

Central State University Foundation and Subsidiary

**Consolidated Financial Report
June 30, 2007**



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Central State University Foundation, Greene County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2006 through June 30, 2007. 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 is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 21, 2007

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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, 2007 and the related consolidated statements of activities and changes in net assets (deficit) 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. The prior year summarized comparative information has been derived from the Foundation's 2006 financial statements and, in our report dated October 10, 2006, we expressed an unqualified opinion on those financial statements.

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, 2007 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 5, 2007 on our consideration of Central State University Foundation and Subsidiary's internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, 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 5, 2007

Central State University Foundation and Subsidiary

Consolidated Statement of Financial Position

June 30, 2007

(with comparative totals for June 30, 2006)

	<u>2007</u>	<u>2006</u>
Assets		
Assets		
Cash and cash equivalents (Note 2)	\$ 1,508,621	\$ 1,286,275
Investments (Note 2)	3,750,249	3,392,734
Contributions receivable (Note 3)	213,629	406,443
Other receivables	128,174	162,464
Prepaid expenses	<u>5,724</u>	<u>21,846</u>
Total current assets	5,606,397	5,269,762
Restricted cash and cash equivalents (Note 2)	2,458,508	2,456,889
Fixed assets - Net (Note 4)	14,568,143	14,747,635
Financing costs - Net (Note 1)	<u>1,930,466</u>	<u>2,032,898</u>
Total assets	<u>\$ 24,563,514</u>	<u>\$ 24,507,184</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 263,193	\$ 370,662
Accrued interest payable	511,884	517,842
Current portion of long-term debt (Note 6)	<u>370,000</u>	<u>355,000</u>
Total current liabilities	1,145,077	1,243,504
Long-term accounts payable	85,000	-
Long-term debt (Note 6)	<u>19,613,720</u>	<u>19,946,040</u>
Total liabilities	20,843,797	21,189,544
Net Assets (Note 5)		
Unrestricted	(253,872)	(508,839)
Temporarily restricted	2,167,780	2,105,862
Permanently restricted	<u>1,805,809</u>	<u>1,720,617</u>
Total net assets	<u>3,719,717</u>	<u>3,317,640</u>
Total liabilities and net assets	<u>\$ 24,563,514</u>	<u>\$ 24,507,184</u>

Central State University Foundation and Subsidiary

Consolidated Statement of Activities and Changes in Net Assets (Deficit) Year Ended June 30, 2007 (with comparative totals for the year ended June 30, 2006)

	2007			2006	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue					
Rental revenues	\$ 2,617,070	\$ -	\$ -	\$ 2,617,070	\$ 2,363,182
Contributions	76,439	925,261	85,192	1,086,892	1,466,726
Reimbursements	511	14,310	-	14,821	135,733
Other	-	493,859	-	493,859	236,105
Unrealized gain on investments	49,264	189,749	-	239,013	80,006
Interest income	241,533	197,927	-	439,460	304,623
Net assets released from restrictions	1,759,188	(1,759,188)	-	-	-
Total revenue	4,744,005	61,918	85,192	4,891,115	4,586,375
Expenses					
Programs:					
Scholarship programs	431,623	-	-	431,623	354,078
Athletic programs	425,897	-	-	425,897	475,447
Academic programs	395,688	-	-	395,688	239,055
Institution programs	367,617	-	-	367,617	229,033
Support activities:					
Management fees	183,193	-	-	183,193	171,378
Operating expenses	654,162	-	-	654,162	755,025
Depreciation and amortization expense	606,924	-	-	606,924	607,260
Interest expense	1,061,448	-	-	1,061,448	1,076,010
Surplus expense (Note 1)	13,353	-	-	13,353	269,866
Other	349,133	-	-	349,133	462,227
Total expenses	4,489,038	-	-	4,489,038	4,639,379
Increase (Decrease) in Net Assets	254,967	61,918	85,192	402,077	(53,004)
Net Assets (Deficit) - Beginning of year	(508,839)	2,105,862	1,720,617	3,317,640	3,370,644
Net Assets (Deficit) - End of year	\$ (253,872)	\$ 2,167,780	\$ 1,805,809	\$ 3,719,717	\$ 3,317,640

Central State University Foundation and Subsidiary

Consolidated Statement of Cash Flows Year Ended June 30, 2007 (with comparative totals for year ended June 30, 2006)

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 402,077	\$ (53,004)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	504,492	504,492
Amortization of issuance costs	102,432	102,768
Amortization of bond discount	37,680	40,332
Increase in reserve for uncollectible contributions	16,161	
Unrealized gain on investments	(239,013)	(157,734)
(Increase) decrease in assets:		
Contributions receivable	179,563	(297,222)
Prepaid expenses	16,122	(20,182)
Other receivables	31,380	(73,905)
Decrease in liabilities:		
Accounts payable	(22,469)	(137,951)
Accrued interest payable	(5,958)	(2,405)
Net cash provided by (used in) operating activities	<u>1,022,467</u>	<u>(94,811)</u>
Cash Flows from Investing Activities		
Sale (purchase) of investments - Gross	(118,502)	125,144
Purchase of building	(325,000)	-
Decrease in restricted cash	(1,619)	(225,234)
Net cash used in investing activities	<u>(445,121)</u>	<u>(100,090)</u>
Cash Flows from Financing Activities - Principal payment on bonds payable	<u>(355,000)</u>	<u>(160,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	222,346	(354,901)
Cash and Cash Equivalents - Beginning of year	<u>1,286,275</u>	<u>1,641,176</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 1,508,621</u></u>	<u><u>\$ 1,286,275</u></u>

Cash paid for interest in 2007 and 2006 was \$1,067,406 and \$1,078,415, respectively.

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2007

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 (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 a wholly owned subsidiaries of Central State University Foundation.

Description of Entity - Central State University Foundation is an Ohio nonprofit corporation and exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Central State University Foundation was formed to receive contributions, which are to be used to support the educational undertakings of Central State University (the “University”). Marauder, an Ohio limited liability corporation, was formed to develop property for the use of Central State University. The 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. The University provides certain administrative and payroll services for the Foundation. The Foundation operates exclusively for the benefit of the University.

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 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, 2007

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, 2007 was \$384,703.

Surplus Expense - The agreement with the University provides 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, are paid at 90 percent to the University as a land/lease payment with the remaining 10 percent to remain with Marauder Development, LLC. The trustee is required to calculate this surplus from the audited financial statements beginning with the August 31, 2005 year end. Based on the information provided by the trustee, the amount calculated for the year ended August 31, 2007 was \$13,353.

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.

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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 - This fund receives donations and General Fund transfers to fund travel expenses, awards, supplies, and professional services in relation to the University chorus.

Academic Funds - This fund 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.

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Comparative Financial Information - The consolidated financial statements include certain summarized comparative information for 2006. 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 Foundation's consolidated financial statements for the year ended June 30, 2006, 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, 2007:

Debt interest account	\$ 521,912
Debt principal account	384,115
Debt issuance account	23,851
Construction account	115,103
Debt reserve fund	<u>1,413,527</u>
Total restricted cash	<u>\$ 2,458,508</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 bond mutual funds as of June 30, 2007.

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.

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2007

Note 4 - Fixed Assets

Fixed assets consisted of the following at June 30, 2007:

Land	\$ 75,330
Building	15,592,051
Furniture	<u>859,653</u>
Total fixed assets	16,527,034
Less accumulated depreciation	<u>(1,958,891)</u>
Net fixed assets	<u>\$ 14,568,143</u>

Note 5 - Classification of Net Assets

Details of restricted net assets at June 30, 2007 are as follows:

	Temporarily Restricted	Permanently Restricted
Academic	\$ 548,847	\$ 128,130
Athletic	(451,000)	-
Scholarship	725,200	1,375,978
Alumni fund	97,909	-
Other general funds	<u>1,246,824</u>	<u>301,701</u>
Total net assets	<u>\$ 2,167,780</u>	<u>\$ 1,805,809</u>

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, 2007:

	Interest Rate	Maturity	Balance September 1, 2005	Additions	Payments	Balance August 31, 2006
Revenue Bonds Series 2004	3.3%-5.1%	2035	\$ 11,880,682	\$ 13,728	\$ -	\$ 11,894,410
Revenue Bonds Series 2002	3.0%-5.625%	2032	<u>8,540,026</u>	<u>26,604</u>	<u>160,000</u>	<u>8,406,630</u>
Total			<u>\$ 20,420,708</u>	<u>\$ 40,332</u>	<u>\$ 160,000</u>	20,301,040
Less current portion						<u>355,000</u>
Long-term portion						<u>\$ 19,946,040</u>

Central State University Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2007

Note 6 - Long-term Debt (Continued)

	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>	20,420,708
Less current portion						<u>160,000</u>
Long-term portion						<u>\$ 20,260,708</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	
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	190,000	419,546	235,000	556,128	1,400,674
2012	195,000	411,121	245,000	547,669	1,398,790
2013-2017	1,125,000	1,907,073	1,370,000	2,582,146	6,984,219
2018-2022	1,440,000	1,583,338	1,710,000	2,237,320	6,970,658
2023-2027	1,895,000	1,135,403	2,180,000	1,767,170	6,977,573
2028-2032	2,460,000	534,943	2,795,000	1,154,385	6,944,328
2033-2036	620,000	17,438	2,795,000	364,905	3,797,343
Total	<u>\$ 8,450,000</u>	<u>\$ 7,310,432</u>	<u>\$ 11,960,000</u>	<u>\$ 10,917,760</u>	<u>\$ 38,638,192</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 \$184,274 at June 30, 2007 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 \$170,000 on September 1, 2007 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, 2007

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 \$242,006 at August 31, 2007. 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 \$200,000 on September 1, 2007 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).

The following is a calculation of the covenant using Marauder numbers:

Change in net assets	\$ 242,793
Add items to convert net income to pledged revenues:	
Interest expense on bonds	1,061,448
Management fees	183,193
Surplus expense	13,353
Depreciation and amortization expense	<u>606,924</u>
Net pledged revenues as defined	<u>\$2,107,711</u>
Debt service requirement on bonds	\$ 1,384,727
Coverage ratio (1/2)	152%
Required coverage ratio	120%

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, 2007 and have issued our report thereon dated October 5, 2007. 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 as a basis for designing our auditing procedures 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 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. Accordingly, we do not express an opinion on the effectiveness of Central State University Foundation and Subsidiary's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Trustees
Central State University Foundation
and Subsidiary

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 5, 2007

Marauder Development, LLC

Financial Report

August 31, 2007

Marauder Development, LLC

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Independent Auditor's Report

To the Board of Trustees
Marauder Development, LLC

We have audited the accompanying statement of financial position of Marauder Development, LLC (Marauder) as of August 31, 2007 and 2006 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, 2007 and 2006 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 our report dated October 5, 2007 on our consideration of Marauder's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 5, 2007

Marauder Development, LLC

Statement of Financial Position

	August 31	
	2007	2006
Assets		
Cash and cash equivalents	\$ 1,323,277	\$ 938,111
Receivable from Central State University	127,261	158,954
Prepaid expenses	5,724	21,846
Total current assets	1,456,262	1,118,911
Restricted cash and cash equivalents (Note 2)	2,458,508	2,456,889
Fixed assets - Net (Note 3)	14,167,813	14,672,305
Financing costs	1,930,466	2,032,898
Total assets	\$ 20,013,049	\$ 20,281,003
Liabilities and Deficiency in Net Assets		
Liabilities		
Management fees payable (Note 1)	\$ 183,193	\$ 370,662
Interest payable	511,884	517,842
Current portion of long-term debt (Note 4)	370,000	355,000
Total current liabilities	1,065,077	1,243,504
Long-term Debt - Net of current portion (Note 4)	19,613,720	19,946,040
Deficiency in Net Assets - Unrestricted	(665,748)	(908,541)
Total liabilities and deficiency in net assets	\$ 20,013,049	\$ 20,281,003

Marauder Development, LLC

Statement of Activities and Changes in Net Assets

	Year Ended August 31	
	2007	2006
Revenues		
Rental revenues	\$ 2,617,070	\$ 2,363,182
Interest income	144,803	157,994
Total revenues	2,761,873	2,521,176
Expenses - Housing facilities		
Management fees	183,193	171,378
Operating expenses	654,162	755,025
Surplus expense (Note 1)	13,353	269,866
Depreciation and amortization expense	606,924	607,260
Interest expense	1,061,448	1,076,010
Total expenses	2,519,080	2,879,539
Increase (Decrease) in Net Assets	242,793	(358,363)
Deficiency in Net Assets - Beginning of year	(908,541)	(550,178)
Deficiency in Net Assets - End of year	<u>\$ (665,748)</u>	<u>\$ (908,541)</u>

Marauder Development, LLC

Statement of Cash Flows

	Year Ended August 31	
	2007	2006
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 242,793	\$ (358,363)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	504,492	504,492
Amortization of issuance costs	102,432	102,768
Amortization of bond discount	37,680	40,332
Change in receivables	31,693	(73,905)
Change in prepaid expenses	16,122	(20,182)
Increase (decrease) in liabilities:		
Accounts payable	-	(309,327)
Management fees payable	(187,469)	171,376
Accrued interest payable	(5,958)	(2,405)
Net cash provided by operating activities	741,785	54,786
Cash Flows from Investing Activities - Decrease in restricted cash	(1,619)	(225,234)
Cash Flows from Financing Activities - Retirement of notes payable	(355,000)	(160,000)
Net Increase (Decrease) in Cash and Cash Equivalents	385,166	(330,448)
Cash and Cash Equivalents - Beginning of year	938,111	1,268,559
Cash and Cash Equivalents - End of year	<u>\$ 1,323,277</u>	<u>\$ 938,111</u>

Cash paid for interest in 2007 and 2006 was \$1,067,406 and \$1,078,415, respectively.

Marauder Development, LLC

Notes to Financial Statements August 31, 2007 and 2006

Note 1 - Nature of Entity and Significant Accounting Policies

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

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 resources be classified into three net asset categories according to donor-imposed restrictions. A description of each category is as follows:

- **Unrestricted Net Assets** - Unrestricted net assets are free of donor-imposed restrictions and include all revenues, expenses, gains, and losses that are not changes in temporarily or permanently restricted net assets.
- **Temporarily Restricted Net Assets** - Temporarily restricted net 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** - Permanently restricted net 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, 2007 and 2006

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

For the years ended August 31, 2007 and 2006, Marauder's deficiency in net assets was unrestricted.

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

Restricted Cash and Cash Equivalents - 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, attorneys' 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, 2007 and 2006 was \$384,703 and \$282,271, respectively.

Surplus Expense - The agreement with the University requires that the year-end balance in the surplus account held by the trustee, less applicable amounts for management fees that have not been funded to the management fee accounts, are paid at 90 percent to the University as a land/lease payment, with the remaining 10 percent to remain with Marauder Development, LLC. The trustee is required to calculate this surplus from the audited financial statements beginning with the August 31, 2005 year end. Based on the information provided by the trustee, the amount calculated for the years ended August 31, 2007 and 2006 was \$13,353 and \$269,866, respectively.

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.

Marauder Development, LLC

Notes to Financial Statements August 31, 2007 and 2006

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

Receivable from Central State University - The University collects the housing fee from the students each quarter and remits it to Marauder. The amount due at August 31, 2007 and 2006 was fully paid to Marauder subsequent to year end.

Management Fee - During 2007 and 2006, Marauder incurred a management fee of \$183,193 and \$370,662, respectively, to the University for administrative services provided.

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

Note 2 - Cash

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

	2007	2006
Restricted:		
Debt interest account	521,912	527,144
Debt issuance account	23,851	22,720
Repair and replacement fund	115,103	109,643
Debt principal fund	384,115	366,174
Debt reserve fund	1,413,527	1,431,208
Total restricted	<u>\$ 2,458,508</u>	<u>\$ 2,456,889</u>

Note 3 - Fixed Assets

Details of fixed assets are as follows:

	2007	2006
Building	\$ 15,267,051	\$ 15,267,051
Furniture	859,653	859,653
Total fixed assets	16,126,704	16,126,704
Less accumulated depreciation	<u>(1,958,891)</u>	<u>(1,454,399)</u>
Net	<u>\$ 14,167,813</u>	<u>\$ 14,672,305</u>

Marauder Development, LLC

Notes to Financial Statements August 31, 2007 and 2006

Note 4 - Long-term Debt

For the year ended August 31, 2007, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance August 31, 2006	Additions	Payments	Balance August 31, 2007
Revenue Bonds Series 2002	3.0%-5.625%	2032	\$ 8,406,630	\$ 24,096	\$ (165,000)	\$ 8,265,726
Revenue Bonds Series 2004	3.3%-5.1%	2035	11,894,410	13,584	(190,000)	11,717,994
Total			<u>\$ 20,301,040</u>	<u>\$ 37,680</u>	<u>\$ (355,000)</u>	19,983,720
Less current portion						<u>370,000</u>
Long-term portion						<u>\$ 19,613,720</u>

For the year ended August 31, 2006, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance August 31, 2005	Additions	Payments	Balance August 31, 2006
Revenue Bonds Series 2002	3.0%-5.625%	2032	\$ 8,540,026	\$ 26,604	\$ (160,000)	\$ 8,406,630
Revenue Bonds Series 2004	3.3%-5.1%	2035	11,880,682	13,728	-	11,894,410
Total			<u>\$ 20,420,708</u>	<u>\$ 40,332</u>	<u>\$ (160,000)</u>	20,301,040
Less current portion						<u>355,000</u>
Long-term portion						<u>\$ 19,946,040</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	
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	190,000	419,546	235,000	556,128	1,400,674
2012	195,000	411,121	245,000	547,669	1,398,790
2013-2017	1,125,000	1,907,073	1,370,000	2,582,146	6,984,219
2018-2022	1,440,000	1,583,338	1,710,000	2,237,320	6,970,658
2023-2027	1,895,000	1,135,403	2,180,000	1,767,170	6,977,573
2028-2032	2,460,000	534,943	2,795,000	1,154,385	6,944,328
2033-2036	620,000	17,438	2,795,000	364,905	3,797,343
Total	<u>\$ 8,450,000</u>	<u>\$ 7,310,432</u>	<u>\$ 11,960,000</u>	<u>\$ 10,917,760</u>	<u>\$ 38,638,192</u>

Marauder Development, LLC

Notes to Financial Statements August 31, 2007 and 2006

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 \$184,274 and \$208,370 at August 31, 2007 and 2006, 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 \$170,000 on September 1, 2007 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 \$242,006 and \$255,590 at August 31, 2007 and 2006, respectively. The discount is being amortized to interest expense over the life of the bonds on the interest method. The bonds mature on September 1 in various amounts ranging from \$200,000 on September 1, 2007 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>2007</u>	<u>2006</u>
Change in net assets	\$ 242,793	\$ (358,363)
Add items to convert net income to pledged revenues:		
Interest expense on bonds	1,061,448	1,076,010
Management fees	183,193	171,378
Surplus expense	13,353	269,866
Depreciation and amortization expense	<u>606,924</u>	<u>607,260</u>
Net pledged revenues as defined	<u>\$ 2,107,711</u>	<u>\$ 1,766,151</u>
Debt service requirement on bonds	\$ 1,384,727	\$ 1,198,085
Coverage ratio (1/2)	152%	147%
Required coverage ratio	120%	120%

Report Letter on Compliance and on Internal Control
Over Financial Reporting 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, 2007 and have issued our report thereon dated October 5, 2007. 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.

Compliance

As part of obtaining reasonable assurance about whether Marauder Development, LLC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marauder Development, LLC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Marauder Development, LLC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marauder Development, LLC's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

To the Board of Trustees
Marauder Development, LLC

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 5, 2007



Mary Taylor, CPA
Auditor of State

CENTRAL STATE UNIVERSITY FOUNDATION

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 6, 2007**