

James A. Rhodes State College Foundation
Regular Audit

July 1, 2008, through June 30, 2009
Fiscal Years Audited Under GAGAS: 2009



Balestra, Harr & Scherer, CPAs, Inc.

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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 Auditor's Report* of the James A. Rhodes State College Foundation, Allen County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period July 1, 2008 through June 30, 2009. 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 6, 2010

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James A. Rhodes State College Foundation
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For the Fiscal Year Ended June 30, 2009

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements 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, 2009 and 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.

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, 2009 and 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 November 13, 2009 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.

As described in Note A to the basic financial statements, the Foundation implemented Financial Accounting Standards Board Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)*, and *Enhanced Disclosures for All Endowment Funds*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer".

Balestra, Harr & Scherer, CPAs, Inc.
November 13, 2009

James A. Rhodes State College Foundation
 Statements of Financial Position
 June 30, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
Cash and Cash Equivalents	\$ 352,107	\$ 561,601
Investments	1,164,007	1,345,261
Pledges Receivable - Net	1,320,209	1,503,109
Accounts Receivable	3,394	2,367
Accrued Interest Receivable	216	388
Schell Foundation Loans Receivable	71,550	68,606
	<hr/>	<hr/>
TOTAL ASSETS	\$ 2,911,483	\$ 3,481,332
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LIABILITIES AND NET ASSETS		
Accounts Payable	\$ 396,801	\$ 214,790
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TOTAL LIABILITIES	396,801	214,790
	<hr/>	<hr/>
NET ASSETS		
Unrestricted	352,519	372,641
Temporarily Restricted	1,093,302	1,860,986
Permanently Restricted	1,068,862	1,032,915
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TOTAL NET ASSETS	2,514,683	3,266,542
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TOTAL LIABILITIES AND NET ASSETS	\$ 2,911,484	\$ 3,481,332
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The notes to the financial statements are an integral part of this statement.

James A. Rhodes State College Foundation
Statement of Activities
For the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 9,880	\$ 142,408	\$ 35,947	\$ 188,235
Interest and Dividends	2,460	26,922	-	29,382
Realized Gain (Loss) on Investments	(7,825)	(156,315)	-	(164,140)
Unrealized Gain (Loss) on Investments	(14,086)	(129,459)	-	(143,545)
	(9,571)	(116,444)	35,947	(90,068)
Assets Released from Restrictions and Transfers	651,241	(651,241)	-	-
Total Revenues, Gains and Other Support	641,670	(767,685)	35,947	(90,068)
EXPENSES				
Management and General	17,279	-	-	17,279
Fundraising	11,138	-	-	11,138
Academic Programs	567,805	-	-	567,805
Scholarships/Grants	65,569	-	-	65,569
Total Expenses	661,791	-	-	661,791
Increase (decrease) in net assets	(20,121)	(767,685)	35,947	(751,859)
NET ASSETS				
Net Assets - July 1, 2008	372,641	1,860,986	1,032,915	3,266,542
Net Assets - June 30, 2009	\$ 352,520	\$ 1,093,301	\$ 1,068,862	\$ 2,514,683

The notes to the financial statements are an integral part of this statement.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 6,282	\$ 10,250	\$ 79,004	\$ 95,536
Interest and Dividends	6,245	36,449	-	42,694
Realized Gain (Loss) on Investments	1,364	10,191	-	11,555
Unrealized Gain (Loss) on Investments	(10,506)	(49,058)	-	(59,564)
	<u>3,385</u>	<u>7,832</u>	<u>79,004</u>	<u>90,221</u>
Assets Released from Restrictions and Transfers	551,372	(576,372)	25,000	-
Total Revenues, Gains and Other Support	<u>554,757</u>	<u>(568,540)</u>	<u>104,004</u>	<u>90,221</u>
EXPENSES				
Management and General	25,380	-	-	25,380
Fundraising	11,713	-	-	11,713
Academic Programs	479,956	-	-	479,956
Scholarships/Grants	55,849	-	-	55,849
	<u>572,898</u>	<u>-</u>	<u>-</u>	<u>572,898</u>
Total Expenses	572,898	-	-	572,898
Increase (decrease) in net assets	(18,141)	(568,540)	104,004	(482,677)
NET ASSETS				
Net Assets - July 1, 2007 (Restated)	390,782	2,429,526	928,911	3,749,219
Net Assets - June 30, 2008	<u>\$ 372,641</u>	<u>\$ 1,860,986</u>	<u>\$ 1,032,915</u>	<u>\$ 3,266,542</u>

James A Rhodes State College Foundation
 Statements of Cash Flows
 For the Years Ended June 30, 2009 and 2008

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2009</u>	<u>2008</u>
Change in Net Assets	\$ (751,859)	\$ (482,676)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities		
(Increase)/Decrease in Loans Receivable	(2,945)	5,286
(Increase)/Decrease in Accounts Receivable	(1,027)	475
Decrease in Pledges Receivable	182,900	387,147
Increase in Accounts Payable	182,010	45,293
	<hr/>	<hr/>
Net Cash Provided/(Used) by Operating Activities	(390,921)	(44,475)
	<hr/>	<hr/>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Net Unrealized (Gain)/Loss on Investments	143,545	59,564
Net Realized (Gain)/Loss on Investments	164,140	(11,555)
Investment Net Purchases/Sales	(105,670)	(110,143)
Investment Expenses	(28,705)	(41,864)
Investment Income	8,117	9,621
	<hr/>	<hr/>
Net Cash Provided/(Used) by Investing Activities	181,427	(94,377)
	<hr/>	<hr/>
<u>NET INCREASE (DECREASE) IN CASH</u>	(209,494)	(138,852)
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	561,601	700,453
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	\$ 352,107	\$ 561,601
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The notes to the financial statements are an integral part of this statement.

James A. Rhodes State College Foundation
Notes to Financial Statements
June 30, 2009 and 2008

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.

Cash and Cash Equivalents

James A. Rhodes State College Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. This includes 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:

James A. Rhodes State College Foundation
Notes to Financial Statements
June 30, 2009 and 2008

Note A – Summary of Significant Accounting Policies (continued)

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.

Adoption of New Accounting Standards/Prior Period Adjustment

In August 2008, FASB issued Staff Position FSP FAS 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds. This FSP provides guidance on classifying the net assets associated with donor-restricted endowment funds held by the organization subject to UPMIFA. Additional disclosures about endowments for both donor-restricted and board designated funds for all organizations are required to enable users to understand its endowment funds net asset classification, net asset composition, changes in net asset composition, spending policy, and related investment policy. This is effective for all fiscal years ending after December 15, 2008.

Accordingly, the following reclassifications and prior period adjustments were made as a result of this implementation:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
Beginning Balance 7/1/07	\$ 643,494	\$ 2,919,659	\$ 661,066	\$ 4,224,219
Prior Period Adjustments	(252,712)	(490,133)	267,845	(475,000)
Adjusted Balance 7/1/07	<u>\$ 390,782</u>	<u>\$ 2,429,526</u>	<u>\$ 928,911</u>	<u>\$ 3,749,219</u>

James A. Rhodes State College Foundation
Notes to Financial Statements
June 30, 2009 and 2008

Note B – Deposits and Investments

At June 30, 2009, deposits consisted of the following:

Description	Bank Balance	Carrying Amount	FDIC	Uninsured
Checking Accounts	\$ 167,655	\$ 167,521	\$ 167,655	\$ -
Savings Accounts	96,532	96,532	96,532	-
Certificate of Deposit	10,000	10,000	10,000	-
Fifth Third Investment	78,054	78,054	78,054	-
Total Deposits	<u>\$ 352,241</u>	<u>\$ 352,107</u>	<u>\$ 352,241</u>	<u>\$ -</u>

At June 30, 2008, deposits consisted of the following:

Description	Bank Balance	Carrying Amount	FDIC	Uninsured
Checking Accounts	\$ 206,829	\$ 276,916	\$ 100,000	\$ 106,829
Savings Accounts	96,297	96,297	94,878	1,419
Certificate of Deposit	10,000	10,000	10,000	-
Fifth Third Investment	178,389	178,389	100,000	78,389
Total Deposits	<u>\$ 491,515</u>	<u>\$ 352,107</u>	<u>\$ 304,878</u>	<u>\$ 186,637</u>

The differences between the carrying amounts and the bank balances are primarily due to outstanding checks and deposits in transit.

Investments consisted of the following:

Description	2009	2008
Corporate Bonds	\$ 102,491	\$ 150,471
Bond Funds	289,672	98,010
Common Stocks	557,269	723,839
Equity Funds	214,575	372,943
	<u>\$ 1,164,007</u>	<u>\$ 1,345,263</u>

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.

James A. Rhodes State College Foundation
Notes to Financial Statements
June 30, 2009 and 2008

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.

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 Fund and the Thomas R. Leech Fund. The account balances as of June 30, 2009 were \$6,114, \$28,877 and \$10,510 respectively. The account balances as of June 30, 2008 were \$6,944, \$31,602, and \$10,762 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 2009, James A. Rhodes State College Foundation awarded a \$1,200 scholarship from the Countryman Fund, a \$200 scholarship from the Hudson Fund and a \$400 scholarship from the Leech Fund. 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. 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, 2009 and 2008 is as follows:

	2009	2008
Receivable in less than one year	\$ 1,118,164	\$ 603,846
Receivable one to five years	202,044	899,263
Net Present Value of pledges Receivable	\$ 1,320,208	\$ 1,503,109

The discount rate used on long-term promises to give was 2.53% and 3.37% at June 30, 2009 and 2008 respectively.

Note G – Restricted Net Assets

Restricted net assets for scholarships and instructional programs are as follows at June 30, 2009 and 2008:

	2009	2008
Temporarily Restricted	\$ 1,093,302	\$ 1,860,986
Permanently Restricted	\$ 1,068,862	\$ 1,032,915

The temporarily restricted funds are donor restricted funds established to provide scholarships and instructional programs based on individual criteria to James A. Rhodes State College students.

The permanently restricted 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.

James A. Rhodes State College Foundation
Notes to Financial Statements
June 30, 2009 and 2008

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, 2009 the Foundation distributed \$65,569 for scholarships and \$567,805 for College initiatives. During the fiscal year ended June 30, 2008 the Foundation distributed \$55,850 for scholarships and \$479,956 for College initiatives.

Note J – Endowment Disclosures

Interpretation of Relevant Law

The Board of Trustees of James A. Rhodes State College 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: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of the organization.

James A. Rhodes State College Foundation
Notes to Financial Statements
June 30, 2009 and 2008

Note J – Endowment Disclosures (Continued)

Investment Policy

The investment objectives for the management of endowment assets and current contributions are to manage the contributions in a manner that will one, maximize the benefit intended by the donor, two, produce current income to support the programs of the College and donor objectives, and three, 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. 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

The spending policy is to distribute annually five percent of a trailing three year average of the Foundation's total asset value. Such a policy should allow for steady growth for the support of operations and minimize the probability of invading the principal over time. It is the responsibility of the Investment Committee to periodically review the spending policy against actual returns in order to consider adjustments necessary for the preservation of the purchasing power of the endowment.

Endowment Net Asset Composition

Endowment net asset composition by type of fund as of June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$(117,342)	\$ 156,737	\$ 1,066,460	\$ 1,105,855
Board-designated	-	-	-	-
Total Funds	\$(117,342)	\$ 156,737	\$ 1,066,460	\$ 1,105,855

Endowment net asset composition by type of fund as of June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ (4,902)	\$ 331,374	\$ 1,029,349	\$1,355,820
Board-designated	-	-	-	-
Total Funds	\$ (4,902)	\$ 331,374	\$ 1,029,349	\$1,355,820

James A. Rhodes State College Foundation
Notes to Financial Statements
June 30, 2009 and 2008

Note J – Endowment Disclosures (continued)

Changes in Endowment Net Assets

Changes in endowment assets for the fiscal year ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ (4,902)	\$ 331,374	\$ 1,029,349	\$ 1,355,821
Reclassification	<u>9,342</u>	<u>(9,342)</u>	-	-
Net assets, reclassified	4,440	322,032	1,029,349	1,355,821
Investment Return:				
Investment income	11,254	13,813	-	25,067
Investment expenses	(3,228)	(3,962)	-	(7,190)
Net appreciation (realized and unrealized gains & losses)	<u>(119,463)</u>	<u>(146,629)</u>	-	<u>(266,092)</u>
Total investment return	(111,437)	(136,778)	-	(248,215)
Contributions	12,133	5	35,904	48,042
Transfers	734	-	1,207	1,941
Appropriation for expenditure	<u>(23,211)</u>	<u>(28,522)</u>	-	<u>(51,733)</u>
Net assets, end of year	<u><u>\$ (117,341)</u></u>	<u><u>\$ 156,737</u></u>	<u><u>\$ 1,066,460</u></u>	<u><u>\$ 1,105,856</u></u>

Changes in endowment assets for the fiscal year ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ -	\$ 411,617	\$ 936,227	\$ 1,347,844
Reclassification	<u>2,667</u>	<u>(2,667)</u>	-	-
Net assets, reclassified	2,667	408,950	936,227	1,347,844
Investment Return:				
Investment income	5,230	27,859	-	33,089
Investment expenses	(1,214)	(6,468)	-	(7,682)
Net appreciation (realized and unrealized gains & losses)	<u>(5,577)</u>	<u>(29,708)</u>	-	<u>(35,285)</u>
Total investment return	(1,561)	(8,317)	-	(9,878)
Contributions	-	11,834	68,122	79,956
Transfers	-	(25,000)	25,000	-
Appropriation for expenditure	<u>(6,008)</u>	<u>(56,093)</u>	-	<u>(62,101)</u>
Net assets, end of year	<u><u>\$ (4,902)</u></u>	<u><u>\$ 331,374</u></u>	<u><u>\$ 1,029,349</u></u>	<u><u>\$ 1,355,821</u></u>

James A. Rhodes State College Foundation
Notes to Financial Statements
June 30, 2009 and 2008

Note J – Endowment Disclosures (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. Such amounts totaled \$117,342 and \$4,902 at June 30, 2009 and 2008 respectively. These deficiencies resulted from unfavorable market fluctuations.



**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 years ended June 30, 2008 and June 30, 2009, and have issued our report thereon dated November 13, 2009, wherein we noted that the Foundation implemented FSP FAS 117-1. 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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
November 13, 2009



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
JANUARY 19, 2010**