Central State University Foundation and Subsidiaries

Consolidated Financial Report

June 30, 2009

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Central State University Foundation, Greene County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2008 through June 30, 2009. 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 2, 2009

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Independent Auditor's Report

To the Board of Trustees
Central State University Foundation
and Subsidiaries

We have audited the accompanying consolidated statement of financial position of Central State University Foundation and Subsidiaries (the "Foundation") as of June 30, 2009 and the related consolidated statements of activities and changes in net assets (deficit) and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2008 consolidated financial statements and, in our report dated October 15, 2008, we expressed an unqualified opinion on those consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Central State University Foundation and Subsidiaries as of June 30, 2009 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 15, 2009 on our consideration of Central State University Foundation and Subsidiaries' 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 effectiveness of 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 15, 2009

Central State University Foundation and Subsidiaries

Consolidated Statement of Financial Position
June 30, 2009
(with comparative totals for June 30, 2008)

	2009	2008
Assets		
Cash and cash equivalents (Note 2)	$ 4,985,878	$ 3,036,648
Investments	-	3,398,360
Contributions receivable - Net (Note 4)	52,065	184,338
Other receivables	28,322	28,322
Prepaid expenses	5,672	5,672
Total current assets	5,071,937	6,653,340
Restricted cash and cash equivalents (Note 2)	3,132,693	2,973,473
Fixed assets - Net (Note 5)	13,640,050	14,157,946
Financing costs - Net (Note 1)	1,727,426	1,828,598
Total assets	**$ 23,572,106**	**$ 25,613,357**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 381,023	$ 272,492
Surplus payable (Note 1)	516,239	-
Deferred revenue	30,266	888,484
Accrued interest payable	497,169	504,909
Current portion of long-term debt (Note 7)	405,000	380,000
Total current liabilities	1,829,697	2,045,885
Long-term accounts payable	-	85,000
Long-term debt - Net of current portion (Note 7)	18,896,628	19,268,856
Total liabilities	20,726,325	21,399,741
Net Assets		
Unrestricted	(1,015,602)	(26,671)
Temporarily restricted (Note 6)	1,735,844	2,236,559
Permanently restricted (Note 6)	2,125,539	2,003,728
Total net assets	2,845,781	4,213,616
Total liabilities and net assets	**$ 23,572,106**	**$ 25,613,357**

See Notes to Consolidated Financial Statements.

Central State University Foundation and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets (Deficit) Year Ended June 30, 2009

(with comparative totals for the year ended June 30, 2008)

	2009				2008
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue					
Rental revenues	$ 2,716,635	$ -	$ -	$ 2,716,635	$ 2,749,852
Contributions	108,357	642,331	121,811	872,499	1,314,545
Reimbursements	50,000	103,476	-	153,476	49,806
Other	48,809	680,113	-	728,922	416,889
Unrealized loss on investments	(238,264)	(736,343)	-	(974,607)	(497,831)
Investment income	103,799	58,108	-	161,907	415,032
Net assets released from restrictions	1,248,400	(1,248,400)	-	-	-
Total revenue	4,037,736	(500,715)	121,811	3,658,832	4,448,293
Expenses					
Programs:					
Scholarship programs	498,291	-	-	498,291	329,018
Athletic programs	215,440	-	-	215,440	274,478
Academic programs	392,630	-	-	392,630	300,442
Institution programs	562,826	-	-	562,826	248,507
Support activities:					
Management fees	190,164	-	-	190,164	192,492
Operating expenses	725,434	-	-	725,434	701,094
Depreciation and amortization expense	605,664	-	-	605,664	614,485
Interest expense	1,027,109	-	-	1,027,109	1,044,954
Surplus expense (Note 1)	516,239	-	-	516,239	-
Other	292,870	-	-	292,870	248,924
Total expenses	5,026,667	-	-	5,026,667	3,954,394
Increase (Decrease) in Net Assets	(988,931)	(500,715)	121,811	(1,367,835)	493,899
Net Assets (Deficit) - Beginning of year	(26,671)	2,236,559	2,003,728	4,213,616	3,719,717
Net Assets (Deficit) - End of year	**$ (1,015,602)**	**$ 1,735,844**	**$ 2,125,539**	**$ 2,845,781**	**$ 4,213,616**

Central State University Foundation and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended June 30, 2009
(with comparative totals for year ended June 30, 2008)

	2009	2008
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (1,367,835)	$ 493,899
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation	517,896	512,617
Amortization of issuance costs	101,172	101,868
Amortization of bond discount	32,772	35,136
Increase in reserve for uncollectible contributions	-	2,027
Donated land contributions	-	(65,470)
Donated art work	-	(36,950)
Unrealized loss on investments	974,607	497,831
Decrease in assets:		
Contributions receivable	132,273	27,264
Prepaid expenses	-	52
Change in receivables	-	99,852
Increase (decrease) in liabilities:		
Accounts payable	23,531	9,299
Surplus payable	516,239	-
Deferred revenue	(858,218)	888,484
Accrued interest payable	(7,740)	(6,975)
Net cash provided by operating activities	64,697	2,558,934
Cash Flows from Investing Activities - Sale (Purchase) of investments	2,423,753	(145,942)
Cash Flows from Financing Activities - Principal payment on bonds payable	(380,000)	(370,000)
Net Increase in Cash and Cash Equivalents	2,108,450	2,042,992
Cash and Cash Equivalents - Beginning of year	6,010,121	3,967,129
Cash and Cash Equivalents - End of year	**$ 8,118,571**	**$ 6,010,121**

Cash paid for interest in 2009 was $1,034,849

Note 1 - Summary of Significant Accounting Policies

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

Description of Entity - Central State University Foundation is an Ohio nonprofit corporation and exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Central State University Foundation was formed to receive contributions, which are to be used to support the educational undertakings of Central State University (the "University"). 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. All significant intercompany accounts and transactions have been eliminated. 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.

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 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, 2009 was $587,743.

Deferred Revenue - Deferred revenue represents cash received for rental revenues for the upcoming semester. These revenues are not earned until the service is provided and, as a result, are recorded as deferred revenue until that point.

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 the Foundation. The trustee is required to calculate this surplus from the audited financial statements beginning with the August 31, 2005 year end. Based on the information provided by the trustee, the amount calculated for the year ended August 31, 2009 was $573,599. The 10 percent to Foundation has been eliminated and the 90 percent is included in surplus payable in the amount of $516,239 at August 31, 2009.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

- **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.

  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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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 2008. 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, 2008, from which the summarized information was derived.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including October 15, 2009, which is the date the financial statements were issued.

Note 2 - Deposits and Investments

As required by the bond indenture, the Foundation, through Marauder, maintains restricted cash balances in the following accounts as of August 31, 2009:

Debt interest account	$ 527,577
Debt principal account	405,356
Repair and replacement fund	791,073
Debt reserve fund	1,408,687
Total restricted cash	$ 3,132,693

Note 2 - Deposits and Investments (Continued)

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. In March 2009, the investment funds were liquidated and subsequently placed into money market accounts. As of June 30, 2009, money market accounts totaled $2,949,755, and have been classified as cash equivalents on the consolidated statement of financial position.

Note 3 - Donor and Board Restricted Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historical value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Foundation
(7) The investment policies of the Foundation

Note 3 - Donor and Board Restricted Endowments (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted -				
Endowment	$ (450,473)	$ -	$ 2,125,539	$ 1,675,066

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets,				
Beginning of the year	$ -	$ -	$ 2,003,728	$ 2,003,728
Investment return:				
Investment income	39,632	-	-	39,632
Net depreciation	(490,105)	-	-	(490,105)
Total investment return	(450,473)	-	-	(450,473)
Contributions	-	-	121,811	121,811
Appropriation of endowment				
assets for expenditures	-	-	-	-
Other changes -				
Transfers to create board				
designated endowment funds	450,473	-	-	450,473
Endowment net assets,				
End of the year	$ -	$ -	$ 2,125,539	$ 2,125,539

Note 3 - Donor and Board Restricted Endowments (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $490,105 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of trustees.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Note 3 - Donor and Board Restricted Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation is authorized only to expend the investment income and/or accumulated income above the principal amount from the invested endowment funds, and the remaining income is to be reinvested. If an investment loss is incurred, the loss is allocated entirely as currently expendable. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 5 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 4 - Contributions Receivable

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and contributions of the appropriate net asset category. All contributions receivable are unconditional promises to give that are expected to be collected within one year and are recorded at net realizable value. There was no allowance for uncollectible contributions at June 30, 2009. Conditional promises to give are not included as revenue until conditions are met.

Note 5 - Fixed Assets

Fixed assets consisted of the following at June 30, 2009:

	2009	2008
Land	$ 140,800	$ 140,800
Building	15,592,051	15,592,051
Furniture and fixtures	896,603	896,603
Total fixed assets	16,629,454	16,629,454
Less accumulated depreciation	(2,989,404)	(2,471,508)
Net fixed assets	$ 13,640,050	$ 14,157,946

Depreciation expense on property and equipment totaled $517,896 in 2009.

Note 6 - Classification of Net Assets

Details of restricted net assets at June 30, 2009 are as follows:

	Temporarily Restricted	Permanently Restricted
Academic	$ 447,897	$ 128,329
Scholarship	538,589	1,430,008
Alumni fund	271,385	-
Other general funds	477,973	567,202
Total net assets	$ 1,735,844	$ 2,125,539

Note 7 - Long-term Debt

Marauder Development, LLC has the following debt related to the financing of student dormitories. Information is for the subsidiary's year ended August 31, 2009:

	Interest Rate	Maturity	Balance September 1, 2008	Additions	Payments	Balance August 31, 2009
Revenue Bonds Series 2004	3.3%-5.1%	2035	$ 11,531,386	$ 13,188	$ 205,000	$ 11,339,574
Revenue Bonds Series 2002	3.0%-5.625%	2032	8,117,470	19,584	175,000	7,962,054
Total			$ 19,648,856	$ 32,772	$ 380,000	19,301,628
Less current portion						405,000
Long-term portion						$ 18,896,628

Note 7 - Long-term Debt (Continued)

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

Years Ending	Series 2002 Bonds		Series 2004 Bonds		
August 31	Principal	Interest	Principal	Interest	Total
2010	$ 180,000	$ 427,184	$ 225,000	$ 559,841	$ 1,392,025
2011	190,000	419,546	235,000	551,899	1,396,445
2012	195,000	411,122	245,000	543,014	1,394,136
2013	205,000	402,121	250,000	533,359	1,390,480
2014	215,000	392,564	260,000	522,899	1,390,463
2015-2019	1,240,000	1,791,360	1,495,000	2,424,092	6,950,452
2020-2024	1,600,000	1,420,469	1,885,000	2,017,500	6,922,969
2025-2029	2,105,000	915,321	2,405,000	1,480,185	6,905,506
2030-2034	2,175,000	256,359	3,090,000	783,105	6,304,464
2035	-	-	1,465,000	75,607	1,540,607
Total	$ 8,105,000	$ 6,436,046	$ 11,555,000	$ 9,491,501	$ 35,587,547

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 $142,946 at August 31, 2009, 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 $180,000 on September 1, 2009 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. The bonds are collateralized by the building and restricted cash held as required by the bond agreement.

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 $215,426 at August 31, 2009. 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 $225,000 on September 1, 2009 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. The bonds are collateralized by the building and restricted cash held as required by the bond agreement.

Note 7 - Long-term Debt (Continued)

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 following is a calculation of the covenant using Marauder numbers:

Change in member's capital	$	(321,316)
Add items to convert net income to pledged revenues:		
Interest expense on bonds		1,027,109
Management fees		190,164
Surplus expense		573,599
Depreciation and amortization expense		605,664
Net pledged revenues as defined (1)	$	2,075,220
Debt service requirement on bonds (2)	$	1,382,078
Coverage ratio (1/2)		150%
Required coverage ratio		120%

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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 Subsidiaries

We have audited the consolidated financial statements of Central State University Foundation and Subsidiaries as of and for the year ended June 30, 2009 and have issued our report thereon dated October 15, 2009. 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 Subsidiaries' 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. Accordingly, we do not express an opinion on the effectiveness of Central State University Foundation and Subsidiaries' 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2009-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or 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 Organization's internal control. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Central State University Foundation and Subsidiaries' written response to the significant deficiencies identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

To the Board of Trustees
Central State University Foundation
and Subsidiaries

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central State University Foundation and Subsidiaries' 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 Subsidiaries, 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 15, 2009

Reference Number	Findings
2009-01	**Accounts Payable**

Finding Type - Significant deficiency

Criteria - Services and purchased goods should be recognized in the time period in which they were performed or received.

Condition - The Foundation understated accounts payable by approximately $71,000 for services and/or purchased goods that related to June 30, 2009.

Context - The Foundation did not review or accrue for invoices that were paid after June 30, 2009 that related to the fiscal year end.

Cause and Effect - Accounts payable and related expenses were adjusted by approximately $71,000 to properly classify the payables in the correct fiscal year.

Recommendation - We recommend the University complete a review of subsequent disbursements after year end for proper cutoff.

Views of Responsible Officials and Planned Corrective Actions - The Foundation agrees with the recommendation. The subsequent disbursements for this year end have been reviewed and the appropriate adjustments made. This process will be improved with the implementation of the Foundation financial transaction processing into the existing Central State University's Banner ERP system.

Marauder Development, LLC

Financial Report

August 31, 2009

Marauder Development, LLC

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Independent Auditor's Report

To the Board of Trustees
Marauder Development, LLC

We have audited the accompanying balance sheet of Marauder Development, LLC (Marauder) as of August 31, 2009 and 2008 and the related statements of operations 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, 2009 and 2008 and the results of its operations 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 15, 2009 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 effectiveness of 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 15, 2009

Marauder Development, LLC

Balance Sheet

	August 31 2009	August 31 2008
Assets		
Assets		
Cash and cash equivalents	$ 1,933,672	$ 2,450,459
Prepaid expenses	5,672	5,672
Total current assets	1,939,344	2,456,131
Restricted Cash and Cash Equivalents (Note 2)	3,132,693	2,973,473
Fixed Assets - Net (Note 3)	13,158,829	13,663,321
Financing Costs - Net (Note 1)	1,727,426	1,828,598
Total assets	**$ 19,958,292**	**$ 20,921,523**
Liabilities and Deficiency in Member's Capital		
Liabilities		
Management fees payable (Note 1)	$ 190,164	$ 192,492
Surplus payable	573,599	-
Deferred revenue	30,266	888,484
Interest payable	497,169	504,909
Current portion of long-term debt (Note 4)	405,000	380,000
Total current liabilities	1,696,198	1,965,885
Long-term Debt - Net of current portion (Note 4)	18,896,628	19,268,856
Deficiency in Member's Capital	(634,534)	(313,218)
Total liabilities and deficiency in member's capital	**$ 19,958,292**	**$ 20,921,523**

Marauder Development, LLC

Statement of Operations

	Year Ended August 31 2009	2008
Revenues		
Rental revenues	$ 2,716,635	$ 2,749,852
Interest income	84,019	147,578
Total revenues	2,800,654	2,897,430
Expenses - Housing facilities		
Management fees	190,164	192,492
Operating expenses	725,434	701,094
Surplus expense (Note 1)	573,599	-
Depreciation and amortization expense	605,664	606,360
Interest expense	1,027,109	1,044,954
Total expenses	3,121,970	2,544,900
(Decrease) Increase in Member's Capital	(321,316)	352,530
Deficiency in Member's Capital - Beginning of year	(313,218)	(665,748)
Deficiency in Member's Capital - End of year	**$ (634,534)**	**$ (313,218)**

Marauder Development, LLC

Statement of Cash Flows

	Year Ended August 31 2009	2008
Cash Flows from Operating Activities		
(Decrease) increase in member's capital	$ (321,316)	$ 352,530
Adjustments to reconcile (decrease) increase in member's capital to net cash from operating activities:		
Depreciation	504,492	504,492
Amortization of issuance costs	101,172	101,868
Amortization of bond discount	32,772	35,136
Decrease in assets:		
Receivables	-	127,261
Prepaid expenses	-	52
Increase (decrease) in liabilities:		
Deferred revenue	(858,218)	888,484
Management fees payable	(2,328)	9,299
Surplus payable	573,599	-
Accrued interest payable	(7,740)	(6,975)
Net cash provided by operating activities	22,433	2,012,147
Cash Flows from Financing Activities - Retirement of notes payable	(380,000)	(370,000)
Net (Decrease) Increase in Cash and Cash Equivalents	(357,567)	1,642,147
Cash and Cash Equivalents - Beginning of year	5,423,932	3,781,785
Cash and Cash Equivalents - End of year	**$ 5,066,365**	**$ 5,423,932**

Cash paid for interest in 2009 and 2008 was $1,034,849 and $1,051,929 respectively.

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.

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 an 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

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

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, 2009 and 2008 was $587,743 and $486,571, 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, is paid at 90 percent to the University as a land/lease payment, with the remaining 10 percent to the Foundation. The trustee is required to calculate this surplus from the audited financial statements beginning with the August 31, 2005 year end. Based on the information provided by the trustee, the amount calculated for the years ended August 31, 2009 and 2008 was $573,599 and $0, respectively.

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.

Management Fee - During 2009 and 2008, Marauder incurred a management fee of $190,164 and $192,492, respectively, to the University for administrative services provided.

Deferred Revenue – Deferred revenue represents cash received for rental revenues for the upcoming semester. These revenues are not earned until the service is provided and, as a result, are recorded as deferred revenue until that point.

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

Note 2 - Restricted Cash and Cash Equivalents

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

	2009	2008
Restricted:		
Debt interest account	$ 527,577	$ 507,981
Repair and replacement fund	791,073	668,704
Debt principal fund	405,356	383,327
Debt reserve fund	1,408,687	1,413,461
Total restricted	$ 3,132,693	$ 2,973,473

Note 3 - Fixed Assets

Details of fixed assets are summarized as follows:

	2009	2008
Building	$ 15,267,051	$ 15,267,051
Furniture	859,653	859,653
Total fixed assets	16,126,704	16,126,704
Less accumulated depreciation	(2,967,875)	(2,463,383)
Net	$ 13,158,829	$ 13,663,321

Depreciation expense on property and equipment totaled $504,492 for both 2009 and 2008.

Note 4 - Long-term Debt

For the year ended August 31, 2009, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance September 1, 2008	Additions	Payments	Balance August 31, 2009
Revenue Bonds Series 2002	3.0%-5.625%	2032	$ 8,117,470	$ 19,584	$ (175,000)	$ 7,962,054
Revenue Bonds Series 2004	3.3%-5.1%	2035	11,531,386	13,188	(205,000)	11,339,574
Total			$ 19,648,856	$ 32,772	$ (380,000)	19,301,628
Less current portion						405,000
Long-term portion						$ 18,896,628

For the year ended August 31, 2008, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance September 1, 2007	Additions	Payments	Balance August 31, 2008
Revenue Bonds Series 2002	3.0%-5.625%	2032	$ 8,265,726	$ 21,744	$ (170,000)	$ 8,117,470
Revenue Bonds Series 2004	3.3%-5.1%	2035	11,717,994	13,392	(200,000)	11,531,386
Total			$ 19,983,720	$ 35,136	$ (370,000)	19,648,856
Less current portion						380,000
Long-term portion						$ 19,268,856

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

Years Ending	Series 2002 Bonds		Series 2004 Bonds		
August 31	Principal	Interest	Principal	Interest	Total
2010	$ 180,000	$ 427,184	$ 225,000	$ 559,841	$ 1,392,025
2011	190,000	419,546	235,000	551,899	1,396,445
2012	195,000	411,122	245,000	543,014	1,394,136
2013	205,000	402,121	250,000	533,359	1,390,480
2014	215,000	392,564	260,000	522,899	1,390,463
2015-2019	1,240,000	1,791,360	1,495,000	2,424,092	6,950,452
2020-2024	1,600,000	1,420,469	1,885,000	2,017,500	6,922,969
2025-2029	2,105,000	915,321	2,405,000	1,480,185	6,905,506
2030-2034	2,175,000	256,359	3,090,000	783,105	6,304,464
2035	-	-	1,465,000	75,607	1,540,607
Total	$ 8,105,000	$ 6,436,046	$ 11,555,000	$ 9,491,501	$ 35,587,547

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 $142,946 and $162,530 at August 31, 2009 and 2008, 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 $180,000 on September 1, 2009 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. The bonds are collateralized by the building.

During 2004, Marauder issued $12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The original bond discount totaled $287,699, with an amortized balance of $215,426 and $228,614 at August 31, 2009 and 2008, 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 $225,000 on September 1, 2009 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. The bonds are collateralized by the building.

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).

Note 4 - Long-term Debt (Continued)

The coverage ratio computed under the bond legislation is as follows:

	2009	2008
Change in member's capital	$ (321,316)	$ 352,530
Add items to convert net income to pledged revenues:		
Interest expense on bonds	1,027,109	1,044,954
Management fees	190,164	192,492
Surplus expense	573,599	-
Depreciation and amortization expense	605,664	606,360
Net pledged revenues as defined (1)	$ 2,075,220	$ 2,196,336
Debt service requirement on bonds (2)	$ 1,382,078	$ 1,386,792
Coverage ratio (1/2)	150%	158%
Required coverage ratio	120%	120%

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

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, 2009 and have issued our report thereon dated October 15, 2009. 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 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 second 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.

Compliance and Other Matters

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 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 15, 2009

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
NOVEMBER 17, 2009