

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



**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020**



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, 2020 through June 30, 2021. 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, appearing to read "Robert R. Hinkle".

Robert R. Hinkle, CPA, CGFM  
Chief Deputy Auditor  
Columbus, Ohio

December 15, 2021

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**JAMES A. RHODES STATE COLLEGE FOUNDATION  
ALLEN COUNTY  
FOR THE YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020**

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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 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 statements of financial position as of June 30, 2021 and 2020, 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 as listed in the table of contents.

### 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, 2021 and 2020, 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.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2021, 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  
December 10, 2021



James A. Rhodes State College Foundation  
Consolidated Statement of Financial Position  
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$386,501	\$342,724
Investments	5,038,093	3,359,045
Pledges Receivable-Net	2,542,288	59,068
Loans Receivable-Net	<u>16,555</u>	<u>16,555</u>
Total Current Assets	<u>7,983,437</u>	<u>3,777,392</u>
Total Assets	<u>\$7,983,437</u>	<u>\$3,777,392</u>
Liabilities		
Accounts Payable and Related Accrued Liabilities	237,219	60,640
Accrued Interest Payable	<u>0</u>	<u>417</u>
Total Liabilities	<u>237,219</u>	<u>61,057</u>
Net Assets		
With Donor Restrictions	7,580,754	3,601,679
Without Donor Restrictions	<u>165,464</u>	<u>114,656</u>
Total Net Assets	<u>7,746,218</u>	<u>3,716,335</u>
Total Liabilities and Net Assets	<u>\$7,983,437</u>	<u>\$3,777,392</u>

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

James A. Rhodes State College Foundation  
Consolidated Statements of Activities  
For the Years Ended June 30, 2021 and 2020

For the Year Ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>			
Contributions, net of loss on pledges and loans receivable	\$124,092	\$3,084,317	\$3,208,409
Interest and Dividends	0	65,566	65,566
Realized and Unrealized Gain (Loss) on Investments	0	1,126,586	1,126,586
<b>Total Revenues</b>	<b>124,092</b>	<b>4,276,469</b>	<b>4,400,561</b>
Released from restrictions	297,394	(297,394)	0
<b>Total Revenues, Gains and Other Support</b>	<b>\$421,486</b>	<b>3,979,075</b>	<b>4,400,561</b>
<b>Expenses</b>			
Program Services:			
Academic Programs	2,804	0	2,804
Scholarship/Grants	294,590	0	294,590
Supporting Services:			
Management and General	72,149	0	72,149
Fundraising	1,135	0	1,135
<b>Total Expenses</b>	<b>370,678</b>	<b>0</b>	<b>370,678</b>
<b>Changes in Net Assets</b>	<b>50,808</b>	<b>3,979,075</b>	<b>4,029,883</b>
Net Assets - Beginning of Year	114,656	3,601,679	3,716,335
Net Assets - End of Year	\$165,464	\$7,580,754	\$7,746,218

For the Year Ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>			
Contributions, net of loss on pledges and loans receivable	\$223,991	\$96,417	\$320,408
Interest and Dividends	43,578	6,477	50,055
Realized and Unrealized Gain (Loss) on Investments	3,386	174,097	177,483
Other Revenue	19,679	0	19,679
<b>Total Revenues</b>	<b>290,634</b>	<b>276,991</b>	<b>567,625</b>
Released from restrictions	55,010	(55,010)	0
<b>Total Revenues, Gains and Other Support</b>	<b>\$345,644</b>	<b>221,981</b>	<b>567,625</b>
<b>Expenses</b>			
Program Services:			
Academic Programs	27,970	0	27,970
Scholarship/Grants	15,144	0	15,144
Supporting Services:			
Management and General	251,348	0	251,348
Fundraising	3,530	0	3,530
<b>Total Expenses</b>	<b>297,992</b>	<b>0</b>	<b>297,992</b>
<b>Changes in Net Assets</b>	<b>47,652</b>	<b>221,981</b>	<b>269,633</b>
Net Assets - Beginning of Year	67,004	3,379,698	3,446,702
Net Assets - End of Year	\$114,656	\$3,601,679	\$3,716,335

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, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in Net Assets	\$4,029,883	\$269,633
Adjustments to reconcile Change in Net Assets to net cash used by operating activities:		
Gain on sale of property held for College	0	(19,679)
Realized and Unrealized (Gain)/Loss on investments	(1,126,308)	(177,483)
(Increase) Decrease in pledges receivable	(2,483,219)	14,386
(Increase) Decrease in loans receivable	0	2,060
Increase (Decrease) in payables	5,487	(137,873)
Increase (Decrease) in accrued liabilities	170,675	0
Net cash provided (used) by operating activities	596,518	(48,956)
Cash Flows from Noncapital Financing Activities		
Repayment to College	0	(300,000)
Proceeds (Repayment) - Line of Credit	0	(124,690)
Net cash provided (used) by noncapital financing activities	0	(424,690)
Cash Flows from Investing Activities		
Proceeds from sale of land held for College	0	145,379
Net (purchase)/sales of investments	(552,741)	(213,356)
Interest on investments	0	50,055
Net cash provided (used) by investing activities	(552,741)	(17,922)
Net Increase (Decrease) in Cash	43,777	(491,568)
Cash and cash equivalents - beginning of year	342,724	834,292
Cash and cash equivalents - end of year	\$386,501	\$342,724

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, 2021 and 2020

**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 Rhodes State College (the “College”) and other purposes benefitting the College. The Foundation is a discretely presented component unit of 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, 2021 and 2020, cash balances of \$373,733 and \$271,773, respectively, of the cash

James A. Rhodes State College Foundation  
Notes to the Consolidated Financial Statements  
For the Fiscal Years Ended June 30, 2021 and 2020

balances maintained by the Foundation were fully insured. RSCF Lima, LLC maintains cash balances at two institutions. At June 30, 2021 and 2020, RSCF Lima, LLC, respectively, maintained cash balances of \$0 and \$26,346. 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, 2021 and 2020, 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.

**Contributions and Promises to Give**

Gifts received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets without donor restriction. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

James A. Rhodes State College Foundation  
Notes to the Consolidated Financial Statements  
For the Fiscal Years Ended June 30, 2021 and 2020

**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.

**NOTE 3 – Investments**

Fair Value of Investments at June 30, 2021 and 2020, by major security type, were as follows:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Common Stock	\$3,808,804	\$2,181,395
Equity Funds	198,114	414,822
Bond Funds	<u>1,031,175</u>	<u>762,828</u>
Total Investments	<u>\$5,038,093</u>	<u>\$3,359,045</u>

**NOTE 4 – Pledges Receivable**

As of June 30, 2021 and 2020, 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 according to the donor's pledge agreement, which can range from one to five years.

	<u>2021</u>	<u>2020</u>
Pledges Receivable	\$2,587,122	\$95,237
Allowance for Uncollectible Pledges	<u>(44,834)</u>	<u>(36,169)</u>
Pledges Receivable, Net	<u>\$2,542,288</u>	<u>\$59,068</u>

**NOTE 5 – Related Party Transactions**

During the fiscal year ended June 30, 2021, the Foundation distributed \$92,775 for scholarships and other, and \$337 for academic programs to the College. During the fiscal year ended June 30, 2020 the Foundation distributed \$15,144 for scholarships and other, and \$27,970 for academic programs to the College.

James A. Rhodes State College Foundation  
Notes to the Consolidated Financial Statements  
For the Fiscal Years Ended June 30, 2021 and 2020

**NOTE 6 – Restrictions and Limitations on Net Asset Balances**

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

	<u>2021</u>	<u>2020</u>
Gifts and Other Donations Available for:		
Schell Foundation Loan Fund	\$33,008	\$35,008
Instructional Programs	606,449	467,839
Capital Projects	2,271,439	0
Scholarships	<u>2,202,385</u>	<u>1,027,887</u>
Total Gifts and Other Donations	<u>\$5,113,281</u>	<u>\$1,530,734</u>

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

	<u>2021</u>	<u>2020</u>
Instructional Programs	\$2,804	\$27,970
Other	11,733	11,896
Scholarships	<u>282,857</u>	<u>15,144</u>
Total Gifts and Other Donations	<u><u>\$297,394</u></u>	<u><u>\$55,010</u></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>2021</u>	<u>2020</u>
Scholarships	\$2,467,473	\$2,070,945

**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, 2021 and 2020, 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, 2021 and 2020 are valued using market techniques, which include quoted prices for similar assets in active markets, and other

James A. Rhodes State College Foundation  
Notes to the Consolidated Financial Statements  
For the Fiscal Years Ended June 30, 2021 and 2020

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, 2021 and 2020.

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

Fair Value Measurements at June 30, 2021

Description	Level 1	Level 2	Total
Common Stock Types:			
Communications	\$445,538	\$0	\$445,538
Consumer	761,692	0	761,692
Energy	165,797	0	165,797
Financial Services	504,552	0	504,552
Health Care/Life Sciences	432,478	0	432,478
Industrial Goods	323,445	0	323,445
Technology	721,995	0	721,995
	3,355,497	0	3,355,497
Equity Fund Types:			
Real Estate Investment Trust	0	48,452	48,452
Small Cap Funds	0	56,436	56,436
Index Funds	0	546,533	546,533
	0	651,421	651,421
Bond Fund Types:			
Other Bond Funds	0	1,031,175	1,031,175
	0	1,031,175	1,031,175
Total Investments	\$3,355,497	\$1,682,596	\$5,038,093

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Rhodes State College Foundation  
Notes to the Consolidated Financial Statements  
For the Fiscal Years Ended June 30, 2021 and 2020

Fair Value Measurements at June 30, 2020

Description	Level 1	Level 2	Total
Common Stock Types:			
Retail/Wholesale	\$234,662	\$0	\$234,662
Transportation/Logistics	56,928	0	56,928
Media/Entertainment	138,698	0	138,698
Financial Services	288,867	0	288,867
Health Care/Life Sciences	405,644	0	405,644
Industrial Goods	280,844	0	280,844
Technology	775,752	0	775,752
Total Common Stock	2,181,395	0	2,181,395
Equity Fund Types:			
Real Estate Investment Trust	0	46,568	46,568
Small Cap Funds	0	40,805	40,805
Mid Cap Funds	0	90,477	90,477
Index Funds	0	236,972	236,972
Total Equity Fund	0	414,822	414,822
Bond Fund Types:			
Other Bond Funds	0	762,828	762,828
Total Equity Fund	0	762,828	762,828
Total Investments	\$2,181,395	\$1,177,650	\$3,359,045

**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.

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

Rhodes State College Foundation  
Notes to the Consolidated Financial Statements  
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- 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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Net Assets, beginning of year	\$2,070,945	\$2,008,622
Contributions, net of allowance	<u>396,528</u>	<u>62,323</u>
Net Assets, End of Year	<u><u>\$2,467,473</u></u>	<u><u>\$2,070,945</u></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, 2021 or 2020.

**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).

Rhodes State College Foundation  
Notes to the Consolidated Financial Statements  
For the Fiscal Years Ended June 30, 2021 and 2020

**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, Rhodes State College students need to meet specific requirements.

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 \$0 and \$2,060 in student repayments in fiscal years 2021 and 2020, 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 Rhodes State College.

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Rhodes State College Foundation  
Notes to the Consolidated Financial Statements  
For the Fiscal Years Ended June 30, 2021 and 2020

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.

On May 6, 2020 the board resolved to dissolve the RSCF, LLC, resolution 2020-12. The bank requires that the account remain open for a certain period of time before it can be closed. This balance is the only thing on the Statement of Financial Position for RSCF, LLC. Any activity is simply bank charges.

**NOTE 12 – Liquidity and Availability of Financial Assets**

The following reflect the Foundation’s financial assets as of the June 30, 2021 and June 30, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial statement date.

	2021	2020
Cash and Cash Equivalents	\$386,501	\$342,724
Investments	5,038,093	3,359,045
Pledges Receivable	2,542,288	59,068
Loans Receivable	16,555	16,555
	\$7,983,437	\$3,777,392
Less:		
Assets Unavailable for General Expenditure within one year due to:		
Donor Restrictions	7,580,754	3,601,679
Financial Assets Available to meet cash needs for general expenditures within one year	\$402,683	\$175,713

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

Rhodes State College Foundation  
Notes to the Consolidated Financial Statements  
For the Fiscal Years Ended June 30, 2021 and 2020

**NOTE 13 – Expense Disclosures**

2021	Program	Supporting Activities		Total Expenses
		Management and General	Fund-Raising	
Scholarships	\$294,590	\$0	\$0	\$294,590
Student-Related	2,804	0	0	2,804
Contracted Services	0	4,302	0	4,302
Personal Services	0	61,322	0	61,322
Other	0	6,525	1,135	7,660
<b>Total Expenses</b>	<b>\$297,394</b>	<b>\$72,149</b>	<b>\$1,135</b>	<b>\$370,678</b>

2020	Program	Supporting Activities		Total Expenses
		Management and General	Fund-Raising	
Scholarships	\$27,970	\$0	\$0	\$27,970
Student-Related	15,144	0	0	15,144
Contracted Services	0	14,988	0	14,988
Personal Services	0	213,628	0	213,628
Other	0	22,732	3,530	26,262
<b>Total Expenses</b>	<b>\$43,114</b>	<b>\$251,348</b>	<b>\$3,530</b>	<b>\$297,992</b>

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 Topic 606, **Revenue from Contracts with Customers**. This guidance is pertaining to revenue from contracts with customers. The Foundation’s financial statements were not impacted by the adoption of Topic 606.

**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, 2021, 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 December 10, 2021.

**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) as a basis for designing 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 financial statements. 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  
December 10, 2021

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# OHIO AUDITOR OF STATE KEITH FABER



**JAMES A. RHODES STATE COLLEGE FOUNDATION**

**ALLEN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 12/28/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)