

James A. Rhodes State College Foundation  
Regular Audit

July 1, 2007, through June 30, 2008  
Fiscal Years Audited Under GAGAS: 2008



**Balestra, Harr & Scherer, CPAs, Inc.**

---

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the James A. Rhodes State College Foundation, Allen County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period July 1, 2007 through June 30, 2008. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 14, 2009

**This Page is Intentionally Left Blank.**

**James A. Rhodes State College Foundation**  
*Table of Contents*  
*For the Fiscal Year Ended June 30, 2008*

---

<u>Title</u>	<u>Page</u>
Independent Auditor's Report.....	1
Financial Statements:	
Statements of Financial Position.....	2
Statements of Activities .....	3
Statements of Cash Flows.....	5
Notes to the Financial Statements .....	6
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	11

**This Page is Intentionally Left Blank.**

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

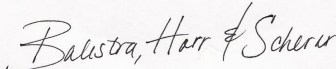
Board of Directors  
James A. Rhodes State College Foundation  
4240 Campus Drive  
Lima, Ohio 45804

We have audited the accompanying statement of financial position of James A. Rhodes State College Foundation (the Foundation), a component unit of James A. Rhodes State College, as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on the financial statements based on our audit. The Statement of Financial Position of the Foundation as of June 30, 2007, and the related Statement of Activities and Cash Flows for the year then ended were audited by other auditors whose report dated December 4, 2007 expressed an unqualified opinion on those statements.

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 the Comptroller General of the United States' *Government Auditing Standards*. 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 the Foundation as of June 30, 2008, and the changes in 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 our report dated December 12, 2008 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial report and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

  
Balestra, Harr & Scherer, CPAs, Inc.  
December 12, 2008

James A. Rhodes State College Foundation  
 Statements of Financial Position  
 June 30, 2008 and 2007

	2008	2007
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 561,601	\$ 700,454
Investments	1,345,261	1,250,901
Pledges Receivable	1,978,109	2,365,256
Accounts Receivable	2,368	2,842
Accrued Interest Receivable	388	372
Schell Foundation Loans Receivable	68,606	73,892
<b>TOTAL ASSETS</b>	<b>\$ 3,956,333</b>	<b>\$ 4,393,717</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable	\$ 214,791	\$ 169,497
<b>TOTAL LIABILITIES</b>	214,791	169,497
 <b>NET ASSETS</b>		
Unrestricted	625,354	643,496
Temporarily Restricted	2,351,118	2,919,658
Permanently Restricted	765,070	661,066
<b>TOTAL NET ASSETS</b>	3,741,542	4,224,220
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,956,333</b>	<b>\$ 4,393,717</b>

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



James A. Rhodes State College Foundation  
Statement of Activities  
For the Year Ended June 30, 2008

	<b>2008</b>			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 6,282	\$ 10,250	\$ 79,004	\$ 95,536
Interest and Dividends	6,245	36,449	-	42,694
Realized Gain (Loss) on Investments	1,363	10,191	-	11,554
Unrealized Gain (Loss) on Investments	(10,506)	(49,058)	-	(59,564)
	<u>3,384</u>	<u>7,832</u>	<u>79,004</u>	<u>90,220</u>
Assets Released from Restrictions and Transfers	551,372	(576,372)	25,000	-
Total Revenues, Gains and Other Support	<u>554,756</u>	<u>(568,540)</u>	<u>104,004</u>	<u>90,220</u>
<b>EXPENSES</b>				
Academic Programs	479,956	-	-	479,956
Fundraising	11,713	-	-	11,713
Management and General	25,379	-	-	25,379
Scholarships	55,850	-	-	55,850
	<u>572,898</u>	<u>-</u>	<u>-</u>	<u>572,898</u>
Total Expenses	572,898	-	-	572,898
Increase (decrease) in net assets	(18,142)	(568,540)	104,004	(482,678)
<b>NET ASSETS</b>				
Net Assets, July 1, 2007	<u>643,496</u>	<u>2,919,658</u>	<u>661,066</u>	<u>4,224,220</u>
Net Assets, June 30, 2008	<u>\$ 625,354</u>	<u>\$ 2,351,118</u>	<u>\$ 765,070</u>	<u>\$ 3,741,542</u>

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

James A. Rhodes State College Foundation  
Statement of Activities  
For the Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 17,291	\$ 73,907	\$ 74,903	\$ 166,101
Interest and Dividends	42,440	171,174	-	213,614
	<u>59,731</u>	<u>245,081</u>	<u>74,903</u>	<u>379,715</u>
Assets Released from Restrictions	686,819	(686,819)	-	-
Total Revenues, Gains and Other Support	<u>746,550</u>	<u>(441,738)</u>	<u>74,903</u>	<u>379,715</u>
<b>EXPENSES</b>				
Academic Programs	483,926	-	-	483,926
Fundraising	11,373	-	-	11,373
Management and General	22,908	-	-	22,908
Scholarships	198,191	-	-	198,191
	<u>716,398</u>	<u>-</u>	<u>-</u>	<u>716,398</u>
Total Expenses	<u>716,398</u>	<u>-</u>	<u>-</u>	<u>716,398</u>
Increase (decrease) in net assets	30,152	(441,738)	74,903	(336,683)
<b>NET ASSETS</b>				
Net Assets, July 1, 2006	<u>613,344</u>	<u>3,361,396</u>	<u>586,163</u>	<u>4,560,903</u>
Net Assets, June 30, 2007	<u>\$ 643,496</u>	<u>\$ 2,919,658</u>	<u>\$ 661,066</u>	<u>\$ 4,224,220</u>

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

James A Rhodes State College Foundation  
Statement of Cash Flows  
For the Year Ended June 30, 2008 and 2007

	2008	2007
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ (482,678)	\$ (336,683)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities		
(Increase)/Decrease in Loans Receivable	5,286	(2,084)
(Increase)/Decrease in Accounts Receivable	475	773
(Increase)/Decrease in Pledges Receivable	387,147	623,040
Increase/(Decrease) in Accounts Payable	45,294	(8,445)
Net Cash Provided/(Used) by Operating Activities	(44,476)	276,601
<u>Cash Flows from Investing Activities</u>		
Net Unrealized (Gain)/Loss on Investments	54,594	(126,631)
Net Realized (Gain)/Loss on Investments	(16,606)	(35,464)
Investment Net Purchases/Sales	(100,122)	162,269
Investment Income	(41,864)	(49,541)
Investment Expenses	9,621	10,849
Net Cash Provided/(Used) by Investing Activities	(94,377)	(38,518)
<u>Net Increase/(Decrease) in Cash</u>	(138,853)	238,083
<u>Cash and Cash Equivalents - Beginning of Year</u>	700,454	462,371
<u>Cash and Cash Equivalents - End of Year</u>	\$ 561,601	\$ 700,454

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

James A. Rhodes State College Foundation  
Notes to Financial Statements  
June 30, 2008 and 2007

**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 principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

James A. Rhodes State College Foundation  
Notes to Financial Statements  
June 30, 2008 and 2007

**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 the purposes of the statement of cash flows include checking accounts, savings accounts, money market funds, and certificates of deposit.

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 on Financial Standards (SFAS) No. 124.

Concentration 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 discretely 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, it was determined that the Foundation's financial information would be included as a component unit of the College in its financial statements beginning fiscal year June 30, 2005.

James A. Rhodes State College Foundation  
Notes to Financial Statements  
June 30, 2008 and 2007

**Note B – Deposits and Investments**

At June 30, 2008, the carry amounts of the Foundation’s deposits were \$561,601 and the bank balance was \$491,514. Of the bank balance, \$211,418 was covered by federal depository insurance and \$280,096 was uninsured and uncollateralized. At June 30, 2007, the carrying amounts of the Foundation’s deposits were \$700,454 and the bank balance was \$702,088. Of the bank balance, \$204,050 was covered by federal depository insurance and \$498,038 was uninsured and uncollateralized.

Investments at June 30, 2008 and 2007 are comprised of the following:

	2008	2007
Corporate Bonds	\$ 248,481	\$ 197,799
Common Stocks	723,838	689,248
Equity Funds	372,942	363,854
Total	\$ 1,345,261	\$ 1,250,901

**Note C - Contributions**

Unconditional contributions are recorded as revenue in the year that 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 – Restriction on Net Assets**

The permanently restricted net assets are comprised of contributions given to 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  
Notes to Financial Statements  
June 30, 2008 and 2007

**Note E – Lima Community Foundation**

Three scholarship funds are held by The Lima Community Foundation. The John J. and Martha M. Hudson Fund, James J. Countryman Funds and the Thomas R. Leech Fund. The account balances as of June 30, 2008 were \$6,944, \$31,602 and \$10,762, respectively. The account balances as of June 30, 2007 were \$7,484, \$33,249 and \$11,807, respectively. These funds are managed by The Lima Community Foundation and are not included in the financial statements of James A. Rhodes State College Foundation. During 2008, James A. Rhodes State College Foundation awarded a \$400 scholarship from the Countryman Fund, a \$350 scholarship from the Hudson Fund and a \$200 scholarship from the Leech Fund. During 2007, James A Rhodes State College Foundation awarded a \$917 scholarship from the Countryman Fund, a \$300 scholarship from the Hudson Fund and a \$400 scholarship from the Leech Fund. The money is transferred from the Lima Community Foundation to James A. 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) at June 30, 2008 and 2007 is as follows:

	2008	2007
Receivable in less than one year	\$ 603,847	\$ 738,554
Receivable in one to five years	1,374,262	1,626,702
	\$ 1,978,109	\$ 2,365,256

The discount rate used on long-term promises to give was 3.37% and 4.94% at June 30, 2008 and 2007 respectively.

**Note G – Restricted Net Assets**

Restricted net assets for scholarships, instructional programs and marketing initiatives are as follows at June 30, 2008 and 2007:

	2008	2007
Temporarily Restricted	\$ 2,351,118	\$ 2,919,658
Permanently Restricted	\$ 765,070	\$ 661,066

James A. Rhodes State College Foundation  
Notes to Financial Statements  
June 30, 2008 and 2007

**Note G – Restricted Net Assets (Continued)**

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.

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.

**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, 2008, the Foundation distributed \$55,850 for scholarships and \$479,956 for College initiatives. During the fiscal year ended June 30, 2007, the Foundation distributed \$198,191 to the College for scholarships and \$483,926 for College initiatives. The Foundation had a payable to the College in the amount of \$146,900 at June 30, 2008 and \$72,649 at June 30, 2007.



# BALESTRA, HARR & SCHERER CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## **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***

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

We have audited the financial statements of James A. Rhodes State College Foundation (the Foundation), a component unit of James A. Rhodes State College, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 12, 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood the Foundation's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Foundation's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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 Board of Trustees and the Foundation's management. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
December 12, 2008



**Mary Taylor, CPA**  
Auditor of State

**JAMES A. RHODES STATE COLLEGE FOUNDATION**  
**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**FEBRUARY 3, 2009**