

Euclid Avenue Housing Corporation

**Financial Statements
June 30, 2009 and 2008**



Mary Taylor, CPA
Auditor of State

Board of Directors
Euclid Avenue Housing Corporation
2121 Euclid Avenue
Rhodes Tower Room 1204
Cleveland, Ohio 44115

We have reviewed the *Independent Auditors' Report* of the Euclid Avenue Housing Corporation, Cuyahoga County, prepared by Ciuni & Panichi, Inc., 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 Euclid Avenue Housing Corporation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 2, 2009

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Euclid Avenue Housing Corporation

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Independent Auditors' Report

Board of Directors
Euclid Avenue Housing Corporation
Cleveland, Ohio

We have audited the accompanying statement of financial position of the Euclid Avenue Housing Corporation (the "Corporation") as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 the Corporation as of June 30, 2009 and 2008, and the changes in its net assets and 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 have also issued our report dated September 21, 2009, on our consideration of Euclid Avenue Housing Corporation's internal control over financial reporting and 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 an opinion 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 important for assessing the results of the audit.

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Board of Directors
Euclid Avenue Housing Corporation

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules on pages 18 through 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Corporation's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and in our opinion, are fairly stated in all material respects, when considered in relation to the basic financial statements taken as a whole.

Cimini + Panichi, Ac.

Cleveland, Ohio
September 21, 2009

Euclid Avenue Housing Corporation

Statements of Financial Position

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 539,621	\$ 1,056,315
Cash held by the University	<u>222,727</u>	<u>172,281</u>
Total cash	762,348	1,228,596
Bond proceeds/investments	7,956,579	3,700,835
Student accounts receivable, net	42,046	35,744
Other receivable	17,214	-
Accrued interest receivable	24,392	12,541
Prepaid expenses	<u>6,105</u>	<u>5,920</u>
Total current assets	8,808,684	4,983,636
Other assets:		
Deferred bond issuance costs, net of accumulated amortization of \$287,371 in 2009 and \$220,998 in 2008	2,130,436	1,863,968
Note receivable	1,640,808	-
Property:		
Building	27,792,453	27,792,453
Building improvements	12,398	1,300
Furniture, fixtures, and equipment	1,206,740	1,196,797
Construction in progress	<u>11,484,505</u>	<u>-</u>
	40,496,096	28,990,550
Less: accumulated depreciation	<u>(2,598,719)</u>	<u>(1,730,862)</u>
	37,897,377	27,259,688
Other assets	<u>720,000</u>	<u>-</u>
Total other assets	42,388,621	29,123,656
Total assets	\$ <u>51,197,305</u>	\$ <u>34,107,292</u>

The accompanying notes are an integral part of these financial statements

Euclid Avenue Housing Corporation

Statements of Financial Position

June 30, 2009 and 2008

Liabilities and Net Assets (Deficit)

	<u>2009</u>	<u>2008</u>
Current liabilities:		
Current portion of bonds payable	\$ 965,000	\$ 515,000
Current portion of notes payable	50,000	-
Accounts payable	2,297,621	376,532
Advance from University	300,000	-
Accrued interest	644,786	651,761
Accrued payroll	16,347	12,011
Deferred revenue	38,681	56,700
Security deposits	<u>72,355</u>	<u>34,501</u>
Total current liabilities	4,384,790	1,646,505
Noncurrent liabilities:		
Bonds payable, less current portion	46,950,000	33,415,000
Notes payable, less current portion	<u>2,461,180</u>	<u>-</u>
Total noncurrent liabilities	<u>49,411,180</u>	<u>33,415,000</u>
Total liabilities	53,795,970	35,061,505
Net assets (deficit):		
Unrestricted	<u>(2,598,665)</u>	<u>(954,213)</u>
Total liabilities and net assets	\$ <u>51,197,305</u>	\$ <u>34,107,292</u>

The accompanying notes are an integral part of these financial statements

Euclid Avenue Housing Corporation

Statements of Activities

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues:		
Rental income:		
Students	\$ 2,454,777	\$ 2,232,310
University	469,896	469,896
Maintenance fee – University	154,305	154,305
Investment income, net	51,458	146,289
Other	<u>143,353</u>	<u>147,654</u>
Total revenues	3,273,789	3,150,454
Expenses:		
Interest	1,548,882	1,565,363
Depreciation and amortization	934,230	933,800
Utilities	388,527	326,147
Payroll	487,102	391,260
Management fees	113,703	103,686
Maintenance	143,313	133,191
General and administrative	101,359	82,114
Other operating	14,759	26,523
Marketing	16,588	13,303
Accounting	11,255	7,500
Reserve allowance	7,947	500
Insurance	576	-
Transfer to University	-	203,745
Temporary parking	<u>1,150,000</u>	<u>-</u>
Total expenses	<u>4,918,241</u>	<u>3,787,132</u>
Change in net assets	(1,644,452)	(636,678)
Net assets – beginning of year	<u>(954,213)</u>	<u>(317,535)</u>
Net assets – end of year	\$ <u><u>(2,598,665)</u></u>	\$ <u><u>(954,213)</u></u>

The accompanying notes are an integral part of these financial statements

Euclid Avenue Housing Corporation

Statements of Cash Flows

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,644,452)	\$ (636,678)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	934,230	933,799
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Student accounts receivable	(6,302)	(19,742)
Accrued interest and other receivables	(29,065)	15,334
Prepaid expenses	(185)	(2,920)
Increase (decrease) in liabilities:		
Accounts payable	105,247	133,986
Accrued interest	(6,975)	(5,687)
Accrued payroll	4,336	2,401
Security deposits	15,655	(8,100)
Deferred revenue	<u>4,180</u>	<u>9,064</u>
Net cash (used in) provided by operating activities	<u>(623,331)</u>	<u>421,467</u>
Cash flows from investing activities:		
Purchases of property	(9,689,704)	(5,629)
Proceeds received through purchase of note receivable	150,372	-
Purchases of bond proceeds/investments	(21,958,048)	(146,289)
Proceeds from sales of bond proceeds/investments	<u>17,702,304</u>	<u>728,959</u>
Net cash (used in) provided by investing activities	<u>(13,795,076)</u>	<u>577,041</u>
Cash flow from financing activities:		
Proceeds from issuance of bonds payable	14,391,250	-
Payment of bond issuance costs	(224,091)	-
Payment of bonds payable	(515,000)	(455,000)
Advance from University	<u>300,000</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>13,952,159</u>	<u>(455,000)</u>
Change in cash and cash equivalents	(466,248)	543,508
Cash and cash equivalents – beginning of year	<u>1,228,596</u>	<u>685,088</u>
Cash and cash equivalents – end of year	\$ <u><u>762,348</u></u>	\$ <u><u>1,228,596</u></u>

The accompanying notes are an integral part of these financial statements

Euclid Avenue Housing Corporation

Statements of Cash Flows

June 30, 2009 and 2008

Supplemental disclosures of cash flow information:

Cash paid during the year for interest	\$ 1,555,857	\$ 1,571,050
Non-cash financing and investing activities:		
Other asset purchased by incurrence of a note payable	\$ 720,000	\$ -
Construction in progress purchased by incurrence of accounts payable	1,815,842	-
Bond issuance costs withheld from bond proceeds	108,750	-
Acquisition of a note receivable financed by incurrence of a note payable	1,791,180	-

The accompanying notes are an integral part of these financial statements

Euclid Avenue Housing Corporation

Notes to Financial Statements

June 30, 2009 and 2008

Note 1: Summary of Significant Accounting Policies

Purpose and Accounting Method

The Euclid Avenue Housing Corporation (the “Corporation”) was organized primarily to further the educational mission of Cleveland State University (the “University”) by developing and owning housing and parking facilities for the students, faculty, and staff of the University.

On March 1, 2005, the Corporation leased the Fenn Tower Building, located on the University’s campus, from the University. On March 1, 2005, the Corporation entered into a Development Agreement with American Campus Communities (“ACC”) to plan, design, and construct housing units in Fenn Tower. In addition, the Corporation entered into a Management Agreement with ACC to manage Fenn Tower once construction was completed. On March 17, 2005, the Corporation issued tax-exempt bonds with the Cleveland-Cuyahoga County Port Authority to finance the costs of the project. Fenn Tower was completed in August 2006 and can house up to approximately 430 residents.

On June 1, 2008, the Corporation leased land, owned by the University and located on its campus, from the University. On August 22, 2008, the Corporation entered into a design-build agreement with the Apostolos Group to construct a 623-car parking garage on the site. On July 1, 2008, the Corporation entered into a lease agreement with the University to operate the garage once construction is completed. On July 25, 2008, the Corporation issued tax-exempt bonds with the Cleveland-Cuyahoga County Port Authority to finance construction of the garage. Construction of the garage was completed in August 2009.

The financial statements have been prepared on the accrual basis of accounting.

Use of Estimates

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

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through September 21, 2009, the date the financial statements were available to be issued.

Euclid Avenue Housing Corporation

Notes to Financial Statements

June 30, 2009 and 2008

Note 1: Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid investments available for current use (excluding cash equivalents held in investment brokerage accounts) with an initial maturity of three months or less to be cash equivalents.

At various times during the years ended June 30, 2009 and 2008, the Corporation's operational cash bank balances exceeded the federally insured limits.

Student Accounts Receivables

Student accounts receivable are uncollateralized obligations due from the University's students. Accounts receivable are stated at the amount billed to the resident. Student account balances are considered delinquent when scheduled payments are missed.

At June 30, 2009 and 2008, the Corporation has recorded \$11,000 and \$4,000 as an allowance for potential uncollectible student accounts receivable. Management estimates an allowance for uncollectible accounts based upon a review of delinquent accounts and an assessment of the Corporation's historical evidence of collections.

Bond Issuance Costs

Bond issuance costs are capitalized and amortized over the life of the bonds utilizing the straight-line method. Amortization expense totaled \$66,373 for each of the years ended June 30, 2009 and 2008.

Property

Property is valued at cost when purchased or fair value at the date of donation. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets ranging from 3 to 40 years. Maintenance and repairs are charged against change in net assets when incurred. Additions and major improvements are capitalized. Depreciation expense totaled \$867,857 and \$867,427 for the years ended June 30, 2009 and 2008, respectively.

The Corporation capitalizes the net interest income or expense incurred during the construction of property. The amount capitalized is determined based upon the interest related to bonds payable and bond proceeds from specific construction projects. During the year ended June 30, 2009, \$211,475 of interest income, net of \$184,632 of interest expense, was capitalized to reduce the cost basis of construction in progress.

Security Deposits

Security deposits represent Fenn Tower housing deposits made by residents and is shown as a liability in the accompanying statements of financial position.

Euclid Avenue Housing Corporation

Notes to Financial Statements

June 30, 2009 and 2008

Note 1: Summary of Significant Accounting Policies (continued)

Deferred Revenue

Deferred revenue represents the unearned portion of rental revenue for the summer session and is shown as a liability in the accompanying statements of financial position

Management Fees

As part of the Management Agreement with ACC, the Corporation began paying ACC a monthly management fee in August 2006.

Federal Income Taxes

The Corporation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

In accordance with the Financial Accounting Standards Board (“FASB”) Staff Position (“FSP”) 48-3, the Corporation has elected to defer implementation of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*. Uncertain income tax positions are evaluated at least annually by management. The Corporation’s current policy is to follow Statement of Financial Accounting Standard (“SFAS”) No. 5, *Accounting for Contingencies*, when determining whether to accrue or disclose uncertain income tax positions.

Note 2: Bond Proceeds/Investments

Investments are carried at fair value. At June 30, 2009 and 2008, the Corporation had the following investments:

	<u>2009</u>	<u>2008</u>
Cash equivalents	\$ -	\$ 56,331
Money market funds	2,919,559	3,644,504
Corporate bonds	3,055,000	-
U.S. government securities	<u>1,982,020</u>	<u>-</u>
	<u>\$ 7,956,579</u>	<u>\$ 3,700,835</u>

The bond proceeds are maintained in separate trust accounts as defined by the bond indentures. The remaining bond proceeds/investments will be utilized for the Fenn Tower and Parking Garage projects.

Euclid Avenue Housing Corporation

Notes to Financial Statements

June 30, 2009 and 2008

Note 3: Fair Value Measurements

On July 1, 2008, the Corporation adopted SFAS No. 157, *Fair Value Measurements*, for measuring “financial” assets and liabilities. SFAS 157 defines fair value as the price received to transfer an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a framework for measuring fair value by creating a hierarchy of valuation inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own valuation assumptions. These inputs reflect management’s judgment about the assumptions that a market participant would use in pricing the asset and are based on the best available information, which has been internally developed.

In accordance with FASB FSP 157-2, the Corporation has elected to not apply the provisions of SFAS 157 to non-financial assets and liabilities, except for those items that are recognized or disclosed at fair value in an entity’s financial statements on a recurring basis.

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash in money market funds	\$ 2,919,559	\$ -	\$ -	\$ 2,919,559
Corporate bonds	-	3,055,000	-	3,055,000
U.S. government securities	-	1,982,020	-	1,982,020
	<u>\$ 2,919,559</u>	<u>\$ 5,037,020</u>	<u>\$ -</u>	<u>\$ 7,956,579</u>

Note 4: Note Receivable

On May 22, 2009, the Corporation purchased a mortgage note receivable from the U.S. Department of Housing and Urban Development (“HUD”). The note receivable is related to a HUD funded property which is adjacent to the University. The note receivable originally dated August 1, 1998, in the amount \$5,281,900, is due in 480 monthly payments of \$36,526, including fixed rate interest at 8%, and is secured by the building and real property. The outstanding balance of the note receivable at the time of purchase was \$5,005,102. The Corporation purchased the note receivable for \$1,791,180, which has been estimated by management as the fair market value of the note receivable. At June 30, 2009, the note receivable has been classified a non-current asset on the accompanying statements of financial position, as the Corporation exchanged the note receivable for title to the property on September 1, 2009. Subsequent to the purchase, the Corporation received cash proceeds of \$150,372 from HUD which has been recorded as reduction of the purchase price of the note receivable. The note receivable purchase was financed by a note payable from The Cleveland State University Foundation, Inc. (the “Foundation”) (Note 6).

Euclid Avenue Housing Corporation

Notes to Financial Statements

June 30, 2009 and 2008

Note 5: Bonds Payable

On March 17, 2005, the Corporation issued \$34,385,000 of Cleveland-Cuyahoga County Port Authority Bonds ("Series 2005 Bonds"). The proceeds were used to finance the construction and furnishing of housing units in Fenn Tower. The Series 2005 Bonds are serial bonds maturing between 2008 and 2036. Interest rates are fixed and range from 3.0% to 4.5%.

On July 25, 2008, the Corporation issued \$14,500,000 of Cleveland-Cuyahoga County Port Authority Revenue Bonds ("Series 2008 Bonds"). The proceeds are being used to finance the construction of a parking garage. The Series 2008 Bonds are demand bonds maturing between 2010 and 2039. Interest rates are determined by the remarketing agent based on a weekly index. At June 30, 2009, the variable rate was 0.3%. The bonds are secured by the assignment of rents due from the University.

The Series 2008 Bonds were issued pursuant to a Trust Indenture dated July 1, 2008, between the Cleveland-Cuyahoga County Port Authority and the Trustee. Under the terms of the Reimbursement Agreement dated July 1, 2008, the Corporation entered into a three year Irrevocable Direct Pay Letter of Credit Agreement with the Trustee, with a stated expiration date of June 25, 2011.

Maturities of the Series 2005 and Series 2008 bonds are as follows

Year Ending June 30,	
2010	\$ 965,000
2011	1,035,000
2012	1,065,000
2013	1,095,000
2014	1,125,000
Thereafter	<u>42,630,000</u>
	\$ <u>47,915,000</u>

The Series 2005 Bonds are subject to a fixed charges coverage ratio.

Euclid Avenue Housing Corporation

Notes to Financial Statements

June 30, 2009 and 2008

Note 6: Notes Payable

	2009	2008
<p>Note payable dated June 16, 2009, due to the Foundation, beginning September 1, 2009, due in monthly installments of \$5,000, plus fixed rate interest at 9%, through July 2039. Interest charged from the date of the note through August 31, 2009, will be capitalized into the principal of the note. The note is secured by mortgage deed on a building and real property (Note 4).</p>	\$ 1,791,180	\$ -
<p>Note payable dated December 26, 2008, due to a bank. The note payable was refinanced on July 7, 2009. The refinancing extended the maturity date from March 26, 2009, to June 30, 2021. Payments are due in monthly installments and interest is charged at the one month LIBOR rate plus 2.65% (2.96% at June 30, 2009). The loan is secured by a leasehold mortgage and the assignment of rents, leases, and proceeds. On July 7, 2009, the loan was assigned to the University.</p>	<u>720,000</u> 2,511,180	<u>-</u> -
<p>Less current portion</p>	<u>(50,000)</u>	<u>-</u>
<p>Long-term debt, excluding current maturities</p>	\$ <u>2,461,180</u>	\$ <u>-</u>

Annual maturities of notes payable are as follows:

2010	\$ 50,000	
2011	60,000	
2012	60,000	
2013	60,000	
2014	60,000	
Thereafter	<u>1,501,180</u>	
	\$ <u>1,791,180</u>	

Future maturities of the note payable to the bank have been excluded from the schedule as the note payable was assigned to the University subsequent to June 30, 2009 (Note 7).

Euclid Avenue Housing Corporation

Notes to Financial Statements

June 30, 2009 and 2008

Note 7: Wright Center

On December 26, 2008, the Corporation entered into a series of agreements to acquire the option to purchase a parcel of land. Under the terms of the agreements, the Corporation entered into a long-term ground lease with the land owner. The ground lease required an upfront payment of \$720,000, which will provide the consideration necessary to exercise the option at December 31, 2009. The \$720,000 purchase option is presented as other assets on the accompanying statements of financial position. The acquisition was financed through a note payable to a bank (Note 6). On July 7, 2009, the Corporation assigned the loan payable and purchase option to the University.

Note 8: Leases

On March 1, 2005, the Corporation entered into a 31-year lease with the University for the Fenn Tower Building. Annual rent is equal to the net available cash flows from the Fenn Tower project. No rent was paid or due during the years ended June 30, 2009 and 2008. The University has a subordinate position on the assignment of rents and other assets from Fenn Tower.

On July 1, 2008, the Corporation entered into a 40-year lease with the University for the leasehold interest in the land upon which the parking garage is being constructed. There is no rent payment due until July 1, 2039, at which time the rent payment will be \$1,000 per year through June 30, 2048.

On July 1, 2008, the Corporation entered into a 30-year lease with the University for the parking garage facility. Under the terms of the lease, the University has been granted sole and exclusive charge of the operations of the parking garage facility in exchange for making monthly rental payments in the amount equal to the required debt service payments on the Series 2008 Bonds, plus any other amount due to the Trustee under the Reimbursement Agreement. No rent was paid or due during the year ended June 30, 2009.

Note 9: Subleases

On March 1, 2005, the Corporation subleased conference facilities totaling approximately 13,000 square feet to the University. Monthly payments are \$39,158 through July 2036. Payments began when the Fenn Tower Building was completed in August 2006. Future minimum payments are as follows:

Year Ending June 30,	
2010	\$ 469,900
2011	469,900
2012	469,900
2013	469,900
2014	469,900
Thereafter	<u>10,376,958</u>
	\$ <u>12,726,458</u>

Euclid Avenue Housing Corporation

Notes to Financial Statements

June 30, 2009 and 2008

Note 10: Related Party Transactions

Cash held by the University totaled \$222,727 and \$172,281 at June 30, 2009 and 2008, respectively, and represents amounts collected on behalf of the Corporation that has not been remitted to the Corporation.

At June 30, 2009 and 2008, there was a payable for utilities expenses due to the University of \$37,0762 and \$283,905, respectively.

The University paid the Corporation \$624,201 for rental and maintenance fees related to space occupied by the University during each of the years ended June 30, 2009 and 2008.

During the year ended June 30, 2008, the Corporation transferred \$203,745 of construction related funds to the University for the completion of certain renovations to Fenn Tower.

Note 11: Functional Expenses

The following is a detail of expenses by functional category for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Program services	\$ 4,781,092	\$ 3,683,715
Management and general	<u>137,149</u>	<u>103,417</u>
	<u>\$ 4,918,241</u>	<u>3,787,132</u>

Note 12: Subsequent Event

Subsequent to June 30, 2009, the Corporation and University began construction on the initial phase of an estimated \$65 million project that will eventually include 5 dormitories and a 300-car parking garage. The construction will be funded by the University until the Corporation issues additional bonds. Upon issuance of new bonds, the University will be reimbursed for construction costs incurred on the project.



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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***

Board of Directors
Euclid Avenue Housing Corporation

We have audited the financial statements of Euclid Avenue Housing Corporation (the “Corporation”) as of and for the year ended June 30, 2009, and have issued our report thereon, dated September 21, 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 the Corporation’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 the Corporation’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation’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 Corporation’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 Corporation’s financial statements, that is more than inconsequential, will not be prevented or detected by the Corporation’s internal control.

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 Corporation’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.

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Board of Directors
Euclid Avenue Housing Corporation

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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*.

We noted certain matters that we reported to management of Euclid Avenue Housing Corporation in a separate letter dated September 21, 2009.

This report is intended solely for the information and use of the management, the Board of Directors, and the Ohio Auditor of State's office and is not intended to be and should not be used by anyone other than these specified parties.

Ciuni + Panichi, Inc.

Cleveland, Ohio
September 21, 2009

Euclid Avenue Housing Corporation

Statement of Financial Position - Detailed Operating Segments

June 30, 2009 (with comparative totals for June 30, 2008)

	<u>Assets</u>				
	<u>Fenn Tower</u>	<u>Parking Garage</u>	<u>YMCA/ Other</u>	<u>2009</u>	<u>2008</u>
Current Assets:					
Cash and cash equivalents	\$ 239,621	\$ -	\$ 300,000	\$ 539,621	\$ 1,056,315
Cash held by the University	72,355	-	150,372	222,727	172,281
Total cash	311,976	-	450,372	762,348	1,228,596
Bond proceeds/investments	4,623,083	3,333,496	-	7,956,579	3,700,835
Student accounts receivable, net	42,046	-	-	42,046	35,744
Other receivable	17,214	-	-	17,214	-
Accrued interest receivable	9,392	15,000	-	24,392	12,541
Prepaid expenses	6,105	-	-	6,105	5,920
Total current assets	5,009,816	3,348,496	450,372	8,808,684	4,983,636
Other assets:					
Deferred bond issuance costs, net of accumulated amortization	1,797,595	332,841	-	2,130,436	1,863,968
Notes receivable	-	-	1,640,808	1,640,808	-
Property:					
Land	-	-	-	-	-
Building	27,792,453	-	-	27,792,453	27,792,453
Building improvements	12,398	-	-	12,398	1,300
Furniture, fixtures, and equipment	1,206,740	-	-	1,206,740	1,196,797
Construction in progress	-	11,484,505	-	11,484,505	-
	29,011,591	11,484,505	-	40,496,096	28,990,550
Less: accumulated depreciation	(2,598,719)	-	-	(2,598,719)	(1,730,862)
	26,412,872	11,484,505	-	37,897,377	27,259,688
Other asset	-	-	720,000	720,000	-
Total other assets	28,210,467	11,817,346	2,360,808	42,388,621	29,123,656
Total assets	\$ 33,220,283	\$ 15,165,842	\$ 2,811,180	\$ 51,197,305	\$ 34,107,292

Euclid Avenue Housing Corporation

Statement of Financial Position - Detailed Operating Segments

June 30, 2009 (with comparative totals for June 30, 2008)

Liabilities and Nets Assets (Deficit)

	Fenn Tower	Parking Garage	YMCA/ Other	2009	2008
Current liabilities:					
Current portion of bonds payable	\$ 575,000	\$ 390,000	\$ -	\$ 965,000	\$ 515,000
Current portion of notes payable	-	-	50,000	50,000	-
Accounts payable	481,779	1,815,842	-	2,297,621	376,532
Advance from University	-	-	300,000	300,000	-
Accrued interest	644,786	-	-	644,786	651,761
Accrued payroll	16,347	-	-	16,347	12,011
Deferred revenue	38,681	-	-	38,681	34,501
Security deposits	72,355	-	-	72,355	56,700
Total current liabilities	1,828,948	2,205,842	350,000	4,384,790	1,646,505
Noncurrent liabilities:					
Bonds payable, less current portion	32,840,000	14,110,000	-	46,950,000	33,415,000
Notes Payable, less current portion	-	-	2,461,180	2,461,180	-
Total noncurrent liabilities	32,840,000	14,110,000	2,461,180	49,411,180	33,415,000
Total liabilities	34,668,948	16,315,842	2,811,180	53,795,970	35,061,505
Net assets (deficit):					
Unrestricted	(1,448,665)	(1,150,000)	-	(2,598,665)	(954,213)
Total liabilities and net assets	\$ 33,220,283	\$ 15,165,842	\$ 2,811,180	\$ 51,197,305	\$ 34,107,292

Euclid Avenue Housing Corporation

Statement of Activities - Detailed Operating Segments

For the year ended June 30, 2009 (with comparative totals for the year ended June 30, 2008)

	Fenn Tower	Parking Garage	YMCA/ Other	2009	2008
Revenues:					
Rental income:					
Students	\$ 2,454,777	\$ -	\$ -	\$ 2,454,777	\$ 2,232,310
University	469,896	-	-	469,896	469,896
Maintenance fee - University	154,305	-	-	154,305	154,305
Investment income, net	51,458	-	-	51,458	146,289
Other	143,353	-	-	143,353	147,654
Total revenues	3,273,789	-	-	3,273,789	3,150,454
Expenses:					
Interest	1,548,882	-	-	1,548,882	1,565,363
Depreciation and amortization	934,230	-	-	934,230	933,800
Utilities	388,527	-	-	388,527	326,147
Payroll	487,102	-	-	487,102	391,260
Management fees	113,703	-	-	113,703	103,686
Maintenance	143,313	-	-	143,313	133,191
General and administrative	101,359	-	-	101,359	82,114
Other operating	14,759	-	-	14,759	26,523
Marketing	16,588	-	-	16,588	13,303
Accounting	11,255	-	-	11,255	7,500
Reserve allowance	7,947	-	-	7,947	500
Insurance	576	-	-	576	-
Transfer to University	-	-	-	-	203,745
Temporary parking	-	1,150,000	-	1,150,000	-
Total expenses	3,768,241	1,150,000	-	4,918,241	3,787,132
Change in net assets	(494,452)	(1,150,000)	-	(1,644,452)	(636,678)
Net assets - beginning of year	(954,213)	-	-	(954,213)	(317,535)
Net assets - end of year	\$ (1,448,665)	\$ (1,150,000)	\$ -	\$ (2,598,665)	\$ (954,213)



Mary Taylor, CPA
Auditor of State

EUCLID AVENUE HOUSING CORPORATION
CUYAHOGA 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
FEBRUARY 18, 2010