CENTRAL STATE UNIVERSITY
Wilberforce, Ohio

FINANCIAL STATEMENTS
June 30, 2014 and 2013

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Central State University, Greene County, prepared by Crowe Horwath LLP, for the audit period July 1, 2013 through June 30, 2014. 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 is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

January 12, 2015

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov

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CENTRAL STATE UNIVERSITY
Wilberforce, Ohio

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Crowe Horwath.

Crowe Horwath LLP
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INDEPENDENT AUDITOR'S REPORT

Management and Board of Trustees
Central State University
Wilberforce, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Central State University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Central State University and its discretely presented component unit as of June 30, 2014, and the respective changes financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the University's basic financial statements as a whole. The Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Predecessor Auditor

The financial statements of Central State University as of June 30, 2013, were audited by other auditors whose report dated October 15, 2013, expressed unmodified opinions on those statements.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated the same date as this report on our consideration of Central State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 Central State University's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2014

This section of Central State University's (the "University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2014, 2013, and 2012. This discussion should be read in conjunction with the accompanying financial statements and notes. Management has prepared the financial statements and the related note disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the University's administration.

Using this Report

The University's annual report consists of a series of financial statements prepared in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities* as amended by Governmental Accounting Standards Board Statement *No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosure*

The financial statements prescribed by GASB Statement No. 35 (the statement of net position, statement of revenue, expenses, and changes in net position, and the statement of cash flows) are prepared under the accrual basis of accounting, whereby revenue and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. The financial statements focus on the financial condition, the results of operations, and the impact on cash flows of the University as a whole.

One of the most important questions asked about the University's finances is whether the University as a whole is better off, or worse off, as a result of the current year's activities. The keys to understanding this question are the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. These statements present financial information in a form similar to that used by corporations. The University's net position is one indicator of its financial health.

The statement of net position includes all assets and liabilities of the University. Changes in net position (the difference between assets and liabilities) are an indicator of the improvement or erosion of the University's financial health when considered with nonfinancial facts, such as enrollment levels, changes in state funding and facility changes.

The statement of revenue, expenses, and changes in net position presents the revenue earned and the expenses incurred during the year. Activities are reported either as operating or nonoperating. The financial reporting model reflects treatment of state and local appropriations, as well as gifts, as nonoperating revenue. Since dependency on State of Ohio and certain federal grants is recognized as nonoperating under accounting principles generally accepted in the United States of America, a public university normally presents operating results as a deficit. The utilization of long-lived assets, primarily capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating the University's financial viability is its ability to meet financial obligations as they mature. One measure of this factor is the University's working capital, or the relationship of its current assets less its current liabilities.

The statement of cash flows presents the information related to cash inflows and outflows. These cash inflows and outflows are summarized by operating, noncapital financing, capital and related financing, and related investing activities. This statement illustrates the University's sources and uses of cash and helps measure the ability to meet financial obligations as they mature.

(Continued)

The University follows GASB Statement No. 61, *The Financial Reporting Entity: Omnibus.* As such, Central State University Foundation's (the "Foundation") financial statements and notes have been discretely incorporated into the University's financial statements.

During fiscal year 2014, the University adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this Statement were effective for periods beginning after December 15, 2012. This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities; and recognizes as outflows of resources or inflows of resources certain items that were previously reported as assets and liabilities. The principal effect of the adoption of this GASB statement was the requirement in GASB 65 for the expensing of debt issuance costs. The University has reflected this accounting change retroactively as required by the GASB guidance.

Analysis of Results of Operations

Total revenue for the years ended June 30, 2014 and 2013 was $57.5 million and $56.5 million, respectively, of which operating revenue totaled $28.4 million and $31.4 million, respectively. Operating revenue in fiscal year 2014 decreased $3.0 million, or 9.6 percent, when compared with fiscal year 2013.

Total revenue for the years ended June 30, 2013 and 2012 was $56.5 million and $65.8 million, respectively, of which operating revenue totaled $31.4 million and $37.5 million, respectively. Operating revenue in fiscal year 2013 decreased $6.1 million, or 16.3 percent, when compared with fiscal year 2012.

Total expenses for the years ended June 30, 2014 and 2013 were $57.6 million and $63.8 million, respectively. Operating expenses decreased $6.2 million, or 9.7 percent, when compared with fiscal year 2013.

Total expenses for the years ended June 30, 2013 and 2012 were $63.8 million, and $64.7 million, respectively. Operating expenses decreased $0.9 million, or 1.4 percent, when compared with fiscal year 2012.

The University's operating loss totaled $29.2 million during 2014 compared to $32.4 million in 2013, which represented a favorable decrease of $3.2 million, or 9.9 percent.

The University's operating loss totaled $32.4 million during 2013 compared to $27.2 million in 2012, which represented an unfavorable increase of $5.2 million, or 19.1 percent.

The University's total net position decreased $0.1 million during 2014 compared to a decrease of $7.3 million during 2013, which represents a favorable increase of $7.2 million.

The University's total net position decreased $7.3 million during 2013 compared to an increase of $1.0 million during 2012, which represents an unfavorable decrease of $8.3 million.

Student enrollment decreased 4 percent in fall fiscal year 2014 compared to fall fiscal year 2013; tuition and fees increased $188 per annum (the state maximum), while room and board were increased 3 percent for 2014 when compared to 2013 amounts. Starting in 2014, tuition reciprocity was offered to students from 14 counties in Indiana, whereby their out of state surcharge was waived. In addition, tuition waivers of 80 percent of the out of state surcharge were provided to students from Wayne County, Michigan, Marion County, Indiana and Cook County, Illinois.

(Continued)

The $3.0 million decrease in operating revenue was related to decreases of $1.7 million in tuition and fees due to the 4% reduction in enrollment combined with lower tuition charges from tuition reciprocity and waivers; $1 million in federal grants due to the conclusion in FY14 of the CADRE grant; and $0.3 million in indirect cost recovery while other sources, auxiliary and state, local, and private grants and contracts remained flat.

Student enrollment decreased 14 percent in fall of fiscal year 2013 compared to fall of fiscal year 2012; tuition and fees along with room and board for 2013 were increased by 3.5 percent when compared to 2012 amounts.

A breakdown and comparison of operating revenues are provided below:

Operating Revenue (in millions)	2014	2013	2012
Tuition and fees - Net	$ 7.3	$ 9.1	$ 10.9
Federal grants and contracts	7.1	8.1	10.5
State, local, and private grants and contracts	0.9	0.9	1.0
Indirect cost recovery	0.5	0.7	0.8
Auxiliary activities - Net	10.4	10.4	12.1
Other sources	2.2	2.2	2.2
Total	$ 28.4	$ 31.4	$ 37.5

A breakdown and comparison of non-operating revenue are as follows:

Non-operating Revenue (Expenses) (in millions)	2014	2013	2012
Federal Pell grant appropriations	$ 7.4	$ 7.7	$ 10.0
State appropriations	17.3	17.2	17.6
Interest expense	(0.5)	(0.1)	(0.1)
Loss on disposal of capital assets	0.2	0.0	0.0
Total	$ 24.4	$ 24.8	$ 27.5

State appropriations include core funding sources composed of the State's Share of Instructional Support (SSIS) and the Central State University Supplement.

(Continued)

A breakdown and comparison of state appropriation revenues are as follows:

State Appropriations (in millions)	2014	2013	2012
State Share of Instructional Support	$ 6.2	$ 6.3	$ 6.1
Central State supplement	11.1	10.9	11.5
Total	$ 17.3	$ 17.2	$ 17.6

The increase in State of Ohio funding from 2014 to 2013 was primarily due to Central State supplement increase of $0.2 million, or 1.8 percent offset by SSIS decrease by $0.1 million, or 1.6 percent.

The decrease in State of Ohio funding from 2013 to 2012 was primarily due to Central State supplement decrease of $0.6 million, or 5.0 percent slightly offset by SSIS increase by $0.2 million, or 3.7 percent.

Operating expenses include educational and general, auxiliary enterprises, restricted funding from grants and contracts, and depreciation. A breakdown and comparison of these expenses are as follows:

Expenses (in millions)	2014	2013	2012
Instruction	$ 11.0	$ 12.0	$ 11.8
Research	1.4	2.0	1.7
Student services	2.9	3.4	3.6
Academic support	7.0	7.2	7.2
Public services	2.2	2.8	3.2
Institutional administration	6.2	9.5	8.8
Operation and maintenance of plant	5.3	5.7	5.6
Auxiliary enterprises	13.1	13.3	14.5
Student aid	4.1	3.8	4.5
Depreciation	4.4	4.1	3.8
Total	$ 57.6	$ 63.8	$ 64.7

Central State University's operating expenses during 2014 reflected a $6.2 million decrease in operating expenses, totaling $57.6 million in 2014 as compared to $63.8 million in 2013. The decrease in expenses was primarily related to a decrease in institutional administration ($3.3 million), instruction ($1.0 million), public services ($0.6 million), research ($0.5 million), student services ($0.5 million), student support ($0.2 million), operation of plan ($0.4 million) and auxiliary ($0.3 million) offset by an increase in student aid ($0.3 million) and depreciation ($0.3 million). The changes reflect ongoing realignment of funds to fulfill the tenants and compelling priorities of the University while striving to sustain a balanced budget position by reducing daily operating expenditures to correspond to the decrease in revenue.

Central State University's operating expenses during 2013 reflected a $0.9 million decrease in operating expenses, totaling $63.8 million in 2013 as compared to $64.7 million in 2012. The decrease in expenses was primarily related to a decrease in auxiliary enterprises ($1.1 million), student aid ($0.7 million), public services ($0.4 million), and student services ($0.2 million) offset by an increase in instruction ($0.2 million), research ($0.2 million), institutional administration ($0.7 million), operation and maintenance of plant ($0.1 million) and depreciation ($0.3 million). Expenses in academic support remained flat. The changes reflect ongoing realignment of funds to fulfill the tenets and compelling priorities of the University while striving to sustain a balanced budget position by reducing daily operating expenditures.

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Analysis of Overall Financial Position

At June 30, 2014, current assets totaled $15.2 million, as compared to $19.6 million at June 30, 2013, a decrease of $4.4 million. The decrease in current assets was primarily attributable to a $2.4 million decrease in cash and cash equivalents, $1.9 million decrease in accounts receivable, and a $0.1 million decrease in inventory. Current liabilities at June 30, 2014, as compared to June 30, 2013, totaled $14.2 million and $15.4 million, respectively, a decrease of $1.2 million. The decrease in current liabilities was primarily attributable to a decrease of $1.5 million in unearned student fee revenue, $1.2 million in accrued salaries, wages and benefits, $0.2 million in other unearned revenue and $0.1 million in accounts payable. The decreases were offset by an increase of $1.0 million in payables on construction in progress and $0.8 million in current portion of long term debt. The University's working capital ratios at June 30, 2014 and June 30, 2013 were 1.06 and 1.27, respectively.

The University's current assets at June 30, 2013 totaled $19.6 million, as compared to $24.9 million at June 30, 2012, which represents a decrease of $5.3 million. Current liabilities at June 30, 2013 as compared to June 30, 2012 totaled $15.4 million and $16.2 million, respectively, a decrease of $0.8 million.

Noncurrent assets are comprised of capital assets and restricted cash and cash equivalents. The $1.2 million increase in the University's noncurrent assets, which total $93.5 million at June 30, 2014 and $92.1 million at June 30, 2013, is associated with a $18.9 million increase in buildings, equipment, and construction in progress, offset by a $4.4 million increase in accumulated depreciation and a decrease of $13.3 million of restricted cash used in the construction of the fixed assets.

Noncurrent assets at June 30, 2013 were $92.1 million as compared to $78.3 million at June 30, 2012. The increase was primarily associated primarily with a $16.2 million increase in restricted cash and a $1.7 million increase in buildings, equipment, and construction in progress, which was offset by a $4.0 million increase in accumulated depreciation.

The University's noncurrent liabilities at June 30, 2014 total $18.3 million, as compared to $20.1 million at June 30, 2013. The $1.8 million decrease is attributed to a decrease in long-term debt of $1.1 million, a decrease in long-term liabilities of $0.6 million and a decrease in long-term leases of $0.1 million.

Noncurrent liabilities at June 30, 2013 were $20.1 million, as compared to $3.6 million at June 30, 2012. The $16.5 million increase is attributed to an increase in long-term debt of $16.1 million and an increase in long-term liabilities of $0.4 million.

The University's net assets were $76.1 million at June 30, 2014 and $76.2 million at June 30, 2013.

The University's net assets were $76.2 million at June 30, 2013 and $83.4 million at June 30, 2012.

Capital Assets and Long-term Debt Activity

The University utilizes state capital appropriations for capital asset expenditures. State capital appropriations are on a biennium basis, and individual institutions' capital funding allocations are based largely on enrollment as well as appropriations for new facilities. During 2014, the University utilized $4.7 million in state capital appropriations. During 2013, the University utilized $0.3 million in state capital for construction.

The University's long-term debt is comprised of notes payable to the Department of Education and bonds issued during 2013 under the State of Ohio Air Quality Development Authority Tax Exempt Revenue Bond program for $16.6 million. The University has capital lease obligations of $0.03 million. During 2014, the University paid $0.7 million in connection with debt maturities. The University is in compliance with all of its contractual long-term debt requirements and covenants.

(Continued)

A breakdown and comparison of the University's balance sheet as of June 30, 2014, 2013, and 2012 are provided below:

	2014	2013	2012
Balance Sheet (in millions)			
Assets:			
Current assets	$ 15.2	$ 19.6	$ 24.9
Noncurrent assets:			
Restricted cash and equivalents	4.2	17.4	1.2
Capital assets - Net	89.3	74.7	77.1
Total assets	108.7	111.7	103.2
Liabilities:			
Current	14.2	15.4	16.2
Noncurrent	18.4	20.1	3.6
Total liabilities	32.6	35.5	19.8
Net assets:			
Invested in capital assets Net	75.0	72.3	75.2
Restricted - expendable	0.1	0.1	0.1
Unrestricted	1.0	3.8	8.1
Total net assets	76.1	76.2	83.4
Total liabilities and net assets	$ 108.7	$ 111.7	$ 103.2

Statement of Cash Flows

Net cash used in operating activities was $25.3 million, $27.9 million, and $22.0 million in 2014, 2013, and 2012, respectively. In 2014, cash flows from operating activities were primarily comprised of tuition and fees ($11.9 million), grants and contracts ($8.3 million), other receipts ($2.2 million), and auxiliary enterprise charges ($2.2 million), which were offset by payments to suppliers and employees of $49.9 million.

Cash flows from noncapital financing activities were $24.7 million, $24.9 million, and $27.5 million, in 2014, 2013, and 2012, respectively. In 2014, these were comprised of State of Ohio appropriations of $17.3 million, Federal Pell Grants of $7.4 million, and offsetting federal loan receipts and disbursements.

Cash used in capital and related financing activities for 2014 was $15.0 million, while net cash flow in 2013 and 2012 was $14.9 million and ($3.7) million, respectively. In 2014, cash flows from capital grants and gifts was $4.6 million. This was offset by purchase of capital assets and construction of $18.9 million, principal payment of capital lease of $0.1 million, principal payment on capital debt $0.3 million, and interest on capital debt and capital lease $0.3 million. The change in cash flows from 2013 to 2012 increased from issuance of bonds and capital lease was $16.6 million and $0.3 million in capital grants and gifts. This was offset by purchase of capital assets and construction of $2.1 million, principal payment of capital lease of $0.1 million, principal payment on capital debt $0.1 million, and interest on capital debt and capital lease $0.1 million.

The net change in cash and cash equivalents was a decrease of $15.6 million in 2014 and an increase of $11.8 million and $1.8 million in 2013 and 2012, respectively. Year-end cash and cash equivalents for 2014, 2013, and 2012 were $8.8 million, $24.4 million, and $12.5 million, respectively.

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A breakdown and comparison of the University's statement of cash flows for the years ended 2014, 2013, and 2012 are provided below:

	2014	2013	2012
Cash Flows Activities (in millions)			
Cash flows from operating activities	$ (25.3)	$ (27.9)	$ (22.0)
Cash flows from noncapital financing activities	24.7	24.9	27.5
Cash flows from capital and related financing activities	(15.0)	14.9	(3.7)
Cash flows from investing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	(15.6)	11.9	1.8
Cash and cash equivalents - Beginning of year	24.4	12.5	10.7
Cash and cash equivalents - End of year	$ 8.8	$ 24.4	$ 12.5

Factors Impacting Future Periods

Central State University continues to aspire to be a premier historically black university in the twenty-first century. A crucial step in this process was obtained in February 2014 when the University was designated an 1890 Land Grant Institution. This federal designation, 125 years in the making, enables the University to benefit from access to programs through the US Department of Agriculture (USDA). These programs will facilitate the expansion of the University's capacity in teaching, research and community outreach in science, technology, engineering, math and agriculture (STEMA). The first program developed in conjunction with the land-grant status was the Seed-to-Bloom program. This program, held in the summer of 2014, provided education in agriculture, botany and nutrition to 6^{th} graders, in addition to providing free meals (breakfast and lunch) under the auspices of USDA's and Ohio's Department of Education Summer Food Service Program.

Under the leadership of Dr. Cynthia Jackson-Hammond, the University continues undergoing an institutional renaissance that is yielding exciting new levels of academic excellence and institutional prominence. Integrated into the fabric of this evolution are our three tenets: *service, protocol, and civility*. These three tenets, along with the university's six compelling priorities, will precipitate our strategic growth and modernization over the next 10 years. The University continues to implement the plan issued in accordance with HB 153, to reach an enrollment attainment of 3,000 over the next few years as the University continues to focus on enrollment, course completion, retention and graduation. This refocused strategy is strongly supported by the leadership's compelling priorities of (1) quality academic experience, (2) targeted student enrollment, (3) reduced time to degree, (4) improved retention rates, (5) development of graduates with knowledge, skills, and disposition for professional placement in schools and professional careers, and (6) efficient and effective operations. This, along with our recent designation as an 1890 Land Grant Institution, will continue to build on a firm foundation for our growth strategies and revenue self-sufficiency. These priorities align directly with the governor's goals for higher education as well as the 2012 Chancellor's Plan for Advancing Progress at Central State.

(Continued)

Central State University, like many institutions of higher learning in Ohio, has significant capital infrastructure deficiencies. Much of the bond proceeds from the $16.6 million Ohio Air Quality Development Authority bonds issued in 2013 were spent retrofitting and modernizing the University's energy consumption systems. The trailblazing initiative encompassed retrofitting more energy efficient lighting throughout the campus environment (interior/exterior), advancing building envelopes, and replacing an aged and inefficient boiler plant with decentralized mechanical systems. The University anticipates utility savings of approximately $1 million annually when the project is completed in November 2015. In addition, the University utilized $4.7 million of state capital allocations as construction started on the $33.5 million student center, to be completed in the fall 2015 time frame. During FY 2014, the University was appropriated $4.5 million of state capital improvement dollars for the roof replacement of the Hallie Q. Brown Library, and began discussion regarding a $362,000 short-term, no interest loan from Ohio's Board of Regents for upgrading the fire detectors and strobe light systems in the residence halls. Both projects should begin during FY 2015. The University continues to pursue an HBCU loan of $13.2 million through the Federal Department of Education for the purchase of two residence halls currently owned by a private developer. These capital improvement projects all fit strategically in the master plan of the institution and are integral to supporting and fulfilling the tenets and compelling priorities of the University.

In an effort to grow student enrollment, the University, with approval from the Ohio Board of Regents, was able to offer, for a two-year period beginning in FY2014, tuition reciprocity to students residing in 14 counties in Indiana, which allowed these students to attend at the in-state tuition rate. The University also offered tuition waivers to students residing in the heavily recruited areas of Wayne County, Michigan, Marion County, Indiana and Cook County, Illinois which allowed these students to attend with an 80 percent discount of the out-of-state surcharge. The response to these offers was much greater than expected which contributed to maintaining our out-of-state enrollment numbers. However, overall enrollment was down by 4 percent from FY 2013 and the university moved to reduce operating budgets to meet the budget shortfall.

Lastly, as a result of this unexpected enrollment shortfall the University worked diligently to maintain its fiscal position. This was done primarily by deploying tactical and strategic steps that reduced daily operating expenditures. At all levels of the University, administrators, faculty, and staff worked diligently to identify and implement a variety of cost-saving measures. These cost savings measures reduced daily spending significantly, but with payroll and associated benefit costs consisting of almost 70 percent of expense, staffing reductions were required to bridge the gap. The workforce leveraging resulted in 23 employees being laid off, delays in filling vacated positions, and a temporary, progressive salary reduction for all non-union employees. These combined personnel actions, in addition to higher capital funding from the State of Ohio for the University Center, successfully contributed to the University garnering a positive cash fund balance and a minimal loss of net position during fiscal year 2014.

CENTRAL STATE UNIVERSITY
STATEMENTS OF NET POSITION
June 30, 2014 and 2013

	2014	2013
Current assets		
Cash and cash equivalents	$ 4,581,147	$ 6,971,100
Accounts receivable - Net of allowance of approximately $12.6 million at June 30, 2014 and $10.9 million at June 30, 2013	10,162,826	12,059,562
Inventory	374,900	461,273
Prepaid assets	50,138	68,610
Total current assets	15,169,011	19,560,545
Noncurrent assets		
Restricted cash and cash equivalents	4,198,164	17,394,448
Capital assets - net	89,307,350	74,764,788
Total noncurrent assets	93,505,514	92,159,236
Total assets	$ 108,674,525	$ 111,719,781
Current liabilities		
Deposits	$ 257,836	$ 204,120
Accounts payable	796,129	934,468
Accrued salaries, wages, and benefits	3,358,750	4,516,603
Unearned student fee revenue	4,075,601	5,580,745
Current portion of long-term debt	1,111,964	322,536
Current portion of capital lease	126,017	121,820
Other liabilities	1,561,076	563,019
Other unearned revenue	2,958,245	3,171,630
Total current liabilities	14,245,618	15,414,941
Noncurrent liabilities		
Long-term debt	16,403,259	17,515,223
Long-term capital lease	140,261	266,278
Long-term liabilities	1,278,933	1,365,718
Other long-term liabilities	513,364	953,482
Total noncurrent liabilities	18,335,817	20,100,701
Total liabilities	32,581,435	35,515,642
Net position		
Net investment in capital assets	75,031,938	72,331,408
Restricted for expendable - grants	90,485	32,267
Unrestricted	970,667	3,840,464
Total net position	76,093,090	76,204,139
Total liabilities and net position	$ 108,674,525	$ 111,719,781

See accompanying notes to financial statements.

CENTRAL STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2014 and 2013

	2014	2013
Operating revenue		
Tuition and fees	$ 11,413,936	$ 14,516,201
Less grants and scholarships	(4,079,973)	(5,432,597)
Tuition and fees, net	7,333,963	9,083,604
Federal grants and contracts	7,071,358	8,089,262
State, local, and private grants and contracts	876,749	904,149
Indirect cost recovery	541,542	684,621
Auxiliary activities	15,303,531	15,632,166
Less grants and scholarships	(4,953,196)	(5,235,996)
Auxiliary activities, net	10,350,335	10,396,170
Other sources	2,178,438	2,202,317
Total operating revenue	28,352,385	31,360,123
Operating expenses		
Instruction	11,007,082	11,991,876
Research	1,429,845	1,973,435
Student services	2,907,724	3,380,156
Academic support	7,030,473	7,225,956
Public services	2,191,028	2,810,631
Institutional administration	6,180,469	9,525,676
Operation and maintenance of plant	5,309,529	5,707,515
Auxiliary enterprises	13,076,093	13,344,808
Student aid	4,049,125	3,757,991
Depreciation	4,381,732	4,056,401
Total operating expenses	57,563,100	63,774,445
Operating loss	(29,210,715)	(32,414,322)
Nonoperating revenue (expenses)		
Federal Pell Grant appropriations	7,421,072	7,675,866
State appropriations	17,301,895	17,205,778
Investment income	4,836	10,259
Interest expense	(490,722)	(68,670)
Other restricted nonoperating revenue	199,887	-
Loss on disposal of capital assets	-	(29,160)
Net nonoperating revenue	24,436,968	24,794,073
Income - before other revenue	(4,773,747)	(7,620,249)
Other revenue - State capital appropriations	4,662,698	346,240
Decrease in net position	(111,049)	(7,274,009)
Net position - beginning of year	76,204,139	83,478,148
Net position - end of year	$ 76,093,090	$ 76,204,139

See accompanying notes to financial statements.

CENTRAL STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Tuition and fees	$ 11,859,242	$ 14,781,825
Grants and contracts	8,276,264	8,527,748
Payments to suppliers and employees	(49,858,634)	(55,695,439)
Auxiliary enterprise charges	2,227,438	2,287,358
Other	2,178,438	2,202,320
Net cash from operating activities	(25,317,252)	(27,896,188)
Cash flows from noncapital financing activities		
Federal Pell grant	7,421,071	7,675,865
State appropriations	17,301,895	17,205,778
Federal loan receipts	16,343,106	17,952,622
Federal loan disbursements	(16,343,106)	(17,952,622)
Net cash from noncapital financing activities	24,722,966	24,881,643
Cash flows from capital and related financing activities		
Capital grants and gifts received	4,662,698	346,240
Principal received from bond issuance	-	16,550,000
Purchase of capital assets and construction in progress	(18,924,295)	(1,789,548)
Principal paid on capital debt	(322,536)	(116,065)
Principal of capital lease	-	61,500
Principal paid on capital lease	(121,820)	(133,224)
Interest paid on capital debt	(290,835)	(68,670)
Net cash from capital and related financing activities	(14,996,788)	14,850,233
Cash flows from investing activities - interest on investments	4,836	10,259
Net change in cash and cash equivalents	(15,586,238)	11,845,947
Cash and cash equivalents - beginning of year	24,365,549	12,519,602
Cash and cash equivalents - end of year	$ 8,779,311	$ 24,365,549
Reconciliation of net operating loss to net cash from operating activities		
Operating loss	$ (29,210,715)	$ (32,414,322)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	4,381,732	4,056,401
Changes in operating assets and liabilities which (used) provided cash:		
Accounts receivable	1,896,736	1,007,155
Inventories, prepaids, and other assets	104,846	57,590
Accounts payable	(138,339)	23,438
Accrued salaries, wages, and benefits	(1,258,385)	83,580
Other liabilities	571,687	1,181,783
Deferred revenue and student deposits	(1,664,814)	(1,891,813)
Net cash used in operating activities	$ (25,317,252)	$ (27,896,188)

See accompanying notes to financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	$ 1,533,902	$ 587,885
Contributions receivable, net	12,439	26,856
Deposits	36,302	-
Other receivables	4,917	1,557
Prepaid expenses	6,470	5,672
Total current assets	1,594,030	621,970
Investments	4,654,662	3,778,952
Restricted cash and cash equivalents	3,492,437	3,661,620
Capital assets, net	12,418,973	12,352,263
Financing costs, net	1,233,762	1,330,289
Total assets	$ 23,393,864	$ 21,755,094
Liabilities		
Accounts payable	$ 177,270	$ 45,480
Payable to Central State University	216,078	27,608
Unearned revenue	30,000	-
Accrued interest payable	443,107	462,934
Current portion of long-term debt	525,000	475,000
Total current liabilities	1,391,455	1,011,022
Long-term debt, net of current portion	16,868,381	17,213,556
Total liabilities	18,259,836	18,224,578
Net Assets (Deficit)		
Unrestricted	375,282	(635,159)
Temporarily restricted	2,231,966	1,661,219
Permanently restricted	2,526,780	2,504,456
Total net assets	5,134,028	3,530,516
Total liabilities and net assets	$ 23,393,864	$ 21,755,094

See accompanying notes to financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years ended June 30, 2014 and 2013

	2014	2013
Revenue		
Rental revenue	$ 3,086,834	$ 2,587,274
Contributions	1,320,847	993,839
Other	282,350	320,340
Unrealized gain on investments	433,749	149,748
Investment income	222,402	189,650
Total revenue	5,346,182	4,240,851
Expenses		
Programs:		
Scholarship programs	359,518	334,039
Athletic programs	171,039	299,094
Academic programs	171,338	130,433
Institutional programs	497,842	323,929
Student support programs	21,971	21,466
Housing programs	2,441,370	2,452,232
Support activities:		
Depreciation and amortization expense	19,922	16,731
Interest expense	1,378	137
Surplus expense	42,197	149,365
Other	16,095	44,541
Total expenses	3,742,670	3,771,967
Increase in net assets	1,603,512	468,884
Net assets - beginning of year	3,530,516	3,061,632
Net assets - end of year	$ 5,134,028	$ 3,530,516

See accompanying notes to financial statements.

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Central State University (the "University") is a co-educational, degree-granting university located in Wilberforce, Ohio. The University was originally established in 1887 by the General Assembly of the State of Ohio and is considered a component unit of the State of Ohio. The University continued to expand degree programs, which resulted in a granting of university status in 1965 by Statutory Act under Chapter 3343 of the Ohio Revised Code and is a component unit of the State of Ohio as a state university. The University is governed by a board of trustees appointed by the governor with the advice and consent of the State Senate. The University offers undergraduate degrees in arts and science, business, teacher education, and technology. The University also has a branch facility, CSU-Dayton, located in Dayton, Ohio.

In early 2014, the University was designated as an 1890 land-grant institution which will enable the University to receive the benefits of the Morrill Act of 1890, legislation that provides support for agricultural and scientific research and education.

The Central State University Foundation (the "Foundation") is being discretely presented as part of the University reporting entity (although it is a legally separate entity and governed by its own board of directors) because its sole purpose is to provide support for the University in accordance with GASB Statement No. 39. Separate statements for the Foundation may be obtained through the state of Ohio auditor's web site. The Foundation is a private organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those under the GASB. No modifications have been made to the Foundation financial information included in the University's financial report to account for these differences.

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

Effective with the 2011 fiscal period, the University has started performing accounting services for the Foundation. The cash receipts for the Foundation are deposited directly to the Foundation bank account; however, disbursements are made by the University on behalf of the Foundation with a monthly cash settlement process.

(Continued)

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation: The accompanying financial statements have been prepared using the total economic resource measurement focus and the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities, and are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures,* GASB Statement No. 63*, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No 65, *Items Previously Reported as Assets and Liabilities*. The College follows the "business-type" activities requirements of GASB Statement No. 34. This approach requires the following components of the University's financial statements:

- Management's discussion and analysis (unaudited)
- Basic financial statements, including a statement of net position, statement of revenue, expenses, and changes in net position, and a statement of cash flows for the University as a whole
- Notes to the financial statements

Net Position is classified into three major categories:

- Net Investment in Capital Assets: Capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction, or improvement of those assets.
- Restricted: Owned by the University, but the use or purpose of the funds is restricted by an external source or entity. The restricted net position category is subdivided further into expendable and nonexpendable.
    - Restricted Nonexpendable: Endowment funds whose principal may be invested; however, only interest, dividends, and capital gains may be spent.
    - Restricted Expendable: May be spent by the institution, but only for the purpose specified by the donor, grantor, or other external entity. This category includes the unspent balance in grant funds, loan funds, debt service funds, and bond funded capital projects.
    - Unrestricted: Resources derived primarily from student tuition, fees, state appropriations, and auxiliary enterprises. They are used for the general obligations of the University and may be used at the discretion of the board of trustees for any purpose furthering the University's mission.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the University's policy is to first apply restricted resources.

Cash and Cash Equivalents: Cash and cash equivalents include cash and money market funds, stated at cost (which approximates market).

(Continued)

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Student Accounts Receivable: The University uses a systematic method based on applying percentages to the student accounts receivable aging to determine the allowance for student accounts receivable.

Inventory: Inventory is recorded using the first-in first-out (FIFO) method and is stated at the lower of cost or market.

Capital Assets: Capital assets are recorded at cost or, if acquired by gift, at fair value at the date of the gift. The University capitalizes all assets with a useful life greater than one year and a value in excess of $5,000. When capital assets are disposed of, the net carrying value of such assets is removed from the accounts and the invested in capital assets component of net assets is adjusted as appropriate. Capital assets, with the exception of land, are depreciated on the straight-line method over the following estimated lives:

Buildings	40 years
Building improvements	20 years
Automobiles, machinery, and equipment	3-15 years

Unearned Student Fee Income: Unearned student fee income consists of the unearned portion of student tuition and fees for the summer sessions and prepaid tuition and fees for the upcoming fall semester. The amounts which are deferred are recognized as revenue in the following fiscal year.

Operating Versus Nonoperating Revenue and Expenses: The University defines operating activities as reported on the statement of revenue, expenses, and changes in net assets as those that generally result from exchange transactions such as payments received for providing goods or services. Nearly all of the University's expenses are a result of exchange transactions, and therefore classified as operating expenses. The major recurring nonoperating expense is interest expense on capital asset related debt.

Certain significant revenue streams relied on for operations are reported as nonoperating revenue as required by GASB Statement No. 35, including state appropriations, investment income, and state capital grants. Federal Pell grant revenue is included in nonoperating revenue in accordance with GASB Statement No. 34.

Grants and Scholarships: Student tuition and fees and auxiliary revenue are presented net of grants and scholarships applied directly to students' accounts. Grants and scholarships consist primarily of awards to students from the Federal Supplemental Educational Opportunity Grant Program and the Ohio Instructional Grant Program. Payments made directly to students from grants and scholarships are presented as student aid.

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

Income Taxes: The University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The University would be subject to taxes on unrelated business income; however, any taxable income would be minimal.

(Continued)

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncements**:** In fiscal year 2014, the provisions of the following GASB Statements became effective:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012. The provisions of this Statement were effective for periods beginning after December 15, 2012. This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Due to the University's adoption of GASB 65, net position was restated at June 30, 2013. With the adoption of GASB 65, bond issuance costs that were incurred in the prior fiscal year should now be expensed and no longer amortized annually. The following is a reconciliation of the total net position as previously reported at June 30, 2013 to the restated net position.

Net Position, June 30, 2013, as previously reported	$ 76,588,079
Adoption of GASB 65	(383,940)
Net Position, June 30, 2013, as restated	$ 76,204,139

The bond was issued in the prior year and therefore, the effect of this adoption on the 2013 Statement of Changes in Revenue, Expenses and Net Position was an increase of $383,940 in amortization expense and a corresponding decrease in Net Position.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, issued March 2012. The provisions of this Statement were effective for periods beginning after December 15, 2012. This Statement is intended to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, *Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The adoption of this standard did not have a significant impact on the University's financial condition, operating results or financial statements.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued April 2013. The provisions of this Statement are effective for periods beginning after June 15, 2013. This Statement specifies the information required to be disclosed by the governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The adoption of this standard did not have a significant impact on the University's financial condition, operating results or financial statements.

Recent Accounting Pronouncements: As of June 30, 2014, the GASB has issued the following statements not yet implemented by the University.

(Continued)

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2014. This Statement is intended to improve accounting and financial reporting by state and local governments for pensions. It improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement also will require the liabilities for underfunded pension liabilities to be reported on the Statement of Financial Position.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013. The provisions of this Statement are effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB No. 68* issued November 2013. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No.68.

The University's management has not yet determined the effect these statements will have on the University's financial statements. However, management believes the adoption of GASB 68 will significantly decrease the University's net position when it is implemented.

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

Subsequent Events: The University entered into an agreement during fiscal year 2014 to purchase two 99-bed student residence facilities in the total amount of approximately $13,488,000 from the developer. The agreement was not finalized due to the US Department of Education's concern regarding the University's default rate on federal student loans. The relevant rate was released in September 2014 and as the rate was below the level of concern, it is anticipated that the agreement will be finalized during fiscal year 2015.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

In accordance with the State of Ohio's and the University's policy, the University is authorized to invest in obligations of the U.S. Treasury, agencies and instrumentalities, municipal and state bonds, certificates of deposit collateralized at market value, repurchase agreements, reverse repurchase agreements, and forward commitments. Statutes also authorize the University to invest endowment funds in the above investments, as well as commercial paper rated A-1 by Standard & Poor's bonds, common and preferred stock, mutual funds, and real estate upon specific authorization by the board of trustees.

Custodial Credit Risk of Bank Deposits: Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a policy restricting custodial credit risk. The University did not have any uninsured or uncollateralized cash and cash equivalents at June 30, 2014 or 2013.

(Continued)

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk: As discussed above, state law limits investments to U.S., state, and municipal government obligations. The University has no investment policy that would further limit its investment choices. The University had $2,107,847 and $3,106,227 invested in bank mutual fund pools at June 30, 2014 and 2013, respectively; these funds are not rated by a national rating agency due to the short-term nature of their holdings.

Restricted Cash and Cash Equivalents: The University's restricted cash and cash equivalents consist of money market accounts restricted for debt reserve payments.

The Foundation, through Marauder, maintains restricted cash balances in the following accounts as of August 31, 2014 and 2013:

	2014	2013
Restricted:		
Debt interest account	$ 443,107	$ 523,513
Debt principal account	500,020	899,675
Redemption fund	87,000	336,994
Repair and replacement fund	1,036,008	475,039
Debt reserve fund	1,426,302	1,426,399
Total restricted cash	$ 3,492,437	$ 3,661,620

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* (formerly SFAS 157), 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

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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.

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2014			
Assets	Quoted prices in Active markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance
Private equity investments:				
Certificate of Deposit	$ 113,786	$ -	$ -	$ 113,786
Equity mutual funds	2,965,936	-	-	2,965,936
Subtotal	3,079,722	-	-	3,079,722
Fixed-income investments:				
U.S. gov't obligations	-	18,544	-	18,544
Bond mutual funds	1,556,396	-	-	1,556,396
Subtotal	1,556,396	18,544	-	1,574,940
Total investments	$ 4,636,118	$ 18,544	$ -	$ 4,654,662

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2013			
Assets	Quoted prices in Active markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance
Private equity investments:				
Equity mutual funds	$ 2,286,771	$ -	$ -	$ 2,286,771
Subtotal	2,286,771	-	-	2,286,771
Fixed-income investments:				
U.S. gov't obligations	-	17,767	-	17,767
Bond mutual funds	1,484,414	-	-	1,484,414
Subtotal	1,484,414	17,767	-	1,502,181
Total investments	$ 3,771,185	$ 17,767	$ -	$ 3,788,952

(Continued)

NOTE 3 – RECEIVABLES

At June 30, 2014 and 2013, receivables consist of the following:

	2014	2013
Student accounts receivable	$ 20,617,201	$ 20,709,048
Student notes receivable	948,324	950,216
Grant and contract receivables	1,539,801	1,260,242
Other	701,008	1,028,970
Total	23,806,334	23,948,476
Less allowance for doubtful accounts	(13,643,508)	(11,888,914)
Net receivables	$ 10,162,826	$ 12,059,562

Student note receivables represent outstanding loans from the Federal Perkins Loan Program. These loans have been assigned to the Department of Education and are no longer administered by the University. The outstanding balance at June 30, 2014 and 2013 has been reserved in full and is included in the allowance for doubtful accounts.

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the University for the years ended June 30, 2014 and 2013 is summarized as follows:

2014	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Depreciable assets:					
Buildings and improvements	$ 126,259,938	$ 5,750	$ -	$ 8,918,487	$ 135,184,175
Automobiles, machinery, and equipment	20,737,923	33,623	(54,775)	1,998,623	22,715,394
Assets under capital lease	626,934	-	-	-	626,934
Total depreciable assets	147,624,795	39,373	(54,775)	10,917,110	158,526,503
Nondepreciable assets:					
Land improvements	308,650	-	-	-	308,650
Construction in progress	4,612,755	18,929,210	(44,289)	(10,917,110)	12,580,566
Total nondepreciable assets	4,921,405	18,929,210	(44,289)	(10,917,110)	12,889,216
Total capital assets	152,546,200	18,968,583	(99,064)	-	171,415,719
Less accumulated depreciation:					
Buildings and improvements	61,498,490	3,053,112	-	-	64,551,602
Automobiles, machinery, and equipment	16,111,242	1,211,433	(54,775)	-	17,267,900
Assets under capital lease	171,680	117,187	-	-	288,867
Total accumulated depreciation	77,781,412	$ 4,381,732	$ (54,775)	$ -	82,108,369
Capital assets - Net	$ 74,764,788				$ 89,307,350

(Continued)

NOTE 4 - CAPITAL ASSETS (Continued)

2013	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Depreciable assets:					
Buildings and improvements	$ 126,173,462	$ 118,876	$ (32,400)	$ -	$ 126,259,938
Automobiles, machinery, and equipment	19,643,045	1,063,266	-	31,612	20,737,923
Assets under capital lease	565,434	61,500	-	-	626,934
Total depreciable assets	146,381,941	1,243,642	(32,400)	31,612	147,624,795
Nondepreciable assets:					
Land improvements	308,650	-	-	-	308,650
Construction in progress	4,098,461	545,906	-	(31,612)	4,612,755
Total nondepreciable assets	4,407,111	545,906	-	(31,612)	4,921,405
Total capital assets	150,789,052	1,789,548	(32,400)	-	152,546,200
Less accumulated depreciation:					
Buildings and improvements	58,727,902	2,773,828	(3,240)	-	61,498,490
Automobiles, machinery, and equipment	14,943,806	1,167,436	-	-	16,111,242
Assets under capital lease	56,543	115,137	-	-	171,680
Total accumulated depreciation	73,728,251	$4,056,401	$ (3,240)	$ -	77,781,412
Capital assets - Net	$ 77,060,801				$ 74,764,788

The State of Ohio Air Quality Development Authority Tax Exempt Revenue Bonds authorized up to $16.5 million to be spent on a variety of energy conservation construction projects over fiscal years 2014 and 2015 to include replacing the existing centralized boiler system. These projects are financed from the proceeds of the bond issuance which are maintained with The Huntington National Bank as bond trustee.

A construction-manager-at-risk contract has been signed with Smoot Construction for the construction of the University Center. The State of Ohio has encumbered the funds through capital budgeting to pay for this project. On-site construction began in fiscal year 2014 and is scheduled to be completed by November 2015.

Capital assets activity for the Foundation for the years ended June 30, 2014 and 2013 is summarized as follows:

	2014	2013
Land	$ 140,800	$ 140,800
Building	16,519,103	16,034,338
Furniture and Fixtures	896,603	896,603
Total Fixed Assets	17,556,506	17,071,741
Less Accumulated Depreciation	(5,137,533)	(4,719,478)
Net Fixed Assets	$ 12,418,973	$ 12,352,263

(Continued)

NOTE 5 - LONG-TERM LIABILITIES

Long-term liability (other than long-term debt and capital lease) activity for the years ended June 30, 2014 and 2013 is summarized as follows:

2014	Beginning Balance	Additions	Reduction	Ending Balance	Current Portion
Compensated absences	$ 1,797,335	$ 614,601	$ 931,258	$ 1,480,678	$ 980,430
Voluntary Severance Program	1,516,501	-	489,773	1,026,728	513,364
Other liabilities	764,937	14,393	645	778,685	-
Total	$ 4,078,773	$ 628,994	$ 1,421,676	$ 3,286,091	$ 1,493,794

2013	Beginning Balance	Additions	Reduction	Ending Balance	Current Portion
Compensated absences	$ 2,018,963	$ 575,435	$ 797,063	$ 1,797,335	$ 1,196,554
Voluntary Severance Program	-	1,540,092	23,591	1,516,501	563,019
Other liabilities	1,098,806	7,460	341,329	764,937	-
Total	$ 3,117,769	$ 2,122,987	$ 1,161,983	$ 4,078,773	$ 1,759,573

Other long term liabilities include litigation and contingencies as discussed further in Note 11 and the Voluntary Severance Program discussed further in Note 9. The current portion of long-term liabilities is included in accrued salaries, wages, and benefits. See Note 8 for description of compensated absences.

NOTE 6 - LONG-TERM DEBT

University

Long-term debt for the University consists of the following for the years ended June 30, 2014 and 2013:

2014	Beginning Balance	Additions	Reduction	Ending Balance	Current Portion
Notes payable:					
Bond payable to 1st Niagara, 1.594 percent, payable in varying installments through December 1, 2022	$ 9,550,000	$ -	$ 200,000	$ 9,350,000	$ 982,596
Bond payable to 1st Niagara, 3.7 percent, payable in varying installments through December 1, 2028	7,000,000	-	-	7,000,000	-
Note payable to the Department of Education, 5.5 percent, payable in varying installments through November 1, 2021	1,287,759	-	122,536	1,165,223	129,368
Total	$ 17,837,759	$ -	$ 322,536	$ 17,515,223	$ 1,111,964

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

2013	Beginning Balance	Additions	Reduction	Ending Balance	Current Portion
Notes payable:					
Bond payable to 1st Niagara, 1.594 percent, payable in varying installments through December 1, 2022	$ -	$ 9,550,000	$ -	$ 9,550,000	$ 200,000
Bond payable to 1st Niagara, 3.7 percent, payable in varying installments through December 1, 2028	-	7,000,000	-	7,000,000	-
Note payable to the Department of Education, 5.5 percent, payable in varying installments through November 1, 2021	1,403,824	-	116,065	1,287,759	122,536
Total	$ 1,403,824	$ 16,550,000	$ 116,065	$ 17,837,759	$ 322,536

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

	DOE Note		Bond Series A		Bond Series B		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2015	$ 129,368	$ 62,333	$ 982,596	$141,208	$ -	$ 259,000	$ 1,574,505
2016	136,582	55,120	998,259	125,419	-	259,000	1,574,380
2017	144,196	47,504	1,014,171	109,382	-	259,000	1,574,253
2018	152,236	39,464	1,030,337	93,087	-	259,000	1,574,124
2019	160,724	30,976	1,046,761	76,532	-	259,000	1,573,993
2020-2024	442,117	132,984	4,277,876	135,870	1,210,924	1,269,686	7,469,457
2024-2028	-	-	-	-	5,789,076	538,673	6,327,749
	$ 1,165,223	$368,381	$ 9,350,000	$681,498	$ 7,000,000	$ 3,103,359	$ 21,668,461

Revenue from student housing and dining facilities is pledged for the redemption of the DOE notes.

The University is required to maintain a debt service payment account and a debt service reserve account under the Department of Education note. The debt service account has been paid in full as of June 30, 2008 and the reserve is no longer required. The University is also required to deposit $28,010 annually into a repair and replacement reserve account until $280,100 has been accumulated in that account, which occurred by June 30, 2013.

During 2013, the University issued $16,550,000 of Ohio Air Quality Development Authority bonds, in two series of $9,550,000 and $7,000,000 respectfully. Both series are being used to finance the costs of the acquisition, construction and installation of personal property comprising “air quality facilities” as defined in Section 3706.01of the Ohio Revised Code, pursuant to a performance contract with The Brewer-Garrett Company.

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

The Series A bonds were dated May 3, 2013 and issued at par therefore no bond discount was recorded. The bonds mature on December 1 in various amounts ranging from $200,000 on December 1, 2013 to $1,036,414 on December 1, 2022. Interest, at 1.594%, is payable semiannually on December 1 and June 1. Interest expense related to the Series A bonds during the year-ended June 30, 2014 was $156,976.

The Series B bonds were dated May 3, 2013 and issued at par therefore no bond discount was recorded. The Series B bonds mature after the Series A bonds are fully redeemed. The Series B bonds mature on December 1 in various amounts ranging from $78,701 on December 1, 2022 to $1,175,089 on December 1, 2028. Interest, at 3.7%, is payable semiannually on December 1 and June 1, beginning December 1, 2013. Interest expense related to the Series B bonds during the year-ended June 30, 2014 was $269,792.

Central State University Foundation

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, 2014 the interest rate was 3.154%. 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:

2015	$ 25,000
2016	25,000
2017	25,000
2018	25,000
2019	391,326
Total	$ 491,326

Marauder Development, LLC has the following debt related to the financing of student dormitories. Information is for the subsidiary's years ended August 31, 2014 and 2013:

	Interest Rate	Maturity	Balance August 31, 2013	Additions	Payments	Balance August 31, 2014
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	10,435,341	12,104	(260,000)	10,187,445
Total			$ 17,688,556	$ 23,499	$ (810,000)	$ 16,902,055
Less current portion						500,000
Long-term portion						$ 16,402,055

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

	Interest Rate	Maturity	Balance August 31, 2012	Additions	Payments	Balance August 31, 2013
Revenue Bonds Series 2002	3.0%-5.625%	2032	$ 7,445,240	$ 12,975	$ (205,000)	$ 7,253,215
Revenue Bonds Series 2004	3.3%-5.1%	2035	10,672,982	12,359	(250,000)	10,435,341
Total			$ 18,118,222	$ 25,334	$ (455,000)	$ 17,688,556
Less current portion						475,000
Long-term portion						$ 17,213,556

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

	Series 2002 Bonds		Series 2004 Bonds		
	Principal	Interest	Principal	Interest	Total
Revenue Bonds					
2015	$ 225,000	$ 363,431	$ 275,000	$ 511,423	$ 1,374,854
2016	235,000	352,213	285,000	498,995	1,371,208
2017	245,000	340,213	300,000	485,683	1,370,896
2018	260,000	327,587	310,000	471,498	1,369,085
2019	275,000	313,697	325,000	456,494	1,370,191
2019-2023	1,600,000	1,326,250	1,885,000	2,017,500	6,828,750
2024-2028	2,105,000	821,103	2,405,000	1,480,185	6,811,288
2029-2033	1,840,000	190,406	3,090,000	783,105	5,903,511
2033-2036	-	-	1,465,000	75,607	1,540,607
Total	$ 6,785,000	$ 4,034,900	$ 10,340,000	$ 6,780,490	$ 27,940,390

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 unamortized bond discount was $70,390 and $81,785 at August 31, 2014 and 2013, 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, 2015, 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 to 5.625 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

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 $152,555 and $164,659 at August 31, 2014 and 2013, 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 $275,000 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 to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

Bond Legislation provides that Marauder Development, LLC, will charge rates sufficient for the excess of revenues over expenditures to equal not less than 120 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio). As of June 30, 2014 and 2013, Marauder Development, LLC was in compliance with these requirements.

NOTE 7 - CAPITAL LEASE OBLIGATIONS

The University entered into various noncancellable equipment lease agreements during 2012 and 2013. These leases are accounted for as capital leases and principal payments of $121,820 were made under the agreements during the year ended June 30, 2014. Future minimum lease payments subsequent to June 30, 2014 are summarized as follows:

	Principal	Interest	Total
2015	$ 126,017	$ 7,635	$ 133,652
2016	130,359	3,294	133,653
2017	9,902	373	10,275
	$ 266,278	$ 11,302	$ 277,580

The cost of the assets was $626,934 and accumulated depreciation totaled $288,867 and $171,680 at June 30, 2014 and 2013, respectively.

NOTE 8 - COMPENSATED ABSENCES FOR VACATION AND SICK LEAVE

The University has three classifications of employees: classified, contract, and faculty.

Classified employees are nonacademic, permanent, full-time employees. Classified employees are entitled to vacation leave based upon length of service. The employees may accumulate up to a maximum of 30 to 75 days of vacation leave, depending on number of years of service. Vacation leave becomes payable upon termination or retirement. Employees may accumulate an unlimited amount of sick leave. One-third of accumulated sick leave is payable to classified employees with 10 years or more of service upon termination or retirement.

Contract employees are nonacademic, contracted, full-time employees. Contract employees are entitled to vacation leave based upon length of service and/or classification. The employee may accumulate up to a maximum of 30 days of vacation leave. Vacation leave not to exceed 240 hours becomes payable upon termination or retirement. Contract employees accrue sick leave at a rate of 15 days per year. One-third of accumulated sick leave, not to exceed one-third of 120 days, is payable to contract employees with 10 years or more of service upon retirement.

Faculty employees are full-time, academic employees. Faculty employees accrue sick leave at a rate of 15 days per year. One-third of accumulated sick leave, not to exceed one-third of 120 days, is payable to faculty employees with 10 years or more of service upon retirement.

NOTE 9 - RETIREMENT PLANS

Vested or accumulated leave is recorded as an expenditure and liability of the current funds as the benefits accrue to employees.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

Retirement benefits are available for substantially all employees under one of several contributory retirement plans. Certified teachers are covered by the State Teachers Retirement System (STRS). Noncertified employees are covered by the Ohio Public Employees Retirement System (OPERS). Both STRS and OPERS are statewide systems that offer three separate plans (1) a defined benefit plan, (2) a defined contribution plan, and (3) a combined plan. Each of the three options is discussed in greater detail in the following sections.

Defined Benefit Plans: The OPERS and STRS plans are cost-sharing, multiple-employer, defined benefit, public-employee retirement systems. Each provides retirement, disability, and survivor benefits to plan members and beneficiaries. These plans also provide healthcare benefits to vested retirees. Benefits provided under the plans are established by state statute.

Both plans issue separate, publicly available financial reports that include financial statements and required supplemental information. These reports may be obtained by contacting each system as follows: Public Employee Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642, Telephone (800) 222-7377; State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, Telephone (888) 227-7877.

The Ohio Revised Code provides OPERS and STRS statutory authority over employer and employee contributions. The required actuarially determined contribution rates (as a percentage of covered payroll) for the employee and the University are as follows for the year ending June 30, 2014:

	OPERS Classified, Contract Employee	OPERS Law Enforcement Employee	STRS Faculty
Employee Share			
January 1, 2014 - June 30, 2014	10.00%	13.00%	11.00%
July 1, 2013 - December 31, 2013	10.00%	12.60%	11.00%
Employer Share			
January 1, 2014 - June 30, 2014	14.00%	18.10%	14.00%
July 1, 2013 - December 31, 2013	14.00%	18.10%	14.00%

The portion of the University's contribution in the previous table applied toward healthcare funding is 5 percent for OPERS and 1 percent for STRS.

The University's contributions, representing 100 percent of the employer contributions for the year ended June 30, 2014 and for each of the two preceding years are as follows:

	OPERS	STRS
2014	$ 1,368,750	$ 903,841
2013	1,564,828	1,020,285
2012	1,543,647	1,062,756
2011	1,492,864	1,003,964

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

OPERS and STRS provide postretirement and postemployment health care benefits in addition to the retirement benefits described above. OPERS other postemployment benefits (OPEB) is advance funded on an actuarially determined basis. The assumptions and calculation below were based on the system's latest actuarial review performed as of December 31, 2012. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. At December 31, 2012, the actuarial funding value of the retirement system's net assets available for OPEB was $12.2 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $31.0 billion and $18.9 billion, respectively. There were 347,727 active contribution participants as of December 31, 2013. Of the $1,368,750 University employer contributions to OPERS for 2014, $128,662 was to fund OPEB.

STRS has discretionary authority, pursuant to the Ohio Revised Code, over how much, if any, of the healthcare costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the healthcare cost in the form of a monthly premium. The balance in the Health Care Stabilization Fund was $3.3 billion at June 30, 2013 (the latest information available). For the year ended June 30, 2013, the net healthcare costs paid by STRS were $600 million. There were 149,221 eligible benefit recipients.

Defined Contribution Plans: On June 23, 1998, pursuant to Ohio House Bill 586, the University created an Ohio Alternative Retirement Plan (ARP), which is designed to aid the University in recruiting and retaining employees by offering a portable retirement option. The ARP is a defined-contribution plan that provides full and immediate vesting of all contributions made on behalf of the participant. Contributions are directed to one of eight investment management companies, which allows the participant to manage the investment of all retirement funds. New employees who qualify for the ARP have 120 days from the date of hire to elect the ARP option. Once this window has passed, the employee will not have the option to elect into the ARP.

At June 30, 2014, there were 74 members of the plan. During 2014, 2013, and 2012, the employer contributions were $696,644, $732,882, and $730,866, respectively. The employer contribution rate for participants (other than law enforcement) electing out of OPERS and STRS was 14 percent for 2014. For law enforcement staff, the employer contribution was 18.1 percent for 2014.

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

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

Voluntary Severance Program: The University offered a voluntary severance program during fiscal year 2013, of which 25 employees participated. The plan was available to full time employees with ten or more years of service with the University or those with at least five years of service who met the qualification for full or reduced retirement benefits under STRS or OPERS. Employees were required to retire no later than June 30, 2013.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

The plan's benefits depended on the employee class of the participating members. Faculty electing the plan were eligible to receive 100% of their fiscal year 2013 base salary not to exceed $75,000, plus their applicable contractual sick leave pay. Unclassified employees were eligible to receive 100% of their fiscal year 2013 base salary, not to exceed $80,000, plus their applicable contractual sick leave pay. Classified employees were eligible to receive 100% of their fiscal year 2013 base salary, not to exceed $30,000, plus their applicable contractual sick leave pay. All participants receive their total benefit over five years, divided into 60 equal monthly payments made to the participant's post-employment 403(b) account of their choice. The plan is administered by a third party, Educators Preferred Corporation, who also acts as a trustee for the escrowed severance payout amounts.

The University chose to fund the $1,637,790 of severance payouts in three even installments of $545,930 payable in September 2013, 2014 and 2015. The payout amounts were determined by Educators Preferred Corporation based on salary amounts provided by the University and the agreed upon fees per the plan agreement.

	Benefit Amount	EPC Fees	Total
September 2013	$ 513,364	$ 32,566	$ 545,930
September 2014	513,364	32,566	545,930
September 2015	513,364	32,566	545,930
Total	$ 1,540,092	$ 97,698	$ 1,637,790

The severance payout amount was recognized as an expense as of June 30, 2013 due to the irrevocable agreement with the retiring employees. The fees are expensed in the year the payment is made. The year one payment was made in September 2013 which leaves a remaining balance of $1,026,728. OPEB obligations are not presented as these benefits are not affected by this Plan.

NOTE 10 - GRANTS AND CONTRACTS

The University receives grants and contracts from certain federal, state, and local agencies to fund research and other activities. The costs, both direct and indirect, that have been charged to their grants or contracts are subject to examination and approval by the granting agency. It is the opinion of the University administration that any potential disallowance or adjustment of such costs would not have a material effect on the accompanying financial statements.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Commitments: The University has encumbered $655,058 and $578,367 of funds as of June 30, 2014 and 2013, respectively. These encumbrances represent purchase orders and other commitments for materials or services not received as of fiscal year end. These are not included as liabilities in the statement of net position.

Litigation: The University is involved in various litigation and regulatory matters. Based upon management's review, the ultimate disposition of these matters may have an unfavorable outcome; therefore, appropriate financial reserves have been made to the financial statements relative to these matters. The University's administration believes that the ultimate disposition of these matters have been properly reflected in the financial statements of the University.

(Continued)

NOTE 12 - RELATED ORGANIZATION

The University is the sole beneficiary of the Central State University Foundation (the “Foundation”), a separate, not-for-profit entity governed by a separate board of trustees, organized for the purpose of promoting educational and research activities. Amounts received by the University from the Foundation in the form of private gifts, grants, and contracts amounted to $128,000 and $0 for the years ended June 30, 2014 and 2013, respectively.

The Foundation established and owns Marauder Development, LLC, which owns two residence halls (Foundation I and Foundation II) located on the University’s campus. The University receives an annual management fee and the reimbursement of operating expenses from Marauder Development, LLC. These fees and reimbursement amounted to $1,038,376 and $1,005,216 for the years ended June 30, 2014 and 2013, respectively. The University paid Marauder Development, LLC $3,086,834 and $2,587,274 for the years ended June 30, 2014 and 2013, respectively. These payments were primarily student residence hall fees.

Details of the Foundation’s restricted net assets at June 30, 2014 and 2013 are as follows:

2014	Temporarily Restricted	Permanently Restricted
Academic	$ 436,587	$ 640,948
Scholarship	660,079	1,185,871
Other general funds	1,135,300	699,961
Total net assets	$ 2,231,966	$ 2,526,780

2013	Temporarily Restricted	Permanently Restricted
Academic	$ 427,466	$ 636,525
Scholarship	531,733	1,163,605
Other general funds	702,020	704,326
Total net assets	$ 1,661,219	$ 2,504,456

NOTE 13 – RISK MANAGEMENT

The University participates in a state plan that pays workers’ compensation benefits to beneficiaries who have been injured on the job with any of certain state agencies and state universities. The Ohio Bureau of Workers’ Compensation (the “Bureau”) calculates the estimated amount of cash needed in the subsequent fiscal year to pay the claims for these workers and sets rates to collect this estimated amount from these participating state agencies and universities in that subsequent one-year period. As these already-injured workers’ claims will be paid out over a period of time, the Bureau also actuarially calculates estimated amounts that will be paid in future periods for the entire pool of state agencies and state universities. Settled claims have not exceeded this coverage for any of the preceding three years.

(Continued)

NOTE 13 – RISK MANAGEMENT (Continued)

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors or omissions; employee injuries and illnesses; national disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage for any of the preceding three years. The University is self-insured for student health insurance claims; the recorded liability for these claims is $15,850 and $9,127 as of June 30, 2014 and 2013, respectively.

SUPPLEMENTARY INFORMATION

CENTRAL STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2014

Federal Grants/Pass-Through Grant/Program Title	Federal CFDA Number	Pass-through Award	Federal Expenditures
STUDENT FINANCIAL ASSISTANCE CLUSTER			
U.S. Department of Education Direct Programs			
SEOG FY 2011	84.007		$ (552)
TEACH Grant FY 2011	84.379		500
ACG Grant FY 2011	84.375		552
PELL FY 2012	84.063		(4,163)
Direct Loan Unsubsidized FY 2012	84.268		(1,328)
Direct Loan Plus FY 2012	84.268		(13,340)
Direct Loan Subsidized FY 12-13	84.268		125,860
Direct Loan Unsubsidized FY 12-13	84.268		187,930
Direct Loan Plus FY 12-13	84.268		20,956
PELL FY 2013	84.063		78,123
SEOG FY 13	84.007		79,966
Federal Work Study FY13	84.033		31,619
TEACH Grant FY13	84.379		716
Direct Loan Subsidized FY 13-14	84.268		6,374,578
Direct Loan Unsubsidized FY 13-14	84.268		8,238,919
Direct Loan Plus FY 13-14	84.268		1,394,863
PELL 13-14	84.063		7,367,815
SEOG 13-14	84.007		756,015
Federal Work Study FY14	84.033		488,482
TEACH Grant FY14	84.379		60,289
Total Student Financial Assistance Cluster			25,187,800
RESEARCH AND DEVELOPMENT CLUSTER			
National Aeronautics and Space Administration			
Ohio Space Grant	43.001		16,343
OSGC Education Scholarship	43.001		4,000
Properties of Carbon Nanotubes	43.001		500
Total National Aeronautics and Space Administration			20,843
National Science Foundation – Direct Awards			
Benjamin Banneker's Scholarship Program	47.076		3,733
Robotic Group for Invasive	47.070		44,122
Molecular Interaction	47.076		34,148
Center for Cyber Sensors	47.076		235,130
Modeling Equil of Macromolecules	47.041		26,916
Integrated Geoscience Curriculum for Workforce Development for Oil and Gas Industry (IGC)	47.076		80,071
Software Defined Radio Lab Platform	47.076		7,800
Total National Science Foundation – Direct Awards			431,920
National Science Foundation – Pass-through Programs			
ADVANCE	47.076	HRD-0810989	28,665
Senegal Biology Research Project	47.079	OISE-0968247	4,377
Center for Layered Polymeric Systems (CLiPS)	47.049	DMR-0423914	35,309
Preparation of Binary FE-MN Oxides	47.076	HRD-0810989	4,624
Wound Healing in a Response to Selective Snake Venom Toxins	47.076	HRD-0810989	4,891
Ohio LSAMP Alliance	47.076	HRD-1304371	3,804
Total National Science Foundation – Pass through Programs			81,670
U.S. Department of Health and Human Services:			
Center for Allaying Health Disparities Through Research and Ed.	93.307		344,862
Total U.S. Department of Health and Human Services			344,862

(Continued)

Federal Grants/Pass-Through Grant/Program Title	Federal CFDA Number	Pass-through Award	Federal Expenditures
U.S. Department of Defense:			
Central State University Center of Excellence in STEM Education (CSU-STEM-X-ED)	12.630		$ 890,978
Total U.S. Department of Defense			890,978
Total Research And Development Cluster			1,770,273
TRIO CLUSTER			
U.S. Department of Education Direct Programs:			
TRIO: Student Support Services	84.042A		357,404
TRIO: Upward Bound Program	84.047		(75)
TRIO: Upward Bound Program 2012-17	84.047		251,655
Total TRIO Cluster			608,984
OTHER FEDERAL PROGRAMS			
U.S. Department of Education Direct Programs			
HIGHER EDUCATION - INSTITUTIONAL AID – Direct Program			
K-16 Higher Education Access	84.031B		4
Center for Academic Success	84.031B		225
Enhancing Stock Trading Room	84.031B		4,558
SAFRA: 10-11 UCLC Resource Room	84.031B		6,234
Part F: Augmentation of Services	84.031B		851
SAFRA: Enhancing Library Services	84.031B		6,924
Project Management 12-13	84.031B		57,872
Improving Institutional Advancement 12-13	84.031B		30,122
Improving University College 12-13	84.031B		230,447
Counseling Center 2012-2013	84.031B		77,120
Improving Academic Planning 12-13	84.031B		86,110
Prelaw 2012-2013	84.031B		43,242
Music Mentors	84.031B		18,826
SAFRA: Center for Global Education 12-13	84.031B		50,744
SAFRAL Enhancing Online Learning 12-13	84.031B		74,176
SAFRA: Theatre Arts 12-13	84.031B		12,353
SAFRA: University College Center 12-13	84.031B		24,116
SAFRA: Academic Planning and Assessment	84.031B		43,604
Enhancing Teacher Education	84.031B		1,848
TEAP-C	84.031B		27,800
Program Accreditation Travel	84.031B		6,713
UC Retention Activities	84.031B		20,578
SAFRA: TEAP Center	84.031B		79,661
Writing Across Curriculum	84.031B		36,260
Program Administration 13-14	84.031B		167,198
Institutional Advancement 13-14	84.031B		58,671
University College 13-14	84.031B		263,960
Counseling Center 13-14	84.031B		148,807
Academic Planning and Assessment 13-14	84.031B		146,914
Pre Law and Professional Development 13-14	84.031B		150,017
Music Mentors 13-14	84.031B		26,169
TEAP-C 13-14	84.031B		211,812
SAFRA: Global Education 13-14	84.031B		124,270
SAFRA: Online Learning 13-14	84.031B		90,802
SAFRA: Theatre Arts 13-14	84.031B		130,885

(Continued)

Federal Grants/Pass-Through Grant/Program Title	Federal CFDA Number	Pass-through Award	Federal Expenditures
SAFRA: UC Learning Center 13-14	84.031B		$ 38,940
SAFRA: Academic Planning and Assessment 13-14	84.031B		110,792
SAFRA: Journalism Mass Communication Program 13-14	84.031B		124,590
SAEM 12-13	84.031B		68,473
Banner Training 12-13	84.031B		714
Total Higher Education - Institutional Aid			2,803,402
Minority Science Improvement Grant			
ExCEL	84.120		81,753
Total Minority Science Improvement Grant			81,753
Total U.S. Department of Education Direct Programs			3,494,139
U.S. Department of Health and Human Services:			
KRUNKED 4 Life	93.910		4,526
CSU Expanded Suicide Prevention, passed-through	93.243	34418-I	65
Total U.S. Department of Health and Human Services			4,591
U.S. Department of Transportation – Passed-through Programs:			
FHWA Summer Transportation Program 2013	20.205	17893	23,011
University Transportation Center	20.701	DTRT12-G-UTC05	31,591
FHWA Summer Transportation Institute 2014	20.205	18534	23,005
Total U.S. Department of Transportation			77,607
U.S. Department of Defense – Passed-through Programs:			
Basic and Applied Scientific Research:			
MLP: Density Lithium Ion Battery	12.300	FA8650-05-D-1912	27,027
MLP: Tech Application in Comp Material	12.300	FA8650-05-D-1912	7,468
2012-13 Sensors Nanotechnology Con	12.300	FA8650-05-D-1912	4,927
2012-13 Sensors Nanotechnology	12.300	FA8650-05-D-1912	67,913
MLP: Human Centric ISR Sensors	12.300	FA8650-05-D-1912	32,611
Computer Methods Fracture Mechanics	12.300	FA8650-05-D-5800	8,157
Lithium Iron Battery	12.300	FA8650-05-D-5800	34,223
Total U.S. Department of Defense			182,326
U.S. Department of Energy:			
STEM UP - OUT	81.123		3,402
Total U.S. Department of Energy			3,402
U.S. Department of Agriculture			
Ohio Scholarship Program 12-14	10.902		13,467
Development of Drought Triggers, passed-through	10.310	2011-67019-21122	11,670
Total U.S. Department of Agriculture			25,137
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 30,745,275

See Notes To Schedule Of Expenditures Of Federal Awards

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Central State University under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUBRECIPIENT AWARDS

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

Federal Program Title	CFDA Number	Amount provided to subrecipients
Central State University Center for Excellence in STEM Education (CSU-STEM-X-ED)	12.630	$ 33,438
Center for Cyber Sensors	47.076	45,896
Center for Allaying Health Disparities Through Research and Ed.	93.307	3,492
Total		$ 82,826

NOTE 3 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

All programs with identifiable CFDA numbers have been listed separately.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S 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*

Management and Board of Trustees
Central State University
Wilberforce, Ohio

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 financial statements of the business-type activities and the discretely presented component unit of Central State University as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central State University'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 opinions on the financial statements, but not for the purpose of expressing opinion on the effectiveness of Central State University's internal control. Accordingly, we do not express opinion on the effectiveness of Central State University'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 may exist that have not been identified.

(Continued)

Compliance and Other Matters

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

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
October 15, 2014

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management and Board of Trustees
Central State University
Wilberforce, Ohio

Report on Compliance for Each Major Federal Program

We have audited Central State University's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Central State University's major federal programs for the year ended June 30, 2014. Central State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Central State University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Central State University's compliance.

Opinion on Each Major Federal Program

In our opinion, Central State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

(Continued)

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

The University's response to the noncompliance findings identified in our audit are described in the accompanying S*chedule of Findings and Questioned Costs*. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Central State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Central State University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central State University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

The University's response to the internal control over compliance findings identified in our audit are described in the accompanying S*chedule of Findings and Questioned Costs*. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2014

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiencies identified not considered to be material weaknesses?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiencies identified not considered to be material weakness(es)?	X	Yes		None reported
Type of auditors' report issued on compliance for major programs	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?	X	Yes		None reported

(Continued)

PART I: SUMMARY OF AUDITORS' RESULTS (Continued)

Name of Major Program Identified	CFDA Number
U.S. Department of Education	
Student Financial Aid Cluster:	
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grants	84.007
Federal Direct Loan Program	84.268
TEACH Grant	84.379
TRIO Cluster:	
Student Support Services	84.042A
Upward Bound Program	84.047

Dollar threshold used to distinguish between Type A and Type B programs $300,000

Auditee qualified as low-risk auditee? ___X___ Yes ________ No

PART II: FINANCIAL STATEMENT FINDINGS SECTION

There were no findings.

PART III: MAJOR FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION

Finding 2014-001

Federal Program Information: Federal Supplemental Education and Opportunity Grants (FSEOG), CFDA No. 84.007; Federal Work Study Program CFDA No. 84. 033; Federal Pell Grant Program, CFDA No. 84.063; Federal Direct Loan Programs (FDL), CFDA No. 84.268; and Teacher Education Assistance for College and Higher Education Grants CFDA No. 84.379

Criteria: 34 CFR 668.56 – Items to be verified. (5) The following untaxed income and benefits for the base year if base year data was used in determining eligibility (i) Social Security benefits if the institution has reason to believe that those benefits were received and were not reported or were incorrectly reported; (ii) Child support if the institution has reason to believe that child support was received; (iii) U.S. income tax deduction for a payment made to an individual retirement account (IRA) or Keogh account; (iv) Interest on tax-free bond; (v) Foreign income excluded from U.S. income taxation if the institution has reason to believe that foreign income was received; (vi) The earned income credit taken on the applicant's tax return; and (vii) All other untaxed income subject to U.S. income tax reporting requirements in the base year which is included on the tax return form, excluding information contained on schedules appended to such forms.

(Continued)

PART III: MAJOR FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION (Continued)

Finding 2014-001 (Continued)

Condition:	During verification testing for a sample of 25 student files, it was noted the University did not make changes to student information that resulted from the verification process as required for four students.
Cause:	Verification is a manual process.
Effect:	The University did not update certain student files for information received during the verification process.
Questioned Costs:	Relative to the four errors noted in the sample, one student was over-awarded $175 in Pell Grant and there was no impact on the other three students' awards.
Recommendation:	We recommend the University review the current policies and procedures related to the verification process to ensure information updates identified through the verification process are accurately processed and reflected in student files.
Management Response and Corrective Action:	The University agrees with the recommendation. The processes in the Financial Aid department have been revised so that once corrections come in from verified students, the records will be updated. The subsequent transactions report that lists changes made to the students' records will be reviewed, verified, and processed on a weekly basis.

(Continued)

PART IV: SUMMARY OF PRIOR YEAR FINDINGS

Finding 2013-01

Condition:	There is not an independent review of certain schedules that support entries in the general ledger system in several significant accounting cycles.
Status:	Corrected.

Finding 2013-02

Federal Program Information:	Student Financial Aid Cluster - CFDA No. 84.063, 84.268, 84.379
Condition:	The University did not return the proper amounts of Title IV funds to the agency within the 45 days required. This finding was first reported in 2007.
Status:	Corrected.

Finding 2013-03

Federal Program Information:	Student Financial Aid Cluster - CFDA No. 84.063, 84.268, 84.379
Condition:	The University did not report the status changes within the required timeframe.
Status:	Corrected.

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WCSU-FM
(A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY CENTRAL STATE UNIVERSITY)
Wilberforce, Ohio

FINANCIAL STATEMENTS
June 30, 2014 and 2013

WCSU-FM

Wilberforce, Ohio

FINANCIAL STATEMENTS
June 30, 2014 and 2013

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Management and the Board of Trustees
Central State University
Wilberforce, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of WCSU-FM, Central State University Radio Station (the "Station"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2014, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Central State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Central State University as of June 30, 2014, and the changes in its financial position and its cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages 3 to 5 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Predecessor Auditor

The financial statements of the Station as of June 30, 2013, were audited by other auditors whose report dated October 15, 2013, expressed an unmodified opinion on those statements.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated the same date as this report on our consideration of the Station'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 Station's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 22, 2014

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of WCSU-FM (the "Station"), which is owned and operated by Central State University (the "University"). The report consists of three financial statements that provide information on the radio station: the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. These statements begin on page 6 and should be read in conjunction with the notes to the financial statements. The following summary and management's discussion of the results are intended to provide the readers with an overview of the financial statements.

The Statement of Net Position

The statement of net position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector institutions. Net position - the difference between assets and liabilities - are one way to measure the financial activities of the Station. Unrestricted net position increased by $62,594 during fiscal year 2014 and $19,127 during fiscal year 2013 due to increased contribution revenue and relatively flat expenses.

Net investment in capital assets decreased by $21,647 and $24,107 due primarily to depreciation of capital assets during fiscal years 2014 and 2013, respectfully. Total net position increased $40,947 during fiscal year 2014 and decreased $4,980 during fiscal year 2013.

Total assets increased by $37,713 during 2014 and decreased by $6,044 in 2013; the increase in 2014 was related primarily to additional contribution revenue received. The decrease in 2013 was related primarily to an excess of depreciation expense over the increase in the amount due from the University (pooled cash and investments).

Total liabilities decreased by $3,234 in 2014, which is attributed to a decrease in unearned revenue. Total liabilities also decreased by $1,064 in 2013, which is attributed to a decrease in accounts payable offset by an increase in unearned revenue.

	2014	2013	2012
Assets			
Current assets	$ 268,980	$ 209,620	$ 191,557
Capital assets - net of depreciation	49,457	71,104	95,211
Total assets	$ 318,437	$ 280,724	$ 286,768
Liabilities and net position			
Current Liabilities	$ 159,380	$ 162,614	$ 163,678
Net position			
Net investment in capital assets	49,457	71,104	95,211
Unrestricted	109,600	47,006	27,879
Total net position	159,057	118,110	123,090
Total liabilities and net position	$ 318,437	$ 280,724	$ 286,768

(Continued)

Statement of Revenue, Expenses, and Changes in Net Position

The statement of revenue, expenses, and changes in net position presents the operating results of the Station.

	2014	2013	2012
Operating revenue			
Corporation for Public Broadcasting	$ 141,177	$ 115,924	$ 145,063
State Network Commission and private grants	19,695	23,950	28,256
Fundraising revenue, net	1,853	8,126	-
Underwriting revenue	2,900	1,835	10,564
Contributions	51,525	12,308	17,490
Contributed services	85,910	91,592	87,092
Non-operating revenue			
Net investment income	8,413	-	-
Miscellaneous income	-	-	50
University support	540,949	426,974	423,576
Total revenue	852,422	680,709	712,091
Operating expenses			
Program services			
Programming and production	260,245	244,602	228,437
Broadcasting and engineering	85,910	91,592	87,092
Program information and promotion	37,178	34,943	32,634
Support services			
Management and general	428,142	314,552	316,746
Total operating expenses	811,475	685,689	664,909
Increase (decrease) in net position	40,947	(4,980)	47,182
Net position - beginning of year	118,110	123,090	75,908
Net position - end of year	$ 159,057	$ 118,110	$ 123,090

Operating revenue increased by $49,325, or 19 percent during fiscal year 2014; Corporation for Public Broadcasting (CPB) increased by $25,253 (22 percent), State Network Commission decreased by $4,255 (18 percent), contributions increased by $39,217 (318 percent) and contributed services decreased by $5,682 (6 percent). The CPB revenue has returned to the historical level after the one time drop in FY13. The decrease in State Network Commission is due to a decrease of State funding from eTech Ohio. These decreases were offset an increase in contributions due to a $47,000 gift from an alumnus received during fiscal year 2014.

(Continued)

Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. Cash consists of the Station's share of University and Foundation pooled cash and investments.

	2014	2013	2012
Cash used in operating activities	$ (156,100)	$ (186,123)	$ (119,446)
Cash provided by noncapital financing activities	216,910	202,736	192,835
Cash used in capital and related financing activities	-	-	(41,044)
Increase in cash	60,810	16,613	32,345
Cash - beginning of year	208,170	191,557	159,212
Cash - end of year	$ 268,980	$ 208,170	$ 191,557

The Station consumed $156,100 and $186,123 in operating activities in 2014 and 2013, respectively. The primary operating cash receipts consist of grants and contracts of $215,676 and $163,307 for 2014 and 2013, respectively. Cash outlays include payments for wages and to vendors of $371,776 and $349,430 for 2014 and 2013, respectively. The primary noncapital financing activities consist of support from the University.

There was no cash used in capital activities during 2014 or 2013.

Economic Factors that Will Affect the Future

There are several economic factors that will affect the future for WCSU. With state and local economies in a minor state of flux, WCSU-FM is designing plans to develop major fundraising events partnering with other local arts organizations. The Station will also look to market some of its production facilities to local non-profits as another source of raising revenue.

The Station is working to partner with the National Afro-American Museum and Cultural Center in the creation of a membership base regional Jazz Hall of Fame. This new organization will be supported by an annual fundraising event.

The Station continues to research ways to extend its over-the-air signal coverage in hopes of extending the Station's listening and membership base.

With some success this past year, WCSU-FM will continue to solicit major donors and foundations as part of it fundraising appeals to support local broadcast programs and technical upgrades.

WCSU-FM
STATEMENTS OF NET POSITION
June 30, 2014 and 2013

	2014	2013
Assets		
Current assets		
Due from the University	$ 165,874	$ 167,105
Due from the Foundation	103,106	41,065
Pledges receivable	-	1,450
Total current assets	268,980	209,620
Capital assets - net (Note 2)	49,457	71,104
Total assets	$ 318,437	$ 280,724
Liabilities and net position		
Current liabilities		
Unearned revenue	$ 157,490	$ 161,168
Accounts payable	1,890	1,446
Total liabilities	159,380	162,614
Net position		
Unrestricted	109,600	47,006
Net investment in capital assets	49,457	71,104
Total net position	159,057	118,110
Total liabilities and net position	$ 318,437	$ 280,724

See accompanying notes to financial statements.

WCSU-FM
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2014 and 2013

	2014	2013
Support and revenue		
Corporation for Public Broadcasting (Note 3)	$ 141,177	$ 115,924
State Network Commission (Note 4)	19,695	23,950
Fundraising revenue (net of expense $2,772 in 2014 and $3,679 in 2013)	1,853	8,126
Underwriting revenue	2,900	1,835
Contributions	51,525	12,308
Contributed services (Note 4)	85,910	91,592
Total support and revenue	303,060	253,735
Expenses		
Program services		
Programming and production	260,245	244,602
Broadcasting and engineering	85,910	91,592
Program information and promotion	37,178	34,943
Support services		
Management and general	428,142	314,552
Total expenses	811,475	685,689
Operating loss	(508,415)	(431,954)
Non-operating revenue		
Net investment income	8,413	-
University support (Note 5)	540,949	426,974
Total non-operating revenue	549,362	426,974
Increase (decrease) in net position	40,947	(4,980)
Net position - beginning of year	118,110	123,090
Net position - end of year	$ 159,057	$ 118,110

See accompanying notes to financial statements.

WCSU-FM
STATEMENTS OF CASH FLOWS
Years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Grants and contracts	$ 215,676	$ 163,307
Payments to employees and vendors	(371,776)	(349,430)
Net cash used in operating activities	(156,100)	(186,123)
Cash flows from noncapital financing activities		
University support	216,910	202,736
Increase in cash	60,810	16,613
Cash - beginning of year	208,170	191,557
Cash - end of year	$ 268,980	$ 208,170
Reconciliation of operating loss to net cash from operating activities		
Operating loss	$ (508,415)	$ (431,954)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	21,647	24,107
Donated facilities and administrative support from University	332,452	224,238
Changes in assets and liabilities:		
Pledges receivable	1,450	(1,450)
Accounts payable	444	(15,341)
Unearned revenue	(3,678)	14,277
Net cash used in operating activities	$ (156,100)	$ (186,123)

See accompanying notes to financial statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization: WCSU-FM (the "Station") is a radio station owned and operated by Central State University (the "University"), a state-supported, public university. WCSU-FM is located on the campus of the University in Wilberforce, Ohio.

Basis of Presentation: WCSU-FM reports as a "business-type activity," as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The financial statements of the Station have been prepared on the accrual basis of accounting whereby revenue is recognized when earned and expenses are recorded when the related liability has been incurred.

Net Position Classifications: In accordance with GASB Statement No. 35 guidelines, WCSU-FM's resources are classified into the following two net position categories:

> Net investment in capital assets: Capitalized physical assets net of accumulated depreciation.
>
> Unrestricted: Resources that are not subject to externally imposed stipulations. Unrestricted resources may be designated for specific purposes by action of management, Board of Trustees, or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted resources are designated for Station programs, initiatives, and capital projects.

Operating Versus Non-operating Revenue and Expenses: WCSU-FM defines operating activities as reported on the statement of revenue, expenses, and changes in net position as those that generally result from exchange transactions such as payments received for providing goods or services and payments made for goods or services received.

Income Taxes: Under Internal Revenue Code Section 501(c)(3), the operations of WCSU-FM are exempt from income taxes as part of the overall operations of the University as a political subdivision of the State of Ohio.

Due from the University: The financial records for WCSU-FM are maintained as a part of the operations of the University. Separate fund account activities are maintained to account for the operations of WCSU-FM. Separate cash accounts are not maintained for WCSU-FM. Consequently, funds deposited on account for WCSU-FM are reflected in the financial statements as due from the University and, for the purpose of the statement of cash flows, these amounts are considered cash.

Due from the Foundation: WCSU-FM maintains a balance with the Central State University Foundation for the purpose of receiving contributions donated used in support of the radio station. The Foundation cash accounts are maintained as a pool, so for the purpose of these statements, funds deposited on account for WCSU-FM are reflected in the financial statements as due from the Foundation and, for the purpose of the statement of cash flows, these amounts are considered cash and cash equivalents.

Pledges Receivable: These are pledge receivables whereby the commitment to pay was made during fiscal year 2013 but the funds were received in fiscal year 2014. All pledges were received during 2014. There were no outstanding pledge receivables as of June 30, 2014.

Capital Assets: Capital assets are recorded at cost or, if acquired by gift, at fair value at the date of the gift. The University capitalizes all assets with a useful life greater than one year and a value in excess of $5,000. When capital assets are sold or otherwise disposed of, the net carrying value of such assets is removed from the accounts and the net investment in capital assets component of net position is adjusted as appropriate. Capital assets, are depreciated on the straight-line method over their estimated useful lives, ranging from 5 to 15 years.

(Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue: Unearned revenue represents grant monies received from grants and contract sponsors that have not been earned.

Functional Allocation of Expenses: The costs of providing program and support services have been reported on a functional basis in the statement of revenue, expenses, and changes in net position. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

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.

Adoption of New Accounting Pronouncements: In fiscal year 2014, the provisions of the following GASB Statements became effective:

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, issued March 2012. The provisions of this Statement were effective for periods beginning after December 15, 2012. This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The adoption of this standard did not have a significant impact on the Station's financial condition, operating results or financial statements

GASB Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62, issued March 2012. The provisions of this Statement were effective for periods beginning after December 15, 2012. This Statement is intended to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The adoption of this standard did not have a significant impact on the Station's financial condition, operating results or financial statements.

GASB Statement No. 70, Accounting and Financial Reporting for Non-exchange Financial Guarantees, issued April 2013. The provisions of this Statement are effective for periods beginning after June 15, 2013. This Statement specifies the information required to be disclosed by the governments that extend non-exchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive non-exchange financial guarantees. The adoption of this standard did not have a significant impact on the University's financial condition, operating results or financial statements.

Recent Accounting Pronouncements: As of June 30, 2014, the GASB has issued the following statements not yet implemented by the University.

(Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2014. This Statement is intended to improve accounting and financial reporting by state and local governments for pensions. It improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement also will require the liabilities for underfunded pension liabilities to be reported on the Statement of Net Position.

GASB Statement No. 69, Government Combinations and Disposals of Government Operations, issued January 2013. The provisions of this Statement are effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB No. 68 issued November 2013. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No.68.

The University's management has not yet determined the effect these statements will have on the Station's financial statements. However, management believes the adoption of GASB 68 will significantly decrease the University's net position when it is implemented and thus might have a residual effect on the Station's net position.

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 position or total net position.

NOTE 2 - CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2014 and 2013 are summarized as follows:

	2014			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	$ 15,082	$ -	$ -	$ 15,082
Telecommunications equipment	456,816	-	-	456,816
Total	471,898	-	-	471,898
Less accumulated depreciation:				
Office equipment	15,082			15,082
Telecommunications equipment	385,712	21,647	-	407,359
Total accumulated depreciation	400,794	21,647	-	422,441
Capital assets - net	$ 71,104	$ (21,647)	$ -	$ 49,457

(Continued)

NOTE 2 - CAPITAL ASSETS (Continued)

	2013			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	$ 15,082	$ -	$ -	$ 15,082
Telecommunications equipment	456,816	-	-	456,816
Total	471,898	-	-	471,898
Less accumulated depreciation:				
Office equipment	15,082			15,082
Telecommunications equipment	361,605	24,107	-	385,712
Total accumulated depreciation	376,687	24,107	-	400,794
Capital assets - net	$ 95,211	$ (24,107)	$ -	$ 71,104

NOTE 3 - CORPORATION FOR PUBLIC BROADCASTING GRANTS

WCSU-FM receives grant funding from the Corporation for Public Broadcasting (CPB) to assist in the operations of WCSU-FM. The CPB grants consist of a Radio Community Service Grant (CSG), which is unrestricted in its use, and a National Program Production and Acquisition Grant (NPPAG), which is restricted to national programming activities. Recognition of the CPB grant revenue is deemed unearned until expenses are incurred. Any unused grant amounts at the end of the spending period must be returned to the granting agency. There were no amounts due to the CPB at 2014 or 2013.

NOTE 4 - STATE NETWORK COMMISSION GRANT AND CONTRIBUTED SERVICES

WCSU-FM receives unrestricted radio station funding through E-Tech Ohio (OET). For the years ended June 30, 2014 and 2013, WCSU-FM received cash support of $19,695 and $23,950, respectively. WCSU-FM received in-kind contributed services support from OET of $72,193 and $73,919 during 2014 and 2013, respectively. WCSU-FM also received volunteer services related to programming activities of $13,717 and $17,673 during 2014 and 2013, respectively

NOTE 5 - UNIVERSITY SUPPORT ALLOCATION

The operations of WCSU-FM are supported primarily by the general revenue of the University. The University effectively covers all operating costs of WCSU-FM in excess of direct support received through grant awards and contributions attributable to WCSU-FM's operations. The University's support allocation totaled $208,497 and $202,736 in direct support for 2014 and 2013, respectively, and $332,452 and $224,238 in indirect administrative support and donated facilities for 2014 and 2013, respectively.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S 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*

Management and the Board of Trustees
Central State University
Wilberforce, Ohio

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 financial statements of WCSU-FM, Central State University Radio Station (the "Station"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Station's financial statements, and have issued our report thereon dated the same date as this report.

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Central State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Central State University as of June 30, 2014, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Station'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 Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station'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 may exist that have not been identified.

(Continued)

Compliance and Other Matters

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

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 22, 2014

MARAUDER DEVELOPMENT, LLC
(a wholly owned subsidiary of Central
State University Foundation)
Wilberforce, Ohio

FINANCIAL STATEMENTS
August 31, 2014 and 2013

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
Wilberforce, Ohio

FINANCIAL STATEMENTS
August 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Management
Marauder Development, LLC
Wilberforce, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Marauder Development, LLC (Marauder), a wholly owned subsidiary of Central State University Foundation, which comprise the statement of financial position as of August 31, 2014, and the related statements of activities and cash flows for the year 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 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marauder as of August 31, 2014, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Marauder as of August 31, 2013, were audited by other auditors whose report dated October 15, 2013, expressed an unmodified opinion on those statements.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated October 15, 2014 on our consideration of Marauder'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 Marauder's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2014

MARAUDER DEVELOPMENT, LLC
BALANCE SHEETS
August 31, 2014 and 2013

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 948,943	$ 213,119
Prepaid expenses	6,470	5,672
Total current assets	955,413	218,791
Restricted Cash and Cash Equivalents (Note 2)	3,492,437	3,661,620
Capital Assets-Net (Note 3)	11,319,038	11,717,171
Financing Costs-Net (Note 1)	1,233,762	1,330,289
Total assets	$ 17,000,650	$ 16,927,871
LIABILITIES AND DEFICIENCY IN MEMBER'S CAPITAL		
Current Liabilities		
Management fees payable (Note 1)	$ 216,078	$ -
Interest payable	443,107	462,934
Current portion of long-term debt (Note 4)	500,000	475,000
Total current liabilities	1,159,185	937,934
Long-term Debt – Net of current portion (Note 4)	16,402,055	17,213,556
Deficiency in Member's Capital	(560,590)	(1,223,619)
Total liabilities and deficiency in member's capital	$ 17,000,650	$ 16,927,871

See accompanying notes to financial statements.

MARAUDER DEVELOPMENT, LLC
STATEMENTS OF OPERATIONS
Years ended August 31, 2014 and 2013

	2014	2013
REVENUES		
Rental revenues	$ 3,086,834	$ 2,587,274
Interest income	61,140	61,342
Total revenues	3,147,974	2,648,616
EXPENSES - Housing facilities		
Management fees (Note 1)	216,078	181,109
Operating expenses	822,298	824,107
Surplus expense (Note 1)	42,197	165,961
Depreciation and amortization expense	494,660	495,951
Interest expense	909,712	951,202
Total expenses	2,484,945	2,618,330
Increase (Decrease) in Member's Capital	663,029	30,286
Deficiency in Member's Capital - Beginning of year	(1,223,619)	(1,253,905)
Deficiency in Member's Capital - End of year	$ (560,590)	$ (1,223,619)

See accompanying notes to financial statements.

MARAUDER DEVELOPMENT, LLC
STATEMENTS OF CASH FLOWS
Years ended August 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Increase in member's capital	$ 663,029	$ 30,286
Adjustments to reconcile increase in member's capital to net cash from operating activities		
Depreciation	398,133	398,133
Amortization of issuance costs	96,527	97,818
Amortization of bond discount	23,499	25,334
Decrease (increase) in assets		
Prepaid expenses	(798)	-
Increase (decrease) in liabilities		
Operating expense payable	-	(5,000)
Payable to Central State University	-	(56,129)
Management fees payable	216,078	-
Accrued interest payable	(19,827)	(9,613)
Net cash provided by operating activities	1,376,641	480,829
Cash Flows from Financing Activities		
Retirement of bonds payable	(810,000)	(455,000)
Net Increase in Cash and Cash Equivalents	566,641	25,829
Cash and Cash Equivalents - Beginning of year	3,874,739	3,848,910
Cash and Cash Equivalents - End of year	$ 4,441,380	$ 3,874,739
Cash paid for interest	$ 906,040	$ 960,815

See accompanying notes to financial statements.

NOTE 1 - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Marauder Development, LLC (Marauder) have been prepared on the accrual basis of accounting. The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader. Marauder is a wholly owned subsidiary of Central State University Foundation (the "Foundation"), which was formed for the construction and financing of the Central State University Housing Project. Marauder has entered into a 40-year lease agreement with Central State University (the "University") for land upon which student housing was constructed for use by the University. Marauder also has entered into an agreement with the University for the management of the housing project, for which it pays a fee of 7 percent of gross rental receipts.

Cash and Cash Equivalents: For the purpose of the statement of cash flows, Marauder considers all demand bank deposits as cash. Marauder considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Marauder maintains commercial checking and savings accounts in several financial institutions. These accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of August 31, 2014 and 2013, amounts held in financial institutions that exceeded insured limits were approximately $2,236,000 and $1,740,000, respectively.

Restricted Cash and Cash Equivalents: Restricted assets represent various bond trust account balances established in accordance with bond legislation for specific purposes.

Capital Assets: Capital assets include the building and furniture 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 an estimated useful life in excess of three years. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Description	Years
Building	40
Building improvements	15
Furniture	7

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

Financing Costs: The unamortized financing costs include consulting fees, attorney's fees and other fees incurred in connection with the bond obligations. These costs are capitalized and amortized on the interest method over the lives of the bonds and are included as amortization expense. Accumulated amortization at August 31, 2014 and 2013 was $1,081,407 and $984,881, respectively.

Recognition of 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.

(Continued)

NOTE 1 - NATURE OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Surplus Expense: The agreement with the University requires that the year-end balance in the surplus account held by the trustee, less applicable amounts for management fees that have not been funded to the management fee accounts, 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, 2014 and 2013 was $42,197 and $165,961, respectively.

Management Fee: During 2014 and 2013, Marauder incurred a management fee of $216,078 and $181,109, respectively, to the University for administrative services.

Income Taxes: Marauder is treated as a pass-through entity for federal income tax purposes. Marauder's taxable income or loss is passed through to the Foundation, which is a tax-exempt entity. The Foundation files income tax returns in the U.S. federal and various state jurisdictions. With few exceptions, Marauder is no longer subject to tax examinations by tax authorities for years before June 30, 2011. As of August 31, 2014 and 2013, Marauder's unrecognized tax benefits were not significant. There were no significant penalties or interest recognized during the year or accrued at year end. Marauder does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Estimates: The preparation of financial statements in conformity with generally accepted 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 statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: The financial statements and related disclosures include evaluation of events through and including October 15, 2014, the date the financial statements were available to be issued.

NOTE 2 - RESTRICTED CASH AND CASH EQUIVALENTS

As required by the bond indenture, Marauder maintains restricted cash balances in the following accounts:

	2014	2013
Restricted:		
Debt interest account	$ 443,107	$ 523,513
Repair and replacement fund	1,036,008	899,675
Debt principal fund	500,020	475,039
Redemption fund	87,000	336,994
Debt reserve fund	1,426,302	1,426,399
Total restricted	$ 3,492,437	$ 3,661,620

(Continued)

NOTE 3 – CAPITAL ASSETS

Details of capital assets are summarized as follows:

	2014	2013
Building	$ 15,267,051	$ 15,267,051
Building improvements	246,851	246,851
Furniture	859,653	859,653
Total capital assets	16,373,555	16,373,555
Less accumulated depreciation	(5,054,517)	(4,656,384)
Net	$ 11,319,038	$ 11,717,171

Depreciation expense on property and equipment totaled $398,133 for 2014 and $398,133 for 2013.

NOTE 4 – LONG-TERM DEBT

For the year ended August 31, 2014, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance September 1, 2013	Additions	Payments	Balance August 31, 2014
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	10,435,341	12,104	(260,000)	10,187,445
Total			$ 17,688,556	$ 23,499	$ (810,000)	16,902,055
Less current portion						500,000
Less-term portion						$ 16,402,055

(Continued)

NOTE 4 – LONG-TERM DEBT (Continued)

For the year ended August 31, 2013, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance September 1, 2012	Additions	Payments	Balance August 31, 2013
Revenue Bonds Series 2002	3.0-5.625%	2032	$ 7,445,240	$ 12,975	$ (205,000)	$ 7,253,215
Revenue Bonds Series 2004	3.3-5.1%	2035	10,672,982	12,359	(250,000)	10,435,341
Total			$ 18,118,222	$ 25,334	$ (455,000)	17,688,556
Less current portion						475,000
Less-term portion						$ 17,213,556

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

Year Ending August 31,	Series 2002 Bonds Principal	Series 2002 Bonds Interest	Series 2004 Bonds Principal	Series 2004 Bonds Interest	Total
2015	$ 225,000	$ 363,431	$ 275,000	$ 511,423	$ 1,374,854
2016	235,000	352,213	285,000	498,995	1,371,208
2017	245,000	340,213	300,000	485,683	1,370,896
2018	260,000	327,587	310,000	471,498	1,369,085
2019	275,000	313,697	325,000	456,494	1,370,191
2020-2024	1,600,000	1,326,250	1,885,000	2,017,500	6,828,750
2025-2029	2,105,000	821,103	2,405,000	1,480,185	6,811,288
2030-2034	1,840,000	190,406	3,090,000	783,105	5,903,511
2035-2036	-	-	1,465,000	75,607	1,540,607
Total	$ 6,785,000	$ 4,034,900	$ 10,340,000	$ 6,780,490	$ 27,940,390

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 unamortized bond discount was $70,390 and $81,785 at August 31, 2014 and 2013, 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, 2015, 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 to 5.625 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

(Continued)

NOTE 4 – LONG-TERM DEBT (Continued)

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 $152,555 and $164,659 at August 31, 2014 and 2013, 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 $275,000 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 to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

Bond Legislation provides that Marauder Development, LLC, will charge rates sufficient for the excess of revenues over expenditures to equal not less than 120 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio). As of August 31, 2014 and 2013, Marauder Development, LLC was in compliance with these requirements.

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

Management and the Board of Trustees
Marauder Development, LLC

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 financial statements of Marauder Development, LLC ('Marauder'), which comprise the statement of financial position as of August 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated the same day as this report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marauder'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 Marauder's internal control. Accordingly, we do not express an opinion on the effectiveness of Marauder'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 may exist that have not been identified.

(Continued)

Compliance and Other Matters

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

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
October 15, 2014

CENTRAL STATE UNIVERSITY

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 27, 2015

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov