

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2003



**Auditor of State
Betty Montgomery**

Board of Trustees
James A. Rhodes State College Foundation

We have reviewed the Independent Auditor's Report of the James A. Rhodes State College Foundation, Allen County, prepared by E. S. Evans & Company, for the audit period July 1, 2002 through June 30, 2003. 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

January 7, 2004

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JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

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E.S. Evans and Company

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Robert E. Wendel, CPA

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Dan F. Clifford, CPA

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E.S. Evans, CPA, PFS (1930-1999)

October 31, 2003

INDEPENDENT AUDITOR'S REPORT

Board of Directors

James A. Rhodes State College Foundation
Allen County, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

We have audited the accompanying statements of financial position of James A. Rhodes State College Foundation (a nonprofit organization) as of June 30, 2003, 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of James A. Rhodes State College Foundation as of June 30, 2003, 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 October 31, 2003, 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

STATEMENT OF FINANCIAL POSITION

June 30, 2003

Assets:

Cash and Cash Equivalents	\$	166,481
Investments - Note B		849,362
Pledges Receivable - Note F		224,535
Accrued Interest Receivable		103
Schell Foundation Loans Receivable		<u>70,888</u>
Total Assets	\$	<u><u>1,311,369</u></u>

Liabilities and Net Assets:

Schell Foundation Loans Payable	\$	70,888
Accounts Payable		<u>169,514</u>
Total Liabilities		<u>240,402</u>
Net Assets:		
Unrestricted		148,108
Temporarily Restricted		459,739
Permanently Restricted		<u>463,120</u>
Total Net Assets		<u>1,070,967</u>
Total Liabilities and Net Assets	\$	<u><u>1,311,369</u></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, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues, Gains and Other Support:</u>				
Contributions	\$ 16,453	\$ 104,407	\$ 28,315	\$ 149,175
Interest and Net Unrealized Gain/(Loss)	12,794	36,121	-	48,915
	29,247	140,528	28,315	198,090
Assets Released from Restrictions	195,266	(195,266)	-	-
	224,513	(54,738)	28,315	198,090
Total Revenues, Gains and Other Support	224,513	(54,738)	28,315	198,090
 <u>Expenses and Losses:</u>				
Management and General	8,009	-	-	8,009
Fundraising	9,028	-	-	9,028
Academic Programs	111,787	-	-	111,787
Scholarships/Grants	181,866	-	-	181,866
	310,690	-	-	310,690
Total Expenses and Losses	310,690	-	-	310,690
 Change in Net Assets	 (86,177)	 (54,738)	 28,315	 (112,600)
Net Assets at Beginning of Year	234,285	514,477	434,805	1,183,567
Net Assets at End of Year	\$ 148,108	\$ 459,739	\$ 463,120	\$ 1,070,967

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

EXHIBIT B

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2003

<u>Cash Flows from Operating Activities:</u>	
Change in Net Assets	\$ (112,600)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities:	
(Increase)/Decrease in Loans Receivable	(24,780)
(Increase)/Decrease in Pledges Receivable	118,986
Increase/(Decrease) in Accounts Payable	(184,287)
Increase/(Decrease) in Loans Payable	<u>24,410</u>
Net Cash Provided/(Used) by Operating Activities	<u>(178,271)</u>
<u>Cash Flows from Investing Activities:</u>	
Net Unrealized(Gain)/Loss on Investments	(26,707)
Investment Purchases	<u>(25,919)</u>
Net Cash Provided/(Used) by Investing Activities	<u>(52,626)</u>
<u>Net Increase/(Decrease) in Cash</u>	(230,897)
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>397,378</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 166,481</u>

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

EXHIBIT C

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note A - Summary of Significant Accounting Policies

Purpose of Organization

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

Method of Accounting

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

Federal Income Taxes

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

Basis of Financial Statement Presentation

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

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

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

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

Use of Estimates

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

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

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.

New Accounting Standard

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, it requires reporting, as discreetly presented component units, organizations that raise and hold economic resources for the benefit of the College.

The Foundation believes, based on a preliminary assessment of the statement, that the Foundation's financial information will be included in the College's financial statements as a component unit beginning in fiscal year 2004.

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note B – Deposits and Investments

At June 30, 2003, the carrying amounts of the Foundation's deposits were \$166,481 and the bank balance was \$156,232. The entire bank balance of \$156,232 was covered by federal depository insurance.

Investments at June 30, 2003 are comprised of the following:

Equity Funds	\$ 524,640
Bond Funds	264,240
Common Stock	60,482
Total	<u>\$ 849,362</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

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note E - Dayton Foundation

Four scholarship funds are held by The Dayton Foundation. 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, 2003 are \$7,894, \$13,949, \$7,339 and \$9,968, 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 2003, James A. Rhodes State College Foundation awarded a \$300 scholarship from the Hudson Fund, a \$200 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

Unconditional promises to give (pledges receivable) are expected to be collected in less than one year. The receivable is measured at net realizable value because that amount, although not equivalent to present value of estimated future cash flows, results in a reasonable estimate of fair values.

Note G – Net Assets

Restricted net assets are as follows at June 30, 2003:

	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>
Scholarships & Awards	<u>\$ 463,120</u>	<u>\$ 459,739</u>

The permanently restricted scholarship funds are donor restricted scholarship endowments. The income from these endowments are 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 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.



E.S. Evans and Company

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

October 31, 2003

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

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

and Auditor of State of Ohio
Columbus, Ohio

We have audited the financial statements of James A. Rhodes State College Foundation as of and for the year ended June 30, 2003, and have issued our report thereon dated October 31, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether James A. Rhodes State College Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards.

Board of Directors
James A. Rhodes State College Foundation
Auditor of State of Ohio
October 31, 2003
Page 2

Internal Control Over Financial Reporting

In planning and performing our audit, we considered James A. Rhodes State College Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period 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 to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, and Auditor of State of Ohio and is not intended to be and should not be used by 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
JANUARY 22, 2004**