

The Cleveland State University Foundation, Inc.

**Financial Statements
June 30, 2008**



Mary Taylor, CPA

Auditor of State

Board of Directors
The Cleveland State University Foundation, Inc.
2121 Euclid Avenue
Keith Building, Room 1204
Cleveland, Ohio 44115

We have reviewed the *Independent Auditors' Report* of The Cleveland State University Foundation, Inc., Cuyahoga County, prepared by Ciuni & Panichi, Inc., 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 Cleveland State University Foundation, Inc. is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 12, 2008

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The Cleveland State University Foundation, Inc.

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Independent Auditors' Report

Board of Directors
The Cleveland State University Foundation, Inc.
Cleveland, Ohio

We have audited the accompanying statement of financial position of The Cleveland State University Foundation, Inc. (the "Foundation") as of June 30, 2008, and the related statements of activities 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.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 The Cleveland State University Foundation, Inc. as of June 30, 2008, and the changes in its net assets and its 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 have also issued our report dated October 8, 2008, on our consideration of The Cleveland State University Foundation, Inc.'s internal control over financial reporting and 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 an opinion 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 important for assessing the results of the audit.

Ciuni + Panichi, Inc.

Cleveland, Ohio
October 8, 2008

The Cleveland State University Foundation, Inc.

Statement of Financial Position

June 30, 2008

Assets

Current assets:

Cash and cash equivalents	\$ 7,128,858
Accounts receivable	26,771
Contributions receivable, net of allowance for uncollectible contributions	<u>924,383</u>
Total current assets	8,080,012

Non-current assets:

Contributions receivable, net of allowance for uncollectible contributions	5,865,879
Long-term investments	32,675,020
Funds held on behalf of others:	
Cleveland State University	2,004,172
Cleveland State University Alumni Association	<u>436,489</u>
Total non-current assets	<u>40,981,560</u>
Total assets	<u>\$ 49,061,572</u>

The accompanying notes are an integral part of these financial statements

The Cleveland State University Foundation, Inc.

Statement of Financial Position (continued)

June 30, 2008

Liabilities and Net Assets

Liabilities:

Current liabilities:

Accounts payable	\$	33,696
Payable to Cleveland State University		138,544
Annuities payable		<u>34,498</u>
Total current liabilities		206,738

Non-current liabilities:

Payable to Cleveland State University		59,762
Annuities payable		189,648
Funds held on behalf of others:		
Cleveland State University		2,004,172
Cleveland State University Alumni Association		<u>436,489</u>
Total non-current liabilities		<u>2,690,071</u>
Total liabilities		<u>2,896,809</u>

Net Assets:

Unrestricted		320,485
Board designated – scholarships		<u>170,472</u>
Total unrestricted		490,957
Temporarily restricted		16,219,353
Permanently restricted		<u>29,454,453</u>
Total net assets		<u>46,164,763</u>
Total liabilities and net assets	\$	<u><u>49,061,572</u></u>

The accompanying notes are an integral part of these financial statements

The Cleveland State University Foundation, Inc.

Statement of Activities

For the year ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions	\$ 148,425	\$ 4,550,870	\$ 3,700,822	\$ 8,400,117
Endowment management fee	29,439	-	-	29,439
Investment income, including realized and unrealized gains, net	315,389	(3,862,706)	-	(3,547,317)
Net assets released from restrictions:				
Change in donor restrictions	-	53,343	(53,343)	-
Released from donor restrictions	<u>6,013,042</u>	<u>(6,013,042)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>6,506,295</u>	<u>(5,271,535)</u>	<u>3,647,479</u>	<u>4,882,239</u>
Expenses:				
Program services:				
Instructions	742,811	-	-	742,811
Research	213,019	-	-	213,019
Public service	1,468,290	-	-	1,468,290
Academic support	163,462	-	-	163,462
Financial aid	1,003,811	-	-	1,003,811
Institutional support	118,317	-	-	118,317
Auxiliary enterprises	<u>2,270,496</u>	<u>-</u>	<u>-</u>	<u>2,270,496</u>
Total program services	5,980,206			5,980,206
Supporting Services				
Management and general	420,344	-	-	420,344
Fund raising	<u>59,739</u>	<u>-</u>	<u>-</u>	<u>59,739</u>
Total supporting services	480,083			480,083
Total expenses	<u>6,460,289</u>	<u>-</u>	<u>-</u>	<u>6,460,289</u>
Change in net assets	46,006	(5,271,535)	3,647,479	(1,578,050)
Net assets – beginning	<u>444,951</u>	<u>21,490,888</u>	<u>25,806,974</u>	<u>47,742,813</u>
Net assets – ending	<u>\$ 490,957</u>	<u>\$ 16,219,353</u>	<u>\$ 29,454,453</u>	<u>\$ 46,164,763</u>

The accompanying notes are an integral part of these financial statements

The Cleveland State University Foundation, Inc.

Statement of Cash Flows

For the year ended June 30, 2008

Cash flows from operating activities:	
Change in net assets	\$ (1,578,050)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Gain on sale of investments	(170,184)
Net unrealized appreciation in the fair market value of investments	5,713,164
Contributions restricted for investment in endowment	(3,700,822)
Contributions receivable written off	148,876
Changes in operating assets and liabilities:	
Decrease (increase) in accounts receivable	125,271
(Increase) decrease in contributions receivable	1,052,618
Increase (decrease) in accounts payable	19,176
Increase (decrease) in annuities payable	81,986
(Decrease) increase in payable to Cleveland State University	<u>(2,541,722)</u>
Net cash used in operating activities	(849,687)
Cash flows from investing activities:	
Proceeds from sale of investments	1,035,846
Purchase of investments	(4,064,450)
Increase in funds held on behalf of others	<u>683,417</u>
Net cash used in investing activities	<u>(2,345,187)</u>
Cash flows from financing activities:	
Proceeds from contributions restricted for investment in endowment	1,808,730
Increase in funds held on behalf of others	<u>(683,417)</u>
Net cash provided by financing activities	<u>1,125,313</u>
Net (decrease) increase in cash and cash equivalents	(2,069,561)
Cash and cash equivalents, beginning of year	<u>9,198,419</u>
Cash and cash equivalents, end of year	\$ <u><u>7,128,858</u></u>

The accompanying notes are an integral part of these financial statements

The Cleveland State University Foundation, Inc.

Notes to Financial Statements

June 30, 2008

Note 1: Summary of Significant Accounting Policies

Purpose and Accounting Method

The Cleveland State University Foundation, Inc. (the "Foundation") is organized primarily to engage in activities and programs to provide support and service to Cleveland State University (the "University"). The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes.

The financial statements have been prepared on the accrual basis of accounting. The Foundation's resources are classified into three net asset categories according to or absence the presence of donor-imposed restrictions. A description of the categories follows:

Unrestricted net assets are free of donor-imposed restrictions; includes all revenues, expenses, gains, and losses that are not changes in temporarily or permanently restricted net assets.

Board designated – scholarships are unrestricted net assets that have been designated by the Board to be used for scholarship purposes.

Temporarily restricted net assets include gifts and pledge receivables 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 represent assets that 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 restricted funds, as appropriate, in the accompanying statement of activities.

When a donor restriction expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

At various times during the year ended June 30, 2008, the Foundation's cash bank balances exceeded the federally insured limits.

Investments

Investments of the unrestricted, temporarily restricted, and permanently restricted funds are pooled for making investment transactions and are carried at market value (see Note 4). Interest and dividend income, as well as realized and unrealized gains and losses, are allocated to the funds quarterly using the unitized fair value method of accounting for pooled investment funds.

The Cleveland State University Foundation, Inc.

Notes to Financial Statements

June 30, 2008

Note 1: Summary of Significant Accounting Policies (continued)

Contributions Receivable

Contributions received, including unconditional promises to give, are recognized as revenue by net asset class when the donor's commitment is received. Donated items are recorded at fair value when received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises made that are designed for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. Conditional promises are recorded when donor stipulations are substantially met.

It is the Foundation's policy that an initial minimum balance of \$25,000 be required to establish an endowment fund. The policy allows a period, which is not generally to exceed 48 months, for the accumulation of contributions and interest to meet the minimum principal balance requirements.

Fair Value of Financial Instruments

The Foundation's financial instruments consist principally of cash and investments, contribution and grant receivables, accounts payable, and other accrued liabilities in which the fair value of these financial instruments approximates the carrying value.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of American requires the Foundation's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results may differ from those estimates.

Endowment Management Fees

On October 31, 1997, the Foundation implemented a 1% fee to be levied by the Foundation for managing funds held on behalf of related entities. Total endowment management fees for the year ended June 30, 2008 were \$29,438.

Gift Annuities

The Foundation is obligated under various annuity contracts, whereby donors have contributed cash to the Foundation with the agreement that the donor shall be sole recipient of annual annuity payments. These annual payments, currently totaling \$34,498 per year, shall terminate on the last payment date preceding the death of the donor. The discount rates used to estimate the obligations at June 30, 2008 range from 6.5% through 10.0%.

The Cleveland State University Foundation, Inc.

Notes to Financial Statements

June 30, 2008

Note 2: Cash and Cash Equivalents

Cash and cash equivalents consisted of the following:

Cash	\$ 222,106
Money market mutual fund	<u>6,906,752</u>
	\$ <u><u>7,128,858</u></u>

Note 3: Contributions Receivable

Contributions receivable are accounted for in accordance with FASB Statement of Financial Accounting Standard No. 116, *Accounting for Contributions Received and Contributions Made*. The recorded fair value of contributions receivable is the present value of estimated future cash receipts using a discount rate of 6% and an allowance for uncollectible contributions of 2%. Amounts due are as follows:

Gross receivables	\$ 7,448,834
Discount	(519,995)
Allowance for uncollectible contributions	<u>(138,577)</u>
	\$ <u><u>6,790,262</u></u>

Contributions receivable are expected to be realized in the following periods:

In one year or less	\$ 3,772,509
One to five years	3,007,563
More than five years	<u>10,190</u>
	\$ <u><u>6,790,262</u></u>

Included in the amount to be received in one year or less is \$2,848,127, which represents amounts due on permanently restricted contributions. As such, these amounts have been classified as non-current assets on the statement of financial position.

Contributions receivable have the following restrictions:

Instruction	\$ 1,012,349
Research	1,025,290
Public service	558,913
Academic support	2,185
Financial aid	3,278,060
Institutional support	<u>913,465</u>
	\$ <u><u>6,790,262</u></u>

The Cleveland State University Foundation, Inc.

Notes to Financial Statements

June 30, 2008

Note 4: Long-Term Investments

For investment purposes, assets of the various unrestricted, temporarily restricted, and permanently restricted classifications are pooled. Realized and unrealized gains and losses and investment income are allocated to unrestricted assets except when the donor specifies that income is to be temporarily or permanently restricted.

Investments are composed of the following:

	<u>Cost</u>	<u>Market</u>
Stocks – domestic	\$ 3,068,920	\$ 3,780,092
Mutual funds – domestic	15,111,360	16,557,714
Mutual funds – international	2,851,993	3,718,786
Fixed income securities	<u>9,616,560</u>	<u>8,618,429</u>
	\$ <u>30,648,833</u>	\$ <u>32,675,021</u>

Funds held on behalf of others are composed of the following:

	<u>Cost</u>	<u>Market</u>
Stocks – domestic	\$ 229,233	\$ 282,354
Mutual funds – domestic	1,128,743	1,236,779
Mutual funds – international	213,030	277,775
Fixed income securities	<u>718,309</u>	<u>643,753</u>
	\$ <u>2,289,315</u>	\$ <u>2,440,661</u>

The various investments in fixed income securities, mutual funds, and other investment securities are exposed to various risk, such as interest rate, market, and credit risks.

Investment income, net as presented in the accompanying statement of activities, is comprised of the following:

Interest and dividends	\$ 1,995,663
Realized gains, net	170,184
Unrealized (loss) gains, net	<u>(5,713,164)</u>
Total investment income, net	\$ <u>(3,547,317)</u>

The Cleveland State University Foundation, Inc.

Notes to Financial Statements

June 30, 2008

Note 5: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose.

Temporarily restricted net assets are available for the following purposes:

Instruction/research	\$ 4,509,174
Public service	5,374,780
Academic support	969,039
Financial aid	4,036,500
Institutional support	1,128,977
Auxiliary enterprises	<u>200,883</u>
	\$ <u>16,219,353</u>

Permanently restricted net assets are held in perpetuity for the following purposes:

Instruction	\$ 6,542,648
Research	1,229,693
Public service	24,500
Academic support	950,142
Financial aid	19,622,411
Institutional support	1,048,722
Auxiliary enterprises	<u>36,337</u>
	\$ <u>29,454,453</u>

Note 6: Relationship with Related Entities

A significant portion of the general and administrative expenses of the Foundation, including certain salaries and other operating costs, are paid directly by the University and are not reflected as operating expenses of the Foundation. Certain other program costs are reflected as Foundation expenses but are initially funded by the University with the expectation of repayment by the Foundation.

At June 30, 2008, the Foundation had accounts receivable from the University totaling \$17,771.

At June 30, 2008, the Foundation had payables to the University for \$198,306.

During 1997, the Foundation began investing funds of the Cleveland State University Alumni Association. At June 30, 2008, the Foundation is investing \$436,489 of assets on behalf of the Alumni Association.

During 1998, the Foundation began investing funds of the University. At June 30, 2008, the Foundation is investing \$2,004,172 of assets on behalf of the University.

The Cleveland State University Foundation, Inc.

Notes to Financial Statements

June 30, 2008

Note 6: Relationship With Related Entities (continued)

During 2008, the Foundation had program expenditures of \$5,980,206 supporting the University as follows:

	<u>Transfers</u>	<u>Other Expenditures</u>	<u>Total</u>
Instruction	\$ 614,707	\$ 128,104	\$ 742,811
Research	212,661	358	213,019
Public service	1,082,967	385,323	1,468,290
Academic support	161,515	1,947	163,462
Financial aid	980,273	23,538	1,003,811
Institutional support	44,247	74,070	118,317
Auxiliary enterprises	<u>2,234,890</u>	<u>35,606</u>	<u>2,270,496</u>
	<u>\$ 5,331,260</u>	<u>\$ 648,946</u>	<u>\$ 5,980,206</u>

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Board of Directors
The Cleveland State University
Foundation, Inc.
Cleveland, Ohio

We have audited the financial statements of The Cleveland State University Foundation, Inc. as of and for the year ended June 30, 2008, and have issued our report thereon dated October 8, 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 The Cleveland State University Foundation, Inc.'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 The Cleveland State University Foundation, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Cleveland State University Foundation, Inc.'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 Cleveland State University Foundation, Inc.'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 Cleveland State University Foundation, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by The Cleveland Statement University Foundation, Inc.'s internal control.

A material weakness is a significant deficiency, or 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 Cleveland State University Foundation, Inc.'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.

Board of Directors
The Cleveland State University
Foundation, Inc.

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 The Cleveland State University Foundation, Inc.'s 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 management, the Board of Directors, and Ohio Auditor of State's office, and is not intended to be and should not be used by anyone other than these specified parties.

Ciuni + Panichi, Inc.

Cleveland, Ohio
October 8, 2008



Mary Taylor, CPA
Auditor of State

THE CLEVELAND STATE UNIVERSITY FOUNDATION, INC.

CUYAHOGA 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
JULY 14, 2009