
Restricted for:				
Nonexpendable endowments	-	-	-	-
Expendable scholarships and fellowships	-	-	-	-
Unrestricted (deficit)	18,774,080	(11,890,597)	6,883,483	-
Total net assets	**18,774,080**	**19,310,958**	**38,085,038**	**-**
Total liabilities and net assets	**$21,608,131**	**$26,956,230**	**$48,564,361**	**$ 838,442**

	Agency Fund	Foundation	Total Restricted	Eliminations	Combined Total
	$ 55,460	$ 335,602	$ 391,062	$ -	$ 6,958,700
	26	-	1,656,366	(53,317)	3,001,397
	-	389,633	389,633	-	389,633
	-	-	-	-	1,200,000
	-	-	1,164	-	69,634
	-	-	1,066	-	246,070
	-	-	(820,128)	(27,792)	-
	55,486	**725,235**	**1,619,163**	**(81,109)**	**11,865,434**
	-	6,452,393	6,452,393	-	6,452,393
	-	39,015	39,015	-	39,015
	-	-	-	-	135,426
	-	-	-	-	3,541,591
	-	-	-	-	34,559,964
	-	-	-	-	38,101,555
	-	**6,491,408**	**6,491,408**	**-**	**44,728,389**
	$ 55,486	**$ 7,216,643**	**$ 8,110,571**	**$ (81,109)**	**$56,593,823**
	$ -	$ -	$ -	$ -	$ 175,000
	3,562	-	347,487	(53,317)	1,387,379
	-	-	351,919	-	1,878,819
	-	-	-	-	114,275
	-	27,792	27,792	(27,792)	-
	6,886	3,520	113,717	-	679,062
	45,038	-	84,325	-	114,093
	55,486	**31,312**	**925,240**	**(81,109)**	**4,348,628**
	-	-	-	-	249,826
	-	-	-	-	6,725,000
	55,486	**31,312**	**925,240**	**(81,109)**	**11,323,454**
	-	-	-	-	31,201,555
					-
	-	4,495,646	4,495,646	-	4,495,646
	-	2,474,668	2,474,668	-	2,474,668
	-	215,017	215,017	-	7,098,500
	-	**7,185,331**	**7,185,331**	**-**	**45,270,369**
	$ 55,486	**$ 7,216,643**	**$ 8,110,571**	**$ (81,109)**	**$56,593,823**

LAKE MICHIGAN COLLEGE

COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2009

	General Fund	Auxiliary Fund	Plant Fund	Reclass Operations
Operating revenues				
Tuition and fees (net of scholarship allowance of $1,872,215)	$ 8,944,402	$ -	$ -	$ (487,520)
Non credit tuition and fees	500,158	-	-	
Federal grants and contracts	433,465	-	-	
State grants and contracts	55,913	-	-	
Nongovernmental grants	-	-	-	
Auxiliary activities and other operating revenue (net of internal revenue of $25,062)	-	1,557,529	-	(145,667)
Total operating revenue	**9,933,938**	**1,557,529**	**-**	**(633,187)**
Operating expenses				
Salaries and wages	13,633,127	1,116,298	-	-
Benefits	4,964,260	415,702	-	-
Professional services	1,996,894	531,227	-	(131,233)
Supplies and materials	968,599	409,128	-	-
Rent, utilities and insurance	1,382,043	209,286	-	-
Travel, communication and miscellaneous	1,637,168	51,108		(501,954)
Depreciation and amortization of assets	-	-	1,894,756	-
Small capital equipment	115,123	26,219	-	-
Total operating expenses	**24,697,214**	**2,758,968**	**1,894,756**	**(633,187)**
Operating loss	**(14,763,276)**	**(1,201,439)**	**(1,894,756)**	
Nonoperating revenues (expenses)				
State appropriations	5,012,100	-	-	-
Property taxes	14,098,914	-	-	-
Pell grants	-	-	-	-
Gift and contributions	25,832	47,508	164,952	-
Investment income	90,245	-	-	-
Additions to nonexpendable endowments	-	-	-	-
Loss on investments	-	-	-	-
Other nonoperating revenue	276,731	-	2,731	-
Interest on capital asset - related debt	-	-	(343,688)	-
Net nonoperating revenues (expenses)	**19,503,822**	**47,508**	**(176,005)**	**-**
Increase (decrease) in net assets before transfers	4,740,546	(1,153,931)	(2,070,761)	-
Transfers in (out)	(1,516,396)	1,153,931	462,404	
Net increase (decrease) in net assets	3,224,150	-	(1,608,357)	
Net assets - beginning of year	**15,758,809**	**-**	**20,919,315**	
Transfers in (out)	(208,879)	-	-	-
Net assets - end of year	**$ 18,774,080**	**$ -**	**$ 19,310,958**	**$ -**

Total Unrestricted	Restriced Fund	Foundation	Total Restricted	Eliminations	Combined Total
$ 8,456,882	$ -	$ -	$ -	$ (1,872,215)	$ 6,584,667
500,158	-	-	-	(138,024)	362,134
433,465	8,027,128	-	8,027,128	(109,912)	8,350,681
55,913	2,562,787	-	2,562,787	(13,441)	2,605,259
-	254,276	-	254,276	(89,912)	164,364
1,411,862	-	-	-	(25,062)	1,386,800
10,858,280	**10,844,191**	**-**	**10,844,191**	**(2,248,566)**	**19,453,905**
14,749,425	4,642,526	251,040	4,893,566	-	19,642,991
5,379,962	1,926,051	100,909	2,026,960	-	7,406,922
2,396,888	1,752,636	312,117	2,064,753	(655,747)	3,805,894
1,377,727	514,598	3,619	518,217	-	1,895,944
1,591,329	56,510	500	57,010	-	1,648,339
1,186,322	4,751,336	257,116	5,008,452	(1,774,838)	4,419,936
1,894,756	-	-	-	-	1,894,756
141,342	260,397	-	260,397	-	401,739
28,717,751	**13,904,054**	**925,301**	**14,829,355**	**(2,430,585)**	**41,116,521**
(17,859,471)	**(3,059,863)**	**(925,301)**	**(3,985,164)**	**182,019**	**(21,662,616)**
-					
5,012,100	-	-	-	-	5,012,100
14,098,914	-	-	-	-	14,098,914
-	3,522,267	-	3,522,267	-	3,522,267
238,292	-	197,597	197,597	(182,019)	253,870
90,245	-	156,237	156,237	-	246,482
-	-	54,036	54,036	-	54,036
-	-	(1,850,735)	(1,850,735)	-	(1,850,735)
279,462	-	100,684	100,684	-	380,146
(343,688)	-	-	-	-	(343,688)
19,375,325	**3,522,267**	**(1,342,181)**	**2,180,086**	**(182,019)**	**21,373,392**
1,515,854	462,404	(2,267,482)	(1,805,078)	-	(289,224)
99,939	(462,404)	362,465	(99,939)	-	-
1,615,793	-	(1,905,017)	(1,905,017)	-	(289,224)
36,678,124	**-**	**8,881,469**	**8,881,469**	**-**	**45,559,593**
(208,879)	-	208,879	208,879	-	-
$ 38,085,038	**$ -**	**$ 7,185,331**	**$ 7,185,331**	**$ -**	**$ 45,270,369**