

Cleveland State University

**Financial Report
Including Supplemental Information
June 30, 2010**



Mary Taylor, CPA
Auditor of State

Board of Trustees
Cleveland State University
2121 Euclid Avenue
Cleveland, Ohio 44115

We have reviewed the *Report of Independent Auditors* of Cleveland State University, Cuyahoga County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2009 through June 30, 2010. 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. Cleveland State University is responsible for compliance with these laws and regulations.

Mary Taylor

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December 3, 2010

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Report of Independent Auditors

To the Board of Trustees
Cleveland State University

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Cleveland State University (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of The Cleveland State University Foundation, Inc. or the Euclid Avenue Housing Corporation, discretely presented component units of the University. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors.

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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University as of June 30, 2010 and 2009 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees
Cleveland State University

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2010 on our consideration of the University'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 should be considered in assessing the results of our audits.

Plante & Moran, PLLC

October 15, 2010

CLEVELAND STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Cleveland State University (the "University") as of and for the year ended June 30, 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The University was established in 1964 by action of the Ohio General Assembly and is part of the State of Ohio's (the "State") system of state-supported and state-assisted institutions of higher education. It is one of the 13 state universities in Ohio. By statute, it is a body politic and corporate and an instrumentality of the State. Located in the city of Cleveland, the University is an urban institution. A majority of the University's students commute daily from their homes in the Cleveland metropolitan area.

Using the Annual Financial Report

The University's financial report includes financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These principles require that financial statements be presented on a consolidated basis to focus on the financial condition, the changes in financial condition, and the cash flows of the University as a whole. Many other non-financial factors also must be considered in assessing the overall health of the University, such as enrollment trends, student retention, strength of the faculty, condition of the buildings, and the safety of the campus.

The financial statements prescribed by GASB Statement No. 35 (the statement of net assets, the statement of revenues, expenses and changes in net assets, and the statement of cash flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenue and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Under the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The Cleveland State University Foundation, Inc. (the "Foundation") and the Euclid Avenue Housing Corporation (the "Corporation") are treated as component units of the University. Accordingly, the Foundation and the Corporation are discretely presented in the University's financial statements. The Foundation and the Corporation are excluded from management's discussion and analysis. Financial statements for the Foundation can be obtained from the Office of the Executive Director at 2121 Euclid Avenue, Keith Building Room 300, Cleveland, OH 44115-2214; financial statements for the Corporation can be obtained from the Office of the President at 2121 Euclid Avenue, Administration Center Room 210, Cleveland, OH 44115-2214.

Statement of Net Assets

The statement of net assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities. The difference between assets and liabilities— net assets— is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of the University's assets, liabilities, and net assets at June 30, 2010, 2009 and 2008 is as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current assets	\$ 51,420,926	\$ 48,233,371	\$ 40,137,984
Noncurrent assets:			
Capital assets, net	460,153,549	379,904,921	340,451,912
Other	<u>99,693,462</u>	<u>150,479,231</u>	<u>159,028,058</u>
Total assets	611,267,937	578,617,523	539,617,954
Current liabilities	42,131,497	42,170,066	37,675,256
Noncurrent liabilities	<u>232,077,323</u>	<u>223,189,761</u>	<u>180,357,268</u>
Total liabilities	<u>274,208,820</u>	<u>265,359,827</u>	<u>218,032,524</u>
Net assets	\$ <u><u>337,059,117</u></u>	\$ <u><u>313,257,696</u></u>	\$ <u><u>321,585,430</u></u>

Current assets consist primarily of cash, operating investments, accounts and notes receivable, prepaid expenses, deferred charges and inventories. Current liabilities consist primarily of accounts payable, accrued payroll and other liabilities, deferred revenue and the current portion of long-term debt.

Current assets increased in 2010 from 2009 primarily due to an increase in cash and cash equivalents, which was partially offset by a decrease in investments. In 2010, the University kept most of its cash on deposit with the bank, because the rate of interest paid by the bank was greater than other short-term investment vehicles.

Current assets increased in 2009 from 2008 primarily due to an increase in cash and cash equivalents. During 2009, the University increased its holdings in money market funds (which are classified as cash equivalents) because they offered greater returns than other short-term investment vehicles.

Net capital assets increased in 2010 from 2009 by \$80.2 million, or 21.1%, and in 2009 from 2008 by \$39.5 million, or 11.6%. Both increases were due to construction on the University's campus. Projects under construction during these years include a new student center building and a new building to house the College of Education and Human Services.

Other assets decreased in 2010 from 2009 by \$50.8 million, or 33.7%. The decrease was due primarily to the spending of bond proceeds on construction.

Other assets decreased in 2009 from 2008 by \$8.5 million, or 5.4%. The decrease was the result of two factors: the increased use of money market funds, which are classified as current assets, and the spending of bond proceeds on construction.

Liabilities increased in 2010 from 2009 by \$8.8 million, or 3.3%, due primarily to a \$14.5 million capital lease for a new parking garage that was entered into in 2010.

Liabilities increased in 2009 from 2008 by \$47.3 million, or 21.7%, due primarily to a \$42.8 million capital lease for energy conservation projects that was issued in 2009.

Capital and Debt Activities

One critical factor affecting the quality of the University's programs is the development and renewal of its capital assets. Capital additions totaled \$100.4 million in 2010, \$57.1 million in 2009, and \$37.4 million in 2008. Capital retirements totaled \$6.0 million in 2010, \$25.7 million in 2009, and \$2.7 million in 2008. Capital additions and retirements for 2010, 2009 and 2008 exclude transfers from construction in progress to buildings in the amounts of \$31.3 million, \$0.7 million and \$6.2 million, respectively. Capital additions include construction of new facilities, repair and renovation of existing facilities, and acquisition of equipment and library books. Capital asset additions are funded, in part, by capital appropriations from the State. These appropriations amounted to \$20.0 million in 2010, \$15.1 million in 2009, and \$3.4 million in 2008.

In August 2009, the University entered into a capital lease with the Corporation in the amount of \$14.5 million. The lease covers a parking garage that was constructed by the Corporation on the University's campus. The lease requires the University to operate and maintain the garage, and to make periodic payments to the Corporation equal to its required debt service payments.

In March 2009, the University entered into a capital lease in the amount of \$42.8 million. Proceeds will be used to fund a variety of energy conservation projects on the University's campus. When the projects are complete, energy savings will be sufficient to fund the lease payments.

Net Assets

Net assets represent the residual interest in the University's assets after liabilities are deducted. The University's net assets at June 30, 2010, 2009 and 2008 are summarized as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Invested in capital assets, net of related debt	\$ 254,199,231	\$ 246,794,695	\$ 241,694,315
Restricted - expendable	15,128,293	17,078,592	16,875,687
Restricted - nonexpendable	1,100,356	917,117	1,308,413
Unrestricted	<u>66,631,237</u>	<u>48,467,292</u>	<u>61,707,015</u>
Total net assets	<u>\$ 337,059,117</u>	<u>\$ 313,257,696</u>	<u>\$ 321,585,430</u>

Net assets invested in capital assets, net of related debt represent the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Changes in this category of net assets are due to the net effect of additions to, disposals of, and depreciation on capital assets. In both 2010 and 2009, additions exceeded disposals and depreciation.

Restricted-expendable net assets are subject to externally imposed restrictions governing their use. Changes in this category are due to the timing of revenue and expenses in funds provided by donors and grantors. Restricted-nonexpendable net assets consist primarily of endowment funds held by the University. Changes in this category are driven primarily by investment performance, which was positive in 2010 and negative in 2009.

Unrestricted net assets are not subject to externally imposed stipulations. This category includes funds functioning as endowment (quasi-endowment) of \$4.5 million at June 30, 2010, \$4.0 million at June 30, 2009, and \$4.7 million at June 30, 2008. The changes in value from year to year are due to gains or losses on investments.

For the year ended June 30, 2010, the University had an increase in total net assets of \$23.8 million, or 7.6%. Net assets invested in capital assets, net of related debt, increased by \$7.4 million, or 3.0%, because capital asset additions exceeded deductions and depreciation expense. Unrestricted net assets increased by \$18.2 million, or 37.5%, due primarily to increases in net tuition income (which went from \$115.3 million in 2009 to \$126.2 million in 2010) and in investment income (which went from (\$6.5 million) in 2009 to \$7.7 million in 2010), along with a decrease in operating expenses in 2010 from 2009 of \$0.2 million. The decrease in operating expenses was the result of a freeze on salaries and wages and energy conservation efforts.

For the year ended June 30, 2009, the University had a decrease in total net assets of \$8.3 million, or 2.6%. Net assets invested in capital assets, net of related debt, increased by \$5.1 million, or 2.1%, because capital asset additions exceeded deductions and depreciation expense. Unrestricted net assets decreased by \$13.2 million, or 21.5%, due primarily to decreased investment income (which went from (\$553,000) in 2008 to (\$6.5 million) in 2009), and increased operating expenses (which went from \$257.3 million in 2008 to \$269.9 million in 2009). Expenses for salaries and wages, fringe benefits, and energy were higher in 2009 than in 2008.

Statement of Revenue, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. As a public institution, the University is dependent on state assistance. This dependency contributed toward an operating deficit because the financial reporting model classifies state appropriations as nonoperating revenue. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. Summarized revenue, expenses, and changes in net assets for the years ended June 30, 2010, June 30, 2009 and June 30, 2008 are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenue:			
Net student tuition and fees	\$ 126,182,341	\$ 115,263,410	\$ 116,662,514
Grants and contracts	20,480,512	18,788,895	23,506,162
Other	<u>21,103,594</u>	<u>20,712,482</u>	<u>20,310,456</u>
Total operating revenue	167,766,447	154,764,787	160,479,132
Operating expenses:			
Educational and general	226,629,451	226,598,855	215,684,519
Auxiliary enterprises	23,386,092	25,553,858	23,215,882
Depreciation and amortization	<u>19,722,338</u>	<u>17,742,326</u>	<u>18,363,172</u>
Total operating expenses	<u>269,737,881</u>	<u>269,895,039</u>	<u>257,263,573</u>
Operating loss	(101,971,434)	(115,130,252)	(96,784,441)
Nonoperating revenue, net:			
State appropriations	63,692,313	79,056,333	72,934,809
Other	<u>42,102,246</u>	<u>12,664,624</u>	<u>19,348,092</u>
Gain (loss) before other changes	3,823,125	(23,409,295)	(4,501,540)
Other changes	<u>19,978,296</u>	<u>15,081,561</u>	<u>3,617,459</u>
Increase (decrease) in net assets	23,801,421	(8,327,734)	(884,081)
Net assets at beginning of year	<u>313,257,696</u>	<u>321,585,430</u>	<u>322,469,511</u>
Net assets at end of year	<u>\$ 337,059,117</u>	<u>\$ 313,257,696</u>	<u>\$ 321,585,430</u>

Total revenue and other changes in fiscal 2010, 2009 and 2008 was \$298.8 million, \$264.9 million, and \$259.3 million, respectively. The most significant sources of 2010 operating revenue for the University were student tuition and fees of \$126.2 million, grants and contracts of \$20.5 million, and auxiliary services of \$15.9 million.

Revenue from tuition and fees (net of scholarship allowances) increased in 2010 from 2009 by \$10.9 million, or 9.5%, due to an increase in enrollment and an increase in tuition rates. Headcount enrollment increased by 6.9% from the prior year, while full-time equivalent enrollment increased by 7.4% from the prior year. A tuition increase of 3.5% was implemented in the spring 2010 semester.

Revenue from tuition and fees (net of scholarship allowances) decreased in 2009 from 2008 by \$1.4 million, or 1.2%, due primarily to an increase in scholarship allowances (which are netted against revenue) of \$1.3 million. Enrollment was essentially flat (headcount enrollment increased by 0.36%), and there were no tuition increases.

Revenue from grants and contracts decreased in 2009 from 2008 by \$4.7 million, or 20.1%. The decline was in federal grants, and is attributable to fewer proposals for federal funding being funded. This decline was reversed in 2010, with revenue from federal grants and contracts increasing by \$2.3 million, or 23.9%, over 2009.

Total expenses in fiscal 2010, 2009 and 2008 were \$275.0 million, \$273.3 million, and \$260.2 million, respectively. Operating expenses include the costs of instruction, research, public service, general administration, utilities, libraries, and auxiliary services. Operating expenses also include depreciation and amortization. The increase in total expenses of \$1.7 million (0.6%) in 2010 was due primarily to increased interest on debt. The increases in operating expenses of \$12.6 million (4.9%) in 2009 were due primarily to salary increases granted to University employees, increases in the cost of medical insurance and other fringe benefits, and rising costs for energy.

Sources of nonoperating revenue include state appropriations of \$63.7 million in 2010, \$79.1 million in 2009, and \$72.9 million in 2008; grants and contracts of \$24.8 million in 2010, \$18.0 million in 2009, and \$16.4 million in 2008; gifts of \$4.5 million in 2010, \$4.6 million in 2009, and \$6.4 million in 2008; and investment income (loss) of \$7.7 million in 2010, (\$6.5 million) in 2009, and (\$553,000) in 2008. State funding increased in 2009 by \$6.1 million, or 8.4%, but declined in 2010 by \$15.4 million, or 19.4%, as the State used federal stimulus dollars to replace State funds. In 2010, such federal stimulus funds passed-through the State and received by the University as subsidy amounted to \$10.4 million.

Net nonoperating revenue increased in 2010 from 2009 by \$14.1 million, or 15.3%, due primarily to increases in funding for the Federal Pell Grants program and federal stimulus funds, offset by a decrease in state support. Net nonoperating revenue decreased in 2009 from 2008 by \$562,000, or 0.6%, due primarily to the decline in investment income, offset by the increase in state support.

Other changes consist primarily of state capital appropriations of \$20.0 million in 2010, \$15.1 million in 2009, and \$3.4 million in 2008.

Statement of Cash Flows

The statement of cash flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing and investing activities, and helps measure the ability to meet financial obligations as they mature. A summary of the statement of cash flows for the years ended June 30, 2010, June 30, 2009 and June 30, 2008 is as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net cash provided (used) by:			
Operating activities	\$ (83,066,244)	\$ (91,764,282)	\$ (83,383,896)
Noncapital financing activities	103,454,861	101,999,581	95,514,168
Capital financing activities	(73,968,302)	(4,261,211)	(39,231,358)
Investing activities	<u>66,793,739</u>	<u>1,006,976</u>	<u>27,699,391</u>
Net increase in cash	13,214,054	6,981,064	598,305
Cash at beginning of year	<u>11,056,456</u>	<u>4,075,392</u>	<u>3,477,087</u>
Cash at end of year	<u>\$ 24,270,510</u>	<u>\$ 11,056,456</u>	<u>\$ 4,075,392</u>

Major sources of cash included student tuition and fees of \$125.2 million in 2010, \$116.1 million in 2009, and \$116.1 million in 2008; state appropriations of \$74.1 million in 2010, \$79.1 million in 2009, and \$72.9 million in 2008; grants and contracts (operating and nonoperating) of \$46.0 million in 2010, \$38.4 million in 2009, and \$41.4 million in 2008; and auxiliary activities of \$15.9 million in

2010, \$16.7 million in 2009, and \$14.4 million in 2008.

The largest payments were for employee compensation and benefits totaling \$163.9 million in 2010, \$163.8 million in 2009, and \$163.3 million in 2008; suppliers of goods and services totaling \$87.9 million in 2010, \$86.8 million in 2009, and \$80.8 million in 2008; and purchases of capital assets totaling \$99.4 million in 2010, \$60.1 million in 2009, and \$37.8 million in 2008.

The change in cash flows from 2009 to 2010 in the investing category is due primarily to the University electing to leave most of its cash in the bank in 2010 (because the rate of return was higher than other short-term investment vehicles), which resulted in a decrease in investments purchased.

The changes in cash flows from 2009 to 2010 and from 2008 to 2009 in the capital financing category is due primarily to the \$42.8 million capital lease for energy conservation projects that was issued in 2009.

Credit Rating

The University's bonds are rated "A" by Standard & Poor's, with the most recent rating published on April 14, 2008. This rating is consistent with the years ended June 30, 2009 and 2008. The highest achievable rating is "AAA." The University's capacity to meet its financial obligations is considered strong considering this rating.

Looking Ahead

The ability of the University to fulfill its mission and execute its strategic plan is directly influenced by enrollment, state support, and the cost of healthcare, utilities, employee compensation and unfunded state and federal mandates.

In the fall of 2010, headcount enrollment at the University climbed to 17,204, increase of 4.2% from fall 2009 and the highest enrollment at the University in 18 years. Furthermore, first-year students entered the University as the most academically competitive class in its history.

Paramount to the University's continuing success is its accreditation by the North Central Association of Colleges and Schools (NCA), which in 2000 awarded the University a 10 year renewal with enthusiasm and without condition. A team from the NCA will visit the University in Fall 2010 as part of the normal reaccreditation process.

The University faces significant cost pressures in the future. These relate to attracting and retaining high-quality faculty and staff, increasing costs of medical care and prescription drugs, volatile energy prices, and others.

A critical element to the University's future is its relationship with the State. There is a direct relationship between the level of state support and the University's ability to control tuition growth, as declines in state appropriations generally result in increased tuition levels. The state's capital appropriations continue to support construction and renovation of the University's facilities. Economic pressures affecting the State may affect the State's future support of the University.

In September 2010, the State announced the planned lapse of \$127.5 million in state subsidy to higher education for fiscal year 2011. The State's estimate is that the University's June 2011 subsidy payment from the State will be reduced by \$4.7 million, which represents a reduction in the State's support of the University for 2011 of 6.4%.

It has been widely reported that the State faces a revenue shortfall of \$8 billion for its biennial budget that begins July 1, 2011 and ends June 30, 2013. As the State's Constitution requires the adoption of a balanced budget, it is virtually certain that the State will have to cut spending and that support to higher education will be affected. The amount of any reduction in the State's support of the University is not known at this time.

In the summer of 2010, the University's president appointed a budget task force and charged it to make recommendations as to how the University would maintain a balanced budget if its State subsidy were to be cut by 10%, 15%, or 20%. The report of the task force is due to the president by December 31, 2010.

Cleveland State University
Statement of Net Assets
June 30, 2010 and 2009

	2010	2009
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 24,270,510	\$ 11,056,456
Investments (Note 2)	5,018,111	15,565,304
Accounts Receivable, Net (Note 3)	19,417,920	19,025,380
Notes Receivable, Net (Note 3)	1,276,989	903,685
Accrued Interest Receivable	12,491	392,519
Prepaid Expenses, Deferred Charges and Inventories	1,424,905	1,290,027
Total Current Assets	51,420,926	48,233,371
Noncurrent Assets:		
Restricted Investments (Note 2)	17,187,619	74,370,736
Long-Term and Endowment Investments (Note 2)	69,840,834	61,320,310
Notes Receivable, Net (Note 3)	10,334,360	12,352,537
Deferred Bond Premium and Issuance Costs	2,330,649	2,435,648
Capital Assets, Net (Note 5)	460,153,549	379,904,921
Total Noncurrent Assets	559,847,011	530,384,152
Total Assets	611,267,937	578,617,523
LIABILITIES		
Current Liabilities:		
Accounts Payable	8,994,419	10,542,868
Construction Accounts Payable	3,933,523	4,324,571
Accrued Liabilities	8,394,846	8,836,060
Accrued Interest Payable	1,439,785	1,403,734
Deferred Revenue	10,279,623	9,689,730
Compensated Absences - Current Portion (Note 6)	636,708	792,395
Obligations Under Capital Leases - Current Portion (Note 6)	3,826,660	2,114,775
Long-Term Debt - Current Portion (Note 6)	4,625,933	4,465,933
Total Current Liabilities	42,131,497	42,170,066
Noncurrent Liabilities:		
Accrued Liabilities (Note 6)	11,199,569	11,144,918
Compensated Absences (Note 6)	8,556,310	8,561,600
Obligations Under Capital Leases (Note 6)	68,231,368	54,767,234
Long-Term Debt (Note 6)	144,090,076	148,716,009
Total Noncurrent Liabilities	232,077,323	223,189,761
Total Liabilities	274,208,820	265,359,827
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	254,199,231	246,794,695
Restricted, Expendable	15,128,293	17,078,592
Restricted, Nonexpendable	1,100,356	917,117
Unrestricted	66,631,237	48,467,292
Total Net Assets	\$ 337,059,117	\$ 313,257,696

The accompanying notes are an integral part of the financial statements.

Cleveland State University
Statement of Revenue, Expenses, and Changes in Net Assets
Years Ended June 30, 2010 and 2009

	2010	2009
Revenue		
Operating Revenue:		
Student Tuition and Fees	\$ 143,288,911	\$ 130,750,629
Less Scholarship Allowances	17,106,570	15,487,219
Net Student Tuition and Fees	126,182,341	115,263,410
Federal Grants and Contracts	11,992,099	9,681,219
State Grants and Contracts	6,296,917	5,504,478
Local Grants and Contracts	490,186	681,071
Private Grants and Contracts	1,701,310	2,922,127
Sales and Services	4,773,836	4,709,650
Auxiliary Enterprises	15,912,209	15,433,175
Other Sources	417,549	569,657
Total Operating Revenue	167,766,447	154,764,787
Expenses		
Operating Expenses:		
Instruction	92,025,220	95,209,808
Research	9,688,834	12,880,105
Public Service	11,186,289	11,357,482
Academic Support	22,934,405	24,067,498
Student Services	20,105,695	19,781,003
Institutional Support	28,300,239	29,714,486
Operation and Maintenance of Plant	24,816,384	22,711,537
Scholarships and Fellowships	17,572,385	10,876,936
Auxiliary Enterprises	23,386,092	25,553,858
Depreciation and Amortization	19,722,338	17,742,326
Total Operating Expenses	269,737,881	269,895,039
Operating Loss	(101,971,434)	(115,130,252)
Nonoperating Revenue (Expenses)		
State Appropriations	63,692,313	79,056,333
Federal Appropriations	10,367,388	-
Federal Grants and Contracts	21,555,446	13,998,357
State Grants and Contracts	3,279,699	4,015,508
Gifts	4,477,080	4,557,213
Investment Income	7,698,092	(6,546,238)
Interest on Debt	(5,275,459)	(3,360,216)
Net Nonoperating Revenue	105,794,559	91,720,957
Gain (Loss) Before Other Changes	3,823,125	(23,409,295)
Other Changes		
State Capital Appropriations	19,978,296	15,069,316
Capital Gifts	-	12,245
Increase (Decrease) in Net Assets	23,801,421	(8,327,734)
Net Assets		
Net Assets at Beginning of Year	313,257,696	321,585,430
Net Assets at End of Year	\$ 337,059,117	\$ 313,257,696

The accompanying notes are an integral part of the financial statements.

**Cleveland State University
Statement of Cash Flows**

	Years Ended June 30	
	2010	2009
Cash Flows from Operating Activities		
Tuition and Fees	\$ 125,222,415	\$ 116,088,860
Grants and Contracts	21,194,066	20,376,611
Payments to or On Behalf of Employees	(163,937,678)	(163,778,489)
Payments to Vendors	(88,802,575)	(86,805,739)
Loans Issued to Students	(1,160,506)	(771,320)
Collection of Loans to Students	3,299,546	1,174,466
Auxiliary Enterprises Charges	15,927,103	16,672,022
Other Receipts	5,191,385	5,279,307
Net Cash Used by Operating Activities	<u>(83,066,244)</u>	<u>(91,764,282)</u>
Cash Flows from Noncapital Financing Activities		
State Appropriations	74,059,701	79,056,333
Grants and Contracts	24,835,145	18,013,865
Gifts	4,477,080	4,557,213
Cash Provided by Stafford and PLUS Loans	107,184,246	96,397,555
Cash Used by Stafford and PLUS Loans	(107,163,728)	(96,254,088)
Cash Provided by Agency Fund Activities	(426,322)	(1,258,157)
Cash Used by Agency Fund Activities	488,739	1,486,860
Net Cash Provided by Noncapital Financing Activities	<u>103,454,861</u>	<u>101,999,581</u>
Cash Flows from Capital Financing Activities		
Proceeds from Capital Debt and Leases	17,680,920	48,839,328
Capital Appropriations	19,978,296	15,069,316
Capital Gifts and Grants	-	12,245
Purchases of Capital Assets	(99,417,276)	(60,137,706)
Principal Paid on Capital Debt and Leases	(6,970,835)	(5,479,761)
Interest Paid on Capital Debt and Leases	(5,239,407)	(2,564,633)
Net Cash Used by Capital Financing Activities	<u>(73,968,302)</u>	<u>(4,261,211)</u>
Cash Flows from Investing Activities		
Proceeds from Sales and Maturities of Investments	62,563,273	194,002,250
Purchase of Investments	(3,353,487)	(186,482,965)
Interest on Investments	7,583,953	(6,512,309)
Net Cash Provided by Investing Activities	<u>66,793,739</u>	<u>1,006,976</u>
Net Increase in Cash	13,214,054	6,981,064
Cash and Cash Equivalents at Beginning of Year	11,056,456	4,075,392
Cash and Cash Equivalents at End of Year	<u>\$ 24,270,510</u>	<u>\$ 11,056,456</u>

The accompanying notes are an integral part of the financial statements.

Cleveland State University
Statement of Cash Flows (continued)

	Years Ended June 30	
	2010	2009
Reconciliation of Operating Loss to Cash Used by Operating Activities		
Operating Loss	\$ (101,971,434)	\$ (115,130,252)
Adjustments:		
Depreciation and Amortization	19,722,338	17,742,326
Changes in Assets and Liabilities:		
Accounts Receivable, Net	(841,231)	1,888,690
Notes Receivable, Net	2,139,040	403,146
Inventories	(29,884)	14,032
Prepaid Expenses and Deferred Charges	(104,994)	517,793
Accounts Payable	(1,919,637)	962,985
Accrued Liabilities	(650,335)	93,705
Deferred Revenue	589,893	1,743,293
Cash Used by Operating Activities	\$ (83,066,244)	\$ (91,764,282)

The accompanying notes are an integral part of the financial statements.

The Cleveland State University Foundation, Inc.
Statement of Financial Position
June 30, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,051,468	\$ 4,909,635
Accounts receivable	220,221	63,674
Contributions receivable, net of allowance for uncollectible contributions	912,225	704,079
Total Current Assets	6,183,914	5,677,388
Other assets:		
Deposit	-	20,000
Contributions receivable, net of allowance for uncollectible accounts	4,706,404	3,418,263
Long-term investments	38,383,659	32,719,584
Funds held on behalf of others:		
Cleveland State University (Note 11)	1,993,632	1,804,588
Cleveland State University Alumni Association	313,317	316,780
Total Other assets	45,397,012	38,279,215
Total Assets	\$ 51,580,926	\$ 43,956,603
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 45,814	\$ 165,062
Payable to Cleveland State University (Note 11)	626,547	741,381
Notes Payable	39,996	-
Annuities payable	29,847	29,847
Total Current Liabilities	742,204	936,290
Noncurrent Liabilities:		
Payable to Cleveland State University (Note 11)	36,115	36,115
Notes Payable	724,739	-
Annuities payable	101,028	108,141
Funds held on behalf of others:		
Cleveland State University (Note 11)	1,993,632	1,804,588
Cleveland State University Alumni Association	313,317	316,780
Total Liabilities	3,911,035	3,201,914
NET ASSETS:		
Unrestricted	(566,725)	(1,321,238)
Board-designated - Scholarships	140,597	130,130
Total unrestricted	(426,128)	(1,191,108)
Temporarily restricted (Note 10)	14,086,876	11,327,058
Permanently restricted (Note 10)	34,009,143	30,618,739
Total Net Assets	47,669,891	40,754,689
Total Liabilities and Net Assets	\$ 51,580,926	\$ 43,956,603

The accompanying notes are an integral part of the financial statements.

Euclid Avenue Housing Corporation
Statement of Financial Position
June 30, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash and Cash Equivalents	\$ 1,856,782	\$ 539,621
Cash held by the University	49,695	222,727
Total Cash	1,906,477	762,348
Bond proceeds / Investments	39,745,205	7,956,579
Student accounts receivable, net of allowance for uncollectible accounts of \$11,000 in 2009 and \$4,000 in 2008	95,330	42,046
Other receivable	96,028	17,214
Accrued interest receivable	-	24,392
Prepaid Expenses	13,847	6,105
Total Current Assets	41,856,887	8,808,684
Other assets:		
Deferred bond issuance costs, net of accumulated amortization of \$364,838 in 2010 and \$287,371 in 2009	3,206,745	2,130,436
Note receivable	14,500,000	1,640,808
Property:		
Land	1,146,460	-
Building	28,280,753	27,792,453
Building improvements	27,446	12,398
Furniture, fixtures and equipment	1,230,908	1,206,740
Construction in progress	26,313,263	11,484,505
	56,998,830	40,496,096
Less: Accumulated depreciation	(3,482,140)	(2,598,719)
	53,516,690	37,897,377
Other assets	-	720,000
Total Other assets	71,223,435	42,388,621
Total Assets	\$ 113,080,322	\$ 51,197,305
LIABILITIES		
Current Liabilities:		
Current portion of bonds payable (Note 11)	\$ 735,000	\$ 965,000
Current portion of notes payable	60,000	50,000
Accounts payable	3,962,015	2,297,621
Advance from University	-	300,000
Accrued interest	642,930	644,786
Accrued payroll	26,517	16,347
Deferred revenue	79,510	38,681
Security deposits	55,680	72,355
Total Current Liabilities	5,561,652	4,384,790
Noncurrent Liabilities:		
Deferred revenue	1,388,924	-
Bonds payable, less current portion (Note 11)	105,610,000	46,950,000
Notest payable, less current portion	1,681,180	2,461,180
Total Liabilities	114,241,756	53,795,970
NET ASSETS (DEFICIT)		
Unrestricted	(1,161,434)	(2,598,665)
Total Net Assets	\$ 113,080,322	\$ 51,197,305

The accompanying notes are an integral part of the financial statements.

The Cleveland State University Foundation, Inc.
Statement of Activities
Year Ended June 30, 2010 (with comparative totals for the year ended June 30, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010	Total 2009
Revenue					
Contributions	\$ 116,944	\$ 3,184,950	\$ 3,416,985	\$ 6,718,879	\$ 7,176,494
Endowment management fee	24,796	-	-	24,796	28,171
Change in donor restrictions	-	(153,343)	153,343	-	-
Net assets released from restriction:	4,718,322	(4,718,322)	-	-	-
Total revenue	4,860,062	(1,686,715)	3,570,328	6,743,675	7,204,665
Expenses					
Program services:					
Instructions	1,104,264	-	-	1,104,264	973,373
Research	238,381	-	-	238,381	182,164
Public service	1,147,565	-	-	1,147,565	1,110,466
Academic support	98,608	-	-	98,608	114,560
Financial aid	1,128,229	-	-	1,128,229	1,299,264
Institutional support	99,265	-	-	99,265	332,688
Auxiliary enterprises	668,776	-	-	668,776	564,632
Total program services	4,485,088	-	-	4,485,088	4,577,147
Supporting services:					
Management and general	497,510	-	-	497,510	412,477
Fund-raising	155,970	-	-	155,970	136,743
Total supporting services	653,480	-	-	653,480	549,220
Gains/(Losses):					
Investment income, including realized and unrealized losses, net	1,043,486	4,454,361	-	5,497,847	(5,654,983)
Provision for uncollectible contributions	-	(7,828)	(179,924)	(187,752)	(1,833,389)
Total expenses and losses	4,095,082	(4,446,533)	179,924	(171,527)	12,614,739
Change in Net Assets	764,980	2,759,818	3,390,404	6,915,202	(5,410,074)
Net Assets - Beginning of Year	(2,089,007)	12,224,957	30,618,739	40,754,689	46,164,763
Reclassification of Net Assets	897,899	(897,899)	-	-	-
Net Assets - End of Year	\$ (426,128)	\$ 14,086,876	\$ 34,009,143	\$ 47,669,891	\$ 40,754,689

The accompanying notes are an integral part of the financial statements.

Euclid Avenue Housing Corporation
Statement of Activities
Years Ended June 30, 2010 and 2009

	2010	2009
Revenue		
Rental Income:		
Students	\$ 3,180,061	\$ 2,454,777
University	469,896	469,896
Other	133,094	-
Maintenance fee - University	154,305	154,305
Interest income	71,085	51,458
Gain on sale of assets	1,552,038	-
Other	145,664	143,353
Total revenue	5,706,143	3,273,789
Expenses		
Interest	1,706,509	1,548,882
Depreciation and Amortization	960,888	934,230
Utilities	432,644	388,527
Payroll	611,917	487,102
Management fees	132,066	113,703
Maintenance	221,797	143,313
General and administrative	117,471	101,359
Other operating	32,840	14,759
Marketing	15,450	16,588
Accounting	26,708	11,255
Reserve allowance	8,417	7,947
Insurance	2,205	576
Temporary parking	-	1,150,000
Total expenses	4,268,912	4,918,241
Change in Net Assets	1,437,231	(1,644,452)
Net Assets (Deficit) - Beginning of Year	(2,598,665)	(954,213)
Net Assets (Deficit) - End of Year	\$ (1,161,434)	\$ (2,598,665)

The accompanying notes are an integral part of the financial statements.

CLEVELAND STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

Cleveland State University (the “University”) was established by the General Assembly of the State of Ohio (the “State”) in 1964 by Statutory Act under Chapter 3344 of the Ohio Revised Code. As such, the University is a component unit of the State. The University is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, the University’s financial statements are included, as a discretely presented component unit, in the State’s Comprehensive Annual Financial Report.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net asset categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted, Expendable:** Net assets whose use by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. Income generated from these funds may be designated for student scholarships, loans, instruction, research, and other specific University needs.
- **Restricted, Nonexpendable:** Net assets subject to externally imposed stipulations that they be maintained permanently by the University. Income generated from these funds may be designated for student scholarships, loans, instruction, research, and other specific University needs.
- **Unrestricted:** Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties.

The accompanying financial statements have been prepared on the accrual basis. The University reports a Business-Type Activity, as defined by GASB Statement No. 35, Business-Type Activities as those that are financed in whole or in part by fees charged to external parties for goods or services.

FASB Pronouncements

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the FASB conflicts with the GASB. The University has elected not to apply FASB pronouncements issued after the applicable date.

Operating Activities

The University's policy for defining operating activities as reported on the statement of revenue, expenses and changes in net assets are those that result from exchange transactions such as payments received for providing services and payments made for goods or services received. The University also classifies as operating revenue grants classified as exchange transactions and auxiliary activities. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenue, including state appropriations and investment income. Operating expenses include educational resources, administrative expenses and depreciation on capital assets. Under the University's decentralized management structure, it is the responsibility of individual departments to determine whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The principal operating revenue is student tuition and fees. Student tuition and fees revenue is presented net of scholarships and fellowships applied to student accounts.

Summary of Significant Accounting Policies

Cash and Cash Equivalents. The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments. Investments are recorded at fair value, as established by the major securities markets. Purchases and sales of investments are accounted for on the trade date basis. Investment income is recorded on the accrual basis. Realized and unrealized gains and losses are reported as investment income. The University classifies all investments that mature in less than one year as current investments.

Endowment investments are subject to the restrictions of gift instruments, requiring principal to be maintained in perpetuity with only the income from the investments available for expenditure. The University may set aside other assets for the same purposes as endowment investments (quasi-endowment); the University may expend the principal of quasi-endowment at any time.

Inventories. Inventories are reported at cost. Cost is determined on the average cost basis.

Capital Assets. Capital assets are stated at historical cost or at an appraised value at date of donation, if acquired by gift. It is the University's policy to capitalize equipment costing \$2,500 or more and buildings and improvements costing \$100,000 or more. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives (5 to 40 years) of the respective assets and is not allocated to the functional expenditure categories. Amortization of the capitalized cost of assets held under capital leases is generally computed using the straight-line method over the estimated useful lives of the underlying assets or the term of the lease, whichever is shorter. The University capitalizes but does not depreciate works of art or historical treasures that are held for exhibition, education, research and public service. Deferred bond issuance costs are capitalized and amortized over the life of the bonds using the straight-line method.

Compensated Absences. Classified employees earn vacation at rates specified under state law. Full-time administrators and 12 month faculty earn vacation at a rate of 22 days per year. The maximum amount of vacation that an employee can carry over from one fiscal year to the next is 30 days.

All University employees are entitled to a sick leave credit equal to 10 hours for each month of service (earned on a pro rata bases for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury, or within certain limitations, be paid to the employee upon retirement. The amount paid to an employee, with 10 or more years of service upon retirement, is limited to one-quarter of the accumulated sick leave up to a maximum of 240 hours.

The University has an accrued liability for all accumulated vacation hours, plus an estimate of the amount of sick leave that will be paid upon retirement. Salary-related fringe benefits have also been accrued.

Deferred Revenue. Deferred revenue consists primarily of amounts received in advance of an event, such as student tuition and fees, and advance ticket sales related to the next fiscal year.

Summer term tuition and fees and corresponding expenses relating to the portion of the term that is within the current fiscal year are recognized as tuition revenue and operating expense. The portion of sessions falling into the next fiscal year are recorded as deferred revenue and prepaid expense in the statement of net assets and will be recognized in the following fiscal year.

Perkins Loan Program. Funds provided by the United States government under the Federal Perkins Loan program are loaned to qualified students and re-loaned after collection. These funds are ultimately refundable to the government and, therefore, are recorded as a liability in the accompanying financial statement of net assets.

Auxiliary Enterprises. Auxiliary enterprise revenue primarily represents revenue generated by parking, residence hall, Wolstein Center, food service, bookstore, recreation center, childcare center and intercollegiate athletics.

Scholarship Allowances and Student Aid. Financial aid to students is reported in the statement of revenues, expenses, and changes in net assets under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenue. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method followed by the University, scholarship allowances are computed by allocating the cash payments to students, excluding payments for services, to the ratio of aid not considered to be third-party aid to total aid.

Component Units. The Cleveland State University Foundation, Inc. (the "Foundation") and the Euclid Avenue Housing Corporation (the "Corporation") are private nonprofit organizations that report under FASB standards, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's or the Corporation's financial information included in the University's financial report for these differences.

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Protection of University cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. Under State law, financial institutions must collateralize all public deposits. The value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third-party trustees of the financial institution.

At June 30, 2010, the cash and cash equivalents balance of \$24,270,510 is after the University recorded an overdraft consisting of items in transit of \$5,035,527 in accounts payable. The bank balance at June 30, 2010 was \$24,177,001, of which \$1,255,662 was covered by federal depository insurance, and \$22,921,339 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

At June 30, 2009, the cash and cash equivalents balance of \$11,056,456 is after the University recorded an overdraft consisting of items in transit of \$5,786,959 in accounts payable. The bank balance at June 30, 2009 was \$10,230,150, of which \$1,118,526 was covered by federal depository insurance, and \$9,111,624 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

Investments

In accordance with the board of trustees' resolution, the types of investments that may be purchased by the University include United States Treasury securities, federal government agency securities, certificates of deposit, bank repurchase agreements, commercial paper, bonds and other obligations of the State of Ohio or any of its political subdivisions, the State Treasurer's Asset Reserve (STAR Ohio), bankers acceptances, money market funds, common stocks, and corporate bonds. The endowment investments are managed by the Foundation, which can also invest in real estate and alternative investments.

STAR Ohio is an investment pool managed by the Ohio state treasurer's office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. The investment is valued at STAR Ohio's share price, which represents fair market value, on June 30, 2010 and 2009.

Restricted investments consist of unspent debt proceeds.

As of June 30, 2010, the University had the following types of investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
U.S. obligation mutual fund	15,139,667	15,139,667	-
Certificates of Deposit	8,559,294	1,520,021	7,039,273
STAR Ohio	26,791	-	-
Bond mutual funds	30,201,692	-	30,201,692
Stock mutual funds	38,119,120	-	-
Total	<u>\$ 92,046,564</u>	<u>\$ 16,659,688</u>	<u>\$ 37,240,965</u>

As of June 30, 2009, the University had the following types of investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
U.S. agencies	\$ 3,000,000	\$ 3,000,000	\$ -
U.S. obligation mutual fund	35,681,467	35,681,467	-
Certificates of Deposit	48,004,000	48,004,000	-
STAR Ohio	3,250,573	-	-
Bond mutual funds	31,876,358	-	31,876,358
Stock mutual funds	29,443,952	-	-
Total	<u>\$ 151,256,350</u>	<u>\$ 86,685,467</u>	<u>\$ 31,876,358</u>

Some of the U.S. agency securities are callable at various dates. The University believes that no securities will be called.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2010 and 2009, the University's investment in STAR Ohio is rated AAA by Standard & Poor's and Moody's. While the University's bond mutual fund investment itself is not rated, the credit quality of the fund's holdings is AA or better, as rated by Standard & Poor's and Moody's.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the University will not be able to recover the value of investment securities that are in the possession of an outside party. At June 30, 2010 and 2009, the University had no exposure to custodial credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University's investment policy places no limitation on the amount that may be invested in a single issuer. At June 30, 2010 and 2009, the University did not have more than 5% of its fixed income investments in any single issuer.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2010 and 2009, investments include approximately \$5.2 million and \$8.5 million, respectively, managed by international equity managers that are subject to foreign currency risk. Although the University's investment policy does not specifically address foreign currency risk, it does limit foreign investments to no more than 20% of the portfolio.

NOTE 3 – RECEIVABLES

The composition of accounts receivable at June 30, 2010 and 2009 is summarized as follows:

	<u>2010</u>	<u>2009</u>
Student accounts	\$ 11,279,473	\$ 10,207,292
Grants	6,293,100	7,006,654
State Capital	3,415,867	3,864,558
Other	<u>2,379,961</u>	<u>1,416,655</u>
Total Accounts Receivable	23,368,401	22,495,159
Less allowance for uncollectible accounts	<u>3,950,481</u>	<u>3,469,779</u>
Accounts Receivable - Net	<u><u>\$19,417,920</u></u>	<u><u>\$19,025,380</u></u>

Notes receivable consist primarily of loans to students under the Federal Perkins Loan Program. The composition of notes receivable at June 30, 2010 and 2009 is summarized as follows:

	<u>2010</u>	<u>2009</u>
Perkins Loan Program	\$ 11,932,914	\$ 13,514,514
Foundation Capital Campaign	36,115	36,115
Other	<u>655,241</u>	<u>651,609</u>
Total Notes Receivable	12,624,270	14,202,238
Less allowance for uncollectible accounts	<u>1,012,921</u>	<u>946,016</u>
Notes Receivable - Net	11,611,349	13,256,222
Less Current Portion	<u>1,276,989</u>	<u>903,685</u>
Total Noncurrent Notes Receivable	<u><u>\$10,334,360</u></u>	<u><u>\$12,352,537</u></u>

NOTE 4 – STATE SUPPORT

The University is a state-assisted institution of higher education, which receives a student-based subsidy from the State. This subsidy is determined annually, based upon a formula devised by the Ohio Board of Regents.

In addition, the State provides the funding and constructs major plant facilities on the University's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and subsequent lease of the facility, by the Ohio Board of Regents. Upon completion, the board of regents turns over control of the facility to the University. Neither the obligation for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the University's financial statements. The OPFC revenue bonds are currently being funded through appropriations to the board of regents by the general assembly.

The facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2010 and 2009 is summarized as follows:

	2010 Beginning Balance	Additions/ Transfers	Retirements/ Transfers	2010 Ending Balance
Capital Assets:				
Non-depreciable:				
Land	\$ 54,783,526	\$ 814,443	\$ -	\$ 55,597,969
Construction in Progress	65,932,640	52,351,979	31,270,143	87,014,476
Capitalized Collections	7,102,155	-	-	7,102,155
Depreciable:				
Land Improvements	17,679,724	-	862,857	16,816,867
Buildings	433,406,782	71,892,144	2,656,938	502,641,988
Equipment	50,725,018	4,080,576	2,297,049	52,508,545
Library Books	64,811,013	2,543,367	176,975	67,177,405
Intangible Assets	483,059	-	-	483,059
Total Capital Assets	<u>694,923,917</u>	<u>131,682,509</u>	<u>37,263,962</u>	<u>789,342,464</u>
Less Accumulated Depreciation:				
Land Improvements	10,788,372	769,667	323,571	11,234,468
Buildings	210,966,012	13,495,867	2,656,938	221,804,941
Equipment	42,362,137	2,643,705	2,297,049	42,708,793
Library Books	50,830,016	2,666,907	176,975	53,319,948
Intangible Assets	72,459	48,306	-	120,765
Total Accumulated Depreciation	<u>315,018,996</u>	<u>19,624,452</u>	<u>5,454,533</u>	<u>329,188,915</u>
Capital Assets, Net	<u>\$ 379,904,921</u>	<u>\$ 112,058,057</u>	<u>\$ 31,809,429</u>	<u>\$ 460,153,549</u>

	2009		2009		2009
	Beginning	Additions/	Retirements/	Ending	Balance
	Balance	Transfers	Transfers	Balance	Balance
Capital Assets:					
Non-depreciable:					
Land	\$ 53,692,989	\$ 1,090,537	\$ -	\$ 54,783,526	
Construction in Progress	34,397,677	32,218,929	683,966	65,932,640	
Capitalized Collections	7,102,155	-	-	7,102,155	
Depreciable:					
Land Improvements	16,974,190	705,534	-	17,679,724	
Buildings	436,635,122	18,675,095	21,903,435	433,406,782	
Equipment	51,928,902	2,262,023	3,465,907	50,725,018	
Library Books	62,284,564	2,817,238	290,789	64,811,013	
Intangible Assets	483,059	-	-	483,059	
Total Capital Assets	663,498,658	57,769,356	26,344,097	694,923,917	
Less Accumulated Depreciation:					
Land Improvements	10,030,831	757,541	-	10,788,372	
Buildings	221,462,166	11,407,281	21,903,435	210,966,012	
Equipment	43,177,901	2,650,143	3,465,907	42,362,137	
Library Books	48,351,695	2,769,110	290,789	50,830,016	
Intangible Assets	24,153	48,306	-	72,459	
Total Accumulated Depreciation	323,046,746	17,632,381	25,660,131	315,018,996	
Capital Assets, Net	\$ 340,451,912	\$ 40,136,975	\$ 683,966	\$ 379,904,921	

NOTE 6 – NONCURRENT LIABILITIES

Noncurrent liabilities consist of the following as of June 30, 2010 and June 30, 2009:

	Due	Interest	2010 Beginning		2010		2010	
	Dates	Rate-%	Balance	Additions	Reductions	Ending Balance	Current	
1996 Bonds Payable	1997-11	5.25-5.25	\$ 615,000	\$ -	300,000	\$ 315,000	\$ 315,000	
2003A Bonds Payable	2007-33	2.5-5.25	29,580,000	-	1,310,000	28,270,000	1,360,000	
2003A Bond Premium			605,991	-	25,338	580,653	25,338	
2004 Bonds Payable	2005-34	2.25-5.25	57,275,000	-	1,590,000	55,685,000	1,645,000	
2004 Bonds Premium			1,152,571	-	46,103	1,106,468	46,103	
2007A Bonds Payable	2010-36	4.00-5.75	42,110,000	-	790,000	41,320,000	820,000	
2007A Bond Premium			1,238,380	-	44,492	1,193,888	44,492	
2008 Bonds Payable	2008-36	3.00-4.75	20,605,000	-	360,000	20,245,000	370,000	
Capital Leases	2010-40	2.33-5.08	56,882,009	17,680,921	2,504,902	72,058,028	3,826,660	
Total Debt			210,063,951	17,680,921	6,970,835	220,774,037	8,452,593	
Perkins Student Loans			10,333,758	-	27,626	10,306,132	-	
Deposits			811,160	3,519,536	3,437,259	893,437	-	
Compensated Absences			9,353,995	-	160,977	9,193,018	636,708	
			230,562,864	\$ 21,200,457	\$ 10,596,697	241,166,624	\$ 9,089,301	
Less Current Portion long-term liabilities			(7,373,103)			(9,089,301)		
Long-Term Liabilities			\$ 223,189,761			\$ 232,077,323		

	Due Dates	Interest Rate-%	2009 Beginning Balance	Additions	Reductions	2009 Ending Balance	Current
1996 Bonds Payable	1997-11	5.25-5.25	\$ 900,000	\$ -	285,000	\$ 615,000	\$ 300,000
2003A Bonds Payable	2007-33	2.5-5.25	30,855,000	-	1,275,000	29,580,000	1,310,000
2003A Bond Premium			631,329	-	25,338	605,991	25,338
2004 Bonds Payable	2005-34	2.25-5.25	58,825,000	-	1,550,000	57,275,000	1,590,000
2004 Bonds Premium			1,198,674	-	46,103	1,152,571	46,103
2007A Bonds Payable	2010-36	4.00-5.75	42,110,000	-	-	42,110,000	790,000
2007A Bond Premium			1,282,873	-	44,493	1,238,380	44,492
2008 Bonds Payable	2008-36	3.00-4.75	20,910,000	-	305,000	20,605,000	360,000
Capital Leases	2009-21	2.95-7.74	9,991,507	48,839,328	1,948,826	56,882,009	2,114,775
Total Debt			<u>166,704,383</u>	<u>48,839,328</u>	<u>5,479,760</u>	<u>210,063,951</u>	<u>6,580,708</u>
Perkins Student Loans			10,166,951	525,005	358,198	10,333,758	-
Deposits			562,427	3,511,402	3,262,669	811,160	-
Compensated Absences			8,655,092	698,903	-	9,353,995	792,395
			<u>186,088,853</u>	<u>\$ 53,574,638</u>	<u>\$ 9,100,627</u>	<u>230,562,864</u>	<u>\$ 7,373,103</u>
Less Current Portion long-term liabilities			(5,731,585)			(7,373,103)	
Long-Term Liabilities			<u>\$ 180,357,268</u>			<u>\$ 223,189,761</u>	

In May 2008, the University issued general receipts bonds in the amount of \$20,910,000. The General Receipts Series 2008 Bonds were issued as fixed-rate bonds maturing in 2013, 2033 and 2036. The proceeds of the bonds were used to refinance the 2003B and 2007B Bonds. The bonds have various call provisions.

During the year ended June 30, 2007, the University issued Series 2007A general receipts bonds. The Series 2007A general receipts bonds were issued for \$42,110,000, bear interest rates between 4% and 5.75%, and mature in 2036. Proceeds were used to fund the construction of a new student center.

The Series 2007B general receipts bonds were issued for \$9,210,000. They bear variable interest rates that reset weekly and mature in 2036. The interest rate is set at rates based upon yield evaluations at par of comparable securities. The interest rate was 4.51% at April 24, 2008. Proceeds were used to fund the construction of a new building on the University's campus to house the College of Education and Human Services. This bond was called and refinanced in May 2008, using the proceeds of the General Receipts Series 2008 Bonds.

In August 2004, the University issued general receipts bonds in the amount of \$62,000,000. The General Receipts Series 2004 Bonds were issued as fixed-rate bonds with serial maturities through 2008 and term bonds maturing in 2014, 2019, 2024, 2029 and 2034. The proceeds of the bonds were used to pay the cost of a variety of projects, including construction of a student center, parking facilities and a bookstore, renovations to a portion of Fenn Tower, and landscaping and other permanent site improvements to the main plaza.

In June 2003, the University issued Series 2003A and 2003B (Series 2003) general receipts bonds. The Series 2003A general receipts bonds were issued for \$35,745,000, bear interest rates between 2.5% and 5.25%, and mature in 2033. Proceeds were used to refund outstanding Series 1993 general receipts bonds, rehabilitate the Howe Mansion and construct an administrative center.

The University issued \$3,430,000 of general receipts bonds on November 1, 1996 (Series 1996). The proceeds were used to refinance existing debt and to renovate existing buildings. The bonds have various call provisions, and mature through 2011.

Interest expense on indebtedness was \$5,275,459 in fiscal 2010 and \$3,360,216 in fiscal 2009. On construction-related debt, interest cost of \$4,420,254, net of \$626,222 of interest earned on invested proceeds, was capitalized in fiscal 2010 and \$5,295,569, net of \$1,426,870 of interest earned on invested proceeds, was capitalized in fiscal 2009.

The University leases various pieces of equipment which have been recorded under various capital leases in amounts representing the present value of future minimum lease payments. Capital lease obligations are collateralized by equipment with an aggregate net book value of \$46,764,994 at June 30, 2010 and \$44,066,383 at June 30, 2009. The capital leases have varying maturity dates through 2040.

Principal and interest payable for the next five years and in subsequent five-year increments are as follows:

	Bonds Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2011	\$ 4,510,000	\$ 6,975,200	\$ 3,826,660	\$ 2,892,347
2012	4,345,000	6,806,085	6,764,619	2,660,431
2013	9,635,000	6,629,935	7,049,486	2,356,018
2014	3,935,000	6,230,760	6,096,570	2,063,859
2015	4,135,000	6,033,579	5,872,140	1,808,995
2016-2020	23,245,000	26,815,794	29,449,692	5,217,794
2021-2025	26,085,000	20,831,172	4,993,861	1,138,266
2026-2030	33,090,000	13,839,600	2,485,000	796,017
2031-2035	33,585,000	5,046,725	2,665,000	493,728
2036-2040	3,270,000	148,625	2,855,000	169,423
	<u>\$ 145,835,000</u>	<u>\$ 99,357,475</u>	<u>\$ 72,058,028</u>	<u>\$ 19,596,878</u>

The University has entered into various lease agreements for office equipment and office and classroom space which are considered operating leases. The University has leased space in the Fenn Tower building from the Corporation, which it uses for classrooms and meeting rooms. Total rental expense under operating leases during the years ended June 30, 2010 and 2009 amounted to \$1,679,523 and \$1,581,361, respectively. The operating leases have varying maturity dates through 2037.

Future minimum operating lease payments as of June 30, 2010 are as follows:

Year Ending June 30	Operating Leases
2011	\$ 1,828,423
2012	1,665,414
2013	1,372,438
2014	1,000,683
2015	732,291
2016-2020	2,349,500
2021-2025	2,349,500
2026-2030	2,349,500
2031-2035	2,349,500
2036-2037	509,058
	<u>\$ 16,506,307</u>

NOTE 7 – EMPLOYMENT BENEFIT PLANS

Retirement Plans

Substantially all non-student University employees are covered by one of three retirement plans. The University faculty are covered by the State Teachers Retirement System of Ohio (STRS). Non-faculty employees are covered by the Ohio Public Employees Retirement System (OPERS). Employees may opt out of STRS and OPERS and participate in the Alternative Retirement Plan (ARP).

STRS and OPERS both offer three separate retirement plans: the defined benefit plan, the defined contribution plan, and a combined plan.

Defined Benefit Plans

STRS is a statewide retirement plan for certified teachers. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute. Contribution rates are established by the State Teachers Retirement Board, not to exceed the statutory maximum rates of 10% for employees and 14% for employers. Currently, employees contribute 10% of covered payroll and employers contribute 14% of covered payroll. The University's contributions to STRS for the years ending June 30, 2010, 2009, and 2008 were \$7,185,855, \$7,402,446, and \$7,408,781, respectively, equal to the required contributions for each year. STRS issues a stand-alone financial report. The report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3771, by calling 1-888-227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

OPERS is a statewide retirement plan, which covers non-teaching University employees. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute. Contribution rates are established by the Ohio Public Employee Retirement Board, not to exceed the statutory maximum rates of 10% for employees and 14% for employers. Currently, employees contribute 10% of covered payroll and employers contribute 14% of covered payroll. The University's contributions to OPERS for the years ending June 30, 2010, 2009, and 2008 were \$7,228,118, \$7,364,278, and \$7,161,846, respectively, equal to the required contributions for each year.

OPERS issues a stand-alone financial report. The report may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Defined Contribution Plan

The University also offers eligible employees an alternative retirement program. The University is required to contribute to STRS 3.50% of earned compensation for those employees participating in the alternative retirement program. The University's contributions for the years ended June 30, 2010, 2009 and 2008 were \$347,415, \$327,263 and \$319,559, respectively, which equal 3.50% of earned compensation.

STRS also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 10.5% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no postretirement health care benefits.

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

Combined Plans

STRS offers a combined plan with features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement healthcare benefits.

OPERS also offers a combined plan. This is a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. OPERS also provides retirement, disability, survivor, and postretirement health care benefits to qualified members.

Post-employment Benefits

STRS provides other postemployment benefits (OPEB) to all retirees and their dependents, while OPERS provides postretirement health care coverage to age and service retirees (and dependents) with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available under OPERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 1.0% of the total 14.00%, while the OPERS rate was 7.0% from January 1 through March 31, 2009 and 5.5% from April 1 through June 30, 2009 of the total 14.00% for the year ended June 30, 2009.

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and OPERS. Postretirement healthcare under STRS is financed on a pay-as-you-go basis. Assets available in the health care reserve fund for STRS amounted to \$2.7 billion at June 30, 2009 (the latest information available). The number of benefit recipients eligible for OPEB was 129,659 for STRS at June 30, 2009. The amount contributed by the University to STRS to fund these benefits for the years ended June 30, 2010, 2009 and 2008 was \$513,275, \$528,746, and \$529,199, respectively.

Postretirement health care under OPERS is advance-funded on an actuarially determined basis. The actuarial value of OPERS net assets available for OPEB at December 31, 2008 (the latest information available) is \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.6 billion and \$18.9 billion, respectively. Significant actuarial assumptions include a 6.5% investment return, a 4% individual pay increases, and a 4% increase in health care costs. All investments are carried at market value. For actuarial valuations purposes, a smoothed market approach is used. The number of OPERS active contributing participants was 357,584 for the year ended December 31, 2009. The amount contributed by the University to OPERS for OPEB funding for the years ended June 30, 2010, 2009 and 2008 was \$3,614,059, \$3,682,139 and \$2,579,782, respectively.

NOTE 8 – RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On July 1, 1993, the University joined with 11 other state-assisted universities in Ohio to form an insurance-purchasing pool for the acquisition of commercial property and casualty insurance. The University pays annual premiums to the pool for its property and casualty insurance coverage based on its percentage of the total insurable value to the pool. Future contributions will be adjusted based upon each university's loss history. Each university has a base deductible of \$100,000. The next \$250,000 of any one claim is the responsibility of the pool, which has a total annual aggregate deductible limit of \$700,000. The commercial property insurer is liable for the amount of any claim in excess of \$350,000, or \$100,000 in the event the pool has reached its annual limit. There were no significant reductions in coverage from the prior year.

The University maintains a self-insured dental plan for its employees. The University's risk exposure is limited to claims incurred. The changes in the total liability for actual and estimated dental claims for the years ended June 30, 2010 and 2009 are summarized below:

	<u>2010</u>	<u>2009</u>
Liability at beginning of year	\$ 7,161	\$ 27,074
Claims Incurred	1,070,420	1,113,669
Claims Paid	<u>(1,067,620)</u>	<u>(1,133,582)</u>
Liability at end of year	<u>\$ 9,961</u>	<u>\$ 7,161</u>

The University maintains a self-insured medical plan for its employees. The University's risk exposure is limited to claims incurred. There is a \$150,000 specific stop loss for any given claim. The changes in the total liability for actual and estimated medical claims for the years ended June 30, 2010 and 2009 are summarized below:

	<u>2010</u>	<u>2009</u>
Liability at beginning of year	\$ 1,209,483	\$ 1,199,384
Claims Incurred	8,870,542	9,753,965
Claims Paid	(8,866,997)	(9,892,840)
IBNR-(Decrease) Increase in estimated claims	(118,264)	148,974
Liability at end of year	<u>\$ 1,094,764</u>	<u>\$ 1,209,483</u>

Medical claims are based upon estimates of the claims liabilities. Estimates are based upon past experience, medical inflation trends, and current claims outstanding, including year-end lag analysis. Differences between the estimated claims payable and actual claims paid are reported as an operating expense in the statement of revenue, expenses and changes in net assets.

The University participates in a State pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis (the "Plan"), which pays workers' compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Workers' Compensation (the "Bureau") based on estimates that incorporate past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. Participants in the Plan annually fund the workers' compensation liability based on rates set by the Bureau to collect cash needed in subsequent fiscal years to pay the workers' compensation claims of participating state agencies and universities.

During the normal course of its operations, the University has become a defendant in various legal actions. It is not possible to estimate the outcome of these legal actions; however, in the opinion of legal counsel and the University administration, the disposition of these pending cases will not have a material adverse effect on the financial condition or operations of the University. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 9 – GRANT CONTINGENCIES

The University receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the University. However, in the opinion of the University administration, any such disallowed claims will not have a material effect on any of the financial statements of the University at June 30, 2010.

NOTE 10 – NET ASSETS

The temporarily and permanently restricted net assets of the Foundation are balances whose use by the Foundation has been limited by the donors to a specific time period or purpose. Temporarily restricted net assets are available, and permanently restricted net assets are held in perpetuity, for the following purposes:

	Temporarily Restricted	Permanently Restricted
Instruction/research	\$ 3,507,317	\$ 6,898,248
Public service	4,304,460	50,567
Academic support	875,543	914,128
Financial aid	3,527,234	25,016,508
Institutional support	814,564	1,092,345
Auxiliary enterprises	1,057,758	37,347
	<u>\$ 14,086,876</u>	<u>\$ 34,009,143</u>

NOTE 11 – COMPONENT UNITS

The Foundation and the Corporation are legally separate not-for-profit entities organized for the purpose of providing support to the University. Both the Foundation and the Corporation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The board of the foundation is self-perpetuating and consists of business leaders and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. Complete financial statements for the Foundation can be obtained from the Office of the Executive Director at 2121 Euclid Avenue, Keith Building Room 323, Cleveland, OH 44115-2214.

During the years ended June 30, 2010 and 2009, the Foundation paid \$3,880,958 and \$3,921,197, respectively, to the University. At June 30, 2010 and 2009, the University had receivables from the Foundation totaling \$662,662 and \$777,496, respectively.

As authorized by the board of trustees, beginning in fiscal year 1998, the University placed endowment and quasi-endowment funds on deposit with the Foundation for investment. At June 30, 2010 and 2009, the amount on deposit with the Foundation totaled \$1,993,632 and \$1,804,588, respectively.

The Corporation was organized primarily to further the educational mission of the University by developing, owning and managing housing for the students, faculty and staff of the University. On March 1, 2005, the Corporation leased the Fenn Tower building, located on the University's campus, from the University. Annual rent is equal to the net available cash flows from the Fenn Tower project. No rent was paid during fiscal years 2010 and 2009. On March 1, 2005, the Corporation entered into a development agreement with American Campus Communities (ACC) to plan, design and construct housing units in Fenn Tower. In addition, the Corporation entered into a management agreement with ACC to manage Fenn Tower. The project was completed in August 2006. The facility has the capacity to house 430 residents.

On March 17, 2005, the Corporation issued \$34,385,000 of Cleveland-Cuyahoga County Port Authority bonds (Series 2005 Bonds) to finance the costs of the Fenn Tower project. The Series 2005 Bonds are serial bonds maturing between 2007 and 2036. Interest rates are fixed and vary from 3.0% to 4.5%.

On June 1, 2008, the Corporation leased land, owned by the University and located on its campus, from the University. On August 22, 2008, the Corporation entered into a design-build agreement with the Apostolos Group to construct a 623-car parking garage on the site. On July 1, 2008, the Corporation entered into a lease agreement with the University to operate the garage once construction is completed. On July 25, 2008, the Corporation issued \$14,500,000 of tax-exempt bonds with the Cleveland-Cuyahoga County Port Authority to finance construction of the garage. The Series 2008 Bonds are serial bonds maturing between 2009 and 2040. They bear variable interest rates that reset weekly. The interest rate is set at rates based upon yield evaluations at par of comparable securities. The interest rate was .20% at June 30, 2010. Construction of the garage was completed in August 2009.

On December 18, 2009, the Corporation leased land, owned by the University and located on its campus, from the University. On August 24, 2009, the Corporation entered into a development agreement with ACC to plan, design and construct 600 beds of student housing and a 300-car parking garage on this land. In addition, the Corporation entered into a management agreement with ACC to manage the student housing. On December 18, 2009, the Corporation issued \$59,005,000 of County of Cuyahoga, Ohio bonds (Series 2009 bonds) to finance the project. The 2009 bonds are serial bonds maturing between 2011 and 2042. They bear variable interest rates that are reset weekly. The interest rate is set at rates based upon yield evaluations at par of comparable securities. The interest rate was .26% at June 30, 2010.

Principal and interest payable for the next five years and in subsequent five-year increments are as follows:

	Principal	Interest
2011	\$ 1,125,000	\$ 3,928,692
2012	1,165,000	3,894,937
2013	1,495,000	3,851,466
2014	1,635,000	3,802,989
2015	1,795,000	3,746,943
2016-2020	11,520,000	17,630,107
2021-2025	14,960,000	15,129,809
2026-2030	18,865,000	11,943,833
2031-2035	23,885,000	8,001,942
2036-2040	22,955,000	3,575,304
2041-2043	6,945,000	367,865
	<u>\$ 106,345,000</u>	<u>\$ 75,873,887</u>

Complete financial statements for the Corporation can be obtained from the Office of the President at 2121 Euclid Avenue, Administration Center Room 209, Cleveland, OH 44115-2214.

Federal Compliance Audit

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*

To the Board of Trustees
Cleveland State University

We have audited the basic financial statements of Cleveland State University (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 15, 2010. Our report was modified to include reference to other auditors. We have 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. Other auditors audited the financial statements of Cleveland State University Foundation, Inc. and Euclid Avenue Housing Corporation, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Trustees
Cleveland State University

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We also noted certain matters that we have reported to management of Cleveland State University in a separate letter dated October 15, 2010.

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

This report is intended solely for the information and use of management, the board of trustees, others within the University, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 15, 2010

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees
Cleveland State University

Compliance

We have audited the compliance of Cleveland State University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The major federal programs of the University are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2010-02.

To the Board of Trustees
Cleveland State University

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as Finding 2010-02 . A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

Cleveland State University's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Cleveland State University's response and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the board of trustees, others within the University, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 15, 2010

Cleveland State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Student Financial Aid Cluster			
Department of Education:			
Direct programs:			
Federal Pell Grant Program	84.063		\$ 20,148,813
Federal Work-Study Program	84.033		998,753
Federal Supplemental Educational Opportunity Grants	84.007		507,336
Academic Competitiveness Grants	84.375		432,493
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		424,938
Federal Perkins Loan Program (Note 2)	84.038		275,748
Federal Family Education Loan Program (Note 3)	84.032		108,545,736
Federal Direct Student Loans	84.268		1,264,260
Total Student Financial Aid Cluster			132,598,077
TRIO Cluster			
Department of Education:			
Direct programs:			
TRIO Student Support Services	84.042		671,825
TRIO Upward Bound	84.047		1,901
TRIO McNair Post-Baccalaureate Achievement	84.217		241,078
Total TRIO Cluster			914,804
State Fiscal Stabilization Fund (SFSF) Cluster			
Pass-through Programs:			
ARRA-State of Ohio - State Fiscal Stabilization Fund-Education State Grants, Recovery Act	84.394		10,367,388
Total State Fiscal Stabilization Fund (SFSF) Cluster			10,367,388
Reading First State Grants Cluster			
Department of Education:			
Pass-through Programs:			
Ohio Department of Education - Reading First State Grants	84.357	PO#s #41210C, #EDU01-0000002869 & #EDU01-0000004793	2,956,990
Total Reading First State Grants Cluster			2,956,990
Research and Development Cluster			
Department of Health and Human Services:			
Direct programs:			
Research Related to Deafness and Communication Disorders	93.173		19,624
Minority Health and Health Disparities Research	93.307		14,313
Heart and Vascular Diseases Research	93.837		171,558
Blood Diseases and Resources Research	93.839		98,713
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846		36,549
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		9,264
Allergy, Immunology and Transplantation Research	93.855		259,002
Biomedical Research and Research Training	93.859		74,865
ARRA-Trans-NIH Recovery Act Research Support	93.701		78,599
Pass-through Programs:			
Case Western Reserve University - Minority Health and Health Disparities Research	93.307	IP60MD002265	165,065
Case Western Reserve University - Cancer Treatment Research	93.395	2 R01 CA-086357-05	8,046

See Notes to Schedule of Expenditures
of Federal Awards.

Cleveland State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Research and Development Cluster (continued)			
Pass-through Programs (continued):			
Cleveland Clinic Foundation - Cardiovascular Diseases Research	93.837	IP01HL087018-01A1 & P01HL076491-06A1	\$ 16,938
Case Western Reserve University - Geriatric Education Centers	93.969	ID31HP08841-01-00	65,940
Total Department of Health and Human Services			<u>1,018,476</u>
National Aeronautics and Space Administration:			
Direct programs:			
Technology Transfer	43.002		859,975
Pass-through Programs:			
Orbital Research, Inc.-Technology Transfer	43.002	Prime Award #: NNX09CF50P	11,929
University of Arizona-Technology Transfer	43.002	NCC8-96 & NNX08AN49G	61,773
US Naval Academy-Technology Transfer	43.002	N00189-08-P-A029, & M00189-0-P0904	48,590
Total National Aeronautics and Space Administration			<u>982,267</u>
National Science Foundation:			
Direct programs:			
Engineering Grants	47.041		113,582
Computer and Information Science and Engineering	47.070		130,911
Biological Sciences	47.074		33,570
Social, Behavioral and Economic Sciences	47.075		55,761
Education and Human Resources	47.076		82,806
ARRA-Trans-NSF Recovery Act Research Support	47.082		336,168
Pass-through Programs:			
Ohio State University Research Foundation - Mathematical and Physical Sciences	47.049	CHE-05322560	11,363
University of Maine - Computer and Information Science and Engineering	47.070	UMS-747 & UMS-746	12,071
University of North Carolina - Social, Behavioral and Economic Sciences	47.075	SBE0947814	13,169
Total National Science Foundation			<u>789,401</u>
United States Department of Agriculture:			
Direct programs:			
Forestry Research	10.652		4,999
Pass-through Programs:			
University of Toledo thru Ohio Aerospace Institute - Grants for Agricultural Research, Special Research Grants	10.200	2009-38898-03269	4,384
Total United States Department of Agriculture			<u>9,383</u>
United States Department of Transportation:			
Direct programs:			
Highway Research and Development Program	20.200		443,484
Pass-through Programs:			
Ohio Department of Transportation - Highway Research and Development Program	20.200	ODOT # 21457	(888)
Ohio Department of Transportation - Highway Planning and Construction	20.205	#22034, #22223 & #22896	40,270

See Notes to Schedule of Expenditures
of Federal Awards.

Cleveland State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Research and Development Cluster (continued)			
Pass-through Programs (continued):			
Regional Transit Authority - Federal Transit Capital Investment Grants	20.500	#2006-14	\$ 115,269
Total United States Department of Transportation			<u>598,135</u>
United States Department of Housing and Urban Development:			
Pass-through Programs:			
Cuyahoga Metropolitan Housing Authority - Home Investment Partnerships Program	14.239	#26-767-05	18,220
Total United States Department of Housing and Urban Development			<u>18,220</u>
Department of the Interior			
Pass-through Programs:			
Central State University - U.S. Bureau of Reclamation Water Reclamation and Reuse Program	15.504	P0036342	37,001
America View - U.S. Geological Survey Research and Data Collection	15.808	AV05-OH02	(662)
America View - U.S. Geological Survey National Land Remote Sensing Education Outreach and Research	15.815	AV08-OH01	21,714
Total Department of the Interior			<u>58,053</u>
United States Department of Defense:			
Direct programs:			
Air Force Defense Research Sciences Program	12.420		79,389
Air Force Defense Research Sciences Program	12.800		23,514
Mathematical Sciences Grants Program	12.901		3,877
Air Force Defense Research Sciences Program	12.910		46,091
Pass-through Programs:			
General Technical Services, LLC - Collaborative Research and Development	12.114	GTS-09-1-261	186,089
Total United States Department of Defense			<u>338,960</u>
Department Of Energy:			
Direct programs:			
Renewable Energy Research & Development	81.087		211,278
Miscellaneous Federal Activities	81.502		70,318
Total Department Of Energy			<u>281,596</u>
National Endowment for the Humanities:			
Direct programs:			
Promotion of the Humanities Fellowships and Stipends	45.160		38,381
Total National Endowment for the Humanities			<u>38,381</u>
Department Of Education:			
Direct programs:			
Business and International Education Projects	84.153		9,564
Education Research, Development and Dissemination	84.305		51,809
Child Care Access Means Parents in School	84.335		58,844
Pass-through Programs:			
University of Oregon thru OSU Research Foundation - Special Education Technology for Individuals with Disabilities	84.327	S215X020458	17,703
Total Department Of Education			<u>137,920</u>

See Notes to Schedule of Expenditures
of Federal Awards.

Cleveland State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Research and Development Cluster (continued)			
Pass-through Programs (continued):			
University of Michigan - Economic Adjustment Assistance	11.307	33001346649/06-79-05147-02	\$ 45,066
Bowling Green State University - Special Oceanic and Atmospheric Projects	11.460	NA07OAR4170502	12,256
Total Economic Development Administration			<u>57,322</u>
United States Department of Justice:			
Pass-through Programs:			
Cuyahoga County - Bureau of Justice Edward Byrne Memorial Justice Assistance Grant Program	16.738	#69259	88,633
Total United States Department of Justice			<u>88,633</u>
Environmental Protection Agency:			
Direct programs:			
Congressionally Mandated Projects	66.202		51,626
Pass-through Programs:			
Heidelberg College - Great Lakes Program	66.469	GL00E75401/EPA-R5-GL2009-1	7,075
Total Environmental Protection Agency			<u>58,701</u>
Department of State:			
Direct programs:			
Educational Exchange University Lecturers (Professors) and Research Scholars	19.401		14,058
Total Department of State			<u>14,058</u>
Total Research and Development Cluster			<u>4,489,506</u>
Other Financial Assistance Programs			
United States Department of Commerce:			
Direct programs:			
Economic Development Technical Assistance	11.303		147,409
Total Economic Development Administration			<u>147,409</u>
National Aeronautics and Space Administration:			
Direct programs:			
Technology Transfer	43.002		1,500
Pass-through Programs:			
Ohio Space Grant Consortium - Aerospace Education Services Program	43.001	SEED	16,803
Total National Aeronautics and Space Administration			<u>18,303</u>
National Science Foundation:			
Direct programs:			
Mathematical and Physical Sciences	47.049		541,860
Computer and Information Science Technology	47.070		37,812
Education and Human Resources	47.076		129,907
Pass-through Programs:			
Cleveland Municipal School District - Education and Human Resources	47.076	47-076	190

Cleveland State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Other Financial Assistance Programs (continued)			
Environmental Protection Agency:			
Direct programs:			
Congressionally Mandated Projects	66.202		\$ 246,072
Total Environmental Protection Agency			<u>246,072</u>
Department Of Education:			
Direct programs:			
Higher Education Institutional Aid	84.031		506,736
Business and International Education Projects	84.153		58,709
Project Reach	84.195		190,184
Graduate Assistance in Areas of National Need	84.200		220,789
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		86,627
Pass-through Programs:			
Ohio Master's Network Initiatives in Education - Special Education Grants to States	84.027	OMNIE	9,081
Educational Services Center of Cuyahoga County - Fund for the Improvement of Education	84.215	U215X060145 & U215X08270	143,255
Ohio Department of Education - Mathematics and Science Partnerships	84.366	CI 667-OMAP-14-06	141,679
Total Department Of Education			<u>1,357,060</u>
Department of Health and Human Services:			
Direct programs:			
Blood Diseases and Resources Research	93.839		15,162
Pass-through Programs:			
Ohio Department of Job and Family Services - Child Welfare Services State Grants	93.645	POs G67-06-0340 & JFS01- 0000003233	12,992
Ohio Department of Job and Family Services - Foster Care Title IV-E	93.658	POs G67-06-0340 & JFS01- 0000003233	12,992
Ohio Department of Job and Family Services - Adoption Assistance	93.659	POs G67-06-0340 & JFS01- 0000003233	12,992
Total Department of Health and Human Services			<u>54,138</u>
Institute of Museum and Library Services:			
Pass-through Programs:			
State Library Board - Grants to States	45.310	PROJECT # VIII-3-10	2,775
Total Corporation for National and Community Service			<u>2,775</u>
US Small Business Administration:			
Direct programs:			
Small Business Development Centers	59.037		54,267
Total US Small Business Administration			<u>54,267</u>

Cleveland State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Other Financial Assistance Programs (continued)			
Pass-through Programs:			
Ohio Department of Education-Learn and Serve America School and Community Based Programs	94.004		\$ 318,638
Total Corporation for National and Community Service			<u>318,638</u>
US Department of Justice:			
Direct programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		15,000
Total US Department of Justice			<u>15,000</u>
US Agency for International Development:			
Pass-through Programs:			
USAID Development Partnerships for University Cooperation and Development	98.012	AWG-A-00-05-00007-00	31,737
Total US Agency for International Development			<u>31,737</u>
Total Other Financial Assistance Programs			<u>2,955,168</u>
Total Expenditures of Federal Awards			<u>\$ 154,281,933</u>

Cleveland State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Cleveland State University (the "University") under programs of the federal government for the year ended June 30, 2010. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of the University. Pass-through entity identifying numbers are presented where available.

Subrecipients

Certain funds are passed through to subgrantee organizations by the University. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the Schedule. The University is also the subrecipient of federal funds which have been subject to testing and are reported as expenditures and listed separately as pass-through programs.

Facilities and Administrative Costs

The University has approved predetermined facilities and administrative cost rates, which are 42 percent from July 1, 2009 to June 30, 2010 for on-campus research and 24 percent from July 1, 2009 to June 30, 2010 for off-campus research.

Note 2 - Loans Outstanding

The institution had the following loan balances outstanding at June 30, 2010. These loan balances are not included in the federal expenditures presented in the Schedule.

Federal Program	CFDA Number	Advances	Outstanding Balance
Perkins Loan Program	84.038	\$ 275,748	\$ 12,392,739

Cleveland State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Note 3 - Federal Family Education Loan Program

During the year ended June 30, 2010, the University processed applications for the following loan amounts under the Federal Family Education Loan Program, which includes Stafford loans, unsubsidized Stafford loans, and Parent Plus loans for undergraduate students.

Cluster/Program Title	CFDA	
	Number	Advances
Federal Family Education Loans Program	84.032	\$ 108,545,736

Note 4 - Subrecipient Awards

Of the federal expenditures presented in the Schedule, federal awards were provided to subrecipients as follows:

Program Title/Project Number/Subrecipient Name	CFDA Number	Amount Provided to Subrecipient
Department of the Interior		
Ohio Aerospace Institute	15.815	\$ 18,104
Department of Transportation		
Nigamanth Sridhar	20.200	11,459
Debbie Jackson	20.200	12,232
Wenbing Zhao	20.200	11,211
National Aeronautics and Space Administration		
Kang Lee	43.002	6,500
National Science Foundation		
North Dakota State University	47.075	33,684
Cal Poly Corporation	47.076	2,575
Kent State University	47.076	3,820
Department of Energy		
Orbital Research, Inc.	81.087	35,000
Ohio State University Research Foundation	81.087	45,000
Department of Health and Human Services		
Center for Community Solutions	93.307	10,528
Cuyahoga Community College	93.307	17,493
He Xiaoxing	93.307	8,444
Jang Sung-Gheel	93.307	10,785
Margaret Mahoney	93.307	7,891
Mark Salling	93.307	5,994

Cleveland State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Note 4 - Subrecipient Awards (Continued)

Program Title/Project Number/Subrecipient Name	CFDA Number	Amount Provided to Subrecipient
Department of Education		
Cuyahoga Community College	84.031	\$ 43,712
Baldwin Wallace College	84.357	26,578
John Carroll University	84.357	543,724
Muskingham College	84.357	18,070
Ohio Northern University	84.357	11,705
Otterbein College	84.357	17,998
University of Akron	84.357	1,614,979
Miami University	84.366	8,879
Case Western Reserve University	84.366	13,013
John Carroll University	84.366	5,963
Small Business Administration		
Hispanic Business Association	59.037	12,500
Urban League of Greater Cleveland	59.037	20,500
Corporation for National and Community Service		
Akron Early College High School	94.004	10,964
Amherst Exempted Village School Districty	94.004	11,000
Charles Partridge	94.004	2,000
Clark Montessori Jr/Hs	94.004	10,120
Cleveland Heights/University Heights School District	94.004	11,000
Darke County Educational Service Center	94.004	11,000
David Browne	94.004	1,000
David O'Reilly	94.004	3,000
Educational Service Center of Cuyahoga County	94.004	10,000
Elwood Local Schools	94.004	11,000
Fairborn High School	94.004	10,455
Greenon Local Schools	94.004	4,425
Jeane Golgoski	94.004	1,000
Jeff Zullo	94.004	1,000
Karen Majeski	94.004	2,000
Kimberly Bash	94.004	1,000
Kimberly Puckett	94.004	2,000
Kristi Scott	94.004	1,000
Legacy Consulting Group, LLC	94.004	28,000
Matthew Dodd	94.004	5,000
Medina City Schools	94.004	9,660

Cleveland State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Note 4 - Subrecipient Awards (Continued)

Program Title/Project Number/Subrecipient Name	CFDA Number	Amount Provided to Subrecipient
Mississinawa Valley High School	94.004	\$ 11,000
Putnam Elementary School	94.004	11,000
Rick Bradley	94.004	1,000
Ridgemount Local Schools	94.004	11,013
Ronald L. Moss	94.004	3,000
Sebring Local Schools	94.004	11,000
Williamsburg Local Schools	94.004	11,000
Wyoming City Schools	94.004	10,755
TOTAL		\$ 2,794,733

Cleveland State University

Schedule of Findings and Questioned Costs Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.033, 84.007, 84.375, 84.376, 84.038, 84.032, 84.268	Student Financial Aid
84.394	State Fiscal Stabilization Fund
Various	Research and Development

Dollar threshold used to distinguish between type A and type B programs: \$650,516

Auditee qualified as low-risk auditee? Yes No

Cleveland State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section II - Financial Statement Audit Findings

Reference Number	Findings
2010-01	<p>Finding Type - Significant deficiency</p> <p>Criteria - An independent review of the bank reconciliation was not performed to substantiate all of the reconciling items.</p> <p>Condition - During our audit of cash and review of the bank reconciliation, we noted a deposit in transit amount that was unsupported and did not appear as a deposit in the bank account subsequent to June 30, 2010.</p> <p>Context - The deposits in transit in question totaled approximately \$287,000 and resulted in the overstatement of cash and auxiliary revenue at year end.</p> <p>Cause - Reconciliation procedures regarding the recording of credit card revenue related to the Elements Restaurant resulted in this error.</p> <p>Effect - Cash and auxiliary revenue was overstated by approximately \$287,000 as of June 30, 2010.</p> <p>Recommendation - We recommend that the University consider revising the procedures in place to record revenue from the Elements Restaurants and perform an independent review of the bank reconciliation.</p> <p>Views of Responsible Officials and Planned Corrective Actions - We agree and will implement the recommendation.</p>

Cleveland State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section III - Federal Program Audit Findings

Reference Number	Findings
2010-02	<p>Program Name - Research and Development Cluster</p> <p>Finding Type - Significant deficiency/Noncompliance</p> <p>Criteria - Cleveland State University is subject to various reporting requirements as outlined by the individual grants within the Research and Development Cluster.</p> <p>Condition - In reviewing the reporting requirements for the selected sample of grants, two reports were not filed by the specified deadline outlined in the filing requirements of the grant agreements.</p> <p>Questioned Costs - None</p> <p>Context - Out of a total of 23 reports selected for testing, two of the reports were not filed timely.</p> <p>Cause and Effect - For the first report, the University personnel did not understand the filing requirement, which ultimately led to a late filing. The other report was filed late due to a lack of internal procedures to ensure timely reporting.</p> <p>Recommendation - Cleveland State University should enhance procedures to ensure that timely reporting is completed based on the specific reporting requirements as outlined within the grant agreements.</p> <p>Views of Responsible Officials and Planned Corrective Actions - We agree and will implement the recommendation.</p>

Cleveland State University

Summary Schedule of Prior Audit Findings Year Ended June 30, 2010

Reference Number	Findings
2009-01	<p>Finding Type - Significant deficiency</p> <p>Criteria - During year-end closing, management should perform a review of the reconciliation of capital assets.</p> <p>Condition - A disposal occurred during the year for which the related accumulated depreciation balance was not eliminated in its entirety.</p> <p>Context - The lack of review resulted in an adjustment of approximately \$11,098,000.</p> <p>Status - Corrective action has been taken.</p>

**Cleveland State University
National Collegiate Athletics Association**

**Report on the Application of Agreed-upon Procedures
Related to NCAA Bylaw 6.2.3**

June 30, 2010

Cleveland State University National Collegiate Athletics Association Report

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Independent Accountants' Report on The Application of Agreed-Upon Procedures

Dr. Ronald M. Berkman, Ph.D., President
Cleveland State University
Cleveland, Ohio 44115

We have performed the procedures enumerated below, which were agreed to by the President of Cleveland State University (the "University"), solely to assist you in evaluating whether the accompanying Intercollegiate Athletics Program Statement of Revenues and Expenditures of Cleveland State University is in compliance with the National Collegiate Athletics Association ("NCAA"), Bylaw 6.2.3 for Division I for the year ended June 30, 2010. Cleveland State University's management is responsible for the statement of revenue and expenditures ("statement") and the statement's compliance with those requirements. We have determined that the presentation does not conform to Equity in Athletics Disclosure Act ("EADA") standards but amounts agree to the general ledger. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Internal Control Structure

A. **Procedure:** We obtained and documented an understanding of the accounting procedures in place for the intercollegiate athletics department and performed the following:

- Met with the interim athletic director and inquired about the general control environment over intercollegiate athletic finances, level of control consciousness in the University, the competence of personnel, and the protection of records and equipment
- Obtained and inspected an organization chart for the intercollegiate athletics department prepared by management

Result: We noted that the athletic department follows the same policies and procedures of the University for purchasing, payroll, control of records, and safeguarding of assets. No exceptions were noted.

To Dr. Ronald M. Berkman, Ph.D., President
Cleveland State University

Statement of Revenues and Expenditures

- B. **Procedure:** We obtained the intercollegiate athletics program statement of revenues and expenditures for the year ended June 30, 2010, prepared by management and:
- Recalculated the amounts on the statement
 - Agreed the amounts on the statement to management's worksheets supporting the preparation of the statement
 - Agreed the amounts on such worksheets to the University's general ledger

Result: We completed the procedures above without exception.

- C. **Procedure:** We compared revenue and expenditure amounts for the intercollegiate athletics program with the respective prior year amounts and inquired of management with regard to available explanations for any changes exceeding 10 percent and \$12,000 of the prior year balance.

Result: We completed the procedures above without exception. See Appendix A for the explanations on variations exceeding 10 percent and \$12,000.

Revenues

- D. **Procedure:** We agreed each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We compared each revenue account to prior period amounts and budget estimates. We documented variations exceeding 10 percent and \$12,000.

Result: We completed the procedures above without exception. See Appendix A for the explanations on variations exceeding 10 percent and \$12,000.

We performed the following procedures for the indicated revenue category:

1) Ticket Sales

Procedure: We agreed tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University.

Result: We agreed the revenue receipts to a remittance advice and/or cancelled check and a report of tickets sold. We noted no exceptions.

2) Student Fees

Procedure: We agreed student fees reported by the University in the statement to student enrollments from registration during the same reporting period. We documented the University's methodology for allocating student fees to intercollegiate athletics programs and recalculated totals.

To Dr. Ronald M. Berkman, Ph.D., President
Cleveland State University

Result: In order to agree the student fees reported by the University to student enrollments, we performed an analytical test multiplying the number of students enrolled during the reporting period by the student fee rate. We noted the University allocates student fees to intercollegiate athletics programs by transfers of unrestricted fund balances at year end based upon actual expenditures.

3) Guarantees

Procedure: We will select one settlement report for an away game during the reporting period and agree to the University's general ledger and settlement statements. We will select one contractual agreement pertaining to revenues derived from a guaranteed contest during the reporting period and agree to the University's general ledger and settlement statements.

Result: During the 2009-2010 fiscal year, the University did not participate in any athletic contests where the receipt of monies were guaranteed.

4) Contributions

Procedure: We compared each major contribution revenue account to prior period amounts and budget estimates. We obtained and documented any significant variations (over 10 percent and \$12,000). We obtained supporting documentation for each contribution of monies, goods, or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals that constitute 10 percent or more of all contributions received for intercollegiate athletics during the reporting period.

Result: We documented significant variations of each major contribution revenue account as compared to prior year amounts and budget estimates in Appendix A. We noted that there were no contributions made that constituted 10 percent or more of all contributions received.

5) NCAA/Conference Distributions Including All Tournament Revenues

Procedure: We obtained and inspected all agreements related to the University's participation in revenues from tournaments during the reporting period. We agreed the related revenues to the University's general ledger and the statement and recalculated totals.

Result: We completed the procedures without exception.

To Dr. Ronald M. Berkman, Ph.D., President
Cleveland State University

6) Royalties, Advertisements and Sponsorships

Procedure: We will obtain and inspect agreements related to the Institution's participation in revenues from royalties, advertisements and sponsorships during the reporting period. We will agree the related revenues to the Institution's general ledger and/or the statement, and recalculate totals. We compared each other revenue account to prior period amounts and budget estimates. We documented variations exceeding 10 percent and \$12,000, and recalculated totals.

Result: We completed the procedures above without exception. See Appendix A for the explanations on for variations exceeding 10 percent and \$12,000.

Expenditures

E. **Procedure:** We agreed each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University. We agreed each expense account to prior period amounts and budget estimates. We documented variations exceeding 10 percent and \$12,000.

Result: We completed the procedures above without exception. See Appendix A for the explanations on for variations exceeding 10 percent and \$12,000.

We performed the following procedures for the indicated expenditure category:

1) Athletic Student Aid

Procedure: We selected a sample of five students from the listing of University student aid recipients during the reporting period. We obtained individual student account detail for each selection and agreed total aid allocated from the related aid award letter to the student's account and recalculated totals.

Result: We completed the procedures above without exception.

2) Coaching Salaries, Benefits, and Bonuses Paid by the Institution and Related Entities

Procedure: We obtained and inspected a listing of coaches employed by the Institution and related entities during the reporting period. We selected a sample of five coaches' contracts that included men's basketball, wrestling, swimming, baseball, and tennis from the above listing. We agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the Institution and related entities in the statement during the reporting period. We obtained and inspected W-2s for each selection. We agreed related W-2s to the related coaching salaries, benefits and bonuses paid by the Institution and related entities expense recorded by the Institution in the statement during the reporting period, and recalculated totals.

To Dr. Ronald M. Berkman, Ph.D., President
Cleveland State University

Result: We selected five coaches' contracts that included men's basketball, wrestling, swimming, baseball, and tennis. We noted no exceptions.

3) Recruiting

Procedure: We obtained the University's recruiting expense policies and agreed this to existing institutional- and NCAA-related policies.

Result: We noted that the policy followed by the University is identical to the policies set forth by the NCAA.

4) Team Travel

Procedure: We obtained the University's team travel policies and agreed this to existing institutional- and NCAA-related policies.

Result: We noted that the policy followed by the University is identical to the policies set forth by the NCAA.

5) Equipment, Uniforms, and Supplies

Procedure: We agreed each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University and recalculated the totals. We agreed each major expense account to prior period amounts and budget estimates. We documented variations in excess of 10 percent and \$12,000, and recalculated totals.

Result: We completed the procedures above without exception. See Appendix A for the explanations on variations exceeding 10 percent and \$12,000.

6) Game Expenses

Procedure: We agreed each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University and recalculated the totals. We agreed each major expense account to prior period amounts and budget. We documented variations in excess of 10 percent and \$12,000, and recalculated totals.

Result: We completed the procedures above without exception. See Appendix A for the explanations on variations exceeding 10 percent and \$12,000.

7) Fund Raising, Marketing and Promotion

Procedure: We agreed each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University and recalculated the totals. We agreed each major expense account to prior period amounts and budget. We documented variations in excess of 10 percent and \$12,000, and recalculated totals.

To Dr. Ronald M. Berkman, Ph.D., President
Cleveland State University

Result: We completed the procedures above without exception. See Appendix A for the explanations on variations exceeding 10 percent and \$12,000.

8) Direct Facilities, Maintenance and Rental

Procedure: We agreed each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University and recalculated the totals. We agreed each major expense account to prior period amounts and budget. We documented variations in excess of 10 percent and \$12,000, and recalculated totals.

Result: We completed the procedures above without exception. See Appendix A for the explanations on variations exceeding 10 percent and \$12,000.

9) Memberships and Dues

Procedure: We agreed each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University and recalculated the totals. We agreed each major expense account to prior period amounts and budget. We documented variations in excess of 10 percent and \$12,000, and recalculated totals.

Result: We completed the procedures above without exception. See Appendix A for the explanations on variations exceeding 10 percent and \$12,000.

10) Other Operating Expenses

Procedure: We agreed each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University and recalculated the totals. We agreed each major expense account to prior period amounts and budget. We documented variations in excess of 10 percent and \$12,000, and recalculated totals.

Result: We completed the procedures above without exception. See Appendix A for the explanations on variations exceeding 10 percent and \$12,000.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Intercollegiate Athletics Program Statement of Revenues and Expenditures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

To Dr. Ronald M. Berkman, Ph.D., President
Cleveland State University

This report is intended solely for the information and use of Cleveland State University management and the National Collegiate Athletics Association and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Morse, PLLC

October 15, 2010

Cleveland State University

National Collegiate Athletics Association Report

Intercollegiate Athletics Program Statement of Revenues and Expenditures For the Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues:			
Sports:			
Men's basketball	\$ 281,785	\$ -	\$ 281,785
Other sports	<u>12,318</u>	<u>-</u>	<u>12,318</u>
Total sports	<u>294,103</u>	<u>-</u>	<u>294,103</u>
Federal grants and contracts	-	66,852	66,852
Private gifts, grants, and contracts	-	626,810	626,810
Other sources	<u>687,988</u>	<u>-</u>	<u>687,988</u>
Total revenues	<u>982,091</u>	<u>693,662</u>	<u>1,675,753</u>
Expenditures:			
Administrative and general:			
Salaries and wages	1,300,133	92,477	1,392,610
Fringe benefits	361,184	15,345	376,529
Supplies	188,983	29,589	218,572
Conference and Meals	22,001	55,870	77,871
Travel	193,812	-	193,812
Public relations	82,247	-	82,247
Telephone	37,724	-	37,724
Printing	67,672	1,887	69,559
Other	<u>154,199</u>	<u>1,984</u>	<u>156,183</u>
Total administrative and general	<u>2,407,955</u>	<u>197,152</u>	<u>2,605,107</u>
Operation and maintenance of plant	<u>796,398</u>	<u>167,382</u>	<u>963,780</u>

Cleveland State University

National Collegiate Athletics Association Report

Intercollegiate Athletics Program Statement of Revenues and Expenditures (Continued) For the Year Ended June 30, 2010

	Unrestricted	Restricted	Total
Expenditures (Continued):			
Sports:			
Men's soccer	\$ 314,757	\$ 8,304	\$ 323,061
Men's basketball	1,714,710	51,792	1,766,502
Men's wrestling	305,417	19,685	325,102
Men's swimming	257,133	76,416	333,549
Men's fencing	25,100	-	25,100
Men's baseball	416,467	33,649	450,116
Men's tennis	157,642	3,291	160,933
Men's golf	139,767	(7,409)	132,358
Women's golf	126,894	-	126,894
Women's volleyball	410,298	7,128	417,426
Women's swimming	239,843	27,052	266,895
Women's basketball	1,083,334	36,574	1,119,908
Women's fencing	12,543	-	12,543
Women's softball	449,329	42,138	491,467
Women's tennis	201,651	24,395	226,046
Women's soccer	334,025	5,228	339,253
Women's track/Cross country	50,644	885	51,529
Total sports	<u>6,239,554</u>	<u>329,128</u>	<u>6,568,682</u>
Total expenditures	<u>9,443,907</u>	<u>693,662</u>	<u>10,137,569</u>
Transfers among funds - Additions/(Deductions) -			
Non-mandatory transfers:			
Support from current unrestricted funds	8,051,734	-	8,051,734
Other transfers	410,082	-	410,082
Shortfall of restricted receipts versus transfers to revenue	<u>-</u>	<u>(94,625)</u>	<u>(94,625)</u>
Total transfers	<u>8,461,816</u>	<u>(94,625)</u>	<u>8,367,191</u>
Net decrease in fund balance	<u>\$ -</u>	<u>\$ (94,625)</u>	<u>\$ (94,625)</u>

Cleveland State University National Collegiate Athletics Association Report

Notes to Intercollegiate Athletics Program Statement of Revenues and Expenditures For the Year Ended June 30, 2010

Note 1 - Contributions

The intercollegiate athletics program of Cleveland State University did not directly receive any individual contributions of moneys, goods or services from any affiliated or outside organization, agency or individuals that constitutes 10 percent or more of all contributions received for intercollegiate athletics during the year ending June 30, 2010.

Note 2 - Intercollegiate Athletics-Related Assets

Property and equipment are recorded at cost or, if donated, the fair value at the time of donation. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized. Estimated service lives range from 5 to 40 year depending on class.

The current year capitalized additions and deletions to athletic facilities and the University as a whole during the year ending June 30, 2010 are as follows:

	Current Year Additions	Current Year Deletions
Total athletics facilities	\$ -	\$ -
Other institutional facilities	\$ 100,412,366	\$ 5,993,819

The total estimated book values of property, plant and equipment, net of depreciation, of the University athletic facilities and the University as a whole as of the year ending June 30, 2010, are as follows:

	Estimated Book Value
Athletically related property, plant, and equipment balance	\$ 53,101,646
University's total property, plant, and equipment balances	\$ 789,342,464

Cleveland State University National Collegiate Athletics Association Report

Notes to Intercollegiate Athletics Program Statement of Revenues and Expenditures (Continued) For the Year Ended June 30, 2010

Note 3 - Intercollegiate Athletics-Related Debt

The annual debt service and debt outstanding for the University's athletic facilities and the University as a whole as of the year ending June 30, 2010 is as follows:

	Annual Debt Service	Debt Outstanding
Athletically related facilities	\$ 218,656	\$ 1,031,935
Total University facilities	\$ 18,204,207	\$ 217,893,028

The repayment schedule for all outstanding intercollegiate athletics debt maintained by the University during the year ending June 30, 2010 is as follows:

	Total Intercollegiate Athletics Debt
2011	\$ 229,452
2012	240,560
2013	252,207
2014	264,417
2015	45,299
Thereafter	-
Total	\$ 1,031,935

Cleveland State University

National Collegiate Athletics Association Report

Appendix A

Variations Noted During Procedures

Year Ended June 30, 2010

We noted the following variances from prior year to current year which are greater than 10 percent and \$12,000:

Restricted Fund:

- Salaries and wages decreased by \$12,829 and 12 percent due to a \$22,237 one-time expense paid for a consultant in FY 2009 to perform a study and develop a strategic plan on the impact of the addition that football might have on the University. There was also an increase of \$4,400 related to federal work study paid to students for administrative and support functions within the intercollegiate athletics department.
- Public relations expense decreased by \$16,064 and 100 percent due to a partnership in FY 2009 with National Association of Collegiate Directors of Athletics (“NACDA”) to promote a home basketball game designated the John McLendon Classic. Also, in FY 2009, \$2,152 was spent with the Susan Komen Foundation to promote “think pink” games in women’s sports. Similar expenses were not incurred in 2010.
- Operations and maintenance of plant increased by \$160,465 and 2,319 percent due to expenses incurred on two new projects: \$148,042 on locker room renovations and \$14,135 on a swimming score board.
- Men’s basketball expenses decreased by \$31,762 and 38 percent because in FY 2009 \$23,296 was spent on a golf outing to raise awareness of men’s basketball and \$7,000 was spent on video production of NCAA tournament highlights. Similar expenses were not incurred in 2010.
- Men’s wrestling expenses increased by \$14,186 and 42 percent due to a \$16,450 expense for new lockers for the wrestling locker room that occurred in 2010.
- Men’s swimming expenses increased by \$30,291 and 66 percent due to several factors. There were three major expenses for equipment: \$6,426 for two new diving boards, \$5,075 to upgrade the timing system, and \$4,247 for risers. Also, there was \$14,062 more in expenses for team travel in the current year relating to a trip to Puerto Rico.
- Men's golf decreased by \$26,846 and 138 percent because of an \$8,000 reversal in charges from FY 2009, a decrease of \$13,000 of equipment expenses, and a decrease in travel expenses of \$2,368. The reversal of charges was to correct a coding error that occurred in FY 2009. The majority of the equipment expense in FY 2009 was for an indoor golf center that is not replaced annually.

Cleveland State University

National Collegiate Athletics Association Report

Appendix A (Continued)

Variations Noted During Procedures

Year Ended June 30, 2010

Unrestricted Fund:

- Men's basketball revenues decreased by \$182,561 and 40 percent due to \$235,000 of guarantee income that was received in FY 2009, but not in FY 2010. The offset to that amount is that there was an increase of \$52,590 in individual game ticket sales.
- Revenues from other sports decreased by \$41,584 and 77 percent. Women's basketball received \$20,000 less in guarantee income as a result of this season's schedule and \$113,270 of income was received in FY 2009 from a partnership to sponsor their training table meals.
- Supplies increased by \$48,588 and 37 percent due to several factors. There was an increase of \$10,272 for promotional give-aways and branding associated with basketball, an increase of \$4,198 expensed on medical supplies, \$7,151 for equipment to support web streaming of athletic events, \$4,852 for new cheerleading equipment, \$8,595 for a pair of baskets installed in the auxiliary gym, \$6,900 for championship banners and signage, and \$3,462 for new light fixtures for the Focus Room in the Peter Lewis Center.
- Travel expenses decreased by \$78,412 and 29 percent due to the fact that men's basketball did not participate in the NCAA tournament in the post-season.
- Public relations expenses increased by \$26,989 and 49 percent due to more advertising and promotion (including radio, billboards, and website) of the University's basketball programs.
- Other expenses decreased by \$96,699 or 39 percent. This decrease includes \$56,892 for 700 tickets (350 per game) that the University was required to purchase as part of the NCAA men's basketball tournament in FY 2009, \$11,000 for special hospital care expenses, and \$48,451 resulting from a change in how the expenses are treated related to financial aid for athletes whose athletic eligibility has expired.
- Men's soccer expenses increased by \$54,029 and 21 percent. This includes \$20,000 of grant aid due to more students receiving aid and more money being awarded to individuals. Also, there was a \$10,219 increase in recruiting activity attributable to needing to replace 13 graduating seniors. Finally, there was a \$10,000 increase in team travel associated with the schedule and increased travel costs.
- Men's tennis expenses increased by \$38,184 and 32 percent. This includes \$20,000 of grant aid due to more students receiving aid and more money being awarded to individuals. Also, there was an increase in team travel of \$14,000 associated with the schedule.
- Men's golf expenses increased by \$25,402 and 22 percent due to an equipment expense of \$4,960 and an increase in travel expenses of \$16,000 associated with the schedule.
- Women's golf expenses increased by \$19,508 and 18 percent due to an equipment expense of \$5,872 and an increase in travel expenses of \$13,650 associated with the schedule.
- Cross country expenses increased by \$12,069 and 31 percent due to an increase of \$5,752 in the amount of grant aid awarded to students and an increase in travel expenses of \$3,460 associated with the schedule.

Cleveland State University

National Collegiate Athletics Association Report

Appendix A (Continued)

Variations Noted During Procedures

Year Ended June 30, 2010

Variations in the actual operating revenue and expenditures and budget for the current year which were greater than 10 percent and \$12,000 were examined for the cause. Many of the variations where actual amounts exceeded budgeted amounts were due to unexpected purchases and costs, described further as follows:

- Men's basketball was below budget by \$48,215 and 15 percent. A total of \$30,000 was budgeted for a game guarantee but a guarantee game was not played during the FY 2010 season.
- Supplies expenses exceeded budget by \$74,298 and 65 percent. A number of areas contributed to the overage, including: \$9,263 for medical supplies, \$7,151 for equipment for video streaming, \$17,190 for promotional give-aways and branding opportunities, \$4,448 on PC's and peripherals, \$6,061 on the equipment room, \$5,756 for championship banners and facility branding, \$3,462 for new light fixtures for the Focus Room in the Peter Lewis Center, \$8,595 for new baskets in the auxiliary gym, and \$2,325 for a new portable PA system.
- Conference and meals expenses exceeded budget by \$12,001 and 120 percent. A luncheon series was started with the basketball coaches at a cost of \$6,373 and a welcome back activity was sponsored for the student athletes for \$3,000. The remaining \$2,628 is made up of miscellaneous expenses.
- Travel expenses exceeded budget by \$141,512 and 271 percent. A number of components make up the overage, including: \$13,598 for travel to the men's and women's basketball tournaments for the cheerleaders and the pep band, \$34,515 for the NCAA tournament travel for the women's basketball and men's tennis teams as well as several individuals, \$16,750 in cancelled tickets that are being used for the cost of the name change fee, \$26,176 in non specific team travel to support teams that do not have a facility on campus, \$2,850 for employee recruiting, and \$40,000 to support administrative staff travel to NCAA, Horizon, and Eastern Wrestling League events.
- Public relations expenses exceeded budget by \$54,747 and 199 percent due to additional expenses associated with advertising and promoting the men's and women's basketball teams. This includes increased use of radio time, billboards, and web advertising.
- Operation and maintenance of plant expenses exceeded budget by \$627,732 and 372 percent. A number of components make up the overage, including: \$228,342 for facility costs for basketball (\$196,605), baseball (\$25,000), and golf (\$6,737), \$323,822 in maintenance fees and utility costs covered by a transfer to the 0999 line, \$22,060 for maintenance of equipment, \$37,995 in charge backs from physical plant, \$4,932 for a broadcast quality video camera, \$10,917 for modalities for the training room, \$29,435 for replacement washers and dryers, and \$6,500 for the new basketball uprights.

Cleveland State University

National Collegiate Athletics Association Report

Appendix A (Continued)

Variations Noted During Procedures

Year Ended June 30, 2010

- Men's soccer expenses exceeded budget by \$53,715 and 21 percent for: preseason meals by \$4,308, recruiting by \$5,255, team travel by \$24,197 due to this season's scheduling, and grants in aid by \$16,000 due to higher educational costs and an increased number of students receiving aid.
- Men's basketball expenses exceeded budget by \$334,163 and 24 percent for: salary and fringe benefits by \$26,782, game officials by \$27,640, equipment and supplies by \$25,736, training table and pre-game meals by \$30,480, recruiting by \$29,162, team travel by \$39,373 due to this season's scheduling, grants in aid by \$45,796 due to higher educational costs and an increased number of students receiving aid, and game guarantees by \$88,900.
- Men's swimming expenses exceeded budget by \$44,124 and 21 percent. Salaries were over by \$7,732 which was balanced by an under expenditure in women's swimming. Men's swimming was also over budget by \$30,347 in grants in aid due to higher educational costs and an increased number of students receiving aid.
- Men's fencing expenses increased by \$25,100 and 100 percent due to the fact that the University supports the fencing program but does not budget for it.
- Men's baseball expenses exceeded the budget by \$47,778 and 13 percent related to an additional team travel expense of \$47,951 due to this season's scheduling.
- Men's tennis expenses exceeded budget by \$51,631 and 49 percent for: team travel by \$16,142 due to this season's scheduling, facility rental by \$3,704, and grants in aid by \$27,787 due to higher educational costs and an increased number of students receiving aid.
- Men's golf expenses exceeded budget by \$22,872 and 20 percent for: equipment and supplies by \$5,762, team travel by \$13,351 due to this season's scheduling, and entry fees by \$5,425.
- Women's golf expenses exceeded budget by \$24,512 and 24 percent for: equipment and supplies by \$7,215 and team travel by \$14,788 due to this season's scheduling.
- Women's basketball exceeded budget by \$149,519 and 16 percent for: equipment and supplies by \$12,363, training table and pre-game meals by \$24,690, recruiting by \$25,003, team travel by \$17,856 due to this season's scheduling, and grants in aid by \$29,250 due to higher educational costs and an increased number of students receiving aid.
- Softball exceeded the budget by \$81,425 and 22 percent for: team travel by \$36,828 due to this season's scheduling and grants in aid by \$40,087 due to higher educational costs and an increased number of students receiving aid.
- Women's tennis exceeded the budget by \$21,581 and 12 percent for: facility rental by \$3,704 and grants in aid by \$14,470 due to higher educational costs and an increased number of students receiving aid.
- Women's soccer exceeded the budget by \$32,866 and 11 percent for: pre-season by \$3,854, team travel by \$6,984 due to this season's scheduling, and grants in aid by \$22,092 due to higher educational costs and an increased number of students receiving aid.

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Mary Taylor, CPA
Auditor of State

CLEVELAND STATE UNIVERSITY

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
DECEMBER 21, 2010**