



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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JAMES A. RHODES STATE COLLEGE FOUNDATION  
ALLEN COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2014  
Fiscal Year Audited Under GAGAS: 2014





# Dave Yost • Auditor of State

Board of Trustees  
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 Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2013 through June 30, 2014. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 21, 2015

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James A. Rhodes State College Foundation  
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For the Fiscal Year Ended June 30, 2014

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## INDEPENDENT AUDITOR'S REPORT

James A. Rhodes State College Foundation  
Allen County  
4240 Campus Drive  
Lima, Ohio 45804

To the Board of Trustees:

### Report on the Financial Statements

We have audited the accompanying financial statements of James A. Rhodes State College Foundation, Allen County, Ohio (the Organization), a component unit of James A. Rhodes State College, which comprise the statements of financial position as of June 30, 2014 and June 30, 2013 and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Organization's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### 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, Allen County, Ohio, as of June 30, 2014 and June 30, 2013, and the respective changes in net assets and cash flows, thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014 on our consideration of the Organization'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. That report describes the scope of our internal control testing over financial reporting and compliance and results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 19, 2014



**James A. Rhodes State College Foundation**  
**Statements of Financial Position**  
**June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 555,645	\$ 447,454
Investments	2,151,129	1,865,104
Pledges receivable - Net	35,991	29,689
Loans receivable - Net	17,195	30,505
<b>Total Current Assets:</b>	<b>2,759,960</b>	<b>2,372,752</b>
<b>Noncurrent Assets:</b>		
Property held for College	227,300	-
<b>TOTAL ASSETS</b>	<b>\$ 2,987,260</b>	<b>\$ 2,372,752</b>
<b>LIABILITIES</b>		
Accounts payable	96,564	68,811
<b>TOTAL LIABILITIES</b>	<b>96,564</b>	<b>68,811</b>
<b>NET ASSETS</b>		
Unrestricted	479,423	347,760
Temporarily restricted	952,955	644,924
Permanently restricted	1,458,318	1,311,257
<b>TOTAL NET ASSETS</b>	<b>2,890,696</b>	<b>2,303,941</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,987,260</b>	<b>\$ 2,372,752</b>

See accompanying notes to the financial statements

**James A. Rhodes State College Foundation**  
**Statements of Activities**  
**For the Years Ended June 30, 2014 and 2013**

	<b>For the Year Ended June 30, 2014</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions, net of bad debt and loss on pledge receivable	\$ 153,227	\$ 124,232	\$ 147,061	\$ 424,520
Interest and dividends	831	54,994	-	55,825
Realized and unrealized gain on investments	2,907	290,319	-	293,226
Total Revenues	<u>156,965</u>	<u>469,545</u>	<u>147,061</u>	<u>773,571</u>
Net assets released from restrictions	161,514	(161,514)	-	-
Total Revenues, Gains and Other Support	<u>318,479</u>	<u>308,031</u>	<u>147,061</u>	<u>773,571</u>
<b>EXPENSES</b>				
Academic Programs	59,975	-	-	59,975
Scholarships/Grants	96,230	-	-	96,230
Management and General	25,302	-	-	25,302
Fundraising	5,309	-	-	5,309
Total Expenses	<u>186,816</u>	<u>-</u>	<u>-</u>	<u>186,816</u>
Changes in net assets	<u>131,663</u>	<u>308,031</u>	<u>147,061</u>	<u>586,755</u>
<b>NET ASSETS</b>				
Net Assets - Beginning of Year	<u>347,760</u>	<u>644,924</u>	<u>1,311,257</u>	<u>2,303,941</u>
Net Assets - End of Year	<u>\$ 479,423</u>	<u>\$ 952,955</u>	<u>\$ 1,458,318</u>	<u>\$ 2,890,696</u>

	<b>For the Year Ended June 30, 2013</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions, net of bad debt and loss on pledge receivable	\$ 753	\$ 44,471	\$ 48,709	\$ 93,933
Interest and dividends	1,178	55,227	-	56,405
Realized and unrealized gain on investments	1,504	139,629	-	141,133
Total Revenues	<u>3,435</u>	<u>239,327</u>	<u>48,709</u>	<u>291,471</u>
Net Assets Released from Restrictions	96,089	(96,089)	-	-
Total Revenues, Gains and Other Support	<u>99,524</u>	<u>143,238</u>	<u>48,709</u>	<u>291,471</u>
<b>EXPENSES</b>				
Academic Programs	29,058	-	-	29,058
Scholarships/Grants	61,791	-	-	61,791
Management and General	19,975	-	-	19,975
Fundraising	5,240	-	-	5,240
Total Expenses	<u>116,064</u>	<u>-</u>	<u>-</u>	<u>116,064</u>
Changes in net assets	<u>(16,540)</u>	<u>143,238</u>	<u>48,709</u>	<u>175,407</u>
<b>NET ASSETS</b>				
Net Assets - Beginning of Year	<u>364,300</u>	<u>501,686</u>	<u>1,262,548</u>	<u>2,128,534</u>
Net Assets - End of Year	<u>\$ 347,760</u>	<u>\$ 644,924</u>	<u>\$ 1,311,257</u>	<u>\$ 2,303,941</u>

See accompanying notes to the financial statements.

**James A. Rhodes State College Foundation**  
**Statements of Cash Flows**  
**June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 586,755	\$ 175,407
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Excess of fair market value over cash paid for properties held for College	(153,155)	-
Realized and Unrealized Gain/(Loss) on Investments	(293,223)	(141,133)
(Increase)/Decrease in Pledge Receivable	(6,302)	2,953
(Decrease)/Increase in Loans Receivable	13,310	(7,385)
Increase/(Decrease) in Accounts Payable	27,753	(10,970)
Net Cash Provided by Operating Activities	175,138	18,872
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Properties Held for College	(74,145)	-
Purchase of Investments	(908,041)	(582,433)
Sale of Investments	915,239	547,601
Net Cash Used for Investing Activities	(66,947)	(34,832)
<b>NET INCREASE (DECREASE) IN CASH</b>	108,191	(15,960)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	447,454	463,414
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 555,645	\$ 447,454

See accompanying notes to the financial statements.

**James A. Rhodes State College Foundation**  
**Notes to the Financial Statements**  
**June 30, 2014 and 2013**

**NOTE 1 – Organization and Purpose**

The James A. Rhodes State College Foundation (the “Foundation”) was incorporated in March 1978 as a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code for the purpose of collecting donations from individuals, corporations, and foundations. The primary uses of these donations are for scholarships to persons attending James A. Rhodes State College (the “College”) and other purposes benefitting the College. The Foundation is a discretely presented component unit of James A. Rhodes State College.

During 2014, the Foundation created a limited liability company to purchase, sell or lease property within the City of Lima for the College. The limited liability company is the Rhodes State College Foundation Lima LLC ("RSCF Lima LLC"). RSCF Lima LLC is treated as a disregarded entity for federal income tax purposes. The Foundation is the sole member of RSCF Lima LLC.

**NOTE 2 – Summary of Significant Accounting Policies**

**Financial Statement Presentation**

The Foundation’s financial statements are prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- **Unrestricted Net Assets**– Net assets not subject to donor-imposed stipulations.
- **Temporarily Restricted Assets**- Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.
- **Permanently Restricted Net Assets**- Net Assets subject to donor-imposed stipulations to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary

**James A. Rhodes State College Foundation**  
**Notes to the Financial Statements**  
**June 30, 2014 and 2013**

restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes on net assets.

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the Foundation considers cash in the bank, time deposits, and highly liquid investments with maturities of three months or less when purchased to be cash or cash equivalents.

The Foundation maintains cash balances at two institutions. The Federal Deposit Insurance Corporation (FDIC) insures cash deposits maintained in interest-bearing accounts at a bank up to \$250,000. At June 30, 2014 and 2013, \$328,849 and \$278,555, respectively, of the cash balances maintained by the Foundation were fully insured. At June 30, 2014, a cash balance of \$6,914 was maintained by RSCF Lima, LLC, and was fully insured. Management believes that its cash deposits are not subject to significant risk.

**Investments**

Investments are reported at fair value based on quoted market prices for identical assets that are actively traded (Level 1) and quoted market prices for similar assets or identical assets that are not actively traded, or prices based on other observable inputs (Level 2). At June 30, 2014 and 2013 investments consisted of common stocks and equity and bond mutual funds.

**Contributions**

Contributions received, which include unconditional promises to give (pledges), are recognized as revenue at the date of donation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Management regularly evaluates the collectibility of pledges receivable and records an allowance for those deemed uncollectible.

**Functional Allocation of Expenses**

Total expenses consisted of expenses relating to program services and management and general and fundraising activities. Costs are reported in the various programs and support services on an actual basis, where available, or allocated based upon reasonable methods. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

**Income Taxes**

The Foundation is a not for profit organization exempt from Federal Income Taxes under Section 501(c)(3) of the Internal Revenue Code with the exception of unrelated business income. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code. The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

Accounting principles generally accepted in the United States of America create a model to address uncertainty in tax positions and clarifies the account for income taxes by prescribing the minimum

**James A. Rhodes State College Foundation**  
**Notes to the Financial Statements**  
**June 30, 2014 and 2013**

recognition threshold a tax position is required to meet before being recognized in the financial statements. Under these standards tax-exempt organizations could now be required to record an obligation as the result of a tax position they have historically taken. The Foundation believes there are no such positions as of June 30, 2014 and 2013 and accordingly, no liability has been accrued. Generally the IRS may examine a tax return for three years from the date it is filed. At June 30, 2014, tax years ended June 30, 2011, 2012, and 2013 remain open for possible examination by the IRS.

**Use of Estimates**

Management of the Foundation has made estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

**Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Accountants' Report, which is the date the financial statements were issued.

On July 1, 2014, The City of Lima gifted to RSCF Lima, LLC three parcels of property at fair market value of \$75,000 for the Downtown Center for Health Science Education and Innovation project.

**NOTE 3 –Investments**

Fair Value of Investments at June 30, 2014 and 2013, by major security type, were as follows:

<u>Description</u>	<u>2014</u>	<u>2013</u>
Common Stock	\$ 897,724	\$ 647,297
Equity Funds	471,430	377,788
Bond Funds	781,975	840,019
Total Investments	<u>\$ 2,151,129</u>	<u>\$ 1,865,104</u>

**Risk and Uncertainties**

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of financial position.

**James A. Rhodes State College Foundation**  
**Notes to the Financial Statements**  
**June 30, 2014 and 2013**

**NOTE 4 – Pledges Receivable**

As of June 30, 2014 and 2013, donors to the Foundation have made written unconditional promises to give which were valued at fair value at the date of donation. Management has estimated an allowance for uncollectible promises based on historical experience and knowledge of the donors ability to pay. All pledges are expected to be collected within one year.

	<b>2014</b>	<b>2013</b>
Pledges Receivable	\$ 77,099	\$ 70,797
Allowance for Uncollectible Pledges	(41,108)	(41,108)
Pledges Receivable – Net	\$ 35,991	\$ 29,689

**NOTE 5 – Related Party Transactions**

During the fiscal year ended June 30, 2014, the Foundation distributed \$96,230 for scholarships, \$5,309 for fundraising, and \$59,975 for instructional programs to the College. During the fiscal year ended June 30, 2013, the Foundation distributed \$61,791 for scholarships, \$5,240 for fundraising and \$29,058 for instructional programs to the College.

**NOTE 6 – Restrictions and Limitations on Net Asset Balances**

Temporarily restricted net assets are available for the following purposes:

	<b>2014</b>	<b>2013</b>
Gifts and other donations available for:		
Schell Foundation Loan Fund	\$ 39,848	\$ 54,496
Instructional programs	268,133	146,295
Scholarships	644,974	444,133
<b>Total gifts and other donations</b>	<b>\$ 952,955</b>	<b>\$ 644,924</b>

**James A. Rhodes State College Foundation**  
**Notes to the Financial Statements**  
**June 30, 2014 and 2013**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors as follows:

	<b>2014</b>	<b>2013</b>
Instructional Programs	\$ 59,975	\$ 29,058
Fundraising	5,309	5,240
Scholarships	96,230	61,791
<b>Total</b>	<b>\$ 161,514</b>	<b>\$ 96,089</b>

Permanently restricted funds consist of endowment funds. In certain cases, the donors of these funds have restricted the use of the income from such funds for scholarships.

Permanently restricted net assets are available for the following purposes:

	<b>2014</b>	<b>2013</b>
Scholarships	\$ 1,458,318	\$ 1,311,257
<b>Total</b>	<b>\$ 1,458,318</b>	<b>\$ 1,311,257</b>

**NOTE 7 – Fair Value Measurements**

Professional literature defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). It establishes a hierarchy for purposes of disclosure that prioritizes the inputs to valuation techniques used to measure fair value into three levels.

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at June 30, 2014 and June 30, 2013, and the valuation techniques used by the Foundation to determine those fair values.

- Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets.
- Fair values categorized as Level 2 inputs use other inputs that are observable, either directly or indirectly for substantially the full term of the asset or liability. The equity and bond funds included in Level 2 at June 30, 2014 and 2013 are valued using market techniques, which include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.



**James A. Rhodes State College Foundation**  
**Notes to the Financial Statements**  
**June 30, 2014 and 2013**

- Fair values categorized as Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset. There were no Level 3 investments at June 30, 2014 and 2013.

**Fair Value Measurements at June 30, 2014**

<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Common stock types:			
Basic materials	\$ 72,530	-	\$ 72,530
Communications	186,304	-	186,304
Consumer	256,795	-	256,795
Energy	27,421	-	27,421
Financial	161,719	-	161,719
Health Care	36,928	-	36,928
Industrial	64,781	-	64,781
Technology	91,246	-	91,246
Total – Common stock types	\$ 897,724	\$ -	\$ 897,724
Equity fund types:			
Real estate investment trust	-	\$ 59,872	\$ 59,872
Small cap funds	-	26,460	26,460
Index funds	-	385,098	385,098
Total – Equity fund types	\$ -	\$ 471,430	\$ 471,430
Bond fund types:			
Other bond funds	-	\$ 781,975	\$ 781,975
Total – Bond fund types	\$ -	\$ 781,975	\$ 781,975
<b>Total – Investments</b>	<b>\$ 897,724</b>	<b>\$ 1,253,405</b>	<b>\$ 2,151,129</b>

**James A. Rhodes State College Foundation**  
**Notes to the Financial Statements**  
**June 30, 2014 and 2013**

**Fair Value Measurements at June 30, 2013**

<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Common stock types:			
Basic materials	\$ 58,166	-	\$ 58,166
Communications	73,017	-	73,017
Consumer	169,553	-	169,553
Energy	65,276	-	65,276
Financial	100,406	-	100,406
Health Care	29,245	-	29,245
Industrial	31,736	-	31,736
Technology	119,898	-	119,898
Total – Common stock types	\$ 647,297	-	\$ 647,297
Equity fund types:			
Real estate investment trust	-	\$ 54,976	\$ 54,976
Small cap funds	-	16,776	16,776
Index funds	-	306,036	306,036
Total – Equity fund types	\$ -	\$ 377,788	\$ 377,788
Bond fund types:			
Other bond funds	-	\$ 840,019	\$ 840,019
Total – Bond fund types	\$ -	\$ 840,019	\$ 840,019
<b>Total – Investments</b>	<b>\$ 647,297</b>	<b>\$ 1,217,807</b>	<b>\$ 1,865,104</b>

**NOTE 8 – Endowments**

The Foundation's endowment consists of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported per state law based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Directors of the Foundation has interpreted the Ohio Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to

**James A. Rhodes State College Foundation**  
**Notes to the Financial Statements**  
**June 30, 2014 and 2013**

the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- a. General economic conditions
  - b. The possible effect of inflation and deflation
  - c. The tax consequences of investment decisions
  - d. The role each investment or course of action plays within the overall investment portfolio of the fund
  - e. The expected total return from income and the appreciation of investments
  - f. Other resources of the organization
  - g. The need of the institution and of the fund to make distributions and to preserve capital
- An asset's special relationship or special value, if any, to the charitable purposes of the institution

<b>Composition and Changes in Donor Restricted Endowment Net Assets for Fiscal Year Ended June 30, 2014</b>				
		<b>Temporarily</b>	<b>Permanently</b>	
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Restricted</b>	<b>Total</b>
Net Assets, Beginning of year	\$ (326)	\$ 432,430	\$ 1,311,257	\$ 1,743,361
Contributions, net of allowance	-	700	147,061	147,761
Investment income	326	52,541	-	52,867
Realized and unrealized gains and losses	-	282,404	-	282,404
Investment expenses	-	(11,726)	-	(11,726)
Appropriation of endowment assets for expenditures	-	(76,484)	-	(76,484)
Net Assets, End of year	\$ -	\$ 679,865	\$ 1,458,318	\$ 2,138,183

**James A. Rhodes State College Foundation**  
**Notes to the Financial Statements**  
**June 30, 2014 and 2013**

<b>Composition and Changes in Donor Restricted Endowment Net Assets for Fiscal Year Ended June 30, 2013</b>				
		<b>Temporarily</b>	<b>Permanently</b>	
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Restricted</b>	<b>Total</b>
Net Assets, Beginning of year	\$ (1,308)	\$ 307,274	\$ 1,300,819	\$ 1,606,785
Contributions, net of allowance	-	1,000	10,438	11,438
Investment income	183	52,073	-	52,256
Realized and unrealized gains and losses	1,084	131,651	-	132,735
Investment expenses	(35)	(9,858)	-	(9,893)
Appropriation of endowment assets for expenditures	(250)	(49,710)	-	(49,960)
Net Assets, End of year	\$ (326)	\$ 432,430	\$ 1,311,257	\$ 1,743,361

**Endowment 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 or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. There were no deficiencies at June 30, 2014 and \$326 at June 30, 2013. The deficiencies resulted from unfavorable market fluctuations.

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment 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. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, approved by the Board of Directors, the endowment assets are invested to manage the contributions in a manner that will maximize the benefit intended by the donor, produce current income to support the programs of the College and donor objectives, and achieve growth of both principal value and income over time sufficient to preserve or increase the purchasing power of the assets, thus protecting the assets against inflation. The long term annualized total net rate of return objective is inflation plus five percent. Investment objectives will be achieved by maximizing total return consistent with prudent risk limits. Actual returns in any given year may vary from this amount. To satisfy its long term net rate of return objective, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and from current yield (interest and dividends).

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

Ohio law states that the appropriation for expenditure in any year of an amount greater than seven percent of the fair market value of an endowment fund calculated on the basis of fair market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in

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which the appropriation for expenditure was made creates a rebuttable presumption of imprudence. For an endowment fund in existence for fewer than three years, the fair market value of the endowment fund must be calculated for the period that the fund has been in existence.

The Foundation has elected to distribute annually five percent of a trailing three year average of the Foundation's total asset value. The Foundation believes that such a policy should allow for steady growth for the support of operations and minimize the probability of invading the principal over time. The Investment Committee reviews the spending policy periodically against actual returns in order to consider adjustments necessary for the preservation of the purchasing power of the endowment.

**NOTE 9 – Charles E. Schell Foundation Grant/Loan Program**

The Charles E. Schell Foundation Grant/Loan Program Fund is an interest-free loan that is made available through the generosity of the Charles E. Schell Foundation as administered by the Fifth Third Bank. This loan is non-interest bearing and carries a moral obligation repayment clause. It is to be used for the educational benefits of citizens of Ohio, Kentucky, and West Virginia. To qualify, James A. Rhodes State College students need to meet specific requirements.

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. The Foundation collected \$11,937 and \$7,707 in student repayments in fiscal years 2014 and 2013, respectively. The Foundation does not pursue collections on these loans. Because these are programmatic investments the amounts are classified as operating in the statement of cash flows.

**NOTE 10 – Lima Community Foundation**

Three separate scholarship funds are held by The Lima Community Foundation: The John J. and Martha M. Hudson Scholarship Fund (formerly the John J. Hudson Fund), the James J. Countryman Scholarship Fund, and the Thomas R. and Gloria P. Leech Scholarship Fund (originally the Thomas R. Leech Memorial Scholarship Fund). All three funds were established to award scholarships to students attending James A. Rhodes State College.

The following table presents the fair value of these funds as of June 30:

	<u>2014</u>	<u>2013</u>
John J. and Martha M. Hudson Scholarship Fund	\$ 8,745	\$ 7,743
James J. Countryman Scholarship Fund	\$ 40,910	\$ 36,970
Thomas R. and Gloria P. Leech Scholarship Fund	\$ 16,491	\$ 14,722

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Scholarship awards made from each of these funds for the fiscal years 2014 and 2013 were as follows:

	<b>2014</b>	<b>2013</b>
James J. Countryman Scholarship Fund	\$ 1,450	\$ 1,500
Thomas R. and Gloria P. Leech Scholarship Fund	\$ 550	\$ 550

The Lima Community Foundation owns all three funds and manages them according to their investment policy. As such, there is no balance recorded on the financial statements of the Foundation. Scholarship money transferred from the Lima Community Foundation is recognized as revenue when awarded by the Community Foundation.

**NOTE 11 – RSCF LIMA, LLC**

On November 13, 2013, the creation of RSCF Lima, LLC was done for the purpose of purchasing, selling or leasing real estate to the College. A Board of Directors and Officers operate RSCF Lima, LLC. The LLC’s initial project will be to develop the Rhodes State College Center for Health Sciences Education and Innovation in downtown Lima. In January 2014, the Board of Directors authorized the LLC to purchase several parcels of downtown properties comprised of land and buildings owned by Tri-C Enterprises and pay any and all expenses and fees related to the completion of this acquisition. There are additional properties yet to be acquired. The purchased properties are reflected in the Statements of Financial Position as Property Held for College.



# Balestra, Harr & Scherer, CPAs, Inc.

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## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

James A. Rhodes State College Foundation  
Allen County  
4240 Campus Drive  
Lima, Ohio 45804

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of James A. Rhodes State College Foundation, Allen County, (the Organization), a component unit of James A. Rhodes State College, as of and for the years ended June 30, 2014 and June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2014.

### Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Organization's internal control. Accordingly, we have not opined on it.

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

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

### Compliance and Other Matters

As part of reasonably assuring whether the Organization's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 we must report under *Government Auditing Standards*.

James A. Rhodes State College Foundation  
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**Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 19, 2014





# Dave Yost • 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  
FEBRUARY 3, 2015**