The Cleveland State University Foundation

Financial Report
June 30, 2023

OHIO AUDITOR OF STATE
KEITH FABER

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

Board of Directors
The Cleveland State University Foundation
2121 Euclid Avenue
Cleveland, Ohio 44115

We have reviewed the *Independent Auditor's Report* of The Cleveland State University Foundation, Cuyahoga County, prepared by RSM US LLP, for the audit period June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

October 04, 2023

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Independent Auditor's Report

Board of Directors
The Cleveland State University Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Cleveland State University Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information
We have previously audited the Foundation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023, 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 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 Foundation's 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.

RSM US LLP

Cleveland, Ohio
September 29, 2023

The Cleveland State University Foundation

Statement of Financial Position
June 30, 2023
(With Comparative Totals at June 30, 2022)

	2023	2022
Assets		
Cash and cash equivalents	**$ 2,419,572**	$ 4,343,845
Contributions receivable, net	**11,450,888**	11,919,193
Cash surrender value of life insurance	**302,893**	287,782
Investments	**121,435,649**	109,299,089
Total assets	**$ 135,609,002**	$ 125,849,909
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 64,508**	$ 56,578
Payable to Cleveland State University	**5,117,643**	4,551,700
Annuities payable	**82,405**	87,388
Conditional contribution revenue	**378,091**	-
Funds held of behalf of others:		
Cleveland State University	**3,876,079**	3,630,444
Cleveland State University Alumni Association	**950,246**	856,782
Total liabilities	**10,468,972**	9,182,892
Net assets:		
Without donor restrictions	**1,887,927**	1,539,698
With donor restrictions	**123,252,103**	115,127,319
Total net assets	**125,140,030**	116,667,017
Total liabilities and net assets	**$ 135,609,002**	$ 125,849,909

See notes to financial statements.

The Cleveland State University Foundation

Statement of Activities
Year Ended June 30, 2023
(With Comparative Totals at June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Support and revenues:				
Contributions	**$ 234,903**	**$ 14,163,502**	**$ 14,398,405**	$ 17,602,708
Management fees related to funds held on behalf of others	**45,021**	**-**	**45,021**	43,482
Net assets released from restrictions	**17,138,185**	**(17,138,185)**	**-**	-
Gains (losses):				
Investment income (loss), net	**150,025**	**11,118,687**	**11,268,712**	(14,246,117)
Provision for uncollectible contributions	**(200)**	**(19,220)**	**(19,420)**	(267,793)
Total support and revenues	**17,567,934**	**8,124,784**	**25,692,718**	3,132,280
Expenses:				
Program services	**16,289,803**	**-**	**16,289,803**	12,916,014
Supporting services:				
Management and general	**765,985**	**-**	**765,985**	593,200
Fundraising	**163,917**	**-**	**163,917**	175,377
Total supporting services	**929,902**	**-**	**929,902**	768,577
Total expenses	**17,219,705**	**-**	**17,219,705**	13,684,591
Change in net assets	**348,229**	**8,124,784**	**8,473,013**	(10,552,311)
Net assets:				
Beginning	**1,539,698**	**115,127,319**	**116,667,017**	127,219,328
Ending	**$ 1,887,927**	**$ 123,252,103**	**$ 125,140,030**	$ 116,667,017

See notes to financial statements.

The Cleveland State University Foundation

Statement of Functional Expenses
Year Ended June 30, 2023
(With Comparative Totals at June 30, 2022)

	Program Services							Support Services				
	Instruction and Academic Support	Research	Public Service	Student Services and Scholarships	Institutional Support	Plant and Auxiliary	Total Program Services	Management and General	Fundraising	Total Support Services	2023 Total Expenses	2022 Total Expenses
Grants and other assistance	$ 3,844,069	$ 167,174	$ 1,404,374	$ 7,732,534	$ 421,271	$ 1,643,325	$ 15,212,747	$ -	$ -	$ -	$ 15,212,747	$ 11,936,380
Professional fees	51,792	-	26,228	2,250	189,561	39,989	309,820	258,934	-	258,934	568,754	153,771
Personnel and related	1,000	-	-	21,268	-	-	22,268	383,444	93,309	476,753	499,021	823,815
Conferences and meetings	116,365	250	16,217	8,277	173,358	2,705	317,172	6,204	-	6,204	323,376	230,218
Office expenses	47,846	-	-	5,521	125,679	32,504	211,550	3,884	-	3,884	215,434	96,379
Other expenses	8,583	-	-	274	42,849	-	51,706	113,169	-	113,169	164,875	206,550
Advertising and promotion	25,770	-	-	-	66,150	-	91,920	350	70,608	70,958	162,878	163,070
Occupancy	19,825	-	-	-	35,567	-	55,392	-	-	-	55,392	67,492
Travel	6,868	-	7,926	526	1,908	-	17,228	-	-	-	17,228	6,916
Total	$ 4,122,118	$ 167,424	$ 1,454,745	$ 7,770,650	$ 1,056,343	$ 1,718,523	$ 16,289,803	$ 765,985	$ 163,917	$ 929,902	$ 17,219,705	$ 13,684,591

See notes to financial statements.

The Cleveland State University Foundation

Statement of Cash Flows
Year Ended June 30, 2023
(With Comparative Totals at June 30, 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 8,473,013	$ (10,552,311)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(10,179,698)	16,146,045
Contributions restricted for investment in endowment	(4,256,066)	(2,020,225)
Provision for uncollectible contributions	19,420	267,793
Pledge discounts to net present value	(174,498)	(261,570)
Increase in cash surrender value of life insurance	(15,111)	(14,865)
Changes in operating assets and liabilities:		
Contributions receivable, net	623,383	487,515
Accounts payable and accrued expenses	7,930	15,873
Payable to Cleveland State University	565,943	1,228,998
Annuities payable	(4,983)	(22,412)
Conditional contribution revenue	378,091	-
Funds held on behalf of others	339,099	(554,497)
Net cash (used in) provided by operating activities	(4,223,477)	4,720,344
Cash flows from investing activities:		
Purchases of investments	(8,472,556)	(11,094,148)
Proceeds from sales of investments	6,515,694	5,626,310
Net cash used in investing activities	(1,956,862)	(5,467,838)
Cash flows from financing activities:		
Proceeds from collection of contributions restricted for investment in endowment	4,256,066	2,020,225
Net cash provided by financing activities	4,256,066	2,020,225
Net (decrease) increase in cash and cash equivalents	(1,924,273)	1,272,731
Cash and cash equivalents:		
Beginning	4,343,845	3,071,114
Ending	$ 2,419,572	$ 4,343,845

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Purpose and accounting method: The Cleveland State University Foundation (the Foundation) is organized primarily to engage in activities and programs to provide support and service to Cleveland State University (the University). The Foundation's primary sources of revenue are endowment income and public support through donations from individuals, foundations and trusts located primarily in northeastern Ohio.

The financial statements have been prepared on the accrual basis of accounting. The Foundation's resources are classified into two net asset categories based upon the presence or absence of donor-imposed restrictions. A description of the categories follows:

Net assets without donor restrictions: Net assets whose use has not been limited by donors for any period of time or specified purpose. Net assets with board designations are included in this category and are comprised of $712,792 for institutional support and $188,682 for financial aid as of June 30, 2023.

Net assets with donor restrictions: Net assets that include investment earnings from long-term investments, gifts and contributions receivable that are subject to donor-imposed restrictions as to time and/or purpose. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Foundation considers the transfer of donor-restricted net assets to the University for use as specified by the donor as satisfying the donor-imposed restrictions.

Basis of presentation: The Foundation follows authoritative guidance issued by the Financial Accounting Standards Board (FASB) which established the FASB Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America for not-for-profit organizations.

Summarized comparative information: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2022, from which the summarized information was derived. Certain prior year balances were reclassified to conform with current year presentation.

Use of estimates: The preparation of the financial statements in conformity with U.S. GAAP requires the Foundation's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results may differ from those estimates.

Cash and cash equivalents: The Foundation considers all highly liquid investments available for current use (excluding cash equivalents held in investment brokerage accounts) with an initial maturity of three months or less to be cash equivalents.

Contributions: Contributions received, including unconditional promises to give, are recognized as revenue by net asset class when the donor's unconditional commitment is received. Donated items are recorded at fair value when received. Unconditional promises are recognized at the estimated present value of the future cash flows at the time of the gift, net of allowances. The estimated present value is computed using risk-free interest rates applicable to the years in which the promises are received. Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. Conditional promises are recorded when donor-imposed conditions are substantially met.

Note 1. Summary of Significant Accounting Policies (Continued)

It is the Foundation's policy that an initial minimum balance of $25,000 be required to establish an endowment fund. The policy allows a period, which is generally not to exceed 60 months, for the accumulation of contributions and interest to meet the minimum principal balance requirements. During this time period, the Foundation records the contributions and interest as net assets with donor restrictions. Upon accumulation of minimum balance requirements, the net assets are transferred to endowment.

It is the Foundation's policy to record an allowance for uncollectible contributions when a donor has not made an expected payment on an unconditional promise to give. The allowance ranges from 20% to 80% of the unpaid amount, depending on the length of the delay in the expected payment.

Investments: Investments of debt and equity securities with readily determinable fair values are stated at fair value. Investment in alternative investments, which do not have readily determinable fair values, are carried at the Foundation's proportionate share of the fund's net asset value used as a practical expedient at June 30. Market prices were not available for a certain investment. This investment is carried at estimated fair value provided by the fund's management as of March 31 because June 30 information was not yet available. This value was adjusted by cash receipts and cash distributions through June 30. The Foundation believes that the carrying amount is a reasonable estimate of fair value as of year-end. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. Such differences could be material. Investments of funds with and without donor restrictions are pooled for making investment decisions. Interest and dividend income, realized and unrealized gains and losses, and investment management fees are allocated to the respective funds using a unitized method of accounting for pooled investment funds.

Split-interest agreement: The Foundation is obligated under various gift annuity contracts, whereby donors have contributed cash to the Foundation with the agreement that the donors shall be the sole recipients of annual annuity payments and the Foundation will receive any residual balance upon the death of the annuitant. These annual payments, currently totaling $14,945 per year, shall terminate after the last payment date that a donor remains living. The discount rates used to estimate the obligations at June 30, 2023, range from 5.1% to 9.0%. These obligations are reflected within annuities payable on the statement of financial position.

Funds held on behalf of others: Included in the Foundation's investments are assets held for Cleveland State University and the Cleveland State University Alumni Association. The assets held for these entities are maintained as separate funds on the financial system of the Foundation and receive a proportional share of the investment's activity. The Foundation owns the assets in the investments; the other entities have a financial interest in the investments but do not own the underlying assets. The Foundation has recorded a liability equal to the fair value for the assets held for other entities.

Management fees: The Foundation charges a 1% fee calculated on a three-year average balance of the endowment fund to be levied by the Foundation for managing endowment funds and funds held on behalf of related entities.

Concentrations of credit risk: Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and temporary investments, investment securities and contributions receivable.

Note 1. Summary of Significant Accounting Policies (Continued)

The Foundation has significant investments in diverse equity and debt securities and is subject to concentrations of credit risk. Investments are managed by investment advisors who are overseen by the investment committee. Though the market value of investments is subject to fluctuations on a year-to-year basis, the committee believes that the investment policy is prudent for the long-term welfare of the Foundation.

At June 30, 2023, approximately 64% of the Foundation's gross contributions receivable is due from three donors.

At various times during the year ended June 30, 2023, the Foundation's cash in bank balances exceeded federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Federal income taxes: The Foundation is a not-for-profit Foundation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Uncertain income tax positions are evaluated at least annually by management. The Foundation classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements. As of June 30, 2023, the Foundation has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

The Foundation files its Federal Form 990 in the U.S. federal jurisdiction and an online charitable registration in the office of the state's Attorney General for the State of Ohio.

Functional allocation of expenses: The statement of functional expenses presents expenses by functional and natural classification. Expenses directly attributable to program services, management and general and fundraising are reported as expenses of that functional area. Payroll expenses have been allocated between program, management and general and fundraising functions based on time spent in respective functions. All remaining expenses are directly attributable to functional expense categories and none were considered indirect costs requiring allocation.

Subsequent events: The Foundation has evaluated subsequent events for potential recognition and/or disclosure through September 29, 2023, the date the financial statements were available to be issued.

Note 2. Contributions Receivable, Net

Contributions receivable are accounted for in accordance with FASB ASC topic, Revenue Recognition. Contributions receivable are initially recorded at fair value, which is the present value of estimated future cash receipts using a discount rate equivalent to the applicable U.S. Treasury Yield Curve Rate on the day of the pledge plus 0.05%, which ranged from 0.3% to 5.2%. The contributions receivable are also adjusted for an allowance for uncollectible contributions (see Note 1).

Note 2. Contributions Receivable, Net (Continued)

Amounts due as of June 30, 2023, are as follows:

Gross receivables due within:	
One year or less	$ 3,274,506
One to five years	2,605,716
Thereafter	8,585,786
	14,466,008
Discount	(2,753,833)
Allowance for uncollectible contributions	(261,287)
Contributions receivable, net	$ 11,450,888

At June 30, 2023, the Foundation had $4,576,440 in conditional promises to give, of which $378,091 has been received and is included in conditional contribution revenue on the statement of financial position. These promises are conditional on costs being incurred to promote particular programs and may be cancelled at any time by the donors if the donors are not satisfied with a particular program's progress. Accordingly, the Foundation recognizes these promises as contributions revenue as those conditions are met.

Note 3. Investments

Investments at June 30, 2023, are composed of the following:

	Carrying Value
Cash and cash equivalents	$ 2,880,348
Common stocks—domestic	1,324,086
Mutual funds—domestic	49,712,621
Mutual funds—international	22,863,722
Balanced fund	2,925,250
Fixed income securities	15,758,673
Fixed income—other	3,556
Investments carried at fair value	95,468,256
Alternative investments, at net asset value	25,967,393
Total investments	$ 121,435,649

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

Note 4. Fair Value Measurements

In accordance with the Fair Value Measurements topic of the FASB ASC, the Foundation uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and Level 3 inputs are unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own valuation assumptions. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the asset or liability and are based on the best available information, which has been internally developed.

Financial assets measured at fair value on a recurring basis consisted of the following at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Common stocks—domestic	$ 1,324,086	$ -	$ -	$ 1,324,086
Mutual funds—domestic	49,712,621	-	-	49,712,621
Mutual funds—International	22,863,722	-	-	22,863,722
Balanced fund	2,925,250	-	-	2,925,250
Fixed income securities	-	15,758,673	-	15,758,673
Fixed income securities—other	-	3,556	-	3,556
	$ 76,825,679	$ 15,762,229	$ -	92,587,908
Investments valued at NAV*				25,967,393
Cash held in investments accounts				2,880,348
				$ 121,435,649

* In accordance with Fair Value Measurements topic of the FASB ASC, certain investments that were measured at net asset value (NAV) per share (or its equivalent) have not been classified in the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

The following table summarizes investments measured at estimated fair value based on NAV per share as of June 30, 2023:

Investment	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
The Weatherlow Offshore Fund I LTD [a]	$ 9,802,879	Quarterly	65 days
Black Diamond Arbitrage Ltd. [b]	5,020,267	Monthly	45 days
Harrison Street Core Property Fund, L.P. [c]	5,581,516	Monthly	45 days
White Oak Fixed Income Fund C, L.P. [d]	4,001,410	Bi-annual	180 days
GLASfunds SPC [e]	1,561,321	N/A	N/A
	$ 25,967,393		

Note 4. Fair Value Measurements (Continued)

(a) Black Diamond Arbitrage Ltd.—This fund invests in Black Diamond Arbitrage Offshore Ltd. That fund is an exempted, incorporated company that invests in securities of companies facing a major corporate event, such as a merger or acquisition.

(b) Harrison Street Core Property Fund, L.P.—This fund is a limited partnership that was formed to invest primarily in real estate investments.

(c) White Oak Fixed Income Fund C, L.P.—This fund is a limited partnership that was formed to lend and invest in a diversified portfolio of fixed income securities and corporate high yield bonds and bank debt.

(d) GLASfunds SPC—This fund is a segregated portfolio company established to provide streamlined and efficient access to institutional level private equity and hedge funds.

Unfunded commitments associated with investments valued at NAV were $4,427,934 as of June 30, 2023.

Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30, 2023:

Subject to expenditure or the passage of time:	
Instruction and academic support	$ 9,620,691
Research	1,115,742
Public service	4,531,279
Financial aid	29,855,542
Institutional support	3,577,086
Capital and other projects	467,528
	49,167,868
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:	
Instruction and academic support	18,822,501
Research	896,376
Public service	158,334
Financial aid	52,859,423
Institutional support	360,175
Capital and other projects	987,426
	74,084,235
	$ 123,252,103

Note 5. Net Assets with Donor Restrictions (Continued)

Net assets released from restriction during the year ended June 30, 2023, were as follows:

Instruction and academic support	$ 4,206,113
Research	167,424
Public service	1,454,745
Financial aid	7,643,555
Institutional support	985,335
Capital and other projects	1,731,773
Management fees related to internal funds	949,240
	$ 17,138,185

Note 6. Net Asset Classification of Endowment Funds

The Foundation's endowments consist of approximately 460 individual funds, established for a variety of purposes and consisting of both donor-restricted endowment funds and funds designated by the Board of Directors (Board) to function as endowment. As required by U.S. GAAP, net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the Ohio-enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the maintenance of the purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of: (a) the original value of initial gifts (b) the original value of subsequent gifts and (c) accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures described under the law.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

- The duration and preservation of the funds
- 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

Note 6. Net Asset Classification of Endowment Funds (Continued)

During the year ended June 30, 2023, the Foundation had the following changes in endowment net assets:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 907,594	$ 90,200,306	$ 91,107,900
Investment return:			
Investment income	12,849	1,300,752	1,313,601
Net realized and unrealized gain	88,291	9,134,930	9,223,221
Total investment return	101,140	10,435,682	10,536,822
Contributions	-	4,594,800	4,594,800
Amounts appropriated for expenditure	(97,575)	(5,279,907)	(5,377,482)
Endowment management fees	(9,685)	(936,805)	(946,490)
Endowment net assets, end of year	$ 901,474	$ 99,014,076	$ 99,915,550

Endowment net asset composition by type of fund as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment:			
Historical gift value	$ -	$ 66,996,274	$ 66,996,274
Appreciation on endowment gifts	-	20,151,192	20,151,192
Term endowment gifts and appreciation	-	11,866,610	11,866,610
Board-designated endowment	901,474	-	901,474
Total	$ 901,474	$ 99,014,076	$ 99,915,550

Funds with deficiencies: From time to time, the fair value of assets associated with individual endowment funds with donor restrictions may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in 15 donor-restricted endowment funds, which together have an original gift value of $966,073, a current fair value of $888,755 and a deficiency of $77,318 as of June 30, 2023. These deficiencies resulted primarily from unfavorable market fluctuations.

The Foundation’s policy is that if a particular endowment fund is underwater by more than 10%, spending is frozen until the fund is replenished through positive returns resulting in the fund being less than 10% underwater.

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 funds, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include funds with donor restrictions that the Foundation must hold in perpetuity and on earnings from those funds, as well as board-designated funds. In general, it is desired that the Foundation portfolio earn at least competitive nominal returns in comparison with their respective benchmarks. To achieve such target returns will require investments in assets that allow the Foundation to retain principal and purchasing power (i.e., keeping pace with inflation).

Note 6. Net Asset Classification of Endowment Funds (Continued)

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). In recognition of the difficulty in predicting the direction of the markets or future state of the economy, the Foundation's assets are diversified among asset classes, managers/funds, and investment styles. The Board has currently determined that this "strategic asset allocation" in a range from 45% to 65% be allocated to equities, including domestic, international and real estate securities, and 15% to 25% be allocated to fixed-income investments and up to 30% in alternative investments. An allocation of 55%-20%-25% (equities-fixed-income-alternatives) is the target allocation. These proportions may vary in the above outlined ranges and are designed to reflect the long-term expectations for the Foundation. The Board will also review the portfolio on a regular basis (at least annually) to consider the portfolio's asset mix relative to its target and the allowable range around the target.

The investment strategy for the Foundation's portfolio may include domestic and international equities, fixed-income investments and alternatives. Strategies of the Foundation's investment manager(s) may include investing in securities in another asset category and/or in derivatives, futures contract and currency hedging. Alternatives include, but are not limited to, domestic and international equities, open-end and closed-end funds, real estate and real estate investment trusts, the shorting of securities, hedge funds, private equity, venture capital and exchange-traded funds. It is expected the alternative investments in the aggregate will not increase the risk of the Foundation's portfolio beyond the level anticipated in the Foundation's investment strategy.

In addition to asset classes, the Foundation may be diversified between managers/funds and investment styles, as well. The purpose of this approach is to incorporate prudent diversification within the Foundation, enhancing expected returns, and/or reducing risk of the total portfolio. This structure will be reviewed by the investment committee on an ongoing basis as part of the overall monitoring process.

Spending policy: The Foundation has a policy of appropriation for distribution of 4% to 6% of its endowment funds' market value. It uses an inflationary banded method that requires a starting dollar point adjusted by the rate of inflation as determined by the rolling five-year average of the Consumer Price Index (CPI) for the U.S. Each year, the actual spending rate is compared to the established bands; currently 4% to 6%. If necessary, the finance and investment committees will adjust it to fit within the banded range. In establishing this policy, the Foundation considered the long-term expected return on its endowments. This policy is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity, or for an otherwise specified term, as well as to provide additional real growth through new gifts and investment returns.

Note 7. Relationship with Related Entities

Certain program and general and administrative costs are reflected as Foundation expenses but are initially funded by the University with the expectation of repayment by the Foundation.

At June 30, 2023, the Foundation had accounts receivable due from the University of $8,315 and payables to the University of $5,504,049, presented as a net payable to the University on the statement of financial position.

At June 30, 2023, the Foundation is investing $3,876,079 and $950,246 of assets on behalf of the University and the Cleveland State University Alumni Association, respectively.

During the year ended June 30, 2023, the Foundation had program expenditures supporting the University of $16,289,803.

Note 7. Relationship with Related Entities (Continued)

During the year ended June 30, 2023, the Foundation recognized investment management fee income of $45,021 from the Cleveland State University Alumni Association and the University.

Note 8. Liquidity and Availability of Resources

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Foundation's financial assets available within one year of June 30, 2023, for general expenditures are as follows:

Financial assets at year-end:	
Cash and cash equivalents	$ 2,419,572
Contributions receivable, net	11,450,888
Cash surrender value of life insurance	302,893
Investments	121,435,649
Total financial assets	135,609,002
Less amounts not available to be used within one year:	
Net assets with donor restrictions	123,252,103
Funds held on behalf of others	4,826,325
Net assets with board designations	901,474
Total amount unavailable for general expenditures within one year	128,979,902
Total financial assets available to management for general expenditures within one year	$ 6,629,100

Under the spending policy for the endowment, 4% to 6% of the donor-restricted and board-designated endowment is appropriated on an annual basis and is available for general expenditure. In addition, the Board has the option to repurpose the net assets with board designations in their entirety for general expenditure.

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

Independent Auditor's Report

Board of Directors
The Cleveland State University Foundation

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 (*Government Auditing Standards*), the financial statements of The Cleveland State University Foundation, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Cleveland State University 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Cleveland State University Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of The Cleveland State University 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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether The Cleveland State University Foundation's financial statements are free from 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 financial statements. 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 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.

RSM US LLP

Cleveland, Ohio
September 29, 2023

OHIO AUDITOR OF STATE
KEITH FABER

CLEVELAND STATE UNIVERSITY FOUNDATION

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 10/17/2023

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