

# **Central State University Foundation and Subsidiaries**

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**Consolidated Financial Report**

**June 30, 2011**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Central State University Foundation and Subsidiaries, Greene County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Central State University Foundation and Subsidiaries is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

November 28, 2011

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# Central State University Foundation and Subsidiaries

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## Independent Auditor's Report

To the Board of Trustees  
Central State University Foundation  
and Subsidiaries

We have audited the accompanying consolidated statement of financial position of Central State University Foundation and Subsidiaries (the "Foundation") as of June 30, 2011 and the related consolidated statements of activities and changes in net assets (deficit) and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2010 consolidated financial statements and, in our report dated October 15, 2010, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Central State University Foundation and Subsidiaries as of June 30, 2011 and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued a report dated October 14, 2011 on our consideration of Central State University Foundation and Subsidiaries' internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide opinions on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

October 14, 2011

# Central State University Foundation and Subsidiaries

## Consolidated Statement of Financial Position

June 30, 2011

(with comparative totals as of June 30, 2010)

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,231,245	\$ 1,965,207
Investments (Note 2)	2,995,131	2,597,447
Contributions receivable - Net (Note 4)	87,213	8,183
Receivable from Central State University	83,139	180,650
Other receivables	14,727	-
Prepaid expenses	<u>5,667</u>	<u>5,668</u>
Total current assets	5,417,122	4,757,155
Restricted cash and cash equivalents (Note 2)	3,264,574	3,128,331
Fixed assets - Net (Note 5)	12,912,886	13,122,154
Financing costs - Net	<u>1,527,011</u>	<u>1,626,818</u>
Total assets	<u><b>\$ 23,121,593</b></u>	<u><b>\$ 22,634,458</b></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 267,460	\$ 256,928
Surplus payable (Note 1)	988,427	176,901
Accrued interest payable	481,589	489,856
Current portion of long-term debt (Note 7)	<u>440,000</u>	<u>425,000</u>
Total current liabilities	2,177,476	1,348,685
Long-term debt - Net of current portion (Note 7)	<u>18,091,088</u>	<u>18,502,312</u>
Total liabilities	20,268,564	19,850,997
<b>Net Assets</b>		
Unrestricted	(1,491,436)	(1,170,970)
Temporarily restricted (Notes 3 and 6)	2,198,036	1,825,666
Permanently restricted (Notes 3 and 6)	<u>2,146,429</u>	<u>2,128,765</u>
Total net assets	<u>2,853,029</u>	<u>2,783,461</u>
Total liabilities and net assets	<u><b>\$ 23,121,593</b></u>	<u><b>\$ 22,634,458</b></u>



# Central State University Foundation and Subsidiaries

## Consolidated Statement of Activities and Changes in Net Assets (Deficit) Year Ended June 30, 2011 (with comparative totals for year ended June 30, 2010)

	2011				2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Revenue</b>					
Rental revenue	\$ 2,808,960	\$ -	\$ -	\$ 2,808,960	\$ 2,823,252
Contributions	141,804	532,850	17,664	692,318	850,953
Reimbursements			-	-	13,865
Other	276,306	347,899	-	624,205	502,700
Unrealized gain (loss) on investments	29,378	208,377	-	237,755	(45,240)
Investment income	107,906	331,491	-	439,397	22,757
Net assets released from restrictions	1,048,247	(1,048,247)	-	-	-
<b>Total revenue</b>	<b>4,412,601</b>	<b>372,370</b>	<b>17,664</b>	<b>4,802,635</b>	<b>4,168,287</b>
<b>Expenses</b>					
Programs:					
Scholarship programs	316,304	-	-	316,304	287,845
Athletic programs	353,546	-	-	353,546	150,223
Academic programs	205,096	-	-	205,096	178,303
Institution programs	331,122	-	-	331,122	451,655
Student support programs	20,941	-	-	20,941	-
Support activities:					
Management fees	196,627	-	-	196,627	197,628
Operating expenses	788,843	-	-	788,843	896,837
Depreciation and amortization expense	504,511	-	-	504,511	605,100
Interest expense	991,954	-	-	991,954	1,010,396
Surplus expense (Note 1)	988,427	-	-	988,427	176,901
Other	35,696	-	-	35,696	275,719
<b>Total expenses</b>	<b>4,733,067</b>	<b>-</b>	<b>-</b>	<b>4,733,067</b>	<b>4,230,607</b>
<b>(Decrease) Increase in Net Assets</b>	<b>(320,466)</b>	<b>372,370</b>	<b>17,664</b>	<b>69,568</b>	<b>(62,320)</b>
<b>Net Assets (Deficit) - Beginning of year</b>	<b>(1,170,970)</b>	<b>1,825,666</b>	<b>2,128,765</b>	<b>2,783,461</b>	<b>2,845,781</b>
<b>Net Assets (Deficit) - End of year</b>	<b>\$ (1,491,436)</b>	<b>\$ 2,198,036</b>	<b>\$ 2,146,429</b>	<b>\$ 2,853,029</b>	<b>\$ 2,783,461</b>

# Central State University Foundation and Subsidiaries

## Consolidated Statement of Cash Flows Year Ended June 30, 2011 (with comparative totals for year ended June 30, 2010)

	2011	2010
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 69,568	\$ (62,320)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	404,704	517,896
Amortization of issuance costs	99,807	100,608
Amortization of bond discount	28,776	30,684
Unrealized (gain) loss on investments	(237,755)	45,240
Decrease (increase) in assets:		
Contributions receivable	(79,030)	43,882
Prepaid expenses and other assets	82,785	(152,324)
Increase (decrease) in liabilities:		
Accounts payable	10,532	(124,095)
Surplus payable	811,526	(339,338)
Deferred revenue		(30,266)
Accrued interest payable	(8,267)	(7,313)
Net cash provided by operating activities	1,182,646	22,654
<b>Cash Flows from Investing Activities - Purchase of investments - Net</b>	(159,930)	(2,642,687)
<b>Cash Flows from Financing Activities</b>		
Purchase of capital assets	(195,435)	-
Principle payment on bonds payable	(425,000)	(405,000)
Net cash used in financing activities	(620,435)	(405,000)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	402,281	(3,025,033)
<b>Cash and Cash Equivalents - Beginning of year</b>	5,093,538	8,118,571
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 5,495,819</u>	<u>\$ 5,093,538</u>

Cash paid for interest in 2011 was \$1,000,221.

# Central State University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011

### Note 1 - Summary of Significant Accounting Policies

**Nature of Activities** - Central State University Foundation and its wholly owned subsidiaries, Marauder Development, LLC (Marauder) and Marauder West, LLC (West) have been consolidated (collectively referred to as the "Foundation"). All significant intercompany transactions have been eliminated. On October 19, 2001, Marauder Development, LLC and Marauder West, LLC were incorporated as wholly owned subsidiaries of Central State University Foundation.

**Description of Entity** - Central State University Foundation is an Ohio nonprofit corporation and exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Central State University Foundation was formed to receive contributions, which are to be used to support the educational undertakings of Central State University (the "University"). Marauder, an Ohio limited liability corporation, was formed to develop property for the use of Central State University. The financial operations of Marauder Development, LLC, which maintains a fiscal year end of August 31, have been consolidated within these financial statements. Marauder West, LLC, an Ohio limited liability corporation, was formed to develop property for the use of Central State University. The financial operations of Marauder West, LLC, which maintains a fiscal year end of June 30, have been consolidated within these financial statements. All significant intercompany accounts and transactions have been eliminated.

The University provides certain administrative, accounting, accounts payable, and payroll services on behalf of the Foundation. All inter-entity accounts due between Central State University and the Foundation are settled after close of month. The Foundation operates exclusively for the benefit of the University.

**Method of Accounting and Basis of Presentation** - The accompanying consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. For external financial reporting purposes, in accordance with Accounting Standards Codification (ASC) 958, the Foundation presents its consolidated financial statements by unrestricted, temporarily restricted, and permanently restricted net asset classifications. The Foundation's significant accounting policies are described below.

**Cash Equivalents** - The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**Investments** - Investments are generally carried at fair market value, which is determined using published exchange market quotations. Realized gains and losses are recorded using specific identifications of the securities sold.

# Central State University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Restricted Cash** - Restricted cash represents various trust account balances in bond trust accounts established in accordance with bond legislation for specific purposes.

**Concentration of Credit Risk Arising From Deposit Accounts** - The Foundation maintains cash balances at a bank. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Foundation evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

**Risks and Uncertainties** - The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated balance sheet.

**Fixed Assets** - Fixed assets include land, buildings, and furniture, most of which is related to the construction of the student housing project. Fixed assets are defined as assets with an initial, individual cost of more than \$1,000 and estimated useful life in excess of three years. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Building	40 years
Furniture	7 years

**Financing Costs** - The unamortized financing costs include consulting, attorneys' fees, and other fees incurred in connection with the bond obligations. These costs are capitalized and are amortized using the interest method over the lives of the bonds and are included as amortization expense. Accumulated amortization at August 31, 2011 was \$788,158.

**Surplus Expense** - The agreement with the University requires that the year-end balance in the surplus account held by the trustee, less applicable amounts for management fees that have not been funded to the management fee accounts, be paid at 90 percent to the University as a land/lease payment, with the remaining 10 percent to the Foundation. The trustee is required to calculate this surplus from the audited financial statements beginning with the August 31, 2005 year end.

# Central State University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Net Assets** - The Foundation classifies its net assets into the following categories:

- **Unrestricted Net Assets** - The Foundation has the following significant unrestricted funds, which have no donor-imposed restrictions:

**Unrestricted Fund** - This fund is used to account for all financial resources presently available for use by the Foundation.

**President's Discretionary Fund** - This fund is used to account for contributions that are expendable at the discretion of the University's president.

- **Temporarily Restricted Net Assets** - These funds are used to account for resources presently available for use, but expendable only for purposes specified by the donor. The Foundation had the following significant, temporarily restricted funds:

**General Scholarship Fund** - This fund receives contributions for general scholarships to students who demonstrate financial need.

**Tom Joyner Fund** - This fund receives donations from the Tom Joyner Foundation Program for scholarships to students who demonstrate financial need.

**College of Education Fund** - This fund receives contributions for the purpose of supporting programs and scholarships within the College of Education.

**College of Business Fund** - This fund receives contributions for the purpose of supporting programs and scholarships within the College of Business.

**Golf Classic Fund** - This fund collects receipts and issues disbursements relevant to the Cleveland Chapter Golf Classic. The net revenue of this fund is for the issuance of scholarships.

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

**Academic Funds** - This fund receives donations from private companies and foundations with their own restrictions.

**Football Funds** - This fund receives donations for the purpose of supporting the University football program.

# Central State University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011

### Note 1 - Summary of Significant Accounting Policies (Continued)

- **Permanently Restricted Net Assets** - These funds are used to account for resources for which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the investment income of the fund be expended as the donor specified. The Foundation had the following categories of permanently restricted funds:

**Scholarship Endowment Funds** - Investment income of the funds may be expended for student scholarships.

**Academic Endowment Funds** - Investment income of the funds may be expended for academic purposes.

**General Endowment Funds** - Investment income of the funds may be expended for general operations of the University at the discretion of the Foundation.

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

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes** - The Foundation operates as a nonprofit corporation and has been determined to be exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. As of June 30, 2011, the Foundation's unrecognized tax benefits were not significant. There were no significant penalties or interest recognized during the year or accrued at year end. The Foundation files income tax returns in the U.S. federal and various state jurisdictions and, at year end, tax returns were open for examination for years 2008-2010.

**Comparative Financial Information** - The consolidated financial statements include certain summarized comparative information for 2010. Such information does not include information by net asset class or other disclosures in sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 2010, from which the summarized information was derived.

# Central State University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including October 14, 2011, which is the date the financial statements were issued.

### Note 2 - Deposits and Investments

As required by the bond indenture, the Foundation, through Marauder, maintains restricted cash balances in the following accounts as of August 31, 2011:

	2011
Debt interest account	\$ 481,589
Debt principal account	445,000
Repair and replacement fund	906,865
Debt reserve fund	1,431,120
	<hr/>
Total restricted cash	\$ 3,264,574

Investments are managed by a professional investment manager. The investment manager is subject to the Foundation's investment policies which contain objectives, guidelines, and restrictions designed to provide for preservation of capital with emphasis on providing current income and achieving long-term growth of the funds.

The Foundation reports investments at estimated fair value, in accordance with the fair value hierarchy prescribed by ASC 820, *Fair Value Measurements and Disclosures* (formerly SFAS 157), which requires certain assets and liabilities to be reported at fair value in the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value. This hierarchy was adopted as of July 1, 2008 and involves an analysis of the types of inputs used to derive an asset's reported fair value, as follows:

**Level 1** - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. The Foundation's Level 1 investments consist primarily of fixed-income or equity mutual funds. Prices for these investments are widely available through major financial reporting services.

# Central State University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011

### Note 2 - Deposits and Investments (Continued)

**Level 2** - Inputs other than quoted prices that are observable, either directly or indirectly. These may include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. The Foundation's Level 2 investments include government and corporate bonds that do not trade on an exchange.

**Level 3** - Inputs that are unobservable, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. Often, these assets trade infrequently, or not at all. These values are generally determined using pricing models for which assumptions utilize management's estimates of market participant assumptions. The Foundation holds common shares in a privately-held company, which is valued based upon Level 3 inputs.

#### Assets Measured at Fair Value on a Recurring Basis at June 30, 2011

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2011
Private equity investments -				
Common and preferred stock	\$ -	\$ -	\$ 72,232	\$ 72,232
Public equity investments:				
Common and preferred stock	1,654	-	-	1,654
Mutual funds:				
U.S. large cap equity mutual funds	869,840	-	-	869,840
U.S. small cap equity mutual funds	482,376	-	-	482,376
Developed international equity mutual funds	220,692	-	-	220,692
Emerging markets international equity mutual fund	142,530	-	-	142,530
Global equity mutual funds	56,749	-	-	56,749
Subtotal	<u>1,773,841</u>	<u>-</u>	<u>72,232</u>	<u>1,846,073</u>
Fixed-income investments:				
U.S. agency and instrumentality obligations	-	76,090	-	76,090
U.S. gov't obligations	-	77,807	-	77,807
Corp bonds and notes	-	243,933	-	243,933
Bond mutual funds	751,228	-	-	751,228
Subtotal	<u>751,228</u>	<u>397,830</u>	<u>-</u>	<u>1,149,058</u>
Total investments	<u>\$ 2,525,069</u>	<u>\$ 397,830</u>	<u>\$ 72,232</u>	<u>\$ 2,995,131</u>



# Central State University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011

### Note 2 - Deposits and Investments (Continued)

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

	Private Equity Investments
Balance as of 6/30/2010	\$ -
Contributions	74,999
Payments	-
Change in Value	<u>(2,767)</u>
Balance as of 6/30/2011	<u>\$ 72,232</u>

### Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares in an investment company at year end where the fair value of the investment held is estimated based on the net asset value per share of the investment company. At year end, the fair value of this investment is \$72,232. There are no restrictions as to the redemption of investment in the company and there is no unfunded commitment at June 30, 2011.

The Level 3 fund investment is a limited liability company that invests in multiple commodity futures contracts, other commodity interests, options, and forward contracts. The funds are actively managed accounts with speculative trading profits as their objective. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

# Central State University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011

### Note 3 - Donor Endowments

The Foundation's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

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

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

# Central State University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011

### Note 3 - Donor Endowments (Continued)

#### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Market value -				
Beginning of year	\$ (619,929)	\$ 302,126	\$ 2,128,765	\$ 1,810,962
Net realized and unrealized gains	98,586	316,581	-	415,167
Investment income	10,570	33,942	-	44,512
Total investment loss	109,156	350,523	-	459,679
Contributions	-	-	17,664	17,664
Administrative fee	(6,213)	(19,951)	-	(26,164)
Reimbursement to unrestricted funds	441,312	(441,312)	-	-
Other changes	-	116,570	-	116,570
Transfers to create board - designated endowment funds	-	-	-	-
Endowment net assets -				
End of the year	<u>\$ (75,674)</u>	<u>\$ 307,956</u>	<u>\$ 2,146,429</u>	<u>\$ 2,378,711</u>

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$75,674 as of June 30, 2011. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of trustees.

# **Central State University Foundation and Subsidiaries**

## **Notes to Consolidated Financial Statements June 30, 2011**

### **Note 3 - Donor Endowments (Continued)**

#### **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 while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from this amount.

#### **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). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation is authorized only to expend the investment income and/or accumulated income above the principal amount from the invested endowment funds, and the remaining income is to be reinvested. If an investment loss is incurred, the loss is allocated entirely as currently expendable. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 5 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

# Central State University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011

### Note 4 - Contributions Receivable

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and contributions of the appropriate net asset category. All contributions receivable are unconditional promises to give that are expected to be collected within one year and are recorded at net realizable value. Conditional promises to give are not included as revenue until conditions are met.

### Note 5 - Fixed Assets

Fixed assets consisted of the following at June 30, 2011 and 2010:

	2011	2010
Land	\$ 140,800	\$ 140,800
Building	15,787,487	15,592,051
Furniture and fixtures	896,603	896,603
Total fixed assets	16,824,890	16,629,454
Less accumulated depreciation	(3,912,004)	(3,507,300)
Net fixed assets	<u>\$ 12,912,886</u>	<u>\$ 13,122,154</u>

Depreciation expense on property and equipment totaled \$404,704 in 2011.

### Note 6 - Classification of Net Assets

Details of restricted net assets at June 30, 2011 are as follows:

	Temporarily Restricted	Permanently Restricted
Academic	\$ 648,254	\$ 366,463
Scholarship	707,316	685,719
Other general funds	842,466	1,094,247
Total net assets	<u>\$ 2,198,036</u>	<u>\$ 2,146,429</u>

# Central State University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011

### Note 7 - Long-term Debt

Marauder Development, LLC has the following debt related to the financing of student dormitories. Information is for the subsidiary's year ended August 31, 2011:

	Interest Rate	Maturity	Balance August 31, 2010	Additions	Payments	Balance August 31, 2011
Revenue Bonds Series 2004	3.3%-5.1%	2035	\$ 11,127,582	\$ 12,816	\$ 235,000	\$ 10,905,398
Revenue Bonds Series 2002	3.0%-5.625%	2032	7,799,730	15,960	190,000	7,625,690
Total			<u>\$ 18,927,312</u>	<u>\$ 28,776</u>	<u>\$ 425,000</u>	18,531,088
Less current portion						440,000
Long-term portion						<u>\$ 18,091,088</u>

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

Years Ending August 31	Series 2002 Bonds		Series 2004 Bonds		Total
	Principal	Interest	Principal	Interest	
2012	\$ 195,000	\$ 411,122	\$ 245,000	\$ 543,014	\$ 1,394,136
2013	205,000	402,121	250,000	533,359	1,390,480
2014	215,000	392,564	260,000	522,899	1,390,463
2015	225,000	382,275	275,000	511,423	1,393,698
2016	235,000	371,056	285,000	498,995	1,390,051
2017-2021	1,365,000	1,657,288	1,635,000	2,276,724	6,934,012
2022-2026	1,795,000	1,236,259	2,075,000	1,819,273	6,925,532
2027-2031	2,335,000	668,990	2,660,000	1,222,215	6,886,205
2032-2036	1,165,000	67,640	3,410,000	451,860	5,094,500
Total	<u>\$ 7,735,000</u>	<u>\$ 5,589,315</u>	<u>\$ 11,095,000</u>	<u>\$ 8,379,762</u>	<u>\$ 32,799,077</u>

During 2002, Marauder issued \$8,870,000 of Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The bond discount was \$109,310 at August 31, 2011 and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from \$195,000 on September 1, 2011 to \$620,000 on September 1, 2032, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.0 percent to 5.625 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building and restricted cash held as required by the bond agreement.

# Central State University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011

### Note 7 - Long-term Debt (Continued)

During 2004, Marauder issued \$12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The original bond discount totaled \$287,699, with an amortized balance of \$189,602 at August 31, 2011. The discount is being amortized to interest expense over the life of the bonds on the interest method. The bonds mature on September 1 in various amounts ranging from \$245,000 on September 1, 2011 to \$750,000 on September 1, 2036, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 percent to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building and restricted cash held as required by the bond agreement.

Bond legislation provides that Marauder will charge rates sufficient for the excess of revenue over expenditures to equal not less than 120 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio).

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

	2011
Change in member's capital	\$ (709,882)
Add items to convert net income to pledged revenue:	
Interest expense on bonds	991,954
Management fees	196,627
Surplus expense	1,098,252
Depreciation and amortization expense	504,075
Net pledged revenue as defined (1)	<u>\$ 2,081,026</u>
Debt service requirement on bonds (2)	\$ 1,396,445
Coverage ratio (1/2)	149%
Required coverage ratio	120%

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

To the Board of Trustees  
Central State University Foundation  
and Subsidiaries

We have audited the consolidated financial statements of Central State University Foundation and Subsidiaries as of and for the year ended June 30, 2011 and have issued our report thereon dated October 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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.



To the Board of Trustees  
Central State University Foundation  
and Subsidiaries

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of the board of trustees, management of Central State University Foundation and Subsidiaries, Central State University, and the auditor of the State of Ohio and is not intended to be used and should not be used by anyone other than those specified parties.

*Plante & Moran, PLLC*

October 14, 2011

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# **Marauder Development, LLC**

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**Financial Report**

**August 31, 2011**

# **Marauder Development, LLC**

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## Independent Auditor's Report

To the Board of Trustees  
Marauder Development, LLC

We have audited the accompanying balance sheet of Marauder Development, LLC (Marauder) as of August 31, 2011 and 2010 and the related statements of operations and cash flows for the years then ended. These financial statements are the responsibility of Marauder's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marauder Development, LLC as of August 31, 2011 and 2010 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 14, 2011 on our consideration of Marauder's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

*Plante & Moran, PLLC*

October 14, 2011

# Marauder Development, LLC

## Balance Sheet

	August 31	
	2011	2010
<b>Assets</b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 1,880,531	\$ 1,679,768
Receivable from Central State University	50,763	77,278
Prepaid expenses	5,667	5,668
Total current assets	1,936,961	1,762,714
<b>Restricted Cash and Cash Equivalents</b> (Note 2)	3,264,574	3,128,331
<b>Fixed Assets - Net</b> (Note 3)	12,250,069	12,654,337
<b>Financing Costs - Net</b> (Note 1)	1,527,011	1,626,818
Total assets	<u>\$ 18,978,615</u>	<u>\$ 19,172,200</u>
<b>Liabilities and Deficiency in Member's Capital</b>		
<b>Liabilities</b>		
Management fees payable (Note 1)	\$ 196,627	\$ 197,628
Operating expense payable	438	-
Surplus payable	1,098,252	176,901
Interest payable	481,589	489,856
Current portion of long-term debt (Note 4)	440,000	425,000
Total current liabilities	2,216,906	1,289,385
<b>Long-term Debt - Net of current portion</b> (Note 4)	18,091,088	18,502,312
<b>Deficiency in Member's Capital</b>	<u>(1,329,379)</u>	<u>(619,497)</u>
Total liabilities and deficiency in member's capital	<u>\$ 18,978,615</u>	<u>\$ 19,172,200</u>

# Marauder Development, LLC

## Statement of Operations

	Year Ended August 31	
	2011	2010
<b>Revenue</b>		
Rental revenue	\$ 2,808,960	\$ 2,823,252
Interest income	60,909	78,647
Total revenue	2,869,869	2,901,899
<b>Expenses - Housing facilities</b>		
Management fees	196,627	197,628
Operating expenses	788,843	896,837
Surplus expense (Note 1)	1,098,252	176,901
Depreciation and amortization expense	504,075	605,100
Interest expense	991,954	1,010,396
Total expenses	3,579,751	2,886,862
<b>(Decrease) Increase in Member's Capital</b>	(709,882)	15,037
<b>Deficiency in Member's Capital - Beginning of year</b>	(619,497)	(634,534)
<b>Deficiency in Member's Capital - End of year</b>	<u><u>\$ (1,329,379)</u></u>	<u><u>\$ (619,497)</u></u>

# Marauder Development, LLC

## Statement of Cash Flows

	Year Ended August 31	
	2011	2010
<b>Cash Flows from Operating Activities</b>		
(Decrease) increase in member's capital	\$ (709,882)	\$ 15,037
Adjustments to reconcile (decrease) increase in member's capital to net cash from operating activities:		
Depreciation	404,268	504,492
Amortization of issuance costs	99,807	100,608
Amortization of bond discount	28,776	30,684
(Increase) decrease in assets:		
Receivables	26,515	(77,278)
Prepaid expenses	1	4
Increase (decrease) in liabilities:		
Operating expense payable	438	
Deferred revenue	-	(30,266)
Management fees payable	(1,001)	7,464
Surplus payable	921,351	(396,698)
Accrued interest payable	(8,267)	(7,313)
Net cash provided by operating activities	762,006	146,734
<b>Cash Flows from Financing Activities - Retirement of notes payable</b>	(425,000)	(405,000)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	337,006	(258,266)
<b>Cash and Cash Equivalents - Beginning of year</b>	4,808,099	5,066,365
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 5,145,105</b>	<b>\$ 4,808,099</b>

Cash paid for interest in 2011 and 2010 was \$ 1,000,221 and \$1,017,709, respectively.



# **Marauder Development, LLC**

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## **Notes to Financial Statements August 31, 2011 and 2010**

### **Note 1 - Nature of Entity and Significant Accounting Policies**

The financial statements of Marauder Development, LLC (Marauder) have been prepared on the accrual basis of accounting. The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader. Marauder is a wholly owned subsidiary of Central State University Foundation (the "Foundation"), which was formed for the construction and financing of the Central State University Housing Project. Marauder has entered into a 40-year lease agreement with Central State University (the "University") for land upon which student housing was constructed for use by the University. Marauder also has entered into an agreement with the University for the management of the housing project, for which it pays a fee of 7 percent of gross rental receipts.

The financial operations of the Foundation, which maintains a fiscal year end of June 30, have not been consolidated within these financial statements. The Foundation's financial statements are issued separately from those of Marauder and the University and those statements should be considered in evaluating the financial results of Marauder, the Foundation, and the University, taken as a whole.

**Cash and Cash Equivalents** - For the purpose of the statement of cash flows, Marauder considers all demand bank deposits as cash. Marauder considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Marauder maintains commercial checking and savings accounts in several financial institutions. These accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of August 31, 2011 and 2010, amounts held in financial institutions that exceeded insured limits equaled \$3,052,634 and \$2,708,750, respectively.

**Restricted Cash and Cash Equivalents** - Restricted assets represent various bond trust account balances established in accordance with bond legislation for specific purposes.

**Fixed Assets** - Fixed assets include the building and furniture related to the construction of the student housing project. Fixed assets are defined as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Building	40 years
Furniture	7 years

# **Marauder Development, LLC**

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## **Notes to Financial Statements August 31, 2011 and 2010**

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

**Financing Costs** - The unamortized financing costs include consulting, attorneys' fees, and other fees incurred in connection with the bond obligations. These costs are capitalized and are amortized using the interest method over the lives of the bonds and are included as amortization expense. Accumulated amortization at August 31, 2011 and 2010 was \$788,158 and \$688,351, respectively.

**Surplus Expense** - The agreement with the University requires that the year-end balance in the surplus account held by the trustee, less applicable amounts for management fees that have not been funded to the management fee accounts, is paid at 90 percent to the University as a land/lease payment, with the remaining 10 percent to the Foundation. The trustee is required to calculate this surplus from the audited financial statements beginning with the August 31, 2005 year end. Based on the information provided by the trustee, the amount calculated for the years ended August 31, 2011 and 2010 was \$1,098,252 and \$176,901, respectively.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Management Fee** - During 2011 and 2010, Marauder incurred a management fee of \$196,627 and \$197,628, respectively, to the University for administrative services provided.

**Income Taxes** - As of August 31, 2011 and 2010, the Company's unrecognized tax benefits were not significant. There were no significant penalties or interest recognized during the year or accrued at year end. Marauder's taxable income or loss is passed through to the Foundation, which is a tax-exempt entity. The Foundation files income tax returns in the U.S. federal and various state jurisdictions and at year end, tax returns were open for examination for years 2008-2010.

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including October 14, 2011, which is the date the financial statements were available to be issued.

# Marauder Development, LLC

## Notes to Financial Statements August 31, 2011 and 2010

### Note 2 - Restricted Cash and Cash Equivalents

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

	<u>2011</u>	<u>2010</u>
Restricted:		
Debt interest account	\$ 481,589	\$ 489,857
Repair and replacement fund	906,865	782,160
Debt principal fund	445,000	425,000
Debt reserve fund	<u>1,431,120</u>	<u>1,431,314</u>
Total restricted	<u>\$ 3,264,574</u>	<u>\$ 3,128,331</u>

### Note 3 - Fixed Assets

Details of fixed assets are summarized as follows:

	<u>2011</u>	<u>2010</u>
Building	\$ 15,267,051	\$ 15,267,051
Furniture	<u>859,653</u>	<u>859,653</u>
Total fixed assets	16,126,704	16,126,704
Less accumulated depreciation	<u>(3,876,635)</u>	<u>(3,472,367)</u>
Net	<u>\$ 12,250,069</u>	<u>\$ 12,654,337</u>

Depreciation expense on property and equipment totaled \$404,268 for 2011 and \$504,492 for 2010.

# Marauder Development, LLC

## Notes to Financial Statements August 31, 2011 and 2010

### Note 4 - Long-term Debt

For the year ended August 31, 2011, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance	Additions	Payments	Balance
			September 1, 2010			August 31, 2011
Revenue Bonds Series 2002	3.0%-5.625%	2032	\$ 7,799,730	\$ 15,960	\$ (190,000)	\$ 7,625,690
Revenue Bonds Series 2004	3.3%-5.1%	2035	11,127,582	12,816	(235,000)	10,905,398
Total			<u>\$ 18,927,312</u>	<u>\$ 28,776</u>	<u>\$ (425,000)</u>	18,531,088
Less current portion						440,000
Long-term portion						<u>\$ 18,091,088</u>

For the year ended August 31, 2010, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance	Additions	Payments	Balance
			September 1, 2009			August 31, 2010
Revenue Bonds Series 2002	3.0%-5.625%	2032	\$ 7,962,054	\$ 17,676	\$ (180,000)	\$ 7,799,730
Revenue Bonds Series 2004	3.3%-5.1%	2035	11,339,574	13,008	(225,000)	11,127,582
Total			<u>\$ 19,301,628</u>	<u>\$ 30,684</u>	<u>\$ (405,000)</u>	18,927,312
Less current portion						425,000
Long-term portion						<u>\$ 18,502,312</u>

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

Years Ending August 31	Series 2002 Bonds		Series 2004 Bonds		Total
	Principal	Interest	Principal	Interest	
2012	\$ 195,000	\$ 411,122	\$ 245,000	\$ 543,014	\$ 1,394,136
2013	205,000	402,121	250,000	533,359	1,390,480
2014	215,000	392,564	260,000	522,899	1,390,463
2015	225,000	382,275	275,000	511,423	1,393,698
2016	235,000	371,056	285,000	498,995	1,390,051
2017-2021	1,365,000	1,657,288	1,635,000	2,276,724	6,934,012
2022-2026	1,795,000	1,236,259	2,075,000	1,819,273	6,925,532
2027-2031	2,335,000	668,990	2,660,000	1,222,215	6,886,205
2032-2036	1,165,000	67,640	3,410,000	451,860	5,094,500
Total	<u>\$ 7,735,000</u>	<u>\$ 5,589,315</u>	<u>\$ 11,095,000</u>	<u>\$ 8,379,762</u>	<u>\$ 32,799,077</u>

# **Marauder Development, LLC**

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## **Notes to Financial Statements August 31, 2011 and 2010**

### **Note 4 - Long-term Debt (Continued)**

During 2002, Marauder issued \$8,870,000 of Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The bond discount was \$109,310 and \$125,270 at August 31, 2011 and 2010, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from \$195,000 on September 1, 2011 to \$620,000 on September 1, 2032, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.0 to 5.625 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

During 2004, Marauder issued \$12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The original bond discount totaled \$287,699, with an amortized balance of \$189,602 and \$202,418 at August 31, 2011 and 2010, respectively. The discount is being amortized to interest expense over the life of the bonds on the interest method. The bonds mature on September 1 in various amounts ranging from \$245,000 on September 1, 2011 to \$750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

Bond legislation provides that Marauder will charge rates sufficient for the excess of revenue over expenditures to equal not less than 120 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio).

# Marauder Development, LLC

## Notes to Financial Statements August 31, 2011 and 2010

### Note 4 - Long-term Debt (Continued)

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

	<u>2011</u>	<u>2010</u>
Change in member's capital	\$ (709,882)	\$ 15,037
Add items to convert net income to pledged revenue:		
Interest expense on bonds	991,954	1,010,396
Management fees	196,627	197,628
Surplus expense	1,098,252	176,901
Depreciation and amortization expense	<u>504,075</u>	<u>605,100</u>
Net pledged revenue as defined (1)	<u>\$ 2,081,026</u>	<u>\$ 2,005,062</u>
Debt service requirement on bonds (2)	<u>\$ 1,396,445</u>	<u>\$ 1,392,025</u>
Coverage ratio (1/2)	149%	144%
Required coverage ratio	120%	120%

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  
Marauder Development, LLC

We have audited the financial statements of Marauder Development, LLC (Marauder) as of and for the year ended August 31, 2011 and have issued our report thereon dated October 14, 2011. 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 Marauder Development, LLC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Marauder Development, LLC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marauder Development, LLC's internal control over financial reporting.

A 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 Marauder'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 second paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Trustees  
Marauder Development, LLC

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of the board of trustees, management of Marauder Development, LLC, Central State University, and the auditor of the State of Ohio and is not intended to be used and should not be used by anyone other than those specified parties.

*Plante & Moran, PLLC*

October 14, 2011





# Dave Yost • Auditor of State

**CENTRAL STATE UNIVERSITY FOUNDATION AND SUBSIDIARIES**

**GREENE COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 8, 2011**