

Central State University Foundation and Subsidiary

**Financial Report
June 30, 2005**



**Auditor of State
Betty Montgomery**

Board of Trustees
Central State University Foundation and Subsidiary
Wilberforce, Ohio

We have reviewed the *Independent Auditor's Report* of the Central State University Foundation and Subsidiary, Greene County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2004 through June 30, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 17, 2005

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Central State University Foundation and Subsidiary

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Independent Auditor's Report

To the Board of Trustees
Central State University Foundation
and Subsidiary

We have audited the accompanying consolidated statement of financial position of Central State University Foundation and Subsidiary (the "Foundation") as of June 30, 2005, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central State University Foundation and Subsidiary as of June 30, 2005 and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued a report dated October 14, 2005 on our consideration of Central State University Foundation and Subsidiary's internal control over financial reporting and 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 the testing, and not to provide opinions on 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* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

October 14, 2005



A worldwide association of independent accounting firms

Central State University Foundation and Subsidiary

Consolidated Statement of Financial Position June 30, 2005 (with comparative totals for June 30, 2004)

	<u>2005</u>	<u>2004</u>
Assets		
Assets		
Cash and cash equivalents	\$ 1,641,176	\$ 927,542
Investments (Note 2)	3,360,144	3,674,391
Contributions receivable (Note 3)	109,221	228,778
Other receivables	88,559	99,119
Prepaid expenses	<u>1,664</u>	<u>4,332</u>
Total current assets	5,200,764	4,934,162
Restricted cash and cash equivalents (Note 2)	2,231,655	3,644,450
Fixed assets - Net (Note 4)	15,252,127	15,756,619
Financing costs - Net (Note 1)	<u>2,135,666</u>	<u>2,237,954</u>
Total assets	<u>\$ 24,820,212</u>	<u>\$ 26,573,185</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 508,613	\$ 96,767
Construction payable	-	1,293,646
Accrued interest payable	520,247	450,869
Current portion of long-term debt (Note 6)	<u>160,000</u>	<u>95,000</u>
Total current liabilities	1,188,860	1,936,282
Long-term debt (Note 6)	<u>20,260,708</u>	<u>20,377,724</u>
Total liabilities	21,449,568	22,314,006
Net Assets (Note 5)		
Unrestricted	4,078	272,637
Temporarily restricted	1,790,619	2,518,610
Permanently restricted	<u>1,575,947</u>	<u>1,467,932</u>
Total net assets	<u>3,370,644</u>	<u>4,259,179</u>
Total liabilities and net assets	<u>\$ 24,820,212</u>	<u>\$ 26,573,185</u>

Central State University Foundation and Subsidiary

Consolidated Statement of Activities and Changes in Net Assets Year Ended June 30, 2005 (with comparative totals for the year ended June 30, 2004)

	2005			2004	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue					
Rental revenues	\$ 2,115,047	\$ -	\$ -	\$ 2,115,047	\$ 990,340
Contributions	28,696	605,707	108,015	742,418	1,557,122
Reimbursements	3,362	35,321	-	38,683	14,143
Other	52,652	89,208	-	141,860	82,203
Unrealized gain (loss) on investments	37,343	29,057	-	66,400	64,030
Investment income	144,959	96,275	-	241,234	189,447
Net assets released from restrictions	1,583,559	(1,583,559)	-	-	-
Total revenue	3,965,618	(727,991)	108,015	3,345,642	2,897,285
Expenses					
Programs:					
Scholarship programs	497,065	-	-	497,065	421,052
Athletic programs	481,962	-	-	481,962	229,730
Academic programs	259,490	-	-	259,490	198,313
Institution programs	321,972	-	-	321,972	201,878
Support activities:					
Management fees	142,100	-	-	142,100	63,371
Operating expenses	606,244	-	-	606,244	246,775
Depreciation and amortization expense	606,780	-	-	606,780	277,701
Interest expense	1,083,475	-	-	1,083,475	690,068
Other	235,089	-	-	235,089	211,285
Total expenses	4,234,177	-	-	4,234,177	2,540,173
Increase (Decrease) in Net Assets	(268,559)	(727,991)	108,015	(888,535)	357,112
Net Assets - Beginning of year	272,637	2,518,610	1,467,932	4,259,179	3,902,067
Net Assets - End of year	\$ 4,078	\$ 1,790,619	\$ 1,575,947	\$ 3,370,644	\$ 4,259,179

Central State University Foundation and Subsidiary

Consolidated Statement of Cash Flows Year Ended June 30, 2005 (with comparative totals for year ended June 30, 2004)

	2005	2004
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (888,535)	\$ 357,112
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	504,492	222,708
Amortization of issuance costs	102,288	54,993
Amortization of bond discount	42,984	32,924
Unrealized gain on investments	(66,400)	(64,030)
(Increase) decrease in assets:		
Contributions receivable	119,557	(136,481)
Prepaid expenses	2,668	(999)
Other receivables	10,560	(99,119)
Increase (decrease) in liabilities:		
Accounts payable	411,846	(35,691)
Accrued interest payable	69,378	221,765
Net cash provided by operating activities	<u>308,838</u>	<u>553,182</u>
Cash Flows from Investing Activities		
Purchase of investments	-	(2,298,007)
Proceeds from sale of investments	380,647	-
Decrease in construction payable	(1,293,646)	-
Acquisition of fixed assets	-	(7,578,503)
Increase (decrease) in restricted cash	<u>1,412,795</u>	<u>(2,765,019)</u>
Net cash provided by (used in) investing activities	499,796	(12,641,529)
Cash Flows from Financing Activities		
Principal payment on bonds payable	(95,000)	-
Proceeds from bonds payable	-	11,862,301
Bond issuance costs paid	<u>-</u>	<u>(1,467,783)</u>
Net cash provided by (used in) financing activities	<u>(95,000)</u>	<u>10,394,518</u>
Net Increase (Decrease) in Cash and Cash Equivalents	713,634	(1,693,829)
Cash and Cash Equivalents - Beginning of year	<u>927,542</u>	<u>2,621,371</u>
Cash and Cash Equivalents - End of year	<u>\$ 1,641,176</u>	<u>\$ 927,542</u>

Cash paid for interest in 2005 and 2004 was \$1,014,097 and \$468,303, respectively. Significant non-cash activities in 2004 consisted of acquisitions of capital assets for which payments had not been made at June 30, 2004 of \$1,293,646.

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2005

Note 1 - Summary of Significant Accounting Policies

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

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

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

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

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

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

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Building	40 yrs
Furniture	7 yrs

Financing Costs - The unamortized financing costs include consulting, attorney's fees, and other fees incurred in connection with the bond obligations. These costs are capitalized and are amortized using the interest method over the lives of the bonds and are included as amortization expense. Accumulated amortization at August 31, 2005 was \$179,503.

Rent - The agreement with the University requires that 90 percent of any surplus (as defined) earned be paid to the University for rent. Current year operations resulted in a loss of \$236,744; therefore, no amount is due to the University for the year ended June 30, 2005.

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

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

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

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

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

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

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

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

Academic Funds - Receives donations from private companies and foundations with their own restrictions.

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

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

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

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

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

Contributions - Gifts are recorded at their fair market value as of the date received.

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 statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Comparative Financial Information - The consolidated financial statements include certain summarized comparative information for 2004. Such information does not include information by net asset class or other disclosures in sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the year ended June 30, 2004, from which the summarized information was derived.

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 June 30, 2005:

Restricted:	
Debt interest account	\$ 534,684
Debt principal account	161,011
Debt issuance account	21,844
Construction account	105,419
Debt reserve fund	<u>1,408,697</u>
Total restricted cash	<u>\$ 2,231,655</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. Investments consist of money market funds, mutual funds, and equity securities. The following summarizes the Foundation's investments by type as of June 30, 2005:

Equities	\$ 1,707,165
Equity mutual funds	402,215
Bonds	134,180
Bond mutual funds	<u>1,116,584</u>
Total investments	<u>\$ 3,360,144</u>

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2005

Note 3 - Contributions Receivable

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

Note 4 - Fixed Assets

Fixed assets consisted of the following at June 30, 2005:

Land	\$	75,330
Building		15,267,051
Furniture		859,653
		<hr/>
Total fixed assets		16,202,034
Less accumulated depreciation		<hr/> (949,907)
Net	\$	<hr/> <u>15,252,127</u>

Depreciation expense was \$ 504,492 for the year ended June 30, 2005.

Note 5 - Classification of Net Assets

Details of restricted net assets at June 30, 2005 are as follows:

	Temporarily Restricted	Permanently Restricted
	<hr/>	<hr/>
Academic	\$ 248,513	\$ 123,130
Athletic	149,902	-
Scholarship	692,091	1,151,116
Alumni fund	15,006	-
Other general funds	685,107	301,701
	<hr/>	<hr/>
Total net assets	<u>\$ 1,790,619</u>	<u>\$ 1,575,947</u>

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2005

Note 6 - Long-term Debt

The Foundation's subsidiary, Marauder Development, LLC, has the following debt related to the financing of student dormitories. Information is for the subsidiary's year ended August 31, 2005:

	Interest Rate	Maturity	Balance September 1, 2004	Additions	Payments	Balance August 31, 2005
Revenue Bonds Series 2004	3.3%-5.1%	2035	\$ 11,866,954	\$ 13,728	\$ -	\$ 11,880,682
Revenue Bonds Series 2002	3.0%-5.625%	2032	8,605,770	29,256	95,000	8,540,026
Total			<u>\$ 20,472,724</u>	<u>\$ 42,984</u>	<u>\$ 95,000</u>	<u>20,420,708</u>
Less: Current portion						160,000
Long-term portion						<u>\$ 20,260,708</u>

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

Year Ended August 31	Series 2002 Bonds		Series 2004 Bonds		Total
	Principal	Interest	Principal	Interest	
2006	\$ 160,000	\$ 451,059	\$ -	\$ 587,026	\$ 1,198,085
2007	165,000	445,978	190,000	583,749	1,384,727
2008	170,000	440,321	200,000	576,471	1,386,792
2009	175,000	434,065	205,000	568,012	1,382,077
2010	180,000	427,184	225,000	563,554	1,395,738
2011-2015	1,030,000	2,007,627	1,265,000	2,687,954	6,990,581
2016-2020	1,300,000	1,726,575	1,560,000	2,389,760	6,976,335
2021-2025	1,695,000	1,331,228	1,980,000	1,970,375	6,976,603
2026-2030	2,215,000	795,634	2,530,000	1,419,075	6,959,709
2031-2035	1,685,000	147,797	3,245,000	704,310	5,782,107
2036	-	-	750,000	38,250	788,250
Total	<u>\$ 8,775,000</u>	<u>\$ 8,207,468</u>	<u>\$ 12,150,000</u>	<u>\$ 12,088,536</u>	<u>\$ 41,221,004</u>

Marauder issued Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the University housing project. The bond discount was \$234,974 at June 30, 2005, 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 \$160,000 on September 1, 2005 to \$620,000 on September 1, 2032, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.0 percent to 5.625 percent per annum, is payable semiannually on March 1 and September 1.

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2005

Note 6 - Long-term Debt (Continued)

During 2004, Marauder issued \$12,150,000 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 \$269,318 at August 31, 2005. 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 \$190,000 on September 1, 2006 to \$750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 percent to 5.1 percent per annum, is payable semiannually on March 1 and September 1.

Bond legislation provides that Marauder Development, LLC will charge rates sufficient for the excess of revenue over expenditures to equal not less than 120 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio). As of August 31, 2005, Marauder was in compliance with this requirement.



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

To the Board of Trustees
Central State University Foundation and Subsidiary

We have audited the consolidated financial statements of Central State University Foundation and Subsidiary as of and for the year ended June 30, 2005 and have issued our report thereon dated October 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central State University Foundation and Subsidiary's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

Plante & Moran, PLLC

October 14, 2005

Marauder Development, LLC

Financial Report

August 31, 2005

Marauder Development, LLC

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Independent Auditor's Report

To the Board of Directors
Marauder Development, LLC

We have audited the accompanying statement of financial position of Marauder Development, LLC ("Marauder") as of August 31, 2005 and 2004, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Marauder's management. Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marauder Development, LLC as of August 31, 2005 and 2004, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued a report dated October 14, 2005 on our consideration of Central State University Foundation and Subsidiary's internal control over financial reporting and 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 the testing, and not to provide opinions on 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* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

October 14, 2005

Marauder Development, LLC

Statement of Financial Position

	August 31	
	2005	2004
Assets		
Cash and cash equivalents	\$ 1,268,559	\$ 347,528
Receivable from Central State University	85,049	85,049
Prepaid expenses	<u>1,664</u>	<u>4,332</u>
Total current assets	1,355,272	436,909
Restricted cash and cash equivalents (Note 2)	2,231,655	3,644,450
Fixed assets (Note 3)	15,176,797	15,681,289
Financing costs	<u>2,135,666</u>	<u>2,237,954</u>
Total assets	<u>\$ 20,899,390</u>	<u>\$ 22,000,602</u>
Liabilities and Deficiency in Net Assets		
Liabilities		
Management fees payable	\$ 199,286	\$ 57,186
Interest payable	520,247	450,869
Accounts payable	309,327	39,581
Construction payable	-	1,293,646
Current portion of long-term debt (Note 4)	<u>160,000</u>	<u>95,000</u>
Total current liabilities	1,188,860	1,936,282
Long-term Debt (Note 4)	20,260,708	20,377,724
Deficiency in Net Assets - Unrestricted	<u>(550,178)</u>	<u>(313,404)</u>
Total liabilities and deficiency in net assets	<u>\$ 20,899,390</u>	<u>\$ 22,000,602</u>

Marauder Development, LLC

Statement of Activities and Changes in Net Assets

	Year Ended August 31	
	2005	2004
Revenues		
Rental revenues	\$ 2,115,047	\$ 990,340
Interest income	<u>86,778</u>	<u>42,260</u>
Total revenues	2,201,825	1,032,600
Expenses - Housing facilities		
Management fees	142,100	63,371
Operating expenses	606,244	246,775
Depreciation and amortization expense	606,780	277,701
Interest expense	<u>1,083,475</u>	<u>690,068</u>
Total expenses	<u>2,438,599</u>	<u>1,277,915</u>
Decrease in Net Assets	(236,774)	(245,315)
Deficiency in Net Assets - Beginning of year	<u>(313,404)</u>	<u>(68,089)</u>
Deficiency in Net Assets - End of year	<u><u>\$ (550,178)</u></u>	<u><u>\$ (313,404)</u></u>

Marauder Development, LLC

Statement of Cash Flows

	Year Ended August 31	
	2005	2004
Cash Flows from Operating Activities		
Decrease in net assets	\$ (236,774)	\$ (245,315)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	504,492	222,708
Amortization of issuance costs	102,288	54,993
Amortization of bond discount	42,984	32,924
Increase (decrease) in receivables	-	(85,049)
Increase (decrease) in prepaid expenses	2,668	(999)
Increase (decrease) in liabilities:		
Accounts payable	269,746	(35,691)
Management fees payable	142,100	-
Accrued interest payable	69,378	221,765
Net cash provided by operating activities	896,882	165,336
Cash Flows from Investing Activities		
Acquisition of fixed assets	-	(7,578,503)
Decrease in construction payable	(1,293,646)	
Decrease (increase) in restricted cash	1,412,795	(2,765,019)
Net cash provided by (used in) investing activities	119,149	(10,343,522)
Cash Flows from Financing Activities		
Principal payment on bonds payable	(95,000)	-
Net proceeds from bonds payable	-	11,862,301
Bond issuance costs paid	-	(1,467,783)
Net cash (used in) provided by financing activities	(95,000)	10,394,518
Net Increase in Cash and Cash Equivalents	921,031	216,332
Cash and Cash Equivalents - Beginning of year	347,528	131,196
Cash and Cash Equivalents - End of year	<u>\$ 1,268,559</u>	<u>\$ 347,528</u>

Cash paid for interest in 2005 and 2004 was \$1,014,097 and \$468,303, respectively. Significant non-cash activities in 2004 consisted of acquisitions of fixed assets for which Marauder had not paid before year end of \$1,293,646.

Marauder Development, LLC

Notes to Financial Statements August 31, 2005 and 2004

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 the Central State University Foundation (the “Foundation”) that 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.

The financial operations of the Foundation, which maintains a fiscal year end of June 30, have not been consolidated within these financial statements. The Foundation’s financial statements are issued separately from those of Marauder and the University and those statements should be considered in evaluating the financial results of Marauder, the Foundation, and the University, taken as a whole.

Basis of Presentation - SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*, requires that the amounts for each of three classes of net assets - unrestricted, temporarily restricted and permanently restricted - be presented in an aggregated statement of financial position and that the amounts of changes in each of those classes of net assets be presented in a statement of financial position and that the amounts of changes in each of those classes of net assets be presented in a statement of activities. This statement requires that resources be classified into three net asset categories according to donor-imposed restrictions. A description of each category is as follows:

- **Unrestricted Net Assets** - Assets are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets.
- **Temporarily Restricted Net Assets** - Assets include gifts and pledges receivable for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds are not permanently restricted.
- **Permanently Restricted Net Assets** - Assets are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income from these assets is included in the investment income of unrestricted and temporarily restricted funds, as appropriate, in the accompanying statement of activities and changes in net assets.

Marauder Development, LLC

Notes to Financial Statements August 31, 2005 and 2004

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

For the years ended August 31, 2005 and 2004, Marauder's deficiency in net assets was unrestricted.

Cash and Cash Equivalents - For purposes 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.

Restricted Assets - Restricted assets represent various bond trust account balances established in accordance with bond legislation for specific purposes.

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

Building	40 years
Furniture	7 years

Financing Costs - The unamortized financing costs include consulting, attorney's fees, and other fees incurred in connection with the bond obligations. These costs are capitalized and are amortized using the interest method over the lives of the bonds and are included as amortization expense. Accumulated amortization at August 31, 2005 and 2004 was \$179,503 and \$77,215, respectively.

Rent - The agreement with the University requires that 90 percent of any surplus (as defined) earned be paid to the University for rent. Current year operations resulted in a loss of \$248,298; therefore, no amount is due to the University for the year ended August 31, 2005.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

Receivable from Central State University - The University collects the housing fee from the students each quarter and remits it to Marauder.

Income Taxes - Marauder's taxable income or loss is passed through to the Foundation, which is a tax-exempt entity.

Marauder Development, LLC

Notes to Financial Statements August 31, 2005 and 2004

Note 2 - Cash

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

	2005	2004
Restricted:		
Debt interest account	\$ 534,684	\$ 750,180
Debt issuance account	21,844	21,432
Construction account	-	1,280,517
Repair and replacement fund	105,419	60,896
Debt principal fund	161,011	95,298
Debt reserve fund	1,408,697	1,436,127
Total restricted	<u>\$ 2,231,655</u>	<u>\$ 3,644,450</u>

Cash accounts at banks are insured by the FDIC for up to \$100,000. Amounts in excess of \$100,000 are uninsured and uncollateralized.

Note 3 - Fixed Assets

Details of fixed assets are as follows:

	2005	2004
Building	\$ 15,267,051	\$ 6,903,766
Construction in progress	-	8,363,285
Furniture	859,653	859,653
Total fixed assets	16,126,704	16,126,704
Less accumulated depreciation	<u>(949,907)</u>	<u>(445,415)</u>
Net	<u>\$ 15,176,797</u>	<u>\$ 15,681,289</u>

Depreciation expense was \$504,492 and \$222,708 at August 31, 2005 and 2004, respectively.

Marauder Development, LLC

Notes to Financial Statements August 31, 2005 and 2004

Note 4 - Long-term Debt

For the year ended August 31, 2005, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance August 31, 2004	Additions	Payments	Balance August 31, 2005
Revenue Bonds Series 2002	3.0%-5.625%	2032	\$ 8,605,770	\$ 29,256	\$ (95,000)	\$ 8,540,026
Revenue Bonds Series 2004	3.3%-5.1%	2035	11,866,954	13,728	-	11,880,682
Total			<u>\$ 20,472,724</u>	<u>\$ 42,984</u>	<u>\$ (95,000)</u>	20,420,708
Less current portion						<u>160,000</u>
Long-term portion						<u>\$ 20,260,708</u>

For the year ended August 31, 2004, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance August 31, 2003	Additions	Payments	Balance August 31, 2004
Revenue Bonds Series 2002	3.0%-5.625%	2032	\$ 8,577,499	\$ 28,271	\$ -	\$ 8,605,770
Revenue Bonds Series 2004	3.3%-5.1%	2035	-	11,866,954	-	11,866,954
Total			<u>\$ 8,577,499</u>	<u>\$ 11,895,225</u>	<u>\$ -</u>	20,472,724
Less current portion						<u>95,000</u>
Long-term portion						<u>\$ 20,377,724</u>

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

Years Ending August 31	Series 2002 Bonds		Series 2004 Bonds		Total
	Principal	Interest	Principal	Interest	
2006	\$ 160,000	\$ 451,059	\$ -	\$ 587,026	\$ 1,198,085
2007	165,000	445,978	190,000	583,749	1,384,727
2008	170,000	440,321	200,000	576,471	1,386,792
2009	175,000	434,065	205,000	568,012	1,382,077
2010	180,000	427,184	225,000	563,554	1,395,738
2011-2015	1,030,000	2,007,627	1,265,000	2,687,954	6,990,581
2015-2020	1,300,000	1,726,575	1,560,000	2,389,760	6,976,335
2021-2025	1,695,000	1,331,228	1,980,000	1,970,375	6,976,603
2026-2030	2,215,000	795,634	2,530,000	1,419,075	6,959,709
2031-2035	1,685,000	147,797	3,245,000	704,310	5,782,107
2036	-	-	750,000	38,250	788,250
Total	<u>\$ 8,775,000</u>	<u>\$ 8,207,468</u>	<u>\$ 12,150,000</u>	<u>\$ 12,088,536</u>	<u>\$ 41,221,004</u>

Marauder Development, LLC

Notes to Financial Statements August 31, 2005 and 2004

Note 4 - Long-term Debt (Continued)

Marauder issued Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the University Housing Project. The bond discount was \$234,974 and \$264,230 at August 31, 2005 and 2004, 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 \$160,000 on September 1, 2005 to \$620,000 on September 1, 2032, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.0 percent to 5.625 percent per annum, is payable semiannually on March 1 and September 1.

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 \$269,318 at August 31, 2005. 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 \$190,000 on September 1, 2006 to \$750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 percent to 5.1 percent per annum, is payable semiannually on March 1 and September 1.

Bond legislation provides that Marauder will charge rates sufficient for the excess of revenues over expenditures to equal not less than 120 percent of the aggregate amount of principal and interest requirements on the bonds payable during the year (coverage ratio).

The coverage ratio computed under the Bond Legislation is as follows:

	<u>2005</u>	<u>2004</u>
Change in net assets	\$ (236,774)	\$ (245,315)
Add items to convert net income to pledged revenues:		
Interest expense on bonds	1,083,475	690,068
Management fees	142,100	63,371
Depreciation and amortization expense	<u>606,780</u>	<u>277,701</u>
Net pledged revenues as defined	<u>\$ 1,595,581</u>	<u>\$ 785,825</u>
Debt service requirement on bonds	\$ 1,066,113	\$ 458,208
Coverage ratio (1/2)	150%	171%



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

To the Board of Trustees
Marauder Development, LLC

We have audited the financial statements of Marauder Development, LLC as of and for the year ended August 31, 2005 and have issued our report thereon dated October 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marauder Development, LLC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

Plante & Moran, PLLC

October 14, 2005



**Auditor of State
Betty Montgomery**

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**CENTRAL STATE UNIVERSITY FOUNDATION AND SUBSIDIARY
GREENE COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 1, 2005**