Euclid Avenue Development Corporation

Financial Statements
June 30, 2014 and 2013

Board of Directors
Euclid Avenue Development Corporation
2121 Euclid Avenue, AC 252
Cleveland, Ohio 44115

We have reviewed the *Independent Auditor's Report* of the Euclid Avenue Development Corporation, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2013 through June 30, 2014. 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 Development Corporation is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

October 29, 2014

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Euclid Avenue Development Corporation

Financial Statements

June 30, 2014 and 2013

Table of Contents

Ciuni & Panichi
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Independent Auditor's Report

Board of Directors
Euclid Avenue Development Corporation
Cleveland, Ohio

We have audited the accompanying financial statements of Euclid Avenue Development Corporation (the "Corporation"), a component unit of Cleveland State University, which comprise the statements of financial position as June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 from material misstatement.

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

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

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Board of Directors
Euclid Avenue Development Corporation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Euclid Avenue Development Corporation as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2014 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Ciuni + Panichi, Inc.

Cleveland, Ohio
September 18, 2014

Euclid Avenue Development Corporation

Statements of Financial Position

June 30, 2014 and 2013

Assets

		2014		2013
Current assets:				
Cash and cash equivalents	$	1,186,922	$	1,630,468
Cash held by the University		81,069		844,361
Total cash and cash equivalents		1,267,991		2,474,829
Student accounts receivable, net		31,027		55,402
Other receivables		40,953		226,844
Current portion of leases receivable		520,000		505,000
Investments		830,006		-
Prepaid expenses		96,819		22,973
Total current assets		2,786,796		3,285,048
Property and equipment:				
Land		1,146,460		1,146,460
Building		70,448,479		70,448,479
Building improvements		334,891		229,111
Furniture, fixtures, and equipment		3,157,020		3,062,411
Construction in progress		7,515		-
		75,094,365		74,886,461
Less: accumulated depreciation		(11,373,706)		(9,293,614)
Property and equipment, net		63,720,659		65,592,847
Other assets:				
Restricted investments		22,046,456		18,147,546
Leases receivable, net of current portion		20,340,000		20,860,000
Interest rate cap		2,290		39,436
Deferred bond issuance costs, net of accumulated amortization of $838,322 and $725,057 at June 30, 2014 and 2013, respectively		2,733,261		2,846,526
Total other assets		45,122,007		41,893,508
Total assets	$	111,629,462	$	110,771,403

The accompanying notes are an integral part of these financial statements

Euclid Avenue Development Corporation

Statements of Financial Position (continued)

June 30, 2014 and 2013

Liabilities and Net Assets

	2014	2013
Current liabilities:		
Current portion of bonds payable	$ 1,655,000	$ 1,505,000
Current portion of note payable	60,000	60,000
Accounts payable	537,403	487,989
Accrued interest	725,652	815,362
Accrued other	37,669	40,080
Deferred revenue	161,901	142,204
Security deposits	159,438	186,003
Total current liabilities	3,337,063	3,236,638
Noncurrent liabilities, net of current portion:		
Deferred revenue	1,238,773	1,276,309
Bonds payable	101,000,000	102,655,000
Note payable	1,441,180	1,501,180
Total noncurrent liabilities, net of current portion	103,679,953	105,432,489
Total liabilities	107,017,016	108,669,127
Net assets:		
Unrestricted	4,612,446	2,102,276
Total liabilities and net assets	$ 111,629,462	$ 110,771,403

The accompanying notes are an integral part of these financial statements

Euclid Avenue Development Corporation

Statements of Activities

For the years ended June 30, 2014 and 2013

	2014	2013
Revenues and gains:		
Rental income:		
Students	$ 8,493,599	$ 8,602,628
University	944,468	906,890
Other	100,000	137,537
Maintenance fees – University	252,964	283,001
Investment income, net	139,605	102,179
Other	484,667	466,355
Change in value of interest rate cap	(37,146)	39,436
Total revenues and gains	10,378,157	10,538,026
Expenses and losses:		
Interest	2,152,209	2,567,217
Depreciation and amortization	2,193,356	2,337,775
Utilities	991,093	961,833
Contracted personnel	1,429,553	1,422,135
Management fees	328,239	322,529
Maintenance	453,042	594,363
General and administrative	150,323	205,430
Other operating	92,596	276,226
Marketing	35,819	48,294
Accounting	18,221	25,799
Reserve allowance	14,747	49,575
Insurance	8,789	8,135
Total expenses and losses	7,867,987	8,819,311
Change in net assets	2,510,170	1,718,715
Net assets – beginning of year	2,102,276	383,561
Net assets – end of year	$ 4,612,446	$ 2,102,276

The accompanying notes are an integral part of these financial statements

Euclid Avenue Development Corporation

Statements of Cash Flows

For the years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 2,510,170	$ 1,718,715
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,193,356	2,337,775
Net unrealized gains on investments	(30,903)	-
Change in value of interest rate cap	37,146	(39,436)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Student accounts receivable	24,375	(511)
Other receivables	185,891	(5,436)
Leases receivable	505,000	205,000
Prepaid expenses	(73,846)	(1,046)
Increase (decrease) in liabilities:		
Accounts payable	70,393	(28,960)
Accrued interest	(89,710)	(239,663)
Accrued other	(2,411)	11,567
Deferred revenue	(17,839)	(51,041)
Security deposits	(26,565)	3,338
Net cash provided by operating activities	5,285,057	3,910,302
Cash flows from investing activities:		
Purchases of property and equipment	(228,882)	(130,654)
Purchases and sales of restricted investments, net	(3,898,910)	(2,559,818)
Purchases of investments	(802,087)	-
Proceeds from sale of investments	2,984	-
Net cash used by investing activities	(4,926,895)	(2,690,472)
Cash flow from financing activities:		
Repayment of bonds payable	(1,505,000)	(790,000)
Repayment of note payable	(60,000)	(60,000)
Net cash used by financing activities	(1,565,000)	(850,000)
Change in cash and cash equivalents	(1,206,838)	369,830
Cash and cash equivalents – beginning of year	2,474,829	2,104,999
Cash and cash equivalents – end of year	$ 1,267,991	$ 2,474,829

The accompanying notes are an integral part of these financial statements

Euclid Avenue Development Corporation

Statements of Cash Flows (continued)

For the years ended June 30, 2014 and 2013

Supplemental disclosures of cash flow information:

Cash paid during the year for interest	$	2,241,919	$	2,806,880
Non-cash financing and investing activities:				
Change in accounts payable related to property and equipment purchases	$	20,979	$	(32,785)

The accompanying notes are an integral part of these financial statements

Euclid Avenue Development Corporation

Notes to Financial Statements

June 30, 2014 and 2013

Note 1: Summary of Significant Accounting Policies

Organization

Euclid Avenue Development 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 approximately 430 residents.

On June 1, 2008, the Corporation leased land, owned by the University and located on its campus. On August 22, 2008, the Corporation entered into a design-build agreement 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. 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.

On March 9, 2009, the Corporation leased land, owned by the University and located on its campus. On August 24, 2009, the Corporation entered into a development agreement with ACC to design, construct, and furnish housing units referred to as Euclid Commons. In addition, the Corporation entered into a management agreement with ACC to manage Euclid Commons once construction is completed. On December 19, 2009, the Corporation issued tax-exempt bonds with Cuyahoga County to finance the costs of the project. Euclid Commons was completed in September 2011 and can house approximately 600 residents. Part of the project included constructing a 292-car attached parking garage. The Corporation entered into a lease agreement with the University to operate the garage.

On September 1, 2009, the Corporation purchased a building adjacent to the University's campus and an accompanying parking facility. The building and parking facility is referred to as "Heritage Suites." On September 2, 2009, the Corporation entered into a management agreement with ACC to manage Heritage Suites. Heritage Suites can house up to 148 residents.

Basis of Presentation

The Corporation follows authoritative guidance issued by the Financial Accounting Standards Board ("FASB") which established the FASB Accounting Standards Codification ("ASC") as the single source of authoritative accounting principles generally accepted in the United States of America.

Note 1: Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

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.

Cash and Cash Equivalents

For purposes of the statements 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.

Included in cash and cash equivalents at June 30, 2014 and 2013 was $-0- and $163,407, respectively, of funds held in escrow by a bank.

At various times during the years ended June 30, 2014 and 2013, the Corporation's operational cash bank balances exceeded the federally insured limits.

Student Accounts Receivable

Student accounts receivable are uncollateralized obligations due from the University's students for housing related charges. 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, 2014 and 2013, the Corporation has recorded $45,000 and $40,000, respectively, 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 collections experience.

Bond Issuance Costs

Bond issuance costs are capitalized and amortized over the life of the bonds utilizing the straight-line method. Amortization expense totaled $113,265 and $112,408 for the years ended June 30, 2014 and 2013, respectively.

Euclid Avenue Development Corporation

Notes to Financial Statements

June 30, 2014 and 2013

Note 1: Summary of Significant Accounting Policies (continued)

Bond Issuance Costs (continued)

Future annual amortization expenses associated with the bond issuance costs are as follows for the fiscal years ending June 30:

2015	$	113,265
2016		113,265
2017		113,265
2018		113,265
2019		113,265
Thereafter		2,166,936
	$	2,733,261

Property and Equipment

Property and equipment is valued at cost when purchased or, if received through a donation, the 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 expensed as incurred. Additions and major improvements are capitalized. Depreciation expense totaled $2,080,091 and $2,225,367 for the years ended June 30, 2014 and 2013, 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 years ended June 30, 2014 and 2013, there was no interest income or expense capitalized.

Security Deposits

Security deposits represent Euclid Commons, Fenn Tower, and Heritage Suites housing deposits made by residents and are shown as a liability in the accompanying statements of financial position.

Deferred Revenue

Deferred revenue represents the unearned portion of rental revenue related to a sublease of property (Note 8) and housing for the summer session.

Management Fees

The Corporation has management agreements with ACC for Fenn Tower, Euclid Commons, and Heritage Suites. The agreements expire at various dates through July 31, 2020 and may be extended upon approval by both parties.

Note 1: Summary of Significant Accounting Policies (continued)

Interest Expense

Interest expense includes interest incurred on the Corporation's note and bonds payable and the associated remarketing fees and letter of credit fees.

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.

Uncertain income tax positions are evaluated at least annually by management. The Corporation classifies interest and penalties related to income tax matters as general and administrative expense in the accompanying financial statements. As of June 30, 2014 and 2013, the Corporation has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the years then ended.

The Corporation files its Federal Form 990 in the U.S. federal jurisdiction and a state registration in the office of the state's attorney general for the State of Ohio. The Corporation is generally no longer subject to examination by the Internal Revenue Service for fiscal years before 2011.

Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through September 18, 2014, the date the financial statements were made widely available.

Note 2: Restricted Investments

Investments are carried at fair value. At June 30, 2014 and 2013, the Corporation had the following investments classified as restricted investments:

	2014	2013
Money market funds	$ 18,484,288	$ 14,585,378
Certificates of deposit	3,562,168	3,562,168
	$ 22,046,456	$ 18,147,546

The restricted investments are maintained in separate trust accounts as defined by the bond indentures. The remaining restricted investments will be utilized for the Fenn Tower, parking garages, and Euclid Commons projects. Due to the volume and quick turnover of the investments underlying the restricted investments, the purchases and sales of such investments are displayed net in the statements of cash flows.

Note 3: Investments

Investments are reported at fair value with any realized and unrealized gains and losses reported in the statements of activities. Investment income is recognized in the period it is earned, and gains and losses are recognized as changes in net assets in the accounting period in which they occur. At June 30, 2014 and 2013, investments are reported at fair value and consisted of the following:

	2014	2013
Money market funds	$ 39,715	$ -
Exchange traded funds	184,770	-
Mutual funds	605,521	-
Total	$ 830,006	$ -

Note 4: 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 5.0%. The Series 2005 Bonds are subject to a fixed charges coverage ratio.

On July 25, 2008, the Corporation issued $14,500,000 of Cleveland-Cuyahoga County Port Authority Revenue Bonds ("Series 2008 Bonds"). The proceeds were used to finance the construction of a parking garage. The Series 2008 Bonds are demand bonds maturing at various dates through 2039. Interest rates are determined by the remarketing agent based on a weekly index. At June 30, 2014 and 2013, the variable rate was 0.07% and 0.07%, respectively. 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 in the amount of $14,786,028 with the Trustee. The Letter of Credit Agreement with the Trustee has been subsequently extended to January 25, 2015. At June 30, 2014 and 2013, the letter of credit fee was computed at the rate of .6% per annum, respectively, of the average daily letter of credit amount, payable quarterly.

Note 4: Bonds Payable (continued)

On December 18, 2009, the Corporation issued a total of $59,005,000 of Cuyahoga County Revenue Bonds ("Series 2009 Bonds"), consisting of $51,935,000 of Cuyahoga County Housing Revenue Bonds, Series 2009A and $7,070,000 of Cuyahoga County Economic Development Revenue Bonds, Series 2009B. The proceeds were used to finance the construction of Euclid Commons, which includes an attached parking garage. The Series 2009 Bonds are demand bonds maturing at various dates through 2039. Interest rates are determined by the remarketing agent based on a weekly index. At June 30, 2014 and 2013, the variable rate was 0.06% and 0.07%, respectively. The bonds are secured by the assignment of rents due from the University.

In order to hedge against the risk of rising interest rates on the Series 2009 Bonds, the Corporation had an interest rate cap contract, as of June 30, 2012, which effectively capped interest at a maximum rate of 6%. This contract expired during the year ended June 30, 2013, at which time, the Corporation renewed the contract. The renewed contract effectively caps interest at a maximum rate of 1.25% on a notional amount of approximately $29,000,000. At June 30, 2014 and 2013, the fair market value of the interest rate cap contract represented an asset of $2,290 and $39,436, respectively.

The Series 2009 Bonds were issued pursuant to a Trust Indenture dated December 1, 2009, between Cuyahoga County and the Trustee. Under the terms of the Reimbursement Agreement dated December 1, 2009, the Corporation entered into a three-year Irrevocable Direct Pay Letter of Credit Agreement in the amount of $59,554,636 with the Trustee, with a stated expiration date of December 17, 2012. The Letter of Credit Agreement was renewed, effective December 17, 2012, with an amended expiration date of December 17, 2015. At June 30, 2014 and 2013, the letter of credit fee was computed at the rate of .85% per annum, of the average daily letter of credit amount, payable quarterly.

Maturities of the Series 2005, Series 2008, and Series 2009 bonds for the years ending June 30 are as follows:

2015	$ 1,655,000
2016	1,815,000
2017	1,975,000
2018	2,170,000
2019	2,380,000
Thereafter	92,660,000
	$ 102,655,000

Note 5: Note Payable

	2014	2013
Note payable dated June 16, 2009, due to The Cleveland State University Foundation (the "Foundation") beginning September 1, 2009, due in monthly installments of $5,000, plus fixed rate interest at 9%, through July 2039. The note is secured by a mortgage deed on the Heritage Suites' building and real property.	$ 1,501,180	$ 1,561,180
Less: current portion	(60,000)	(60,000)
Note payable, less current portion	$ 1,441,180	$ 1,501,180

Annual maturities of the note payable for the years ending June 30 are as follows:

2015	$ 60,000
2016	60,000
2017	60,000
2018	60,000
2019	60,000
Thereafter	1,201,180
	$ 1,501,180

Note 6: Fair Value Measurements

In accordance with the "Fair Value Measurements" topic of the FASB ASC, the Corporation uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. 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.

Note 6: Fair Value Measurements (continued)

Financial assets measured at fair value consisted of the following at June 30, 2014:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 18,524,003	$ -	$ -	$ 18,524,003
Certificates of deposit	-	3,562,168	-	3,562,168
Interest rate cap	-	2,290	-	2,290
Exchange traded funds	184,770	-	-	184,770
Mutual funds:				
Domestic – equities	240,974	-	-	240,974
Domestic – fixed-income	200,225	-	-	200,225
International – equities	135,264	-	-	135,264
International – fixed-income	29,058	-	-	29,058
	$ 19,314,294	$ 3,564,458	$ -	$ 22,878,752

Financial assets measured at fair value consisted of the following at June 30, 2013:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 14,585,378	$ -	$ -	$ 14,585,378
Certificates of deposit	-	3,562,168	-	3,562,168
Interest rate cap	-	39,436	-	39,436
	$ 14,585,378	$ 3,601,604	$ -	$ 18,186,982

The interest rate cap agreements are valued based upon mark-to-market values provided by the counterparty to the agreements. The counterparty calculates this value using interest rates stated in the agreements, future anticipated rates, stated notional amounts, and amount of time remaining until maturity.

The Corporation's certificates of deposits are categorized as level two, as they are not actively traded and quoted on a daily basis.

The Corporation's mutual funds and exchange traded funds are valued at daily closing price reported by the fund.

The "Disclosures about Fair Value of Financial Instruments" topic of the FASB ASC requires disclosures of fair value information about financial instruments, whether or not recognized in the statements of financial position for which it is practicable to estimate that value. The assumptions used in the estimation of the fair value of the Corporation's financial instruments are detailed below. Where quoted prices are not available, fair values are based upon estimates using discounted cash flows and other valuation techniques. The use of discounted cash flows can be significantly affected by the assumptions used, including the discount rate and estimates of future cash flows.

Note 6: Fair Value Measurements (continued)

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and other current liabilities have carrying values that approximate fair value due to the short maturity or the financial nature of these instruments.

The carrying amounts of the Series 2008 Bonds, Series 2009 Bonds, and leases receivable are a reasonable estimate of their fair value based upon their variable interest rates and maturity dates.

The carrying amount of the note payable approximates fair value as the fixed interest rate is similar to that which that would be paid currently.

The carrying amount of the Series 2005 Bonds was $30,150,000 and $30,860,000 at June 30, 2014 and 2013, respectively. The estimated fair value, based on the trade date nearest to June 30, 2014 and 2013, was $30,753,467 and $28,713,036. The difference in the carrying value and the estimated fair value is primarily due to the credit rating of the Series 2005 Bonds being affected by the bond insurance agent’s credit rating.

These fair value disclosures should not be considered a surrogate of the liquidation value of the Corporation, but rather, represent a good faith estimate of the increase or decrease in the value of financial instruments held by the Corporation since purchase, origination, or issuance.

Note 7: 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, 2014 and 2013. The University has a subordinate position on the assignment of rents and other assets from Fenn Tower.

On March 9, 2009, the Corporation entered into a 50-year lease with the University for the leasehold interest in the land upon which the Euclid Commons building was constructed. Annual rent is equal to the net available cash flows from the Euclid Commons project. No rent was paid or due during the years ended June 30, 2014 and 2013. The University has a subordinate position on the assignment of rents and other assets from Euclid Commons.

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 was 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.

Note 7: Leases (continued)

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 during the lease term 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. Upon termination of the lease, the Corporation will transfer title of the parking facility to the University. As such, the Corporation has recorded a lease receivable in the amount of $14,110,000 and $14,500,000 as of June 30, 2014 and 2013, respectively, which represents the original outstanding principal on the 2008 Series Bonds less payments made through June 30 2014 and 2013. Interest income is recognized based on the interest expense incurred on the Series 2008 Series Bonds.

On July 1, 2011, the Corporation entered into a 30-year lease with the University for the parking garage facility attached to the Euclid Commons residence halls. Under the terms of the lease, the University has been granted sole and exclusive charge of the operations of the parking garage facility during the lease term in exchange for making monthly rental payments in the amount equal to the required debt service payments on the Series 2009B Bonds, plus any other amounts due to the Trustee under the Reimbursement Agreement.

Upon termination of the lease, the Corporation will transfer title of the parking facility to the University. As such, the Corporation recorded a lease receivable in the amount of $6,750,000 and $6,865,000 as of June 30, 2014 and 2013, respectively, which represents the original outstanding principal on the 2009B Series Bonds less payments made through June 30, 2014 and 2013. Interest income is recognized based on the interest expense incurred on the Series 2009B Series Bonds.

Note 8: Subleases

The Corporation subleases conference facilities within Fenn Tower and Euclid Commons to the University totaling approximately 30,000 square feet. Monthly payments related to Fenn Tower are $39,155 through July 2036, and to Euclid Commons are $23,715 through August 2042. The Corporation also subleases facility space at Heritage Suites to a third-party. Monthly payments are $8,333 through September 2015.

The Corporation has entered into a 39-year lease with the Greater Cleveland Regional Transit Authority for a leasehold interest in land. Under the terms of the lease, the Corporation received a one-time rental payment of $1,464,000. The Corporation is recognizing rental income over the 39-year life of the lease or $37,538 per year.

Note 8: Subleases (continued)

Future minimum payments to be received for non-cancelable subleases are as follows for the years ending June 30:

2015	$ 854,445
2016	771,111
2017	754,445
2018	754,445
2019	754,445
Thereafter	14,595,916
	$ 18,484,807

Note 9: Related Party Transactions

Cash held by the University totaled $81,069 and $844,361 at June 30, 2014 and 2013, respectively, and represents amounts collected on behalf of the Corporation that has not been remitted to the Corporation.

At June 30, 2014 and 2013, included in other receivables for cost reimbursements due from the University was $-0- and $173,446, respectively.

At June 30, 2014 and 2013, included in accounts payable for utilities expenses due to the University was $261,345 and $134,062, respectively.

The University paid the Corporation $1,197,432 and $1,189,891 for rental and maintenance fees related to space occupied by the University during the years ended June 30, 2014 and 2013, respectively.

The Corporation incurred interest expense of $137,806 and $143,203 to the Foundation during the years ended June 30, 2014 and 2013, respectively.

Note 10: Functional Expenses

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

	2014	2013
Program services	$ 7,648,877	$ 8,490,213
Management and general	219,110	329,098
	$ 7,867,987	$ 8,819,311

Euclid Avenue Development Corporation

Notes to Financial Statements

June 30, 2014 and 2013

Note 11: Subsequent Events

The Corporation has retained a financial advisor and investment banking firm and plans to issue Fixed Rate Series 2014 Revenue Bonds in the approximate amount of $105,000,000. The proceeds of the bonds will be used to refund all of the outstanding Series 2005, Series 2008 and Series 2009 Bonds and to pay costs relating to the issuance of the Series 2014 Bonds. As of September 18, 2014, the Series 2014 Bonds have not been issued.

Subsequent to June 30, 2014, the Corporation entered into a Purchase and Sale Agreement for the sale of Heritage Suites. The agreement calls for a 45-day due diligence period followed by a 30-day close period. Once the transaction is finalized and closed, the Note Payable due to Cleveland State University Foundation will be repaid. At September 18, 2014, the Corporation is still in the due diligence period.

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Independent Auditor's 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 Development Corporation

We have audited, 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, the financial statements of Euclid Avenue Development Corporation (the "Corporation"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Board of Directors
Euclid Avenue Development Corporation

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from 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*.

Purpose of this Report

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

Ciuni + Panichi, Inc.

Cleveland, Ohio
September 18, 2014

EUCLID AVENUE DEVELOPMENT 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
NOVEMBER 13, 2014

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