

CENTRAL STATE UNIVERSITY AND SUBSIDIARIES
GREENE COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2022

**CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES**

Wilberforce, Ohio

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2022

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
Wilberforce, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Management and the Board of Directors
Central State University Foundation

Report on the Audit of the Financial Statements***Disclaimer of Opinion***

We were engaged to audit the consolidated financial statements of Central State University Foundation and Subsidiary (collectively the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2022, 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.

We do not express an opinion on the accompanying consolidated financial statements of the Foundation. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

Management could not provide certain board minutes and updated controls, policies and procedures, or audit support for various journal entries, contribution revenue, artwork, endowments, restricted net assets, donated stock, payroll and benefit expenses and operating expenses as of and for the year ended June 30, 2022, and we were unable to satisfy ourselves by performing other audit procedures. As a result of these matters, we were unable to determine whether any adjustments might have been necessary with respect to the accounts listed above, and the elements making up the consolidated statement of financial position, and the related consolidated statements of activities and changes in net assets (deficit), and cash flows.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Foundation's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2023, 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid.

Crowe LLP

Columbus, Ohio
September 7, 2023

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2022

Assets

Cash and cash equivalents	\$ 1,488,229
Receivable from Central State University	102,000
Contributions receivable, net	4,800
Other receivables	12,240
Prepaid expenses	<u>2,023</u>
Total current assets	1,609,292
Investments	4,028,169
Restricted cash and cash equivalents	2,791,069
Capital assets, net	<u>8,644,304</u>
Total assets	<u>\$ 17,072,834</u>

Liabilities

Accounts payable	\$ 12,592
Accrued interest payable	259,041
Payable to Central State University	311,554
Current portion of long-term debt	<u>730,000</u>
Total current liabilities	1,313,187
Long-term debt, net of unamortized financing costs of \$464,668	<u>8,737,851</u>
Total liabilities	10,051,038

Net assets (deficit)

Without donor restrictions	(68,863)
With donor restrictions	<u>7,090,659</u>
Total net assets	<u>7,021,796</u>
Total liabilities and net assets	<u>\$ 17,072,834</u>

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
For the year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Rental revenue	\$ 3,492,069	\$ -	\$ 3,492,069
Contributions	-	201,213	201,213
Other	173,343	-	173,343
Investment income	33,364	(575,957)	(542,593)
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	3,698,776	(374,744)	3,324,032
Expenses			
Programs:			
Housing programs	2,934,526	-	2,934,526
Other expenses	35,530	-	35,530
Operating expenses	373,666	-	373,666
Fundraising expenses	<u>154,261</u>	<u>-</u>	<u>154,261</u>
Total expenses	<u>3,497,983</u>	<u>-</u>	<u>3,497,983</u>
Increase (decrease) in net assets	200,793	(374,744)	(173,951)
Net assets - beginning of year	<u>(269,656)</u>	<u>7,465,403</u>	<u>7,195,747</u>
Net assets - end of year	<u>\$ (68,863)</u>	<u>\$ 7,090,659</u>	<u>\$ 7,021,796</u>

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2022

Cash flows from operating activities	
Change in net assets	\$ (173,951)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:	
Depreciation	411,995
Amortization of issuance costs	92,235
Amortization of bond discount	14,837
Unrealized and realized loss on investments	680,128
Changes in operating assets and liabilities:	
Contributions receivable	279,000
Prepaid expenses	(4,869)
Other receivables	(12,240)
Accounts payable	(23,322)
Receivable/payable to Central State University	(447,455)
Accrued interest payable	(28,746)
Net cash provided by operating activities	<u>787,612</u>
Cash flows from investing activities	
Purchases of investments	(1,310,692)
Sale of investments	<u>1,067,691</u>
Net cash used in investing activities	(243,001)
Cash flows from financing activities	
Principal payment on bonds payable	<u>(1,080,000)</u>
Net cash used in financing activities	<u>(1,080,000)</u>
Net change in cash and cash equivalents	(535,389)
Cash and cash equivalents - beginning of year	<u>4,814,687</u>
Cash and cash equivalents - end of year	<u>\$ 4,279,298</u>
Supplemental disclosures of cash flow information	
Cash paid during the year for interest	\$ 546,828

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2022

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 net asset without donor restrictions and with donor restrictions 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.

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.

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. There was no impairment recorded for the fiscal years ended 2022.

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, 2022 \$464,668. Accumulated amortization at August 31, 2022 was \$1,850,501.

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, no amount was calculated to be owed for the year ended August 31, 2022 and no amounts were paid.

Net Assets: The Foundation classifies its net assets into the following categories:

Net Assets Without Donor Restrictions: The Foundation has the following significant funds without donor restrictions:

- Fund Without Donor Restrictions: This fund is used to account for all financial resources presently available for use by the Foundation.
- 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.

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CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets With Donor Restrictions: 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, funds with donor restrictions:

- 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.

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 also had the following categories of funds with such donor restrictions:

- 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 net assets without donor restrictions. 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 without donor restrictions and without donor restrictions resources are available, it is the Foundation's policy to apply restricted resources first, then resources without restrictions 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 support without donor restrictions. Other donor-restricted gifts are reported as support with donor restrictions and net assets in accordance with donor stipulations.

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.

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CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Rental Revenue: Rental revenue is derived from leasing housing facilities (which were constructed and financed by Marauder as noted previously) to Central State University on behalf of their students. Rental revenue is recognized based on occupancy.

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, 2022, 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 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 September 7, 2023, which is the date the financial statements were issued. On September 1, 2022, \$270,000 of the 2002 Series Revenue Bonds were called and retired in addition to the \$335,000 scheduled to be retired on that date.

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, 2022.

Debt interest account	\$ 298,610
Debt principal account	731,089
Redemption fund	272,368
Repair and replacement fund	227,897
Debt reserve fund	<u>1,261,105</u>
Total restricted cash	<u>\$ 2,791,069</u>

Investments are managed by a professional investment manager. The investment manager is subject to the Foundation's investment policies which contain objectives, guidelines, and restrictions designed to provide for preservation of capital with emphasis on providing current income and achieving long-term growth of the funds.

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

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CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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.

<u>Assets</u>	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022			<u>Balance</u>
	Quoted Prices In Active Markets for Identical Assets <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>	
Cash/money market accounts:				
Money market accounts	\$ 245,817	\$ -	\$ -	\$ 245,817
Subtotal	245,817	-	-	245,817
Equity investments:				
Equity mutual funds	2,561,973	-	-	2,561,973
Subtotal	2,561,973	-	-	2,561,973
Fixed-income investments:				
Bond mutual funds	1,220,379	-	-	1,220,379
Subtotal	1,220,379	-	-	1,220,379
Total investments	\$ 4,028,169	\$ -	\$ -	\$ 4,028,169

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, 2022, there were no transfers between levels of the fair value hierarchy.

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investment return for the years ended June 30, 2022 was comprised of the following:

Investment income - Foundation endowment	\$ 104,171
Interest income – Marauder Development, LLC	33,364
Net realized and unrealized (losses)/gains on investments reported at fair value	<u>(680,128)</u>
Total investment return	<u>\$ (542,593)</u>

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.

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 net assets with donor restrictions: (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 is classified as net assets with donor restrictions 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

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 3 - DONOR ENDOWMENTS (Continued)

The composition of net assets by type of endowment fund at June 30, 2022 was:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
<u>June 30, 2022</u>			
Donor-restricted endowment funds	\$ -	\$ 4,179,071	\$ 4,179,071

The changes in endowment net assets for the fiscal year ended June 30, 2022 was:

	<u>With Donor Restrictions</u>
Endowment Assets - beginning of the year	\$ 4,755,028
Net realized and unrealized gains and (losses)	(680,128)
Investment income	134,213
Total investment gain	<u>(545,915)</u>
Contributions	-
Administrative fee	(30,042)
Scholarships	-
Appropriation for expenditure	<u>-</u>
Endowment net assets, end of the year	<u>\$ 4,179,071</u>

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 net assets with donor restrictions were \$56,904 as of June 30, 2022. At June 30, 2022 deficiencies of this nature existed in one fund which had an original value of \$3,016 and a market value of \$(53,888). These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions with donor restrictions and continued appropriation for certain programs that were 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.

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 3 - DONOR ENDOWMENTS (Continued)

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.

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. Appropriation for expenditure amounts totaled \$0 during the year ended June 30, 2022.

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 contribution receivables 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, 2022:

Land	\$ 140,800
Building	16,034,338
Furniture and fixtures	<u>896,603</u>
Total capital assets	17,071,741
Less accumulated depreciation	<u>8,427,437</u>
Net capital assets	<u>\$ 8,644,304</u>

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 6 - CLASSIFICATION OF NET ASSETS

Details of the Foundation's net assets with donor restrictions at June 30, 2022 are as follows:

	<u>With Donor Restrictions</u>
Academic	\$ 1,763,161
Scholarship	2,138,607
Other general funds	<u>3,188,891</u>
 Total net assets	 <u>\$ 7,090,659</u>

Net assets released from restriction totaled \$0 at June 30, 2022.

NOTE 7 - LONG-TERM DEBT

Marauder Development, LLC has the following debt related to the financing of student dormitories. Information is for the subsidiary's year ended August 31, 2022:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance September 1, 2021</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance August 31, 2022</u>
Revenue Bonds						
Series 2002	5.0%-5.625%	2028	\$ 2,929,557	\$ 5,597	\$ (705,000)	\$ 2,230,154
Revenue Bonds						
Series 2004	3.3%-5.1%	2035	<u>8,068,125</u>	<u>9,240</u>	<u>(375,000)</u>	<u>7,702,365</u>
 Total			 <u>\$ 10,997,682</u>	 <u>\$ 14,837</u>	 <u>\$ (1,080,000)</u>	 9,932,519
Less current portion						(730,000)
Less unamortized financing costs						<u>(464,668)</u>
 Long-term portion						 <u>\$ 8,737,851</u>

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

<u>Year Ending August 31,</u>	<u>Series 2002 Bonds</u>		<u>Series 2004 Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2023	\$ 335,000	\$ 114,053	\$ 395,000	\$ 385,150	\$ 1,229,203
2024	360,000	95,150	415,000	364,900	1,235,050
2025	380,000	74,800	435,000	343,650	1,233,450
2026	400,000	53,350	455,000	321,173	1,229,523
2027	420,000	30,800	480,000	297,330	1,228,130
2028-2032	350,000	9,625	2,795,000	1,083,112	4,237,737
2033-2036	<u>-</u>	<u>-</u>	<u>2,795,000</u>	<u>293,633</u>	<u>3,088,633</u>
 Total	 <u>\$ 2,245,000</u>	 <u>\$ 377,778</u>	 <u>\$ 7,770,000</u>	 <u>\$ 3,088,948</u>	 <u>\$ 13,481,726</u>

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 7 - LONG-TERM DEBT (Continued)

During 2002, Marauder issued \$8,870,000 of Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The unamortized bond discount is \$14,846 and \$20,443 at August 31, 2022 and 2021, 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 \$335,000 on September 1, 2022, to \$350,000 on September 1, 2028, subject to prior mandatory sinking fund redemptions. During 2022, \$385,000 of bonds due on September 1, 2028 and September 1, 2027 were called and retired on September 1, 2021 in addition to the \$320,000 scheduled to be retired on September 1, 2021.

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 \$67,635 and \$76,875 at August 31, 2022 and 2021, 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 \$395,000 on September 1, 2022, 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 August 31, 2022, Marauder Development, LLC is 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. At times, the University holds funds on behalf of the Foundation that have not been transferred.

The net amount of these transactions resulted in the Foundation owing the University \$209,554 at June 30, 2022.

The University paid the Foundation \$3,492,069 for the year ended June 30, 2022, for student residence hall fees for the aforementioned residence halls.

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 9 - EXPENSES BY NATURE

The statements of activities report certain categories of expenses attributable to the programs and supporting functions of the Foundation. Program Activities include Scholarship, Athletic, Academic, Institutional, Student Support, and Housing. The table below presents these functional expenses by their natural classification for the year ended June 30, 2022.

	PROGRAM ACTIVITIES						SUPPORTING ACTIVITIES				
	<u>Scholarship</u>	<u>Athletic</u>	<u>Academic</u>	<u>Institutional</u>	<u>Student Support</u>	<u>Housing</u>	<u>Program Subtotal</u>	<u>Operating</u>	<u>Fundraising</u>	<u>Support Subtotal</u>	<u>Total Expenses</u>
Staffing expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 228,861	\$ -	\$ 228,861	\$ 228,861
Consulting	-	-	-	-	-	-	-	70,563	-	70,563	70,563
Brochures, other material	-	-	-	-	-	-	-	-	14,001	14,001	14,001
Public relations	-	-	-	-	-	-	-	-	115,820	115,820	115,820
Management fees	-	-	-	-	-	244,025	244,025	-	-	-	244,025
Scholarships	-	-	-	-	-	-	-	-	-	-	-
Contractual expenses	-	-	-	-	-	1,667,214	1,667,214	-	-	-	1,667,214
General & administrative	-	-	-	-	-	-	-	60,380	24,440	84,820	84,820
Depreciation and amortization	-	-	-	-	-	490,368	490,368	13,862	-	13,862	504,230
Interest	-	-	-	-	-	532,919	532,919	-	-	-	532,919
Other	-	-	-	-	-	-	-	35,530	-	35,530	35,530
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,934,526</u>	<u>\$ 2,934,526</u>	<u>\$ 409,196</u>	<u>\$ 154,261</u>	<u>\$ 563,457</u>	<u>\$ 3,497,983</u>

Expenses are allocated between the various programs and support activities on an actual basis, where available, or based upon the functional expense area most related to their purpose. Salaries are allocated to areas of operations in which the individual employees' activities are performed.

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 10 - LIQUIDITY AND AVAILABILITY

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial Assets	\$ 5,521,198
Less: Assets required to be maintained to comply with donor restrictions	<u>(7,090,659)</u>
	<u>\$ (1,569,461)</u>

As part of the Foundation's liquidity management, the Foundation invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets determined to be liquid and available in the table above include unrestricted cash, investments and contributions receivable due in one year. The Foundation uses revenue received during the year to pay general expenditures to offset the negative balance presented as of the financial statement date.

The liquid financial assets presented above also include all assets that the Foundation maintains to comply with donor restrictions. Because of significant gifts made by the Foundation to the University, the Foundation did not have sufficient assets to comply with donor restrictions as of June 30, 2022. The nature of the relationship with the University and accumulated gifts to the University from assets without donor restrictions have contributed to the shortfall.

SUPPLEMENTAL INFORMATION

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*

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

We were engaged to audit, 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, 2022, 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 September 7, 2023. We did not express an opinion on the consolidated financial statements of the Foundation. Management could not provide certain board minutes and updated controls, policies and procedures, or audit support for various journal entries, contribution revenue, artwork, endowments, restricted net assets, donated stock, payroll and benefit expenses and operating expenses as of and for the year ended June 30, 2022, and we were unable to satisfy ourselves by performing other audit procedures.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Foundation's internal control over financial reporting (internal control) as a basis for designing 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 Marauder's internal control. Accordingly, we do not express an opinion on the effectiveness of Marauder'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001, 2022-002 and 2022-03 that we consider to be material weaknesses.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Foundation'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 financial statements. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2022-001.

Foundation's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Foundation's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid.

Crowe LLP

Columbus, Ohio
September 7, 2023

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2022

FINDING 2022-001 – INTERNAL CONTROLS OVER FINANCIAL REPORTING

Criteria:	Based on the Trust Indenture and Loan Agreement all gross receipts related to the ownership, operation or leasing of the Facility are to be deposited upon receipt into the accounts maintained by Marauder.
Condition:	Based on the schedule of the rent revenues, the total amount was not transferred into the Marauder account by Central State University (University). Additionally, other errors were identified within the schedule relating to students that were identified to be part of the Facility.
Context:	<p>The University pursuant to a management agreement in place during the fiscal year with Central State University Foundation (Foundation) was required to promptly deposit the total gross receipts into an account at US Bank. The schedule provided of gross receipts had a calculation error of \$102,000. The listing of rent roll for the Fall 2021 Semester for Foundation II housing had a formular error that omitted \$102,000 from the total.</p> <p>Testing of the students on the rent rolls related to the Fall 2021 and Spring 2022 semester for the Foundation I and II halls identified the following errors. As a result of the errors, the University transferred and excess of \$80,931 to the Marauder accounts.</p> <ul style="list-style-type: none">• 27 students were included on rent rolls that did not live in the applicable halls.• 2 students were charged \$24 less than the amount on the rent rolls.• 1 student was charged \$72 less than the amount on the rent rolls.• 1 student was charged \$96 more than the amount on the rent rolls.• 1 student was charged \$45 less than the amount on the rent rolls.
Effect:	Revenue was understated and non-compliance with the Trust Indenture and Loan Agreement.
Cause:	Internal controls were not in place to verify the rent roll information was accurate and calculated correctly.
Repeat Finding:	No
Recommendation:	We recommend that rent information be reviewed and recalculated with the resulting amount of revenues related to the housing be transferred upon receipt as directed by the Trust Indenture and Loan Agreement.
Response:	The Foundation's management agrees with the finding and will recalculate the revenues related to the housing. Subsequently, after the review, the correct amounts will be transferred as per the Trust Indenture and the Loan Agreement.

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2022

FINDING 2022-002 – INTERNAL CONTROLS OVER FINANCIAL STATEMENTS

Criteria:	Auditing standards require that entities have internal controls in place to prepare financial statements.
Condition:	Documentation related to the following areas was not available during the audit: board minutes, updated controls, policies and procedures, journal entries, contribution revenue, artwork, endowments, restricted net assets, donated stock, payroll and benefit expenses and operating expenses.
Context:	We were unable to perform audit procedures over the areas identified.
Effect:	Without supporting documentation we were unable to perform audit procedures and a disclaimer of opinion for the financial statements was issued.
Cause:	The Foundation was unable to find the original documentation supporting the areas identified.
Repeat Finding:	Partial
Recommendation:	We recommend that supporting documentation be maintained for all areas.
Response:	The Foundation's management agrees with the finding and will provide the supporting documentation and ensure this documentation is collected and maintained in the future. The newly created management structure for the University and Foundation has accepted this responsibility and will implement internal controls and document maintenance accordingly.

(Continued)

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2022

FINDING 2023-003 – LACK OF DOCUMENTED REVIEWS AND RECONCILIATIONS

Criteria:	Auditing standards require that the Foundation's internal controls over financial reporting be considered when planning and performing the audit.
Condition:	We noted the following deficiencies in controls during the year: <ul style="list-style-type: none">• Interfund transactions between the Foundation and the University were not reconciled timely or on a consistent basis• Approval for expenses were not clearly identified on invoices.• Investment statements were not reconciled to the trial balance monthly, including the proper segregation of duties.
Context:	Adjustments to the financial statements were recorded to report balances related to various accounts.
Effect:	Errors in financial reports may occur and remain undetected resulting in management decisions be based on inaccurate reports.
Cause:	The Foundation did not have formal procedures in place.
Repeat Finding:	Repeated from prior year with additional items added
Recommendation:	We recommend the Foundation develop and implement formal procedures for interfund transactions, expenses and investments.
Response:	The Foundation acknowledges this finding and is making adjustments to provide infrastructure and resources to implement formal procedures. Additionally, with the newly created management and staffing structure for the University and Foundation, formal financial procedures and internal controls will be implemented to redress the finding.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
SCHEDULE OF PRIOR YEAR FINDINGS
Year ended June 30, 2022

FINDING 2021-001 – INTERNAL CONTROLS OVER ENDOWMENTS

Condition: Documentation related to the endowments was not available to support the restrictions within net assets.

Effect: Without supporting endowment documentation, the restriction for endowments was not supported and a qualified opinion for the financial statements was issued.

Status: Finding repeated in 2022 – 002.