

**SHAWNEE STATE UNIVERSITY
DEVELOPMENT FOUNDATION**

FINANCIAL STATEMENTS

June 30, 2009 and 2008



Mary Taylor, CPA
Auditor of State

Board of Trustees
Shawnee State University Development Foundation
940 Second Street
Portsmouth, Ohio 45662

We have reviewed the *Report of Independent Auditors* of the Shawnee State University Development Foundation, Scioto County, prepared by Crowe Horwath LLP, for the audit period July 1, 2008 through June 30, 2009. 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 Shawnee State University Development Foundation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 5, 2009

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SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
Portsmouth, Ohio

FINANCIAL STATEMENTS
June 30, 2009 and 2008

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Shawnee State University Development Foundation
Portsmouth, Ohio

We have audited the accompanying statements of net assets of Shawnee State University Development Foundation (a not-for-profit component unit of Shawnee State University) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Shawnee State University Development Foundation'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 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 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 Shawnee State University Development Foundation as of June 30, 2009 and 2008, and the changes in its net assets and its 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 have also issued our report dated October 16, 2009, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 results of our audit.

Crowe Horwath LLP
Crowe Horwath LLP

Columbus, Ohio
October 16, 2009

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
 STATEMENTS OF NET ASSETS
 June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 2,310,261	\$ 2,250,241
Investments	8,970,184	10,905,529
Contributions receivable	968,071	1,280,045
Contracts receivable	50,000	2,050,000
Beneficial interest in trusts held by others	1,014,952	1,390,839
Other assets	<u>157,949</u>	<u>166,836</u>
Total assets	<u>\$ 13,471,417</u>	<u>\$ 18,043,490</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 6,630	\$ 8,023
Deposits held and due to others	70,212	68,342
Annuity payment liability	473,852	443,524
Due to Shawnee State University	<u>200,000</u>	<u>2,050,000</u>
Total liabilities	<u>750,694</u>	<u>2,569,889</u>
Net assets		
Unrestricted	(962,880)	411,342
Temporarily restricted	6,874,459	8,260,677
Permanently restricted	<u>6,809,144</u>	<u>6,801,582</u>
Total net assets	<u>12,720,723</u>	<u>15,473,601</u>
 Total liabilities and net assets	 <u>\$ 13,471,417</u>	 <u>\$ 18,043,490</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
STATEMENTS OF ACTIVITIES

Year ended June 30, 2009 with comparative 2008 totals

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Total <u>2009</u>	Total <u>2008</u>
Revenues, gains and other support					
Contributions	\$ 8,258	\$ 198,144	\$ 82,562	\$ 288,964	\$ 1,487,906
Investment income, net	(1,240,738)	(520,038)	-	(1,760,776)	(933,669)
Net assets released from restrictions	<u>1,139,324</u>	<u>(1,064,324)</u>	<u>(75,000)</u>	-	-
Total revenues and other support	<u>(93,156)</u>	<u>(1,386,218)</u>	<u>7,562</u>	<u>(1,471,812)</u>	<u>554,237</u>
Expenses					
Scholarships and other student aid	251,466	-	-	251,466	237,423
Institutional support	797,453	-	-	797,453	682,540
Guest speakers and lecturers	15,551	-	-	15,551	20,065
Management and general expenses	<u>216,596</u>	<u>-</u>	<u>-</u>	<u>216,596</u>	<u>279,818</u>
Total expenses and losses	<u>1,281,066</u>	<u>-</u>	<u>-</u>	<u>1,281,066</u>	<u>1,219,846</u>
Change in net assets	(1,374,222)	(1,386,218)	7,562	(2,752,878)	(665,609)
Net assets at beginning of year	<u>411,342</u>	<u>8,260,677</u>	<u>6,801,582</u>	<u>15,473,601</u>	<u>16,139,210</u>
Net assets at end of year	<u>\$ (962,880)</u>	<u>\$ 6,874,459</u>	<u>\$ 6,809,144</u>	<u>\$ 12,720,723</u>	<u>\$ 15,473,601</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains, and other support				
Contributions	\$ 122,095	\$ 1,012,353	\$ 353,458	\$ 1,487,906
Investment income, net	(40,748)	(892,921)	-	(933,669)
Net assets released from restrictions	<u>1,045,640</u>	<u>(1,045,640)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,126,987</u>	<u>(926,208)</u>	<u>353,458</u>	<u>554,237</u>
Expenses and losses				
Scholarships and other student aid	237,423	-	-	237,423
Institutional support	682,540	-	-	682,540
Guest speakers and lecturers	20,065	-	-	20,065
Management and general expenses	<u>279,818</u>	<u>-</u>	<u>-</u>	<u>279,818</u>
Total expenses and losses	<u>1,219,846</u>	<u>-</u>	<u>-</u>	<u>1,219,846</u>
Change in net assets	(92,859)	(926,208)	353,458	(665,609)
Net assets, beginning of year	<u>504,201</u>	<u>9,186,885</u>	<u>6,448,124</u>	<u>16,139,210</u>
Net assets, end of year	<u>\$ 411,342</u>	<u>\$ 8,260,677</u>	<u>\$ 6,801,582</u>	<u>\$ 15,473,601</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
STATEMENT OF CASH FLOWS
Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets	\$ (2,752,878)	\$ (665,609)
Adjustments to reconcile change in net assets to net cash from operating activities		
Non-cash contributions	(31,579)	(76,384)
Realized and unrealized (gains) on investments	1,933,696	1,164,336
Funds held in trust by others	375,887	112,356
Contributions restricted for long-term purposes	(82,562)	(353,458)
Changes in assets and liabilities		
Contributions receivable	311,974	(249,921)
Contracts receivable	2,000,000	(2,050,000)
Other assets	8,652	(6,629)
Accounts payable	(1,393)	6,944
Deposits held and due to others	1,870	(3,066)
Due to Shawnee State University	(1,850,000)	2,050,000
Annuity obligations	<u>30,328</u>	<u>(22,940)</u>
Net cash from operating activities	(56,005)	(94,371)
Cash flows from investing activities		
Proceeds from sales of investments	3,920,488	6,985,791
Purchase of investments	<u>(3,887,025)</u>	<u>(6,273,851)</u>
Net cash from investing activities	33,463	711,940
Cash flows from financing activities		
Contributions restricted for long-term purposes	<u>82,562</u>	<u>353,458</u>
Net cash from financing activities	<u>82,562</u>	<u>353,458</u>
Net change in cash and cash equivalents	60,020	971,027
Cash and cash equivalents, beginning of year	<u>2,250,241</u>	<u>1,279,214</u>
Cash and cash equivalents, end of year	<u>\$ 2,310,261</u>	<u>\$ 2,250,241</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization: Shawnee State University Development Foundation (the "Foundation") was incorporated as a not-for-profit organization in the State of Ohio on November 4, 1987. The Foundation was formed to raise funds exclusively for the benefit of Shawnee State University. The primary source of revenues for the Foundation is donor contributions. The Foundation is a legally separate entity from the University and maintains a self appointing board of trustees.

Financial Statement Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and 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 carried at fair value in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Investments received by gifts are recorded at fair value at the date of gift. Realized investment gains and losses represent the difference between the proceeds on sales of investments and their cost when acquired. Investment return includes interest, dividends, and both realized and unrealized gains and losses.

In accordance with SFAS No. 117, the Foundation has recorded net appreciation (both realized and unrealized) on endowment funds as unrestricted net assets unless the use of such income has been temporarily or permanently restricted by the donor or by law. In cases where such donor-imposed restrictions exist, net appreciation is recorded in the same manner as the corresponding income.

The Foundation's endowment consists of assets, which are invested to provide income to support education and related activities, either as a result of donor-imposed restrictions or as a result of designations by the Board of Trustees. Endowment contributions are generally invested on a pooled basis and managed so as to achieve maximum long-term total return.

Contributions: Contributions to the Foundation are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted support, while contributions without donor-imposed restrictions are reported as unrestricted support.

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SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Annuities Payable: The carrying value of annuities payable is actuarially determined based on the present value of the discounted estimated future cash flows using market interest rates.

Net Assets: Unrestricted Net Assets represent funds that can be used by the Foundation for any purpose authorized by the Board of Trustees.

Temporarily Restricted Net Assets represent funds that are restricted for a specific purpose determined by the donor. A donor-imposed restriction permits the Foundation to expend the donated assets as specified and is satisfied either by the passage of time or by actions of the Foundation. The Foundation maintains separate balances in its accounting records to account for the amounts available for such restricted purposes.

Permanently Restricted Net Assets represent contributions in which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the earnings of the fund be expended as the donor has specified.

During fiscal year 1990, the Foundation was awarded \$500,000 by the U. S. Department of Education for an Endowment Challenge Grant. Significant provisions of the Grant required the Foundation to secure \$500,000 in matching funds from private sources. The Foundation is temporarily restricted from spending more than 50% of the income of the investment of the Endowment Challenge Grant for a twenty-year period. After the twenty-year period, all income earned and the Grant's corpus may be spent by the Foundation for educational purposes.

Expiration of Donor-Imposed Restrictions: The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when either the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of unrestricted net assets. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of temporarily restricted net assets. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors or by the change of restrictions specified by the donors. Generally the releases of restrictions are for scholarships and capital projects. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Foundation's policy to apply restricted resources first, then unrestricted resources as needed.

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SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 - SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

In the current year, \$75,000 was released from a permanent restriction at the donor's request. The funds are recorded as temporarily restricted and will be released once spent for the donor's intended purpose.

Federal Income Tax: The Internal Revenue Service has ruled that the Foundation is exempt from federal income taxes under Section 401(a) of the Internal Revenue Code as a public charity described in Section 501(c)(3). FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"), issued July 2006, was effective as of January 1, 2007. The Foundation has elected to defer adoption of FIN 48, in accordance with the provisions of FASB Staff Position No. FIN 48-3, which permits certain nonpublic enterprises to delay adoption until fiscal years beginning after December 15, 2008. Currently, the Foundation accounts for contingencies associated with uncertain tax in accordance with SFAS No. 5, *Accounting for Contingencies*, which provides the recording of a contingency based on the probability of certain events to transpire that range from probable to remote as opposed to applying a more likely than not recognition threshold.

Use of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Adoption of New Accounting Standards: For the fiscal year ended June 30, 2009, the Foundation adopted the Financial Accounting Standards Board ("FASB") Staff Position 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Act* ("UPMIFA"), and *Enhanced Disclosure For All Endowment Funds*. FSP 117-1 provides guidance on the net asset classification of donor restricted endowment funds for organizations subject to an enacted version of UPMIFA. Additional disclosure is provided in Note 9.

The Foundation also adopted Statement of Financial Accounting Standard ("SFAS") No. 157, *Fair Value Measurements* for the fiscal year ended June 30, 2009. SFAS No. 157 was issued by the FASB. It defines fair value, provides enhanced guidance for using fair value to measure assets and liabilities under current U.S. GAAP standards and expands the disclosure of the methods used and the effect of fair value measurements on changes in net assets. Additional disclosure is provided in Note 3.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2009 to determine the need for any adjustments or disclosures within the audited financial statements for the year ended June 30, 2009. Management has performed their analysis through October 16, 2009.

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SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 2 - INVESTMENTS

The fair value of investments held by the Foundation at June 30, 2009 and 2008 is summarized as follows:

	<u>2009</u>	<u>2008</u>
United States Government securities	\$ 1,351,394	\$ 1,694,844
Mutual funds		
Equity	1,703,075	2,328,193
Fixed income	611,707	431,334
Common stock	4,814,358	5,859,779
Corporate bond issues	<u>489,650</u>	<u>591,379</u>
Total	<u>\$ 8,970,184</u>	<u>\$ 10,905,529</u>

Investment income for the fiscal years ended June 30, 2009 and 2008 is composed of the following:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 255,862	\$ 325,635
Investment fees	(82,942)	(94,968)
Net realized and unrealized gains (losses) on investments	<u>(1,933,696)</u>	<u>(1,164,336)</u>
Total	<u>\$ (1,760,776)</u>	<u>\$ (933,669)</u>

The various investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Foundation.

NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 157, *Fair Value Measurements*, defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Statement 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

(Continued)

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair values of debt securities, mutual funds, and common stock investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). The fair value of Level 2 corporate bonds investments are determined utilizing quoted market prices of similar securities with similar due dates or matrix pricing, which is a mathematical technique widely used to in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities.

The fair value of the beneficial interests in the trust held by others is based on a valuation model that calculates the present value of estimated distributed income. The valuation model incorporates assumptions that market participants would use in estimating future distributed income and is considered a Level 3 investment.

(Continued)

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Assets Measured on a Recurring Basis:

	Fair Value Measurements at June 30, 2009 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government securities	\$ 1,351,394	\$ -	\$ -
Mutual funds	2,314,782	-	-
Common stock	4,814,358	-	-
Corporate bond issues	-	489,650	-
Beneficial interest in trusts	-	-	1,014,952

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

July 1, 2008	\$ 1,390,839
New pledges	-
Termination of trust	(29,017)
Change in value of split-interest trusts	(346,870)
June 30, 2009	\$ 1,014,952

(Continued)

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2009 and 2008

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2009 and 2008 are promises to give from various donors that are unconditional. Pledges that will not be received in the subsequent year have been discounted to present value. Gross pledges at June 30, 2009 and 2008 were \$999,346 and \$1,420,284, respectively. The present value discount associated with these pledges was \$6,453 and \$107,417 at June 30, 2009 and 2008, respectively.

Contributions receivable are due as follows:

	<u>2009</u>	<u>2008</u>
Less than one year	\$ 11,852	\$ 103,358
One to five years	981,041	1,209,400
More than five years	<u>-</u>	<u>109</u>
 Total contributions receivable	 992,893	 1,312,867
 Less: Provision for uncollectible pledges	 <u>(24,822)</u>	 <u>(32,822)</u>
 Net contributions receivable	 <u>\$ 968,071</u>	 <u>\$ 1,280,045</u>

As of June 30, 2009 and 2008, the Foundation had cash surrender value of insurance policies of \$157,949 and \$166,836, respectively. The face value of these policies as of June 30, 2009 of \$1,551,522 is not reflected in the statement of financial position.

The Foundation received conditional promises to give totaling \$9,830,609 as of June 30, 2009 that have not been recognized as assets in the statement of financial position. These gifts are primarily in the form of bequests and insurance pledges which are deemed conditional due to their revocable nature.

NOTE 5 - SPLIT-INTEREST AGREEMENTS

The Foundation has been named charitable remainder beneficiary in various charitable remainder trusts administered by an outside trustee. These trusts provide, among other matters, that the trustee shall pay to beneficiaries' periodic payments until either the assets of the trust have been exhausted or death of the beneficiaries. Upon death of the beneficiaries, the Foundation's designated share of all property in the trust will be transferred to the Foundation in accordance with the agreements.

The Foundation accounts for such agreements by recording the fair market value of assets donated netted against the present value of the annuities payable, based on the terms of the agreement as contributions receivable from remainder trusts. The excess of the fair market value of the donated assets over the liability is recorded as unrestricted support in the year of the gift, unless donor has placed restrictions on the use of the gift, in which case the excess is recorded as an addition to temporarily or permanently restricted net assets.

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SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2009 and 2008

NOTE 6 - RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets at June 30, 2009 are restricted for the following purposes:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Federal matching grant funds	\$ 1,267,279	\$ -
Scholarships and student aid	669,035	2,715,490
Irrevocable charitable trusts	871,203	143,749
University facilities and programs	<u>4,066,942</u>	<u>3,949,905</u>
Total	<u>\$ 6,874,459</u>	<u>\$ 6,809,144</u>

Temporarily and permanently restricted net assets at June 30, 2008 are restricted for the following purposes:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Federal matching grant funds	\$ 1,478,975	\$ -
Scholarships and student aid	815,319	2,494,680
Irrevocable charitable trusts	1,161,660	200,162
University facilities and programs	<u>4,804,723</u>	<u>4,106,743</u>
Total	<u>\$ 8,260,677</u>	<u>\$ 6,801,582</u>

During the years ended June 30, 2009 and 2008, \$1,139,324 and \$1,045,640, respectively, were released from restrictions and utilized for Shawnee State University purposes.

NOTE 7 - CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Foundation to a concentration of credit risk, consist primarily of contributions receivable, and investments.

The Foundation maintains a custodial account with U. S. Bank N. A., Private Client, Trust and Asset Management Division. U. S. Bank maintains insurance coverage against major losses. Policies currently in place include an errors and omission policy, employee fidelity bond, blanket lost original instruments bond and master trust property policy. Coverage is provided by insurance companies which U. S. Bank management believes to be financially sound, and is maintained at levels which U. S. Bank considers reasonable given the size and scope of its operations. Insurance coverage is approved annually by the U. S. Bank Board of Directors.

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SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2009 and 2008

NOTE 8 - DISTRIBUTIONS TO SHAWNEE STATE UNIVERSITY

The Foundation made distributions to, or on behalf of the University of \$1,064,470 during the year ended June 30, 2009 and \$940,028 during the year ended June 30, 2008. Administrative expenses of \$216,596 in fiscal year 2009 and \$279,818 in fiscal year 2008 were reimbursed to Shawnee State University for direct costs, including an allocation of salary and benefits, incurred in the management of the Foundation's endowment funds.

NOTE 9 - ENDOWMENT COMPOSITION

The Foundations' endowment includes both donor-restricted endowment funds and unrestricted funds that function as endowments. As required by applicable standards, net assets associated with endowment funds, including unrestricted funds functioning as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Donor restricted endowment funds	\$ (1,235,410)	\$ 2,016,909	\$ 6,809,144	\$ 7,590,643
Funds functioning as endowment	<u>386,345</u>	<u>-</u>	<u>-</u>	<u>386,345</u>
Total funds	<u>\$ (849,065)</u>	<u>\$ 2,016,909</u>	<u>\$ 6,809,144</u>	<u>\$ 7,976,988</u>

Changes in endowment net assets for year ended June 30, 2009.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Net assets, beginning of year	\$ 305,867	\$ 2,527,639	\$ 6,801,582	\$ 9,635,088
Investment return				
Investment income, net	(489,977)	(201,180)	-	(691,157)
Net depreciation (realized and unrealized gains/losses)	<u>(664,955)</u>	<u>(309,550)</u>	<u>-</u>	<u>(974,505)</u>
Total investment return	(1,154,932)	(510,730)	-	(1,665,662)
Contributions	-	-	82,562	82,562
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>(75,000)</u>	<u>(75,000)</u>
Net assets, end of year	<u>\$ (849,065)</u>	<u>\$ 2,016,909</u>	<u>\$ 6,809,144</u>	<u>\$ 7,976,988</u>

(Continued)

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 9 - ENDOWMENT COMPOSITION (Continued)

Interpretation of UPMIFA: The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the organization; and
- (7) The investment policies of the organization.

Return Objectives, Risk Parameters, and Strategies: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as funds functioning as endowment. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve an after cost total real rate of return, including investment income as well as a capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

(Continued)

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 9 - ENDOWMENT COMPOSITION (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a policy of only spending the earnings, including appreciation, of the endowment fund. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as provide additional real growth through new gifts and investment return.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. Such amounts totaled \$1,235,410 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations.

REPORT OF INDEPENDENT AUDITORS 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 Trustees
Shawnee State University Development Foundation
Portsmouth, Ohio

We have audited the financial statements of Shawnee State University Development Foundation (the "Foundation") as of and for the year ended June 30, 2009, and have issued our report thereon dated the same date as this report. 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 Foundation'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 University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University'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. We consider deficiency 09-01 described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

(Continued)

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 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. However, we consider the significant deficiency described above, Finding 09-01, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation'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*.

The Foundation's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Foundation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management, and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 16, 2009

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2009

FINDING 09-01

Criteria:	The Foundation should have a financial reporting and closing process that ensures the financial statements are stated in accordance with accounting principals generally accepted in the United States of America ("GAAP").
Condition:	During our testing of internal controls, we noted a formal process to close the general ledger and review financial statements in conformity with GAAP was not in place.
Context:	Closing entries to the general ledger are recorded by an accounting firm engaged to perform a compilation. No review of either the entries or accuracy of the financial statements is performed.
Effect:	The lack of a formal financial reporting and closing process increases the risk of material misstatement due to error or fraud.
Cause:	The situation appears to be the result of limited resources available in the Foundation's accounting office.
Recommendation:	We recommend a formal financial reporting and closing process be implemented that includes the review of closing entries. The closing process should also detail procedures to ensure the financial statements are stated in conformity with generally accepted accounting principles.
Management's Response:	Management concurs with this finding. The Foundation Executive Director retired during the 2009 reporting period and the position remained vacant until after the close of the period. The vacancy has now been filled and the Foundation leadership team is committed to continuing to develop procedures that ensure conformance with GAAP by the end of the 2010 reporting period.

Prior Year Findings

<u>FINDING 08-01</u>	In process of being corrected, but not yet implemented for the current year under audit. See Finding 09-01.
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Mary Taylor, CPA
Auditor of State

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION

SCIOTO 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
NOVEMBER 19, 2009**