

Central State University Foundation and Subsidiaries

**Consolidated Financial Report
June 30, 2010**

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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Central State University Foundation and Subsidiaries Greene County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 22, 2010

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Central State University Foundation and Subsidiaries

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Independent Auditor's Report

To the Board of Trustees
Central State University Foundation
and Subsidiaries

We have audited the accompanying consolidated statement of financial position of Central State University Foundation and Subsidiaries (the "Foundation") as of June 30, 2010 and the related consolidated statements of activities and changes in net assets (deficit) and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2009 consolidated financial statements and, in our report dated October 15, 2009, we expressed an unqualified opinion on those consolidated financial statements.

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

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

In accordance with *Government Auditing Standards*, we also have issued a report dated October 15, 2010 on our consideration of Central State University Foundation and Subsidiaries' internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide opinions on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

October 15, 2010

Central State University Foundation and Subsidiaries

Consolidated Statement of Financial Position

June 30, 2010

(with comparative totals for June 30, 2009)

	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents	\$ 1,965,207	\$ 4,985,878
Investments (Note 2)	2,597,447	-
Contributions receivable - Net (Note 4)	8,183	52,065
Receivable from Central State University	180,650	28,322
Prepaid expenses	<u>5,668</u>	<u>5,672</u>
Total current assets	4,757,155	5,071,937
Restricted cash and cash equivalents (Note 2)	3,128,331	3,132,693
Fixed assets - Net (Note 5)	13,122,154	13,640,050
Financing costs - Net	<u>1,626,818</u>	<u>1,727,426</u>
Total assets	<u>\$ 22,634,458</u>	<u>\$ 23,572,106</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 256,928	\$ 381,023
Surplus payable (Note 1)	176,901	516,239
Deferred revenue	-	30,266
Accrued interest payable	489,856	497,169
Current portion of long-term debt (Note 7)	<u>425,000</u>	<u>405,000</u>
Total current liabilities	1,348,685	1,829,697
Long-term debt - Net of current portion (Note 7)	<u>18,502,312</u>	<u>18,896,628</u>
Total liabilities	19,850,997	20,726,325
Net Assets		
Unrestricted	(1,170,970)	(1,015,602)
Temporarily restricted (Note 3) (Note 6)	1,825,666	1,735,844
Permanently restricted (Note 3) (Note 6)	<u>2,128,765</u>	<u>2,125,539</u>
Total net assets	<u>2,783,461</u>	<u>2,845,781</u>
Total liabilities and net assets	<u>\$ 22,634,458</u>	<u>\$ 23,572,106</u>

Central State University Foundation and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets (Deficit) Year Ended June 30, 2010 (with comparative totals for the year ended June 30, 2009)

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue					
Rental revenues	\$ 2,823,252	\$ -	\$ -	\$ 2,823,252	\$ 2,716,635
Contributions	240,895	606,832	3,226	850,953	872,499
Reimbursements	1,527	12,338	-	13,865	153,476
Other	184,577	318,123	-	502,700	728,922
Unrealized loss on investments	(33,006)	(12,234)	-	(45,240)	(974,607)
Investment income	86,970	(64,213)	-	22,757	161,907
Net assets released from restrictions	771,024	(771,024)	-	-	-
Total revenue	4,075,239	89,822	3,226	4,168,287	3,658,832
Expenses					
Programs:					
Scholarship programs	287,845	-	-	287,845	498,291
Athletic programs	150,223	-	-	150,223	215,440
Academic programs	178,303	-	-	178,303	392,630
Institution programs	451,655	-	-	451,655	562,826
Support activities:					
Management fees	197,628	-	-	197,628	190,164
Operating expenses	896,837	-	-	896,837	725,434
Depreciation and amortization expense	605,100	-	-	605,100	605,664
Interest expense	1,010,396	-	-	1,010,396	1,027,109
Surplus expense (Note 1)	176,901	-	-	176,901	516,239
Other	275,719	-	-	275,719	292,870
Total expenses	4,230,607	-	-	4,230,607	5,026,667
Increase (Decrease) in Net Assets	(155,368)	89,822	3,226	(62,320)	(1,367,835)
Net Assets (Deficit) - Beginning of year	(1,015,602)	1,735,844	2,125,539	2,845,781	4,213,616
Net Assets (Deficit) - End of year	\$ (1,170,970)	\$ 1,825,666	\$ 2,128,765	\$ 2,783,461	\$ 2,845,781

Central State University Foundation and Subsidiaries

Consolidated Statement of Cash Flows Year Ended June 30, 2010 (with comparative totals for year ended June 30, 2009)

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Decrease in net assets	\$ (62,320)	\$ (1,367,835)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	517,896	517,896
Amortization of issuance costs	100,608	101,172
Amortization of bond discount	30,684	32,772
Unrealized loss on investments	45,240	974,607
Decrease (increase) in assets:		
Contributions receivable	43,882	132,273
Prepaid expenses and other assets	(152,324)	-
Increase (decrease) in liabilities:		
Accounts payable	(124,095)	23,531
Surplus payable	(339,338)	516,239
Deferred revenue	(30,266)	(858,218)
Accrued interest payable	(7,313)	(7,740)
Net cash provided by operating activities	<u>22,654</u>	<u>64,697</u>
Cash Flows from Investing Activities - Sale (Purchase) of investments - Net	<u>(2,642,687)</u>	<u>2,423,753</u>
Cash Flows from Financing Activities - Principal payment on bonds payable	<u>(405,000)</u>	<u>(380,000)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	<u>(3,025,033)</u>	<u>2,108,450</u>
Cash and Cash Equivalents - Beginning of year	<u>8,118,571</u>	<u>6,010,121</u>
Cash and Cash Equivalents - End of year	<u>\$ 5,093,538</u>	<u>\$ 8,118,571</u>

Cash paid for interest in 2010 was \$1,017,709

Central State University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2010

Note 1 - Summary of Significant Accounting Policies

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

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

Method of Accounting and Basis of Presentation - The accompanying consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. For external financial reporting purposes, in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, the Foundation presents its consolidated financial statements by unrestricted, temporarily restricted, and permanently restricted net asset classifications. The Foundation's significant accounting policies are described below.

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

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

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

Central State University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

Building	40 years
Furniture	7 years

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

Deferred Revenue - Deferred revenue represents cash received for rental revenues for the upcoming semester. These revenues are not earned until the service is provided and, as a result, are recorded as deferred revenue until that point.

Surplus Expense - The agreement with the University requires that the year-end balance in the surplus account held by the trustee, less applicable amounts for management fees that have not been funded to the management fee accounts, are paid at 90 percent to the University as a land/lease payment, with the remaining 10 percent to the Foundation. The trustee is required to calculate this surplus from the audited financial statements beginning with the August 31, 2005 year end. Based on the information provided by the trustee, the amount calculated for the year ended August 31, 2009 was \$176,901.

Central State University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Central State University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Comparative Financial Information - The consolidated financial statements include certain summarized comparative information for 2009. Such information does not include information by net asset class or other disclosures in sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including October 15, 2010, which is the date the financial statements were issued.

Central State University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2010

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, 2010:

	2010	2009
Debt interest account	\$ 489,857	\$ 527,577
Debt principal account	425,000	405,356
Repair and replacement fund	782,160	791,073
Debt reserve fund	1,431,314	1,408,687
	<u>3,128,331</u>	<u>3,132,693</u>
Total restricted cash	\$ 3,128,331	\$ 3,132,693

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 investment funds have been re-established as of June 30, 2010 and have been classified as investments on the consolidated statement of financial position. At June 30, 2009 the Foundation held all investment funds in money market accounts and were classified as cash and cash equivalents.

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

Level 1

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

Level 2

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

Central State University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2010

Note 2 - Deposits and Investments (Continued)

Level 3

Inputs that are unobservable, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. The Foundation does not have Level 3 investments.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2010

Assets	Quoted Prices in			Balance at June 30, 2010
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Public equity investments				
US large cap equity mutual funds	\$ 617,486	\$ -	\$ -	\$ 617,486
US small cap equity mutual funds	364,828	-	-	364,828
Developed international equity mutual funds	189,495	-	-	189,495
Emerging markets international equity mutual funds	118,668	-	-	118,668
Global equity mutual funds	45,115	-	-	45,115
Subtotal public equity	1,335,592	-	-	1,335,592
Fixed income investments				
US government obligations	-	185,050	-	185,050
Corporate bonds and notes	-	240,746	-	240,746
Bond mutual funds	836,059	-	-	836,059
Subtotal fixed income	836,059	425,796	-	1,261,855
Total investments	\$ 2,171,651	\$ 425,796	\$ -	\$ 2,597,447

Note 3 - Donor and Board Restricted 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.

Central State University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2010

Note 3 - Donor and Board Restricted Endowments (Continued)

Interpretation of Relevant Law

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

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

Central State University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2010

Note 3 - Donor and Board Restricted Endowments (Continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted - Endowment	\$ (619,929)	\$ 302,126	\$ 2,128,765	\$ 1,810,962

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Market Value - Beginning of the year	\$ (548,980)	\$ 315,966	\$ 2,125,539	\$ 1,892,525
Net realized and unrealized gains and (losses)	(84,786)	(10,807)		(95,593)
Investment income	21,882	1,598	-	23,480
Total investment loss	(62,904)	(9,209)	-	(72,113)
Contributions	-	-	3,226	3,226
Administrative fee	(8,045)	(4,631)	-	(12,676)
Other changes				
Transfers to create board designated endowment funds	-	-	-	-
Endowment net assets, End of the year	\$ (619,929)	\$ 302,126	\$ 2,128,765	\$ 1,810,962

Central State University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2010

Note 3 - Donor and Board Restricted 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 unrestricted net assets were \$366,803 as of June 30, 2010. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of trustees.

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.

Central State University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2010

Note 3 - Donor and Board Restricted Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

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. The allowance for uncollectible contributions was approximately \$8,300 at June 30, 2010. Conditional promises to give are not included as revenue until conditions are met.

Note 5 - Fixed Assets

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

	2010	2009
Land	\$ 140,800	\$ 140,800
Building	15,592,051	15,592,051
Furniture and fixtures	896,603	896,603
	<hr/>	<hr/>
Total fixed assets	16,629,454	16,629,454
Less accumulated depreciation	(3,507,300)	(2,989,404)
	<hr/>	<hr/>
Net fixed assets	\$ 13,122,154	\$ 13,640,050

Depreciation expense on property and equipment totaled \$517,896 in 2010.

Central State University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2010

Note 6 - Classification of Net Assets

Details of restricted net assets at June 30, 2010 are as follows:

	Temporarily Restricted	Permanently Restricted
Academic	\$ 397,602	\$ 128,329
Scholarship	762,957	1,433,234
Other general funds	665,107	567,202
	<u>665,107</u>	<u>567,202</u>
Total net assets	<u>\$ 1,825,666</u>	<u>\$ 2,128,765</u>

Note 7 - Long-term Debt

Marauder Development, LLC has the following debt related to the financing of student dormitories. Information is for the subsidiary's year ended August 31, 2010:

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

Central State University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2010

Note 7 - Long-term Debt (Continued)

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

Years Ending August 31	Series 2002 Bonds		Series 2004 Bonds		Total
	Principal	Interest	Principal	Interest	
2011	190,000	419,546	235,000	551,899	1,396,445
2012	195,000	411,122	245,000	543,014	1,394,136
2013	205,000	402,121	250,000	533,359	1,390,480
2014	215,000	392,564	260,000	522,899	1,390,463
2015	225,000	382,275	275,000	511,423	1,393,698
2016-2020	1,300,000	1,726,575	1,560,000	2,352,944	6,939,519
2021-2025	1,695,000	1,331,228	1,980,000	1,920,875	6,927,103
2026-2030	2,215,000	795,634	2,530,000	1,354,560	6,895,194
2031-2035	1,685,000	147,797	3,245,000	621,562	5,699,359
2036	-	-	750,000	19,125	769,125
Total	<u>\$ 7,925,000</u>	<u>\$ 6,008,862</u>	<u>\$ 11,330,000</u>	<u>\$ 8,931,660</u>	<u>\$ 34,195,522</u>

During 2002, Marauder issued \$8,870,000 of Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The bond discount was \$125,270 at August 31, 2010, 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 \$190,000 on September 1, 2010 to \$620,000 on September 1, 2032, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.0 percent to 5.625 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building and restricted cash held as required by the bond agreement.

During 2004, Marauder issued \$12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The original bond discount totaled \$287,699, with an amortized balance of \$202,418 at August 31, 2010. The discount is being amortized to interest expense over the life of the bonds on the interest method. The bonds mature on September 1 in various amounts ranging from \$235,000 on September 1, 2010 to \$750,000 on September 1, 2036, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 percent to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building and restricted cash held as required by the bond agreement.

Central State University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2010

Note 7 - Long-term Debt (Continued)

Bond legislation provides that Marauder 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).

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

Change in member's capital	\$	15,037
Add items to convert net income to pledged revenues:		
Interest expense on bonds		1,010,396
Management fees		197,628
Surplus expense		176,901
Depreciation and amortization expense		<u>605,100</u>
Net pledged revenues as defined (1)	\$	<u>2,005,062</u>
Debt service requirement on bonds (2)	\$	1,392,025
Coverage ratio (1/2)		144%
Required coverage ratio		120%

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

To the Board of Trustees
Central State University Foundation
and Subsidiaries

We have audited the consolidated financial statements of Central State University Foundation and Subsidiaries as of and for the year ended June 30, 2010 and have issued our report thereon dated October 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting as finding 2010-01. 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.

To the Board of Trustees
Central State University Foundation
and Subsidiaries

Central State University Foundation and Subsidiaries' written response to the significant deficiencies identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Compliance and Other Matters

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

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

Plante & Morse, PLLC

October 15, 2010

Central State University Foundation and Subsidiaries

Schedule of Findings and Responses

Reference Number	Findings
2010-01	<p data-bbox="418 478 688 510">Cash Management</p> <p data-bbox="418 556 894 588">Finding Type - Significant deficiency</p> <p data-bbox="418 634 1414 703">Criteria - Cash balances on bank statements should be reconciled to the accounting records on a regular basis.</p> <p data-bbox="418 749 1414 1045">Condition - During our audit procedures, we noted two separate errors on the Foundation's monthly bank reconciliation that caused a misstatement between the reconciled cash balance and the general ledger. The first was a deposit posted twice in the general ledger in September 2009 that was not identified or corrected until October 2010. The second item was a non-cash transfer between fund accounts that was shown on the June 2010 bank reconciliation as a deposit in transit, but was a transaction recorded in January 2010.</p> <p data-bbox="418 1092 1414 1161">Context - The effect of these errors caused an approximate overstatement of Foundation cash balances by \$96,000.</p> <p data-bbox="418 1207 1414 1350">Cause and Effect - The Foundation bank reconciliations are prepared by an independent staff accountant at the University, however, the reconciling items were not identified or investigated and the reconciled balance was not agreed back to accounting records in a timely manner.</p> <p data-bbox="418 1396 1414 1539">Recommendation - We recommend the University continue to perform the bank reconciliations for the Foundation, but need to make sure reconciling items are being investigated timely and reconciled balances are agreed back to accounting records on a monthly basis, at minimum.</p> <p data-bbox="418 1585 1414 1768">Views of Responsible Officials and Planned Corrective Actions - Now that Foundation's financial records are in Banner, the oversight and timeliness of the bank transactions and reconciliations will improve. Daily reconciliation of the deposits will be occurring and outstanding issues will be resolved monthly.</p>

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Mary Taylor, CPA
Auditor of State

CENTRAL STATE UNIVERSITY FOUNDATION AND SUBSIDIARIES

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 7, 2010**