CENTRAL STATE UNIVERSITY FOUNDATION AND SUBSIDIARIES

Wilberforce, Ohio

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Central State University Foundation and Subsidiaries, Greene County, prepared by Crowe LLP, for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Central State University Foundation and Subsidiaries is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

November 13, 2018

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AND SUBSIDIARIES
Wilberforce, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

CONTENTS

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Management and the Board of Directors
Central State University Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Central State University Foundation and Subsidiary (collectively the 'Foundation'), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and changes in net assets (deficit) 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 consolidated 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated October 31, 2018 on our consideration of the Foundation'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 Foundation's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Columbus, Ohio
October 31, 2018

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 1,614,032	$ 3,193,968
Contributions receivable, net	5,042	5,008
Other receivables	14,130	1,708
Prepaid expenses	6,700	6,233
Total current assets	1,639,904	3,206,917
Investments	3,856,440	3,694,186
Restricted cash and cash equivalents	3,799,825	3,274,192
Capital assets, net	10,722,514	11,146,630
Total assets	$ 20,018,683	$ 21,321,925
Liabilities		
Accounts payable	$ 1,119	$ 25,323
Payable to Central State University	1,127,168	1,476,798
Accrued interest payable	366,533	380,138
Current portion of long-term debt	600,000	595,000
Total current liabilities	2,094,820	2,477,259
Long-term debt, net of unamortized financing costs of $854,809 and $954,083 for 2018 and 2017, respectively	12,454,792	13,330,540
Total liabilities	14,549,612	15,807,799
Net Assets		
Unrestricted	(93,784)	192,547
Temporarily unrestricted	3,065,813	2,724,730
Permanently restricted	2,497,042	2,596,849
Total net assets	5,469,071	5,514,126
Total liabilities and net assets	$ 20,018,683	$ 21,321,925

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
Year ended June 30, 2018 with comparative totals for 2017

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue					
Rental revenue	$ 3,094,086	$ -	$ -	$ 3,094,086	$ 3,022,440
Contributions	363,513	215,344	4,257	583,113	521,806
Other	319,204	209,881	-	529,085	203,886
Investment income	66,081	305,850	-	371,931	447,419
Net assets released from restrictions	380,062	(380,062)	-	-	-
Total revenue	4,222,946	351,013	4,257	4,578,216	4,195,551
Expenses					
Programs:					
Scholarship programs	394,301	-	-	394,301	186,603
Athletic programs	161,578	-	-	161,578	150,643
Academic programs	97,724	-	-	97,724	127,100
Institution programs	157,671	-	-	157,671	285,806
Student support programs	319,549	-	-	319,549	54,452
Housing programs	2,873,855	-	-	2,873,855	2,716,951
Operating expenses	466,187	-	-	466,187	402,345
Fundraising expenses	38,413	-	-	38,413	8,834
Total expenses	4,509,277	-	-	4,509,277	3,932,734
Operating (Loss)/Gain	(286,331)	351,013	4,257	68,939	76,248
Non-operating expenses					
Transfer out of endowment	-	9,930	104,064	113,994	-
(Decrease)/Increase in net assets	(286,331)	341,083	(99,807)	(45,056)	262,817
Net Assets - beginning of year	192,547	2,724,730	2,596,849	5,514,126	5,251,309
Net Assets - end of year	$ (93,784)	$ 3,065,813	$ 2,497,042	$ 5,469,071	$ 5,514,126

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
Year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Rental revenue	$ 3,022,440	$ -	$ -	$ 3,022,440
Contributions	337,477	160,845	23,484	521,806
Other	82,053	121,833	-	203,886
Investment income	34,859	412,560	-	447,419
Net assets released from restrictions	417,721	(417,721)	-	-
Total revenue	3,894,550	277,517	23,484	4,195,551
Expenses				
Programs:				
Scholarship programs	186,603	-	-	186,603
Athletic programs	150,643	-	-	150,643
Academic programs	127,100	-	-	127,100
Institution programs	285,806	-	-	285,806
Student support programs	54,452	-	-	54,452
Housing programs	2,716,951	-	-	2,716,951
Operating expenses	402,345	-	-	402,345
Fundraising expenses	8,834	-	-	8,834
Total expenses	3,932,734	-	-	3,932,734
(Decrease)/Increase in net assets	(38,184)	277,517	23,484	262,817
Net Assets - beginning of year	230,731	2,447,213	2,573,365	5,251,309
Net Assets - end of year	$ 192,547	$ 2,724,730	$ 2,596,849	$ 5,514,126

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Operating gain (loss)	$ (45,056)	$ 262,817
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	424,116	424,114
Amortization of issuance costs	99,274	91,374
Amortization of bond discount	16,305	19,000
Contributions restricted for long-term investment	(4,257)	(23,484)
Unrealized gain on investments	(190,651)	(300,733)
Changes in operating assets and liabilities:		
Contributions receivable	(12,923)	(1,214)
Accounts payable	(373,834)	270,935
Accrued interest payable	(13,605)	(13,006)
Net cash from operating activities	(100,630)	747,803
Cash flows from investing activities		
Purchases of investments	(1,287,362)	(3,927,404)
Sale of investments	1,315,759	4,946,464
Net cash from investing activities	28,397	1,019,060
Cash flows from financing activities		
Principal payment on bonds payable	(986,327)	(570,000)
Contributions restricted for long-term investment	4,257	23,484
Net cash from financing activities	(982,070)	(546,516)
Net change in cash and cash equivalents	(1,054,303)	1,220,347
Cash and cash equivalents - beginning of year	6,468,160	5,247,813
Cash and cash equivalents - end of year	$ 5,413,857	$ 6,468,160
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	$ 766,600	$ 773,301

See accompanying notes to consolidated financial statements.

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"). The Foundation is a component unit of the University. Marauder, an Ohio limited liability corporation, was formed to develop property for the use of Central State University. The property developed (residence halls) are rented to Central State University students. 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.

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 Accounting Standards Codification (ASC) 958, 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.

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.

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

Investments: Investments are generally carried at fair value, which is determined using valuations techniques as described in Note 2. 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.

Concentration of Credit Risk Arising from Deposit Accounts: The Foundation maintains cash balances at a bank. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to $250,000. The Foundation evaluates the financial institutions with which it deposits funds; however, not all cash deposits are fully insured.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties: The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Capital Assets: Capital assets include land, buildings, and furniture, most of which is related to two student dormitory buildings. Capital 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
Building Improvements	15 years
Furniture	7 years

Impairment or Disposal of Long-lived Assets: The Foundation reviews the recoverability of long-lived assets, including buildings and equipment, and other assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

Financing Costs: The unamortized financing costs include consulting, attorneys' fees, and other fees incurred in connection with the bond obligations of Marauder. These costs are netted against the long-term debt balance and are amortized using the interest method over the lives of the bonds and are included as amortization expense. The balance at August 31, 2018 and 2017 was $854,809 and $954,803, respectively. Accumulated amortization at August 31, 2018 and 2017 was $1,460,360 and $1,361,086, respectively.

Surplus Expense: Marauder's 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. Based on the information provided by the trustee, the amount calculated for the years ended August 31, 2018 and 2017 was $185,269 and $160,915, respectively and is included within operating expenses on the Consolidated Statements of Activities and Changes in Net Assets.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The Friends of WCSU: This fund is used to account for contributions presently available for use at the discretion of the management of WCSU, the campus's radio station.

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

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

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

- College of Science and Engineering Funds: This fund receives contributions for the purpose of supporting programs and scholarships within the College of Science and Engineering.

- Memorial Scholarships: This fund receives contributions for the purpose of designated scholarships for student who demonstrate high achievement and community service.

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.

Expiration of Donor-Imposed Restrictions: The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when either the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors or by the change of restrictions specified by the donors. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Foundation's policy to apply restricted resources first, then unrestricted resources as needed.

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 donor-restricted gifts are reported as temporarily or permanently restricted support and net assets in accordance with donor stipulations.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition: Unconditional promises to give are recognized as revenues on a discounted basis in the period made. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional. Other revenue consists of miscellaneous fees, dues, game guarantees and special events organized by the Foundation.

Recognition of Rental Revenue: Rental revenue is derived from leasing housing facilities (which were constructed and financed by Marauder as noted previously) to students at Central State University. Rental revenue is recognized when rent becomes due over the terms of the lease.

Income Taxes: The Foundation operates as a nonprofit corporation and has been determined to be exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and to recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation is no longer subject to examination by taxing authorities for years before 2011. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Subsequent Events: The financial statements and related disclosures include evaluation of events up through and including October 31, 2018, 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, 2018 and 2017.

	2018	2017
Debt interest account	$ 375,318	$ 380,326
Debt principal account	632,015	570,254
Redemption fund	600,686	3,703
Repair and replacement fund	847,948	965,744
Debt reserve fund	1,343,858	1,354,165
Total restricted cash	$ 3,799,825	$ 3,274,192

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.

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The Foundation reports investments at estimated fair value, in accordance with the fair value hierarchy prescribed by ASC 820, Fair Value Measurements and Disclosures, which requires certain assets and liabilities to be reported at fair value in the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value. The following three-tier fair value hierarchy prioritizes the inputs used in measuring fair value:

Level 1 - Observable inputs such as quoted prices in active markets

Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly

Level 3 - Unobservable inputs for which there is little or no market data that requires the Foundation to develop assumptions

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Investments of the Foundation include cash equivalents, equity mutual funds, and bond mutual funds. The Foundation records these investments at their current fair values based on quoted market prices in active markets for identical assets, which is consistent with Level 1 in the hierarchy.

If quoted market prices are not available, then fair values are estimated by using quoted market prices of securities with similar characteristics and are classified within Level 2 of the hierarchy.

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2018			
Assets	Quoted prices in Active markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance
Cash/money market accounts:				
Money market accounts	$ 145,933	$ -	$ -	$ 145,933
Subtotal	145,933	-	-	145,933
Private equity investments:				
Equity mutual funds	2,002,411	-	-	2,002,411
Subtotal	2,002,411	-	-	2,002,411
Fixed-income investments:				
Bond mutual funds	1,708,096	-	-	1,708,096
Subtotal	1,708,096	-	-	1,708,096
Total investments	$ 3,856,440	$ -	$ -	$ 3,856,440

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Assets	Assets Measured at Fair Value on a Recurring Basis at June 30, 2017 — Quoted prices in Active markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance
Cash/money market accounts:				
Money market accounts	$ 254,389	$ -	$ -	$ 254,389
Subtotal	254,389	-	-	254,389
Private equity investments:				
Equity mutual funds	1,846,212	-	-	1,846,212
Subtotal	1,846,212	-	-	1,846,212
Fixed-income investments:				
Bond mutual funds	1,593,585	-	-	1,593,585
Subtotal	1,593,585	-	-	1,593,585
Total investments	$ 3,694,186	$ -	$ -	$ 3,694,186

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the beginning of the reporting period. For the year ended June 30, 2018 and 2017, there were no transfers between levels of the fair value hierarchy.

Investment return for the years ended June 30, 2018 and 2017 was comprised of the following:

	2018	2017
Investment income	$ 181,280	$ 146,686
Net realized and unrealized (losses)/gains on investments reported at fair value	190,651	300,733
Total investment return	$ 371,931	$ 447,419

Other Financial Instruments: The Foundation’s other financial instruments include cash and cash equivalents, accounts and contributions receivable, accounts payable, and indebtedness.

For cash and cash equivalents, accounts and contributions receivable, and accounts payable, the carrying amounts approximate fair value due to the short maturity of these items. The carrying amount of indebtedness approximates fair value due to the debt bearing interest at a variable rate.

NOTE 3 - DONOR ENDOWMENTS

The Foundation’s endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(Continued)

NOTE 3 - DONOR ENDOWMENTS (Continued)

Interpretation of Relevant Law: The board of trustees of the Foundation has interpreted the Ohio 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:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The composition of net assets by type of endowment fund at June 30, 2018 and 2017 was:

2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Donor-restricted endowment funds	$ (48,424)	$ 1,548,820	$ 2,497,042	$ 3,997,438

2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Donor-restricted endowment funds	$ (48,800)	$ 1,275,570	$ 2,596,849	$ 3,823,619

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Balance Total
Endowment assets – Beginning of year	$ (48,800)	$ 1,275,570	$ 2,596,849	$ 3,823,619
Net realized and unrealized gains	-	197,960	-	197,960
Investment income	-	117,553	-	117,553
Total investment gain	-	315,513	-	315,513
Contributions	-	-	4,257	4,257
Administrative fee	-	(26,975)	-	(26,975)
Appropriation for expenditure	-	(4,983)	-	(4,983)
Recovery of underwater funds	376	(376)	-	-
Transfer out of endowment	-	(9,930)	(104,064)	(113,994)
Endowment net assets - End of the year	$ (48,424)	$ 1,548,820	$ 2,497,042	$ 3,997,438

(Continued)

NOTE 3 - DONOR ENDOWMENTS (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Balance Total
Endowment assets – Beginning of year	$ (49,118)	$ 921,288	$ 2,573,365	$ 3,445,535
Net realized and unrealized gains	-	300,733	-	300,733
Investment income	-	111,827	-	111,827
Total investment gain	-	412,560	-	412,560
Contributions	-	-	23,484	23,484
Administrative fee	-	(28,162)	-	(28,162)
Appropriation for expenditure	-	(29,798)	-	(29,798)
Recovery of underwater funds	318	(318)	-	-
Endowment net assets - End of the year	$ (48,800)	$ 1,275,570	$ 2,596,849	$ 3,823,619

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 $48,424 and $48,800 as of June 30, 2018 and 2017, respectively. 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. 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.

(Continued)

NOTE 3 - DONOR 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. Appropriations are discretionary. 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. No appropriation for expenditure was made for the year ended June 30, 2018.

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. Conditional promises to give are not included as revenue until conditions are met.

NOTE 5 – CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2018 and 2017:

	2018	2017
Land	$ 140,800	$ 140,800
Building	16,519,103	16,519,103
Furniture and fixtures	896,603	896,603
Total capital assets	17,556,506	17,556,506
Less accumulated depreciation	(6,833,992)	(6,409,876)
Net capital assets	$ 10,722,514	$ 11,146,630
Depreciation Expense-Marauder	398,133	398,133
Depreciation Expense-Foundation	25,983	25,982
Total	$ 424,116	$ 424,114

(Continued)

NOTE 6 - CLASSIFICATION OF NET ASSETS

Details of the Foundation's restricted net assets at June 30, 2018 and 2017 are as follows:

2018	Temporarily Restricted	Permanently Restricted
Academic	$ 557,568	$ 648,777
Scholarship	1,077,853	997,331
Other general funds	1,430,392	850,934
Total net assets	$ 3,065,813	$ 2,497,042

2017	Temporarily Restricted	Permanently Restricted
Academic	$ 481,960	$ 758,582
Scholarship	1,074,940	995,752
Other general funds	1,167,830	842,515
Total net assets	$ 2,724,730	$ 2,596,849

Net assets released from restriction totaled $380,062 and $417,721 at June 30, 2018 and 2017, respectively.

NOTE 7 - LONG-TERM DEBT

On May 30, 2014, the Foundation obtained a commercial loan in the amount of $491,326 from PNC Bank to purchase property for use as a Presidential residence and hospitality center. Under the terms of the agreement, the Foundation will make 59 monthly principal payments beginning July 1, 2014 amortized over 20 years with the remaining balance due on the maturity date, May 30, 2019. The terms of the loan include a variable interest rate of five-year COF plus 3%. The loan was paid off in full on May 18, 2018. The commercial loan was collateralized with $490,580 of unrestricted cash held in a money market account at PNC Bank. The balance of the loan at June 30, 2017 was $416,327.

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

Marauder Development, LLC has the following debt related to the financing of student dormitories. Information is for the subsidiary's year ended August 31, 2018 and 2017:

	Interest Rate	Maturity	Balance August 31, 2017	Additions	Payments	Balance August 31, 2018
Revenue Bonds Series 2002	3.0%-5.625%	2030	$ 5,101,307	$ 5,446	$ (260,000)	$ 4,846,753
Revenue Bonds Series 2004	3.3%-5.1%	2035	9,361,989	10,859	(310,000)	9,062,848
Total			$ 14,463,296	$ 16,305	$ (570,000)	13,909,601
Less current portion						600,000
Less unamortized financing costs						854,809
Long-term portion						$ 12,454,792

	Interest Rate	Maturity	Balance September 1, 2016	Additions	Payments	Balance August 31, 2017
Revenue Bonds Series 2002	3.0%-5.625%	2030	$ 5,338,507	$ 7,800	$ (245,000)	$ 5,101,307
Revenue Bonds Series 2004	3.3%-5.1%	2035	9,650,789	11,200	(300,000)	9,361,989
Total			$ 14,989,296	$ 19,000	$ (545,000)	14,463,296
Less current portion						570,000
Less unamortized financing costs						954,083
Long-term portion						$ 12,939,213

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

	Series 2002 Bonds		Series 2004 Bonds		
	Principal	Interest	Principal	Interest	Total
Year ending August 31,					
2019	$ 275,000	$ 261,103	$ 325,000	$ 456,494	$ 1,317,597
2020	285,000	246,053	340,000	440,725	1,311,328
2021	300,000	230,331	360,000	422,775	1,313,106
2022	320,000	213,669	375,000	404,400	1,313,069
2023	335,000	196,066	395,000	385,150	1,311,216
2024-2028	2,000,000	671,312	2,290,000	1,599,265	6,560,577
2029-2033	1,370,000	112,781	2,940,000	936,870	5,359,651
2034-2038	-	-	2,145,000	167,662	2,312,662
Total	$ 4,885,000	$ 1,931,315	$ 9,170,000	$ 4,812,891	$ 20,799,206

(Continued)

NOTE 7 - LONG-TERM DEBT (Continued)

During 2002, Marauder issued $8,870,000 of Student Housing Revenue Bonds, Series 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The unamortized bond discount is $38,247 and $43,693 at August 31, 2018 and 2017, 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 $275,000 on September 1, 2018, to $415,000 on September 1, 2030, subject to prior mandatory sinking fund redemptions. During 2017, $200,000 of bonds due on September 1, 2032, $545,000 of bonds due on September 1, 2031 and $105,000 of bonds due on September 1, 2030 were called and retired in addition to $235,000 scheduled to be retired on September 1, 2015.

During 2004, Marauder issued $12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The unamortized bond discount is $107,152 and $118,011 at August 31, 2018 and 2017, 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 $325,000 on September 1, 2018, to $750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 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 Development, LLC, 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). As of June 30, 2018 and 2017, Marauder Development, LLC was in compliance with these requirements.

NOTE 8 – RELATED PARTY TRANSACTIONS

The University provides certain administrative, accounting, accounts payable, and payroll services on behalf of the Foundation. The Foundation operates exclusively for the benefit of the University and reimburses the University for costs incurred. The Foundation also pays a management fee to the University for the operation of two residence halls on the University's campus that are owned by the Foundation. The Foundation owed the University $714,199 and $1,476,798 related to these expenses at June 30, 2018 and 2017, respectively. The University paid the Foundation $3,042,486 and $3,022,440 for the years ended June 30, 2018 and 2017, respectively, for student residence hall fees for the aforementioned residence halls.

The Foundation also pays the University a management fee for administering Foundation funds, which is based on 5% of non-housing revenue received during the year.

The Foundation periodically makes private gifts to the University to be used as assistance for ongoing operations. These gifts amounted to $41,709 and $74,983 for the years ended June 30, 2018 and 2017, respectively.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Management and the Board of Trustees
Central State University Foundation
and Subsidiaries

We have audited, in accordance with the 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 consolidated financial statements of Central State University Foundation and Subsidiaries (collectively the 'Foundation'), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and changes in net assets (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Foundation'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 consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in finding 2018-001 in the accompanying schedule of findings that we consider to be significant deficiencies

(Continued)

Compliance and Other Matters

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

Foundation's Response to Findings

The Foundation's response to the findings identified in our audit are described in the accompanying Schedule of Findings. The Foundation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely 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 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.

Crowe LLP

Crowe LLP

Columbus, Ohio
October 31, 2018

FINDING 2018-001 – INTERFUND ACCOUNT RECONCILIATION

Criteria:	The Foundation should have internal controls over the financial reporting process designed to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America. In addition, the Foundation's reporting and closing process should include timely reconciliations and schedules that support the amounts recorded in the financial statements.
Condition:	A number of journal entries were made during the audit related to the interfund accounts between the Foundation and the University
Context:	Journal entries were necessary to properly reconcile the interfund accounts between the Foundation and the University. These accounts were used to track expenses that were incurred by the University on behalf of the Foundation. We also noted that the transactions between the two entities to settle these balances were not made timely.
Effect:	The condition noted above has the potential to lead to misstatements, errors, or misclassifications in the financial statements
Cause:	The main factor was the Foundation's lack of a formalized closing process.
Repeat Finding:	No
Recommendation:	We recommend that the Foundation accurately maintain the records for the interfund accounts throughout the year and that balances owed to the University are paid no less than quarterly.
Response:	The Foundation concurs with the finding. Management is realigning the accounting area to ensure all staff are knowledgeable and trained in the closing and reporting process. Periodic reviews and monthly reconciliations will be performed and verified by upper management. Management will improve documentation of the year-end closing process to make sure all adjustments have been processed in a timely manner. This documentation is being developed and will be incorporated into the monthly financial statement reviews. These new monthly financial statement review meetings will strengthen the financial process and reduce the number of year-end adjusting entries and corrections to the financial ledger.

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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 27, 2018