CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
Wilberforce, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019 and 2018

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
Central State University Foundation and Subsidiaries
PO Box 64
Dayton, Ohio 45401

We have reviewed the *Independent Auditor's Report* of the Central State University Foundation, Montgomery County, prepared by Crowe LLP, for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

December 10, 2019

This page intentionally left blank.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
Wilberforce, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019 and 2018

CONTENTS

This page intentionally left blank.

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Management and the Board of Directors
Central State University Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Central State University Foundation and Subsidiary (collectively the 'Foundation'), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated November 15, 2019 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization has adopted ASU 2016-14 - *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities.* Our opinion is not modified with respect to this matter.

Crowe LLP

Crowe LLP

Columbus, Ohio
November 15, 2019

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 1,478,924	$ 709,923
Receivable from Central State University	215,339	-
Contributions receivable, net	48,405	5,042
Other receivables	1,917	14,130
Prepaid expenses	6,930	6,700
Total current assets	1,751,515	735,795
Investments	3,382,641	3,856,440
Restricted cash and cash equivalents	2,573,551	3,799,825
Capital assets, net	10,298,400	10,722,514
Total assets	$ 18,006,107	$ 19,114,574
Liabilities		
Accounts payable	$ 23,815	$ 1,119
Payable to Central State University	-	223,060
Accrued interest payable	325,087	366,533
Current portion of long-term debt	625,000	600,000
Total current liabilities	973,902	1,190,712
Long-term debt, net of unamortized financing costs of $746,499 and $854,809 for 2019 and 2018, respectively	11,025,398	12,454,792
Total liabilities	11,999,300	13,645.504
Net Assets		
Without donor restrictions	408,852	(45,360)
With donor restrictions	5,597,955	5,514,430
Total net assets	6,006,807	5,469,070
Total liabilities and net assets	$ 18,006,107	$ 19,114,574

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
Year ended June 30, 2019 with comparative totals for 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue				
Rental revenue	$ 3,498,453	$	$ 3,498,453	$ 3,094,086
Contributions	416,530	295,500	712,030	583,113
Other	112,198	59,883	172,081	529,085
Investment income		270,377	270,377	371,931
Net assets released from restrictions	116,329	(116,329)	-	-
Total revenue	4,143,510	509,431	4,652,941	4,578,216
Expenses				
Programs:				
Scholarship programs	101,210	-	101,210	394,301
Athletic programs	51,827	-	51,827	161,578
Academic programs	68,165	-	68,165	97,724
Institution programs	209,411	-	209,411	157,671
Student support programs	22,634	-	22,634	319,549
Housing programs	2,720,912	-	2,720,912	2,873,855
Operating expenses	382,777	-	382,777	466,187
Fundraising expenses	132,361	-	132,361	38,413
Total expenses	3,689,298	-	3,689,298	4,509,277
Operating Gain	454,212	509,431	963,643	68,939
Non-operating expenses				
Transfer out of endowment	-	425,906	425,906	113,994
(Decrease)/Increase in net assets	454,212	83,525	537,737	(45,056)
Net Assets - beginning of year	(45,360)	5,514,430	5,469,070	5,514,126
Net Assets - end of year	$ 408,852	$ 5,597,955	$ 6,006,807	$ 5,469,070

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
Year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Rental revenue	$ 3,094,086	$ -	$ 3,094,086
Contributions	363,513	219,601	583,113
Other	319,204	209,881	529,085
Investment income	66,081	305,850	371,931
Net assets released from restrictions	380,062	(380,062)	-
Total revenue	4,222,946	355,270	4,578,216
Expenses			
Programs:			
Scholarship programs	394,301	-	394,301
Athletic programs	161,578	-	161,578
Academic programs	97,724	-	97,724
Institution programs	157,671	-	157,671
Student support programs	319,549	-	319,549
Housing programs	2,873,855	-	2,873,855
Operating expenses	466,187	-	466,187
Fundraising expenses	38,413	-	38,413
Total expenses	4,509,277	-	4,509,277
Operating (Loss)/Gain	(286,331)	355,270	68,939
Non-operating expenses			
Transfer out of endowment	-	113,994	113,994
(Decrease)/Increase in net assets	(286,331)	241,276	(45,056)
Net Assets - beginning of year	192,547	5,321,579	5,514,126
Transfer for adoption of ASU 2016-14	48,424	(48,424)	-
Net Assets - end of year	$ (45,360)	$ 5,514,430	$ 5,469,070

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 537,737	$ (45,056)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	424,114	424,116
Amortization of issuance costs	108,310	99,274
Amortization of bond discount	17,294	16,305
Contributions restricted for long-term investment	(86,800)	(4,257)
Unrealized gain on investments	(55,866)	(190,651)
Transfer out of endowment	425,906	113,994
Changes in operating assets and liabilities:		
Contributions receivable	(31,150)	(12,923)
Prepaid expenses	(230)	-
Accounts payable/receivable	121,143	(267,327)
Accrued interest payable	(41,446)	(13,605)
Net cash from operating activities	1,419,012	119,870
Cash flows from investing activities		
Purchases of investments	(1,280,288)	(1,287,362)
Transfer out of endowment	(425,906)	(113,994)
Sale of investments	1,379,614	1,315,759
Net cash from investing activities	(326,580)	(85,597)
Cash flows from financing activities		
Principal payment on bonds payable	(1,530,000)	(986,327)
Contributions restricted for long-term investment	86,800	4,257
Net cash from financing activities	(1,443,200)	(982,070)
Net change in cash and cash equivalents	(350,768)	(947,797)
Cash and cash equivalents - beginning of year	4,403,243	5,457,546
Cash and cash equivalents - end of year	$ 4,052,475	$ 4,509,749
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	$ 693,972	$ 766,600

See accompanying notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Method of Accounting and Basis of Presentation: The accompanying consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. For external financial reporting purposes, in accordance with Accounting Standards Codification (ASC) 958, the Foundation presents its consolidated financial statements by net asset without donor restrictions and with donor restrictions classifications. The Foundation's significant accounting policies are described below.

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

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

Investments: Investments are generally carried at fair value, which is determined using valuations techniques as described in Note 2. Realized gains and losses are recorded using specific identifications of the securities sold.

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Building	40 years
Building Improvements	15 years
Furniture	7 years

Impairment or Disposal of Long-lived Assets: The Foundation reviews the recoverability of long-lived assets, including buildings and equipment, and other assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

Financing Costs: The unamortized financing costs include consulting, attorneys' fees, and other fees incurred in connection with the bond obligations of Marauder. These costs are netted against the long-term debt balance and are amortized using the interest method over the lives of the bonds and are included as amortization expense. The balance at August 31, 2019 and 2018 was $746,499 and $854,809, respectively. Accumulated amortization at August 31, 2019 and 2018 was $1,568,670 and $1,460,360, respectively.

Surplus Expense: Marauder's agreement with the University requires that the year-end balance in the surplus account held by the trustee, less applicable amounts for management fees that have not been funded to the management fee accounts, is paid at 90 percent to the University as a land/lease payment, with the remaining 10 percent to the Foundation. The trustee is required to calculate this surplus from the audited financial statements. Based on the information provided by the trustee, the amount calculated for the years ended August 31, 2019 and 2018 was $44,550 and $185,269, respectively and is included within operating expenses on the Consolidated Statements of Activities and Changes in Net Assets.

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

Net Assets Without Donor Restrictions: The Foundation has the following significant funds without donor restrictions,

- Fund Without Donor Restrictions: This fund is used to account for all financial resources presently available for use by the Foundation.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The Friends of WCSU: This fund is used to account for contributions presently available for use at the discretion of the management of WCSU, the campus's radio station.

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

Net Assets With Donor Restrictions: These funds are used to account for resources presently available for use, but expendable only for purposes specified by the donor. The Foundation had the following significant, funds with donor restrictions:

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

- College of Science and Engineering Funds: This fund receives contributions for the purpose of supporting programs and scholarships within the College of Science and Engineering.

- Memorial Scholarships: This fund receives contributions for the purpose of designated scholarships for student who demonstrate high achievement and community service.

These funds are used to account for resources for which the donor has stipulated, as a condition of the gift that the principal be maintained intact and only the investment income of the fund be expended as the donor specified. The Foundation also had the following categories of funds with such donor restrictions:

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

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

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

Expiration of Donor-Imposed Restrictions: The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at that time the related resources are reclassified to net assets without donor restrictions. A restriction expires when either the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors or by the change of restrictions specified by the donors. When an expense is incurred for purposes for which both without donor restrictions and without donor restrictions resources are available, it is the Foundation's policy to apply restricted resources first, then resources without restrictions as needed.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition: Unconditional promises to give are recognized as revenues on a discounted basis in the period made. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional. Other revenue consists of miscellaneous fees, dues, game guarantees and special events organized by the Foundation.

Recognition of Rental Revenue: Rental revenue is derived from leasing housing facilities (which were constructed and financed by Marauder as noted previously) to Central State University on behalf of their students. Rental revenue is recognized based on occupancy.

Income Taxes: The Foundation operates as a nonprofit corporation and has been determined to be exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and to recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation is no longer subject to examination by taxing authorities for years before 2011. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Recently Adopted Accounting Guidance: In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities (Topic 958) (ASU 2016-14)* which revises the not-for-profit reporting model. ASU 2016-14 provides for additional disclosure requirements and modifies net asset reporting. The standard requires the Foundation to reclassify its net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor-imposed restrictions and net assets with donor imposed restrictions, among other requirements. It requires the Foundation to provide qualitative and quantitative information that communicates how the Foundation manages liquid resources available to meet cash needs within one year of the statement of net position date. It also requires the Foundation to disclose expenses by both natural and functional classification as well as methods used to allocate between program and support functions. ASU 2016-14 is effective for financial statements issued for fiscal years beginning after December 15, 2017. The Foundation adopted ASU 2016-14 for the fiscal year ended June 30, 2019 and has adjusted the presentation of the financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except for the presentation of natural and functional expense classifications, as permitted.

As a result of the adoption of ASU 2016-14, net assets as of June 30, 2018 were reclassified to show the impact of underwater endowment funds netted against net assets with donor restrictions. In total, $48,424 of underwater endowment funds were reclassified and increased the June 30, 2018 balance of net assets without donor restrictions and decreased the June 30, 2018 balance of net assets with donor restrictions by the same amount.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers Topic (606)*. This ASU supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Foundation adopted this ASU on June 1, 2018.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2018, the FASB issued (ASU) 2018-08, *Not-for-Profit Entities: Topic 958*. The amendments in this Update provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional. The Foundation adopted this ASU on June 1, 2018.

There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2014-09 or ASU 2018-08. As a result, no cumulative effect adjustment was recorded upon adoption.

Subsequent Events: The financial statements and related disclosures include evaluation of events up through and including November 15, 2019, which is the date the financial statements were issued.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported changes in net assets or total net assets.

NOTE 2 - DEPOSITS AND INVESTMENTS

As required by the bond indenture, the Foundation, through Marauder, maintains restricted cash balances in the following accounts as of August 31, 2019 and 2018.

	2019	2018
Debt interest account	$ 341,720	$ 375,318
Debt principal account	298,132	632,015
Redemption fund	630,476	600,686
Repair and replacement fund	10,064	847,948
Debt reserve fund	1,293,159	1,343,858
Total restricted cash	$ 2,573,551	$ 3,799,825

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

The Foundation reports investments at estimated fair value, in accordance with the fair value hierarchy prescribed by ASC 820, Fair Value Measurements and Disclosures, which requires certain assets and liabilities to be reported at fair value in the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value. The following three-tier fair value hierarchy prioritizes the inputs used in measuring fair value:

Level 1 - Observable inputs such as quoted prices in active markets

Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Level 3 - Unobservable inputs for which there is little or no market data that requires the Foundation to develop assumptions

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Investments of the Foundation include cash equivalents, equity mutual funds, and bond mutual funds. The Foundation records these investments at their current fair values based on quoted market prices in active markets for identical assets, which is consistent with Level 1 in the hierarchy.

If quoted market prices are not available, then fair values are estimated by using quoted market prices of securities with similar characteristics and are classified within Level 2 of the hierarchy.

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
Assets	Quoted prices in Active markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance
Cash/money market accounts:				
Money market accounts	$ 190,735	$ -	$ -	$ 190,735
Subtotal	$ 190,735			190,735
Private equity investments:				
Equity mutual funds	$2,110,389	-	-	$2,110,389
Subtotal	$2,110,359	-	-	$2,110,359
Fixed-income investments:				
Bond mutual funds	$1,081,517	-	-	$1,081,517
Subtotal	$1,081,517	-	-	$1,081,517
Total investments	$ 3,382,641	$ -	$ -	$ 3,382,641

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2018			
Assets	Quoted prices in Active markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance
Cash/money market accounts:				
Money market accounts	$ 145,933	$ -	$ -	$ 145,933
Subtotal	145,933	-	-	145,933
Private equity investments:				
Equity mutual funds	2,002,411	-	-	2,002,411
Subtotal	2,002,411	-	-	2,002,411
Fixed-income investments:				
Bond mutual funds	1,708,096	-	-	1,708,096
Subtotal	1,708,096	-	-	1,708,096
Total investments	$ 3,856,440	$ -	$ -	$ 3,856,440

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the beginning of the reporting period. For the year ended June 30, 2019 and 2018, there were no transfers between levels of the fair value hierarchy.

Investment return for the years ended June 30, 2019 and 2018 was comprised of the following:

	2019	2018
Investment income - Foundation endowment	$ 121,127	$ 117,553
Interest income – Marauder Development, LLC	93,384	63,727
Net realized and unrealized (losses)/gains on investments reported at fair value	55,866	190,651
Total investment return	$ 270,377	$ 371,931

Other Financial Instruments: The Foundation’s other financial instruments include cash and cash equivalents, accounts and contributions receivable, accounts payable, and indebtedness.

For cash and cash equivalents, accounts and contributions receivable, and accounts payable, the carrying amounts approximate fair value due to the short maturity of these items. The carrying amount of indebtedness approximates fair value due to the debt bearing interest at a variable rate.

(Continued)

NOTE 3 - DONOR ENDOWMENTS

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

Interpretation of Relevant Law: The board of trustees of the Foundation has interpreted the Ohio Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historical value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The composition of net assets by type of endowment fund at June 30, 2019 and 2018 was:

2019	Without Donor Restrictions	With Donor Restrictions	Totals
Donor-restricted endowment funds	$ -	$ 3,792,362	$ 3,792,362

2018	Without Donor Restrictions	With Donor Restrictions	Totals
Donor-restricted endowment funds	$ -	$ 3,997,437	$ 3,997,437

(Continued)

NOTE 3 - DONOR ENDOWMENTS (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Balance Total
Endowment assets – Beginning of year	$ -	$ 3,997,437	$ 3,997,437
Net realized and unrealized gains		55,866	55,866
Investment income		121,127	121,127
Total investment gain		176,993	176,993
Contributions	-	86,800	86,800
Administrative fee	-	(24,887)	(24,887)
Appropriation for expenditure		(18,075)	(18,075)
Transfer out of endowment	-	(425,906)	(425,906)
Endowment net assets - End of the year	$ -	$ 3,792,362	$ 3,792,362

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Balance Total
Endowment assets – Beginning of year	$ (48,800)	$ 3,872,419	$ 3,823,619
Net realized and unrealized gains	-	197,960	197,960
Investment income	-	117,553	117,553
Total investment gain		315,513	315,513
Contributions	-	4,257	4,257
Administrative fee	-	(26,975)	(26,975)
Appropriation for expenditure	-	(4,983)	(4,983)
Recovery of underwater funds	376	(376)	-
Reclassification per ASU 2016-14	48,424	(48,424)	
Transfer out of endowment	-	(113,994)	(113,994)
Endowment net assets - End of the year	$ -	$ 3,997,437	$ 3,997,437

During the years ended June 30, 2019 and 2018, endowed funds in the amount of $425,906 and $113,994, respectively, were transferred out of the endowment to outside sources per the request of the donor.

(Continued)

NOTE 3 - DONOR ENDOWMENTS (Continued)

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in net assets with donor restrictions were $48,177and $48,424 as of June 30, 2019 and 2018, respectively. At June 30, 2019 deficiencies of this nature existed in one fund which had an original value of $3,016 and a market value of ($45,161). At June 30, 2018 deficiencies of this nature existed in one fund which had an original value of $3,016 and a market value of ($45,772). These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions with donor restrictions and continued appropriation for certain programs that was deemed prudent by the board of trustees.

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

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation is authorized only to expend the investment income and/or accumulated income above the principal amount from the invested endowment funds, and the remaining income is to be reinvested. Appropriations are discretionary. If an investment loss is incurred, the loss is allocated entirely as currently expendable. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 5 percent annually. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Appropriation for expenditure amounts totaled $18,075 and $4,983 during the year ended June 30, 2019 and 2018, respectively.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

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

(Continued)

NOTE 5 - CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2019 and 2018:

	2019	2018
Land	$ 140,800	$ 140,800
Building	16,519,103	16,519,103
Furniture and fixtures	896,603	896,603
Total capital assets	17,556,506	17,556,506
Less accumulated depreciation	7,258,106	(6,833,992
Net capital assets	$ 10,298,400	$ 10,722,514
Depreciation Expense-Marauder	398,132	398,133
Depreciation Expense-Foundation	25,982	25,983
Total	$ 424,114	$ 424,116

NOTE 6 - CLASSIFICATION OF NET ASSETS

Details of the Foundation's net assets with donor restrictions at June 30, 2019 and 2018 are as follows:

2019	With Donor Restrictions
Academic	$ 1,640,334
Scholarship	1,250,315
Other general funds	2,707,306
Total net assets	$ 5,597,955

2018	With Donor Restrictions
Academic	$ 1,206,345
Scholarship	2,026,759
Other general funds	2,281,326
Total net assets	$ 5,514,430

Net assets released from restriction totaled $116,329 and $380,062 at June 30, 2019 and 2018, respectively.

(Continued)

NOTE 7 - LONG-TERM DEBT

On May 30, 2014, the Foundation obtained a commercial loan in the amount of $491,326 from PNC Bank to purchase property for use as a Presidential residence and hospitality center. Under the terms of the agreement, the Foundation will make 59 monthly principal payments beginning July 1, 2014 amortized over 20 years with the remaining balance due on the maturity date, May 30, 2019. The terms of the loan include a variable interest rate of five-year COF plus 3%. The loan was paid off in full on May 18, 2018. The commercial loan was collateralized with $490,580 of cash without restrictions held in a money market account at PNC Bank. The balance of the loan at June 30, 2018 was $416,327.

Marauder Development, LLC has the following debt related to the financing of student dormitories. Information is for the subsidiary's year ended August 31, 2019 and 2018:

	Interest Rate	Maturity	Balance August 31, 2018	Additions	Payments	Balance August 31, 2019
Revenue Bonds Series 2002	3.0%-5.625%	2030	$ 4,846,753	$6,796	($1,205,000)	$3,648,549
Revenue Bonds Series 2004	3.3%-5.1%	2035	9,062,848	10,498	($325,000)	8,748,346
Total			$ 13,909,601	$17,294	$(1,530,000)	12,396,895
Less current portion						625,000
Less unamortized financing costs						746,499
Long-term portion						$11,025,396

	Interest Rate	Maturity	Balance September 1, 2017	Additions	Payments	Balance August 31, 2018
Revenue Bonds Series 2002	3.0%-5.625%	2030	$ 5,101,307	$ 5,446	$ (260,000)	$ 4,846,753
Revenue Bonds Series 2004	3.3%-5.1%	2035	9,361,989	10,859	(310,000)	9,062,848
Total			$ 14,463,296	$ 16,305	$ (570,000)	13,909,601
Less current portion						600,000
Less unamortized financing costs						854,809
Long-term portion						$ 12,454,792

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

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

	Series 2002 Bonds		Series 2004 Bonds		
	Principal	Interest	Principal	Interest	Total
Year ending August 31,					
2020	285,000	246,053	340,000	440,725	1,311,328
2021	300,000	230,331	360,000	422,775	1,313,106
2022	320,000	213,669	375,000	404,400	1,313,069
2023	335,000	143,753	395,000	385,150	1,258,903
2024	360,000	124,850	415,000	364,900	1,246,750
2025-2029	2,080,000	297,275	2,405,000	1,480,185	6,262,460
2030-2034		-	3,090,000	783,105	3,873,105
2035-2036	-	-	1,465,000	75,607	1,540,607
Total	$ 3,680,000	$ 1,098,994	$ 8,845,000	$ 4,356,397	$ 17,980,391

During 2002, Marauder issued $8,870,000 of Student Housing Revenue Bonds, Series 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The unamortized bond discount is $31,451 and $38,247 at August 31, 2019 and 2018, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from $285,000 on September 1, 2019, to $440,000 on September 1, 2028, subject to prior mandatory sinking fund redemptions. During the year ending August 31,2019, $415,000 of bonds due on September 1, 2030, $490,000 of bonds due on September 1, 2029 and $25,000 of bonds due on September 1, 2028 were called and retired in addition to $275,000 scheduled to be retired on September 1, 2018.

During 2004, Marauder issued $12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The unamortized bond discount is $96,654 and $107,152 at August 31, 2019 and 2018, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from $340,000 on September 1, 2019, to $750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

Bond Legislation provides that Marauder Development, LLC, will charge rates sufficient for the excess of revenues over expenditures to equal not less than 120 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio). As of June 30, 2019 and 2018, Marauder Development, LLC was in compliance with these requirements.

NOTE 8 – RELATED-PARTY TRANSACTIONS

The University provides certain administrative, accounting, accounts payable, and payroll services on behalf of the Foundation. The Foundation operates exclusively for the benefit of the University and reimburses the University for costs incurred. The Foundation also pays a management fee to the University for the operation of two residence halls on the University's campus that are owned by the Foundation. The University owed the Foundation $215,339 at June 30, 2019. The Foundation owed the University $116,555 at June 30, 2018. The University paid the Foundation $3,498,453 and $3,042,486 for the years ended June 30, 2019 and 2018, respectively, for student residence hall fees for the aforementioned residence halls.

(Continued)

NOTE 8 – RELATED-PARTY TRANSACTIONS (Continued)

The Foundation also pays the University a management fee for administering Foundation funds, which is based on 5% of non-housing revenue received during the year.

The Foundation periodically makes private gifts to the University to be used as assistance for ongoing operations. These gifts amounted to $0 and $41,709 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 - EXPENSES BY NATURE

The statements of activities report certain categories of expenses attributable to the programs and supporting functions of the Foundation. Program Activities include, Scholarship, Athletic, Academic, Institutional, Student Support, and Housing. The table below presents these functional expenses by their natural classification for the year ended June 30, 2019.

	PROGRAM ACTIVITIES							SUPPORTING ACTIVITES			
	Scholarship	Athletic	Academic	Institutional	Student Support	Housing	Program Subtotal	Operating	Fundraising	Support Subtotal	Total Expenses
Staffing Expense	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 289,688	$ -	$ 289,688	$ 579,376
Consulting	-	-	-	-	-	-	-	-	41,865	41,865	83,730
Brochures, other matarial	-	-	-	-	-	-	-	-	9,808	9,808	19,616
Public Relations	-	-	-	-	-	-	-	-	58,217	58,217	116,434
Management Fees	-	-	-	-	-	244,892	244,892	-	-	-	244,892
Scholarships	101,210	-	-	-	-	-	101,210	-	-	-	101,210
Contractual expenses	-	-	-	-	-	1,299,577	1,299,577	-	-	-	1,299,577
General & Administrative	-	51,828	68,165	209,411	-	-	329,404	93,089	-	93,089	515,582
Depreciation	-	-	-	-	-	506,443	506,443	-	-	-	506,443
Interest	-	-	-	-	-	670,000	670,000	-	-	-	670,000
Other	-	-	-	-	22,634	-	22,634	-	22,471	22,471	67,576
	$ 101,210	$ 51,828	$ 68,165	$ 209,411	$ 22,634	$ 2,720,912	$ 3,174,160	$ 382,777	$ 132,361	$ 515,138	$ 3,689,298

Expenses are allocated between the various programs and support activities on an actual basis, where available, or based upon the functional expense area most related to their purpose.

NOTE 10 - LIQUIDITY AND AVAILABILITY

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2019	2018
Financial Assets	$ 4,909,970	$ 4,561,405
Less: Assets required to be maintained to comply with donor restrictions	(5,597,955)	(5,514,430)
	$ (687,985)	$ (953,025)

NOTE 10 - LIQUIDITY AND AVAILABILITY

As part of the Foundation's liquidity management, the Foundation invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets determined to be liquid and available in the table above include unrestricted cash, investments and contributions receivable due in one year. The Foundation uses revenue received during the year to pay general expenditures to offset the negative balance presented as of the financial statement date.

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Management and the Board of Trustees
Central State University Foundation
and Subsidiaries

We have audited, in accordance with the 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, the consolidated financial statements of Central State University Foundation and Subsidiaries (collectively the 'Foundation'), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and changes in net assets (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in finding 2019-001 in the accompanying schedule of findings that we consider to be a significant deficiency.

(Continued)

Compliance and Other Matters

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

Foundation's Response to Findings

The Foundation's response to the findings identified in our audit are described in the accompanying Schedule of Findings. The Foundation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Columbus, Ohio
November 15, 2019

FINDING 2019-001 – INTERNAL CONTROLS OVER FINANCIAL REPORTING

Criteria:	The Foundation should have internal controls over the financial reporting process designed to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America. In addition, the Foundation's reporting and closing process should include timely reconciliations and schedules that support the amounts recorded in the financial statements.
Condition:	The Foundation was unable to provide timely reconciliations to support items contained within the financial statements, including the interfund account as well as supporting schedules for net assets. In additions, net asset detail was not tracked by individual fund and a number of new endowments were not setup to have income allocated to them.
Context:	Significant delays were experienced throughout the audit process without the appropriate evidence to support numbers recorded on the financial statements and disclosures.
Effect:	The condition noted above has the potential to lead to misstatements, errors, or misclassifications in the financial statements
Cause:	This was the first year that the Dayton location and the University location worked together to provide information for the audit process. This caused significant delays due to insufficient communication and documentation to support significant financial information.
Repeat Finding:	Yes
Recommendation:	We recommend that the Foundation accurately maintain the records throughout the year and properly maintain net assets schedules to track fund balances.
Response:	The Dayton location is now aware of the financial reporting requirements and related schedules and supporting documentation and will maintain those items on an on-going basis now that they are in control of the audit process and supporting documentation.

Finding 2018-001

Criteria: The Foundation should have internal controls over the financial reporting process designed to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America. In addition, the Foundation's reporting and closing process should include timely reconciliations and schedules that support the amounts recorded in the financial statements.

Condition: The Foundation was unable to provide timely reconciliations to support items contained within the financial statements, most notably the interfund balances.

Status: Not corrected. See finding 2019-001.

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

CENTRAL STATE UNIVERSITY FOUNDATION

MONTGOMERY 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 26, 2019

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370
www.ohioauditor.gov