Central State University Foundation and Subsidiaries

Consolidated Financial Report

June 30, 2008

Mary Taylor, CPA
Auditor of State

Board of Trustees
Central State University Foundation and Subsidiaries
1400 Brush Row Road
PO Box 1004
Wilberforce, Ohio 45384-1004

We have reviewed the *Independent Auditor's Report* of the Central State University Foundation and Subsidiaries, Greene County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2007 through June 30, 2008. 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 Subsidiaries is responsible for compliance with these laws and regulations.

Mary Taylor, CPA
Auditor of State

November 26, 2008

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Contents

Report Letter	1
Consolidated Financial Statements	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets (Deficit)	3
Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5-12
Report Letter on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the FInancial Statements Performed in Accordance with *Government Auditing Standards*	13-14

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Independent Auditor's Report

To the Board of Trustees
Central State University Foundation
and Subsidiaries

We have audited the accompanying consolidated statement of financial position of Central State University Foundation and Subsidiaries (the "Foundation") as of June 30, 2008 and the related consolidated statements of activities and changes in net assets (deficit) and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2007 consolidated financial statements and, in our report dated October 5, 2007, we expressed an unqualified opinion on those consolidated financial statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Central State University Foundation and Subsidiaries as of June 30, 2008 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 October 15, 2008 on our consideration of Central State University Foundation and Subsidiaries' internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, 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 the testing, and not to provide opinions on the effectiveness of 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

October 15, 2008

Central State University Foundation and Subsidiaries

Consolidated Statement of Financial Position
June 30, 2008
(with comparative totals for June 30, 2007)

	2008	2007
Assets		
Cash and cash equivalents	$ 3,036,648	$ 1,508,621
Investments (Note 2)	3,398,360	3,750,249
Contributions receivable - Net (Note 3)	184,338	213,629
Other receivables	28,322	128,174
Prepaid expenses	5,672	5,724
Total current assets	6,653,340	5,606,397
Restricted cash and cash equivalents (Note 2)	2,973,473	2,458,508
Fixed assets - Net (Note 4)	14,157,946	14,568,143
Financing costs - Net (Note 1)	1,828,598	1,930,466
Total assets	**$ 25,613,357**	**$ 24,563,514**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 272,492	$ 263,193
Deferred revenue	888,484	-
Accrued interest payable	504,909	511,884
Current portion of long-term debt (Note 6)	380,000	370,000
Total current liabilities	2,045,885	1,145,077
Long-term accounts payable	85,000	85,000
Long-term debt - Net of current portion (Note 6)	19,268,856	19,613,720
Total liabilities	21,399,741	20,843,797
Net Assets		
Unrestricted	(26,671)	(253,872)
Temporarily restricted (Note 5)	2,236,559	2,167,780
Permanently restricted (Note 5)	2,003,728	1,805,809
Total net assets	4,213,616	3,719,717
Total liabilities and net assets	**$ 25,613,357**	**$ 24,563,514**

See Notes to Consolidated Financial Statements.

Central State University Foundation and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets (Deficit) Year Ended June 30, 2008

(with comparative totals for the year ended June 30, 2007)

	2008				2007
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue					
Rental revenues	$ 2,749,852	$ -	$ -	$ 2,749,852	$ 2,617,070
Contributions	218,293	898,333	197,919	1,314,545	1,086,892
Reimbursements	1,671	48,135	-	49,806	14,821
Other	40,279	376,610	-	416,889	493,859
Unrealized gain (loss) on investments	(119,825)	(378,006)	-	(497,831)	239,013
Investment income	215,677	199,355	-	415,032	439,460
Net assets released from restrictions	1,075,648	(1,075,648)	-	-	-
Total revenue	4,181,595	68,779	197,919	4,448,293	4,891,115
Expenses					
Programs:					
Scholarship programs	329,018	-	-	329,018	431,623
Athletic programs	274,478	-	-	274,478	425,897
Academic programs	300,442	-	-	300,442	395,688
Institution programs	248,507	-	-	248,507	367,617
Support activities:					
Management fees	192,492	-	-	192,492	183,193
Operating expenses	701,094	-	-	701,094	654,162
Depreciation and amortization expense	614,485	-	-	614,485	606,924
Interest expense	1,044,954	-	-	1,044,954	1,061,448
Surplus expense (Note 1)	-	-	-	-	13,353
Other	248,924	-	-	248,924	349,133
Total expenses	3,954,394	-	-	3,954,394	4,489,038
Increase in Net Assets	227,201	68,779	197,919	493,899	402,077
Net Assets (Deficit) - Beginning of year	(253,872)	2,167,780	1,805,809	3,719,717	3,317,640
Net Assets (Deficit) - End of year	**$ (26,671)**	**$ 2,236,559**	**$ 2,003,728**	**$ 4,213,616**	**$ 3,719,717**

Central State University Foundation and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended June 30, 2008
(with comparative totals for year ended June 30, 2007)

	2008	2007
Cash Flows from Operating Activities		
Increase in net assets	$ 493,899	$ 402,077
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	512,617	504,492
Amortization of issuance costs	101,868	102,432
Amortization of bond discount	35,136	37,680
Increase in reserve for uncollectible contributions	2,027	16,161
Donated land contributions	(65,470)	-
Donated art work	(36,950)	-
Unrealized loss (gain) on investments	497,831	(239,013)
Decrease in assets:		
Contributions receivable	27,264	179,563
Prepaid expenses	52	16,122
Change in receivables	99,852	31,380
Increase (decrease) in liabilities:		
Accounts payable	9,299	(22,469)
Increase in deferred revenue	888,484	-
Accrued interest payable	(6,975)	(5,958)
Net cash provided by operating activities	2,558,934	1,022,467
Cash Flows from Investing Activities		
Purchase of investments	(145,942)	(118,502)
Purchase of building	-	(325,000)
Increase in restricted cash	(514,965)	(1,619)
Net cash used in investing activities	(660,907)	(445,121)
Cash Flows from Financing Activities - Principal payment on bonds payable	(370,000)	(355,000)
Net Increase in Cash and Cash Equivalents	1,528,027	222,346
Cash and Cash Equivalents - Beginning of year	1,508,621	1,286,275
Cash and Cash Equivalents - End of year	**$ 3,036,648**	**$ 1,508,621**

Cash paid for interest in 2008 was $1,051,929.

Note 1 - Summary of Significant Accounting Policies

Nature of Activities - Central State University Foundation and its wholly owned subsidiaries, Marauder Development, LLC (Marauder) and Marauder West, LLC (West) have been consolidated (collectively referred to as the "Foundation"). All significant intercompany transactions have been eliminated. On October 19, 2001, Marauder Development, LLC and Marauder West, LLC were incorporated as wholly owned subsidiaries 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. Marauder West, LLC, an Ohio limited liability corporation, was formed to develop property for the use of Central State University. The financial operations of Marauder West, LLC, which maintains a fiscal year end of June 30, have been consolidated within these financial statements. The University provides certain administrative and payroll services for the Foundation. The Foundation operates exclusively for the benefit of the University.

Method of Accounting and Basis of Presentation - The accompanying consolidated 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.

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 years
Furniture	7 years

Financing Costs - The unamortized financing costs include consulting, attorney's fees, and other fees incurred by Marauder 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, 2008 was $486,571.

Deferred Revenue – Deferred revenue represents cash received for rental revenues for the upcoming semester. These revenues are not earned until the service is provided and, as a result, are recorded as deferred revenue until that point.

Surplus Expense - The agreement with the University provides that the year-end balance in the surplus account held by the trustee, less applicable amounts for management fees that have not been funded to the management fee accounts, are paid at 90 percent to the University as a land/lease payment with the remaining 10 percent paid to the Foundation. The trustee is required to calculate this surplus from the audited financial statements beginning with the August 31, 2005 year end. Based on the information provided by the trustee, the amount calculated for the year ended August 31, 2008 was $0.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

- **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.

  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 Gift Fund - This fund receives donations and General Fund transfers to fund travel expenses, awards, supplies, and professional services in relation to the University chorus.

  Academic Funds - This fund 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

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 statements 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 2007. 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 Foundation's consolidated financial statements for the year ended June 30, 2007, from which the summarized information was derived.

New Accounting Pronouncements - Financial Accounting Standards Board (FASB) No. 157 (FAS 157), *Fair Value Measurements*, which was issued in September 2006, addresses how organizations should measure fair value when generally accepted accounting principles require use of fair value measurement for recognition or disclosure purposes. This standard is effective for financial statements issued for the fiscal year ending June 30, 2009. Management is currently evaluating the impact of FAS 157.

Note 2 - 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, 2008:

Debt interest account	$ 507,981
Debt principal account	383,327
Repair and replacement fund	668,704
Debt reserve fund	1,413,461
Total restricted cash	$ 2,973,473
Total nonrestricted and restricted cash	$ 4,296,750

Note 2 - 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 totaling $3,398,360 consist of bond mutual funds as of June 30, 2008.

Subsequent to year end, the Foundation's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

Note 3 - 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. The allowance for uncollectible contributions is $18,188 at June 30, 2008. Conditional promises to give are not included as revenue until conditions are met.

Note 4 - Fixed Assets

Fixed assets consisted of the following at June 30, 2008:

Land	$ 140,800
Building	15,592,051
Furniture and fixtures	896,603
Total fixed assets	16,629,454
Less accumulated depreciation	(2,471,508)
Net fixed assets	$ 14,157,946

Note 5 - Classification of Net Assets

Details of restricted net assets at June 30, 2008 are as follows:

	Temporarily Restricted	Permanently Restricted
Academic	$ 485,725	$ 128,329
Athletic	(390,851)	-
Scholarship	774,227	1,409,197
Alumni fund	180,056	-
Other general funds	1,187,402	466,202
Total net assets	$ 2,236,559	$ 2,003,728

Note 6 - Long-term Debt

Marauder Development, LLC has the following debt related to the financing of student dormitories. Information is for the subsidiary's year ended August 31, 2008:

	Interest Rate	Maturity	Balance September 1, 2007	Additions	Payments	Balance August 31, 2008
Revenue Bonds Series 2004	3.3%-5.1%	2035	$ 11,717,994	$ 13,392	$ 200,000	$ 11,531,386
Revenue Bonds Series 2002	3.0%-5.625%	2032	8,265,726	21,744	170,000	8,117,470
Total			$ 19,983,720	$ 35,136	$ 370,000	19,648,856
Less current portion						380,000
Long-term portion						$ 19,268,856

Note 6 - Long-term Debt (Continued)

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

Years Ending	Series 2002 Bonds		Series 2004 Bonds		
August 31	Principal	Interest	Principal	Interest	Total
2009	$ 175,000	$ 434,065	$ 205,000	$ 568,012	$ 1,382,077
2010	180,000	427,184	225,000	563,554	1,395,738
2011	190,000	419,546	235,000	556,128	1,400,674
2012	195,000	411,122	245,000	547,669	1,398,791
2013	205,000	402,121	250,000	538,359	1,395,480
2014-2018	1,180,000	1,851,383	1,430,000	2,522,570	6,983,953
2019-2023	1,515,000	1,504,409	1,795,000	2,153,562	6,967,971
2024-2028	2,000,000	1,028,500	2,290,000	1,657,235	6,975,735
2029-2033	2,640,000	391,781	2,940,000	1,011,840	6,983,621
2034-2035	-	-	2,145,000	222,360	2,367,360
Total	$ 8,280,000	$ 6,870,111	$ 11,760,000	$ 10,341,289	$ 37,251,400

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 $162,530 at August 31, 2008, 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 $170,000 on September 1, 2007 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. The bonds are collateralized by the building.

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 $228,614 at August 31, 2008. 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 $200,000 on September 1, 2007 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. The bonds are collateralized by the building.

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).

Note 6 - Long-term Debt (Continued)

The following is a calculation of the covenant using Marauder numbers:

Change in net assets	$ 352,530
Add items to convert net income to pledged revenues:	
Interest expense on bonds	1,044,954
Management fees	192,492
Depreciation and amortization expense	606,360
Net pledged revenues as defined (1)	$2,196,336
Debt service requirement on bonds (2)	$1,386,792
Coverage ratio (1/2)	158%
Required coverage ratio	120%

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Report Letter on Internal Control Over Financial Reporting and on Compliance and Other Matters 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 Subsidiaries

We have audited the consolidated financial statements of Central State University Foundation and Subsidiaries as of and for the year ended June 30, 2008 and have issued our report thereon dated October 15, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central State University Foundation and Subsidiaries' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements but not for the purpose of expressing an opinion on the effectiveness of 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. Accordingly, we do not express an opinion on the effectiveness of Central State University Foundation and Subsidiaries' internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency in internal control over financial reporting to be a significant deficiency.

- *Contributions - Recording* - During our audit procedures, we noted that no controls currently exist to consistently report the receipt of non-cash gifts - such as stock donations and contributed works of art - to accounting personnel who would appropriately record the gift. We recommend the Foundation institute a policy regarding the receipt and reporting of non-cash gifts and actively ensure the enforcement of the policy.

To the Board of Trustees
Central State University Foundation
and Subsidiaries

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central State University Foundation and Subsidiaries' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of trustees, management of Central State University Foundation and Subsidiaries, 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

October 15, 2008

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Marauder Development, LLC

Financial Report

August 31, 2008

Contents

Report Letter	1
Financial Statements	
Balance Sheet	2
Statement of Operations	3
Statement of Cash Flows	4
Notes to Financial Statements	5-10
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*	11-12

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Independent Auditor's Report

To the Board of Trustees
Marauder Development, LLC

We have audited the accompanying balance sheet of Marauder Development, LLC (Marauder) as of August 31, 2008 and 2007 and the related statements of operations and cash flows for the years 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 audits.

We conducted our audits 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 audits 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 audits provide 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, 2008 and 2007 and the results of its operations and cash flows for the years 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 October 15, 2008 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, 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 opinions on the effectiveness of 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

October 15, 2008

Marauder Development, LLC

Balance Sheet

	August 31 2008	August 31 2007
Assets		
Assets		
Cash and cash equivalents	$ 2,450,459	$ 1,323,277
Receivable from Central State University (Note 1)	-	127,261
Prepaid expenses	5,672	5,724
Total current assets	2,456,131	1,456,262
Restricted Cash and Cash Equivalents (Note 2)	2,973,473	2,458,508
Fixed Assets - Net (Note 3)	13,663,321	14,167,813
Financing Costs - Net	1,828,598	1,930,466
Total assets	**$ 20,921,523**	**$ 20,013,049**
Liabilities and Member's Capital		
Liabilities		
Management fees payable (Note 1)	$ 192,492	$ 183,193
Deferred revenue	888,484	-
Interest payable	504,909	511,884
Current portion of long-term debt (Note 4)	380,000	370,000
Total current liabilities	1,965,885	1,065,077
Long-term Debt - Net of current portion (Note 4)	19,268,856	19,613,720
Deficiency in Member's Capital - Unrestricted	(313,218)	(665,748)
Total liabilities and deficiency in member's capital	**$ 20,921,523**	**$ 20,013,049**

Marauder Development, LLC

Statement of Operations

	Year Ended August 31 2008	2007
Revenues		
Rental revenues	$ 2,749,852	$ 2,617,070
Interest income	147,578	144,803
Total revenues	2,897,430	2,761,873
Expenses - Housing facilities		
Management fees	192,492	183,193
Operating expenses	701,094	654,162
Surplus expense (Note 1)	-	13,353
Depreciation and amortization expense	606,360	606,924
Interest expense	1,044,954	1,061,448
Total expenses	2,544,900	2,519,080
Increase in Member's Capital	352,530	242,793
Deficiency in Member's Capital - Beginning of year	(665,748)	(908,541)
Deficiency in Member's Capital - End of year	**$ (313,218)**	**$ (665,748)**

Marauder Development, LLC

Statement of Cash Flows

	Year Ended August 31	
	2008	2007
Cash Flows from Operating Activities		
Increase in member's capital	$ 352,530	$ 242,793
Adjustments to reconcile increase in member's capital to net cash from operating activities:		
Depreciation	504,492	504,492
Amortization of issuance costs	101,868	102,432
Amortization of bond discount	35,136	37,680
Increase (decrease) in assets and liabilities:		
Receivables	127,261	31,693
Prepaid expenses	52	16,122
Deferred revenue	888,484	
Management fees payable	9,299	(187,469)
Accrued interest payable	(6,975)	(5,958)
Net cash provided by operating activities	2,012,147	741,785
Cash Flows from Investing Activities - Increase in restricted cash	(514,965)	(1,619)
Cash Flows from Financing Activities - Retirement of notes payable	(370,000)	(355,000)
Net Increase in Cash and Cash Equivalents	1,127,182	385,166
Cash and Cash Equivalents - Beginning of year	1,323,277	938,111
Cash and Cash Equivalents - End of year	**$ 2,450,459**	**$ 1,323,277**

Cash paid for interest in 2008 and 2007 was $1,051,929 and $1,067,406, respectively.

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 Central State University Foundation (the "Foundation"), which 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 - The financial statements of Marauder have been prepared on the accrual basis in accordance with accounting standards generally accepted in the United States of America.

Cash and Cash Equivalents - For the purpose 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 Cash and Cash Equivalents - 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

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

Financing Costs - The unamortized financing costs include consulting, attorneys' 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, 2008 and 2007 was $486,571 and $384,703, respectively.

Surplus Expense - The agreement with the University requires that the year-end balance in the surplus account held by the trustee, less applicable amounts for management fees that have not been funded to the management fee accounts, are paid at 90 percent to the University as a land/lease payment, with the remaining 10 percent to remain with Marauder Development, LLC. The trustee is required to calculate this surplus from the audited financial statements beginning with the August 31, 2005 year end. Based on the information provided by the trustee, the amount calculated for the years ended August 31, 2008 and 2007 was $0 and $13,353, respectively.

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 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 semester and remits it to Marauder. The amount due at August 31, 2008 and 2007 was fully paid to Marauder subsequent to year end.

Management Fee - During 2008 and 2007, Marauder incurred a management fee of $192,492 and $183,193, respectively, to the University for administrative services provided.

Deferred Revenue - Represents cash received for rental revenues for the upcoming semester. These revenues are not earned until the service is provided and, as a result, are recorded as deferred revenue until that point.

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

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

New Accounting Pronouncements - Financial Accounting Standards Board (FASB) No. 157 (FAS 157), *Fair Value Measurements,* which was issued in September 2006, addresses how organizations should measure fair value when generally accepted accounting principles require use of fair value measurement for recognition or disclosure purposes. This standard is effective for financial statements issued for the fiscal year ending June 30, 2009. Management is currently evaluating the impact of FAS 157.

Note 2 - Restricted Cash and Cash Equivalents

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

	2008	2007
Restricted:		
Debt interest account	507,981	521,912
Debt issuance account	-	23,851
Repair and replacement fund	668,704	115,103
Debt principal fund	383,327	384,115
Debt reserve fund	1,413,461	1,413,527
Total restricted	$ 2,973,473	$ 2,458,508

Note 3 - Fixed Assets

Details of fixed assets are as follows:

	2008	2007
Building	$ 15,267,051	$ 15,267,051
Furniture	859,653	859,653
Total fixed assets	16,126,704	16,126,704
Less accumulated depreciation	(2,463,383)	(1,958,891)
Net	$ 13,663,321	$ 14,167,813

Note 4 - Long-term Debt

For the year ended August 31, 2008, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance September 1, 2007	Additions	Payments	Balance August 31, 2008
Revenue Bonds Series 2002	3.0%-5.625%	2032	$ 8,265,726	$ 21,744	$ (170,000)	$ 8,117,470
Revenue Bonds Series 2004	3.3%-5.1%	2035	11,717,994	13,392	(200,000)	11,531,386
Total			$ 19,983,720	$ 35,136	$ (370,000)	19,648,856
Less current portion						380,000
Long-term portion						$ 19,268,856

For the year ended August 31, 2007, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance September 1, 2007	Additions	Payments	Balance August 31, 2007
Revenue Bonds Series 2002	3.0%-5.625%	2032	$ 8,406,630	$ 24,096	$ (165,000)	$ 8,265,726
Revenue Bonds Series 2004	3.3%-5.1%	2035	11,894,410	13,584	(190,000)	11,717,994
Total			$ 20,301,040	$ 37,680	$ (355,000)	19,983,720
Less current portion						370,000
Long-term portion						$ 19,613,720

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

Years Ending	Series 2002 Bonds		Series 2004 Bonds		
August 31	Principal	Interest	Principal	Interest	Total
2009	$ 175,000	$ 434,065	$ 205,000	$ 568,012	$ 1,382,077
2010	180,000	427,184	225,000	563,554	1,395,738
2011	190,000	419,546	235,000	556,128	1,400,674
2012	195,000	411,122	245,000	547,669	1,398,791
2013	205,000	402,121	250,000	538,359	1,395,480
2014-2018	1,180,000	1,851,383	1,430,000	2,522,570	6,983,953
2019-2023	1,515,000	1,504,409	1,795,000	2,153,562	6,967,971
2024-2028	2,000,000	1,028,500	2,290,000	1,657,235	6,975,735
2029-2033	2,640,000	391,781	2,940,000	1,011,840	6,983,621
2034-2035	-	-	2,145,000	222,360	2,367,360
Total	$ 8,280,000	$ 6,870,111	$ 11,760,000	$ 10,341,289	$ 37,251,400

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 $162,530 and $184,274 at August 31, 2008 and 2007, 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 $170,000 on September 1, 2007 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. The bonds are collateralized by the building.

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 $228,614 and $242,006 at August 31, 2008 and 2007, respectively. 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 $200,000 on September 1, 2007 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. The bonds are collateralized by the building.

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).

Note 4 - Long-term Debt (Continued)

The coverage ratio computed under the bond legislation is as follows:

	2008	2007
Change in net assets	$ 352,530	$ (358,363)
Add items to convert net income to pledged revenues:		
Interest expense on bonds	1,044,954	1,076,010
Management fees	192,492	171,378
Surplus expense		269,866
Depreciation and amortization expense	606,360	607,260
Net pledged revenues as defined (1)	$ 2,196,336	$ 1,766,151
Debt service requirement on bonds (2)	$ 1,386,792	$ 1,198,085
Coverage ratio (1/2)	158%	147%
Required coverage ratio	120%	120%

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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, 2008 and have issued our report thereon dated October 15, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Marauder Development, LLC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marauder Development, LLC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financials statements will not be prevented or detected by the entity's internal control.

To the Board of Trustees
Marauder Development, LLC

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

October 15, 2008

Mary Taylor, CPA
Auditor of State

CENTRAL STATE UNIVERSITY FOUNDATION

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
DECEMBER 11, 2008

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