

James A. Rhodes State College Foundation

The logo consists of a blue rectangular background with the text "RHODES STATE COLLEGE" in a smaller, white, sans-serif font on the top line, and "FOUNDATION" in a larger, white, sans-serif font on the bottom line.

**RHODES STATE COLLEGE
FOUNDATION**

Financial Statements

June 30, 2019

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



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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 Plattenburg & Associates, Inc., for the audit period July 1, 2018 through June 30, 2019. 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.

A handwritten signature in black ink that reads "Robert R. Hinkle".

Robert Hinkle
Deputy Chief Auditor
Columbus, Ohio

December 6, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of James A. Rhodes State College Foundation (the Foundation), (a nonprofit organization), a component unit of James A. Rhodes State College, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, and consolidated statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2019 and 2018, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the notes of the financial statements, during the year ended June 30, 2019, the Foundation adopted the Financial Accounting Standards Board Update 2016-14 – Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities. We did not modify our opinion regarding this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of the Foundation's internal control over financial reporting and on 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 reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

November 22, 2019

James A. Rhodes State College Foundation
Statement of Financial Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$834,292	\$641,884
Investments	3,018,261	\$2,931,776
Pledges Receivable-Net	73,454	76,368
Loans Receivable-Net	18,615	19,403
Total Current Assets	<u>3,944,622</u>	<u>3,669,431</u>
Noncurrent Assets:		
Property held for College	125,700	125,700
Total Noncurrent Assets	<u>125,700</u>	<u>125,700</u>
Total Assets	<u>\$4,070,322</u>	<u>\$3,795,131</u>
Liabilities		
Accounts Payable and Related Accrued Liabilities	198,513	114,750
Accrued Interest Payable	417	0
Due to James A Rhodes State College	300,000	300,000
Line of Credit	124,690	114,690
Total Liabilities	<u>623,620</u>	<u>529,440</u>
Net Assets		
With Donor Restrictions	3,379,698	3,184,260
Without Donor Restrictions	67,004	81,431
Total Net Assets	<u>3,446,702</u>	<u>3,265,691</u>
Total Liabilities and Net Assets	<u>\$4,070,322</u>	<u>\$3,795,131</u>

See accompanying notes to the financial statements

James A. Rhodes State College Foundation
Consolidated Statements of Activities
For the Years Ended June 30, 2019 and 2018

For the Year Ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions, net of loss on pledges and loans receivable	\$210,243	\$187,661	\$397,904
Interest and Dividends	7,316	1,255	8,571
Realized and Unrealized Gain (Loss) on Investments	2,331	119,844	122,175
Total Revenues	219,890	308,760	528,650
Released from restrictions	113,322	(113,322)	0
Total Revenues, Gains and Other Support	\$333,212	195,438	528,650
Expenses			
Program Services:			
Academic Programs	15,459	0	15,459
Scholarship/Grants	92,465	0	92,465
Supporting Services:			
Liabilities	229,609	0	229,609
Fundraising	10,106	0	10,106
Total Expenses	347,639	0	347,639
Changes in Net Assets	(14,427)	195,438	181,011
Net Assets - Beginning of Year	81,431	3,184,260	3,265,691
Net Assets - End of Year	\$67,004	\$3,379,698	\$3,446,702

For the Year Ended June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions, net loss on pledge and loan receivable	\$272,077	\$142,625	\$414,702
Interest and Dividends	6,195	65,031	71,226
Realized and Unrealized Gain (Loss) on Investments	6,577	310,172	316,749
Total Revenues	284,849	517,828	802,677
Released from restrictions	151,285	(151,285)	0
Total Revenues, Gains and Other Support	436,134	366,543	802,677
Expenses			
Program Services:			
Academic Programs	35,636	0	35,636
Scholarship/Grants	134,465	0	134,465
Supporting Services:			
Management and General	196,466	0	196,466
Fundraising	30,339	0	30,339
Total Expenses	396,906	0	396,906
Changes in Net Assets before Transfers	39,228	366,543	405,771
Transfers to College	(536,561)	0	(536,561)
Changes in Net Assets	(497,333)	366,543	(130,790)
Net Assets - Beginning of Year	578,764	2,817,717	3,396,481
Net Assets - End of Year	\$81,431	\$3,184,260	\$3,265,691

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

James A. Rhodes State College Foundation
Consolidated Statement of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$181,011	(\$130,790)
Adjustments to reconcile Change in Net Assets to net cash used by operating activities:		
Transfer of assets to College	0	536,561
Realized and Unrealized (Gain)/Loss on Investments	(130,746)	(316,749)
(Increase) Decrease in pledges receivable	2,914	10,431
(Increase) Decrease in loans receivable	788	(3,240)
Increase (Decrease) in accounts payable	83,763	(31,317)
Increase (Decrease) in accrued interest payable	417	(237)
Net cash provided (used) by operating activities	<u>138,147</u>	<u>64,659</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Line of Credit	10,000	10,000
Net cash provided (used) by noncapital financing activities	<u>10,000</u>	<u>10,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchase)/sales of investments	35,690	(73,957)
Interest on investments	8,571	71,226
Net cash provided (used) by investing activities	<u>44,261</u>	<u>(2,731)</u>
NET INCREASE IN CASH	192,408	71,928
Cash and cash equivalents - beginning of year	<u>641,884</u>	<u>569,956</u>
Cash and cash equivalents - end of year	<u><u>\$834,292</u></u>	<u><u>\$641,884</u></u>
NONCASH TRANSACTIONS:		
Assets donated to College	\$0	\$536,561

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

James A. Rhodes State College Foundation
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2019 and 2018

NOTE 1 – Organization and Purpose

The James A. Rhodes State College Foundation (the “Foundation”) was incorporated in March 1978 as a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code for the purpose of collecting donations from individuals, corporations, and foundations. The primary uses of these donations are for scholarships to persons attending James A. Rhodes State College (the “College”) and other purposes benefitting the College. The Foundation is a discretely presented component unit of James A. Rhodes State College.

During 2014, the Foundation created a limited liability company to purchase, sell or lease property within the City of Lima for the College. The limited liability company is the RSCF Lima, LLC. The RSCF Lima LLC is treated as a disregarded entity for federal income tax purposes. The Foundation is the sole member of RSCF Lima LLC. RSCF Lima, LLC financial information is included in these consolidated financial statements.

NOTE 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

The Foundation’s financial statements are prepared using the accrual basis of accounting, in accordance with Generally Accepted Accounting Principles.

Basis of Presentation

The Foundation has adopted the provisions of FASB Accounting Standards Codification (ASC) No. 958 *Not-For-Profit Entities*. Under ASC No. 958 the Foundation is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

With Donor Restrictions

Net assets that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

When a donor restriction expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Contributions to the Foundation are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers cash in bank, time deposits, and highly liquid investments with maturities of three months or less when purchased to be cash or cash equivalents.

The Foundation maintains cash balances at one institution. The Federal Deposit Insurance Corporation (FDIC) insures cash deposits maintained in interest-bearing accounts at a bank up to \$250,000. At June 30, 2019 and 2018, cash balances of \$285,610 and \$335,874, respectively, of the cash

James A. Rhodes State College Foundation
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2019 and 2018

balances maintained by the Foundation were fully insured. RSCF Lima, LLC maintains cash balances at two institutions. At June 30, 2019 and 2018, RSCF Lima, LLC, respectively, maintained cash balances of \$305,567 and \$306,010. Management believes that its cash deposits are not subject to significant risk.

Investments

Investments are reported at fair value based on quoted market prices for identical assets that are actively traded (Level 1) and quoted market prices for similar assets or identical assets that are not actively traded, or prices based on other observable inputs (Level 2). At June 30, 2019 and 2018, investments consisted of common stocks and equity and bond mutual funds.

Contributions

Contributions received, which include unconditional promises to give (pledges), are recognized as revenue at the date of donation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Management regularly evaluates the collectability of pledges receivable and records an allowance for those deemed uncollectible.

Functional Allocation of Expenses

Total expenses consisted of expenses relating to program services and management and general and fundraising activities. Costs are reported in the various programs and support services on an actual basis, where available, or allocated based upon reasonable methods.

Income Taxes

The Foundation is a not for profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code with the exception of unrelated business income. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code. The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

Generally Accepted Accounting Principles create a model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

Reclassifications of Presentation

Certain June 30, 2018 amounts have been reclassified for consistency with the June 30, 2019 presentation.

Use of Estimates

Management of the Foundation has made estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were issued.

James A. Rhodes State College Foundation
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2019 and 2018

NOTE 3 – Investments

Fair Value of Investments at June 30, 2019 and 2018, by major security type, were as follows:

Description	2019	2018
Common Stock	\$1,708,434	\$1,649,288
Equity Funds	652,957	664,843
Bond Funds	656,870	617,645
Total Investments	\$3,018,261	\$2,931,776

NOTE 4 – Pledges Receivable

As of June 30, 2019 and 2018, donors to the Foundation have made written unconditional promises to give which were valued at fair value at the date of donation. Management has estimated an allowance for uncollectible promises based on historical experience and knowledge of the donors' ability to pay. All pledges are expected to be collected within one year.

	2019	2018
Pledges Receivable	\$109,623	\$112,537
Allowance for Uncollectible Pledges	(36,169)	(36,169)
Pledges Receivable, Net	\$73,454	\$76,368

NOTE 5 – Related Party Transactions

During the fiscal year ended June 30, 2019, the Foundation distributed \$92,465 for scholarships and other, and \$4,059 for instructional programs to the College. During the fiscal year ended June 30, 2018, the Foundation distributed \$134,465 for scholarships, \$30,339 for fundraising, and \$35,636 for instructional programs to the College.

NOTE 6 – Restrictions and Limitations on Net Asset Balances

Net assets subject to time or purpose restrictions are available for the following purposes:

	2019	2018
Gifts and Other Donations Available for:		
Schell Foundation Loan Fund	\$36,448	\$36,448
Instructional Programs	750,966	626,019
Scholarships	583,662	647,085
Total Gifts and Other Donations	\$1,371,076	\$1,309,552

James A. Rhodes State College Foundation
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2019 and 2018

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors as follows:

	<u>2019</u>	<u>2018</u>
Instructional Programs	\$15,459	\$16,820
Other	5,398	0
Scholarships	<u>92,465</u>	<u>134,465</u>
Total Gifts and Other Donations	<u>\$113,322</u>	<u>\$151,285</u>

Donor restricted funds that must be maintained in perpetuity consist of endowment funds. In certain cases, the donors of these funds have restricted the use of the income from such funds for scholarships.

Net assets are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Scholarships	\$2,008,622	\$1,874,708

NOTE 7 – Fair Value Measurements

Professional literature defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). It establishes a hierarchy for purposes of disclosure that prioritizes the inputs to valuation techniques used to measure fair value into three levels.

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at June 30, 2019 and 2018, and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets.

Fair values categorized as Level 2 inputs use other inputs that are observable, either directly or indirectly. The equity and bond funds included in Level 2 at June 30, 2019 and 2018 are valued using market techniques, which include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Fair values categorized as Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset. There were no Level 3 investments at June 30, 2019 and 2018.

The Foundation's recognizes transfers between levels as the end of the reporting period.

James A. Rhodes State College Foundation
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2019 and 2018

Fair Value Measurements at June 30, 2019

Description	Level 1	Level 2	Total
Common Stock Types:			
Retail/Wholesale	\$224,237	\$0	\$224,237
Transportation/Logistics	97,893	0	97,893
Media/Entertainment	126,396	0	126,396
Energy	32,354	0	32,354
Financial Services	276,750	0	276,750
Health Care/Life Sciences	286,485	0	286,485
Industrial Goods	212,303	0	212,303
Technology	264,344	0	264,344
Business/Consumer Services	138,045	0	138,045
Real Estate/Construction	49,627	0	49,627
Total Common Stock	1,708,434	0	1,708,434
Equity Fund Types:			
Real Estate Investment Trust	0	94,392	94,392
Small Cap Funds	0	23,534	23,534
Mid Cap Funds	0	156,436	156,436
Index Funds	0	378,595	378,595
Total Equity Fund	0	652,957	652,957
Bond Fund Types:			
Other Bond Funds	0	656,870	656,870
Total Equity Fund	0	656,870	656,870
Total Investments	\$1,708,434	\$1,309,827	\$3,018,261

James A. Rhodes State College Foundation
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2019 and 2018

Fair Value Measurements at June 30, 2018

Description	Level 1	Level 2	Total
Common Stock Types:			
Baic Materials	\$96,653	\$0	\$96,653
Communications	105,680	0	105,680
Consumer	266,905	0	266,905
Energy	72,103	0	72,103
Financial	234,641	0	234,641
Health Care	238,638	0	238,638
Industrial	263,223	0	263,223
Technology	327,039	0	327,039
Capital Goods	44,406	0	44,406
Total Common Stock	1,649,288	0	1,649,288
Equity Fund Types:			
Real Estate Investment Trust	0	87,966	87,966
Small Cap Funds	0	28,233	28,233
Mid Cap Funds	0	148,498	148,498
Index Funds	0	400,146	400,146
Total Equity Fund	0	664,843	664,843
Bond Fund Types:			
Other Bond Funds	0	617,645	617,645
Total Equity Fund	0	617,645	617,645
Total Investments	\$1,649,288	\$1,282,488	\$2,931,776

NOTE 8 – Endowments

The Foundation’s endowment consists of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported per state law based on the existence or absence of donor- imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the 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 donor restricted net assets that must be maintained in perpetuity (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 as permanent is classified as purpose or time restricted until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

James A. Rhodes State College Foundation
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2019 and 2018

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- a. General economic conditions
- b. The possible effect of inflation and deflation
- c. The tax consequences of investment decisions
- d. The role each investment or course of action plays within the overall investment portfolio of the fund
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the organization
- g. The need of the institution and of the fund to make distributions and to preserve capital
- h. An asset's special relationship or special value, if any, to the charitable purposes of the institution

Changes in Endowment Net Assets for Fiscal Year Ended June 30, 2019

	Unrestricted	Donor Restricted		Total
		Time or Purpose Restriction	Restricted in Perpetuity	
Net Assets, beginning of year	\$427	\$997,064	\$1,874,708	\$2,872,199
Contributions, net of allowance	0	0	133,914	\$133,914
Investment Income	0	1,255	0	\$1,255
Realized and Unrealized gains and losses	0	142,563	0	\$142,563
Investment Expenses	0	(9,896)	0	(\$9,896)
Appropriation of endowment Assets for Expenditures	(427)	(43,221)	0	(\$43,648)
Net Assets, End of Year	<u>\$0</u>	<u>\$1,087,765</u>	<u>\$2,008,622</u>	<u>\$3,096,387</u>

Changes in Endowment Net Assets for Fiscal Year Ended June 30, 2018

	Unrestricted	Donor Restricted		Total
		Time or Purpose Restriction	Restricted in Perpetuity	
Net Assets, beginning of year	(\$261)	\$700,424	\$1,770,860	\$2,471,023
Contributions, net of allowance	0	42,473	103,848	\$146,321
Investment Income	169	61,437	0	\$61,606
Realized and Unrealized gains and losses	871	306,258	0	\$307,129
Investment Expenses	(52)	(17,712)	0	(\$17,764)
Appropriation of endowment Assets for Expenditures	(300)	(95,816)	0	(\$96,116)
Net Assets, End of Year	<u>\$427</u>	<u>\$997,064</u>	<u>\$1,874,708</u>	<u>\$2,872,199</u>

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 net assets without donor restrictions. The Foundation did not have a deficiency in the endowment fund as of June 30, 2019 or 2018.

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 net assets without donor restrictions. The Foundation did not have a deficiency in the endowment fund as of June 30, 2019 or 2018.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, approved by the Board of Directors, the endowment assets are invested to manage the contributions in a manner that will maximize the benefit intended by the donor, produce current income to support the programs of the College and donor objectives, and 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. Actual returns in any given year may vary from this amount. 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 and How the Investment Objectives Relate to Spending Policy

Ohio law states that the appropriation for expenditure in any year of an amount greater than seven percent of the fair market value of an endowment fund calculated on the basis of fair market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure was made creates a rebuttable presumption of imprudence. For an endowment fund in existence for fewer than three years, the fair market value of the endowment fund must be calculated for the period that the fund has been in existence.

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

NOTE 9 – Programmatic Investments – Charles E. Schell Foundation Grant/Loan Program

The Charles E. Schell Foundation Grant/Loan Program Fund is an interest-free loan that is made available through the generosity of the Charles E. Schell Foundation as administered by the Fifth Third Bank. This loan is non-interest bearing and carries a moral obligation repayment clause. It is to be used for the educational benefits of citizens of Ohio, Kentucky, and West Virginia. To qualify, James A. Rhodes State College students need to meet specific requirements.

James A. Rhodes State College Foundation
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2019 and 2018

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. The Foundation collected \$788 and \$760 in student repayments in fiscal years 2019 and 2018, respectively. The Foundation does not pursue collections on these loans. Because these are programmatic investments the amounts are classified as operating in the statement of cash flows.

Loans Receivable is recorded net of estimated uncollectible amounts. The Foundation regularly evaluates its loans receivable for collectability and provides for an allowance for bad debts when deemed necessary.

NOTE 10 – Lima Community Foundation

Three separate scholarship funds are held by The Lima Community Foundation: The John J. and Martha M. Hudson Scholarship Fund (formerly the John J. Hudson Fund), the James J. Countryman Scholarship Fund, and the Thomas R. and Gloria P. Leech Scholarship Fund (originally the Thomas R. Leech Memorial Scholarship Fund). All three funds were established to award scholarships to students attending James A. Rhodes State College.

The following table presents the fair value of these funds as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
John J. and Martha M. Hudson Scholarship Fund	\$10,522	\$10,007
James J. Countryman Scholarship Fund	42,686	40,595
Thomas R. and Gloria P. Leech Scholarship Fund	<u>20,329</u>	<u>18,349</u>
Total	<u>\$73,537</u>	<u>\$68,951</u>

Scholarship awards made from each of these funds were as follows on June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
John J. and Martha M. Hudson Scholarship Fund	\$500	\$0
James J. Countryman Scholarship Fund	1,686	1,496
Thomas R. and Gloria P. Leech Scholarship Fund	<u>736</u>	<u>638</u>
Total	<u>\$2,922</u>	<u>\$2,134</u>

The Lima Community Foundation owns all three funds and manages them according to their investment policy. Since the donors contributed the amounts to the Community Foundation and the Community Foundation has variance power, these amounts are not recorded on the financial statements of the Foundation. Scholarship money transferred from the Lima Community Foundation is recognized as revenue when awarded by the Community Foundation.

NOTE 11 – RSCF LIMA, LLC

On November 13, 2013, the creation of RSCF Lima, LLC was done for the purpose of purchasing, selling or leasing real estate to the College. A Board of Directors and Officers operate RSCF Lima, LLC. The

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LLC's initial project will be to develop the Rhodes State College Center for Health Sciences Education and Innovation in downtown Lima. In January 2014, the Board of Directors authorized the LLC to purchase several parcels of downtown properties comprised of land and buildings owned by Tri-C Enterprises and pay any and all expenses and fees related to the completion of this acquisition. There are additional properties yet to be acquired. The purchased properties are reflected in the Consolidated Statements of Financial Position as Property Held for College. During fiscal year 2018 RSCF Lima, LLC transferred a portion of this land in the amount of \$536,561 to the College. This donation of property has been recorded as a capital contribution in the accompanying financial statements of the College and as a nonoperating transfer of assets in the accompanying financial statements of the Foundation.

NOTE 12 – Liquidity and Availability of Financial Assets

The following reflect the Foundation's financial assets as of the June 30, 2019 and June 30, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial statement date.

	2019	2018
Cash and Cash Equivalents	\$834,292	\$641,884
Investments	3,018,261	2,931,776
Pledges Receivable	73,454	76,368
Loans Receivable	18,615	19,403
	<u>\$3,944,622</u>	<u>\$3,669,431</u>
Less: Assets Unavailable for General Expenditures within one year due to:		
Donor Restrictions	<u>3,379,698</u>	<u>3,184,260</u>
Financial Assets Available to meet cash needs		
for general expenditures within one year	<u>\$564,924</u>	<u>\$485,171</u>

As part of the Foundation's liquidity management, the Foundation invests cash in excess of requirements in various types of investments.

NOTE 13 – Expense Disclosures

2019	Program	Supporting Activities		Total Expenses
		Management and General	Fund-Raising	
Scholarships	\$92,465	\$0	\$0	\$92,465
Student-Related	15,459	0	0	15,459
Contracted Services	0	16,355	0	16,355
Personal Services	0	178,189	0	178,189
Other	0	35,065	10,106	45,171
Total Expenses	<u>\$107,924</u>	<u>\$229,609</u>	<u>\$10,106</u>	<u>\$347,639</u>

James A. Rhodes State College Foundation
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2018	Program	Supporting Activities		Total Expenses
		Management and General	Fund-Raising	
Scholarships	\$134,465	\$0	\$0	\$134,465
Student-Related	35,636	0	0	35,636
Contracted Services	0	26,338	0	26,338
Personal Services	0	167,399	0	167,399
Other	0	2,729	30,339	33,068
Total Expenses	<u>\$170,101</u>	<u>\$196,466</u>	<u>\$30,339</u>	<u>\$396,906</u>

Some categories of expense are attributable to more than one activity and require allocation, applied on a consistent basis. Other expenses are assigned directly to specific activities as expenditures are made.

NOTE 14 – New Accounting Principle

The Foundation has adopted new accounting guidance, FASB ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance required changes to the presentation of categories of net assets and required certain new disclosures. The new accounting principle was implemented retrospectively; changes to the previously issued 2018 financial statement amounts, including net assets, were not material.

James A. Rhodes State College Foundation

The logo consists of a blue rectangular background with the text "RHODES STATE COLLEGE" in a smaller, white, sans-serif font on the top line, and "FOUNDATION" in a larger, white, sans-serif font on the bottom line.

**RHODES STATE COLLEGE
FOUNDATION**

Yellow Book Report

June 30, 2019

PLATTENBURG
Certified Public Accountants

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**INDEPENDENT AUDITOR'S 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***

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

We have audited, in accordance with the 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, the consolidated financial statements of the James A. Rhodes State College Foundation (the Foundation), (a nonprofit organization), a component unit of James A. Rhodes State College, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, and consolidated cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

November 22, 2019

OHIO AUDITOR OF STATE KEITH FABER



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
DECEMBER 19, 2019**