

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2007 AND 2006



Mary Taylor, CPA
Auditor of State

Board of Directors
James A. Rhodes State College Foundation
4240 Campus Drive
Lima, Ohio 45804

We have reviewed the *Independent Auditor's Report* of the James A. Rhodes State College Foundation, Allen County, prepared by E. S. Evans and Company, for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 3, 2008

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JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

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E.S. Evans and Company

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

December 4, 2007

INDEPENDENT AUDITOR'S REPORT

Board of Directors
James A. Rhodes State College Foundation
Allen County, Ohio

We have audited the accompanying statements of financial position of James A. Rhodes State College Foundation (a nonprofit organization), a component unit of James A. Rhodes State College, as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of James A. Rhodes State College Foundation as of June 30, 2007 and 2006, and the changes in its net assets 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 a report dated December 4, 2007 on our consideration of James A. Rhodes State College Foundation's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting, or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with Government Auditing Standards. You should read it in conjunction with this report in considering the results of our audit.

E.S. Evans and Company

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JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

STATEMENTS OF FINANCIAL POSITION

June 30, 2007 and 2006

<u>Assets:</u>	<u>2007</u>	<u>2006</u>
Cash and Cash Equivalents	\$ 700,454	\$ 462,371
Investments - Note B	1,250,901	1,212,451
Pledges Receivable - Note F	2,365,256	2,988,296
Accounts Receivable	2,842	3,615
Accrued Interest Receivable	372	304
Schell Foundation Loans Receivable	73,892	71,808
	<hr/>	<hr/>
Total Assets	\$ <u>4,393,717</u>	\$ <u>4,738,845</u>
<u>Liabilities and Net Assets:</u>		
Accounts Payable	\$ <u>169,497</u>	\$ <u>177,942</u>
	<hr/>	<hr/>
Total Liabilities	169,497	177,942
Net Assets:		
Unrestricted	643,496	613,344
Temporarily Restricted - Note G	2,919,658	3,361,396
Permanently Restricted - Note G	661,066	586,163
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Total Net Assets	4,224,220	4,560,903
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Total Liabilities and Net Assets	\$ <u>4,393,717</u>	\$ <u>4,738,845</u>

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

EXHIBIT A

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues, Gains and Other Support:</u>				
Contributions - Note C	\$ 17,291	\$ 73,907	\$ 74,903	\$ 166,101
Interest and Realized/Unrealized Gain/(Loss)	42,440	171,174	-	213,614
	59,731	245,081	74,903	379,715
Assets Released from Restrictions	686,819	(686,819)	-	-
	746,550	(441,738)	74,903	379,715
Total Revenues, Gains and Other Support	746,550	(441,738)	74,903	379,715
 <u>Expenses and Losses:</u>				
Management and General	22,908	-	-	22,908
Fundraising	11,373	-	-	11,373
Academic Programs	483,926	-	-	483,926
Scholarships/Grants	198,191	-	-	198,191
	716,398	-	-	716,398
Total Expenses and Losses	716,398	-	-	716,398
Change in Net Assets	30,152	(441,738)	74,903	(336,683)
Net Assets - Beginning of Year	613,344	3,361,396	586,163	4,560,903
Net Assets - End of Year	\$ 643,496	\$ 2,919,658	\$ 661,066	\$ 4,224,220

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

EXHIBIT B

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues, Gains and Other Support:</u>				
Contributions - Note C	\$ 26,754	\$ (94,444)	\$ 23,470	\$ (44,220)
Interest and Realized/Unrealized Gain/(Loss)	27,650	104,091	-	131,741
	<u>54,404</u>	<u>9,647</u>	<u>23,470</u>	<u>87,521</u>
Assets Released from Restrictions	516,199	(516,199)	-	-
Total Revenues, Gains and Other Support	<u>570,603</u>	<u>(506,552)</u>	<u>23,470</u>	<u>87,521</u>
 <u>Expenses and Losses:</u>				
Management and General	29,137	-	-	29,137
Fundraising	10,253	-	-	10,253
Academic Programs	355,923	-	-	355,923
Scholarships/Grants	143,077	-	-	143,077
	<u>538,390</u>	<u>-</u>	<u>-</u>	<u>538,390</u>
Total Expenses and Losses	<u>538,390</u>	<u>-</u>	<u>-</u>	<u>538,390</u>
Change in Net Assets	32,213	(506,552)	23,470	(450,869)
Net Assets - Beginning of Year	<u>581,131</u>	<u>3,867,948</u>	<u>562,693</u>	<u>5,011,772</u>
Net Assets - End of Year	<u>\$ 613,344</u>	<u>\$ 3,361,396</u>	<u>\$ 586,163</u>	<u>\$ 4,560,903</u>

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

EXHIBIT B

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ (336,683)	\$ (450,869)
 <u>Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities:</u>		
(Increase)/Decrease in Loans Receivable	(2,084)	1,135
(Increase)/Decrease in Accounts Receivable	773	760
(Increase)/Decrease in Pledges Receivable	623,040	618,908
Increase/(Decrease) in Accounts Payable	<u>(8,445)</u>	<u>102,335</u>
Net Cash Provided/(Used) by Operating Activities	<u>276,601</u>	<u>272,269</u>
 <u>Cash Flows from Investing Activities:</u>		
Net Unrealized(Gain)/Loss on Investments	(126,631)	(88,915)
Net Realized (Gain)/Loss on Investments	(35,464)	(11,000)
Investment Net Purchases/Sales	162,269	(38,290)
Investment Income	(49,541)	(29,123)
Investment Expenses	<u>10,849</u>	<u>8,723</u>
Net Cash Provided/(Used) by Investing Activities	<u>(38,518)</u>	<u>(158,605)</u>
 <u>Net Increase/(Decrease) in Cash</u>	238,083	113,664
 <u>Cash and Cash Equivalents at Beginning of Year</u>	<u>462,371</u>	<u>348,707</u>
 <u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 700,454</u>	<u>\$ 462,371</u>

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

EXHIBIT C

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

Note A - Summary of Significant Accounting Policies

Purpose of Organization

This Organization was established for charitable and educational purposes for the benefit of James A. Rhodes State College and its students, by receiving, holding, investing, and administering property and making expenditures to or for the benefit of James A. Rhodes State College and its students. Originally called Lima Technical College Development Fund, on June 24, 2002, the Development Fund officially changed its name to James A. Rhodes State College Foundation.

Method of Accounting

James A. Rhodes State College Foundation uses the accrual method of accounting for income and expense.

Federal Income Taxes

James A. Rhodes State College Foundation is a not for profit organization exempt from Federal Income Taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code. In addition, James A. Rhodes State College Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

Basis of Financial Statement Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted – Net assets are under the discretionary control of the Board of Directors and include amounts designated by the Board for specified purposes.

Temporarily Restricted – Net assets are restricted by the donor for a specific purpose (generally scholarships) or use in a future time period. As restrictions are met or expire, the net assets are released from restrictions and transferred to unrestricted.

Permanently Restricted – Net assets are subject to donor-imposed restrictions that the resources be maintained permanently. The income on these net assets is generally used for scholarships.

Use of Estimates

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

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

Note A - Summary of Significant Accounting Policies - (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, James A. Rhodes State College Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows include checking accounts, savings accounts, money market funds, and certificate of deposits.

Fair Value of Financial Instruments

The following methods and assumptions were used by James A. Rhodes State College Foundation in estimating the fair value of their financial instruments:

Cash and Cash Equivalents - The carrying amount reported in the Statement of Financial Position is fair value.

Investments - These are carried at market value. Market values are based on current quoted market prices in accordance with the Statement of Financial Standards (SFAS) No. 124.

Concentrations of Credit Risk

Financial instruments that potentially subject James A. Rhodes State College Foundation to credit risk are the investments. Investments are held in various investment groups and management has diversified these funds to minimize any potential credit risk.

Accounting Pronouncements

In May 2002, the Governmental Accounting Standards Board issued Statement No. 39, "Determining Whether Certain Organizations are Component Units," which provides guidance to determine whether certain organizations for which the primary government, in this case, James A. Rhodes State College, is not financially accountable should be reported as a component unit of that government based on the nature and significance of the relationship between the College and the Foundation. Generally, this statement requires reporting, as discretely presented component units, an organization that raises and holds economic resources for the benefit of the College.

The Auditor of State issued bulletin 2004-001 defining "significant" for purposes of GASB 39 as the component unit's revenues or net assets must exceed 5% of the primary government's total revenues or net assets. Based on this criterion, it was determined that the Foundation's financial information would be included as a component unit of the College in its financial statements beginning fiscal year 2005.

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

Note B – Deposits and Investments

At June 30, 2007, the carrying amounts of the Foundation's deposits were \$700,454 and the bank balance was \$702,088. Of the bank balance, \$204,050 was covered by federal depository insurance and \$498,038 was uninsured and uncollateralized. At June 30, 2006, the carrying amounts of the Foundation's deposits were \$462,371 and the bank balance was \$462,691. Of the bank balance, \$202,499 was covered by federal depository insurance and \$260,192 was uninsured and uncollateralized.

Investments at June 30, 2007 and 2006 are comprised of the following:

	<u>2007</u>	<u>2006</u>
Equity Funds	\$ 363,854	\$ 351,560
Common Stocks	689,248	615,065
Bond Funds	197,799	245,826
Total	<u>\$ 1,250,901</u>	<u>\$ 1,212,451</u>

Note C - Contributions

Unconditional contributions are recorded as revenue in the year the pledge is received.

All conditional promises to give are recognized as an increase in temporarily or permanently restricted net assets in the period in which the pledge is received. When a restriction expires (that is, when a stipulated time restriction ends or purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

For fiscal year 2006, the temporarily restricted contributions include new pledges and an adjustment for a pledge recorded in 2005 which has been revised by \$104,872.

New Pledges	\$ 10,428
Adjustment	<u>(104,872)</u>
Net contributions included in the Statement of Activities	<u>\$ (94,444)</u>

Note D - Restrictions on Net Assets

The permanently restricted net assets are comprised of contributions given to the James A. Rhodes State College Foundation for the establishment of scholarship endowments. These endowed funds will be held indefinitely, the income from which is expendable for student scholarships.

The James A. Rhodes State College Foundation also receives contributions restricted for specific purposes. These funds are classified as temporarily restricted net assets. Once the restrictions are satisfied or expire, the temporarily restricted net assets are released to the unrestricted fund.

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

Note E – Lima Community Foundation

Three scholarship funds are held by Lima Community Foundation. These funds consist of the John J. and Martha M. Hudson Fund, James J. Countryman Fund and the Thomas R. Leech Fund. The account balances as of June 30, 2007 were \$7,484, \$33,249 and \$11,807 respectively. The account balances as of June 30, 2006 were \$7,110, \$29,632 and \$11,114, respectively. These funds are managed by The Lima Community Foundation and are not included in the financial statements of James A. Rhodes State College Foundation. During 2007, James A. Rhodes State College Foundation awarded a \$917 scholarship from the Countryman Fund, a \$300 scholarship from the Hudson Fund and a \$400 scholarship from the Leech Fund. During 2006, James A. Rhodes State College Foundation awarded a \$400 scholarship from the Countryman Fund and a \$200 scholarship from the Leech fund. The money is transferred from The Lima Community Foundation to James A. Rhodes State College Foundation and is treated as revenue and expense in the year awarded.

Note F - Fair Value of Pledges Receivable

The fair value of unconditional promises to give (pledges receivable) at June 30, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Receivable in less than one year	\$ 738,554	\$ 935,186
Receivable one to five years	<u>1,626,702</u>	<u>2,053,110</u>
	<u>\$ 2,365,256</u>	<u>\$ 2,988,296</u>

Note G – Net Assets

Restricted net assets for scholarships, instructional programs and marketing initiatives are as follows at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Temporarily Restricted	\$ 2,919,658	\$ 3,361,396
Permanently Restricted	\$ 661,066	\$ 586,163

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

Note G – Net Assets - (continued)

The temporarily restricted scholarship funds are donor restricted funds established to provide scholarships, instructional programs and marketing initiatives based on individual fund criteria to James A. Rhodes State College students.

The permanently restricted scholarship funds are donor restricted scholarship endowments. The income from these endowments is used for the purpose of assisting individuals to further their education at James A. Rhodes State College.

Note H – Schell Foundation Loan Fund

The Schell Foundation Loan Fund represents a revolving loan fund for James A. Rhodes State College students. The minimum loan is \$500 and the maximum loan is \$2,500. Students are to repay these loans at no interest beginning six months after graduation.

Note I – Related Party Transactions

During the fiscal year ended June 30, 2007, the Foundation distributed \$198,191 to the College for scholarships and \$483,926 for College initiatives. During the fiscal year ended June 30, 2006, the Foundation distributed \$143,077 to the College for scholarships and \$355,923 for College initiatives. The Foundation had a payable to the College in the amount of \$72,649 at June 30, 2007 and \$130,066 at June 30, 2006.

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

December 4, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Board of Directors
James A. Rhodes State College Foundation
Allen County, Ohio

We have audited the financial statements of James A. Rhodes State College Foundation (an Ohio nonprofit organization), a component unit of James A. Rhodes State College, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control.

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

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

Compliance and Other Matters

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

We intend this report solely for the information and use of management of James A. Rhodes State College Foundation, the Board of Directors, and the Auditor of State of Ohio. It is not intended for anyone other than these specified parties.

A handwritten signature in red ink, appearing to read "E. L. Evans and Company".



Mary Taylor, CPA
Auditor of State

JAMES A. RHODES STATE COLLEGE FOUNDATION

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 17, 2008**