

**CENTRAL STATE UNIVERSITY FOUNDATION  
AND SUBSIDIARIES**

Wilberforce, Ohio

**CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2020 and 2019



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Directors  
Central State University Foundation and Subsidiary  
PO Box 64  
Dayton, Ohio 45401

We have reviewed the *Independent Auditor's Report* of the Central State University Foundation and Subsidiary, Montgomery County, prepared by Crowe LLP, for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

December 30, 2020

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CENTRAL STATE UNIVERSITY FOUNDATION  
AND SUBSIDIARIES  
Wilberforce, Ohio

CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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## INDEPENDENT AUDITOR'S REPORT

Management and the Board of Directors  
Central State University Foundation

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Central State University Foundation and Subsidiary (collectively the 'Foundation'), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

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(Continued)

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Crowe LLP*

Crowe LLP

Columbus, Ohio  
December 15, 2020



CENTRAL STATE UNIVERSITY FOUNDATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,067,261	\$ 1,478,924
Receivable from Central State University	964,156	215,339
Contributions receivable, net	15,842	48,405
Other receivables	28,450	1,917
Prepaid expenses	<u>2,025</u>	<u>6,930</u>
Total current assets	2,077,734	1,751,515
Investments	3,532,818	3,382,641
Restricted cash and cash equivalents	3,035,824	2,573,551
Capital assets, net	<u>9,874,285</u>	<u>10,298,400</u>
Total assets	<u>\$ 18,520,661</u>	<u>\$ 18,006,107</u>
<b>Liabilities</b>		
Accounts payable	\$ 38,823	\$ 23,815
Accrued interest payable	308,928	325,087
Payable to Central State University	1,000,000	-
Current portion of long-term debt	<u>660,000</u>	<u>625,000</u>
Total current liabilities	2,007,751	973,902
Long-term debt, net of unamortized financing costs of \$650,301 and \$746,499 for 2020 and 2019, respectively	<u>10,477,238</u>	<u>11,025,398</u>
Total liabilities	12,484,989	11,999,300
<b>Net Assets (Deficit)</b>		
Without donor restrictions	(256,219)	408,852
With donor restrictions	<u>6,291,891</u>	<u>5,597,955</u>
Total net assets	<u>6,035,672</u>	<u>6,006,807</u>
Total liabilities and net assets	<u>\$ 18,520,661</u>	<u>\$ 18,006,107</u>

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)  
Year ended June 30, 2020 with comparative totals for 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue</b>				
Rental revenue	\$ 3,142,200	\$ -	\$ 3,142,200	\$ 3,498,453
Contributions	327,013	532,387	859,400	712,030
Other	132,587	158,805	291,392	172,081
Investment income	-	225,154	225,154	270,377
Net assets released from restrictions	<u>222,410</u>	<u>(222,410)</u>	<u>-</u>	<u>-</u>
Total revenue	3,824,210	693,936	4,518,146	4,652,941
<b>Expenses</b>				
Programs:				
Scholarship programs	115,341	-	115,341	101,210
Athletic programs	12,719	-	12,719	51,827
Academic programs	129,536	-	129,536	68,165
Institution programs	88,042	-	88,042	209,411
Student support programs	42,324	-	42,324	22,634
Housing programs	2,690,181	-	2,690,181	2,720,912
Gift to Central State University	1,000,000	-	1,000,000	-
Operating expenses	323,211	-	323,211	382,777
Fundraising expenses	87,927	-	87,927	132,361
Total expenses	<u>4,489,281</u>	<u>-</u>	<u>4,489,281</u>	<u>3,689,298</u>
<b>Operating Gain (Loss)</b>	(665,071)	693,936	28,865	963,643
<b>Non-operating expenses</b>				
Transfer out of endowment	<u>-</u>	<u>-</u>	<u>-</u>	<u>425,906</u>
<b>Increase (Decrease) in net assets</b>	(665,071)	693,936	28,865	537,737
<b>Net Assets - beginning of year</b>	<u>408,852</u>	<u>5,597,955</u>	<u>6,006,807</u>	<u>5,469,070</u>
<b>Net Assets (Deficit) - end of year</b>	<u>\$ (256,219)</u>	<u>\$ 6,291,891</u>	<u>\$ 6,035,672</u>	<u>\$ 6,006,807</u>

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION  
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CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)  
Year ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue</b>			
Rental revenue	\$ 3,498,453	\$ -	\$ 3,498,453
Contributions	416,530	295,500	712,030
Other	112,198	59,883	172,081
Investment income	-	270,377	270,377
Net assets released from restrictions	<u>116,329</u>	<u>(116,329)</u>	<u>-</u>
Total revenue	4,143,510	509,431	4,652,941
<b>Expenses</b>			
Programs:			
Scholarship programs	101,210	-	101,210
Athletic programs	51,827	-	51,827
Academic programs	68,165	-	68,165
Institution programs	209,411	-	209,411
Student support programs	22,634	-	22,634
Housing programs	2,720,912	-	2,720,912
Operating expenses	382,777	-	382,777
Fundraising expenses	<u>132,361</u>	<u>-</u>	<u>132,361</u>
Total expenses	<u>3,689,298</u>	<u>-</u>	<u>3,689,298</u>
<b>Operating Gain</b>	454,212	509,431	963,643
<b>Non-operating expenses</b>			
Transfer out of endowment	<u>-</u>	<u>425,906</u>	<u>425,906</u>
<b>Increase in net assets</b>	454,212	83,525	537,737
<b>Net Assets - beginning of year</b>	<u>(45,360)</u>	<u>5,514,430</u>	<u>5,469,070</u>
<b>Net Assets - end of year</b>	<u>\$ 408,852</u>	<u>\$ 5,597,955</u>	<u>\$ 6,006,807</u>

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION  
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CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 28,865	\$ 537,737
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	424,115	424,114
Amortization of issuance costs	96,198	108,310
Amortization of bond discount	15,644	17,294
Contributions restricted for long-term investment	-	(86,800)
Unrealized and realized gain on investments	(84,702)	(55,866)
Transfer out of endowment	-	425,906
Changes in operating assets and liabilities:		
Contributions receivable	32,563	(31,150)
Prepaid expenses	4,905	(230)
Accounts payable/receivable	92,347	121,143
Accrued interest payable	<u>131,151</u>	<u>(41,446)</u>
Net cash from operating activities	741,086	1,419,012
<b>Cash flows from investing activities</b>		
Purchases of investments	(1,268,184)	(1,280,288)
Transfer out of endowment	-	(425,906)
Sale of investments	<u>1,202,709</u>	<u>1,379,614</u>
Net cash from investing activities	(65,475)	(326,580)
<b>Cash flows from financing activities</b>		
Principal payment on bonds payable	(625,000)	(1,530,000)
Contributions restricted for long-term investment	-	86,800
Net cash from financing activities	<u>(625,000)</u>	<u>(1,443,200)</u>
<b>Net change in cash and cash equivalents</b>	50,610	(350,768)
<b>Cash and cash equivalents - beginning of year</b>	<u>4,052,475</u>	<u>4,403,243</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 4,103,085</u>	<u>\$ 4,052,475</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the year for interest	\$ 633,501	\$ 693,972

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

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

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

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

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CENTRAL STATE UNIVERSITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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

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

Building	40 years
Building Improvements	15 years
Furniture	7 years

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

Financing Costs: The unamortized financing costs include consulting, attorneys' fees, and other fees incurred in connection with the bond obligations of Marauder. These costs are netted against the long-term debt balance and are amortized using the interest method over the lives of the bonds and are included as amortization expense. The balance at August 31, 2020 and 2019 was \$650,301 and \$746,499, respectively. Accumulated amortization at August 31, 2020 and 2019 was \$1,664,868 and \$1,568,670, respectively.

Surplus Expense: Marauder's agreement with the University requires that the year-end balance in the surplus account held by the trustee, less applicable amounts for management fees that have not been funded to the management fee accounts, is paid at 90 percent to the University as a land/lease payment, with the remaining 10 percent to the Foundation. The trustee is required to calculate this surplus from the audited financial statements. Based on the information provided by the trustee, the amount calculated for the years ended August 31, 2020 and 2019 was \$0 and \$44,550, respectively and is included within operating expenses on the Consolidated Statements of Activities and Changes in Net Assets.

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

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

- Fund Without Donor Restrictions: This fund is used to account for all financial resources presently available for use by the Foundation.
- The Friends of WCSU: This fund is used to account for contributions presently available for use at the discretion of the management of WCSU, the campus's radio station.
- President's Discretionary Fund: This fund is used to account for contributions that are expendable at the discretion of the University's president.

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(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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

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

- General Scholarship Fund: This fund receives contributions for general scholarships to students who demonstrate financial need.
- College of Science and Engineering Funds: This fund receives contributions for the purpose of supporting programs and scholarships within the College of Science and Engineering.
- Memorial Scholarships: This fund receives contributions for the purpose of designated scholarships for student who demonstrate high achievement and community service.

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

- Scholarship Endowment Funds: Investment income of the funds may be expended for student scholarships.
- Academic Endowment Funds: Investment income of the funds may be expended for academic purposes.
- General Endowment Funds: Investment income of the funds may be expended for general operations of the University at the discretion of the Foundation.

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

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

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

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

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(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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

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

Income Taxes: The Foundation operates as a nonprofit corporation and has been determined to be exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and to recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation is no longer subject to examination by taxing authorities for years before 2012. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Subsequent Events: The financial statements and related disclosures include evaluation of events up through and including December 15, 2020, which is the date the financial statements were issued.

Coronavirus Pandemic: As a result of the Novel Coronavirus Disease (COVID-19), the President of the United States declared that the COVID-19 outbreak in the United States constituted a national emergency effective March 1, 2020. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

As required by the bond indenture, the Foundation, through Marauder, maintains restricted cash balances in the following accounts as of August 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Debt interest account	\$ 308,961	\$ 341,720
Debt principal account	768,037	298,132
Redemption fund	660,190	630,476
Repair and replacement fund	10,152	10,064
Debt reserve fund	<u>1,288,484</u>	<u>1,293,159</u>
Total restricted cash	<u>\$ 3,035,824</u>	<u>\$ 2,573,551</u>

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.

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(Continued)



CENTRAL STATE UNIVERSITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 2 - DEPOSITS AND INVESTMENTS** (Continued)

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

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

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

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

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

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

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

<u>Assets</u>	<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2020</u>			<u>Balance</u>
	<u>Quoted Prices In Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>	
Cash/money market accounts:				
Money market accounts	\$ 137,167	\$ -	\$ -	\$ 137,167
Subtotal				
Equity investments:				
Equity mutual funds	2,359,650	-	-	2,359,650
Subtotal	2,359,650	-	-	2,359,650
Fixed-income investments:				
Bond mutual funds	1,036,001	-	-	1,036,001
Subtotal	1,036,001	-	-	1,036,001
Total investments	\$ 3,532,818	\$ -	\$ -	\$ 3,532,818

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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

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

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the beginning of the reporting period. For the year ended June 30, 2020 and 2019, there were no transfers between levels of the fair value hierarchy.

Investment return for the years ended June 30, 2020 and 2019 was comprised of the following:

	<u>2020</u>	<u>2019</u>
Investment income - Foundation endowment	\$ 84,104	\$ 121,127
Interest income – Marauder Development, LLC	56,348	93,384
Net realized and unrealized (losses)/gains on investments reported at fair value	84,702	55,866
Total investment return	\$ 225,154	\$ 270,377

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

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

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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**NOTE 3 - DONOR ENDOWMENTS**

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

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

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

The composition of net assets by type of endowment fund at June 30, 2020 and 2019 was:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
<u>June 30, 2020</u>			
Donor-restricted endowment funds	\$ -	\$ 3,951,991	\$ 3,951,991
<u>June 30, 2019</u>			
Donor-restricted endowment funds	\$ -	\$ 3,792,362	\$ 3,792,362

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(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION  
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**NOTE 3 - DONOR ENDOWMENTS (Continued)**

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Balance Total
Endowment assets – Beginning of year	\$ -	\$ 3,792,362	\$ 3,792,362
Net realized and unrealized gains	-	84,702	84,702
Investment income	-	106,301	106,301
Total investment gain	-	191,003	191,003
Contributions	-	5,195	5,195
Administrative fee	-	(24,167)	(24,167)
Appropriation for expenditure	-	(12,402)	(12,402)
Transfer out of endowment	-	-	-
Endowment net assets - End of the year	\$ -	\$ 3,951,991	\$ 3,951,991

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

During the years ended June 30, 2020 and 2019, endowed funds in the amount of \$0 and \$425,906, respectively, were transferred out of the endowment to outside sources per the request of the donor.

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in net assets with donor restrictions were \$47,943 and \$48,177 as of June 30, 2020 and 2019, respectively. At June 30, 2020 deficiencies of this nature existed in one fund which had an original value of \$3,016 and a market value of \$(44,927). At June 30, 2019 deficiencies of this nature existed in one fund which had an original value of \$3,016 and a market value of \$(45,161). These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions with donor restrictions and continued appropriation for certain programs that was deemed prudent by the board of trustees.

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

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

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation is authorized only to expend the investment income and/or accumulated income above the principal amount from the invested endowment funds, and the remaining income is to be reinvested. Appropriations are discretionary. If an investment loss is incurred, the loss is allocated entirely as currently expendable. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 5 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Appropriation for expenditure amounts totaled \$12,402 and \$18,075 during the year ended June 30, 2020 and 2019, respectively.

**NOTE 4 - CONTRIBUTIONS RECEIVABLE**

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

CENTRAL STATE UNIVERSITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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**NOTE 5 - CAPITAL ASSETS**

Capital assets consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 140,800	\$ 140,800
Building	16,519,103	16,519,103
Furniture and fixtures	<u>896,603</u>	<u>896,603</u>
Total capital assets	17,556,506	17,556,506
Less accumulated depreciation	<u>7,682,221</u>	<u>7,258,106</u>
Net capital assets	<u>\$ 9,874,285</u>	<u>\$ 10,298,400</u>

**NOTE 6 - CLASSIFICATION OF NET ASSETS**

Details of the Foundation's net assets with donor restrictions at June 30, 2020 and 2019 are as follows:

	<u>With Donor Restrictions</u>
<u>June 30, 2020</u>	
Academic	\$ 1,800,720
Scholarship	1,571,796
Other general funds	<u>2,919,375</u>
Total net assets	<u>\$ 6,291,891</u>
<u>June 30, 2019</u>	
Academic	\$ 1,640,334
Scholarship	1,250,315
Other general funds	<u>2,707,306</u>
Total net assets	<u>\$ 5,597,955</u>

Net assets released from restriction totaled \$222,410 and \$116,329 at June 30, 2020 and 2019, respectively.

CENTRAL STATE UNIVERSITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 7 - LONG-TERM DEBT**

Marauder Development, LLC has the following debt related to the financing of student dormitories. Information is for the subsidiary's year ended August 31, 2020 and 2019:

	<u>Interest Rate</u>	<u>Maturity</u>	Balance August 31, 2019	<u>Additions</u>	<u>Payments</u>	Balance August 31, 2020
Revenue Bonds Series 2002	3.0%-5.625%	2030	\$ 3,648,549	\$ 5,544	\$ (285,000)	\$ 3,369,093
Revenue Bonds Series 2004	3.3%-5.1%	2035	<u>8,748,346</u>	<u>10,100</u>	<u>(340,000)</u>	<u>8,418,446</u>
Total			<u>\$ 12,396,895</u>	<u>\$ 15,644</u>	<u>\$ (625,000)</u>	11,787,539
Less current portion						660,000
Less unamortized financing costs						<u>650,301</u>
Long-term portion						<u>\$ 10,477,238</u>

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

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CENTRAL STATE UNIVERSITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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

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

Year ending August 31,	Series 2002 Bonds		Series 2004 Bonds		Total
	Principal	Interest	Principal	Interest	
2021	\$ 300,000	\$ 178,019	\$ 360,000	\$ 422,775	\$ 1,260,794
2022	320,000	161,356	375,000	404,400	1,260,756
2023	335,000	143,753	395,000	385,150	1,258,903
2024	360,000	124,850	415,000	364,900	1,264,750
2025	380,000	104,500	435,000	343,650	1,264,750
2026 - 2030	1,700,000	192,775	2,530,000	1,354,560	6,242,460
2031 - 2035	-	-	3,245,000	621,562	3,873,105
2036	-	-	750,000	19,125	1,540,607
Total	<u>\$ 3,395,000</u>	<u>\$ 905,923</u>	<u>\$ 8,505,000</u>	<u>\$ 3,916,122</u>	<u>\$ 16,721,375</u>

During 2002, Marauder issued \$8,870,000 of Student Housing Revenue Bonds, Series 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The unamortized bond discount is \$25,907 and \$31,451 at August 31, 2020 and 2019, 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 \$300,000 on September 1, 2020, to \$440,000 on September 1, 2028, subject to prior mandatory sinking fund redemptions. During the year ending August 31, 2019, \$415,000 of bonds due on September 1, 2030, \$490,000 of bonds due on September 1, 2029 and \$25,000 of bonds due on September 1, 2028 were called and retired in addition to \$275,000 scheduled to be retired on September 1, 2018.

During 2004, Marauder issued \$12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The unamortized bond discount is \$86,554 and \$96,654 at August 31, 2019 and 2018, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from \$360,000 on September 1, 2019, to \$750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

Bond Legislation provides that Marauder Development, LLC, will charge rates sufficient for the excess of revenues over expenditures to equal not less than 120 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio). As of June 30, 2020 and 2019, Marauder Development, LLC was in compliance with these requirements.

**NOTE 8 – RELATED-PARTY TRANSACTIONS**

The University provides certain administrative, accounting, accounts payable, and payroll services on behalf of the Foundation. The Foundation operates exclusively for the benefit of the University and reimburses the University for costs incurred. The Foundation also pays a management fee to the University for the operation of two residence halls on the University's campus that are owned by the Foundation. At times, the University holds funds on behalf of the Foundation that have not been transferred.



CENTRAL STATE UNIVERSITY FOUNDATION  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020 and 2019

**NOTE 8 – RELATED-PARTY TRANSACTIONS (Continued)**

The net amount of these transactions resulted in the Foundation owing the University \$35,844 at June 30, 2020 and the University owing the Foundation \$215,339 at June 30, 2019.

The University paid the Foundation \$2,379,000 and \$3,498,453 for the years ended June 30, 2020 and 2019, respectively, for student residence hall fees for the aforementioned residence halls. A portion of funds collected by the University were not paid to the Foundation as of June 30, 2020 and is included as part of the receivable balance.

The Foundation periodically makes private gifts to the University to be used as assistance for ongoing operations. These gifts amounted to \$1,000,000 and \$0 for the years ended June 30, 2020 and 2019, respectively. The \$1,000,000 gift is included as a separate payable for the year ended June 30, 2020. Additionally, the Foundation provided additional funds of \$50,967 for the year ended June 30, 2020 for general support that is included within program expenses.

**NOTE 9 - EXPENSES BY NATURE**

The statements of activities report certain categories of expenses attributable to the programs and supporting functions of the Foundation. Program Activities include Scholarship, Athletic, Academic, Institutional, Student Support, and Housing. The table below presents these functional expenses by their natural classification for the year ended June 30, 2020.

	<u>PROGRAM ACTIVITIES</u>						Program Subtotal	Gift to C.S.U	<u>SUPPORTING ACTIVITIES</u>			Total Expenses
	Scholarship	Athletic	Academic	Institutional	Student Support	Housing			Operating	Fundraising	Support Subtotal	
Staffing Expense	-	-	-	-	-	-	-	-	250,157	24,000	274,157	274,157
Consulting	-	-	-	-	-	-	-	-	47,072	-	47,072	47,072
Brochures, other material	-	-	-	-	-	-	-	-	-	4,507	4,507	4,507
Public Relations	-	-	-	-	-	-	-	-	-	59,420	59,420	59,420
Management Fee	-	-	-	-	-	219,954	219,954	-	-	-	-	219,954
Scholarships	115,341	-	-	-	-	-	115,341	-	-	-	-	115,341
Contractual Expenses	-	-	-	-	-	1,342,396	1,342,396	-	-	-	-	1,342,396
General & Administrative	-	12,719	129,536	88,042	-	-	230,297	-	-	-	-	230,297
Depreciation	-	-	-	-	-	494,330	494,330	-	25,982	-	25,982	520,312
Interest	-	-	-	-	-	633,501	633,501	-	-	-	-	633,501
Other	-	-	-	-	42,324	-	42,324	1,000,000	-	-	1,000,000	1,042,324
	\$ 115,341	\$ 12,719	\$ 129,536	\$ 88,042	\$ 42,324	\$ 2,690,181	\$ 3,078,143	\$ 1,000,000	\$ 323,211	\$ 87,927	\$ 1,411,138	\$ 4,489,281

The table below presents these functional expenses by their natural classification for the year ended June 30, 2019

	<u>PROGRAM ACTIVITIES</u>						Program Subtotal	Operating	<u>SUPPORTING ACTIVITIES</u>		Total Expenses
	Scholarship	Athletic	Academic	Institutional	Student Support	Housing			Fundraising	Support Subtotal	
Staffing Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 263,706	\$ -	\$ 263,706	\$ 263,706
Consulting	-	-	-	-	-	-	-	-	41,865	41,865	41,865
Brochures, other material	-	-	-	-	-	-	-	-	9,808	9,808	9,808
Public Relations	-	-	-	-	-	-	-	-	58,217	58,217	58,217
Management Fees	-	-	-	-	-	244,892	244,892	-	-	-	244,892
Scholarships	101,210	-	-	-	-	-	101,210	-	-	-	101,210
Contractual expenses	-	-	-	-	-	1,299,577	1,299,577	-	-	-	1,299,577
General & Administrative	-	51,828	68,165	209,411	-	-	329,404	93,089	-	93,089	422,493
Depreciation	-	-	-	-	-	506,443	506,443	25,982	-	25,982	532,425
Interest	-	-	-	-	-	670,000	670,000	-	-	-	670,000
Other	-	-	-	-	22,634	-	22,634	-	22,471	22,471	45,105
	\$ 101,210	\$ 51,828	\$ 68,165	\$ 209,411	\$ 22,634	\$ 2,720,912	\$ 3,174,160	\$ 382,777	\$ 132,361	\$ 515,138	\$ 3,689,298

CENTRAL STATE UNIVERSITY FOUNDATION  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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**NOTE 9 - EXPENSES BY NATURE** (Continued)

Expenses are allocated between the various programs and support activities on an actual basis, where available, or based upon the functional expense area most related to their purpose. Salaries are allocated to areas of operations in which the individual employees' activities are performed.

**NOTE 10 - LIQUIDITY AND AVAILABILITY**

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

	<u>2020</u>	<u>2019</u>
Financial Assets	\$ 4,644,371	\$ 4,909,970
Less: Assets required to be maintained to comply with donor restrictions	<u>(6,291,891)</u>	<u>(5,597,955)</u>
	<u>\$ (1,647,520)</u>	<u>\$ (687,985)</u>

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

The liquid financial assets presented above also include all assets that the Foundation maintains to comply with donor restrictions. Because of significant gifts made by the Foundation to the University, the Foundation did not have sufficient assets to comply with donor restrictions as of June 30, 2020 and 2019. The nature of the relationship with the University and accumulated gifts to the University from assets without donor restrictions have contributed to the shortfall.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Central State University Foundation and Subsidiaries (collectively the 'Foundation'), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities and changes in net assets (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2020.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in finding 2020-001 in the accompanying schedule of findings that we consider to be a significant deficiency.

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(Continued)

## **Compliance and Other Matters**


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

## **Foundation's Response to Findings**

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

## **Purpose of this Report**

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

  
Crowe LLP

Columbus, Ohio  
December 15, 2020

CENTRAL STATE UNIVERSITY FOUNDATION  
AND SUBSIDIARIES  
SCHEDULE OF FINDINGS  
Year ended June 30, 2020

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**FINDING 2020-001 – INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Criteria:	Based on the Trust Indenture and Loan Agreement all gross receipts related to the ownership, operation or leasing of the Facility are to be deposited upon receipt into the accounts maintained by Marauder.
Condition:	All of the Spring 2020 rent revenues were not transferred into the Marauder account by Central State University (University).
Context:	<p>The University pursuant to a management agreement in place during the fiscal year with the Central State University Foundation (Foundation) was required to promptly deposit the gross receipts into an account at US Bank.</p> <p>\$1,860,000 was the original amount of the facility revenue for the Spring 2020 semester related to the housing. However, due to the pandemic, all students were required to move off campus effective March 22, 2020 and finish the semester on-line. A credit was given for approximately 38% of the semester revenue totaling \$706,800 resulting in a net amount of \$1,153,200 expected revenue for the Spring 2020 semester. When compared to what was deposited, there was a shortfall of \$763,200.</p>
Effect:	Revenue was understated and non-compliance with the Trust Indenture and Loan Agreement.
Cause:	The University did not transfer all revenues collected.
Repeat Finding:	No
Recommendation:	We recommend that all revenues related to the housing are transferred upon receipt as directed by the Trust Indenture and Loan Agreement.
Response:	The University failed to deposit the dorm fees in the amount of \$763,200 into the US Bank account for Spring 2020 and failed to timely notify the Foundation of its failure to deposit the funds. The University's failure to perform its duties pursuant to the management agreement with the Foundation caused this negative audit finding.

CENTRAL STATE UNIVERSITY FOUNDATION  
AND SUBSIDIARIES  
SCHEDULE OF PRIOR YEAR FINDINGS  
Year ended June 30, 2020

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**FINDING 2019-001**

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

**Condition:** The Foundation was unable to provide timely reconciliations to support items contained within the financial statements, including the interfund account as well as supporting schedules for net assets. In addition, net asset detail was not tracked by individual fund and a number of new endowments were not setup to have income allocated to them.

**Status:** Corrected. In the current year the Foundation did provide net asset detail that tied to the funds and new endowments were set up and established as required by internal controls over the financial reporting process.

**Response:** Central State University (University) manages and controls certain other accounts that are in the Foundation's name. The University was unable to provide reconciliations to support items contained within the financial statements, including the interfund account as well as supporting schedules for net assets.

# OHIO AUDITOR OF STATE KEITH FABER



**CENTRAL STATE UNIVERSITY FOUNDATION**

**MONTGOMERY COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 1/12/2021**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)