Cleveland State University

Financial Report

Including Supplemental Information

June 30, 2012

Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Auditors* of Cleveland State University, Cuyahoga County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

December 20, 2012

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Independent Auditor's Report

To the Board of Trustees
Cleveland State University

We have audited the accompanying financial statements of Cleveland State University (the "University") as of and for the years ended June 30, 2012 and 2011. We did not audit the financial statements of Cleveland State University Foundation, Inc. (the "Foundation") and Euclid Avenue Housing Corporation (the "Corporation"), which present all of the balances and activity reported in the discretely presented component units. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation and Corporation, are based on the report of the other auditors. The University and the discretely presented component units collectively comprise the basic financial statements. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits.

We 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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, based on our audits and the reports of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Cleveland State University and its discretely presented component units as of June 30, 2012 and 2011 and the respective changes in financial position and cash flows, if applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Cleveland State University

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2012 on our consideration of Cleveland State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 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.

The accompanying other supplemental information and schedule of expenditures of federal awards are presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as identified on pages 3 through 10, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Plante & Moran, PLLC

Toledo, Ohio
October 15, 2012

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Cleveland State University (the "University") as of and for the year ended June 30, 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

Using the Annual Financial Report

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

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

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

Statement of Net Assets

The statement of net assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities. The difference between assets and liabilities– net assets– is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of the University's assets, liabilities, and net assets at June 30, 2012, 2011, and 2010 is as follows:

	2012	2011	2010
Current assets	$ 58,779,879	$ 49,912,965	$ 51,420,926
Noncurrent assets:			
Capital assets, net	477,359,925	481,088,738	460,153,549
Other	91,511,510	89,488,453	99,693,462
Total assets	627,651,314	620,490,156	611,267,937
Current liabilities	50,253,020	43,914,067	42,131,497
Noncurrent liabilities	219,093,396	229,838,876	232,077,323
Total liabilities	269,346,416	273,752,943	274,208,820
Net assets	$ 358,304,898	$ 346,737,213	$ 337,059,117

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

Current assets increased in 2012 from 2011, primarily due to an increase in restricted accounts receivable and unbilled grants.

Current assets decreased in 2011 from 2010, primarily due to a decrease in investments, which was partially offset by an increase in cash.

Net capital assets decreased in 2012 from 2011 by $3.7 million, or .8%, and increased in 2011 from 2010 by $20.9 million, or 4.5%. The decrease in 2012 was primarily due to demolition of two buildings on campus. The increase in 2011 was due to construction on the University's campus. Projects under construction in 2011 included a new student center building and a new building to house the College of Education and Human Services.

Other assets increased in 2012 from 2011 by $2.0 million, or 2.3%. The increase was due primarily to the 2011 bond issuance increasing restricted investments.

Other assets decreased in 2011 from 2010 by $10.2 million, or 10.2%. The decrease was due primarily to the spending of bond proceeds on construction.

Liabilities decreased in 2012 from 2011 by 4.4 million, or 1.6%, primarily due to a decrease in capital lease obligations. Liabilities decreased in 2011 from 2010 by $.5 million, or .2%.

Capital and Debt Activities

One critical factor affecting the quality of the University's programs is the development and renewal of its capital assets. Capital additions totaled $22.7 million in 2012, $45.7 million in 2011, and $100.4 million in 2010. Capital retirements totaled $16.9 million in 2012, $5.9 million in 2011, and $6.0 million in 2010. Capital additions and retirements for 2012, 2011 and 2010 exclude transfers from construction in progress to buildings in the amounts of $87.0 million in 2011 and $31.3 million in 2010. Capital additions include construction of new facilities, repair and renovation of existing facilities, and acquisition of equipment and library books. Capital asset additions are funded, in part, by capital appropriations from the State. These appropriations amounted to $3.2 million in 2012, $4.6 million in 2011, and $20.0 million in 2010.

In September, 2011, the University issued taxable general receipts bonds in the principal amount of $5,775,000. The General Receipts Series 2011 Bonds were issued as fixed rate bonds with monthly maturities beginning October 1, 2013 through April 1, 2042. Interest is payable monthly at the rate of 5.32%. The proceeds of the bonds will be used to finance a portion of the costs of public improvements identified as the North Campus Neighborhood - Project Phase I. This phase is the subject of a "project development agreement" dated July 14, 2011 by and between Cleveland State University and CSU Housing, LLC, an Ohio limited liability company which serves as the project developer.

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

In August 2010, the University entered into a capital lease with the Corporation in the amount of $7.07 million. The lease covers a parking garage that was constructed by the Corporation on the University's campus. The lease requires the University to operate and maintain the garage, and to make payments to the Corporation equal to its required debt service payments.

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

Net Assets

Net assets represent the residual interest in the University's assets after liabilities are deducted. The University's net assets at June 30, 2012, 2011, and 2010 are summarized as follows:

	2012	2011	2010
Invested in capital assets, net of related debt	$ 251,117,125	$ 249,745,249	$ 254,199,231
Restricted - expendable	19,717,693	17,002,312	15,128,293
Restricted - nonexpendable	1,200,914	1,256,241	1,100,356
Unrestricted	86,269,166	78,733,411	66,631,237
Total net assets	$ 358,304,898	$ 346,737,213	$ 337,059,117

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

Restricted-expendable net assets are subject to externally imposed restrictions governing their use. Changes in this category are due to the timing of revenue and expenses in funds provided by donors and grantors. Restricted-nonexpendable net assets consist primarily of endowment funds held by the University. Changes in this category are driven primarily by investment performance, which was positive in both 2012 and 2011.

Unrestricted net assets are not subject to externally imposed stipulations. This category includes funds functioning as endowment (quasi-endowment) of $5.3 million at June 30, 2012, $5.3 million at June 30, 2011, and $4.5 million at June 30, 2010.

For the year ended June 30, 2012, the University had an increase in total net assets of $11.6 million, or 3.4%. Net assets invested in capital assets, net of related debt, increased by $1.4 million, or .5%, because capital asset additions exceeded deductions and depreciation expense. Unrestricted net assets increased by $7.5 million, or 9.6%, due primarily to an increase in net tuition income (which went from $140.7 million in 2011 to $148.9 million in 2012), along with a decrease in operating expenses in 2012 from 2011 of $12.1 million. The decrease in operating expenses was the result of budget cuts and energy conservation efforts.

For the year ended June 30, 2011, the University had an increase in total net assets of $9.6 million, or 2.8% Net assets invested in capital assets, net of related debt, decreased by $4.4 million, or -1.7%, because deductions and depreciation expense exceeded capital asset additions. Unrestricted net assets increased by $12.1 million or 18.2%, due primarily to increases in net tuition income (which went from $126.2 million in 2010 to $140.7 million in 2011) and in investment income (which went from $7.7 million in 2010 to $13.2 million in 2011), and increased operating expenses (which went from $269.7 million in 2010 to $292.2 million in 2011). Expenses for salaries and wages and depreciation were higher in 2011 than 2010.

Statement of Revenue, Expenses and Changes in Net Assets

The Statement of Revenue, Expenses and Changes in Net Assets presents the revenue earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. As a public institution, the University is dependent on State assistance. This dependency contributed toward an operating deficit because the financial reporting model classifies State appropriations as nonoperating revenue. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. Summarized revenue, expenses, and changes in net assets for the years ended June 30, 2012, June 30, 2011, and June 30, 2010 are as follows:

	2012	2011	2010
Operating revenue:			
Net student tuition and fees	$ 148,869,484	$ 140,713,140	$ 126,182,341
Grants and contracts	22,516,862	19,208,702	20,480,512
Other	27,360,842	25,643,144	21,103,594
Total operating revenue	198,747,188	185,564,986	167,766,447
Operating expenses:			
Educational and general	226,748,245	236,226,386	226,629,451
Auxiliary enterprises	29,152,533	31,200,532	23,386,092
Depreciation and amortization	24,203,824	24,818,443	19,722,338
Total operating expenses	280,104,602	292,245,361	269,737,881
Operating loss	(81,357,414)	(106,680,375)	(101,971,434)
Nonoperating revenue, net:			
State appropriations	64,434,747	63,544,555	63,692,313
Other	25,310,529	48,198,477	42,102,246
Gain before other changes	8,387,862	5,062,657	3,823,125
Other changes	3,179,823	4,615,439	19,978,296
Increase in net assets	11,567,685	9,678,096	23,801,421
Net assets at beginning of year	346,737,213	337,059,117	313,257,696
Net assets at end of year	$ 358,304,898	$ 346,737,213	$ 337,059,117

Total revenue and other changes in fiscal 2012, 2011 and 2010 were $300.7 million, $311.4 million, and $298.8 million, respectively. The most significant sources of 2012 operating revenue for the University were student tuition and fees of $148.9 million, grants and contracts of $22.5 million, and auxiliary services of $22.5 million.

Revenue from tuition and fees (net of scholarship allowances) increased in 2012 from 2011 by $8.2 million, or 5.8%, due to an increase in enrollment and an increase in tuition rates. Headcount enrollment increased by .35% from the prior year, while full-time equivalent enrollment increased by 1.6% from the prior year. A tuition increase of 3.5% was implemented in the Fall 2011 semester.

Revenue from tuition and fees (net of scholarship allowances) increased in 2011 from 2010 by $14.5 million, or 11.5% due to an increase in enrollment and an increase in tuition rates. Headcount enrollment increased by 5.3% from the prior year, while full-time equivalent enrollment increased by 6.1% from the prior year. A tuition increase of 3.3% was implemented in the Fall 2011 semester.

Total expenses in fiscal 2012, 2011, and 2010 were $289.1 million, $301.7 million, and $275.0 million, respectively. Operating expenses include the costs of instruction, research, public service, general administration, utilities, libraries, and auxiliary services. Operating expenses also include depreciation and amortization. Expenses decreased by $12.6 million (4.2%) in 2012, due primarily to energy conservation savings and budget cuts. The increase in total expenses of $26.7 million (9.7%) in 2011 was due primarily to increased interest on debt and depreciation expense.

Sources of nonoperating revenue include State appropriations of $64.4 million in 2012, $63.5 million in 2011, and $63.7 million in 2010; grants and contracts of $26.1 million in 2012, $29.5 million in 2011, and $24.8 million in 2010; gifts of $7.2 million in 2012, $4.4 million in 2011, and $4.5 million in 2010; and investment income of $1.0 million in 2012, $13.2 million in 2011, and $7.7 million in 2010.

Net nonoperating revenue decreased in 2012 from 2011 by $21.9 million, or 19.7%, due primarily to decreases in federal stimulus funds and investment income. Net nonoperating revenue increased in 2011 from 2010 by $5.9 million, or 5.62%, due primarily to increases in funding for the federal Pell Grants program and an increase in investment income.

Other changes consist primarily of State capital appropriations of $3.2 million in 2012, $4.6 million in 2011, and $20.0 million in 2010.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing and investing activities, and helps measure the ability to meet financial obligations as they mature. A summary of the statement of cash flows for the years ended June 30, 2012, June 30, 2011 and June 30, 2010 is as follows:

	2012	2011	2010
Net cash (used in) provided by:			
Operating activities	$ (69,179,077)	$ (86,218,223)	$ (83,066,244)
Noncapital financing activities	97,466,051	108,664,963	103,454,861
Capital financing activities	(31,178,524)	(46,791,000)	(73,968,302)
Investing activities	(2,097,525)	27,460,659	66,793,739
Net (decrease) increase in cash	(4,989,075)	3,116,399	13,214,054
Cash at beginning of year	27,386,909	24,270,510	11,056,456
Cash at end of year	$ 22,397,834	$ 27,386,909	$ 24,270,510

Major sources of cash included student tuition and fees of $148.1 million in 2012, $138.2 million in 2011, and $125.2 million in 2010; State appropriations of $64.4 million in 2012, $74.1 million in 2011, and $74.1 million in 2010; grants and contracts (operating and noncapital) of $38.2 million in 2012, $47.0 million in 2011, and $46.0 million in 2010; and auxiliary activities of $21.5 million in 2012, $20.8 million in 2011, and $15.9 million in 2010.

The largest payments were for employee compensation and benefits totaling $166.9 million in 2012, $165.6 million in 2011, and $163.9 million in 2010; suppliers of goods and services totaling $88.6 million in 2012, $103.0 million in 2011, and $88.8 million in 2010; and purchases of capital assets totaling $20.2 million in 2012, $42.6 million in 2011, and $99.4 million in 2010.

The change in cash flows from 2012 to 2011 and 2011 to 2010 in the investing category is due primarily to the University electing to leave most of its cash in the bank (because the rate of return was higher than other short-term investment vehicles), which resulted in a decrease in investments purchased.

Credit Rating

The University's bonds are rated "A+" by Standard & Poor's, with the most recent rating published on July 25, 2012. An "A" rating indicates a strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances. This rating is consistent with the years ended June 30, 2011 and 2010. The highest achievable rating is "AAA." The University's capacity to meet its financial obligations is considered strong. The University's bonds are rated "A1" by Moody's Investors Service, with the most recent rating published on July 23, 2012. Obligations rated "A" by Moody's are judged to be upper-medium grand and are subject to low credit risk. The highest achievable rating is "AAA".

Looking Ahead

The primary challenge facing Ohio public institutions of higher learning, including Cleveland State University (CSU), continues to be maintaining the quality of academic instruction and controlling costs in the face of declining public funding from the State. In the State of Ohio's FY12- FY13 budget, CSU lost approximately $11 million, or 15%, of its State Share of Instruction (SSI) allocation, the major state funding source for state colleges and universities. In order to help offset this significant decline in operating revenue, the University implemented plans for certain revenue enhancements and expense reductions as part of its FY12 and FY13 Operating Budget plans. Revenue from student instructional fee tuition increased 5.8% in FY12 over FY11 due to a slight increase in student credit hour enrollment and an increase in undergraduate and graduate tuition rates of 5.5% and an increase in the law tuition rate of 9.1%. Anticipated FY13 tuition revenue should benefit from improved retention of students from FY12, plus an expected increase of approximately 2.1% in student credit hour enrollment in FY13, along with a tuition rate increase of approximately 3.5% for undergraduates and graduate courses and a 9.5% increase in the tuition rate for law courses. The FY13 ratio of state funding as a percentage of total operating revenue remains the same as FY12 at approximately 29%. The percentage continues to solidify the heavy reliance on student tuition as the primary source of revenue. The ability of the University to fulfill its mission and execute its strategic plan continues to be more dependent upon student enrollment and tuition.

In order to improve recruitment and retention, the University has implemented a comprehensive enrollment plan. Tactics to achieve increased enrollment and retention include new technology system, new staff, reorganization of recruitment territories, re-engineering campus visitation programs, including a new welcome center, as well as campus and downtown Cleveland development improvements.

The University is also affected by decisions at the state level regarding capital funding through the biennial capital appropriations bill. The funds pay for campus renovation and maintenance of existing facilities, as well as refunding debt for State-approved projects that the University has assumed on its own. The State did not provide any capital funding for the capital cycle FY11-FY12. As a result of missing an entire capital funding cycle, the University has begun to reserve operating funds for undertaking necessary capital maintenance and renovation projects on campus. The University requested $12.8 million from the State for the State's FY13-FY14 capital appropriations budget. The State accepted the University's capital improvement plan and approved the $12.8 million funding request. The capital funding will be used for the University's Strategic STEMM Facilities Enhancement Project comprised of engineering and inter-disciplinary laboratory upgrades and physical infrastructure improvements to the Fenn College of Engineering building.

During the Summer of 2012, the University issued Series 2012 General Receipts Bonds in the amount of $152 million. Included in this issuance was $45 million of funding for a planned new facility on campus to advance the University's growing role in health sciences and expand its alliance with Northeast Ohio Medical University (NEOMED). The University plans to demolish a vacant dormitory and replace it with a health sciences and life sciences building. Construction is expected to begin in November 2012 with a February 2015 estimated completion.

Cleveland State University is accredited by the North Central Association of Colleges and Schools ("NCA"), until 2020, having received unconditional accreditation in 2011.

The University continues to face significant cost pressures in the future. The University has taken measures to address ongoing operating cost challenges, such as attracting and retaining high quality faculty and staff, increased costs of employee benefits, most notably medical care and prescription drug coverage, and the cost of energy. The University recently reached labor contract agreements with its four major bargaining units – AAUP (faculty union), SEIU, CWA (clerical and service employees), and FOP (police). These contracts are for a term of three years.

The University traditionally monitors its revenue sources and the operating budgets of its units very closely. While operating at a lower level of State subsidy in FY13, it appears that, barring unforeseen events, CSU should receive its expected FY13 allocation of subsidy from the State. Instructional fee tuition revenue for the Fall 2012 semester was above the plan level - $741,000 greater than the revenue budget of $65.9 million.

Cleveland State University
Statement of Net Assets
June 30, 2012 and 2011

	2012	2011
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 22,397,834	$ 27,386,909
Investments (Note 2)	1,520,971	9,741
Accounts Receivable, Net (Note 3)	31,942,637	19,897,366
Notes Receivable, Net (Note 3)	1,093,963	1,158,498
Accrued Interest Receivable	3,057	2,028
Prepaid Expenses, Deferred Charges and Inventories	1,821,417	1,458,423
Total Current Assets	58,779,879	49,912,965
Noncurrent Assets:		
Restricted Investments (Note 2)	3,701,457	2,116,457
Long-Term and Endowment Investments (Note 2)	75,071,662	75,302,992
Notes Receivable, Net (Note 3)	10,438,000	9,831,992
Deferred Bond Premium and Issuance Costs	2,300,391	2,237,012
Capital Assets, Net (Note 5)	477,359,925	481,088,738
Total Noncurrent Assets	568,871,435	570,577,191
Total Assets	627,651,314	620,490,156
LIABILITIES		
Current Liabilities:		
Accounts Payable	9,132,804	9,202,832
Construction Accounts Payable	1,219,875	1,029,689
Accrued Liabilities	9,365,939	8,932,323
Accrued Interest Payable	3,008,901	2,893,488
Deferred Revenue	9,559,259	9,558,669
Compensated Absences - Current Portion (Note 6)	998,410	902,939
Obligations Under Capital Leases - Current Portion (Note 6)	7,216,899	6,933,194
Long-Term Debt - Current Portion (Note 6)	9,750,933	4,460,933
Total Current Liabilities	50,253,020	43,914,067
Noncurrent Liabilities:		
Accrued Liabilities (Note 6)	12,992,504	12,387,423
Compensated Absences (Note 6)	8,011,602	8,726,234
Obligations Under Capital Leases (Note 6)	62,436,081	69,096,076
Long-Term Debt (Note 6)	135,653,209	139,629,143
Total Noncurrent Liabilities	219,093,396	229,838,876
Total Liabilities	269,346,416	273,752,943
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	251,117,125	249,745,249
Restricted, Expendable	19,717,693	17,002,312
Restricted, Nonexpendable	1,200,914	1,256,241
Unrestricted	86,269,166	78,733,411
Total Net Assets	$ 358,304,898	$ 346,737,213

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

Cleveland State University
Statement of Revenue, Expenses, and Changes in Net Assets
Years Ended June 30, 2012 and 2011

	2012	2011
Revenue		
Operating Revenue:		
Student Tuition and Fees	$ 167,855,215	$ 159,331,825
Less Scholarship Allowances	18,985,731	18,618,685
Net Student Tuition and Fees	148,869,484	140,713,140
Federal Grants and Contracts	10,584,556	9,944,701
State Grants and Contracts	8,973,341	5,726,269
Local Grants and Contracts	263,589	765,192
Private Grants and Contracts	2,695,376	2,772,540
Sales and Services	4,524,083	4,297,708
Auxiliary Enterprises	22,458,921	20,845,190
Other Sources	377,838	500,246
Total Operating Revenue	198,747,188	185,564,986
Expenses		
Operating Expenses:		
Instruction	91,932,544	94,507,110
Research	14,961,949	12,295,867
Public Service	5,997,307	8,193,701
Academic Support	23,017,435	23,531,908
Student Services	17,787,324	20,953,129
Institutional Support	27,057,901	30,856,817
Operation and Maintenance of Plant	27,975,181	26,045,710
Scholarships and Fellowships	18,018,604	19,842,144
Auxiliary Enterprises	29,152,533	31,200,532
Depreciation and Amortization	24,203,824	24,818,443
Total Operating Expenses	280,104,602	292,245,361
Operating Loss	(81,357,414)	(106,680,375)
Nonoperating Revenue (Expenses)		
State Appropriations	64,434,747	63,544,555
Federal Appropriations	-	10,567,874
Federal Grants and Contracts	23,453,217	26,129,061
State Grants and Contracts	2,646,337	3,392,498
Gifts	7,196,632	4,390,082
Investment Income	1,048,743	13,179,158
Interest on Debt	(9,034,400)	(9,460,196)
Net Nonoperating Revenue	89,745,276	111,743,032
Gain Before Other Changes	8,387,862	5,062,657
Other Changes		
State Capital Appropriations	3,179,823	4,615,439
Increase in Net Assets	11,567,685	9,678,096
Net Assets		
Net Assets at Beginning of Year	346,737,213	337,059,117
Net Assets at End of Year	$ 358,304,898	$ 346,737,213

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

Cleveland State University
Statement of Cash Flows

	Years Ended June 30 2012	Years Ended June 30 2011
Cash Flows from Operating Activities		
Tuition and Fees	$ 148,052,785	$ 138,258,310
Grants and Contracts	12,061,232	17,524,694
Payments to or On Behalf of Employees	(166,992,829)	(165,623,922)
Payments to Vendors	(88,587,197)	(103,059,287)
Loans Issued to Students	(2,281,222)	(482,271)
Collection of Loans to Students	2,123,105	1,552,483
Auxiliary Enterprises Charges	21,543,128	20,813,816
Other Receipts	4,901,921	4,797,954
Net Cash Used in Operating Activities	(69,179,077)	(86,218,223)
Cash Flows from Noncapital Financing Activities		
State Appropriations	64,434,747	74,112,429
Grants and Contracts	26,099,554	29,521,559
Gifts	7,196,632	4,390,082
Cash Provided by Stafford and PLUS Loans	103,166,584	111,891,358
Cash Used in Stafford and PLUS Loans	(103,100,000)	(112,000,000)
Cash Provided by Agency Fund Activities	(317,735)	(972,680)
Cash Used in Agency Fund Activities	(13,731)	1,722,215
Net Cash Provided by Noncapital Financing Activities	97,466,051	108,664,963
Cash Flows from Capital Financing Activities		
Proceeds from Capital Debt and Leases	5,846,522	7,459,451
Capital Appropriations	3,179,823	4,615,439
Purchases of Capital Assets	(20,274,119)	(42,642,238)
Principal Paid on Capital Debt and Leases	(10,908,746)	(8,114,143)
Interest Paid on Capital Debt and Leases	(9,022,004)	(8,109,509)
Net Cash Used in Capital Financing Activities	(31,178,524)	(46,791,000)
Cash Flows from Investing Activities		
Proceeds from Sales and Maturities of Investments	42,800,112	16,579,507
Purchase of Investments	(45,665,012)	(1,962,133)
Interest on Investments	767,375	12,843,285
Net Cash (Used in) Provided by Investing Activities	(2,097,525)	27,460,659
Net (Decrease) Increase in Cash	(4,989,075)	3,116,399
Cash and Cash Equivalents at Beginning of Year	27,386,909	24,270,510
Cash and Cash Equivalents at End of Year	$ 22,397,834	$ 27,386,909

Cleveland State University
Statement of Cash Flows (continued)

	Years Ended June 30	
	2012	2011
Reconciliation of Operating Loss to Cash Used in Operating Activities		
Operating Loss	$ (81,357,414)	$ (106,680,375)
Adjustments:		
Depreciation and Amortization	24,203,824	24,818,443
Changes in Assets and Liabilities:		
Accounts Receivable, Net	(12,309,542)	(3,497,203)
Notes Receivable, Net	(158,117)	1,070,212
Inventories	32,540	121,900
Prepaid Expenses and Deferred Charges	(395,534)	(155,418)
Accounts Payable	240,988	(2,647,476)
Accrued Liabilities	563,588	1,472,648
Deferred Revenue	590	(720,954)
Cash Used in Operating Activities	$ (69,179,077)	$ (86,218,223)

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

The Cleveland State University Foundation, Inc.
Statement of Financial Position
June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,346,274	$ 5,603,609
Accounts receivable	595,790	387,869
Contributions receivable, net of allowance for uncollectible contributions	1,660,074	1,034,821
Total Current Assets	5,602,138	7,026,299
Other assets:		
Contributions receivable, net of allowance for uncollectible accounts	8,906,214	6,880,023
Long-term investments	54,700,811	50,974,702
Funds held on behalf of others:		
Cleveland State University (Note 11)	2,530,750	2,590,934
Cleveland State University Alumni Association	353,081	366,939
Total Other assets	66,490,856	60,812,598
Total Assets	$ 72,092,994	$ 67,838,897
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 31,666	$ 19,243
Payable to Cleveland State University (Note 11)	2,343,930	1,051,798
Notes Payable	39,996	39,996
Annuities payable	33,376	32,517
Total Current Liabilities	2,448,968	1,143,554
Noncurrent Liabilities:		
Notes Payable	644,747	684,743
Annuities payable	104,169	108,186
Funds held on behalf of others:		
Cleveland State University (Note 11)	2,530,750	2,590,934
Cleveland State University Alumni Association	353,081	366,939
Total Liabilities	6,081,715	4,894,356
NET ASSETS:		
Unrestricted	(1,178,606)	(184,387)
Board designated - Scholarships	164,391	164,169
Total unrestricted	(1,014,215)	(20,218)
Temporarily restricted (Note 10)	24,021,694	22,395,040
Permanently restricted (Note 10)	43,003,800	40,569,719
Total Net Assets	66,011,279	62,944,541
Total Liabilities and Net Assets	$ 72,092,994	$ 67,838,897

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

Euclid Avenue Development Corporation
Statement of Financial Position
June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash and Cash Equivalents	$ 1,707,943	$ 2,021,827
Cash held by the University	397,056	119,444
Total Cash	2,104,999	2,141,271
Bond proceeds / Investments	15,587,728	19,951,814
Student accounts recievable	54,891	89,027
Other receivable	221,408	118,145
Leases Receivable (current portion)	205,000	-
Prepaid Expenses	21,927	12,935
Total Current Assets	18,195,953	22,313,192
Other assets:		
Deferred bond issuance costs, net of accumulated amortization of $612,649 in 2012 and $498,372 in 2011	2,958,934	3,073,211
Leases receivable	21,365,000	14,500,000
Property:		
Land	1,146,460	1,146,460
Building	70,448,479	54,671,438
Building improvements	169,088	98,836
Furniture, fixtures and equipment	2,958,995	2,217,545
Construction in progress	-	18,071,217
	74,723,022	76,205,496
Less: Accumulated depreciation	(7,068,247)	(5,071,764)
	67,654,775	71,133,732
Other assets	-	-
Total Other assets	91,978,709	88,706,943
Total Assets	$ 110,174,662	$ 111,020,135
LIABILITIES		
Current Liabilities:		
Current portion of bonds payable (Note 11)	790,000	660,000
Current portion of notes payable	60,000	60,000
Accounts payable	484,164	2,694,757
Accrued interest	1,055,025	1,001,229
Accrued payroll	28,513	50,037
Deferred revenue	155,707	120,679
Security deposits	182,665	147,610
Total Current Liabilities	2,756,074	4,734,312
Noncurrent Liabilities:		
Deferred revenue	1,313,847	1,351,385
Bonds payable, less current portion (Note 11)	104,160,000	105,050,000
Notes payable, less current portion	1,561,180	1,621,180
Total Liabilities	109,791,101	112,756,877
NET ASSETS (DEFICIT)		
Unrestricted	383,561	(1,736,742)
Total Liabilities and Net Assets	$ 110,174,662	$ 111,020,135

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

The Cleveland State University Foundation, Inc.
Statement of Activities
Year Ended June 30, 2012 (with comparative totals for the year ended June 30, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012	Total 2011
Revenue					
Contributions	$ 179,498	$ 5,477,086	$ 2,466,566	$ 8,123,150	$ 11,695,550
Endowment management fee	23,797	-	-	23,797	22,073
Net assets released from restrictions	3,444,332	(3,444,332)	-	-	-
Total revenue	3,647,627	2,032,754	2,466,566	8,146,947	11,717,623
Expenses					
Program services:					
Instructions	964,479	-	-	964,479	1,205,368
Research	342,150	-	-	342,150	277,630
Public service	797,349	-	-	797,349	604,623
Academic support	53,583	-	-	53,583	72,434
Financial aid	709,690	-	-	709,690	1,374,347
Institutional support	122,906	-	-	122,906	118,664
Auxilary enterprises	454,175	-	-	454,175	786,456
Total program services	3,444,332	-	-	3,444,332	4,439,522
Supporting services:					
Management and general	489,459	-	-	489,459	523,869
Fundraising	196,141	-	-	196,141	100,671
Total supporting services	685,600	-	-	685,600	624,540
Gains/(Losses):					
Investment (loss) gain, including realized and unrealized losses, net	(43,644)	(766,280)	-	(809,924)	8,823,943
Provision for uncollectible contributions	(79)	(86,685)	(53,589)	(140,353)	(202,854)
Total expenses and losses	4,173,655	852,965	53,589	5,080,209	(3,557,027)
Change in Net Assets	(526,028)	1,179,789	2,412,977	3,066,738	15,274,650
Net Assets - Beginning of Year	(20,218)	22,395,040	40,569,719	62,944,541	47,669,891
Reclassification of net assets (Note 11)	(467,969)	446,865	21,104	-	-
Net Assets - End of Year	$ (1,014,215)	$ 24,021,694	$ 43,003,800	$ 66,011,279	$ 62,944,541

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

Euclid Avenue Development Corporation
Statement of Activities
Years Ended June 30, 2012 and 2011

	2012	2011
Revenue		
Rental Income:		
Students	$ 7,714,137	$ 5,703,723
University	929,559	697,988
Other	161,525	176,949
Maintenance fee - University	310,709	234,426
Interest income	105,298	107,827
Gain on sale of assets	1,492,083	-
Other	345,823	210,751
Total revenue	11,059,134	7,131,664
Expenses		
Interest	3,053,505	3,187,371
Depreciation and Amortization	2,260,689	1,697,200
Utilities	1,166,712	633,204
Payroll	1,333,208	1,092,582
Management fees	317,293	238,096
Maintenance	414,523	347,319
General and administrative	168,001	159,900
Other operating	96,056	248,398
Marketing	51,005	41,006
Accounting	22,507	28,820
Reserve allowance	50,797	31,241
Insurance	4,535	1,835
Total expenses	8,938,831	7,706,972
Change in Net Assets	2,120,303	(575,308)
Net Deficit - Beginning of Year	(1,736,742)	(1,161,434)
Net Assets (Deficit) - End of Year	$ 383,561	$ (1,736,742)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

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

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

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

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted, Expendable:** Net assets whose use by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. Income generated from these funds may be restricted for student scholarships, loans, instruction, research, and other specific University needs.

- **Restricted, Nonexpendable:** Net assets subject to externally-imposed stipulations that they be maintained permanently by the University. Income generated from these funds may be restricted for student scholarships, loans, instruction, research, and other specific University needs.

- **Unrestricted:** Net assets that are not subject to externally-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties.

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

FASB Pronouncements

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

Operating Activities

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

Summary of Significant Accounting Policies

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

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

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

Accounts Receivable Allowance. The allowance for bad debt is determined based on historical average and a reasonableness ratio of accounts receivable to bad debt. The objective is to increase the collectibility of current receivables to assist the University's objectives regarding enrollment and retention. As such, the University enforces policies that prohibit registration with an unpaid balance over $1,000 and limit registration for those students with a current unpaid balance between $200 - $1,000. The new federal regulations regarding Title IV returns has unfortunately increased our outstanding accounts receivable; the ratio between the bad debt allowance and the accounts receivable, however, is still within reasonable parameters.

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Pronouncements

Service Concession Arrangements: In December 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (SCA). An SCA is an agreement between a University and another legally-separate University or private sector entity in which two things happen. First, the University transfers to the other entity the right and related obligation to provide public services through the use of a public asset (such as using a part of a university facility as a bookstore) in exchange for significant consideration from the other entity. In the context of these agreements, the university that transfers rights and obligations is referred to as the transferor. The entity to which these rights and obligations are transferred is referred to as the operator. Second, this operator—whether it is in the public or private sector—collects fees from the users or customers of the public asset (for example, students at the University). Finally, the transferor maintains control over the services provided. For example, the University has the ability to modify or approve the rates that can be charged for the services and the type of services that are provided.

For an SCA that involves an existing facility, the transferor should continue to report the capital asset. For a new facility or an improvement to an existing facility, the transferor should report the new facility or the improvement as a capital asset at fair value when the facility is placed in operation. The transferor should also report any related contractual obligations as liabilities. Finally, the transferor should report the difference between those two amounts as a deferred inflow of resources. This pronouncement must be applied for years that begin after December 15, 2011.

Reporting Entity Standards: In December 2010, the GASB issued Statement No. 61, *Financial Reporting Entity: Omnibus.* This standard is intended to improve the information presented about the financial reporting entity, which is made up of the University financial reporting entity and related entities (component units). The statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criteria, a financial benefit or burden relationship is also needed between the University and that organization for it to be included in the reporting entity as a component unit. The statement also modifies the criteria for reporting component units as if they were part of the University (ie: blending). Blending should be used when the University and the component unit have a financial benefit or burden relationship, or management has operational responsibility for the component units. Additionally, for equity interests in legally separate organizations, the entity is required to report its interest as "restricted net assets – nonspendable." This standard is effective for financial statements for reporting periods beginning after June 15, 2012; however, earlier application is encouraged.

Private Sector Accounting Rules: In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This changes the requirement for the University to apply any private sector accounting guidance that existed as of November 30, 1989 and instead incorporates all such guidance in this statement. The University will no longer have the ability to choose to continue to follow FASB statements written after that date, although such guidance still qualifies as "other accounting literature" in the GAAP hierarchy. This pronouncement must be applied for years that begin after December 15, 2011.

Deferred Inflows/Outflows and Net Position: In June 2011, the GASB issued Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This standard provides financial reporting guidance for deferred inflows and outflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the University that is applicable to a future reporting period, and an acquisition of net assets by the University that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The standard also incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions for this standard are effective for financial statements for periods beginning after December 15, 2011.

Items Previously Reported as Assets and Liabilities: In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (or June 30, 2014). Statement No. 65 will be implemented for the University as of June 30, 2014.

Reporting for Pensions: In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

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

At June 30, 2012, the cash and cash equivalents balance of $22,397,834 is after the University recorded an overdraft consisting of items in transit of $3,860,475 in accounts payable. The bank balance at June 30, 2012 was $22,131,686, of which $690,982 was covered by federal depository insurance, and $21,440,704 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

At June 30, 2011, the cash and cash equivalents balance of $27,386,909 is after the University recorded an overdraft consisting of items in transit of $4,622,342 in accounts payable. The bank balance at June 30, 2011 was $27,280,702, of which $1,005,778 was covered by federal depository insurance, and $26,274,924 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

Investments

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

STAR Ohio is an investment pool managed by the Ohio state treasurer's office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. The investment is valued at STAR Ohio's share price, which represents fair market value, on June 30, 2012 and 2011.

Restricted investments consist of unspent debt proceeds.

As of June 30, 2012, the University had the following types of investments and maturities:

			Investment Maturities (in Years)	
Investment Type		Fair Value	Less Than 1	1-5
Commercial Paper	$	2,690,099	$ 2,690,099	$ -
U.S. obligation mutual fund		21,223,363	21,223,363	-
Certificates of Deposit		1,520,000	1,520,000	-
STAR Ohio		971	-	-
Bond mutual funds		26,131,177	-	26,131,177
Stock mutual funds		28,728,480	-	-
Total	$	80,294,090	$ 25,433,462	$ 26,131,177

As of June 30, 2011, the University had the following types of investments and maturities:

			Investment Maturities (in Years)	
Investment Type		Fair Value	Less Than 1	1-5
U.S. obligation mutual fund	$	2,116,457	$ 2,116,457	$ -
Certificates of Deposit		800,112	-	800,112
STAR Ohio		9,741	-	-
Bond mutual funds		29,707,623	-	29,707,623
Stock mutual funds		44,795,257	-	-
Total	$	77,429,190	$ 2,116,457	$ 30,507,735

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

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

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

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the University will not be able to recover the value of investment securities that are in the possession of an outside party. The University does not have a policy for custodial credit risk. At June 30, 2012 and 2011 none of the investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the University's name.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. As of June 30, 2012 and 2011, not more than 5% of the University's total investments were invested in any one issuer except those which are obligations of, or fully guaranteed as to both principal and interest by, the U.S. Government or its agencies.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2012 and 2011, investments include approximately $5.2 million and $5.6 million, respectively, managed by international equity managers that are subject to foreign currency risk. Although the University's investment policy does not specifically address foreign currency risk, it does limit foreign investments to no more than 20% of the portfolio.

NOTE 3 – RECEIVABLES

The composition of accounts receivable at June 30, 2012 and 2011 is summarized as follows:

	2012	2011
Student accounts	$14,630,774	$14,271,525
Grants	18,432,738	7,977,108
State Capital	133,839	398,110
Other	3,123,844	1,890,992
Total Accounts Receivable	36,321,195	24,537,735
Less allowance for uncollectible accounts	4,378,558	4,640,369
Accounts Receivable - Net	$31,942,637	$19,897,366

Notes receivable consist primarily of loans to students under the federal Perkins Loan Program. The composition of notes receivable at June 30, 2012 and 2011 is summarized as follows:

	2012	2011
Perkins Loan Program	$11,694,307	$11,185,610
Other	646,336	647,828
Total Notes Receivable	12,340,643	11,833,438
Less allowance for uncollectible accounts	808,680	842,948
Notes Receivable - Net	11,531,963	10,990,490
Less Current Portion	1,093,963	1,158,498
Total Noncurrent Notes Receivable	$10,438,000	$ 9,831,992

NOTE 4 – STATE SUPPORT

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

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

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

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2012 and 2011 is summarized as follows:

	2012 Beginning Balance	Additions/ Transfers	Retirements/ Transfers	2012 Ending Balance
Capital Assets:				
Non-depreciable:				
Land	$ 55,792,373	$ 24,751	$ 0	$ 55,817,124
Construction in Progress	0	3,214,643	0	3,214,643
Capitalized Collections	7,102,155	0	0	7,102,155
Depreciable:				
Land Improvements	23,901,567	173,720	0	24,075,287
Buildings	622,913,918	7,515,621	2,783,923	627,645,616
Equipment	49,694,097	9,487,558	13,578,463	45,603,192
Library Books	69,203,472	2,266,748	557,078	70,913,142
Intangible Assets	483,059	0	0	483,059
Total Capital Assets	829,090,641	22,683,041	16,919,464	834,854,218
Less Accumulated Depreciation:				
Land Improvements	12,300,946	876,512	0	13,177,458
Buildings	238,552,583	16,575,507	472,875	254,655,215
Equipment	41,085,303	3,729,512	13,578,463	31,236,352
Library Books	55,894,000	2,870,969	557,078	58,207,891
Intangible Assets	169,071	48,306	0	217,377
Total Accumulated Depreciation	348,001,903	24,100,806	14,608,416	357,494,293
Capital Assets, Net	$ 481,088,738	$ (1,417,765)	$ 2,311,048	$ 477,359,925

	2011 Beginning Balance	Additions/ Transfers	Retirements/ Transfers	2011 Ending Balance
Capital Assets:				
Non-depreciable:				
Land	$ 55,597,969	$ 194,404	$ 0	$ 55,792,373
Construction in Progress	87,014,476	0	87,014,476	0
Capitalized Collections	7,102,155	0	0	7,102,155
Depreciable:				
Land Improvements	16,816,867	7,084,700	0	23,901,567
Buildings	502,641,988	120,271,930	0	622,913,918
Equipment	52,508,545	2,508,323	5,322,771	49,694,097
Library Books	67,177,405	2,605,734	579,667	69,203,472
Intangible Assets	483,059	0	0	483,059
Total Capital Assets	789,342,464	132,665,091	92,916,914	829,090,641
Less Accumulated Depreciation:				
Land Improvements	11,234,468	1,066,478	0	12,300,946
Buildings	221,804,941	16,747,642	0	238,552,583
Equipment	42,708,793	3,699,281	5,322,771	41,085,303
Library Books	53,319,948	3,153,719	579,667	55,894,000
Intangible Assets	120,765	48,306	0	169,071
Total Accumulated Depreciation	329,188,915	24,715,426	5,902,438	348,001,903
Capital Assets, Net	$ 460,153,549	$ 107,949,665	$ 87,014,476	$ 481,088,738

NOTE 6 – NONCURRENT LIABILITIES

Noncurrent liabilities consist of the following as of June 30, 2012 and June 30, 2011:

	Due Dates	Interest Rate-%	2012 Beginning Balance	Additions	Reductions	2012 Ending Balance	Current
2003A Bonds Payable	2007-33	2.5-5.25	$ 26,910,000	$ -	$ 1,415,000	$ 25,495,000	$ 1,470,000
2003A Bond Premium			555,315	-	25,338	529,977	25,338
2004 Bonds Payable	2005-34	2.25-5.25	54,040,000	-	1,700,000	52,340,000	1,770,000
2004 Bonds Premium			1,060,365	-	46,103	1,014,262	46,103
2007A Bonds Payable	2010-36	4.00-5.75	40,500,000	-	850,000	39,650,000	890,000
2007A Bond Premium			1,149,396	-	44,493	1,104,903	44,492
2008 Bonds Payable	2008-36	3.00-4.75	19,875,000	-	380,000	19,495,000	5,505,000
2011 Bonds Payable	2013-42	5.32	-	5,775,000	-	5,775,000	-
Capital Leases	2010-41	2.33-5.08	76,029,270	71,522	6,447,812	69,652,980	7,216,899
Total Debt			220,119,346	5,846,522	10,908,746	215,057,122	16,967,832
Perkins Student Loans			10,696,506	815,717	-	11,512,223	-
Deposits			1,690,917	3,036,916	3,247,552	1,480,281	-
Compensated Absences			9,629,173	-	619,161	9,010,012	998,410
			242,135,942	$ 9,699,155	$ 14,775,459	237,059,638	$ 17,966,242
Less Current Portion long-term liabilities			(12,297,066)			(17,966,242)	
Long-Term Liabilities			$ 229,838,876			$ 219,093,396	

	Due Dates	Interest Rate-%	2011 Beginning Balance	Additions	Reductions	2011 Ending Balance	Current
1996 Bonds Payable	1997-11	5.25-5.25	$ 315,000	$ -	315,000	$ -	$ -
2003A Bonds Payable	2007-33	2.5-5.25	28,270,000	-	1,360,000	26,910,000	1,415,000
2003A Bond Premium			580,653	-	25,338	555,315	25,338
2004 Bonds Payable	2005-34	2.25-5.25	55,685,000	-	1,645,000	54,040,000	1,700,000
2004 Bonds Premium			1,106,468	-	46,103	1,060,365	46,103
2007A Bonds Payable	2010-36	4.00-5.75	41,320,000	-	820,000	40,500,000	850,000
2007A Bond Premium			1,193,888	-	44,492	1,149,396	44,492
2008 Bonds Payable	2008-36	3.00-4.75	20,245,000	-	370,000	19,875,000	380,000
Capital Leases	2010-40	2.33-5.08	72,058,028	7,459,451	3,488,209	76,029,270	6,933,194
Total Debt			220,774,037	7,459,451	8,114,142	220,119,346	11,394,127
Perkins Student Loans			10,306,132	413,345	22,971	10,696,506	-
Deposits			893,437	4,314,186	3,516,706	1,690,917	-
Compensated Absences			9,193,018	436,155	-	9,629,173	902,939
			241,166,624	$ 12,623,137	$ 11,653,819	242,135,942	$ 12,297,066
Less Current Portion long-term liabilities			(9,089,301)			(12,297,066)	
Long-Term Liabilities			$ 232,077,323			$ 229,838,876	

In September, 2011, the University issued taxable general receipts bonds in the principal amount of $5,775,000. The General Receipts Series 2011 Bonds were issued as fixed rate bonds with monthly maturities beginning October 1, 2013 through April 1, 2042. Interest is payable monthly at the rate of 5.32%. The proceeds of the bonds will be used to finance a portion of the costs of public improvements identified as the North Campus Neighborhood - Project Phase I. This phase is the subject of a "project development agreement" date July 14, 2011 by and between Cleveland State University and CSU Housing, LLC, an Ohio limited liability company which serves as the project developer.

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

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

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

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

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

Interest expense on indebtedness was $9,034,400 in fiscal 2012 and $9,460,196 in fiscal 2011. On construction-related debt, interest cost of $211,647 was capitalized in fiscal 2012, net of $2,360 of interest earned on invested proceeds; interest cost of $0 was capitalized in fiscal 2011.

The University leases various pieces of equipment which have been recorded under various capital leases in amounts representing the present value of future minimum lease payments. Capital lease obligations are collateralized by equipment with an aggregate net book value of $21,367,511 at June 30, 2012 and $37,909,684 at June 30, 2011. The capital leases have varying maturity dates through 2041.

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

	Bonds Payable		**Capital Leases**	
	Principal	**Interest**	**Principal**	**Interest**
2013	$ 9,635,000	$ 6,937,165	$ 7,216,899	$ 2,792,067
2014	4,025,000	6,536,394	6,278,157	2,339,130
2015	4,255,000	6,333,095	6,068,259	2,075,643
2016	4,475,000	6,114,036	6,221,545	1,815,098
2017	4,680,000	5,890,214	6,160,554	1,551,511
2018-2022	24,615,000	25,813,451	21,622,566	4,079,404
2023-2027	29,355,000	19,393,757	3,295,000	2,021,982
2028-2032	37,525,000	11,467,292	3,785,000	1,547,654
2033-2037	22,495,000	2,671,865	4,385,000	990,043
2038-2042	1,695,000	226,566	4,620,000	321,312
	$ 142,755,000	$ 91,383,835	$ 69,652,980	$ 19,533,844

The University has entered into various lease agreements for office equipment, and office and classroom space, which are considered operating leases. The University has leased space in the Fenn Tower building from the Corporation, which it uses for classrooms and meeting rooms. Total rental expense under operating leases during the years ended June 30, 2012 and 2011 amounted to $2,852,250 and $2,581,938, respectively. The operating leases have varying maturity dates through 2042.

Future minimum operating lease payments as of June 30, 2012 are as follows:

Year Ending June 30	Operating Leases
2013	$ 3,341,710
2014	2,996,873
2015	2,990,873
2016	2,454,749
2017	2,454,749
2018-2022	33,895,416
2023-2027	4,304,500
2028-2032	4,304,500
2033-2037	3,873,758
2038-2042	2,150,792
	$ 62,767,920

NOTE 7 – EMPLOYMENT BENEFIT PLANS

Retirement Plans

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

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

Defined Benefit Plans

STRS is a statewide retirement plan for certified teachers. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by State statute. Contribution rates are established by the State Teachers Retirement Board, not to exceed the statutory maximum rates of 10% for employees and 14% for employers. Currently, employees contribute 10% of covered payroll and employers contribute 14% of covered payroll. The University's contributions to STRS for the years ending June 30, 2012, 2011, and 2010 were $6,826,392, $7,282,885, and $7,185,855, respectively, equal to the required contributions for each year. STRS issues a stand-alone financial report. The report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3771, by calling 1-888-227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

OPERS is a statewide retirement plan, which covers nonteaching University employees. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by State statute. Contribution rates are established by the Ohio Public Employee Retirement Board, not to exceed the statutory maximum rates of 10% for employees and 14% for employers. Currently, employees contribute 10% of covered payroll and employers contribute 14% of covered payroll. The University's contributions to OPERS for the years ending June 30, 2012, 2011, and 2010 were $7,151,384, $7,437,768, and $7,228,118, respectively, equal to the required contributions for each year. OPERS issues a stand-alone financial report. The report may be obtained by visiting www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Defined Contribution Plan

The University also offers eligible employees an alternative retirement program. The University is required to contribute to STRS 3.50% of earned compensation for those employees participating in the alternative retirement program. The University's contributions for the years ended June 30, 2012, 2011 and 2010 were $288,450, $371,702 and $347,415, respectively, which equal 3.50% of earned compensation.

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

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

Combined Plans

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

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

Post-employment Benefits

STRS provides other postemployment benefits (OPEB) to all retirees and their dependents, while OPERS provides postretirement health care coverage to age and service retirants (and dependents) with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available under OPERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 1.0% of the total 14.00%, while the OPERS rate was 4.0% of the total 14.00% for the year ended June 30, 2011.

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and OPERS. Postretirement healthcare under STRS is financed on a pay-as-you-go basis. The amount contributed by the University to STRS to fund these benefits for the years ended June 30, 2012, 2011 and 2010 was $487,599, $520,206, and $513,275, respectively.

Postretirement health care under OPERS is advance-funded on an actuarially determined basis. The amount contributed by the University to OPERS for OPEB funding for the years ended June 30, 2012, 2011 and 2010 was $3,575,692, $3,718,884 and $3,614,059, respectively.

NOTE 8 – RISK MANAGEMENT

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

The University maintains a self-insured dental plan for its employees. The University's risk exposure is limited to claims incurred. The changes in the total liability for actual and estimated dental claims for the years ended June 30, 2012 and 2011 are summarized below:

	2012	2011
Liability at beginning of year	$ 15,006	$ 9,961
Claims Incurred	1,098,618	1,122,459
Claims Paid	(1,091,338)	(1,117,414)
Liability at end of year	$ 22,286	$ 15,006

The University maintains a self-insured medical plan for its employees. The University's risk exposure is limited to claims incurred. There is a $150,000 specific stop loss for any given claim. The changes in the total liability for actual and estimated medical claims for the years ended June 30, 2012 and 2011 are summarized below:

	2012	2011
Liability at beginning of year	$ 947,393	$ 1,094,764
Claims Incurred	10,771,029	10,094,073
Claims Paid	(10,342,541)	(9,321,162)
IBNR-Decrease in estimated claims	(218,607)	(920,282)
Liability at end of year	$ 1,157,274	$ 947,393

Medical claims are based upon estimates of the claims liabilities. Estimates are based upon past experience, medical inflation trends, and current claims outstanding, including year-end lag analysis. Differences between the estimated claims payable and actual claims paid are reported as an operating expense in the Statement of Revenue, Expenses, and Changes in Net Assets.

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

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

NOTE 9 – GRANT CONTINGENCIES

The University receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the University. However, in the opinion of the University administration, any such disallowed claims will not have a material effect on any of the financial statements of the University at June 30, 2012.

NOTE 10 – NET ASSETS

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

	Temporarily Restricted	Permanently Restricted
Instruction	$ 6,036,572	$ 7,688,242
Research	270,944	$ 805,128
Public service	4,944,336	50,607
Academic support	1,257,491	901,281
Financial aid	8,494,155	32,421,206
Institutional support	1,934,139	1,099,429
Auxiliary enterprises	1,084,057	37,907
	$ 24,021,694	$ 43,003,800

NOTE 11 – COMPONENT UNITS

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

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

During the years ended June 30, 2012 and 2011, the Foundation paid $1,101,358 and $3,802,834, respectively, to the University. At June 30, 2012 and 2011, the University had receivables from the Foundation totaling $2,343,930 and $1,051,798, respectively.

As authorized by the Board of Trustees, beginning in fiscal year 1998, the University placed Endowment and Quasi-Endowment funds on deposit with the Foundation for investment. At June 30, 2012 and 2011, the amount on deposit with the Foundation totaled $2,530,750 and $2,590,934, respectively.

As of June 30, 2012, the Foundation had the following types of investments:

	Cost	Carrying Value
Cash and cash equivalents	$ 461,584	$ 461,584
Stocks - domestic	369,407	454,643
Mutual funds - domestic	27,408,666	27,844,329
Mutual funds - international	12,683,380	12,316,052
Fixed income securities	4,528,458	4,771,633
Alternative investments	6,174,481	6,380,505
Investments carried at fair value	$ 51,625,976	52,228,746
Note Receivable		1,544,741
Investment in real estate, net of accumulated depreciation		927,324
Investments carried at adjusted cost		2,472,065
Total		$ 54,700,811

As of June 30, 2011, the Foundation had the following types of investments:

	Cost	Carrying Value
Stocks - domestic	505,677	788,585
Mutual funds - domestic	22,509,954	23,434,775
Mutual funds - international	8,988,690	10,171,568
Fixed income securities	13,357,132	14,047,618
Investments carried at fair value	$ 45,361,453	48,442,546
Note Receivable		1,588,978
Investment in real estate, net of accumulated depreciation		943,178
Investments carried at adjusted cost		2,532,156
Total		$ 50,974,702

The Foundation reclassified net assets as of 2011 to properly reflect the allocation of investment income related to prior years.

The Corporation was organized primarily to further the educational mission of the University by developing, owning and managing housing for the students, faculty and staff of the University. On March 1, 2005, the Corporation leased the Fenn Tower building, located on the University's campus, from the University. Annual rent is equal to the net available cash flows from the Fenn Tower project. No rent was paid during fiscal years 2012 and 2011. On March 1, 2005, the Corporation entered into a Development Agreement with American Campus Communities (ACC) to plan, design and construct housing units in Fenn Tower. In addition, the Corporation entered into a Management Agreement with ACC to manage Fenn Tower. The project was completed in August 2006. The facility has the capacity to house 430 residents.

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

On June 1, 2008, the Corporation leased land, owned by the University and located on its campus, from the University. On August 22, 2008, the Corporation entered into a design-build agreement with the Apostolos Group to construct a 623-car parking garage on the site. On July 1, 2008, the Corporation entered into a lease agreement with the University to operate the garage once construction is completed. On July 25, 2008, the Corporation issued $14,500,000 of tax-exempt bonds with the Cleveland-Cuyahoga County Port Authority to finance construction of the garage. The Series 2008 Bonds are serial bonds maturing between 2009 and 2040. They bear variable interest rates that reset weekly. The interest rate is set at rates based upon yield evaluations at par of comparable securities. The interest rate was .15% at June 30, 2012. Construction of the garage was completed in August 2009.

On December 18, 2009, the Corporation leased land, owned by the University and located on its campus, from the University. On August 24, 2009, the Corporation entered into a development agreement with ACC to plan, design and construct 600 beds of student housing and a 300-car parking garage on this land. In addition, the Corporation entered into a management agreement with ACC to manage the student housing. On December 18, 2009, the Corporation issued $59,005,000 of County of Cuyahoga, Ohio bonds (Series 2009 bonds) to finance the project. The 2009 bonds are serial bonds maturing between 2011 and 2042. They bear variable interest rates that are reset weekly. The interest rate is set at rates based upon yield evaluations at par of comparable securities. The interest rate was .15% at June 30, 2012. Both phases of the project were complete as of August 2011.

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

	Principal	**Interest**
2013	$ 790,000	$ 1,578,490
2014	1,115,000	1,550,932
2015	1,255,000	1,521,925
2016	1,410,000	1,491,553
2017	1,565,000	1,457,867
2018-2022	10,385,000	6,619,553
2023-2027	13,535,000	5,258,597
2028-2032	17,610,000	3,568,330
2033-2037	22,740,000	1,588,215
2038-2042	30,970,000	97,680
2043	3,575,000	4,778
	$ 104,950,000	$ 24,737,920

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

NOTE 12 – SUBSEQUENT EVENT

On August 21, 2012, the University issued general receipts bonds in the principal amount of $152,835,000. The General Receipts Series 2012 Bonds were issued as fixed rate bonds with monthly maturities beginning June 1, 2013 through June 1, 2037. Interest is payable monthly at the rate of 5.0%. The proceeds of the bonds will be used to (1) pay costs of constructing a new building on the University's campus, rehabilitation of existing buildings, campus-wide upgrades of electrical, mechanical and security systems and improvements to campus walkways; (2) refund portions of the Outstanding Series 2003A Bonds, Series 2004 Bonds and Series 2008 Bonds; and (3) pay costs relating to the issuance of the Series 2012 Bonds.

Federal Compliance Audit

Plante & Moran, PLLC
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Board of Trustees
Cleveland State University

We have audited the financial statements of Cleveland State University (the "University") and its discretely presented component units, a component of the State of Ohio, as of and for the year ended June 30, 2012, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 15, 2012. Our report was modified to include reference to other auditors. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Cleveland State University Foundation, Inc. and Euclid Avenue Housing Corporation, as described in our report on Cleveland State University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A 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 University's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Trustees
Cleveland State University

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Plante & Moran, PLLC

October 15, 2012

Plante & Moran, PLLC
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Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Independent Auditor's Report

To the Board of Trustees
Cleveland State University

Compliance

We have audited the compliance of Cleveland State University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The major federal programs of Cleveland State University are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Cleveland State University's management. Our responsibility is to express an opinion on Cleveland State University's compliance based on our audit.

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

In our opinion, Cleveland State University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

To the Board of Trustees
Cleveland State University

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Plante & Moran, PLLC

October 15, 2012

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/Program title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Student Financial Aid Cluster			
Department of Education - Direct Programs:			
Federal Supplemental Educational Opportunity Grants	84.007		$ 381,500
Federal Work-Study Program	84.033		931,097
Federal Perkins Loan Program	84.038		14,876,198
Federal Pell Grant Program	84.063		22,922,205
Federal Direct Student Loans	84.268		120,444,181
(TEACH Grants)	84.379		180,000
Total Student Financial Aid Cluster			159,735,181
TRIO Cluster			
Department of Education - Direct Programs:			
TRIO Student Support Services	84.042		516,227
TRIO McNair Post-Baccalaureate Achievement	84.217		281,892
Total TRIO Cluster			798,119
Research and Development Cluster			
Department of Health and Human Services:			
Direct Programs:			
ARRA - Trans-NIH Recovery Act Research Support	93.701		39,305
Cardiovascular Diseases Research	93.837		273,933
Blood Diseases and Resources Research	93.839		314,040
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846		34,993
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		120,795
Allergy, Immunology and Transplantation Research	93.855		250,113
Biomedical Research and Research Training	93.859		110,451
Aging Research	93.866		118,140
Pass-through Programs:			
Baldwin-Wallace College - Drug Abuse and Addiction Research Programs	93.279	2-41923-Banik	7,633
Case Western Reserve University - Minority Health and Health Disparities Research	93.307	2 R01 CA-086357-05	21,295
Minority Health and Health Disparities Research	93.307	RES505192	80,542
Case Western Reserve University - Cancer Treatment Research	93.395	RES505392	9,476
Rebalancing Demonstration	93.791	60033102	38,293
Cleveland Clinic Foundation - Cardiovascular Diseases Research	93.837	1P01HL087018-01A1 & P01HL076491-06A1	247,795
Research Training	93.859	GM090383-Barik	37,695
Total Department of Health and Human Services			1,704,499

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Research and Development Cluster (Continued)			
Department of Education - Direct Programs:			
Education Research, Development and Dissemination	84.305		$ 401,506
Child Care Access Means Parents in School	84.335		126,782
Total Department of Education			528,288
Federal Transit Administration - Pass-through Programs -		Contract No.: 2006-14 P.O. No.: 30702318	
Regional Transit Authority - Federal Transit-Capital Investment Grants	20.500		18,289
National Aeronautics and Space Administration:			
Direct Programs:			
Science	43.001		205
Aeronautics	43.002		237,212
Pass-through Programs:			
Ohio Aerospace Institute - Aeronautics	43.002	NNC07TB01T	18,615
Booz Allen Hamilton, Inc. - Aeronautics	43.002	GS-23F-0109L/NNC10BA17B	28,186
U.S. Naval Academy - Aeronautics	43.002	M00189-0-P0904	29,192
University of Arizona - Aeronautics	43.002	NNC07BA14B / NNC07TA71T 420222118, PO NCC07TA74T & NNC07TA73T & YY503043, NNX08AN49G, NCC8 - 096, NNX07AC76A	374,890
Total National Aeronautic and Space Administration			688,300
National Endowment for the Humanities - Direct Programs:			
Promotion of the Humanities - Fellowships and Stipends	45.160		3,000
Promotion of the Humanities - Office of Digital Humanities	45.169		35,300
Total National Endowment for the Humanities			38,300

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Research and Development Cluster (Continued)			
National Science Foundation:			
Direct Programs:			
Engineering Grants	47.041		$ 147,361
Mathematical and Physical Sciences	47.049		340,305
Geosciences	47.050		67,866
Computer and Information Science and Engineering	47.070		54,458
Biological Sciences	47.074		85,775
Social, Behavioral, and Economic Sciences	47.075		19,947
Education and Human Resources	47.076		305,766
ARRA - Trans-NSF Recovery Act Research Support	47.082		397,187
Pass-through Programs:			
Arizona State University - Engineering Grants	47.041	10-404	45,936
University of Illinois - Mathematical and Physical Sciences	47.049	2011-01864-01	10,882
Ohio State University Research Foundation - Mathematical and Physical Sciences	47.049	60004660; PO: RF01042478; Prime #: CHE-05322560	3,995
University of North Carolina - Social, Behavioral, and Economic Sciences	47.075	SBE-0947814	14,191
Total National Science Foundation			1,493,669
U.S. Department of Justice:			
Direct Programs - Edward Byrne Memorial Justice Assistance Grant Program	16.738		4,701
Pass-through Programs:			
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	CE10000636-01	7,309
McEwen & Associates - National Institute of Justice Research, Evaluation, and Development Project Costs	16.560	2011-DN-BX-2007	27,162
Total U.S. Department of Justice			39,172
U.S. Fish and Wildlife Services - Pass-through Programs - Prime Award No. 30181AG152	15.608	30181AG152	10,073
U.S. Department of Defense:			
Direct Programs:			
Military Medical Research and Development	12.420		55,489
Mathematical Sciences Grants Program	12.901		15,556
Pass-through Programs:			
Cuyahoga County Planning Committee - Aquatic Plant Control	12.100	NONE	3,428
General Technical Services, LLC - Collaborative Research and Development	12.114	GTS-09-1-261 & GTS-S-11-078	864,210
Total U.S. Department of Defense			938,683

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Research and Development Cluster (Continued)			
U.S. Department of Energy:			
Direct Programs:			
Renewable Energy Research and Development	81.087		$ 479,053
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.502		59,669
Pass-through Programs - Regents of the University of Minnesota - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	Subaward No.: A000211517; Prime No.: DE-OE0000427	7,611
Total U.S. Department of Energy			546,333
U.S. Department of Transportation:			
Direct Programs - Highway Research and Development Program	20.200		352,882
Pass-through Programs - Ohio Department of Transportation - Highway Planning and Construction	20.205	AWARD #: 22896	20,380
Total U.S. Department of Transportation			373,262
U.S. Environmental Protection Agency - Direct Programs - Congressionally Mandated Projects	66.202		188,847
U.S. Geological Survey - Pass-through Programs:			
America View - U.S. Geological Survey National Land Remote Sensing Education Outreach and Research	15.815	AV08-OH01,AV08-1 Mod.#2-5, AV08-OH01 Amnd 2-5, & AV08-01 Mod	28,324
U.S. Department of Commerce - Pass-through Programs -			
Coastal Zone Management Administration Awards	11.419	DNRFH005 310-1	13,347
Total Research and Development Cluster			6,609,386
Teacher Quality Partnership Grants Cluster			
Department of Education - Pass-through Programs:			
ARRA - Teacher Quality Partnerships - Recovery Act	84.405	U405A100055	268,759
CDBG - Entitlement Grants Cluster			
U.S. Department of Housing and Urban Development -			
Pass-through Programs - Community Development Block Grants/Entitlement Grants	14.218	CE1000852-01	72,718

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Other Financial Assistance Programs			
Department of Health and Human Services:			
Direct Programs - Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.264		$ 44,368
Pass-through Programs:			
Ohio Department of Job and Family Services - Stephanie Tubbs Jones Child Welfare Services Program	93.645	G89-06-0336/PO-02-0000005261	51,008
Ohio Department of Job and Family Services - Foster Care Title IV-E	93.658	G89-06-0336/PO-02-0000005261	51,008
Ohio Department of Job and Family Services - Adoption Assistance	93.659	G89-06-0336/PO-02-0000005261	51,008
Nurse Faculty Loan Program (NFLP)	93.925	1 T08HP22500-01-00	24,000
Total Department of Health and Human Services			221,392
National Aeronautics and Space Administration:			
Direct Programs - Science	43.001		9,012
Pass-through Programs:			
Ohio Space Grant Consortium - Science	43.001	SEED	217
Ohio Space Grant Consortium - Aeronautics	43.002		23,143
Total National Aeronautics and Space Administration			32,372
National Science Foundation - Direct Programs:			
Mathematical and Physical Sciences	47.049		3,335
Computer and Information Science and Engineering	47.07		46,485
Education and Human Resources	47.076		191,895
Total National Science Foundation			241,715
U.S. Department of Commerce - Direct Programs - Economic Development - Technical Assistance	11.303		138,544
U.S. Small Business Administration - Pass-through Programs - Small Business Development Centers	59.037	ECDD 10-176, ECDD 11-278, & ECDD 11-225	142,755
U.S. Department of Defense - Direct Programs - Air Force Defense Research Sciences Program	12.800		138,091
U.S. Department of the Interior - Direct Programs - Cooperative Research and Training Programs	15.945		5,000
National Endowment for the Humanities:			
Direct Programs - Promotion of the Humanities Professional Development	45.163		24,778
Pass-through Programs - Promotion of the Humanities Professional Development	45.163	OHC GR_11-045	5,000
Total National Endowment for the Humanities			29,778
U.S. Department of Transportation/Federal Transit Administration - Direct Programs:			
Highway Training and Education	20.215		9,377
Public Transportation Research	20.514		120,535
Total US Department of Transportation/Federal Transit Administration			129,912

See Notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Other Financial Assistance Programs (Continued)			
Department of Education:			
Direct Programs:			
Higher Education Institutional Aid	84.031		$ 741,655
Fund for the Improvement of Postsecondary Education	84.116		89,869
Business and International Education Projects	84.153		66,218
Bilingual Education - Professional Development	84.195		223,001
Graduate Assistance in Areas of National Need	84.200		(5,264)
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		79,679
Pass-through Programs:			
Educational Services Center of Cuyahoga County - Fund for the Improvement of Education	84.215	U215X060145,U215X8270 ,U215X60145	99,311
Ohio Department of Education - Reading First State Grants	84.357	#OA03034; POs #EDU01-0000002869 & #EDU01-0000004793	11,620
Total Department of Education			1,306,089
Total Other Financial Assistance Programs			2,385,648
Total Expenditures of Federal Awards			**$ 169,869,811**

See Notes to Schedule of Expenditures of Federal Awards.

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Cleveland State University under programs of the federal government for the year ended June 30, 2012. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

Facilities and Administrative Costs - The University has approved predetermined facilities and administrative cost rates, which are 42 percent from July 1, 2011 to June 30, 2012 for on-campus research and instruction and 24 percent from July 1, 2011 to June 30, 2012 for off-campus research.

Note 2 - Subrecipient Awards

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

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Department of Health and Human Services:		
Case Western Reserve University	93.837	$ 30,333
Case Western Reserve University	93.307	7,306
Benjamin Rose Institute	93.791	31,396
National Science Foundation:		
University of Ewisconsin-Platteville	47.076	11,821
University of Louisville Research Foundation	47.076	12,463
Southern Polytech	47.076	10,000
Case Western Reserve University	47.076	10,000
Lamar University	47.076	10,006
Pennsylvania State University	47.076	420
University of North Carolina	47.076	6,220
Colorado State University	47.076	679
University of Alabama	47.076	9,901
Kent State University	47.076	43,810
California State University, Fresno	47.076	14,988
Dennis Gries	47.076	11,849
Cleveland Clinic Foundation	47.401	24,874
Department of Education:		-
Cuyahoga Community College	84.031	245,983
James Harmon	84.305	11,548
Marketa President	84.305	11,545
Alison Mizen	84.305	13,000
Youth Opportunities Unlimited	84.305	16,699
C. Overholt	84.305	2,000
J. Gonzalez	84.305	400
U.S. Geological Survey -		
Nader Management Services	15.815	14,000
Department of Energy -		
Ohio State University Research Foundation	81.087	16,436
U.S. Department of Transportation -		
Ohio University	20.200	30,965
	Total	$ 598,642

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unqualified

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.379, 84.038, 84.268	Student Financial Aid
various	Research and Development
84.031	Title III
84.405	The Teacher Preparation Reform Consortium

Dollar threshold used to distinguish between type A and type B programs: $304,039

Auditee qualified as low-risk auditee? __X__ Yes ______ No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2011-03	Research and Development Cluster	During review of the University's compliance with allowability requirements as outlined by grants within the Title III program, we noted three instances of noncompliance. Three expenditures were applied to unbudgeted line items out of a total of 40 expenditures that were selected for testing. Subsequent budget revisions were approved by the granting agency for one of the items, but was not communicated to the appropriate University grant budgeting office.	Corrected	Since this finding, OSPR has been correctly notified in advance of a programmatic change that required a budget adjustment so that adjustment could be made in advance of an expenditure being incurred.
2011-04	Research and Development Cluster	In reviewing the reporting requirements for the selected sample of grants, one report was not filed by the specified deadline outlined in the filing requirements of the grant agreement.	Corrected	This issue is now complete. OSPR has enhanced its narrative report reminder procedures and they have been put into place during the appropriate time period.

Cleveland State University
National Collegiate Athletics Association

Report on the Application of Agreed-upon Procedures
Related to NCAA Constitution 3.2.4.16

June 30, 2012

National Collegiate Athletics Association Report

Contents

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Independent Accountants' Report on the Application of Agreed-upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by the President of Cleveland State University (the "University"), solely to assist you in evaluating whether the accompanying Intercollegiate Athletics Program Statement of Revenues and Expenditures of Cleveland State University is in compliance with the National Collegiate Athletics Association (NCAA), Constitution 3.2.4.16 for Division I for the year ended June 30, 2012. Cleveland State University's management is responsible for the statement of revenue and expenditures (the "statement") and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Internal Control Structure

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

   1) Met with the athletic director and inquired about the general control environment over intercollegiate athletic finances, level of control consciousness in the University, the competence of personnel, and the protection of records and equipment.

   2) We obtained the audited financial statements for the year ended June 30, 2012 and all additional reports regarding internal controls due to the University being audited independent of these agreed-upon procedures.

   3) We obtained and inspected any documentation of the accounting systems and procedures unique to the intercollegiate athletics department.

   Results: Since the processes in steps one through three were not unique to the athletic department, and they were tested during the audit of the University's basic financial statements, we did not perform additional procedures.

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

Statement of Revenue and Expenditures

B. **Procedure:** We obtained the intercollegiate athletics program statement of revenue and expenditures for the year ended June 30, 2012 prepared by management and:

- Recalculated the amounts on the statement
- Agreed the amounts on the statement to management's worksheets supporting the preparation of the statement
- Agreed the amounts on such worksheets to the University's general ledger

Result: We completed the procedures above without exception

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

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

Revenue

D. **Procedure:** We agreed each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the University.

Result: We completed the procedures above without exception.

We performed the following procedures for the indicated revenue category:

1) Ticket Sales

Procedure: We agreed tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets from the University's ticketing systems and attendance amounts to the related revenue reported by the University and recalculated totals.

Result: We completed the procedures without exception.

2) Student Fees

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

Result: In order to agree the student fees reported by the University to student enrollments, we performed an analytical test multiplying the number of students enrolled during the reporting period by the student fee rate. We noted the University allocates student fees to intercollegiate athletics programs by transfers of unrestricted fund balances at year end based upon actual expenditures. We completed the procedures above without exception.

3) Contributions

Procedure: We obtained and reviewed the schedule of contributions of monies, goods, or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals and noted no contributions received exceeding 10 percent and $12,000 during the reporting period.

Result: We noted no contributions of monies, goods, or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals received exceeding 10 percent and $12,000 during the reported period.

4) Royalties, Advertisements, and Sponsorships

Procedure: We obtained and inspected agreements related to the University's participation in revenue from royalties, advertisements, and sponsorships during the reporting period. We agreed the related revenue to the University's general ledger and recalculated totals.

Result: We completed the procedures above without exception.

5) Other Operating Revenue

Procedure: We agreed each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the University and recalculated the totals.

Result: We completed the procedures above without exception.

Expenditures

E. **Procedure:** We agreed each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University.

Result: We completed the procedures above without exception.

We performed the following procedures for the indicated expenditure category:

1) Athletic Student Aid

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

Result: We completed the procedures above without exception.

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

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

Result: We selected five coaches' contracts that included men's basketball, wrestling, swimming, baseball, and tennis. We agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University and related entities in the statement during the reporting period. We obtained and inspected W-2s for each selection. We agreed related W-2s to the related coaching salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period, and recalculated totals. No exceptions were noted.

3) Recruiting

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

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

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

4) Team Travel

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

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

5) Other Operating Expenses

   Procedure: We agreed each operating expenditure category reported in this statement during the reporting period to supporting schedules and general ledger detail provided by the University and recalculated the totals.

   Result: We completed the procedures above without exception.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying intercollegiate athletics program statement of revenue and expenditures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Plante & Moran, PLLC

October 15, 2012

Cleveland State University
National Collegiate Athletics Association Report

Intercollegiate Athletics Program
Statement of Revenues and Expenditures
For the Year Ended June 30, 2012

	Unrestricted	Restricted	Total
Revenues:			
Sports:			
Men's Basketball	$ 494,344	$ -	$ 494,344
Other Sports	35,969	-	35,969
Total Sports	530,313	-	530,313
Federal Grants and Contracts	-	71,883	71,883
Private Gifts, Grants and Contracts	-	490,316	490,316
Other Sources	639,102	-	639,102
Total Revenues	1,169,415	562,199	1,731,614
Expenditures:			
Administrative and General:			
Salaries and Wages	1,291,674	91,661	1,383,335
Fringe Benefits	370,079	15,832	385,911
Public Relations	40,565	-	40,565
Printing	23,558	-	23,558
Travel	74,611	-	74,611
Supplies	241,608	10,141	251,749
Telephone	42,482	-	42,482
Conference & Meals	10,151	50,132	60,283
Other	309,147	76,781	385,928
Total Administrative and General	2,403,875	244,547	2,648,422
Operation and Maintenance of Plant	902,096	882	902,978

Cleveland State University
National Collegiate Athletics Association Report

Intercollegiate Athletics Program
Statement of Revenues and Expenditures (Continued)
For the Year Ended June 30, 2012

	Unrestricted	Restricted	Total
Expenditures (Continued):			
Sports:			
Men's Soccer	$ 360,196	$ 21,249	$ 381,445
Men's Basketball	2,185,489	69,302	2,254,791
Men's Wrestling	377,115	21,021	398,136
Men's Swimming	302,760	49,258	352,018
Men's Fencing	24,577	-	24,577
Men's Tennis	204,076	9,058	213,134
Men's Golf	153,837	22,331	176,168
Women's Golf	157,565	10,150	167,715
Women's Volleyball	491,149	5,432	496,581
Women's Swimming	331,363	35,900	367,263
Women's Basketball	1,167,003	19,838	1,186,841
Women's Fencing	26,633	-	26,633
Women's Softball	479,252	40,053	519,305
Women's Tennis	255,265	4,795	260,060
Women's Soccer	443,958	6,105	450,063
Women's Track/Cross Country	83,392	2,278	85,670
Total Sports	7,043,630	316,770	7,360,400
Total Expenditures	10,349,601	562,199	10,911,800
Transfers Among Funds-Additions/(Deductions):			
Nonmandatory Transfers:			
Support From Current Unrestricted Funds	$ 8,998,588	$ -	$ 8,998,588
Other Transfers	181,598	(1,238)	180,360
Excess of Restricted Receipts over Transfers To Revenue	-	(130,045)	(130,045)
Total Transfers	9,180,186	(131,283)	9,048,903
Net Decrease in Fund Balance	$ -	($ 131,283)	($ 131,283)

Note 1 - Intercollegiate Athletics-Related Assets

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

The current year capitalized additions and deletions to athletic facilities and the University as a whole during the year ended June 30, 2012 are as follows:

	Current Year Additions	Current Year Deletions
Total Athletics Facilities	$ 340,009	$ -
Other Institutional Facilities	10,730,264	2,783,923

The total estimated book values of property, plant, and equipment, net of depreciation, of the University's athletic facilities and the University as a whole as of the year ended June 30, 2012 are as follows:

	Estimated Book Value
Athletically related property, plant, and equipment balance	$ 53,487,597
University's total property, plant, and equipment balance	$ 834,854,218

Note 2 - Intercollegiate Athletics-Related Debt

The annual debt service and debt outstanding for the University's athletic facilities and the University as a whole as of the year ended June 30, 2012 are as follows:

	Annual Debt Service	Debt Outstanding
Athletically Related Facilities	$ 273,397	$ 561,923
University's Total	$ 19,827,212	$ 215,057,122

The repayment schedule for all outstanding intercollegiate athletics debt maintained by the University during the year ended June 30, 2012 is as follows:

Years Ending June 30	Total Intercollegiate Athletics Debt
2013	$ 252,207
2014	264,417
2015	45,299
Total	$ 561,923

Appendix A
Variances Noted During Procedures
Year Ended June 30, 2012

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

Restricted Fund:

- There were three items that were reported differently in FY 2012 than they were in FY 2011, resulting in the increase. In FY 2011, $17,832 of pool restricted expenses were reported as men's swimming expenses. Since both the men's and women's teams as well as outside groups use the competitive pool, we moved the expense to General and Administrative. When we discontinued baseball we promised to honor the athletic grants-in-aid that wanted to stay at CSU. We spent $28,374 on former baseball student athletes and will report that as financial aid not related to a competitive sport. Finally we moved the NCAA Student Athlete Opportunity Fund (SAOF) to restricted. We spent $36,613 on fifth year aid. Fifth year aid will also be reported as financial aid not related to a competitive sport.

- The majority of the difference in men's swimming restricted is due to a change in reporting. In FY 2011, $17,832 of expenses in the pool restricted account were reported as men's swimming expenses. Since both the men's and women's teams as well as outside groups use the competitive pool, we moved this expense to General and Administrative.

- We discontinued the sport of baseball at the end of the FY 2011.

- There was a $12,829 decrease in team travel for women's swimming from FY 2011 to FY 2012. This was due to a change in travel pattern.

- The difference in women's tennis restricted is due to a change in reporting. In FY 2011, all restricted dollars spent on tennis were reported as women's tennis expenses. In FY 2012, charges were allocated between men and women by creating a new account. The total restricted expenses for men and women were $13,853, a decrease of $3,529.

Appendix A (Continued)
Variances Noted During Procedures
Year Ended June 30, 2012

Unrestricted Fund:

- In FY 2011, we had a contract for men's basketball that paid $10,000 for an away game. In FY 2012, we had a contract for men's basketball that paid $60,000 for an away game. The rest of the increase is attributed to increased ticket sales.
- In FY 2011, we spent $95,661 on public relations and $23,988 on advertising ($119,649 total) promoting athletics. In FY 2012, we spent $40,565 on public relations and $90,227 on advertising ($130,792 total). The difference can be attributed to how expenses were coded.
- A sponsorship agreement that included trade was sold by Nelligan Sports Marketing. The printing company received sponsorship recognition in exchange for goods and services. Nelligan Sports Marketing has the University's rights for sponsorship and marketing.
- Because we discontinued baseball, we spent $37,000 less on van rentals and gas to transport the team to and from the field. We also spent $18,055 less on post season tournament travel. In FY 2011, we had four teams qualify for post-season play; in FY 2012, we had one.
- We spent $59,000 on strength and conditioning equipment to start to upgrade our weight rooms. We did not have that expense in FY 2011. It is anticipated that this will be a three-year process.
- There was a $309,120 increase in the maintenance service charge and utilities in FY 2012. The increase was due to a rate increase and costs being shifted from the University's operating account to athletics.
- There was a $54,682 increase in expenses for wrestling grants-in-aid. More student athletes received aid.
- We awarded an additional grant-in-aid in men's tennis at an approximate cost of $22,000.
- We awarded $17,679 more in grants-in-aid for women's golf in FY 2012
- We increased the FTE of the part-time head coach in women's cross country from .20 to .30 at a cost of $6,853. We awarded $8,541 more in grants-in-aid in FY 2012.

Appendix A (Continued)
Variances Noted During Procedures
Year Ended June 30, 2012

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

- Women's basketball signed two contracts with Guarantees worth $15,000 after the budget was submitted. Additionally, we exceed ticket revenue projections in several sports: men's soccer $1,084, wrestling $547, volleyball $4,872, women's basketball $3,259 and women's soccer $1,631.
- The entire shortfall is in the media/sponsorship account. It is our understanding that most of the sponsorship income is being held. No distribution has taken place.
- The decrease in public relations spending was accompanied by an increase in the advertising line which is combined into another group of expenditures.
- Nelligan brokered a sponsorship with a printing company that included trade. Using the trade reduced our printing expenses.
- We discontinued baseball at the end of FY 2011. We did not need to rent vans to transport the team to and from the field in Avon, OH.
- $100,000 of this overage is due to the contribution to the deferred payment account of the head men's basketball coach. The funds to cover that expense are in the internal operations budget. $22,924 of the overage is from participating in an away game scheduled after the budget was submitted. The expense was covered by excess income in the guarantee line related to the game.
- We awarded one additional athletic grant-in-aid in men's tennis than was budgeted at a cost of approximately $22,000.

CLEVELAND STATE UNIVERSITY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 31, 2012

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