

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
James A. Rhodes State College Foundation
4240 Campus Dr.
Lima, OH 45804

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, 2003 through June 30, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 26, 2005

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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)

December 14, 2004

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 statement of financial position of James A. Rhodes State College Foundation (a nonprofit organization) as of June 30, 2004, 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, 2004, 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 December 14, 2004, 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, 2004

Assets:

Cash and Cash Equivalents	\$	101,910
Investments - Note B		999,786
Pledges Receivable - Note F		439,313
Accounts Receivable		6,064
Accrued Interest Receivable		65
Schell Foundation Loans Receivable		<u>88,484</u>
Total Assets	\$	<u><u>1,635,622</u></u>

Liabilities and Net Assets:

Accounts Payable	\$	<u>311,909</u>
Total Liabilities		<u>311,909</u>
Net Assets:		
Unrestricted		472,860
Temporarily Restricted - Note G		340,629
Permanently Restricted - Note G		<u>510,224</u>
Total Net Assets		<u>1,323,713</u>
Total Liabilities and Net Assets	\$	<u><u>1,635,622</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, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues, Gains and Other Support:</u>				
Contributions	\$ 360,456	\$ 65,606	\$ 47,104	\$ 473,166
Interest and Realized/Unrealized Gain/(Loss)	44,849	113,206	-	158,055
	405,305	178,812	47,104	631,221
Assets Released from Restrictions	368,810	(368,810)	-	-
	774,115	(189,998)	47,104	631,221
Total Revenues, Gains and Other Support	774,115	(189,998)	47,104	631,221
 <u>Expenses and Losses:</u>				
Management and General	49,660	-	-	49,660
Fundraising	45,993	-	-	45,993
Academic Programs	132,464	-	-	132,464
Scholarships/Grants	221,246	-	-	221,246
	449,363	-	-	449,363
Total Expenses and Losses	449,363	-	-	449,363
Change in Net Assets	324,752	(189,998)	47,104	181,858
Net Assets - Beginning of Year - Restated - Note	148,108	530,627	463,120	1,141,855
Net Assets - End of Year	\$ 472,860	\$ 340,629	\$ 510,224	\$ 1,323,713

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, 2004

<u>Cash Flows from Operating Activities:</u>	
Change in Net Assets	\$ 181,858
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities:	
(Increase)/Decrease in Loans Receivable	(17,596)
(Increase)/Decrease in Accounts Receivable	(6,026)
(Increase)/Decrease in Pledges Receivable	(214,778)
Increase/(Decrease) in Accounts Payable	142,395
Increase/(Decrease) in Loans Payable	<u>(70,888)</u>
Net Cash Provided/(Used) by Operating Activities	<u>14,965</u>
<u>Cash Flows from Investing Activities:</u>	
Net Unrealized(Gain)/Loss on Investments	(138,039)
Investment Net Purchases/Sales	<u>58,503</u>
Net Cash Provided/(Used) by Investing Activities	<u>(79,536)</u>
<u>Net Increase/(Decrease) in Cash</u>	(64,571)
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>166,481</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 101,910</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, 2004

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, 2004

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 not be included as a component unit of the College in its financial statements.

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note B – Deposits and Investments

At June 30, 2004, the carrying amounts of the Foundation's deposits were \$101,910 and the bank balance was \$195,241. Of the bank balance, \$188,735 was covered by federal depository insurance and \$6,506 was uninsured and uncollateralized.

Investments at June 30, 2004 are comprised of the following:

Equity Funds	\$ 707,504
Bond Funds	292,282
Total	<u>\$ 999,786</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, 2004

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, 2004 are \$7,710, \$15,911, \$8,354 and \$9,714, 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 2004, James A. Rhodes State College Foundation awarded a \$300 scholarship from the Hudson Fund, a \$600 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 \$439,313 after discounting for the future cash flows.

The following schedule summarizes the net realizable value and discounted values through the year 2009:

	Net Realizable Value	Discounted Value
2005	\$ 134,362	\$ 134,362
2006	125,096	120,865
2007	69,498	64,877
2008	69,498	62,683
2009	64,865	56,526
	<u>\$ 463,319</u>	<u>\$ 439,313</u>

Note G – Net Assets

Restricted net assets are as follows at June 30, 2004:

	Permanently Restricted	Temporarily Restricted
Scholarships, Instructional Programs and Marketing Initiatives	<u>\$ 510,224</u>	<u>\$ 340,629</u>

JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note G – Net Assets - (continued)

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, 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 – Prior Period Adjustment

The beginning balance of the net assets have been adjusted from the prior year to reflect the removal of the Schell Foundation Payable that was determined not to be a liability of the James A Rhodes State College Foundation. See Note H for additional explanation of the Schell Foundation. The following adjustments were made to the net assets:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Beginning Balance 7-1-03	\$ 148,108	\$ 459,739	\$ 463,120
Prior Period Adjustment	-	70,888	-
Adjusted Beginning Balance 7-1-03	<u>\$ 148,108</u>	<u>\$ 530,627</u>	<u>\$ 463,120</u>



E.S. Evans and Company

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

December 14, 2004

**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, 2004, and have issued our report thereon dated December 14, 2004. 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
December 14, 2004
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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.

A handwritten signature in red ink, appearing to read "E. J. ...", is located in the lower right quadrant of the page.



**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
FEBRUARY 10, 2005**