The Cleveland State University Foundation, Inc.

Financial Statements
June 30, 2010

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of The Cleveland State University Foundation, Inc., Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 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. The Cleveland State University Foundation, Inc. is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 23, 2010

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The Cleveland State University Foundation, Inc.

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of The Cleveland State University Foundation, Inc. (the "Foundation") as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2009 financial statements, and in our report dated October 13, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cleveland State University Foundation, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 14, 2010, on our consideration of The Cleveland State University Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Ciuni + Panichi, Inc.

Cleveland, Ohio
October 14, 2010

The Cleveland State University Foundation, Inc.

Statement of Financial Position

June 30, 2010 (with comparative totals for 2009)

Assets

	2010	2009
Current assets:		
Cash and cash equivalents	$ 5,051,468	$ 4,909,635
Accounts receivable	220,221	63,674
Contributions receivable, net	912,225	704,079
Total current assets	6,183,914	5,677,388
Non-current assets:		
Contributions receivable, net	4,706,404	3,418,263
Long-term investments	38,383,659	32,719,584
Funds held on behalf of others:		
Cleveland State University	1,993,632	1,804,588
Cleveland State University Alumni Association	313,317	316,780
Deposit	-	20,000
Total non-current assets	45,397,012	38,279,215
Total assets	$ 51,580,926	$ 43,956,603

The accompanying notes are an integral part of these financial statements

The Cleveland State University Foundation, Inc.

Statement of Financial Position (continued)

June 30, 2010 (with comparative totals for 2009)

Liabilities and Net Assets

	2010	2009
Liabilities:		
Current liabilities:		
Accounts payable	$ 45,814	$ 165,062
Current portion of note payable	39,996	-
Payable to Cleveland State University	626,547	741,381
Annuities payable	29,847	29,847
Total current liabilities	742,204	936,290
Non-current liabilities:		
Note payable, net of current portion	724,739	-
Payable to Cleveland State University	36,115	36,115
Annuities payable	101,028	108,141
Funds held on behalf of others:		
Cleveland State University	1,993,632	1,804,588
Cleveland State University Alumni Association	313,317	316,780
Total non-current liabilities	3,168,831	2,265,624
Total liabilities	3,911,035	3,201,914
Net Assets:		
Unrestricted:		
Undesignated	(566,725)	(1,321,238)
Board-designated – scholarships	140,597	130,130
Total unrestricted	(426,128)	(1,191,108)
Temporarily restricted	14,086,876	11,327,058
Permanently restricted	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 these financial statements

The Cleveland State University Foundation, Inc.

Statement of Activities

For the year ended June 30, 2010 (with comparative totals for 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
Revenues:					
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 restrictions	4,718,322	(4,718,322)	-	-	-
Total revenues	4,860,062	(1,686,715)	3,570,328	6,743,675	7,204,665
Expenses:					
Program services:					
Instruction	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
Fundraising	155,970	-	-	155,970	136,743
Total supporting services	653,480	-	-	653,480	549,220
Total expenses	5,138,568	-	-	5,138,568	5,126,367
Gains and losses:					
Investment gain (loss), including realized and unrealized gains (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 gains and losses	1,043,486	4,446,533	(179,924)	5,310,095	(7,488,372)
Change in net assets	764,980	2,759,818	3,390,404	6,915,202	(5,410,074)
Net assets – beginning	(2,089,007)	12,224,957	30,618,739	40,754,689	46,164,763
Reclassification of net assets (Note 11)	897,899	(897,899)	-	-	-
Net assets – ending	$ (426,128)	$ 14,086,876	$ 34,009,143	$ 47,669,891	$ 40,754,689

The accompanying notes are an integral part of these financial statements

The Cleveland State University Foundation, Inc.

Statement of Cash Flows

For the year ended June 30, 2010 (with comparative totals for 2009)

	2010	2009
Cash flows from operating activities:		
Change in net assets	$ 6,915,202	$ (5,410,074)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized (gain) loss on sale of investments	(3,740)	2,772,376
Net unrealized (gain) loss in the fair market value of investments	(4,199,568)	4,551,160
Contributions restricted for investment in endowment	(3,416,985)	(2,264,172)
Contributions receivable written-off	109,000	1,755,000
Changes in operating assets and liabilities:		
Accounts receivable	(156,547)	(36,903)
Contributions receivable	(77,809)	(638,655)
Accounts payable	(119,248)	131,366
Annuities payable	(7,113)	(86,158)
Payable to Cleveland State University	(114,834)	579,190
Net cash (used in) provided by operating activities	(1,071,642)	1,353,130
Cash flows from investing activities:		
Deposit on property purchase	-	(20,000)
Proceeds from sales of investments	9,221,327	13,498,085
Purchases of investments	(10,662,094)	(20,866,185)
Net cash used in investing activities	(1,440,767)	(7,388,100)
Cash flows from financing activities:		
Proceeds received from note payable	800,000	-
Principal payments on note payable	(35,265)	-
Proceeds from collection of contributions restricted for investment in endowment	1,889,507	3,815,747
Net cash provided by financing activities	2,654,242	3,815,747
Increase (decrease) in cash and cash equivalents	141,833	(2,219,223)
Cash and cash equivalents, beginning of year	4,909,635	7,128,858
Cash and cash equivalents, end of year	$ 5,051,468	$ 4,909,635

The accompanying notes are an integral part of these financial statements

Note 1: Summary of Significant Accounting Policies

Purpose and Accounting Method

The Cleveland State University Foundation, Inc. (the "Foundation") is organized primarily to engage in activities and programs to provide support and service to Cleveland State University (the "University").

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

Unrestricted:

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

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

Temporarily restricted net assets include gifts and pledge receivables for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds are not permanently restricted.

Permanently restricted net assets represent assets that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income or loss from investment of these assets is included in the investment income or loss of unrestricted and restricted funds, as appropriate, in the accompanying statement of activities.

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

Basis of Presentation

On September 30, 2009, the Foundation adopted authoritative guidance issued by the Financial Accounting Standards Board ("FASB") which establishes the FASB Accounting Standards Codification ("ASC") as the single source of authoritative U.S. generally accepted accounting principles. The Foundation has modified its disclosures in this report to comply with the requirements. Accordingly, references to authoritative accounting principles after the effective date will reference the ASC and not the previous accounting guidance. The adoption of this guidance did not have a material effect on the Foundation's financial position, results of operations, or cash flows.

Note 1: Summary of Significant Accounting Policies (continued)

Reclassification

Certain accounts in the prior year summarized comparative information have been reclassified for comparative purposes to conform with the presentation in the current year financial statements (See Note 11).

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Cash and Cash Equivalents

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

Investments

Investments of debt and equity securities with readily determinable fair values are stated at fair value. Investments in real estate without readily determinable fair values are stated at cost less accumulated depreciation. Investments of unrestricted, temporarily restricted, and permanently restricted funds are pooled for making investment transactions. Interest and dividend income, as well as realized and unrealized gains and losses, are allocated to the funds quarterly using a unitized method of accounting for pooled investment funds.

Notes receivable are stated at cost. Notes receivable are considered delinquent by management on a case-by-case basis.

Contributions

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

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

Note 1: Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

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

Use of Estimates

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

Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and temporary investments, investment securities, and contributions receivable.

The Foundation has significant investments in equity and debt securities and is, therefore, subject to concentrations of credit risk. Investments are managed by investment advisors who are overseen by a committee. Though the market value of investments is subject to fluctuations on a year-to-year basis, the committee believes that the investment policy is prudent for the long-term welfare of the Foundation.

Credit risk with respect to contributions receivable is limited due to the number and credit worthiness of the foundations, corporations, and individuals who comprise the contributor base. At June 30, 2010, $6 million of the Foundation's gross contributions receivable is due from one donor. The contribution receivable is due at various times through June 30, 2035.

At various times during the year ended June 30, 2010, the Foundation's cash in bank balances may exceed the federally insured limits. The Foundation places its cash and temporary investments with creditworthy, high-quality financial institutions.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 14, 2010, the date the financial statements were available to be issued.

Endowment Management Fees

On October 31, 1997, the Foundation implemented a 1% fee to be levied by the Foundation for managing funds held on behalf of related entities. Total endowment management fees for the year ended June 30, 2010, were $24,796.

Note 1: Summary of Significant Accounting Policies (continued)

Gift Annuities

The Foundation is obligated under various annuity contracts, whereby donors have contributed cash to the Foundation with the agreement that the donor shall be the sole recipient of annual annuity payments. These annual payments, currently totaling $29,847 per year, shall terminate on the last payment date preceding the death of the donor. The discount rates used to estimate the obligations at June 30, 2010, range from 6.5% through 10.0%.

Federal Income Taxes

The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

During 2009, the Foundation adopted the "Accounting for Uncertainty in Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. The Foundation classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements. As of June 30, 2010, the Foundation has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

Note 2: Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2010:

Cash	$	316,223
Money market mutual funds		4,735,245
	$	5,051,468

Note 3: Contributions Receivable

Contributions receivable are accounted for in accordance with FASB ASC topic "Revenue Recognition". The recorded fair value of contributions receivable is the present value of estimated future cash receipts using a discount rate of 6% and an allowance for uncollectible contributions of 5% of the discounted contributions receivable balance. Amounts due as of June 30, 2010, are as follows:

Note 3: Contributions Receivable (continued)

Gross receivables due within:		
One year or less	$	2,010,237
One to five years		2,407,096
Thereafter		5,043,286
		9,460,619
Discount		(3,546,273)
Allowance for uncollectible contributions		(295,717)
Contributions receivable, net	$	5,618,629

Included in the amount to be received in one year or less is $960,237, which represents amounts due on permanently restricted contributions net of the allowance for uncollectible contributions. As such, these amounts have been classified as non-current assets on the statement of financial position.

Contributions receivable, net at June 30, 2010, have the following restrictions:

Instruction	$	427,103
Research		233,937
Public service		344,283
Financial aid		3,675,249
Institutional support		277,083
Auxiliary enterprises		660,974
	$	5,618,629

Note 4: Conditional Promises to Give

The Foundation has received conditional promises to give totaling $1,075,000. The conditional promises will not be recognized in the financial statements until the conditions upon which the promise depends have been substantially met. The conditional promises to give are primarily related to the Allen Theatre Project, which is conditional upon certain planning elements of the project being completed.

Conditional promises to give at June 30, 2010 are related to the following:

Allen Theatre Project	$	1,000,000
Research		75,000
	$	1,075,000

Note 5: Long-Term Investments

For investment purposes, assets of the various unrestricted, temporarily restricted, and permanently restricted classifications are pooled.

Investments at June 30, 2010, are composed of the following:

	Cost	Carrying Value
Stocks – domestic	$ 7,022,049	$ 8,291,105
Mutual funds – domestic	17,168,814	16,873,062
Mutual funds – international	2,739,302	3,175,167
Fixed income securities	6,799,110	7,440,066
Investments carried at fair value	$ 33,729,275	35,779,400
Note receivable		1,642,464
Investment in real estate, net of accumulated depreciation		961,795
Investments carried at cost		2,604,259
		$ 38,383,659

Funds held on behalf of others at June 30, 2010, are composed of the following:

	Cost	Carrying Value
Stocks – domestic	$ 422,042	$ 498,315
Mutual funds – domestic	1,031,886	1,014,111
Mutual funds – international	164,638	190,835
Fixed income securities	408,643	447,166
Investments carried at fair value	$ 2,027,209	$ 2,150,427
Note receivable		98,716
Investment in real estate, net of accumulated depreciation		57,806
Investments carried at cost		156,522
		$ 2,306,949

The Foundation's note receivable is due from Euclid Avenue Housing Corporation (the "Corporation"). Beginning September 1, 2009 the note is due in monthly installments of $5,000, plus interest fixed at a rate of 9%, through July 2039. The note is secured by mortgage deed on a building and real property.

Note 5: Long-Term Investments (continued)

The Foundation's investment in real estate relates to land and building that has been leased to the University. Commencing July 1, 2009, rental payments due from the University are $7,000 per month. The lease expires on June 30, 2011.

Investment gain, net for the year ended June 30, 2010, as presented in the accompanying statement of activities is comprised of the following:

Interest, dividends, and other	$ 1,294,539
Realized gain, net	3,740
Unrealized gain, net	4,199,568
Total investment gain, net	$ 5,497,847

Note 6: Fair Value Measurements

In accordance with the "Fair Value Measurements" topic of the FASB ASC, the Foundation uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own valuation assumptions.

Financial assets consisted of the following at June 30, 2010:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 5,051,468	$ -	$ -	$ 5,051,468
Stocks – domestic	8,789,420	-	-	8,789,420
Mutual funds – domestic	17,887,173	-	-	17,887,173
Mutual funds – international	3,366,002	-	-	3,366,002
Fixed income securities	-	7,887,232	-	7,887,232
	$ 35,094,063	$ 7,887,232	$ -	$ 42,981,295

Note 7: Note payable

Note payable dated July 10, 2009, due to a bank, beginning August 1, 2009, due in monthly installments of $3,333, plus variable rate interest at the adjusted LIBOR rate (3.03% at June 30, 2010), through July 2011. The note is secured by the assignment of rents and an $800,000 certificate of deposit held by the University.	$	764,735
Less: current portion		(39,996)
Note payable, net of current portion	$	724,739

Note 8: Temporarily and Permanently Restricted Net Assets

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

Temporarily restricted net assets are available for the following purposes at June 30, 2010:

Instruction	$	3,382,576
Research		124,741
Public service		4,304,460
Academic support		875,543
Financial aid		3,527,234
Institutional support		814,564
Auxiliary enterprises		1,057,758
	$	14,086,876

Temporarily restricted net assets were released from restriction for the following purposes during the year ended June 30, 2010:

Instruction	$	1,104,264
Research		238,381
Public service		1,147,565
Academic support		98,608
Financial aid		1,147,518
Institutional support		99,265
Auxiliary enterprises		668,776
Other		213,945
	$	4,718,322

Note 8: Temporarily and Permanently Restricted Net Assets (continued)

Permanently restricted net assets are held in perpetuity to support the following purposes at June 30, 2010:

Instruction	$ 6,115,528
Research	782,720
Public service	50,567
Academic support	914,128
Financial aid	25,016,508
Institutional support	1,092,345
Auxiliary enterprises	37,347
	$ 34,009,143

Note 9: Net Asset Classification of Endowment Funds

The Foundation's endowments consist of approximately 285 individual funds, established for a variety of purposes and consisting of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Fund Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation added to the fund. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;
(2) The purpose of the Foundation and the donor-restricted endowment fund;
(3) General economic conditions; and
(4) The investment policies of the Foundation.

Note 9: Net Asset Classification of Endowment Funds (continued)

During the year ended June 30, 2010, The Cleveland State University Foundation Inc. had the following endowment related activities:

	Donor-Restricted Endowment Funds	Board-Designated Endowment Funds	Total
Investment return:			
Investment income	$ 1,322,757	$ 4,601	$ 1,327,358
Net unrealized gain	4,136,825	15,915	4,152,740
Total investment return	5,459,582	20,516	5,480,098
Contributions	1,943,284	-	1,943,284
Amounts appropriated for expenditure	(1,386,591)	(8,374)	(1,394,965)
Endowment management fee	(361,687)	(1,675)	(363,362)
Total change in endowment funds	$ 5,654,588	$ 10,467	$ 5,665,055

Endowment Net Asset Composition by Type of Fund
As of June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (789,425)	$ 8,681,845	$ 30,095,748	$ 37,988,168
Board-designated endowment funds	140,597	-	-	140,597
Total funds	$ (648,828)	$ 8,681,845	$ 30,095,748	$ 38,128,765

Note 9: Net Asset Classification of Endowment Funds (continued)

Changes in Endowment Net Assets
For the Fiscal Year Ended June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year, as reclassified (Note 11)	$ (1,592,091)	$ 6,002,903	$ 28,052,898	$ 32,463,710
Investment return:				
Investment income	4,601	1,322,757	-	1,327,358
Net unrealized gain	948,711	3,204,029	-	4,152,740
Total investment return	953,312	4,526,786	-	5,480,098
Contributions	-	53,777	1,889,507	1,943,284
Amounts appropriated for expenditure	(8,374)	(1,386,591)	-	(1,394,965)
Endowment management fee	(1,675)	(361,687)	-	(363,362)
Change in donors restrictions	-	(153,343)	153,343	-
Endowment net assets, end of year	$ (648,828)	$ 8,681,845	$ 30,095,748	$ 38,128,765

Permanently Restricted Net Assets:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA	$ 29,306,323
Total endowment funds classified as permanently restricted net assets	$ 30,095,748

Reconciliation of total permanently restricted net assets to permanently restricted net assets included in the endowment funds:

Permanently restricted net assets within the endowment funds	$ 30,095,748
Permanently restricted contributions included in contributions receivable, net	3,913,395
Total permanently restricted net assets	$ 34,009,143

Note 9: Net Asset Classification of Endowment Funds (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were $789,425 as of June 30, 2010. These deficiencies resulted from unfavorable market fluctuations that occurred during the economic downturn that was experienced in the United States and worldwide.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity, as well as board-designated funds. In general, it is desired that the Foundation portfolio earn at least competitive nominal returns in comparison with their respective benchmarks. To achieve such target returns requires superior performance to retain Foundation principal and purchasing power, i.e., keeping pace with inflation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). In recognition of the difficulty in predicting the direction of the markets or future state of the economy, the Foundation's assets are diversified among asset classes, managers/funds, and investment styles. The Board has currently determined that this "strategic asset allocation" in a range from 45% to 75% be allocated to equities, including international and real estate securities, and 20% to 40% be allocated to fixed income investments and up to 20% in alternative investments. An allocation of 60%-10%-30% (equities-alternatives-fixed income) is the "target" allocation. These proportions may vary in the above outlined ranges and are designed to reflect the long-term expectations for the Foundation. The Board will also review the portfolio on a regular basis (at least annually) to consider the portfolio's asset mix relative to its target and the allowable range around the target.

The investment strategy for the Foundation's portfolio may include domestic and international equities and fixed income investments, and alternatives. Strategies of the Foundation's investment manager(s) may include investing in securities in another asset category and/or in derivatives, futures contract, and currency hedging. Alternatives include, but are not limited to, domestic and international equities, open-end and closed-end funds, real estate and real estate investment trusts, the shorting of securities, hedge funds, private equity, venture capital, and exchange-traded funds. It is expected the alternative investments in the aggregate will not increase the risk of the Foundation's portfolio beyond the level anticipated in the Foundation's investment strategy.

Note 9: Net Asset Classification of Endowment Funds (continued)

Strategies Employed for Achieving Objectives (continued)

In addition to asset classes, the Foundation may be diversified between managers/funds and investment styles, as well. The purpose of this approach is to incorporate prudent diversification within the Foundation, enhancing expected returns, and/or reducing risk of the total portfolio. This structure will be reviewed by the investment committee on an ongoing basis as part of the overall monitoring process.

Spending Policy

The Foundation has a policy of appropriating for distribution 4% to 6% of its endowment funds' average fair value over the prior three fiscal years preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowments. This policy is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity, or for an otherwise specified term, as well as to provide additional real growth through new gifts and investment returns.

Note 10: Relationship with Related Entities

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

At June 30, 2010, the Foundation had accounts receivable due from the University of $206,721.

At June 30, 2010, the Foundation had payables to the University of $662,662.

At June 30, 2010, the Foundation is investing $313,317 of assets on behalf of the Cleveland State University Alumni Association.

At June 30, 2010, the Foundation is investing $1,993,632 of assets on behalf of the University.

The Foundation received interest payments of $166,048 from the Corporation during the year ended June 30, 2010.

Note 10: Relationship with Related Entities (continued)

During the year ended June 30, 2010, the Foundation had program expenditures supporting the University as follows:

	Transfers	Other Expenditures	Total
Instruction	$ 970,725	$ 133,539	$ 1,104,264
Research	238,381	-	238,381
Public service	924,890	222,675	1,147,565
Academic support	93,985	4,623	98,608
Financial aid	1,125,029	3,200	1,128,229
Institutional support	51,923	47,342	99,265
Auxiliary enterprises	476,025	192,751	668,776
	$ 3,880,958	$ 604,130	$ 4,485,088

Note 11: Reclassification of Net Assets

At June 30, 2009, the Organization's financial statements did not classify its note receivable within investments or endowment assets. The June 30, 2010 financial statements include the note receivable within investments and endowment assets as the note receivable meets the overall investment strategies and objectives of the Organization. For comparability purposes, temporarily restricted net assets were decreased and unrestricted net asset were increased by $897,899 at June 30, 2009, which represents the net effect of including the note receivable within the Organization's investments and endowment assets as of that date. Additionally, the Organization has reclassified the note receivable and presented it within long-term investments on the accompanying statement of financial position.

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

Board of Directors
Cleveland State University Foundation, Inc.

We have audited the financial statements of The Cleveland State University Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2010, and have issued our report thereon, dated October 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis.

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 material weaknesses, as defined above.

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Board of Directors
The Cleveland State University Foundation, Inc.

Compliance and Other Matters

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

We noted certain matters that we reported to management of The Cleveland State University Foundation, Inc. in a separate letter dated October 14, 2010.

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

Ciuni & Panichi, Inc.

Cleveland, Ohio
October 14, 2010

Mary Taylor, CPA
Auditor of State

CLEVELAND STATE UNIVERSITY FOUNDATION

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

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