

**CENTRAL STATE UNIVERSITY FOUNDATION  
AND SUBSIDIARIES**

Wilberforce, Ohio

**CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2015 and 2014





# Dave Yost • Auditor of State

Board of Trustees  
Central State University Foundation and Subsidiaries  
P.O. Box 1004  
Wilberforce, Ohio 45384

We have reviewed the *Independent Auditor's Report* of the Central State University Foundation and Subsidiaries, Greene County, prepared by Crowe Horwath LLP, for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 12, 2016

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CENTRAL STATE UNIVERSITY FOUNDATION  
AND SUBSIDIARIES  
Wilberforce, Ohio

CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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## 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, 2015 and 2014, 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.

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(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, 2015 and 2014, 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 December 30, 2015 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.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Columbus, Ohio  
December 30, 2015

CENTRAL STATE UNIVERSITY FOUNDATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,079,021	\$ 1,533,902
Contributions receivable, net	6,558	12,439
Deposits	-	36,302
Other receivables	1,557	4,917
Prepaid expenses	<u>6,233</u>	<u>6,470</u>
Total current assets	2,093,369	1,594,030
Investments	4,484,391	4,654,662
Restricted cash and cash equivalents	3,857,316	3,492,437
Capital assets, net	11,994,858	12,418,973
Financing costs, net	<u>1,138,754</u>	<u>1,233,762</u>
Total assets	<u>\$ 23,568,688</u>	<u>\$ 23,393,864</u>
<b>Liabilities</b>		
Accounts payable	\$ 38,412	\$ 177,270
Payable to Central State University	920,193	216,078
Unearned revenue	-	30,000
Accrued interest payable	429,357	443,107
Current portion of long-term debt	<u>545,000</u>	<u>525,000</u>
Total current liabilities	1,932,962	1,391,455
Long-term debt, net of current portion	<u>16,258,077</u>	<u>16,868,381</u>
Total liabilities	18,191,039	18,259,836
<b>Net Assets</b>		
Unrestricted	425,472	375,282
Temporarily restricted	2,400,338	2,231,966
Permanently restricted	<u>2,551,839</u>	<u>2,526,780</u>
Total net assets	<u>5,377,649</u>	<u>5,134,028</u>
Total liabilities and net assets	<u>\$ 23,568,688</u>	<u>\$ 23,393,864</u>

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, 2015 with comparative totals for 2014

	2015			2014	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<b>Revenue</b>					
Rental revenue	\$ 3,021,240	\$ -	\$ -	\$ 3,021,240	\$ 3,086,834
Contributions	392,607	364,297	25,059	781,963	1,320,847
Other	264,767	105,389	-	370,156	282,350
Investment income	53,800	204,558	-	258,358	656,151
Net assets released from restrictions	<u>505,872</u>	<u>(505,872)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	4,238,286	168,372	25,059	4,431,717	5,346,182
<b>Expenses</b>					
Programs:					
Scholarship programs	171,514	-	-	171,514	359,518
Athletic programs	352,222	-	-	352,222	171,039
Academic programs	257,483	-	-	257,483	171,338
Institution programs	592,559	-	-	592,559	476,525
Student support programs	43,296	-	-	43,296	21,971
Housing programs	2,479,500	-	-	2,479,500	2,441,370
Operating expenses	233,165	-	-	233,165	79,592
Fundraising expenses	<u>58,357</u>	<u>-</u>	<u>-</u>	<u>58,357</u>	<u>21,317</u>
Total expenses	<u>4,188,096</u>	<u>-</u>	<u>-</u>	<u>4,188,096</u>	<u>3,742,670</u>
<b>Increase in net assets</b>	50,190	168,372	25,059	243,621	1,603,512
<b>Net Assets - beginning of year</b>	<u>375,282</u>	<u>2,231,966</u>	<u>2,526,780</u>	<u>5,134,028</u>	<u>3,530,516</u>
<b>Net Assets - end of year</b>	<u>\$ 425,472</u>	<u>\$ 2,400,338</u>	<u>\$ 2,551,839</u>	<u>\$ 5,377,649</u>	<u>\$ 5,134,028</u>

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION  
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CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)  
Year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue</b>				
Rental revenue	\$ 3,086,834	\$ -	\$ -	\$ 3,086,834
Contributions	778,123	520,400	22,324	1,320,847
Other	178,720	103,630	-	282,350
Investment income	100,657	555,494	-	656,151
Net assets released from restrictions	<u>608,777</u>	<u>(608,777)</u>	-	-
Total revenue	4,753,111	570,747	22,324	5,346,182
<b>Expenses</b>				
Programs:				
Scholarship programs	359,518	-	-	359,518
Athletic programs	171,039	-	-	171,039
Academic programs	171,338	-	-	171,338
Institution programs	476,525	-	-	476,525
Student support programs	21,971	-	-	21,971
Housing programs	2,441,370	-	-	2,441,370
Operating expenses	79,592	-	-	79,592
Fundraising expenses	<u>21,317</u>	-	-	<u>21,317</u>
Total expenses	<u>3,742,670</u>	-	-	<u>3,742,670</u>
<b>Increase in net assets</b>	1,010,441	570,747	22,324	1,603,512
<b>Net Assets - beginning of year</b>	<u>(635,159)</u>	<u>1,661,219</u>	<u>2,504,456</u>	<u>3,530,516</u>
<b>Net Assets - end of year</b>	<u>\$ 375,282</u>	<u>\$ 2,231,966</u>	<u>\$ 2,526,780</u>	<u>\$ 5,134,028</u>

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION  
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CONSOLIDATED STATEMENTS OF CASH FLOWS  
Year ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 243,621	\$ 1,603,512
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	424,115	418,055
Amortization of issuance costs	95,008	96,527
Amortization of bond discount	21,779	23,499
Contributions restricted for long-term investment	(25,059)	(22,324)
Unrealized loss (gain) on investments	(33,960)	(433,749)
Changes in operating assets and liabilities:		
Contributions receivable	5,881	14,417
Prepaid expenses and other assets	39,898	(40,460)
Accounts payable	565,258	320,260
Unearned revenue	(30,000)	30,000
Accrued interest payable	<u>(13,750)</u>	<u>(19,827)</u>
Net cash from operating activities	1,292,791	1,989,910
<b>Cash flows from investing activities</b>		
Purchase of capital assets	-	(484,765)
(Purchase) Sale of investments	<u>202,148</u>	<u>(431,961)</u>
Net cash from investing activities	202,148	(916,726)
<b>Cash flows from financing activities</b>		
Principal payment on bonds payable	(610,000)	(810,000)
Borrowings on commercial loan	-	491,326
Contributions restricted for long-term investment	<u>25,059</u>	<u>22,324</u>
Net cash from financing activities	<u>(584,941)</u>	<u>(296,350)</u>
<b>Net change in cash and cash equivalents</b>	909,998	776,834
<b>Cash and cash equivalents - beginning of year</b>	<u>5,026,339</u>	<u>4,249,505</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 5,936,337</u>	<u>\$ 5,026,339</u>

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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**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 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 unrestricted, temporarily restricted, and permanently restricted net asset 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, it is not practical to insure all cash deposits.

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CENTRAL STATE UNIVERSITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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**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 the construction of the student housing project. 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

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 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, 2015 and 2014 was \$1,176,415 and \$1,081,407, 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 beginning with the August 31, 2005 year end. Based on the information provided by the trustee, the amount calculated for the years ended August 31, 2015 and 2014 was \$184,419 and \$42,197, respectively.

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.
- 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.

*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.

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(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

- 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.

*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.

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 unrestricted net assets. 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 restricted and unrestricted resources are available, it is the Foundation's policy to apply restricted resources first, then unrestricted resources 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 unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

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 students at Central State University. Rental revenue is recognized when rent becomes due over the terms of the lease.

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(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2015 and 2014, 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.

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.

Subsequent Events: The financial statements and related disclosures include evaluation of events up through and including December 30, 2015, which is the date the financial statements were issued.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

As required by the bond indenture, the Foundation, through Marauder, maintains restricted cash balances in the following accounts as of August 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Debt interest account	\$ 429,362	\$ 443,107
Debt principal account	520,014	500,020
Redemption fund	376,415	87,000
Repair and replacement fund	1,105,029	1,036,008
Debt reserve fund	<u>1,426,496</u>	<u>1,426,302</u>
Total restricted cash	<u>\$ 3,857,316</u>	<u>\$ 3,492,437</u>

Investment return for the years ended June 30, 2015 and 2014 was comprised of the following:

	<u>2015</u>	<u>2014</u>
Investment income	\$ 224,398	\$ 178,304
Net realized and unrealized gains on investments reported at fair value	<u>33,960</u>	<u>477,847</u>
Total investment return	<u>\$ 258,358</u>	<u>\$ 656,151</u>

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(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION  
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**NOTE 2 - DEPOSITS AND INVESTMENTS** (Continued)

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

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. Level 2 securities include U.S. Government Obligations.

<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2015</u>				
<u>Assets</u>	<u>Quoted prices in Active markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>	<u>Balance</u>
Private equity investments:				
Certificate of deposit	\$ 114,855	\$ -	\$ -	\$ 114,855
Equity mutual funds	2,726,148	-	-	2,726,148
Subtotal	2,841,003	-	-	2,841,003
Fixed-income investments:				
U.S. gov't obligations	-	19,601	-	19,601
Bond mutual funds	1,623,787	-	-	1,623,787
Subtotal	1,623,787	19,601	-	1,953,388
Total investments	\$ 4,464,790	\$ 19,601	\$ -	\$ 4,484,391

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

<u>Assets</u>	<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2014</u>			<u>Balance</u>
	Quoted prices in Active markets for Identical Assets <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>	
Private equity investments:				
Equity mutual funds	\$ 2,965,936	\$ -	\$ -	\$ 2,965,936
Subtotal	<u>2,965,936</u>	<u>-</u>	<u>-</u>	<u>2,965,936</u>
Fixed-income investments:				
U.S. gov't obligations	-	18,544	-	18,544
Bond mutual funds	<u>1,556,396</u>	<u>-</u>	<u>-</u>	<u>1,556,396</u>
Subtotal	<u>1,556,396</u>	<u>18,544</u>	<u>-</u>	<u>1,574,940</u>
Total investments	<u>\$ 4,636,118</u>	<u>\$ 18,544</u>	<u>\$ -</u>	<u>\$ 4,654,662</u>

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, 2015 and 2014, there were no transfers between levels of the fair value hierarchy.

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 bear interest at a variable rate.

**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 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:

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**NOTE 3 - DONOR ENDOWMENTS** (Continued)

- 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, 2015 and 2014 was:

<u>2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Donor-restricted endowment funds	\$ (49,130)	\$ 916,868	\$ 2,551,839	\$ 3,419,577
<u>2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Donor-restricted endowment funds	\$ (49,150)	\$ 722,309	\$ 2,526,780	\$ 3,199,939

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Balance Total</u>
Endowment assets – Beginning of year	\$ (49,150)	\$ 722,309	\$ 2,526,780	\$ 3,199,939
Net realized and unrealized gains	-	55,070	-	55,070
Investment income	-	163,094	-	163,094
Total investment gain	-	218,164	-	218,164
Contributions	-	-	25,059	25,059
Administrative fee	-	(23,606)	-	(23,606)
Recovery of underwater funds	<u>20</u>	<u>-</u>	<u>-</u>	<u>20</u>
Endowment net assets - End of the year	<u>\$ (49,130)</u>	<u>\$ 916,867</u>	<u>\$ 2,551,839</u>	<u>\$ 3,419,577</u>

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**NOTE 3 - DONOR ENDOWMENTS** (Continued)

	<u>Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Balance Total</u>
Endowment assets - Beginning of year	\$ (58,019)	\$ 322,426	\$ 2,504,456	\$ 2,768,863
Net realized and unrealized losses	-	363,017	-	363,017
Investment income	-	87,105	-	87,105
Total investment gain	-	450,122	-	450,122
Contributions	-	-	22,324	22,324
Administrative fee	-	(17,606)	-	(17,606)
Reimbursement to unrestricted funds	8,869	(8,869)	-	-
Appropriation of endowment assets for expenditure	-	(23,764)	-	(23,764)
Endowment net assets - End of the year	<u>\$ (49,150)</u>	<u>\$ 722,309</u>	<u>\$ 2,526,780</u>	<u>\$ 3,199,939</u>

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$49,130 and \$49,150 as of June 30, 2015 and 2014, respectively. 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.

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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**NOTE 3 - DONOR 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. 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. No appropriation for expenditure was made for the year ended June 30, 2015.

**NOTE 4 - CONTRIBUTIONS RECEIVABLE**

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

**NOTE 5 – CAPITAL ASSETS**

Capital assets consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 140,800	\$ 140,800
Building	16,519,103	16,519,103
Furniture and fixtures	<u>896,603</u>	<u>896,603</u>
Total capital assets	17,556,506	17,556,506
Less accumulated depreciation	<u>(5,561,648)</u>	<u>(5,137,533)</u>
Net capital assets	<u>\$ 11,994,858</u>	<u>\$ 12,418,973</u>
Depreciation Expense-Marauder	\$ 398,133	\$ 398,133
Depreciation Expense-Foundation	<u>25,982</u>	<u>19,922</u>
Total	<u>\$ 424,115</u>	<u>\$ 418,055</u>

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(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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**NOTE 6 - CLASSIFICATION OF NET ASSETS**

Details of restricted net assets at June 30, 2015 and 2014 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
<u>2015</u>		
Academic	\$ 543,704	\$ 640,948
Scholarship	914,325	1,185,871
Other general funds	<u>942,309</u>	<u>725,020</u>
Total net assets	<u>\$ 2,400,338</u>	<u>\$ 2,551,839</u>
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
<u>2014</u>		
Academic	\$ 436,587	\$ 640,948
Scholarship	660,079	1,185,871
Other general funds	<u>1,135,300</u>	<u>699,961</u>
Total net assets	<u>\$ 2,231,966</u>	<u>\$ 2,526,780</u>

Net assets released from restriction totaled \$505,872 and \$608,777 at June 30, 2015 and 2014, respectively.

**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%. At June 30, 2015 the interest rate was 3.185%. The commercial loan is collateralized with \$490,264 of unrestricted cash held in a money market account at PNC Bank.

Mandatory principal payments on the note in each of the next five years are as follows:

2016	\$ 25,000
2017	25,000
2018	25,000
2019	<u>389,243</u>
Total	<u>\$ 464,243</u>

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(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**NOTE 7 - LONG-TERM DEBT** (Continued)

Marauder Development, LLC has the following debt related to the financing of student dormitories. Information is for the subsidiary's year ended August 31, 2015 and 2014:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance August 31, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance August 31, 2015</u>
Revenue Bonds Series 2002	3.0%-5.625%	2032	\$ 6,714,610	\$ 9,957	\$ (310,000)	\$ 6,414,567
Revenue Bonds Series 2004	3.3%-5.1%	2035	<u>10,187,445</u>	<u>11,822</u>	<u>(275,000)</u>	<u>9,924,267</u>
Total			<u>\$ 16,902,055</u>	<u>\$ 21,779</u>	<u>\$ 585,000</u>	16,338,834
Less current portion						<u>520,000</u>
Long-term portion						<u>\$ 15,818,834</u>

  

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance August 31, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance August 31, 2014</u>
Revenue Bonds Series 2002	3.0%-5.625%	2032	\$ 7,253,215	\$ 11,395	\$ (550,000)	\$ 6,714,610
Revenue Bonds Series 2004	3.3%-5.1%	2035	<u>10,435,341</u>	<u>12,104</u>	<u>(260,000)</u>	<u>10,187,445</u>
Total			<u>\$ 17,688,556</u>	<u>\$ 23,499</u>	<u>\$ (810,000)</u>	16,902,055
Less current portion						<u>500,000</u>
Long-term portion						<u>\$ 16,402,055</u>

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

	<u>Series 2002 Bonds</u>		<u>Series 2004 Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
Revenue Bonds					
2016	\$ 235,000	\$ 347,431	\$ 285,000	\$ 498,995	\$ 1,366,426
2017	245,000	335,431	300,000	485,683	1,366,114
2018	260,000	322,806	310,000	471,498	1,364,304
2019	275,000	308,916	325,000	456,494	1,365,410
2020	285,000	293,866	340,000	440,275	1,359,141
2021-2025	1,695,000	1,213,103	1,980,000	1,920,875	6,808,978
2026-2030	2,215,000	677,509	2,530,000	1,354,560	6,777,069
2031-2035	1,265,000	88,734	3,245,000	621,562	5,220,296
2036	<u>-</u>	<u>-</u>	<u>750,000</u>	<u>19,125</u>	<u>769,125</u>
Total	<u>\$ 6,475,000</u>	<u>\$ 3,587,796</u>	<u>\$ 10,065,000</u>	<u>\$ 6,269,067</u>	<u>\$ 26,396,863</u>

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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**NOTE 7 - LONG-TERM DEBT** (Continued)

During 2002, Marauder issued \$8,870,000 of Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The bond discount was \$60,433 and \$70,390 at June 30, 2015 and 2014, 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 \$225,000 on September 1, 2014 to \$285,000 on September 1, 2032, subject to prior mandatory sinking fund redemptions. During 2014, \$335,000 of bonds due on September 1, 2032 were called and retired in addition to \$215,000 scheduled to be retired on September 1, 2013. 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 \$140,733 and \$152,555 at June 30, 2015 and 2014, respectively. The discount is being amortized to interest expense over the life of the bonds on the interest method. The bonds mature on September 1 in various amounts ranging from \$285,000 on September 1, 2015 to \$750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 percent to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building and restricted cash held as required by the bond agreement.

Bond legislation provides that Marauder will charge rates sufficient for the excess of revenue over expenditures to equal not less than 120 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio). As of June 30, 2015 and 2014, 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 Foundation owed the University \$920,193 and \$216,078 related to these expenses at June 30, 2015 and 2014, respectively. The University paid the Foundation \$3,021,240 and \$3,086,834 for the years ended June 30, 2015 and 2014, respectively for student residence hall fees for the aforementioned residence halls.

The Foundation periodically makes private gifts to the University to be used as assistance for ongoing operations. These gifts amounted to \$325,000 and \$128,000 for the years ended June 30, 2015 and 2014, respectively.

**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, 2015, 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 December 30, 2015.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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*.

### **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 Horwath LLP*

Crowe Horwath LLP

Columbus, Ohio  
December 30, 2015

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# Dave Yost • Auditor of State

**CENTRAL STATE UNIVERSITY FOUNDATION**

**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  
JANUARY 26, 2016**