

# **James A. Rhodes State College Foundation**

The logo for the Rhodes State College Foundation, featuring the text "RHODES STATE COLLEGE" in a smaller font above "FOUNDATION" in a larger font, both in white capital letters on a blue rectangular background.

**RHODES STATE COLLEGE  
FOUNDATION**

## **Financial Statements**

**June 30, 2018**

**PLATTENBURG**  
Certified Public Accountants



# OHIO AUDITOR OF STATE **KEITH FABER**



January 24, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

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# 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 Plattenburg & Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. 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 cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

January 10, 2019

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of James A. Rhodes State College Foundation (the Foundation), (a nonprofit organization), a component unit of James A. Rhodes State College, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, and consolidated cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2018, and the changes in its consolidated net assets and its consolidated cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

## **Prior Period Financial Statements**

The consolidated financial statements of the Foundation as of June 30, 2017, and for the year then ended were audited by other auditors who expressed an unmodified opinion on those consolidated financial statements in their report dated December 22, 2017.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Cincinnati, Ohio

December 19, 2018



**James A. Rhodes State College Foundation**  
**Consolidated Statements of Financial Position**  
**June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 641,884	\$ 569,956
Investments	2,931,776	2,681,196
Pledges receivable - Net	76,368	86,799
Loans receivable - Net	19,403	16,163
<b>Total Current Assets:</b>	<b>3,669,431</b>	<b>3,354,114</b>
<b>Noncurrent Assets:</b>		
Property held for College	125,700	593,361
<b>TOTAL ASSETS</b>	<b>\$ 3,795,131</b>	<b>\$ 3,947,475</b>
<b>LIABILITIES</b>		
Accounts payable and related accrued liabilities	114,750	146,067
Accrued interest payable	-	237
Due to James A Rhodes State College	300,000	300,000
Line of Credit	114,690	104,690
<b>TOTAL LIABILITIES</b>	<b>529,440</b>	<b>550,994</b>
<b>NET ASSETS</b>		
Unrestricted	81,431	578,764
Temporarily restricted	1,309,552	1,046,857
Permanently restricted	1,874,708	1,770,860
<b>TOTAL NET ASSETS</b>	<b>3,265,691</b>	<b>3,396,481</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,795,131</b>	<b>\$ 3,947,475</b>

See Accompanying Notes to the Consolidated Financial Statements.

**James A. Rhodes State College Foundation**  
**Consolidated Statements of Activities**  
**For the Years Ended June 30, 2018 and 2017**

	<b>For the Year Ended June 30, 2018</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	\$ 272,077	\$ 38,777	\$ 103,848	\$ 414,702
Interest and dividends	6,195	65,031	-	71,226
Realized and unrealized gain on investments	6,577	310,172	-	316,749
Total Revenues	<u>284,849</u>	<u>413,980</u>	<u>103,848</u>	<u>802,677</u>
Net assets released from restrictions	151,285	(151,285)	-	-
Total Revenues, Gains and Other Support	<u>436,134</u>	<u>262,695</u>	<u>103,848</u>	<u>802,677</u>
<b>EXPENSES</b>				
Academic Programs	35,636	-	-	35,636
Scholarships/Grants	134,465	-	-	134,465
Management and General	196,466	-	-	196,466
Fundraising	30,339	-	-	30,339
Total Expenses	<u>396,906</u>	<u>-</u>	<u>-</u>	<u>396,906</u>
Changes in net assets before transfer of assets	39,228	262,695	103,848	405,771
Transfer of assets to College	(536,561)	-	-	(536,561)
Changes in net assets	<u>(497,333)</u>	<u>262,695</u>	<u>103,848</u>	<u>(130,790)</u>
<b>NET ASSETS</b>				
Net Assets - Beginning of Year	578,764	1,046,857	1,770,860	3,396,481
Net Assets - End of Year	<u>\$ 81,431</u>	<u>\$ 1,309,552</u>	<u>\$ 1,874,708</u>	<u>\$ 3,265,691</u>

	<b>For the Year Ended June 30, 2017</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	\$ 193,009	\$ 72,205	\$ 114,857	\$ 380,071
Interest and dividends	8,141	56,230	-	64,371
Miscellaneous income	8,500	-	-	8,500
Realized gain (loss) on investments	(624)	(37,479)	-	(38,103)
Unrealized gain (loss) on investments	3,230	198,244	-	201,474
Total Revenues	<u>212,256</u>	<u>289,200</u>	<u>114,857</u>	<u>616,313</u>
Net Assets Released from Restrictions	129,036	(129,036)	-	-
Total Revenues, Gains and Other Support	<u>341,292</u>	<u>160,164</u>	<u>114,857</u>	<u>616,313</u>
<b>EXPENSES</b>				
Academic Programs	19,984	-	-	19,984
Scholarships/Grants	95,902	-	-	95,902
Management and General	214,627	-	-	214,627
Fundraising	13,150	-	-	13,150
Total Expenses	<u>343,663</u>	<u>-</u>	<u>-</u>	<u>343,663</u>
Changes in net assets	<u>(2,371)</u>	<u>160,164</u>	<u>114,857</u>	<u>272,650</u>
<b>NET ASSETS</b>				
Net Assets - Beginning of Year	581,135	886,693	1,656,003	3,123,831
Net Assets - End of Year	<u>\$ 578,764</u>	<u>\$ 1,046,857</u>	<u>\$ 1,770,860</u>	<u>\$ 3,396,481</u>

See Accompanying Notes to the Consolidated Financial Statements.

**James A. Rhodes State College Foundation**  
**Consolidated Statements of Cash Flows**  
**June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (130,790)	\$ 272,650
Adjustments to Reconcile Change in Net Assets to Net Cash Used for Operating Activities		
Transfer of assets to College	536,561	-
Realized and Unrealized (Gain)/Loss on Investments	(316,749)	163,371
(Increase)/Decrease in Pledge Receivable	10,431	(15,648)
(Increase)/Decrease in Loans Receivable	(3,240)	(1,141)
Increase/(Decrease) in Accounts Payable	(31,317)	14,925
Increase/(Decrease) in Accrued Interest Payable	(237)	237
Net Cash Used for Operating Activities	<u>64,659</u>	<u>434,394</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Properties Held for College		-
Purchase of Investments	(113,846)	(963,620)
Sale of Investments	111,115	582,597
Net Cash Provided by (Used for) Investing Activities	(2,731)	(381,023)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceed from Notes	10,000	-
Net Cash Provided by (Used for) Financing Activities	10,000	-
<b>NET INCREASE IN CASH</b>	71,928	53,371
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>569,956</u>	<u>516,585</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 641,884</u>	<u>\$ 569,956</u>
<b>NONCASH TRANSACTIONS:</b>		
Donated assets to College	\$ (536,561)	\$ -

See Accompanying Notes to the Consolidated Financial Statements.

**James A. Rhodes State College Foundation**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2018 and 2017**

**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 RSCF Lima, LLC. The RSCF Lima LLC is treated as a disregarded entity for federal income tax purposes. The Foundation is the sole member of RSCF Lima LLC. RSCF Lima, LLC financial information is included in these consolidated financial statements.

**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 Generally Accepted Accounting Principles.

**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 Consolidated Financial Statements**  
**June 30, 2018 and 2017**

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 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 one institution. The Federal Deposit Insurance Corporation (FDIC) insures cash deposits maintained in interest-bearing accounts at a bank up to \$250,000. At June 30, 2018 and 2017, cash balances of \$335,874 and \$267,841, respectively, of the cash balances maintained by the Foundation were fully insured. RSCF Lima, LLC maintains cash balances at two institutions. At June 30, 2018 and 2017, RSCF Lima, LLC, respectively, maintained cash balances of \$306,010 and \$302,115. 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, 2018 and 2017, 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 collectability 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.

**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).

Generally Accepted Accounting Principles create a model to address uncertainty in tax positions and clarifies the account for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

**James A. Rhodes State College Foundation**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2018 and 2017**

**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 Auditor's Report, which is the date the consolidated financial statements were issued.

**NOTE 3 –Investments**

Fair Value of Investments at June 30, 2018 and 2017, by major security type, were as follows:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Common Stock	\$ 1,649,288	\$ 1,439,780
Equity Funds	664,843	591,818
Bond Funds	617,645	649,598
Total Investments	<u>\$ 2,931,776</u>	<u>\$ 2,681,196</u>

**NOTE 4 –Pledges Receivable**

As of June 30, 2018 and 2017, 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.

	<u>2018</u>	<u>2017</u>
Pledges Receivable	\$ 112,537	\$ 127,907
Allowance for Uncollectible Pledges	(36,169)	(41,108)
Pledges Receivable – Net	<u>\$ 76,368</u>	<u>\$ 86,799</u>

**James A. Rhodes State College Foundation**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 5 – Related Party Transactions**

During the fiscal year ended June 30, 2018, the Foundation distributed \$134,465 for scholarships, \$30,339 for fundraising, and \$35,636 for instructional programs to the College. During the fiscal year ended June 30, 2017, the Foundation distributed \$95,902 for scholarships, \$13,150 for fundraising, and \$19,984 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>2018</b>	<b>2017</b>
Gifts and other donations available for:		
Schell Foundation Loan Fund	\$ 42,048	\$ 42,048
Instructional programs	506,915	445,809
Scholarships	760,589	559,000
<b>Total gifts and other donations</b>	<b>\$ 1,309,552</b>	<b>\$ 1,046,857</b>

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

	<b>2018</b>	<b>2017</b>
Instructional Programs	\$ 16,820	\$ 19,984
Fundraising	-	13,150
Scholarships	134,465	95,902
<b>Total</b>	<b>\$ 151,285</b>	<b>\$ 129,036</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>2018</b>	<b>2017</b>
Scholarships	1,874,708	\$ 1,770,860
<b>Total</b>	<b>1,874,708</b>	<b>\$ 1,770,860</b>

**James A. Rhodes State College Foundation**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2018 and 2017**

**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, 2018 and 2017, 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. The equity and bond funds included in Level 2 at June 30, 2018 and 2017 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.
- 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, 2018 and 2017.

The Foundation's recognizes transfers between levels as the end of the reporting period.



**James A. Rhodes State College Foundation**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 7 – Fair Value Measurements (Continued)**

**Fair Value Measurements at June 30, 2018**

Description	Level 1	Level 2	Total
Common Stock Types:			
Basic Materials	\$ 96,653	\$ -	\$ 96,653
Communications	105,680	-	105,680
Consumer	266,905	-	266,905
Energy	72,103	-	72,103
Financial	234,641	-	234,641
Health Care	238,638	-	238,638
Industrial	263,223	-	263,223
Technology	327,039	-	327,039
Capital Goods	44,406	-	44,406
Total-Common Stock Types	<u>\$ 1,649,288</u>	<u>\$ -</u>	<u>\$ 1,649,288</u>
Equity Fund Types:			
Real Estate Investment Trust	\$ -	\$ 87,966	\$ 87,966
Small Cap Funds	-	28,233	28,233
Mid-Cap Funds	-	148,498	148,498
Index Funds	-	400,146	400,146
Total-Equity Fund Types	<u>\$ -</u>	<u>\$ 664,843</u>	<u>\$ 664,843</u>
Bond Fund Types:			
Other Bond Funds	\$ -	\$ 617,645	\$ 617,645
Total-Bond Fund Types	<u>\$ -</u>	<u>\$ 617,645</u>	<u>\$ 617,645</u>
<b>Total - Investments</b>	<b><u>\$ 1,649,288</u></b>	<b><u>\$ 1,282,488</u></b>	<b><u>\$ 2,931,776</u></b>

**James A. Rhodes State College Foundation**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 7 – Fair Value Measurements (Continued)**

**Fair Value Measurements at June 30, 2017**

Description	Level 1	Level 2	Total
Common Stock Types:			
Basic Materials	\$ 104,154	\$ -	\$ 104,154
Communications	105,268	-	105,268
Consumer	364,296	-	364,296
Financial	243,207	-	243,207
Health Care	215,334	-	215,334
Industrial	140,964	-	140,964
Technology	228,581	-	228,581
Capital Goods	37,976	-	37,976
Total-Common Stock Types	<u>\$ 1,439,780</u>	<u>\$ -</u>	<u>\$ 1,439,780</u>
Equity Fund Types:			
Real Estate Investment Trust	\$ -	\$ 71,162	\$ 71,162
Small Cap Funds	-	26,028	26,028
Mid-Cap Funds	-	144,083	144,083
Index Funds	-	350,545	350,545
Total-Equity Fund Types	<u>\$ -</u>	<u>\$ 591,818</u>	<u>\$ 591,818</u>
Bond Fund Types:			
Other Bond Funds	\$ -	\$ 649,598	\$ 649,598
Total-Bond Fund Types	<u>\$ -</u>	<u>\$ 649,598</u>	<u>\$ 649,598</u>
<b>Total - Investments</b>	<u><b>\$ 1,439,780</b></u>	<u><b>\$ 1,241,416</b></u>	<u><b>\$ 2,681,196</b></u>

**James A. Rhodes State College Foundation**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2018 and 2017**

**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 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
- h. An asset’s special relationship or special value, if any, to the charitable purposes of the institution

**James A. Rhodes State College Foundation**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 8 – Endowments (Continued)**

**Changes in Endowment Net Assets for Fiscal Year Ended June 30, 2018**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Net Assets, beginning of year	\$ (261)	\$ 700,424	\$ 1,770,860	\$ 2,471,023
Contributions, net of allowance	-	42,473	103,848	146,321
Investment Income	169	61,437	-	61,606
Realized and unrealized gains and losses	871	306,258	-	307,129
Investment Expenses	(52)	(17,712)	-	(17,764)
Appropriation of endowment assets for expenditures	(300)	(95,816)	-	(96,116)
<b>Net Assets, end of year</b>	<b>\$ 427</b>	<b>\$ 997,064</b>	<b>\$ 1,874,708</b>	<b>\$ 2,872,199</b>

**Changes in Endowment Net Assets for Fiscal Year Ended June 30, 2017**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Net Assets, beginning of year	\$ (735)	\$ 555,125	\$ 1,656,003	\$ 2,210,393
Contributions, net of allowance	-	-	114,857	114,857
Investment Income	163	57,024	-	57,187
Realized and unrealized gains and losses	556	200,718	-	201,274
Investment Expenses	(45)	(15,209)	-	(15,254)
Appropriation of endowment assets for expenditures	(200)	(97,234)	-	(97,434)
<b>Net Assets, end of year</b>	<b>\$ (261)</b>	<b>\$ 700,424</b>	<b>\$ 1,770,860</b>	<b>\$ 2,471,023</b>

**James A. Rhodes State College Foundation**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 8 –Endowments (Continued)**

**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. The Foundation did not have a deficiency in the endowment fund as of June 30, 2018, but did have a deficiency of \$261 at June 30, 2017. This deficiency at June 30, 2017 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 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.

**James A. Rhodes State College Foundation**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 9 – Programmatic Investments – 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 \$760 and \$3,341 in student repayments in fiscal years 2018 and 2017, 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.

Loans Receivable is recorded net of estimated uncollectible amounts. The Foundation regularly evaluates its loans receivable for collectability and provides for an allowance for bad debts when deemed necessary.

**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>2018</u>	<u>2017</u>
John J. and Martha M. Hudson Scholarship Fund	\$ 10,007	\$ 9,515
James J. Countryman Scholarship Fund	40,595	43,181
Thomas R. and Gloria P. Leech Scholarship Fund	18,349	18,809

Scholarship awards made from each of these funds for the fiscal years 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
James J. Countryman Scholarship Fund	\$ 1,496	\$ 1,590
Thomas R. and Gloria P. Leech Scholarship Fund	638	642

**James A. Rhodes State College Foundation**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 10 – Lima Community Foundation (Continued)**

The Lima Community Foundation owns all three funds and manages them according to their investment policy. Since the donors contributed the amounts to the Community Foundation and the Community Foundation has variance power, these amounts are not 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 Consolidated Statements of Financial Position as Property Held for College. During fiscal year 2018 RSCF Lima, LLC transferred a portion of this land in the amount of \$536,561 to the College. This donation of property has been recorded as a capital contribution in the accompanying financial statements of the College and as a nonoperating transfer of assets in the accompanying financial statements of the Foundation.

# **James A. Rhodes State College Foundation**

The logo consists of a blue rectangular box with white text. The text is arranged in two lines: "RHODES STATE COLLEGE" on the top line and "FOUNDATION" on the bottom line, both in a bold, sans-serif font.

**RHODES STATE COLLEGE  
FOUNDATION**

## **Yellow Book Report**

**June 30, 2018**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the James A. Rhodes State College Foundation (the Foundation), (a nonprofit organization), a component unit of James A. Rhodes State College, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, and consolidated cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2018.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## Purpose of this Report

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

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Cincinnati, Ohio

December 19, 2018

# OHIO AUDITOR OF STATE KEITH FABER



**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 24, 2019**