

JAMES A. RHODES STATE COLLEGE FOUNDATION  
ALLEN COUNTY, OHIO

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FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2005





**Auditor of State  
Betty Montgomery**

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

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, 2004 through June 30, 2005. 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.

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BETTY MONTGOMERY  
Auditor of State

May 4, 2006

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JAMES A. RHODES STATE COLLEGE FOUNDATION  
ALLEN COUNTY, OHIO

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# **E.S. Evans and Company**

**Certified Public Accountants and Consultants**

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Robert E. Wendel, CPA

• Dan F. Clifford, CPA

• E.S. Evans, CPA, PFS (1930-1999)

November 30, 2005

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement 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, 2005, and the related statements of activities and cash flows for the year 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, 2005, and the changes in its net assets and its cash flows for the year 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 November 30, 2005, 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*

JAMES A. RHODES STATE COLLEGE FOUNDATION  
ALLEN COUNTY, OHIO

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STATEMENT OF FINANCIAL POSITION

June 30, 2005

Assets:

Cash and Cash Equivalents	\$	348,707
Investments - Note B		1,053,846
Pledges Receivable - Note F		3,607,204
Accounts Receivable		4,551
Accrued Interest Receivable		128
Schell Foundation Loans Receivable		<u>72,943</u>
Total Assets	\$	<u>5,087,379</u>

Liabilities and Net Assets:

Accounts Payable	\$	<u>75,607</u>
Total Liabilities		<u>75,607</u>
Net Assets:		
Unrestricted		581,131
Temporarily Restricted - Note G		3,867,948
Permanently Restricted - Note G		<u>562,693</u>
Total Net Assets		<u>5,011,772</u>
Total Liabilities and Net Assets	\$	<u>5,087,379</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, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues, Gains and Other Support:</u>				
Contributions	\$ 98,654	\$ 3,562,439	\$ 52,469	\$ 3,713,562
Interest and Realized/Unrealized Gain/(Loss)	<u>25,436</u>	<u>66,153</u>	<u>-</u>	<u>91,589</u>
	124,090	3,628,592	52,469	3,805,151
Assets Released from Restrictions	<u>101,273</u>	<u>(101,273)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>225,363</u>	<u>3,527,319</u>	<u>52,469</u>	<u>3,805,151</u>
 <u>Expenses and Losses:</u>				
Management and General	16,788	-	-	16,788
Fundraising	10,288	-	-	10,288
Academic Programs	31,046	-	-	31,046
Scholarships/Grants	<u>58,970</u>	<u>-</u>	<u>-</u>	<u>58,970</u>
Total Expenses and Losses	<u>117,092</u>	<u>-</u>	<u>-</u>	<u>117,092</u>
Change in Net Assets	108,271	3,527,319	52,469	3,688,059
Net Assets - Beginning of Year	<u>472,860</u>	<u>340,629</u>	<u>510,224</u>	<u>1,323,713</u>
Net Assets - End of Year	<u>\$ 581,131</u>	<u>\$ 3,867,948</u>	<u>\$ 562,693</u>	<u>\$ 5,011,772</u>

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

EXHIBIT B

JAMES A. RHODES STATE COLLEGE FOUNDATION  
ALLEN COUNTY, OHIO

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STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2005

<u>Cash Flows from Operating Activities:</u>	
Change in Net Assets	\$ 3,688,059
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities:	
(Increase)/Decrease in Loans Receivable	15,541
(Increase)/Decrease in Accounts Receivable	1,450
(Increase)/Decrease in Pledges Receivable	(3,167,891)
Increase/(Decrease) in Accounts Payable	<u>(236,302)</u>
Net Cash Provided/(Used) by Operating Activities	<u>300,857</u>
<u>Cash Flows from Investing Activities:</u>	
Net Unrealized(Gain)/Loss on Investments	(50,839)
Net Realized (Gain)/Loss on Investments	(26,995)
Investment Net Purchases/Sales	30,406
Investment Income	(12,230)
Investment Expenses	<u>5,598</u>
Net Cash Provided/(Used) by Investing Activities	<u>(54,060)</u>
<u>Net Increase/(Decrease) in Cash</u>	246,797
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>101,910</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 348,707</u>

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

EXHIBIT C

JAMES A. RHODES STATE COLLEGE FOUNDATION  
ALLEN COUNTY, OHIO

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NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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, and petty cash.

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 discreetly 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, the Foundation determined that the Foundation's financial information would be included as a component unit of the College in its financial statements for the year ended June 30, 2005.

JAMES A. RHODES STATE COLLEGE FOUNDATION  
ALLEN COUNTY, OHIO

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NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note B – Deposits and Investments

At June 30, 2005, the carrying amounts of the Foundation's deposits were \$348,707 and the bank balance was \$450,083. Of the bank balance, \$208,529 was covered by federal depository insurance and \$241,554 was uninsured and uncollateralized.

Investments at June 30, 2005 are comprised of the following:

Equity Funds	\$ 772,702
Bond Funds	281,144
Total	<u>\$ 1,053,846</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.

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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note E - Dayton Foundation

Four scholarship funds are held by The Dayton Foundation. These funds consist of the John J. and Martha M. Hudson Fund, two James J. Countryman Funds and the Thomas R. Leech Fund. The account balances at June 30, 2005 are \$7,410, \$17,622, \$9,930 and \$10,314, respectively. These funds are managed by The Dayton Foundation and are not included in the financial statements of James A. Rhodes State College Foundation. During 2005, James A. Rhodes State College Foundation awarded a \$350 scholarship from the Hudson Fund, an \$800 scholarship from the Countryman Fund and a \$400 scholarship from the Leech fund. The money is transferred from The Dayton Foundation to 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) in more than one year is estimated at \$3,607,204 after discounting for the future cash flows.

The following schedule summarizes the net realizable value and discounted values through the year 2010:

	Net Realizable Value	Discounted Value
2006	\$ 1,107,439	\$ 1,107,439
2007	1,031,064	993,701
2008	572,813	532,051
2009	572,813	512,770
2010	534,626	461,243
	<u>\$ 3,818,755</u>	<u>\$ 3,607,204</u>

Note G – Net Assets

Restricted net assets are as follows at June 30, 2005:

	Permanently Restricted	Temporarily Restricted
Scholarships, Instructional Programs and Marketing Initiatives	<u>\$ 562,693</u>	<u>\$ 3,867,948</u>

JAMES A. RHODES STATE COLLEGE FOUNDATION  
ALLEN COUNTY, OHIO

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NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note G – Net Assets - (continued)

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.

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.

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, 2005, the Foundation distributed \$58,970 to the College for scholarships and \$31,046 for College initiatives. At June 30, 2005, the Foundation had a payable to the College in the amount of \$447.

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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)

November 30, 2005

**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, 2005, and have issued our report thereon dated November 30, 2005. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements being audited may occur and not be timely detected by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Foundation'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, 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 we must report under Government Auditing Standards.

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

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**Auditor of State  
Betty Montgomery**

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**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  
MAY 16, 2006**