KENT STATE UNIVERSITY FOUNDATION, INC.

FINANCIAL STATEMENTS
June 30, 2010 and 2009

Dave Yost • Auditor of State

January 18, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

Dave Yost

DAVE YOST
Auditor of State

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Mary Taylor, CPA
Auditor of State

Board of Directors
Kent State University Foundation
1061 Fraternity Circle
Kent, Ohio 44242

We have reviewed the *Report of Independent Auditors* of the Kent State University Foundation, Portage County, prepared by Crowe Horwath LLP, 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 Kent State University Foundation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 9, 2010

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KENT STATE UNIVERSITY FOUNDATION, INC.
Kent, Ohio

FINANCIAL STATEMENTS
June 30, 2010 and 2009

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Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Kent State University Foundation, Inc.
Kent, Ohio

We have audited the accompanying statements of financial position of Kent State University Foundation, Inc. (the "Foundation") as of June 30, 2010 and 2009, and the related statements of activities, and cash flows for the years 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 5, 2010 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 5, 2010

KENT STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 2,235,699	$ 1,587,638
Receivables		
Pledges	9,271,068	13,921,571
Other	3,870	1,705
	9,274,938	13,923,276
Investments		
Long-term pool	84,061,746	74,090,699
Short-term pool	21,241,716	20,486,004
Charitable remainder trusts	6,000,556	5,800,504
Other	5,000	6,000
	111,309,018	100,383,207
Beneficial interest in trusts held by others	498,621	521,732
Property, net of depreciation	1,258,418	961,074
	$ 124,576,694	$ 117,376,927
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 67,406	$ 114,898
Funds held for others	6,714,597	4,379,320
Actuarial liabilities		
Annuities	1,208,864	1,847,249
Charitable remainder trusts	2,803,281	2,852,894
	10,794,148	9,194,361
Net assets		
Unrestricted	2,079,007	342,043
Temporarily restricted	81,326,680	79,168,629
Permanently restricted	30,376,859	28,671,894
	113,782,546	108,182,566
	$ 124,576,694	$ 117,376,927

See accompanying notes to financial statements.

KENT STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2010

	Unrestricted	Restricted Temporarily	Restricted Permanently	Total
Revenue and Support				
Gifts				
Cash and securities	$ 89,705	$ 15,144,134	$ 561,093	$ 15,794,932
Events and other	-	1,512,200	-	1,512,200
Net change in pledges receivable	18,393	(3,390,836)	(14,874)	(3,387,317)
	108,098	13,265,498	546,219	13,919,815
Losses on pledge receivables	(26,995)	(1,179,062)	(57,129)	(1,263,186)
	81,103	12,086,436	489,090	12,656,629
Investment income				
Interest and dividends	472,105	1,840,697	-	2,312,802
Investment gains	1,905,735	6,812,949	-	8,718,684
Investment income allocated to other beneficiaries of funds held for others	-	(969,310)	-	(969,310)
	2,377,840	7,684,336	-	10,062,176
Sales, services, events, and other	134,822	-	-	134,822
Changes in designation of prior contributions	(7,500)	(943,061)	950,561	-
Change in actuarial liabilities	-	553,513	265,314	818,827
Release of restrictions				
Administrative fees	1,041,954	(1,041,954)	-	-
Spending distribution	2,963,592	(2,963,592)	-	-
Other support for Kent State University	13,217,627	(13,217,627)	-	-
Total release of restrictions	17,223,173	(17,223,173)	-	-
	19,809,438	2,158,051	1,704,965	23,672,454
Expenses and losses				
Support for Kent State University				
Academics	12,891,538	-	-	12,891,538
Athletics	327,023	-	-	327,023
WKSU	2,889,536	-	-	2,889,536
Fundraising	1,378,417	-	-	1,378,417
	17,486,514	-	-	17,486,514
Administration	582,036	-	-	582,036
Depreciation	3,924	-	-	3,924
	18,072,474	-	-	18,072,474
Change in net assets	1,736,964	2,158,051	1,704,965	5,599,980
Net assets at beginning of year	342,043	79,168,629	28,671,894	108,182,566
Net assets at end of year	$ 2,079,007	$ 81,326,680	$ 30,376,859	$ 113,782,546

See accompanying notes to financial statements.

KENT STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2009

	Unrestricted	Restricted Temporarily	Restricted Permanently	Total
Revenue and Support				
Gifts				
Cash and securities	$ 180,532	$ 15,952,936	$ 967,110	$ 17,100,578
Events and other	-	1,493,904	-	1,493,904
Net change in pledges receivable	(32,473)	(253,569)	442,630	156,588
	148,059	17,193,271	1,409,740	18,751,070
Losses on pledge receivables	(16,758)	(1,070,918)	(761,775)	(1,849,451)
	131,301	16,122,353	647,965	16,901,619
Investment income				
Interest and dividends	437,357	1,838,213	-	2,275,570
Investment gains and (losses)	(2,864,061)	(16,546,751)	-	(19,410,812)
Investment loss allocated to other beneficiaries of funds held for others	-	972,056	-	972,056
	(2,426,704)	(13,736,482)	-	(16,163,186)
Sales, services, events, and other	113,052	-	-	113,052
Changes in designation of prior contributions				
UPMIFA	2,855,097	28,402,879	(31,257,976)	-
Other		4,320,432	(4,320,432)	
Release of restrictions				
Administrative fees	924,007	(924,007)	-	-
Spending distribution	3,073,646	(3,073,646)	-	-
Other support for Kent State University	16,298,284	(16,298,284)	-	-
Total release of restrictions	20,295,937	(20,295,937)	-	-
	20,968,683	14,813,245	(34,930,443)	851,485
Expenses and losses				
Support for Kent State University				
Academics	15,984,096	-	-	15,984,096
Athletics	531,016	-	-	531,016
WKSU	3,652,248	-	-	3,652,248
Fundraising	670,057	-	-	670,057
	20,837,417	-	-	20,837,417
Administration	471,598	-	-	471,598
Depreciation	1,990	-	-	1,990
Change in actuarial liabilities	-	747,374	821,430	1,568,804
	21,311,005	747,374	821,430	22,879,809
Change in net assets	(342,322)	14,065,871	(35,751,873)	(22,028,324)
Net assets at beginning of year	684,365	65,102,758	64,423,767	130,210,890
Net assets at end of year	$ 342,043	$ 79,168,629	$ 28,671,894	$ 108,182,566

See accompanying notes to financial statements.

KENT STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Change in net assets	$ 5,599,980	$ (22,028,324)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net (gains) loss on investments	(8,718,684)	19,410,812
Contributions permanently restricted	(561,093)	(967,110)
Change in actuarial obligations	(818,827)	1,568,804
Gifts of stock	(1,768,814)	(749,363)
Gifts of property received	-	(125,000)
Losses on pledges receivable	1,263,186	1,849,451
Disposal of properties	-	87,093
Gain on sale of property	-	(6,643)
Depreciation	3,924	1,990
Changes in operating assets and liabilities		
Pledges receivable	3,387,317	(156,588)
Other receivable	(2,165)	(705)
Beneficial interest in lead trust	23,111	80,217
Accounts payable	(47,492)	15,870
Funds held for others	2,335,277	(972,056)
Actuarial liability for annuity and unitrust agreements	740,114	(1,035,089)
Net cash provided by (used in) operating activities	1,435,834	(3,026,641)
Cash flows from investing activities		
Purchases of investments	(39,277,980)	(59,160,162)
Proceeds from sales of investments	38,839,667	60,745,802
Purchases of property	(301,268)	-
Proceeds from sale of property	-	133,326
Net cash provided by (used in) investing activities	(739,581)	1,718,966
Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowment	561,093	841,629
Investment in trusts	-	125,481
Payments to annuitants	(609,285)	(581,827)
Net cash provided by (used in) financing activities	(48,192)	385,283
Net change in cash and cash equivalents	648,061	(922,392)
Cash and cash equivalents at beginning of year	1,587,638	2,510,030
Cash and cash equivalents at end of year	$ 2,235,699	$ 1,587,638

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION

Kent State University Foundation, Inc. (the “Foundation”) was incorporated as a non-profit organization on December 27, 1965 as an independent self-governing body under the laws of the State of Ohio for the purpose of aiding, supporting, advancing, augmenting, and assisting in the development of Kent State University (the “University”). The Foundation is governed by a self-appointing Board of Directors composed of campus and community members. The Board of Directors has adopted a Code of Regulations for purposes of governance.

The Foundation has an operating agreement with the University dated July 1, 1997. The provisions of that agreement require the Foundation to reimburse the University for direct expenses related to Foundation administration. The Foundation has no employees of its own.

The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from paying federal income taxes pursuant to Section 501(a) of the Internal Revenue Code. Additionally, the Foundation is defined as a public charity pursuant to 509(a)(2).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation: The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to not-for-profit organizations and utilize the accrual basis of accounting. Furthermore, the accounting policies adhered to by the Foundation are generally consistent with the Audit and Accounting Guide for Not-For-Profit Organizations issued by the American Institute of Certified Public Accountants.

The financial statement presentation follows applicable Financial Accounting Standards Board (“FASB”) guidance, whereas, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

The preparation of financial statements in conformity with U.S. GAAP requires the Foundation’s 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

Income Taxes: Pursuant to determination by the Internal Revenue Service, the Foundation is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code.

The Foundation adopted guidance issued by the FASB with respect to accounting for uncertainty in income taxes as of July 1, 2009. A tax position is recognized as a benefit only if it is “more-likely-than-not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more-likely-than-not” test, no tax benefit is recorded. Management has concluded that they are unaware of any tax benefits or liabilities to be recognized at June 30, 2010.

The Foundation would recognize interest and penalties related to unrecognized tax benefits in interest and income tax, respectively. The Foundation has no amounts accrued for interest or penalties at June 30, 2010 and is no longer subject to examination by taxing authorities for years before 2007. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months.

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gifts: Gifts are recorded on the date of receipt. Gifts of securities are recorded at fair value. Gifts requiring future payment obligations are recorded as the difference between the assets received and the future payment obligation. Gifts-in-kind are recorded at a substantiated amount which reflects the useful value for its intended purpose. All gifts are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support.

Functional Allocation of Expenses: The costs of providing various programs and supporting services are summarized on a functional basis in the statements of activities.

Fair Value of Assets and Liabilities: During the year ended June 30, 2009, the Foundation adopted FASB guidance relative to fair value measurements. This guidance defines fair value, provides enhanced guidance for using fair value to measure assets and liabilities and expands the disclosure of the methods used and the effect of fair value measurements on earnings. The Foundation uses fair value accounting for cash and cash equivalents, investments, pledge receivables, beneficial interests in lead and perpetual trusts, accounts payable and actuarial liabilities. The estimated fair value amounts have been determined by the Foundation using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data and developing these estimates.

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

FASB guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

FASB guidance describes three levels of inputs that may be used to measure fair value:

> Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
>
> Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

Cash and Cash Equivalents: Cash and cash equivalents as presented in the financial statements are for operating purposes and include highly liquid investments with original maturities of three months or less that are not included in investments. At various times throughout the fiscal year, the Foundation had in excess of $250,000 on deposit with a financial institution whose deposits are federally insured up to $250,000.

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: Fluctuations in fair value of investments, as well as gains or losses on sales of securities, are recognized in the statements of activities. Investments are presented in the statements of financial position according to their intended purpose. The Foundation maintains both a short-term and a long-term pool of investments. Trust investments are segregated into individual funds. All income from the short-term pool is unrestricted except for any portion that is allocated to temporarily restricted construction funds. The long-term pool is operated using a unitized share method and is the primary investment vehicle for endowed funds. Trust investment income is assigned to the segregated fund which generated the income.

Pledges Receivable: Unconditional pledges are recorded in the period that the pledges are received. Conditional pledges are recorded in the period in which the conditions have been met. Funds from pledges to be collected in future years are presented at net present value. All pledges are presented net of an allowance for doubtful collections. Contributions receivable are reviewed annually to determine if an allowance for uncollectible contributions receivable is needed. Based upon management's judgment, considering such factors as prior collection history, type of contribution and nature of fund-raising activity, an allowance for uncollectible contributions receivable has been provided.

Beneficial interest in trusts held by others: Non-custodial, non-revocable trusts which will benefit the Foundation are recognized as gift revenue and as an asset in an amount equal to the present value of the estimated future beneficiary payments to be received. Changes in the asset value are recognized as market gains and losses.

Property: Property consists of real estate acquired through purchase or gifts. All property is recognized at the acquisition cost or the fair value of the gift when received. Buildings included in real estate are depreciated on a straight-line basis over a forty-year period. All other property is fully depreciated.

Collections: Purchases of collection items are expensed as incurred. Items contributed to collections during the year are not reflected in the Foundation's financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. There were no collection purchases or proceeds received during the years ended June 30, 2010 and 2009.

Actuarial liabilities: Obligations to pay stipulated amounts periodically to donors and/or other designated individuals under split interest and annuity agreements are accounted for using the actuarial method.

Net Assets: The Foundation's net assets are classified into three categories: (1) unrestricted, which have no donor restrictions, (2) temporarily restricted, which include donor-imposed restrictions that will expire in the future, and (3) permanently restricted, which include donor imposed restrictions that the assets be maintained permanently.

Endowments: During the year ended June 30, 2009, the Foundation adopted FASB guidance pertaining to Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

The Foundation interprets UPMIFA as requiring only those gifts and accumulations explicitly directed by the donor to be preserved to be classified as permanently restricted net assets. Endowment funds not classified as permanently restricted net assets are classified as temporarily restricted net assets until utilized by the Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA. See Note 8 for additional disclosure on the effect of UPMIFA and net asset classifications upon adoption during the year ended June 30, 2009.

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment funds are invested with the overall objective of preservation of principal, competitive investment returns, and moderate investment risk resulting in a real (inflation-adjusted) annualized rate of return greater than the spending rate and investment-related expenses. The Foundation considers the expected annual return on its endowment investments when developing its spending policy. As a result, the Foundation expects that its current spending policy will allow the endowment funds to maintain real value while also experiencing growth through additional gifts and accumulated earnings.

The Foundation has a 5% spending policy whereby a portion of the accumulated investment return for endowment assets is distributed on June 30th and December 31st each year to funds which may be expended for current operations in accordance with any restrictions of the endowment fund. The distribution is calculated using a 2.5% semi-annual equivalent of the rate, applied against the average of the preceding month-end investment balances. The average preceding month end investment balance is calculated as the lesser of thirty-six months or the number of months the fund has been in existence. Endowment funds in existence for eighteen months or less are not eligible for a spending distribution. Certain endowment funds do not permit a spending distribution below the historic gift value or other donor designated amount.

As a result of market declines, the fair value of certain permanently restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. Such amounts totaled $844,231 and $1,799,182 at June 30, 2010 and 2009, respectively.

<u>Life Insurance Policies</u>: The Foundation has been named as the beneficiary of several life insurance policies. The Foundation's accounting policy is to record the insurance proceeds as other revenue when received. The total face value of the policies that name the Foundation as beneficiary is approximately $875,000 at June 30, 2010 and 2009.

<u>Subsequent Events</u>: The Foundation has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2010, for items that should be recognized or disclosed in these financial statements. This evaluation was conducted through October 5, 2010, the date these financial statements were available to be issued.

<u>Recently Adopted Accounting Standards</u>: In June 2009, the FASB issued a standard regarding the FASB Accounting Standards Codification™ and the hierarchy of generally accepted accounting principles, which replaces the standard previously issued by the FASB regarding the hierarchy of generally accepted accounting principles. This standard identifies the source of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in conformity with U.S. GAAP. In addition, this standard establishes the FASB Accounting Standards Codification™ ("the "Codification") as the source of authoritative U.S. GAAP recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with U.S. GAAP. All guidance contained in the Codification carries an equal level of authority. The Foundation adopted this standard during the year ended June 30, 2010. The adoption of this standard did not have a significant impact on the Foundation's financial statements.

<u>Reclassification</u>: Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on total assets, net assets or change in net assets as previously reported.

(Continued)

NOTE 3 – INVESTMENTS

The fair value of the Foundation's investments, as of June 30, 2010 and 2009, are as follows:

	2010	2009
Corporate stocks	$ 5,613,377	$ 4,621,897
Government bonds	5,000	6,000
Limited partnership hedge fund	7,711,164	3,641,149
Mutual funds		
Large capitalization equity funds	29,461,666	27,939,745
Small / middle capitalization equity funds	5,384,656	5,069,905
International equity funds	9,388,578	10,206,992
Other mutual funds	5,533,233	5,338,811
Fixed income funds	48,211,344	43,558,708
	$ 111,309,018	$ 100,383,207

Investments are managed by the Board of Directors of the Foundation based upon the recommendations of a board directed investment committee and in accordance with a defined investment policy. The policy contains objectives, guidelines, and restrictions regarding investing. The board employs an investment consultant to assist in matters of asset allocation, investment manager selection, and performance measurement. All investments are maintained by custodians with the exception of a small amount of securities held by the Foundation.

The various investments in stocks, securities, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. With respect to the Foundation's investments in corporate stocks, the Foundation maintains a diverse investment portfolio, without any concentration of risk in any particular industry sector. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Foundation.

The following table presents information about the investments measured at fair value on a recurring basis as of June 30, 2010 and 2009:

	Total	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2010				
Corporate stocks	$ 5,613,377	$ 5,146,053	$ 467,324	$ -
Government bonds	5,000	-	5,000	-
Limited partnership hedge fund	7,711,164	-	-	7,711,164
Mutual funds				
Large capitalization equity funds	29,461,666	29,461,666	-	-
Small / middle capitalization equity funds	5,384,656	5,384,656	-	-
International equity fund	9,388,578	9,388,578	-	-
Other mutual funds	5,533,233	5,533,233	-	-
Fixed income funds	48,211,344	48,211,344	-	-
	$ 111,309,018	$ 103,125,530	$ 472,324	$ 7,711,164

(Continued)

NOTE 3 – INVESTMENTS (Continued)

	Total	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2009				
Corporate stocks	$ 4,621,897	$ 4,160,204	$ 461,693	$ -
Government bonds	6,000	-	6,000	-
Limited partnership hedge fund	3,641,149	-	-	3,641,149
Mutual funds				
Large capitalization equity funds	27,939,745	27,939,745	-	-
Small / middle capitalization equity funds	5,069,905	5,069,905	-	-
International equity fund	10,206,992	10,206,992	-	-
Other mutual funds	5,338,811	5,338,811	-	-
Fixed income funds	43,558,708	43,558,708	-	-
	$ 100,383,207	$ 96,274,365	$ 467,693	$ 3,641,149

The Foundation has an investment in common stock of an employee owned company. The common shares are not listed or traded on an established public trading market and market prices are, therefore, not available. Semi-annually, for purposes of the company's 401KSOP, the fair value of the common shares, based upon performance and financial condition, is determined by an independent stock valuation firm. Since 1979, the company has provided a ready market for all shareholders through its direct purchase of their common shares. The Foundation is able to compare the valuation model inputs and results to widely available published industry data for reasonableness (Level 2 inputs).

The Foundation invests in alternative investments which includes investments in limited partnerships. Fair value represents the Foundation's proportionate interest in the net assets of these funds. Fair value is calculated by taking total number of shares of a particular class of a fund owned, divided by the number of such class of shares outstanding, times the net assets of the fund. Fair values are supplied to the Foundation by third party administrators. Audited information about these funds are available annually. Due to current market conditions as well as the limited trading activity of these securities (Level 3 inputs), the fair values reflected in the accompanying financial statements are highly sensitive to assumption changes and market volatility. Therefore, the current values may differ from the ultimate realizable values and these differences may be significant.

One of the alternative investments for which the Foundation invests has an investment objective to generate superior, long-term return with less risk than the United States of America (the "United States") equity markets. The other alternative investment for which the Foundation invests investment objective is to provide returns consistent with the United States consumer price index plus 5% over the long-term by investing in areas that offer strong relative performance in rising inflation environments. In accordance with the terms of investments, the Foundation is able to redeem its investments in these limited alternative investments by providing prior written notice ranging from one-hundred days to one year. At June 30, 2010, the Foundation has no unfunded commitments to either of these alternative investments.

(Continued)

NOTE 3 – INVESTMENTS (Continued)

The table below presents a reconciliation and activity statement classification of gains and losses for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2010 and 2009:

	2010	2009
Balance at beginning of year	$ 3,641,149	$ -
Purchases	4,266,549	3,400,000
Sales	(15,041)	-
Realized gains (losses)	(45)	-
Unrealized gains (losses)	(181,448)	241,149
Balance at end of year	$ 7,711,164	$ 3,641,149

NOTE 4 – PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable. Pledges are recorded at their approximate present value. The future expected cash flows from pledges receivable have been discounted using a discount rate of 0.88% and 1.1% at June 30, 2010 and 2009, respectively. Pledges receivable at June 30, 2010 and 2009 have the following restrictions:

	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
June 30, 2010				
Pledges receivable	$ 12,529,786	$ 20,779	$ 12,416,533	$ 92,474
Less: Reserve for uncollectible pledges	3,066,833	3,103	3,030,132	33,598
Less: Present value discount	191,885	358	190,333	1,194
	$ 9,271,068	$ 17,318	$ 9,196,068	$ 57,682
June 30, 2009				
Pledges receivable	$ 17,255,704	$ 32,028	$ 17,059,630	$ 164,046
Less: Reserve for uncollectible pledges	2,955,707	5,521	2,918,704	31,482
Less: Present value discount	378,426	588	374,958	2,880
	$ 13,921,571	$ 25,919	$ 13,765,968	$ 129,684

Pledges receivable at June 30, 2010 and 2009 are expected to be realized in the following periods:

	2010	2009
Less than one year	$ 6,912,408	$ 9,771,363
One to five year	5,096,808	6,926,069
More than five years	520,570	558,272
	$ 12,529,786	$ 17,255,704

NOTE 4 – PLEDGES RECEIVABLE (Continued)

As of June 30, 2010, the Foundation has approximately $42,489,000 in numerous outstanding pledges which are considered to be intentions to give and are contingent upon future events. Substantially all of the Foundation's contingent pledges are bequests. These pledges are not recorded as receivables or recognized as revenue because they do not represent unconditional promises to give.

The table below presents a reconciliation of the fair value of pledge receivables which are measured on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2010 and 2009:

	2010	2009
Balance at beginning of year	$ 13,921,571	$ 15,614,434
Additional pledges	2,560,554	4,200,080
Collections on pledges	(6,134,412)	(3,619,265)
Pledges written off	-	(1,251,183)
Provision for doubtful pledges	(1,263,186)	(1,849,451)
Present value change	186,541	826,956
Balance at end of year	$ 9,271,068	$ 13,921,571

NOTE 5 – BENEFICIAL INTEREST IN TRUSTS HELD BY OTHERS

The Foundation has a beneficial interest in a lead trust. The fair value of the beneficial interest is based on a valuation model, developed by the Foundation, which calculates the present value of a fixed annual payment for a term of years. The valuation model incorporates the Foundation's assumptions that market participants would use in estimating future income (Level 3). At June 30, 2010 and 2009, the fair value of the Foundation's interest was $292,602 and $331,077, respectively.

The table below presents a reconciliation of the fair value of the beneficial interest in a lead trust which is measured on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2010 and 2009:

	2010	2009
Balance at beginning of year	$ 331,077	$ 369,550
Change in fair value	(38,475)	(38,473)
Balance at end of year	$ 292,602	$ 331,077

(Continued)

NOTE 5 – BENEFICIAL INTEREST IN TRUSTS HELD BY OTHERS (Continued)

The Foundation also has beneficial interests in various perpetual trusts. The fair value of the beneficial interest is based on quoted prices for similar assets or liabilities that are observable or can be corroborated by observable market data (Level 2 inputs). However, in accordance with FASB guidance first effective for the Foundation as of June 30, 2010, at June 30, 2010, the beneficial interests in perpetual trusts is classified as a Level 3 investment, as the Foundation does not have the ability to redeem the beneficial interest in these perpetual trusts. At June 30, 2010 and 2009, the fair value of the Foundation's interests in these perpetual trusts was $206,019 and $190,655, respectively.

The table below presents a reconciliation of the fair value of the beneficial interest in perpetual trusts for the year ended June 30, 2010:

	2010
Balance at beginning of year	$ -
Reclassification from Level 2 to Level 3	190,655
Change in fair value	15,364
Balance at end of year	$ 206,019

NOTE 6 – SPLIT INTEREST TRUSTS

The Foundation has entered into split interest trust agreements whereby it receives assets from donors on the condition that it binds itself to pay stipulated amounts periodically to the donor and/or other designated individuals. Assets received in a split interest trust transaction are maintained in segregated custodial investment accounts. The Foundation's payment liability is limited to the amount of the trust assets. For periods subsequent to the effective date of the agreements, investment income from the segregated assets increases the actuarial liability account. Stipulated payments, administrative expenses, and investment losses from the segregated assets decrease the actuarial liability account. At year-end, an adjustment is made to the actuarial liability to record the net change in the actuarial obligation between years.

At the date the agreements are made effective, the difference between the assets received and the fair value of the future obligation to the donor, the net asset, is recorded as a gift. Upon termination of each agreement's stipulated payout period, the remaining assets are distributed for the purpose designated by the donor.

The obligation for future stipulated payments to donors and other designated individuals is accounted for using the actuarial method. Under this method, the change in the fair value of the future amounts payable is credited to the actuarial liability account.

(Continued)

NOTE 6 – SPLIT INTEREST TRUSTS (Continued)

Presented below is a roll forward of the actuarial liability at June 30, 2010 and 2009. The Foundation utilized a discount rate of 3.2% and 2.8% for the years ended June 30, 2010 and 2009, respectively.

	2010	2009
Balance at beginning of year	$ 2,852,894	$ 3,565,357
New gifts	-	103,225
Investment income (loss)	710,739	(1,183,900)
Annuity/trust payments	(467,193)	(423,475)
Expenses	(27,845)	(29,743)
Net change in actuarial liability	(265,314)	821,430
Balance at end of year	$ 2,803,281	$ 2,852,894

NOTE 7 – GIFT ANNUITY FUNDS

The Foundation has entered into annuity agreements whereby the Foundation receives assets from donors on the condition that it binds itself to pay stipulated amounts periodically to the donor and/or other designated individuals. The Foundation’s payment liability is the fair value of the future obligation to the donor regardless of the amount in the investment account.

At the date the agreements are made effective, the difference between the assets received and the fair value of the future obligation to the donor, the net asset, is recorded as a gift. Upon termination of each agreement’s stipulated payout period, the remaining assets are distributed for the purpose designated by the donor.

Assets received in an annuity agreement transaction are represented by shares in the Foundation’s long-term investment pool. Investment income, stipulated payments, and administrative expenses are recorded as temporarily restricted in the statement of activity.

The future obligation to donors and other designated individuals is accounted for using the actuarial method. Under the actuarial method, the fair value of the future amounts payable is credited to the actuarial liability account. At year-end, an adjustment is made to the actuarial liability to record the change in the actuarial obligation between years. The change is recorded in the statement of activity.

(Continued)

NOTE 7 – GIFT ANNUITY FUNDS (Continued)

Presented below is a roll forward of the actuarial liability for the annuity assets at June 30, 2010 and 2009. The Foundation utilized a discount rate of 3.2% and 2.8% for the years ended June 30, 2010 and 2009, respectively.

	2010	2009
Balance at beginning of year	$ 1,847,249	$ 1,182,898
New gifts	57,220	75,330
Annuity payments	(142,092)	(158,353)
Change in actuarial liability	(553,513)	747,374
Balance at end of year	$ 1,208,864	$ 1,847,249

NOTE 8 – NET ASSETS

Temporarily and permanently restricted net assets are principally related to scholarships, specific schools within the University, department chairs, and various other purposes.

As of June 30, 2010 and 2009 net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
June 30, 2010			
Available for expenditure:			
Current operations	$ 508,202	$22,882,876	$ -
Endowments	2,397,718	44,747,679	-
Earnings on endowments	(844,231)	3,035,620	-
Beneficial interests in perpetual trusts	-	206,019	-
Real estate	-	1,258,418	-
	2,061,689	72,130,612	-
Unavailable for expenditure:			
Endowments	-	-	27,156,359
Trusts and annuities	-	-	3,162,818
Uncollected pledges, net	17,318	9,196,068	57,682
	17,318	9,196,068	30,376,859
	$ 2,079,007	$81,326,680	$ 30,376,859

(Continued)

NOTE 8 – NET ASSETS (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted
June 30, 2009			
Available for expenditure:			
Current operations	$ (145,429)	$22,196,863	$ -
Endowments	2,260,735	42,054,069	-
Earnings on endowments	(1,799,182)	-	-
Beneficial interests in perpetual trusts	-	190,655	-
Real estate	-	961,074	-
	316,124	65,402,661	-
Unavailable for expenditure:			
Endowments	-	-	25,644,706
Trusts	-	-	2,897,504
Uncollected pledges, net	25,919	13,765,968	129,684
	25,919	13,765,968	28,671,894
	$ 342,043	$79,168,629	$28,671,894

Included in the accompanying statements of activities are changes in the net asset designation of prior contributions. The donor may elect to change the designation of prior contributions from temporarily restricted to permanently restricted. These transfers from temporarily restricted net assets to permanently restricted net assets were $1,241,531 and $88,800 during the years ended June 30, 2010 and 2009, respectively.

Donors may also elect to change the designation of prior contributions from permanently restricted net assets to temporarily restricted net assets. These transfers were $290,970 and $4,231,632 during the years ended June 30, 2010 and 2009, respectively.

During the year ended June 30, 2009, the Foundation adopted FASB guidance pertaining to UPMIFA (see Note 9). Based upon the standards set by UPMIFA related to certain provisions of donor agreements with the Foundation, the Foundation interprets these provisions as providing for use of the original principal of applicable gifts in certain circumstances. Therefore, during the year ended June 30, 2009, the Foundation reclassified $2,855,097 of permanently restricted net assets to unrestricted net assets and $28,402,879 of permanently restricted net assets were reclassified to temporarily restricted net assets.

(Continued)

NOTE 9 - ENDOWMENTS

The Foundation's endowment primarily consists of over 700 funds. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. In addition, the endowment also includes beneficial interests in two perpetual trusts that are administered by outside parties. As required by applicable standards, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type as of June 30, 2010 and 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2010				
Donor restricted endowment funds	$ (844,231)	$ 47,783,299	$ 27,156,359	$ 74,095,427
Board designated endowment funds	2,397,718	-	-	2,397,718
Beneficial interests in perpetual trusts	-	206,019	-	206,019
Total	$ 1,553,487	$ 47,989,318	$ 27,156,359	$ 76,699,164
June 30, 2009				
Donor restricted endowment funds	$(1,799,182)	$ 42,054,070	$ 25,644,706	$ 65,899,594
Board designated endowment funds	2,260,735	-	-	2,260,735
Beneficial interests in perpetual trusts	-	190,655	-	190,655
Total	$ 461,553	$ 42,244,725	$ 25,644,706	$ 68,350,984

Changes in endowment net assets for years ended June 30, 2010 and 2009 as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Year ended June 30, 2010				
Net assets at beginning of year	$ 461,553	$ 42,244,725	$ 25,644,706	$ 68,350,984
Investment Return				
Investment income, net	37,001	1,040,023	-	1,077,024
Investment administrative fees	(15,356)	(444,352)	-	(459,708)
Investment consultant fees	(1,107)	(32,018)	-	(33,125)
Net appreciation (depreciation) (realized and unrealized gains and losses)	250,514	7,129,535	-	7,380,049
Underwater endowments	954,951	(954,951)	-	-
Total investment return	1,226,003	6,738,237	-	7,964,240
Gifts	-	2,856,196	561,093	3,417,289
Other income	-	5,104	-	5,104
Change in designation of prior gifts	-	(893,413)	950,560	57,147
Endowment spending transfers	(134,069)	(2,961,531)	-	(3,095,600)
Net assets at end of year	$ 1,553,487	$ 47,989,318	$ 27,156,359	$ 76,699,164

(Continued)

NOTE 9 – ENDOWMENTS (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Year ended June 30, 2009				
Net assets at beginning of year	$ 2,353,704	$ 27,595,557	$ 53,892,090	$ 83,841,351
Investment Return				
Investment income, net	55,555	1,625,116	-	1,680,671
Investment administrative fees	(30,826)	(821,237)	-	(852,063)
Investment consultant fees	(2,353)	(63,489)	-	(65,842)
Net appreciation (depreciation) (realized and unrealized gains and losses)	(3,693,535)	(17,200,190)	-	(20,893,725)
Underwater endowments	(1,109,269)	1,109,269	-	-
Total investment return	(4,780,428)	(15,350,531)	-	(20,130,959)
Gifts	-	3,935,371	841,630	4,777,001
Other income	-	5,154	-	5,154
Annuity maturities	-	-	2,811,124	2,811,124
Change in designation of prior gifts	3,043,617	28,856,521	(31,900,138)	-
Endowment spending transfers	(155,340)	(2,797,347)	-	(2,952,687)
Net assets at end of year	$ 461,553	$ 42,244,725	$ 25,644,706	$ 68,350,984

NOTE 10 – RELATED PARTY TRANSACTIONS

The Foundation made grants to the University in furtherance of the Foundation's mission and in compliance with donor restrictions. Additionally, grants were made to the University from unrestricted net assets at the direction of the Foundation's Board of Directors.

The Foundation made payments to the University in accordance with an operating agreement between the parties. Payments made under the agreement were $337,871 for the year ended June 30, 2010 and $356,856 for the year ended June 30, 2009. The payments were primarily for staffing used in the execution of Foundation operations. The amount payable to the University at June 30, 2010 and 2009 is $30,708 and $7,925, respectively. In addition, the Foundation rents certain facilities and information technology support from the University for nominal amounts as consideration in the operating agreement.

In October 2008, the Foundation sold to the University land in the amount of $125,000. No gain was recognized as a result of this transaction. In May 2009, the Foundation transferred to the University land in the amount of $69,710 and related building and fixtures with, as of the date of the transfer, a net book value of $17,382. These transfers are included in University support on the accompanying statement of activities for the year ended June 30, 2009. No gain was recognized as a result of these transfers.

(Continued)

NOTE 11 – INVESTMENT ADMINISTRATIVE FEES

Endowment funds, annuity funds, and Kent State University Alumni Association funds invested in the long-term investment pool are assessed an administrative fee from the unrestricted fund on June 30th and December 31st of each year. The 1.25% annual fee is used to offset unrestricted fund costs for administrative, clerical and fiduciary services. The monthly equivalent of the rate is applied against the average of the preceding month-end investment balances in the calculation of the fee.

NOTE 12 – CREDIT RISK CONCENTRATIONS

Financial instruments which potentially expose the Foundation to concentrations of credit risk include cash and cash equivalents, investments in marketable securities and pledges receivable. As a matter of policy, the Foundation only maintains cash balances with financial institutions having a high credit quality. Concentration of credit risk for investments in marketable securities is mitigated by both the distribution of investment funds among asset managers and the overall diversification of managed investment portfolios. Concentration of credit risk for pledges receivable is generally limited due to the dispersion of these balances over a wide base of donors.

SUPPLEMENTARY INFORMATION

Crowe Horwath
Crowe Horwath LLP
Independent Member Crowe Horwath International

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
Kent State University Foundation, Inc.
Kent, Ohio

We have audited the financial statements of Kent State University Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2010, and have issued our report thereon dated October 5, 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 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 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.

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.

(Continued)

We noted certain matters that we reported to management of the Foundation in a separate letter dated October 5, 2010.

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 5, 2010

Mary Taylor, CPA
Auditor of State

KENT STATE UNIVERSITY FOUNDATION

PORTAGE 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
JANUARY 18, 2011

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