

Central State University Foundation and Subsidiary

Financial Report
June 30, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Central State University Foundation and Subsidiary

We have reviewed the Independent Auditor's Report of the Central State University Foundation and Subsidiary, Greene County, prepared by Plante & Moran, PLLC for the audit period July 1, 2003 through June 30, 2004. 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 Central State University Foundation and Subsidiary is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 9, 2005

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Central State University Foundation and Subsidiary

Contents

Report Letter	1
Consolidated Financial Statements	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5-11
Report Letter on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12

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Independent Auditor's Report

To the Board of Trustees
Central State University Foundation
and Subsidiary

We have audited the accompanying consolidated statement of financial position of Central State University Foundation and Subsidiary (the "Foundation") as of June 30, 2004 and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's June 30, 2003 financial statements, which were audited by another auditor whose report dated December 15, 2003 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central State University Foundation and Subsidiary as of June 30, 2004 and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued a report dated April 25, 2005 on our consideration of Central State University Foundation and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 the testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

April 25, 2005

Central State University Foundation and Subsidiary

Consolidated Statement of Financial Position June 30, 2004 (with comparative totals for June 30, 2003)

	<u>2004</u>	<u>2003</u>
Assets		
Assets		
Cash and cash equivalents	\$ 927,542	\$ 2,621,371
Investments (Note 3)	3,674,391	1,312,354
Contributions receivable (Note 4)	228,778	92,297
Other receivables	99,119	-
Prepaid expenses	<u>4,332</u>	<u>3,333</u>
Total current assets	4,934,162	4,029,355
Restricted cash and cash equivalents (Note 3)	3,644,450	879,431
Fixed assets - Net (Note 5)	15,756,619	7,107,178
Financing costs - Net (Note 1)	<u>2,237,954</u>	<u>825,164</u>
Total assets	<u>\$ 26,573,185</u>	<u>\$ 12,841,128</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 96,767	\$ 132,458
Construction payable	1,293,646	-
Accrued interest payable	450,869	229,104
Current portion of long-term debt (Note 7)	<u>95,000</u>	<u>-</u>
Total current liabilities	1,936,282	361,562
Long-term debt (Note 7)	<u>20,377,724</u>	<u>8,577,499</u>
Total liabilities	22,314,006	8,939,061
Net Assets (Note 6)		
Unrestricted	272,637	439,487
Temporarily restricted	2,518,610	2,041,206
Permanently restricted	<u>1,467,932</u>	<u>1,421,374</u>
Total net assets	<u>4,259,179</u>	<u>3,902,067</u>
Total liabilities and net assets	<u>\$ 26,573,185</u>	<u>\$ 12,841,128</u>

Central State University Foundation and Subsidiary

Consolidated Statement of Activities and Changes in Net Assets Year Ended June 30, 2004 (with comparative totals for the year ended June 30, 2003)

	2004			2003	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue					
Rental revenues	\$ 990,340	\$ -	\$ -	\$ 990,340	\$ 816,945
Contributions	28,787	1,481,777	46,558	1,557,122	659,636
Reimbursements	7,478	6,665	-	14,143	54,264
Other	41,533	40,670	-	82,203	38,560
Unrealized gain (loss) on investments	64,069	(39)	-	64,030	(23,026)
Investment income	70,320	119,127	-	189,447	50,962
Transferred from Central State University	-	-	-	-	1,064,088
Net assets released from restrictions	1,170,796	(1,170,796)	-	-	-
Total revenue	2,373,323	477,404	46,558	2,897,285	2,661,429
Expenses					
Programs:					
Scholarship programs	421,052	-	-	421,052	188,074
Athletic programs	229,730	-	-	229,730	84,896
Academic programs	198,313	-	-	198,313	152,556
Institution programs	201,878	-	-	201,878	131,701
Support activities:					
Management fees	63,371	-	-	63,371	57,186
Operating expenses	246,775	-	-	246,775	293,348
Depreciation expense	277,701	-	-	277,701	244,929
Interest expense	690,068	-	-	690,068	376,549
Other	211,285	-	-	211,285	-
Total expenses	2,540,173	-	-	2,540,173	1,529,239
Increase (Decrease) in Net Assets	(166,850)	477,404	46,558	357,112	1,132,190
Net Assets - Beginning of year	439,487	2,041,206	1,421,374	3,902,067	2,769,877
Net Assets - End of year	\$ 272,637	\$ 2,518,610	\$ 1,467,932	\$ 4,259,179	\$ 3,902,067

Central State University Foundation and Subsidiary

Consolidated Statement of Cash Flows Year Ended June 30, 2004 (with comparative totals for year ended June 30, 2003)

	<u>2004</u>	<u>2003</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 357,112	\$ 1,132,190
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	222,708	222,707
Amortization of issuance costs	54,993	22,222
Amortization of bond discount	32,924	19,401
Unrealized (gain) loss on investments	(64,030)	23,026
(Increase) decrease in assets:		
Contributions receivable	(136,481)	50,810
Prepaid expenses	(999)	(3,333)
Other receivables	(99,119)	-
Increase (decrease) in liabilities:		
Accounts payable	(35,691)	75,272
Management fees payable	-	57,186
Accrued interest payable	221,765	229,104
Net cash provided by operating activities	<u>553,182</u>	<u>1,828,585</u>
Cash Flows from Investing Activities		
Purchase of investments	(2,298,007)	(635,206)
Acquisition of fixed assets	(7,578,503)	(3,561,821)
Increase in restricted cash	<u>(2,765,019)</u>	<u>(879,431)</u>
Net cash used in investing activities	(12,641,529)	(5,076,458)
Cash Flows from Financing Activities		
Additional borrowings of notes payable	-	3,126,791
Retirement of notes payable	-	(6,795,412)
Proceeds from bonds payable	11,862,301	8,558,098
Bond issuance costs paid	<u>(1,467,783)</u>	<u>(847,386)</u>
Net cash provided by financing activities	<u>10,394,518</u>	<u>4,042,091</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(1,693,829)	794,218
Cash and Cash Equivalents - Beginning of year	<u>2,621,371</u>	<u>1,827,153</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 927,542</u></u>	<u><u>\$ 2,621,371</u></u>

Cash paid for interest in 2004 and 2003 was \$468,303 and \$147,445, respectively. Significant noncash activities in 2004 consisted of acquisitions of fixed assets for which payments have not been made at June 30, 2004 of \$1,293,646.

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies

Nature of Activities - Central State University Foundation and its wholly owned subsidiary, Marauder Development, LLC (“Marauder”) have been consolidated (together referred to as the “Foundation”). All significant intercompany transactions have been eliminated. On October 19, 2001, Marauder was incorporated as a wholly owned subsidiary of Central State University Foundation.

Description of Entity - Central State University Foundation is an Ohio nonprofit corporation and exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Central State University Foundation was formed to receive contributions, which are to be used to support the educational undertakings of Central State University (the “University”). Marauder, an Ohio limited liability corporation, was formed to develop property for the use of Central State University. The financial operations of Marauder Development, LLC, which maintains a fiscal year end of August 31, have been consolidated within these financial statements. The Foundation operates exclusively for the benefit of the University. The University provides certain administrative and payroll services for the Foundation.

Method of Accounting and Basis of Presentation - The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting. For external financial reporting purposes, in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, the Foundation presents its consolidated financial statements by unrestricted, temporarily restricted, and permanently restricted net asset classifications. The Foundation’s significant accounting policies are described below.

Cash Equivalents - The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments - Investments are generally carried at fair market value, which is determined using published exchange market quotations. Realized gains and losses are recorded using specific identifications of the securities sold.

Restricted Cash - Restricted cash represents various trust account balances in bond trust accounts established in accordance with bond legislation for specific purposes.

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Fixed Assets - Fixed assets include land and the building and furniture related to the construction of the student housing project. Fixed assets are defined as assets with an initial, individual cost of more than \$1,000 and estimated useful life in excess of three years. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Building	40 yrs
Furniture	7 yrs

Financing Costs - The unamortized financing costs include consulting, attorney's fees, and other fees incurred in connection with the bond obligations. These costs are capitalized and are amortized using the interest method over the lives of the bonds and are included as amortization expense. Accumulated amortization at August 31, 2004 was \$77,215.

Rent - The agreement with the University requires that 90 percent of any surplus (as defined) earned be paid to the University for rent. Current year operations resulted in a loss of \$245,315; therefore, no amount is due to the University for the year ended June 30, 2004.

Net Assets - The Foundation classifies its net assets into the following categories:

Unrestricted Net Assets - The Foundation has the following significant unrestricted funds, which have no donor-imposed restrictions:

Unrestricted Fund - This fund is used to account for all financial resources presently available for use by the Foundation.

President's Discretionary Fund - This fund is used to account for contributions that are expendable at the discretion of the University's president.

Temporarily Restricted Net Assets - These funds are used to account for resources presently available for use, but expendable only for purposes specified by the donor. The Foundation had the following significant temporarily restricted funds:

General Scholarship Fund - This fund receives contributions for general scholarships to students who demonstrate financial need.

Tom Joyner Fund - This fund receives donations from the Tom Joyner Foundation Program for scholarships to students who demonstrate financial need.

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

College of Education Fund - This fund receives contributions for the purpose of supporting programs and scholarships within the College of Education.

College of Business Fund - This fund receives contributions for the purpose of supporting programs and scholarships within the College of Business.

Golf Classic Fund - This fund collects receipts and issues disbursements relevant to the Cleveland Chapter Golf Classic. The net revenues of this fund are for the issuance of scholarships.

CSU Chorus Gifts Fund - Receives donations and general fund transfers to fund travel expenses, awards, supplies, and professional services in relation to the University chorus.

Academic Funds - Receives donations from private companies and foundations with their own restrictions.

Football Fund - This fund receives donations for the purpose of supporting the University football program.

Permanently Restricted Net Assets - These funds are used to account for resources for which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the investment income of the fund be expended as the donor specified. The Foundation had the following categories of permanently restricted funds:

Scholarship Endowment Funds - Investment income of the funds may be expended for student scholarships.

Academic Endowment Funds - Investment income of the funds may be expended for academic purposes.

General Endowment Funds - Investment income of the funds may be expended for general operations of the University at the discretion of the Foundation.

Contributions - Gifts are recorded at their fair market value as of the date received.

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Information - The consolidated financial statements include certain summarized comparative information for 2003. Such information does not include information by net asset class or other disclosures in sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the year ended June 30, 2003, from which the summarized information was derived.

Note 2 - Distributions to Central State University

Upon request by the authorities of the University, the Foundation distributes funds to the University to be used in accordance with the original donor's specifications. Management of the Foundation is responsible for determining that the University's requests are in accordance with donors' specifications, and that they are recorded to the proper fund accounts of the Foundation.

Note 3 - Deposits and Investments

As required by the bond indenture, the Foundation, through Marauder, maintains restricted cash balances in the following accounts as of June 30, 2004:

Restricted:	
Debt interest account	\$ 750,179
Debt principal account	95,298
Debt issuance account	21,432
Repair and replacement fund	60,896
Construction account	1,280,518
Debt reserve fund	<u>1,436,127</u>
Total restricted cash	<u>\$ 3,644,450</u>

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2004

Note 3 - Deposits and Investments (Continued)

Investments are managed by a professional investment manager. The investment manager is subject to the Foundation's investment policies which contain objectives, guidelines, and restrictions designed to provide for preservation of capital with emphasis on providing current income and achieving long-term growth of the funds. Investments consist of money market funds, mutual funds, and equity securities. The following summarizes the Foundation's investments by type as of June 30, 2004:

Equities	\$ 399,422
Equity mutual funds	1,656,372
Bonds	106,784
Bond mutual funds	<u>1,511,813</u>
Total investments	<u>\$ 3,674,391</u>

Note 4 - Contributions Receivable

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and contributions of the appropriate net asset category. All contributions receivable are unconditional promises to give that are expected to be collected within one year and are recorded at net realizable value. Conditional promises to give are not included as support until conditions are met.

Note 5 - Fixed Assets

Fixed assets consisted of the following at June 30, 2004:

Land	\$ 75,330
Building	6,903,766
Furniture	859,653
Construction in progress	<u>8,363,285</u>
Total fixed assets	16,202,034
Less accumulated depreciation	<u>(445,415)</u>
Net	<u>\$ 15,756,619</u>

Depreciation expense was \$222,708 for the year ended June 30, 2004.

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2004

Note 6 - Classification of Net Assets

Details of restricted net assets at June 30, 2004 are as follows:

	Temporarily Restricted	Permanently Restricted
Academic	\$ 248,139	\$ 123,130
Athletic	441,643	-
Scholarship	1,026,276	1,043,101
Alumni fund	28,729	-
Other general funds	<u>773,823</u>	<u>301,701</u>
Total net assets	<u>\$ 2,518,610</u>	<u>\$ 1,467,932</u>

Note 7 - Long-term Debt

The Foundation's subsidiary, Marauder Development, LLC, has the following debt related to the financing of student dormitories. Information is for the subsidiary's year ended August 31, 2004:

	Interest Rate	Maturity	Balance September 1, 2003	Additions	Payments	Balance August 31, 2004
Revenue Bonds Series 2004	3.3%-5.1%	2035	\$ -	\$ 11,866,954	\$ -	\$ 11,866,954
Revenue Bonds Series 2002	3.0%-5.625%	2032	<u>8,577,499</u>	<u>28,271</u>	-	<u>8,605,770</u>
Total			<u>\$ 8,577,499</u>	<u>\$ 11,895,225</u>	<u>\$ -</u>	<u>20,472,724</u>
Less: Current portion						<u>95,000</u>
Long-term portion						<u>\$ 20,377,724</u>

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2004

Note 7 - Long-term Debt (continued)

Principal and interest payments on long-term debt are as follows:

Year Ended August 31	Series 2002 Bonds		Series 2004 Bonds		Total
	Principal	Interest	Principal	Interest	
2005	\$ 95,000	\$ 455,834	\$ -	\$ 515,279	\$ 1,066,113
2006	160,000	451,059	-	587,026	1,198,085
2007	165,000	445,978	190,000	583,749	1,384,727
2008	170,000	440,321	200,000	576,471	1,386,792
2009	175,000	434,065	205,000	568,012	1,382,077
2010-2014	985,000	2,052,536	1,215,000	2,711,011	6,963,547
2015-2019	1,240,000	1,791,360	1,495,000	2,424,092	6,950,452
2020-2024	1,600,000	1,420,469	1,885,000	2,017,500	6,922,969
2025-2029	2,105,000	915,321	2,405,000	1,480,185	6,905,506
2030-2034	2,175,000	256,359	3,090,000	783,105	6,304,464
2035-2036	-	-	1,465,000	75,608	1,540,608
Total	<u>\$ 8,870,000</u>	<u>\$ 8,663,302</u>	<u>\$ 12,150,000</u>	<u>\$ 12,322,038</u>	<u>\$ 42,005,340</u>

Marauder issued Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the University housing project. The bond discount was \$264,230 at June 30, 2004, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from \$95,000 on September 1, 2004 to \$620,000 on September 1, 2032, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.0 percent to 5.625 percent per annum, is payable semiannually on March 1 and September 1.

During 2004, Marauder issued \$12,150,000 University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University housing project. The original bond discount totaled \$287,699, with an amortized balance of \$283,046 at August 31, 2004. The discount is being amortized to interest expense over the life of the bonds on the interest method. The bonds mature on September 1 in various amounts ranging from \$ 190,000 on September 1, 2006 to \$750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 percent to 5.1 percent per annum, is payable semiannually on March 1 and September 1.

Bond legislation provides that Marauder Development, LLC will charge rates sufficient for the excess of revenue over expenditures to equal not less than 120 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio). As of August 31, 2004, Marauder was in compliance with this requirement.

Report Letter on Compliance and on Internal Control over Financial Reporting Based on an
Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Trustees
Central State University Foundation and Subsidiary

We have audited the consolidated financial statements of Central State University Foundation and Subsidiary as of and for the year ended June 30, 2004 and have issued our report thereon dated April 25, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether Central State University Foundation and Subsidiary's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central State University Foundation and Subsidiary's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of trustees, management of Central State University Foundation and Subsidiary, Central State University, and the Auditor of the State of Ohio, and is not intended to be used and should not be used by anyone other than those specified parties.

Plante & Moran, PLLC

April 25, 2005

Marauder Development, LLC

Financial Report

August 31, 2004

Marauder Development, LLC

Contents

Report Letter	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5-9
Report Letter on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10



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Independent Auditor's Report

To the Board of Directors
Marauder Development, LLC

We have audited the accompanying statement of financial position of Marauder Development, LLC ("Marauder") as of August 31, 2004 and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Marauder's management. Our responsibility is to express an opinion on these financial statements based on our audit. The August 31, 2003 financial statements were audited by other auditors, whose report dated December 16, 2003 expressed an unqualified 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marauder Development, LLC as of August 31, 2004 and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 15, 2005 on our consideration of Marauder's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

April 15, 2005

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A worldwide association of independent accounting firms

Marauder Development, LLC

Statement of Financial Position

	August 31	
	2004	2003
Assets		
Cash and cash equivalents	\$ 347,528	\$ 131,196
Receivable from Central State University	85,049	-
Prepaid expenses	4,332	3,333
Total current assets	436,909	134,529
Restricted cash and cash equivalents (Note 2)	3,644,450	879,431
Fixed assets (Note 3)	15,681,289	7,031,848
Financing costs	2,237,954	825,164
Total assets	<u>\$ 22,000,602</u>	<u>\$ 8,870,972</u>
Liabilities and Deficiency in Net Assets		
Liabilities		
Management fees payable	\$ 57,186	\$ 57,186
Interest payable	450,869	229,104
Accounts payable	39,581	75,272
Construction payable	1,293,646	-
Current portion of long-term debt (Note 4)	95,000	-
Total current liabilities	1,936,282	361,562
Long-term Debt (Note 4)	20,377,724	8,577,499
Deficiency in Net Assets - Unrestricted	(313,404)	(68,089)
Total liabilities and deficiency in net assets	<u>\$ 22,000,602</u>	<u>\$ 8,870,972</u>

Marauder Development, LLC

Statement of Activities and Changes in Net Assets

	Year Ended August 31	
	2004	2003
Revenues		
Rental revenues	\$ 990,340	\$ 816,945
Interest income	42,260	7,144
Total revenues	1,032,600	824,089
Expenses - Housing facilities		
Management fees	63,371	57,186
Operating expenses	246,775	213,514
Depreciation and amortization expense	277,701	244,929
Interest expense	690,068	376,549
Total expenses	1,277,915	892,178
Decrease in Net Assets	(245,315)	(68,089)
Deficiency in Net Assets - Beginning of year	(68,089)	-
Deficiency in Net Assets - End of year	<u>\$ (313,404)</u>	<u>\$ (68,089)</u>

Marauder Development, LLC

Statement of Cash Flows

	Year Ended August 31	
	2004	2003
Cash Flows from Operating Activities		
Decrease in net assets	\$ (245,315)	\$ (68,089)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	222,708	222,707
Amortization of issuance costs	54,993	22,222
Amortization of bond discount	32,924	19,401
Increase in receivables	(85,049)	-
Increase in prepaid expenses	(999)	(3,333)
Increase (decrease) in liabilities:		
Accounts payable	(35,691)	75,272
Management fees payable	-	57,186
Accrued interest payable	221,765	229,104
Net cash provided by operating activities	165,336	554,470
Cash Flows from Investing Activities		
Acquisition of fixed assets	(7,578,503)	(3,585,934)
Increase in restricted cash	(2,765,019)	(879,431)
Net cash used in investing activities	(10,343,522)	(4,465,365)
Cash Flows from Financing Activities		
Borrowings on notes payable	-	3,126,791
Retirement of notes payable	-	(6,795,412)
Net proceeds from bonds payable	11,862,301	8,558,098
Bond issuance costs paid	(1,467,783)	(847,386)
Net cash provided by financing activities	10,394,518	4,042,091
Net Increase in Cash and Cash Equivalents	216,332	131,196
Cash and Cash Equivalents - Beginning of year	131,196	-
Cash and Cash Equivalents - End of year	\$ 347,528	\$ 131,196

Cash paid for interest in 2004 and 2003 was \$468,303 and \$147,445, respectively. Significant noncash activities in 2004 consisted of acquisitions of fixed assets for which Marauder had not paid before year end of \$1,293,646. There were no noncash investing or financing activities in 2003.

Marauder Development, LLC

Notes to Financial Statements August 31, 2004 and 2003

Note 1 - Nature of Entity and Significant Accounting Policies

The financial statements of Marauder Development, LLC ("Marauder") have been prepared on the accrual basis of accounting. The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader. Marauder is a wholly owned subsidiary of the Central State University Foundation (the "Foundation") that was formed for the construction and financing of the Central State University Housing Project. Marauder has entered into a 40-year lease agreement with Central State University (the "University") for land upon which student housing was constructed for use by the University. Marauder also has entered into an agreement with the University for the management of the housing project, for which it pays a fee of 7 percent of gross rental receipts.

The financial operations of the Foundation, which maintains a fiscal year end of June 30, have not been consolidated within these financial statements. The Foundation's financial statements are issued separately from those of Marauder and the University and those statements should be considered in evaluating the financial results of Marauder, the Foundation, and the University, taken as a whole.

Basis of Presentation - SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*, requires that the amounts for each of three classes of net assets - unrestricted, temporarily restricted and permanently restricted - be presented in an aggregated statement of financial position and that the amounts of changes in each of those classes of net assets be presented in a statement of financial position and that the amounts of changes in each of those classes of net assets be presented in a statement of activities. This statement requires that resources be classified into three net asset categories according to donor-imposed restrictions. A description of each category is as follows:

- **Unrestricted Net Assets** - Assets are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets.
- **Temporarily Restricted Net Assets** - Assets include gifts and pledges receivable for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds are not permanently restricted.
- **Permanently Restricted Net Assets** - Assets are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income from these assets is included in the investment income of unrestricted and temporarily restricted funds, as appropriate, in the accompanying statement of activities and changes in net assets.

Marauder Development, LLC

Notes to Financial Statements August 31, 2004 and 2003

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

For the years ended August 31, 2004 and 2003, Marauder's deficiency in net assets was unrestricted.

Cash and Cash Equivalents - For purposes of the statement of cash flows, Marauder considers all demand bank deposits as cash. Marauder considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Restricted Assets - Restricted assets represent various bond trust account balances established in accordance with bond legislation for specific purposes.

Fixed Assets - Fixed assets include the building and furniture related to the construction of the student housing project. Fixed assets are defined as assets with an initial, individual cost of more than \$1,000 and estimated useful life in excess of three years. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Building	40 years
Furniture	7 years

Financing Costs - The unamortized financing costs include consulting, attorney's fees, and other fees incurred in connection with the bond obligations. These costs are capitalized and are amortized using the interest method over the lives of the bonds and are included as amortization expense. Accumulated amortization at August 31, 2004 and 2003 was \$77,215 and \$22,222, respectively.

Rent - The agreement with the University requires that 90 percent of any surplus (as defined) earned be paid to the University for rent. Current year operations resulted in a loss of \$245,315; therefore, no amount is due to the University for the year ended August 31, 2004.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Receivable from Central State University - The University collects the housing fee from the students each quarter and remits it to Marauder. The amount due at August 31, 2004 was fully paid to Marauder subsequent to year end.

Marauder Development, LLC

Notes to Financial Statements August 31, 2004 and 2003

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

Income Taxes - Marauder's taxable income or loss is passed through to the Foundation, which is a tax-exempt entity.

Note 2 - Cash

As required by the bond indenture, Marauder maintains restricted cash balances in the following accounts:

	2004	2003
Restricted:		
Debt interest account	\$ 750,180	\$ 229,451
Debt issuance account	21,432	29,216
Construction account	1,280,517	2,001
Repair and replacement fund	60,896	-
Debt principal fund	95,298	-
Debt reserve fund	<u>1,436,127</u>	<u>618,763</u>
Total restricted	<u>\$ 3,644,450</u>	<u>\$ 879,431</u>

Cash accounts at banks are insured by the FDIC for up to \$100,000. Amounts in excess of \$100,000 are uninsured and uncollateralized.

Note 3 - Fixed Assets

Details of fixed assets are as follows:

	2004	2003
Building	\$ 6,903,766	\$ 6,903,766
Construction in progress	8,363,285	-
Furniture	<u>859,653</u>	<u>350,789</u>
Total fixed assets	16,126,704	7,254,555
Less accumulated depreciation	<u>(445,415)</u>	<u>(222,707)</u>
Net	<u>\$ 15,681,289</u>	<u>\$ 7,031,848</u>

Depreciation expense was \$222,708 and \$222,707 at August 31, 2004 and 2003, respectively.

Marauder Development, LLC

Notes to Financial Statements August 31, 2004 and 2003

Note 4 - Long-term Debt

For the year ended August 31, 2004, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance August 31, 2003	Additions	Payments	Balance August 31, 2004
Revenue Bonds Series 2002	3.0%-5.625%	2032	\$ 8,577,499	\$ 28,271	\$ -	\$ 8,605,770
Revenue Bonds Series 2004	3.3%-5.1%	2035	-	11,866,954	-	11,866,954
Total			<u>\$ 8,577,499</u>	<u>\$ 11,895,225</u>	<u>\$ -</u>	20,472,724
Less current portion						<u>95,000</u>
Long-term portion						<u>\$ 20,377,724</u>

For the year ended August 31, 2003, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance August 31, 2002	Additions	Payments	Balance August 31, 2003
National City Bank	Prime (4%) + .5%		\$ 975,044	\$ 2,325,827	\$ 3,300,871	\$ -
Student Suites of Ohio LLC	Prime (4%) + .5%		2,693,577	800,964	3,494,541	-
Revenue Bonds Series 2002	3.0%-5.625%	2035	-	8,577,499	-	8,577,499
Total			<u>\$ 3,668,621</u>	<u>\$ 11,704,290</u>	<u>\$ 6,795,412</u>	8,577,499
Less current portion						-
Long-term portion						<u>\$ 8,577,499</u>

Principal and interest payments on long-term debt are as follows:

Years Ending August 31	Series 2002 Bonds		Series 2004 Bonds		Total
	Principal	Interest	Principal	Interest	
2005	\$ 95,000	\$ 455,834	\$ -	\$ 515,279	\$ 1,066,113
2006	160,000	451,059	-	587,026	1,198,085
2007	165,000	445,978	190,000	583,749	1,384,727
2008	170,000	440,321	200,000	576,471	1,386,792
2009	175,000	434,065	205,000	568,012	1,382,077
2010-2014	985,000	2,052,536	1,215,000	2,711,011	6,963,547
2015-2019	1,240,000	1,791,360	1,495,000	2,424,092	6,950,452
2020-2024	1,600,000	1,420,469	1,885,000	2,017,500	6,922,969
2025-2029	2,105,000	915,321	2,405,000	1,480,185	6,905,506
2030-2034	2,175,000	256,359	3,090,000	783,105	6,304,464
2035-2036	-	-	1,465,000	75,608	1,540,608
Total	<u>\$ 8,870,000</u>	<u>\$ 8,663,302</u>	<u>\$ 12,150,000</u>	<u>\$ 12,322,038</u>	<u>\$ 42,005,340</u>

Marauder Development, LLC

Notes to Financial Statements August 31, 2004 and 2003

Note 4 - Long-term Debt (Continued)

Marauder issued Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the University Housing Project. The bond discount was \$264,230 and \$292,501 at August 31, 2004 and 2003, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from \$95,000 on September 1, 2004 to \$620,000 on September 1, 2032, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.0 percent to 5.625 percent per annum, is payable semiannually on March 1 and September 1.

During 2004, Marauder issued \$12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The original bond discount totaled \$287,699, with an amortized balance of \$283,046 at August 31, 2004. The discount is being amortized to interest expense over the life of the bonds on the interest method. The bonds mature on September 1 in various amounts ranging from \$190,000 on September 1, 2006 to \$750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 percent to 5.1 percent per annum, is payable semiannually on March 1 and September 1.

Bond legislation provides that Marauder will charge rates sufficient for the excess of revenues over expenditures to equal not less than 120 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio).

The coverage ratio computed under the Bond Legislation is as follows:

	<u>2004</u>	<u>2003</u>
Change in net assets	\$ (245,315)	\$ (68,089)
Add items to convert net income to pledged revenues:		
Interest expense on bonds	690,068	376,549
Management fees	63,371	57,186
Depreciation expense	<u>277,701</u>	<u>244,929</u>
Net pledged revenues as defined	<u>\$ 785,825</u>	<u>\$ 610,575</u>
Debt service requirement on bonds	\$ 458,208	\$ 343,657
Coverage ratio (1/2)	171%	178%

Report Letter on Compliance and on Internal Control
over Financial Reporting Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Marauder Development, LLC

We have audited the financial statements of Marauder Development, LLC as of and for the year ended August 31, 2004 and have issued our report thereon dated April 15, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether Marauder Development, LLC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marauder Development, LLC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of trustees, management of Marauder Development, LLC, Central State University, and the Auditor of the State of Ohio, and is not intended to be used and should not be used by anyone other than those specified parties.

Plante & Moran, PLLC

April 15, 2005



**Auditor of State
Betty Montgomery**

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CENTRAL STATE UNIVERSITY FOUNDATION AND SUBSIDIARY

GREENE 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
JUNE 28, 2005**