

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



REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2021

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPARreport@ohioauditor.gov
(800) 282-0370

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, 2021 through June 30, 2022. 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

January 26, 2023

This page intentionally left blank.

**JAMES A. RHODES STATE COLLEGE FOUNDATION
ALLEN COUNTY
FOR THE YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2021**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report.....	1
Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to the Financial Statements	6
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related consolidated statements of activities, and consolidated statement of cash flows for the year then ended, and the related notes to the financial statements as listed in the table of contents.

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, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2022, 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 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 29, 2022

James A. Rhodes State College Foundation
Consolidated Statement of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$950,353	\$386,501
Investments	4,509,854	5,038,093
Pledges Receivable-Net	1,318,851	2,542,288
Loans Receivable-Net	26,009	16,555
Total Current Assets	<u>6,805,067</u>	<u>7,983,437</u>
Total Assets	<u>\$6,805,067</u>	<u>\$7,983,437</u>
Liabilities		
Accounts Payable and Related Accrued Liabilities	181,882	237,219
Accrued Interest Payable	<u>0</u>	<u>0</u>
Total Liabilities	<u>181,882</u>	<u>237,219</u>
Net Assets		
With Donor Restrictions	6,474,747	7,580,754
Without Donor Restrictions	148,438	165,464
Total Net Assets	<u>6,623,185</u>	<u>7,746,218</u>
Total Liabilities and Net Assets	<u>\$6,805,067</u>	<u>\$7,983,437</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, 2022 and 2021

For the Year Ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions, net of loss on pledges and loans receivable	\$49,509	\$2,779,720	\$2,829,229
Interest and Dividends	0	92,780	92,780
Realized and Unrealized Gain (Loss) on Investments	0	(689,286)	(689,286)
Total Revenues	49,509	2,183,214	2,232,723
Released from restrictions	3,289,221	(3,289,221)	0
Total Revenues, Gains and Other Support	\$3,338,730	(1,106,007)	2,232,723
Expenses			
Program Services:			
Academic Programs	8,068	0	8,068
Scholarship/Grants	3,281,153	0	3,281,153
Supporting Services:			
Management and General	65,973	0	65,973
Fundraising	562	0	562
Total Expenses	3,355,756	0	3,355,756
Changes in Net Assets	(17,026)	(1,106,007)	(1,123,033)
Net Assets - Beginning of Year	165,464	7,580,754	7,746,218
Net Assets - End of Year	\$148,438	\$6,474,747	\$6,623,185

For the Year Ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
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
Total Revenues	124,092	4,276,469	4,400,561
Released from restrictions	297,394	(297,394)	0
Total Revenues, Gains and Other Support	\$421,486	3,979,075	4,400,561
Expenses			
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
Total Expenses	370,678	0	370,678
Changes in Net Assets	50,808	3,979,075	4,029,883
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

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, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in Net Assets	(\$1,123,033)	\$4,029,883
Adjustments to reconcile Change in Net Assets to net cash used by operating activities:		
Gain on sale of property held for College	0	0
Unrealized and Realized (Gain)/Loss on investments	689,286	(1,126,308)
(Increase) Decrease in pledges receivable	1,223,437	(2,483,219)
(Increase) Decrease in loans receivable	(9,454)	0
Increase (Decrease) in payables/accrued liabilities	(55,337)	176,162
Increase (Decrease) in accrued liabilities	0	0
Net cash provided (used) by operating activities	724,899	596,518
Cash Flows from Noncapital Financing Activities		
Repayment to College	0	0
Proceeds (Repayment) - Line of Credit	0	0
Net cash provided (used) by noncapital financing activities	0	0
Cash Flows from Investing Activities		
Proceeds from sale of land held for College	0	0
Net (purchase)/sales of investments	(253,827)	(552,741)
Interest on investments	92,780	0
Net cash provided (used) by investing activities	(161,047)	(552,741)
Net Increase (Decrease) in Cash	563,852	43,777
Cash and cash equivalents - beginning of year	386,501	342,724
Cash and cash equivalents - end of year	\$950,353	\$386,501

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, 2022 and 2021

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, 2022 and 2021, cash balances of \$923,967 and \$373,733, respectively, of the cash balances maintained

James A. Rhodes State College Foundation
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

by the Foundation were fully insured. RSCF Lima, LLC maintains cash balances at one institution. At June 30, 2022 and 2021, RSCF Lima, LLC, respectively, maintained cash balances of \$26,386 and \$26,364. 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, 2022 and 2021, investments consisted of cash & equivalents, 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.

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.

James A. Rhodes State College Foundation
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

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, 2022 and 2021, by major security type, were as follows:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Bond Funds	\$1,135,447	\$3,808,804
Common Stock	2,725,057	198,114
Equity Funds	<u>649,349</u>	<u>1,031,175</u>
Total Investments	<u><u>\$4,509,853</u></u>	<u><u>\$5,038,093</u></u>

NOTE 4 – Pledges Receivable

As of June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Pledges Receivable	\$1,363,685	\$2,587,122
Allowance for Uncollectible Pledges	<u>(44,834)</u>	<u>(44,834)</u>
Pledges Receivable, Net	<u><u>\$1,318,851</u></u>	<u><u>\$2,542,288</u></u>

NOTE 5 – Related Party Transactions

During the fiscal year ended June 30, 2022, the Foundation distributed \$923,724 for scholarships and other, \$3,860 for academic programs to the College. 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.

This space intentionally left blank

James A. Rhodes State College Foundation
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

NOTE 6 – Restrictions and Limitations on Net Asset Balances

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

	<u>2022</u>	<u>2021</u>
Gifts and Other Donations Available for:		
Schell Foundation Loan Fund	\$44,448	\$33,008
Instructional Programs	124,888	606,449
Capital Projects	1,973,870	2,271,439
Scholarships	<u>1,532,174</u>	<u>2,202,385</u>
Total Gifts and Other Donations	<u>\$3,675,380</u>	<u>\$5,113,281</u>

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

	<u>2022</u>	<u>2021</u>
Instructional Programs	\$8,068	\$2,804
Scholarships, Other	<u>3,281,153</u>	<u>294,590</u>
Total Gifts and Other Donations	<u>\$3,289,221</u>	<u>\$297,394</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>2022</u>	<u>2021</u>
Scholarships, Other	\$2,799,367	\$2,467,473

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, 2022 and 2021, and the valuation techniques used by the Foundation to determine those fair values. This does not include the cash & equivalents.

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, 2022 and 2021 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.

James A. Rhodes State College Foundation
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

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, 2022 and 2021.

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

This space intentionally left blank

James A. Rhodes State College Foundation
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

Fair Value Measurements at June 30, 2022

Description	Level 1	Level 2	Total
Common Stock Types:			
ETF-International	\$355,792	\$0	\$355,792
ETF-Mid Cap	219,323	0	219,323
ETF-Small Cap	247,062	0	247,062
Telcomm	133,761	0	133,761
Consumer Discret	158,083	0	158,083
Consumer Staples	100,333	0	100,333
Information Technology	378,316	0	378,316
Real Estate	41,320	0	41,320
Energies	61,478	0	61,478
Utilities	50,078	0	50,078
Industrials	120,864	0	120,864
Financials	155,372	0	155,372
Health Care	230,085	0	230,085
Materials	36,289	0	36,289
Business/Consumer Services	0	0	0
Real Estate/Construction	0	0	0
Total Common Stock	<u>2,288,156</u>	<u>0</u>	<u>2,288,156</u>
Equity Fund Types:			
Mutual Fund	0	320,998	320,998
Commodity funds	0	69,683	69,683
Equity Class I Fund	0	168,054	168,054
Institutional Class Fund	0	361,409	361,409
Index funds	0	166,107	166,107
Total Equity Fund	<u>0</u>	<u>1,086,251</u>	<u>1,086,251</u>
Bond Fund Types:			
Other Bond Funds	0	1,135,447	1,135,447
Total Equity Fund	<u>0</u>	<u>1,135,447</u>	<u>1,135,447</u>
Total Investments	<u>\$2,288,156</u>	<u>\$2,221,698</u>	<u>\$4,509,854</u>

James A. Rhodes State College Foundation
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

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
Total Common Stock	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
Mid Cap Funds	0	0	0
Index Funds	0	546,533	546,533
Total Equity Fund	0	651,421	651,421
Bond Fund Types:			
Other Bond Funds	0	1,031,175	1,031,175
Total Equity Fund	0	1,031,175	1,031,175
Total Investments	\$3,355,497	\$1,682,596	\$5,038,093

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, 2022 and 2021

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, 2022 and 2021 are as follows:

	2022	2021
Net Assets, beginning of year	\$2,467,473	\$2,070,945
Contributions, net of allowance	331,894	396,528
Net Assets, End of Year	\$2,799,367	\$2,467,473

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, 2022 or 2021.

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).

James A. Rhodes State College Foundation
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

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 the trailing 12 quarter 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 \$0 in student repayments in fiscal years 2022 and 2021, 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.

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.

James A. Rhodes State College Foundation
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

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 transfers from the Foundation to prevent fees and bank charges.

NOTE 12 – Liquidity and Availability of Financial Assets

The following reflect the Foundation’s financial assets as of the June 30, 2022 and June 30, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial statement date.

	2022	2021
Cash and Cash Equivalents	\$950,353	\$386,501
Investments	4,509,854	5,038,093
Pledges Receivable	1,318,851	2,542,288
Loans Receivable	26,009	16,555
	\$6,805,067	\$7,983,437
Less:		
Assets Unavailable for General Expenditure within one year due to:		
Donor Restrictions	6,474,747	7,580,754
Financial Assets Available to meet cash needs for general expenditures within one year	\$330,320	\$402,683

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

This space intentionally left blank

James A. Rhodes State College Foundation
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

NOTE 13 – Expense Disclosures

2022	Program	Supporting Activities		Total Expenses
		Management and General	Fund-Raising	
Scholarships	\$3,281,153	\$0	\$0	\$3,281,153
Student-Related Contracted Services	8,068	0	0	8,068
Personal Services	0	6,289	0	6,289
Other	0	59,684	0	59,684
		0	562	562
Total Expenses	\$3,289,221	\$65,973	\$562	\$3,355,756

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

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

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities and changes in net assets, apart from contributions of cash or other financial assets. It also requires enhanced disclosures by category of gifts-in-kind. The amendments in this ASU were implemented as of July 1, 2021 and included expanded disclosures related to contributions. There was no impact on the financial statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *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, 2022, 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 29, 2022.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 29, 2022

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 2/7/2023

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