

Cleveland State University

**Financial Report
Including Supplemental Information
June 30, 2009**

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Report of Independent Auditors

To the Board of Trustees
Cleveland State University

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Cleveland State University (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2009 and 2008, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of The Cleveland State University Foundation, Inc. or the Euclid Avenue Housing Corporation, discretely presented component units of the University. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University as of June 30, 2009 and 2008 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees
Cleveland State University

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2009 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

October 15, 2009

CLEVELAND STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Cleveland State University (the "University") as of and for the year ended June 30, 2009. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The University was established in 1964 by action of the Ohio General Assembly and is part of the State of Ohio's (the State) system of State supported and State assisted institutions of higher education. It is one of the 13 state universities in Ohio. By statute it is a body politic and corporate and an instrumentality of the State. Located in the city of Cleveland, the University is an urban institution. A majority of the University's students commute daily from their homes in the Cleveland metropolitan area.

Using the Annual Financial Report

The University's financial report includes financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These principles require that financial statements be presented on a consolidated basis to focus on the financial condition, the changes in financial condition, and the cash flows of the University as a whole. Many other non-financial factors also must be considered in assessing the overall health of the University, such as enrollment trends, student retention, strength of the faculty, condition of the buildings, and the safety of the campus.

The financial statements prescribed by GASB Statement No. 35 (the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Under the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Cleveland State University Foundation, Inc. (the "Foundation") and the Euclid Avenue Housing Corporation (the "Corporation") are treated as component units of the University. Accordingly, the Foundation and the Corporation are discretely presented in the University's financial statements. The Foundation and the Corporation are excluded from Management's Discussion and Analysis. Financial statements for the Foundation can be obtained from the Office of the Executive Director at 2121 Euclid Avenue, Keith Building Room 300, Cleveland, OH 44115-2214; financial statements for the Corporation can be obtained from the Office of the President at 2121 Euclid Avenue, Administration Center Room 210, Cleveland, OH 44115-2214.

Statement of Net Assets

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities. The difference between assets and liabilities— net assets— is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of the University's assets, liabilities, and net assets at June 30, 2009, 2008 and 2007 is as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 48,233,371	\$ 40,137,984	\$ 35,149,262
Noncurrent assets:			
Capital assets, net	379,904,921	340,451,912	321,735,130
Other	<u>150,479,231</u>	<u>159,028,058</u>	<u>187,337,097</u>
Total assets	578,617,523	539,617,954	544,221,489
Current liabilities	42,170,066	37,675,256	40,739,396
Noncurrent liabilities	<u>223,189,761</u>	<u>180,357,268</u>	<u>181,012,582</u>
Total liabilities	<u>265,359,827</u>	<u>218,032,524</u>	<u>221,751,978</u>
Net assets	\$ <u>313,257,696</u>	\$ <u>321,585,430</u>	\$ <u>322,469,511</u>

Current assets consist primarily of cash, operating investments, accounts and notes receivable, prepaid expenses, deferred charges and inventories. Current liabilities consist primarily of accounts payable, accrued payroll and other liabilities, deferred revenue and the current portion of long-term debt.

Current assets increased in 2009 from 2008 primarily due to an increase in cash and cash equivalents. During 2009, the University increased its holdings in money market funds (which are classified as cash equivalents) because they offered greater returns than other short-term investment vehicles.

Current assets increased in 2008 from 2007 by \$5.0 million, or 14.2%, due primarily to an increase in short-term investments of \$5.5 million. During 2008, the University increased its investment in short-term certificates of deposit, because they offered a superior rate of return compared to other investments, such as US agency securities.

Net capital assets increased in 2009 from 2008 by \$39.5 million, or 11.6%, and in 2008 from 2007 by \$18.7 million, or 5.8%. Both increases were due to construction on the University's campus. Projects under construction during these years include a new recreation center, a new administration building, a new parking garage, a new student union, and a new building to house the College of Education and Human Services.

Other assets decreased in 2009 from 2008 by \$8.5 million, or 5.4%. The decrease was the result of two factors: the increased use of money market funds, which are classified as current assets, and the spending of bond proceeds on construction.

Other assets decreased in 2008 from 2007 by \$28.3 million, or 15.1%. The decrease was the result of two factors: the increased use of short-term certificates of deposit as investments, and the spending of bond proceeds on construction.

Liabilities increased in 2009 from 2008 by \$47.3 million, or 21.7%, due primarily to a \$42.8 million capital lease for energy conservation projects that was issued in 2009. Changes in liabilities in 2008 from 2007 were not significant.

Capital and Debt Activities

One critical factor affecting the quality of the University's programs is the development and renewal of its capital assets. Capital additions totaled \$57.1 million in 2009, \$37.4 million in 2008, and \$44.3 million in 2007. Capital retirements totaled \$25.7 million in 2009, \$2.7 million in 2008, and \$4.9 million in 2007. Capital additions and retirements for 2009, 2008 and 2007 exclude transfers from construction in progress to buildings in the amounts of \$0.7 million, \$6.2 million and \$46.0 million, respectively. Capital additions include construction of new facilities, repair and renovation of existing facilities, and acquisition of equipment and library books. Capital asset additions are funded, in part, by capital appropriations from the State. These appropriations amounted to \$15.1 million in 2009, \$3.4 million in 2008, and \$6.8 million in 2007.

In March 2009, the University entered into a capital lease in the amount is \$42.8 million. Proceeds will be used to fund a variety of energy conservation projects on the University's campus. When the projects are complete, energy savings will be sufficient to fund the lease payments.

In May 2008, the University issued Series 2008 general receipts bonds in the amount of \$20.9 million. Proceeds were used to refund the Series 2003B and Series 2007B general receipts bonds, thereby converting variable rate debt to fixed rate debt.

Net Assets

Net assets represent the residual interest in the University's assets after liabilities are deducted. The University's net assets at June 30, 2009, 2008 and 2007 are summarized as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Invested in capital assets, net of related debt	\$ 246,794,695	\$ 241,694,315	\$ 242,380,365
Restricted - expendable	17,078,592	16,875,687	14,158,336
Restricted - nonexpendable	917,117	1,308,413	1,525,717
Unrestricted	<u>48,467,292</u>	<u>61,707,015</u>	<u>64,405,093</u>
Total net assets	<u>\$ 313,257,696</u>	<u>\$ 321,585,430</u>	<u>\$ 322,469,511</u>

Net assets invested in capital assets, net of related debt represent the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Changes in this category of net assets are due to the net effect of additions to, disposals of, and depreciation on capital assets. In 2009, additions exceeded disposals and depreciation, while in 2008, disposals and depreciation exceeded additions.

Restricted-expendable net assets are subject to externally imposed restrictions governing their use. Changes in this category are due to the timing of revenues and expenses in funds provided by donors and grantors. Restricted-nonexpendable net assets consist primarily of endowment funds held by the University. Changes in this category are driven primarily by investment performance, which was negative in both 2009 and 2008.

Unrestricted net assets are not subject to externally imposed stipulations. This category includes funds functioning as endowment (quasi-endowment) of \$4.0 million at June 30, 2009, \$4.7 million at June 30, 2008, and \$4.9 million at June 30, 2007. The decrease in 2009 was due to losses on investments.

For the year ended June 30, 2009, the University had a decrease in total net assets of \$8.3 million, or 2.6%. Net assets invested in capital assets, net of related debt, increased by \$5.1 million, or 2.1%, because capital asset additions exceeded deductions and depreciation expense. Unrestricted net assets decreased by \$13.2 million, or 21.5%, due primarily to decreased investment income (which went from (\$553,000) in 2008 to (\$6.5 million) in 2009), and increased operating expenses (which went from \$257.3 million in 2008 to \$269.9 million in 2009). Expenses for salaries and wages, fringe benefits, and energy were higher in 2009 than in 2008.

For the year ended June 30, 2008, the University had a decrease in total net assets of \$884,000, or 0.3%. Net assets invested in capital assets, net of related debt, decreased by \$686,000, or 0.3%, because depreciation expense exceeded capital asset additions. Unrestricted net assets decreased by \$2.7 million, or 4.2%, due primarily to decreased investment income (which went from \$10.4 million in 2007 to (\$553,000) in 2008), which was partially offset by increased revenues from other sources, particularly student fees (which grew from \$111.4 million in 2007 to \$116.7 million in 2008).

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. As a public institution, the University is dependent on State aid. This dependency contributed toward an operating deficit because the financial reporting model classifies State appropriations as nonoperating revenue. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. Summarized revenues, expenses, and changes in net assets for the years ended June 30, 2009, June 30, 2008 and June 30, 2007 are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues:			
Net student tuition and fees	\$ 115,263,410	\$ 116,662,514	\$ 111,443,432
Grants and contracts	18,788,895	23,506,162	22,396,749
Other	<u>20,712,482</u>	<u>20,310,456</u>	<u>17,263,760</u>
Total operating revenue	154,764,787	160,479,132	151,103,941
Operating expenses:			
Educational and general	226,598,855	215,684,519	209,136,093
Auxiliary enterprises	25,553,858	23,215,882	20,267,901
Depreciation and amortization	<u>17,742,326</u>	<u>18,363,172</u>	<u>16,888,402</u>
Total operating expenses	<u>269,895,039</u>	<u>257,263,573</u>	<u>246,292,396</u>
Operating loss	(115,130,252)	(96,784,441)	(95,188,455)
Nonoperating revenues, net:			
State appropriations	79,056,333	72,934,809	69,739,627
Other	<u>12,664,624</u>	<u>19,348,092</u>	<u>30,077,495</u>
Gain (loss) before other changes	(23,409,295)	(4,501,540)	4,628,667
Other changes	<u>15,081,561</u>	<u>3,617,459</u>	<u>6,890,683</u>
Increase (decrease) in net assets	(8,327,734)	(884,081)	11,519,350
Net assets at beginning of year	<u>321,585,430</u>	<u>322,469,511</u>	<u>310,950,161</u>
Net assets at end of year	<u>\$ 313,257,696</u>	<u>\$ 321,585,430</u>	<u>\$ 322,469,511</u>

Total revenue and other changes in fiscal 2009, 2008 and 2007 were \$264.9 million, \$259.3 million, and \$259.7 million, respectively. The most significant sources of 2009 operating revenues for the University were student tuition and fees of \$115.3 million, grants and contracts of \$18.8 million, and auxiliary services of \$15.4 million.

Revenues from tuition and fees (net of scholarship allowances) decreased in 2009 from 2008 by \$1.4 million, or 1.2%, due primarily to an increase in scholarships allowances (which are netted against revenue) of \$1.3 million. Enrollment was essentially flat (headcount enrollment increased by 0.36%), and there were no tuition increases.

Revenues from tuition and fees (net of scholarship allowances) increased in 2008 from 2007 by \$5.2 million, or 4.7%, due to an increase in enrollment and an increase in tuition rates. Headcount enrollment increased by 1.6% from the prior year, while full-time equivalent enrollment increased by 3.5% from the prior year. For the 2007 Fall semester, tuition rates for undergraduate students were not changed, but tuition rates were increased for graduate and law students by 6% and 10%, respectively.

Revenues from grants and contracts decreased in 2009 from 2008 by \$4.7 million, or 20.1%. The decline was in federal grants, and is attributable to fewer proposals for federal funding being funded.

Total expenses in fiscal 2009, 2008 and 2007 were \$273.3 million, \$260.2 million, and \$248.2 million, respectively. Operating expenses include the costs of instruction, research, public service, general administration, utilities, libraries, and auxiliary services. Operating expenses also include depreciation and amortization. Increases in operating expenses of \$12.6 million (4.9%) in 2009 and \$11.0 million (4.5%) in 2008 were due primarily to salary increases granted to University employees, increases in the cost of medical insurance and other fringe benefits, and rising costs for energy.

Sources of nonoperating revenue include State appropriations of \$79.1 million in 2009, \$72.9 million in 2008, and \$69.8 million in 2007; grants and contracts of \$18.0 million in 2009, \$16.4 million in 2008, and \$14.9 million in 2007; gifts of \$4.6 million in 2009, \$6.4 million in 2008, and \$6.7 million in 2007; and investment (loss) income of (\$6.5 million) in 2009, (\$553,000) in 2008, and \$10.4 million in 2007. Fiscal year 2008 was the first year during which the State's funding of the University increased since fiscal year 2001. State funding increased in 2009, for the second consecutive year, by \$6.1 million, or 8.4%.

Net nonoperating revenue decreased in 2009 from 2008 by \$562,000, or 0.6%, due primarily to the decline in investment income, offset by the increase in State support. Net nonoperating revenue decreased in 2008 from 2007 by \$7.5 million, or 7.5%, due primarily to the decline in investment income.

Other changes consist primarily of State capital appropriations of \$15.1 million in 2009, \$3.4 million in 2008, and \$6.8 million in 2007.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing and investing activities, and helps measure the ability to meet financial obligations as they mature. A summary of the statement of cash flows for the years ended June 30, 2009, June 30, 2008 and June 30, 2007 is as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net cash provided (used) by:			
Operating activities	\$ (91,764,282)	\$ (83,383,896)	\$ (76,698,136)
Noncapital financing activities	101,999,581	95,514,168	91,533,498
Capital financing activities	(4,261,211)	(39,231,358)	4,252,940
Investing activities	<u>1,006,976</u>	<u>27,699,391</u>	<u>(18,589,397)</u>
Net increase in cash	6,981,064	598,305	498,905
Cash at beginning of year	<u>4,075,392</u>	<u>3,477,087</u>	<u>2,978,182</u>
Cash at end of year	<u>\$ 11,056,456</u>	<u>\$ 4,075,392</u>	<u>\$ 3,477,087</u>

Major sources of cash included student tuition and fees of \$116.1 million in 2009, \$116.1 million in 2008, and \$111.6 million in 2007; State appropriations of \$79.1 million in 2009, \$72.9 million in 2008, and \$69.8 million in 2007; grants and contracts (operating and nonoperating) of \$38.4 million in 2009, \$41.4 million in 2008, and \$36.9 million in 2007; and auxiliary activities of \$16.7 million in 2009, \$14.4 million in 2008, and \$11.7 million in 2007.

The largest payments were for employee compensation and benefits totaling \$163.8 million in 2009, \$163.3 million in 2008, and \$152.6 million in 2007; suppliers of goods and services totaling \$86.8 million in 2009, \$80.8 million in 2008, and \$74.2 million in 2007; and purchases of capital assets totaling \$60.1 million in 2009, \$37.8 million in 2008, and \$44.6 million in 2007.

The change in cash flows from 2008 to 2009 in the capital financing category is due primarily to the \$42.8 million capital lease for energy conservation projects that was issued in 2009. The changes in cash flows from 2007 to 2008 in the capital financing and investing categories are attributable primarily to the sale of the Series 2007A and 2007B bonds in 2007.

Credit Rating

The University's bonds are rated "A" by Standard & Poor's, with the most recent rating published on April 14, 2008. This rating is consistent with the years ended June 30, 2008 and 2007. The highest achievable rating is "AAA." The University's capacity to meet its financial obligations is considered strong considering this rating.

Looking Ahead

The ability of the University to fulfill its mission and execute its strategic plan is directly influenced by enrollment, State support, and the cost of health care, utilities, employee compensation and unfunded State and Federal mandates.

Paramount to the University's continuing success is its accreditation by the North Central Association of Colleges and Schools, which in 2000 awarded the University a 10-year renewal with enthusiasm and without condition.

The University faces significant cost pressures in the future. These relate to attracting and retaining high quality faculty and staff, increasing costs of medical care and prescription drugs, volatile energy prices, and others.

A critical element to the University's future is its relationship with the State. There is a direct relationship between the level of State support and the University's ability to control tuition growth, as declines in State appropriations generally result in increased tuition levels. The State's capital appropriations continue to support construction and renovation of the University's facilities. Economic pressures affecting the State may affect the State's future support of the University.

Cleveland State University
Statement of Net Assets
June 30, 2009 and 2008

	2009	2008
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 11,056,456	\$ 4,075,392
Investments (Note 2)	15,565,304	14,483,130
Accounts Receivable, Net (Note 3)	19,025,380	17,889,421
Notes Receivable, Net (Note 3)	903,685	1,236,153
Accrued Interest Receivable	392,519	632,036
Prepaid Expenses, Deferred Charges and Inventories	1,290,027	1,821,852
Total Current Assets	48,233,371	40,137,984
Noncurrent Assets:		
Restricted Investments (Note 2)	74,370,736	69,725,474
Long-Term and Endowment Investments (Note 2)	61,320,310	74,567,031
Notes Receivable, Net (Note 3)	12,352,537	12,217,627
Deferred Bond Premium and Issuance Costs	2,435,648	2,517,926
Capital Assets, Net (Note 5)	379,904,921	340,451,912
Total Noncurrent Assets	530,384,152	499,479,970
Total Assets	578,617,523	539,617,954
LIABILITIES		
Current Liabilities:		
Accounts Payable	10,542,868	8,761,418
Construction Accounts Payable	4,324,571	5,163,066
Accrued Liabilities	8,836,060	9,464,598
Accrued Interest Payable	1,403,734	608,152
Deferred Revenue	9,689,730	7,946,437
Compensated Absences - Current Portion (Note 6)	792,395	1,247,930
Obligations Under Capital Leases - Current Portion (Note 6)	2,114,775	952,722
Long-Term Debt - Current Portion (Note 6)	4,465,933	3,530,933
Total Current Liabilities	42,170,066	37,675,256
Noncurrent Liabilities:		
Accrued Liabilities (Note 6)	11,144,918	10,729,378
Compensated Absences (Note 6)	8,561,600	7,407,162
Obligations Under Capital Leases (Note 6)	54,767,234	9,038,786
Long-Term Debt (Note 6)	148,716,009	153,181,942
Total Noncurrent Liabilities	223,189,761	180,357,268
Total Liabilities	265,359,827	218,032,524
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	246,794,695	241,694,315
Restricted, Expendable	17,078,592	16,875,687
Restricted, Nonexpendable	917,117	1,308,413
Unrestricted	48,467,292	61,707,015
Total Net Assets	\$ 313,257,696	\$ 321,585,430

The accompanying notes are an integral part of the financial statements.

Cleveland State University
Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2009 and 2008

	2009	2008
Revenues		
Operating Revenues:		
Student Tuition and Fees	\$ 130,750,629	\$ 130,867,361
Less Scholarship Allowances	15,487,219	14,204,847
Net Student Tuition and Fees	115,263,410	116,662,514
Federal Grants and Contracts	9,681,219	15,876,339
State Grants and Contracts	5,504,478	4,713,781
Local Grants and Contracts	681,071	655,670
Private Grants and Contracts	2,922,127	2,260,372
Sales and Services	4,709,650	4,567,254
Auxiliary Enterprises	15,433,175	15,289,171
Other Sources	569,657	454,031
Total Operating Revenues	154,764,787	160,479,132
Expenses		
Operating Expenses:		
Instruction	95,209,808	92,620,024
Research	12,880,105	13,768,194
Public Service	11,357,482	12,505,036
Academic Support	24,067,498	22,213,611
Student Services	19,781,003	18,225,802
Institutional Support	29,714,486	25,885,712
Operation and Maintenance of Plant	22,711,537	18,331,523
Scholarships and Fellowships	10,876,936	12,134,617
Auxiliary Enterprises	25,553,858	23,215,882
Depreciation and Amortization	17,742,326	18,363,172
Total Operating Expenses	269,895,039	257,263,573
Operating Loss	(115,130,252)	(96,784,441)
Nonoperating Revenues (Expenses)		
State Appropriations	79,056,333	72,934,809
Federal Grants and Contracts	13,998,357	12,551,220
State Grants and Contracts	4,015,508	3,886,127
Gifts	4,557,213	6,371,709
Investment Income	(6,546,238)	(552,911)
Interest on Debt	(3,360,216)	(2,908,053)
Net Nonoperating Revenues	91,720,957	92,282,901
Loss Before Other Changes	(23,409,295)	(4,501,540)
Other Changes		
State Capital Appropriations	15,069,316	3,384,009
Capital Gifts	12,245	233,450
Decrease in Net Assets	(8,327,734)	(884,081)
Net Assets		
Net Assets at Beginning of Year	321,585,430	322,469,511
Net Assets at End of Year	\$ 313,257,696	\$ 321,585,430

The accompanying notes are an integral part of the financial statements.

**Cleveland State University
Statement of Cash Flows**

	Years Ended June 30	
	2009	2008
Cash Flows from Operating Activities		
Tuition and Fees	\$ 116,088,860	\$ 116,116,258
Grants and Contracts	20,376,611	24,959,332
Payments to or On Behalf of Employees	(163,778,489)	(163,274,098)
Payments to Vendors	(86,805,739)	(80,781,000)
Loans Issued to Students	(771,320)	(1,863,981)
Collection of Loans to Students	1,174,466	2,006,797
Auxiliary Enterprises Charges	16,672,022	14,431,511
Other Receipts	5,279,307	5,021,285
Net Cash Used in Operating Activities	<u>(91,764,282)</u>	<u>(83,383,896)</u>
Cash Flows from Noncapital Financing Activities		
State Appropriations	79,056,333	72,934,809
Grants and Contracts	18,013,865	16,437,347
Gifts	4,557,213	6,371,709
Cash Provided by Stafford and PLUS Loans	96,397,555	84,296,141
Cash Used by Stafford and PLUS Loans	(96,254,088)	(84,532,531)
Cash Provided by Agency Fund Activities	(1,258,157)	572,102
Cash Used by Agency Fund Activities	1,486,860	(565,409)
Net Cash Provided by Noncapital Financing Activities	<u>101,999,581</u>	<u>95,514,168</u>
Cash Flows from Capital Financing Activities		
Proceeds from Capital Debt and Leases	48,839,328	29,233,791
Capital Appropriations	15,069,316	3,384,009
Capital Gifts and Grants	12,245	233,450
Purchases of Capital Assets	(60,137,706)	(37,753,080)
Principal Paid on Capital Debt and Leases	(5,479,761)	(26,856,412)
Interest Paid on Capital Debt and Leases	(2,564,633)	(7,473,116)
Net Cash (Used in) Capital Financing Activities	<u>(4,261,211)</u>	<u>(39,231,358)</u>
Cash Flows from Investing Activities		
Proceeds from Sales and Maturities of Investments	194,002,250	356,076,388
Purchase of Investments	(186,482,965)	(331,553,940)
Interest on Investments	(6,512,309)	3,176,943
Net Cash Provided by Investing Activities	<u>1,006,976</u>	<u>27,699,391</u>
Net Increase in Cash	6,981,064	598,305
Cash and Cash Equivalents at Beginning of Year	4,075,392	3,477,087
Cash and Cash Equivalents at End of Year	<u>\$ 11,056,456</u>	<u>\$ 4,075,392</u>

Cleveland State University
Statement of Cash Flows (continued)

	Years Ended June 30	
	2009	2008
Reconciliation of Operating Loss to Cash Used in Operating Activities		
Operating Loss	\$ (115,130,252)	\$ (96,784,441)
Adjustments:		
Depreciation and Amortization	17,742,326	18,363,172
Changes in Assets and Liabilities:		
Accounts Receivable, Net	1,888,690	495,227
Notes Receivable, Net	403,146	142,816
Inventories	14,032	(18,367)
Prepaid Expenses and Deferred Charges	517,793	278,855
Accounts Payable	962,985	(3,218,375)
Accrued Liabilities	93,705	(2,167,920)
Deferred Revenue	1,743,293	(474,863)
Cash Used in Operating Activities	\$ (91,764,282)	\$ (83,383,896)

The accompanying notes are an integral part of the financial statements.

The Cleveland State University Foundation, Inc.
Statement of Financial Position
June 30, 2009 and 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,909,635	\$ 7,128,858
Accounts receivable	63,674	26,771
Notes receivable	50,000	-
Contributions receivable, net of allowance for uncollectible contributions	704,079	924,383
Total Current Assets	5,727,388	8,080,012
Other assets:		
Notes receivable	1,741,180	-
Deposit	20,000	-
Contributions receivable, net of allowance for uncollectible accounts	3,418,263	5,865,879
Long-term investments	30,928,404	32,675,020
Funds held on behalf of others:		
Cleveland State University (Note 11)	1,804,588	2,004,172
Cleveland State University Alumni Association	316,780	436,489
Total Other assets	38,229,215	40,981,560
Total Assets	\$ 43,956,603	\$ 49,061,572
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 165,062	\$ 33,696
Payable to Cleveland State University (Note 11)	741,381	138,544
Annuities payable	29,847	34,498
Total Current Liabilities	936,290	206,738
Noncurrent Liabilities:		
Payable to Cleveland State University (Note 11)	36,115	59,762
Annuities payable	108,141	189,648
Funds held on behalf of others:		
Cleveland State University (Note 11)	1,804,588	2,004,172
Cleveland State University Alumni Association	316,780	436,489
Total Liabilities	3,201,914	2,896,809
NET ASSETS:		
Unrestricted	(2,219,137)	320,485
Board designated - Scholarships	130,130	170,472
Total unrestricted	(2,089,007)	490,957
Temporarily restricted (Note 10)	12,224,957	16,219,353
Permanently restricted (Note 10)	30,618,739	29,454,453
Total Net Assets	40,754,689	46,164,763
Total Liabilities and Net Assets	\$ 43,956,603	\$ 49,061,572

The accompanying notes are an integral part of the financial statements.

Euclid Avenue Housing Corporation
Statement of Financial Position
June 30, 2009 and 2008

	2009	2008
ASSETS		
Current assets:		
Cash and Cash Equivalents	\$ 539,621	\$ 1,056,315
Cash held by the University	222,727	172,281
Total Cash	762,348	1,228,596
Bond proceeds / Investments	7,956,579	3,700,835
Student accounts receivable, net of allowance for uncollectible accounts of \$11,000 in 2009 and \$4,000 in 2008	42,046	35,744
Other receivable	17,214	-
Accrued interest receivable	24,392	12,541
Prepaid Expenses	6,105	5,920
Total Current Assets	8,808,684	4,983,636
Other assets:		
Deferred bond issuance costs, net of accumulated amortization of \$287,371 in 2009 and \$220,998 in 2008	2,130,436	1,863,968
Note receivable	1,640,808	-
Property:		
Building	27,792,453	27,792,453
Building improvements	12,398	1,300
Furniture, fixtures and equipment	1,206,740	1,196,797
Construction in progress	11,484,505	-
	40,496,096	28,990,550
Less: Accumulated depreciation	(2,598,719)	(1,730,862)
	37,897,377	27,259,688
Other assets	720,000	-
Total Other assets	42,388,621	29,123,656
Total Assets	\$ 51,197,305	\$ 34,107,292
LIABILITIES		
Current Liabilities:		
Current portion of bonds payable (Note 11)	\$ 965,000	\$ 515,000
Current portion of notes payable	50,000	-
Accounts payable	2,297,621	376,532
Advance from University	300,000	-
Accrued interest	644,786	651,761
Accrued payroll	16,347	12,011
Deferred revenue	38,681	34,501
Security deposits	72,355	56,700
Total Current Liabilities	4,384,790	1,646,505
Noncurrent Liabilities:		
Bonds payable, less current portion (Note 11)	46,950,000	33,415,000
Notes payable, less current portion	2,461,180	-
Total Liabilities	53,795,970	35,061,505
NET ASSETS (DEFICIT)		
Unrestricted	(2,598,665)	(954,213)
Total Liabilities and Net Assets	\$ 51,197,305	\$ 34,107,292

The accompanying notes are an integral part of the financial statements.

The Cleveland State University Foundation, Inc.
Statement of Activities
Year Ended June 30, 2009 (with comparative totals for the year ended June 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	Total 2008
Revenues					
Contributions	\$ 210,533	\$ 4,701,789	\$ 2,264,172	\$ 7,176,494	\$ 8,400,117
Endowment management fee	28,171	-	-	28,171	29,439
Change in donor restrictions	-	(155,114)	155,114	-	-
Net assets released from restrictions:	4,612,736	(4,612,736)	-	-	-
Total revenues	4,851,440	(66,061)	2,419,286	7,204,665	8,429,556
Expenses					
Program services:					
Instructions	973,373	-	-	973,373	742,811
Research	182,164	-	-	182,164	213,019
Public service	1,110,466	-	-	1,110,466	1,468,290
Academic support	114,560	-	-	114,560	163,462
Financial aid	1,299,264	-	-	1,299,264	1,003,811
Institutional support	332,688	-	-	332,688	118,317
Auxiliary enterprises	564,632	-	-	564,632	2,270,496
Total program services	4,577,147	-	-	4,577,147	5,980,206
Supporting services:					
Management and general	412,477	-	-	412,477	420,344
Fund raising	136,743	-	-	136,743	59,739
Total supporting services	549,220	-	-	549,220	480,083
Losses:					
Investment loss, including realized and unrealized losses, net	2,305,037	3,349,946	-	5,654,983	3,384,347
Provision for uncollectible contributions	-	578,389	1,255,000	1,833,389	162,970
Total expenses and losses	7,431,404	3,928,335	1,255,000	12,614,739	10,007,606
Change in Net Assets	(2,579,964)	(3,994,396)	1,164,286	(5,410,074)	(1,578,050)
Net Assets - Beginning of Year	490,957	16,219,353	29,454,453	46,164,763	47,742,813
Net Assets - End of Year	\$ (2,089,007)	\$ 12,224,957	\$ 30,618,739	\$ 40,754,689	\$ 46,164,763

The accompanying notes are an integral part of the financial statements.

Euclid Avenue Housing Corporation
Statement of Activities
Years Ended June 30, 2009 and 2008

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

The accompanying notes are an integral part of the financial statements.

CLEVELAND STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

Cleveland State University (the University) was established by the General Assembly of the State of Ohio (the State) in 1964 by statutory act under Chapter 3344 of the Ohio Revised Code. As such, the University is a component unit of the State. The University is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, the University's financial statements are included, as a discretely presented component unit, in the State's Comprehensive Annual Financial Report.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net asset categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted, Expendable:** Net assets whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. Income generated from these funds may be designated for student scholarships, loans, instruction, research, and other specific University needs.
- **Restricted, Nonexpendable:** Net assets subject to externally imposed stipulations that they be maintained permanently by the University. Income generated from these funds may be designated for student scholarships, loans, instruction, research, and other specific University needs.
- **Unrestricted:** Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties.

The accompanying financial statements have been prepared on the accrual basis. The University reports as a Business-Type Activity, as defined by GASB Statement No. 35. Business-Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

FASB Pronouncements

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected not to apply FASB pronouncements issued after the applicable date.

Operating Activities

The University's policy for defining operating activities as reported on the statement of revenues, expenses and changes in net assets are those that result from exchange transactions such as payments received for providing services and payments made for goods or services received. The University also classifies as operating revenue grants classified as exchange transactions and auxiliary activities. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, including State appropriations and investment income. Operating expenses include educational resources, administrative expenses and depreciation on capital assets. Under the University's decentralized management structure, it is the responsibility of individual departments to determine whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The principal operating revenue is student tuition and fees. Student tuition and fees revenues are presented net of scholarships and fellowships applied to student accounts.

Summary of Significant Accounting Policies

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

Investments. Investments are recorded at fair value, as established by the major securities markets. Purchases and sales of investments are accounted for on the trade date basis. Investment income is recorded on the accrual basis. Realized and unrealized gains and losses are reported as investment income. The University classifies all investments that mature in less than one year as current investments.

Endowment investments are subject to the restrictions of gift instruments, requiring principal to be maintained in perpetuity with only the income from the investments available for expenditure. The University may set aside other assets for the same purposes as endowment investments (quasi-endowment); the University may expend the principal of quasi-endowment at any time.

Inventories. Inventories are reported at cost. Cost is determined on the average cost basis.

Capital Assets. Capital assets are stated at historical cost or at an appraised value at date of donation, if acquired by gift. It is the University's policy to capitalize equipment costing \$2,500 or more and buildings and improvements costing \$100,000 or more. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives (5 to 40 years) of the respective assets and is not allocated to the functional expenditure categories. Amortization of the capitalized cost of assets held under capital leases is generally computed using the straight-line method over the estimated useful lives of the underlying assets or the term of the lease, whichever is shorter. The University capitalizes but does not depreciate works of art or historical treasures that are held for exhibition, education, research and public service. Deferred bond issuance costs are capitalized and amortized over the life of the bonds using the straight-line method.

Compensated Absences. Classified employees earn vacation at rates specified under State law. Full-time administrators and 12-month faculty earn vacation at a rate of 22 days per year. The maximum amount of vacation that an employee can carry over from one fiscal year to the next is 30 days.

All University employees are entitled to a sick leave credit equal to 10 hours for each month of service (earned on a pro-rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury, or within certain limitations, be paid to the employee upon retirement. The amount paid to an employee, with 10 or more years of service upon retirement, is limited to one-quarter of the accumulated sick leave up to a maximum of 240 hours.

The University has an accrued liability for all accumulated vacation hours, plus an estimate of the amount of sick leave that will be paid upon retirement. Salary-related fringe benefits have also been accrued.

Deferred Revenue. Deferred revenue consists primarily of amounts received in advance of an event, such as student tuition and fees, and advance ticket sales related to the next fiscal year.

Summer term tuition and fees and corresponding expenses relating to the portion of the term that is within the current fiscal year is recognized as tuition revenue and operating expense. The portion of sessions falling into the next fiscal year are recorded as deferred revenue and prepaid expense in the statement of net assets and will be recognized in the following fiscal year.

Perkins Loan Program. Funds provided by the United States government under the Federal Perkins Loan program are loaned to qualified students and re-loaned after collection. These funds are ultimately refundable to the government and, therefore, are recorded as a liability in the accompanying financial statement of net assets.

Auxiliary Enterprises. Auxiliary enterprise revenues primarily represent revenues generated by parking, residence hall, Wolstein Center, food service, bookstore, recreation center, child care center and intercollegiate athletics.

Scholarship Allowances and Student Aid. Financial aid to students is reported in the statement of revenues, expenses, and changes in net assets under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method followed by the University, scholarship allowances are computed by allocating the cash payments to students, excluding payments for services, to the ratio of aid not considered to be third-party aid to total aid.

Component Units. The Cleveland State University Foundation, Inc. (the Foundation) and the Euclid Avenue Housing Corporation (the Corporation) are private nonprofit organizations that report under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's or the Corporation's financial information included in the University's financial report for these differences.

Reclassification. Certain reclassifications have been made to the 2008 comparative information to conform with the 2009 presentation.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Accounting Pronouncements. In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the University's 2010 fiscal year end. This Statement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. This statement also establishes specified conditions upon which internally generated intangible assets should be recognized and amortized, including internally generated computer software. The University is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for the University's 2010 fiscal year end. This Statement requires derivative instruments (such as interest rate swap agreements) to be reported at fair value. In addition, for derivative instruments that qualify as effective hedges, changes in fair value will be reported as deferrals in the statement of net assets, while changes in the fair value of the derivative instruments that do not qualify as effective hedges including investment derivative instruments, will be reported as investment income. The University is currently evaluating the impact this standard will have on the financial statements when adopted.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Protection of University cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Under State law, financial institutions must collateralize all public deposits. The value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third-party trustees of the financial institution.

At June 30, 2009, the cash and cash equivalents balance of \$11,056,456 is after the University recorded an overdraft consisting of items in transit of \$5,786,959 in accounts payable. The bank balance at June 30, 2009 was \$10,230,150, of which \$1,118,526 was covered by federal depository insurance, and \$9,111,624 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

At June 30, 2008, the cash and cash equivalents balance of \$4,075,392 is after the University recorded an overdraft consisting of items in transit of \$4,533,442 in accounts payable. The bank balance at June 30, 2008 was \$3,688,657, of which \$310,624 was covered by federal depository insurance, and \$3,378,033 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

Investments

In accordance with the Board of Trustees' resolution, the types of investments that may be purchased by the University include United States treasury securities, federal government agency securities, certificates of deposit, bank repurchase agreements, commercial paper, bonds and other obligations of the State of Ohio or any of its political subdivisions, the State Treasurer's Asset Reserve (STAR Ohio), bankers acceptances, money market funds, common stocks, and corporate bonds. The endowment investments are managed by the Foundation, which can also invest in real estate and alternative investments.

STAR Ohio is an investment pool managed by the Ohio state treasurer's office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. The investment is valued at STAR Ohio's share price, which represents fair market value, on June 30, 2009 and 2008.

Restricted investments consist of unspent debt proceeds.

As of June 30, 2009, the University had the following types of investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
U.S. agencies	\$ 3,000,000	\$ 3,000,000	\$ -
U.S. obligation mutual fund	35,681,467	35,681,467	-
Certificates of Deposit	48,004,000	48,004,000	-
STAR Ohio	3,250,573	-	-
Bond mutual funds	31,876,358	-	31,876,358
Stock mutual funds	29,443,952	-	-
Total	<u>\$ 151,256,350</u>	<u>\$ 86,685,467</u>	<u>\$ 31,876,358</u>

As of June 30, 2008, the University had the following types of investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
U.S. agencies	\$ 3,019,464	\$ -	\$ 3,019,464
U.S. obligation mutual fund	5,347,571	5,347,571	-
Commercial Paper	16,921,231	16,921,231	-
Certificates of Deposit	55,500,000	55,500,000	-
STAR Ohio	9,213,228	-	-
Bond mutual funds	35,434,423	-	35,434,423
Stock mutual funds	33,339,718	-	-
Total	<u>\$ 158,775,635</u>	<u>\$ 77,768,802</u>	<u>\$ 38,453,887</u>

Some of the U.S. agency securities are callable at various dates. The University believes that no securities will be called.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2009 and 2008, the University's investment in STAR Ohio is rated AAA by Standard & Poor's and Moody's. While the University's bond mutual fund investment itself is not rated, the credit quality of the fund's holdings is AA or better, as rated by Standard & Poor's and Moody's

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the University will not be able to recover the value of investment securities that are in the possession of an outside party. At June 30, 2009 and 2008, the University had no exposure to custodial credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University's investment policy places no limitation on the amount that may be invested in a single issuer. At June 30, 2009 and 2008, the University did not have more than 5% of its fixed income investments in any single issuer.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2009 and 2008, investments include approximately \$8.5 million and \$11 million, respectively, managed by international equity managers that are subject to foreign currency risk. Although the University's investment policy does not specifically address foreign currency risk, it does limit foreign investments to no more than 20% of the portfolio.

NOTE 3 – RECEIVABLES

The composition of accounts receivable at June 30, 2009 and 2008 is summarized as follows:

	<u>2009</u>	<u>2008</u>
Student accounts	\$10,207,292	\$ 9,485,894
Grants	7,006,654	8,594,370
State Capital	3,864,558	839,909
Other	1,416,655	2,399,760
Total Accounts Receivable	<u>22,495,159</u>	<u>21,319,933</u>
Less allowance for uncollectible accounts	<u>3,469,779</u>	<u>3,430,512</u>
Accounts Receivable - Net	<u><u>\$19,025,380</u></u>	<u><u>\$17,889,421</u></u>

Notes receivable consist primarily of loans to students under the federal Perkins Loan Program. The composition of notes receivable at June 30, 2009 and 2008 is summarized as follows:

	<u>2009</u>	<u>2008</u>
Perkins Loan Program	\$ 13,514,514	\$ 13,564,834
Foundation Capital Campaign	36,115	59,762
Other	<u>651,609</u>	<u>644,284</u>
Total Notes Receivable	14,202,238	14,268,880
Less allowance for uncollectible accounts	<u>946,016</u>	<u>815,100</u>
Notes Receivable - Net	13,256,222	13,453,780
Less Current Portion	<u>903,685</u>	<u>1,236,153</u>
Total Noncurrent Notes Receivable	<u><u>\$ 12,352,537</u></u>	<u><u>\$ 12,217,627</u></u>

NOTE 4 – STATE SUPPORT

The University is a State-assisted institution of higher education, which receives a student-based subsidy from the State. This subsidy is determined annually, based upon a formula devised by the Ohio Board of Regents.

In addition, the State provides the funding and constructs major plant facilities on the University's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and subsequent lease of the facility, by the Ohio Board of Regents. Upon completion, the Board of Regents turns over control of the facility to the University. Neither the obligation for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the University's financial statements. The OPFC revenue bonds are currently being funded through appropriations to the Board of Regents by the General Assembly.

The facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2009 and 2008 is summarized as follows:

	2009		2009		2009
	Beginning	Additions/	Retirements/	Ending	Balance
	Balance	Transfers	Transfers	Balance	Balance
Capital Assets:					
Non-depreciable:					
Land	\$ 53,692,989	\$ 1,090,537	\$ -	\$ 54,783,526	
Construction in Progress	34,397,677	32,218,929	683,966	65,932,640	
Capitalized Collections	7,102,155	-	-	7,102,155	
Intangible Assets	-	-	-	-	
Depreciable:					
Land Improvements	16,974,190	705,534	-	17,679,724	
Buildings	436,635,122	18,675,095	21,903,435	433,406,782	
Equipment	51,928,902	2,262,023	3,465,907	50,725,018	
Library Books	62,284,564	2,817,238	290,789	64,811,013	
Intangible Assets	483,059	-	-	483,059	
Total Capital Assets	<u>663,498,658</u>	<u>57,769,356</u>	<u>26,344,097</u>	<u>694,923,917</u>	
Less Accumulated Depreciation:					
Land Improvements	10,030,831	757,541	-	10,788,372	
Buildings	221,462,166	11,407,281	21,903,435	210,966,012	
Equipment	43,177,901	2,650,143	3,465,907	42,362,137	
Library Books	48,351,695	2,769,110	290,789	50,830,016	
Intangible Assets	24,153	48,306	-	72,459	
Total Accumulated Depreciation	<u>323,046,746</u>	<u>17,632,381</u>	<u>25,660,131</u>	<u>315,018,996</u>	
Capital Assets, Net	<u>\$ 340,451,912</u>	<u>\$ 40,136,975</u>	<u>\$ 683,966</u>	<u>\$ 379,904,921</u>	
	2008	Additions/	Retirements/	2008	Ending
	Beginning	Transfers	Transfers	Balance	Balance
	Balance	Transfers	Transfers	Balance	Balance
Capital Assets:					
Non-depreciable:					
Land	\$ 53,692,989	\$ -	\$ -	\$ 53,692,989	
Construction in Progress	21,274,380	19,274,120	6,150,823	34,397,677	
Capitalized Collections	7,102,155	-	-	7,102,155	
Intangible Assets	408,414	-	408,414	-	
Depreciable:					
Land Improvements	16,705,826	268,364	-	16,974,190	
Buildings	418,545,939	18,089,183	-	436,635,122	
Equipment	51,198,682	2,795,156	2,064,936	51,928,902	
Library Books	59,930,580	2,617,268	263,284	62,284,564	
Intangible Assets	-	483,059	-	483,059	
Total Capital Assets	<u>628,858,965</u>	<u>43,527,150</u>	<u>8,887,457</u>	<u>663,498,658</u>	
Less Accumulated Depreciation:					
Land Improvements	9,292,576	738,255	-	10,030,831	
Buildings	209,539,285	11,922,881	-	221,462,166	
Equipment	42,144,896	3,097,941	2,064,936	43,177,901	
Library Books	46,147,078	2,467,901	263,284	48,351,695	
Intangible Assets	-	24,153	-	24,153	
Total Accumulated Depreciation	<u>307,123,835</u>	<u>18,251,131</u>	<u>2,328,220</u>	<u>323,046,746</u>	
Capital Assets, Net	<u>\$ 321,735,130</u>	<u>\$ 25,276,019</u>	<u>\$ 6,559,237</u>	<u>\$ 340,451,912</u>	

NOTE 6 – NONCURRENT LIABILITIES

Noncurrent liabilities consist of the following as of June 30, 2009 and June 30, 2008:

	Due Dates	Interest Rate-%	2009 Beginning Balance	Additions	Reductions	2009 Ending Balance	Current
1996 Bonds Payable	1997-11	5.25-5.25	\$ 900,000	\$ -	285,000	\$ 615,000	\$ 300,000
2003A Bonds Payable	2007-33	2.5-5.25	30,855,000	-	1,275,000	29,580,000	1,310,000
2003A Bond Premium			631,329	-	25,338	605,991	25,338
2004 Bonds Payable	2005-34	2.25-5.25	58,825,000	-	1,550,000	57,275,000	1,590,000
2004 Bonds Premium			1,198,674	-	46,103	1,152,571	46,103
2007A Bonds Payable	2010-36	4.00-5.75	42,110,000	-	-	42,110,000	790,000
2007A Bond Premium			1,282,873	-	44,493	1,238,380	44,492
2008 Bonds Payable	2008-36	3.00-4.75	20,910,000	-	305,000	20,605,000	360,000
Capital Leases	2009-21	2.95-7.74	9,991,507	48,839,328	1,948,826	56,882,009	2,114,775
Total Debt			166,704,383	48,839,328	5,479,760	210,063,951	6,580,708
Perkins Student Loans			10,166,951	525,005	358,198	10,333,758	-
Deposits			562,427	3,511,402	3,262,669	811,160	-
Compensated Absences			8,655,092	698,903	-	9,353,995	792,395
			186,088,853	\$ 53,574,638	\$ 9,100,627	230,562,864	\$ 7,373,103
Less Current Portion long-term liabilities			(5,731,585)			(7,373,103)	
Long-Term Liabilities			\$ 180,357,268			\$ 223,189,761	

	Due Dates	Interest Rate-%	2008 Beginning Balance	Additions	Reductions	2008 Ending Balance	Current
1996 Bonds Payable	1997-2011	5.25-5.25	\$ 1,175,000	\$ -	\$ 275,000	\$ 900,000	\$ 285,000
2003A Bonds Payable	2007-2033	2.5-5.25	32,220,000	-	1,365,000	30,855,000	1,275,000
2003B Bonds Payable	2006-2033	Variable	13,855,000	-	13,855,000	-	-
2003A Bond Premium			656,665	-	25,336	631,329	25,338
2004 Bonds Payable	2005-2034	2.25-5.25	60,325,000	-	1,500,000	58,825,000	1,550,000
2004 Bonds Premium			1,244,777	-	46,103	1,198,674	46,103
2007A Bonds Payable	2010-2036	4.00-5.75	42,110,000	-	-	42,110,000	-
2007B Bonds Payable	2011-2036	Variable	9,210,000	-	9,210,000	-	-
2007A Bond Premium			1,327,366	-	44,494	1,282,872	44,492
2008 Bonds Payable	2008-2036	3.00-4.75	-	20,910,000	-	20,910,000	305,000
Capital Leases	2008-2018	3.21-7.27	2,203,196	8,323,791	535,479	9,991,508	952,722
Total Debt			164,327,004	29,233,791	26,856,412	166,704,383	4,483,655
Perkins Student Loans			10,698,663	1,293,774	1,825,486	10,166,951	-
Deposits			526,844	2,907,597	2,872,014	562,427	-
Compensated Absences			10,495,634	-	1,840,542	8,655,092	1,247,930
			186,048,145	\$ 33,435,162	\$ 33,394,454	186,088,853	\$ 5,731,585
Less Current Portion long-term liabilities			(5,035,563)			(5,731,585)	
Long-Term Liabilities			\$ 181,012,582			\$ 180,357,268	

In May 2008, the University issued general receipts bonds in the amount of \$20,910,000. The General Receipts Series 2008 Bonds were issued as fixed rate bonds maturing in 2013, 2033 and 2036. The proceeds of the bonds were used to refinance the 2003B and 2007B Bonds. The bonds have various call provisions.

During the year ended June 30, 2007, the University issued Series 2007A and 2007B general receipts bonds. The Series 2007A general receipts bonds were issued for \$42,110,000, bear interest rates between 4% and 5.75%, and mature in 2036. Proceeds were used to fund the construction of a new Student Center.

The Series 2007B general receipts bonds were issued for \$9,210,000. They bear variable interest rates that reset weekly and mature in 2036. The interest rate is set at rates based upon yield evaluations at par of comparable securities. The interest rate was 4.51% at April 24, 2008. Proceeds were used to fund the construction of a new building on the University's campus to house the College of Education and Human Services. This bond was called and refinanced in May 2008, using the proceeds of the General Receipts Series 2008 Bonds.

In August 2004, the University issued general receipts bonds in the amount of \$62,000,000. The General Receipts Series 2004 Bonds were issued as fixed rate bonds with serial maturities through 2008 and term bonds maturing in 2014, 2019, 2024, 2029 and 2034. The proceeds of the bonds were used to pay the cost of a variety of projects, including construction of a student center, parking facilities and a bookstore, renovations to a portion of Fenn Tower, and landscaping and other permanent site improvements to the main plaza.

In June 2003, the University issued Series 2003A and 2003B (Series 2003) general receipts bonds. The Series 2003A general receipts bonds were issued for \$35,745,000, bear interest rates between 2.5% and 5.25%, and mature in 2033. Proceeds were used to refund outstanding Series 1993 general receipts bonds, rehabilitate the Howe Mansion and construct an Administrative Center.

The Series 2003B general receipts bonds were issued for \$14,535,000. They bear variable interest rates that reset weekly and mature in 2033. The interest rate is set at rates based upon yield evaluations at par of comparable securities. The interest rate was 4.51% at April 24, 2008. Proceeds were used to fund the construction of a new Recreation and Fitness Center. This bond was called and refinanced in May 2008, using the proceeds of the General Receipts Series 2008 Bonds.

The University issued \$3,430,000 of general receipts bonds on November 1, 1996 (Series 1996). The proceeds were used to refinance existing debt and to renovate existing buildings. The bonds have various call provisions, and mature through 2011.

Interest expense on indebtedness was \$3,360,216 in fiscal 2009 and \$2,908,053 in fiscal 2008. On construction-related debt, interest cost of \$5,295,569, net of \$1,426,870 of interest earned on invested proceeds, was capitalized in fiscal 2009 and \$4,447,044, net of \$3,208,696 of interest earned on invested proceeds, was capitalized in fiscal 2008.

The University leases various pieces of equipment which have been recorded under various capital leases in amounts representing the present value of future minimum lease payments. Capital lease obligations are collateralized by equipment with an aggregate net book value of \$44,066,383 at June 30, 2009 and \$7,138,178 at June 30, 2008. The capital leases have varying maturity dates through 2021.

Principal and interest payable for the next five years and in subsequent five-year increments are as follows:

	Bonds Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2010	\$ 4,350,000	\$ 7,131,775	\$ 2,114,775	\$ 2,544,225
2011	4,510,000	6,975,200	2,988,652	2,443,175
2012	4,345,000	6,806,085	5,925,059	2,240,347
2013	9,635,000	6,629,935	6,195,768	1,965,274
2014	3,935,000	6,230,760	5,219,125	1,703,668
2015-2019	22,875,000	27,968,056	26,577,214	5,032,090
2020-2024	24,855,000	22,063,439	7,861,416	355,590
2025-2029	31,560,000	15,367,475	-	-
2030-2034	37,730,000	6,877,475	-	-
2035-2036	6,390,000	439,050	-	-
	<u>\$ 150,185,000</u>	<u>\$ 106,489,250</u>	<u>\$ 56,882,009</u>	<u>\$ 16,284,369</u>

The University has entered into various lease agreements for office equipment, and office and classroom space, which are considered operating leases. The University has leased space in the Fenn Tower building from the Corporation, which it uses for classrooms and meeting rooms. Total rental expense under operating leases during the years ended June 30, 2009 and 2008 amounted to \$1,581,361 and \$1,018,935, respectively. The operating leases have varying maturity dates through 2037.

Future minimum operating lease payments as of June 30, 2009 are as follows:

Year Ending June 30	Operating Leases
2010	\$ 1,646,453
2011	1,661,223
2012	1,665,414
2013	1,372,438
2014	1,000,683
2015-2019	2,611,891
2020-2024	2,349,500
2025-2029	2,349,500
2030-2034	2,349,500
2035-2037	978,958
	<u>\$ 17,985,560</u>

NOTE 7 – EMPLOYMENT BENEFIT PLANS

Retirement Plans

Substantially all non-student University employees are covered by one of three retirement plans. The university faculty are covered by the State Teachers Retirement System of Ohio (STRS). Non-faculty employees are covered by the Ohio Public Employees Retirement System (OPERS). Employees may opt out of STRS and OPERS and participate in the Alternative Retirement Plan (ARP).

STRS and OPERS both offer three separate retirement plans: the defined benefit plan, the defined contribution plan, and a combined plan.

Defined Benefit Plans

STRS is a statewide retirement plan for certified teachers. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by State statute. Contribution rates are established by the State Teachers Retirement Board, not to exceed the statutory maximum rates of 10% for employees and 14% for employers. Currently, employees contribute 10% of covered payroll and employers contribute 14% of covered payroll. The University's contributions to STRS for the years ending June 30, 2009, 2008, and 2007 were \$7,402,446, \$7,408,781, and \$7,323,571, respectively, equal to the required contributions for each year. STRS issues a stand-alone financial report. The report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3771, by calling 1-888-227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

OPERS is a statewide retirement plan, which covers non-teaching University employees. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by State statute. Contribution rates are established by the Ohio Public Employee Retirement Board, not to exceed the statutory maximum rates of 10% for employees and 14% for employers. Currently, employees contribute 10% of covered payroll and employers contribute 14% of covered payroll. The University's contributions to OPERS for the years ending June 30, 2009, 2008, and 2007 were \$7,364,278, \$7,161,846, and \$6,628,311, respectively, equal to the required contributions for each year. OPERS issues a stand-alone financial report. The report may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Defined Contribution Plan

The University also offers eligible employees an alternative retirement program. The University is required to contribute to STRS 3.50% of earned compensation for those employees participating in the alternative retirement program. The University's contributions for the years ended June 30, 2009, 2008 and 2007 were \$327,263, \$319,559 and \$309,874, respectively, which equal 3.50% of earned compensation.

STRS also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 10.5% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no postretirement health care benefits.

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

Combined Plans

STRS offers a combined plan with features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits.

OPERS also offers a combined plan. This is a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. OPERS also provides retirement, disability, survivor, and postretirement health care benefits to qualified members.

Post-employment Benefits

STRS provides other postemployment benefits (OPEB) to all retirees and their dependents, while OPERS provides postretirement health care coverage to age and service retirees (and dependents) with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available under OPERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 1.0% of the total 14.00%, while the OPERS rate was 7.0% of the total 14.00% for the year ended June 30, 2008.

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and OPERS. Postretirement healthcare under STRS is financed on a pay-as-you-go basis. Assets available in the health care reserve fund for STRS amounted to \$3.7 billion at June 30, 2008 (the latest information available). The number of benefit recipients eligible for OPEB was 126,506 for STRS at June 30, 2008. The amount contributed by the University to STRS to fund these benefits for the years ended June 30, 2009, 2008 and 2007 was \$528,746, \$529,199, and \$523,112, respectively.

Postretirement health care under OPERS is advance-funded on an actuarially determined basis. The actuarial value of OPERS net assets available for OPEB at December 31, 2007 (the latest information available) is \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.8 billion and \$17.0 billion, respectively. Significant actuarial assumptions include a 6.5% investment return, a 4% individual pay increases, and a 4% increase in health care costs. All investments are carried at market value. For actuarial valuations purposes, a smoothed market approach is used. The number of OPERS active contributing participants was 363,503 for the year ended December 31, 2008. The amount contributed by the University to OPERS for OPEB funding for the years ended June 30, 2009, 2008 and 2007 was \$3,682,139, \$2,579,782 and \$2,184,545, respectively.

NOTE 8 – RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On July 1, 1993, the University joined with 11 other state-assisted universities in Ohio to form an insurance-purchasing pool for the acquisition of commercial property and casualty insurance. The University pays annual premiums to the pool for its property and casualty insurance coverage based on its percentage of the total insurable value to the pool. Future contributions will be adjusted based upon each university's loss history. Each university has a base deductible of \$100,000. The next \$250,000 of any one claim is the responsibility of the pool, which has a total annual aggregate deductible limit of \$700,000. The commercial property insurer is liable for the amount of any claim in excess of \$350,000, or \$100,000 in the event the pool has reached its annual limit. There were no significant reductions in coverage from the prior year.

The University maintains a self-insured dental plan for its employees. The University's risk exposure is limited to claims incurred. The changes in the total liability for actual and estimated dental claims for the years ended June 30, 2009 and 2008 are summarized below:

	2009	2008
Liability at beginning of year	\$ 27,074	\$ 17,809
Claims Incurred	1,113,669	1,099,177
Claims Paid	(1,133,582)	(1,089,912)
Liability at end of year	<u>\$ 7,161</u>	<u>\$ 27,074</u>

The University maintains a self-insured medical plan for its employees. The University's risk exposure is limited to claims incurred. There is a \$150,000 specific stop loss for any given claim. The changes in the total liability for actual and estimated medical claims for the years ended June 30, 2009 and 2008 are summarized below:

	2009	2008
Liability at beginning of year	\$ 1,199,384	\$ 1,010,502
Claims Incurred	9,753,965	8,456,125
Claims Paid	(9,892,840)	(8,414,024)
IBNR-(Decrease) Increase in estimated claims	148,974	146,781
Liability at end of year	<u>\$ 1,209,483</u>	<u>\$ 1,199,384</u>

Medical claims are based upon estimates of the claims liabilities. Estimates are based upon past experience, medical inflation trends, and current claims outstanding, including year-end lag analysis. Differences between the estimated claims payable and actual claims paid are reported as an operating expense in the Statement of Revenues, Expenses and Changes in Net Assets.

The University participates in a State pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis (the Plan), which pays workers' compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Workers' Compensation (the Bureau) based on estimates that incorporate past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. Participants in the Plan annually fund the workers' compensation liability based on rates set by the Bureau to collect cash needed in subsequent fiscal years to pay the workers' compensation claims of participating state agencies and universities.

During the normal course of its operations, the University has become a defendant in various legal actions. It is not possible to estimate the outcome of these legal actions; however, in the opinion of legal counsel and the University administration, the disposition of these pending cases will not have a material adverse effect on the financial condition or operations of the University. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 9 – GRANT CONTINGENCIES

The University receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the University. However, in the opinion of the University administration, any such disallowed claims will not have a material effect on any of the financial statements of the University at June 30, 2009.

NOTE 10 – NET ASSETS

The temporary and permanently restricted net assets of the Foundation are balances whose use by the Foundation has been limited by the donors to a specific time period or purpose. Temporarily restricted net assets are available, and permanently restricted net assets are held in perpetuity, for the following purposes:

	Temporarily Restricted	Permanently Restricted
Instruction/research	\$ 3,152,841	\$ 6,841,576
Public service	4,038,942	50,567
Academic support	908,351	900,326
Financial aid	2,576,955	21,720,151
Institutional support	490,815	1,068,801
Auxiliary enterprises	1,057,053	37,318
	<u>\$ 12,224,957</u>	<u>\$ 30,618,739</u>

NOTE 11 – COMPONENT UNITS

The Foundation and the Corporation are legally separate not-for-profit entities organized for the purpose of providing support to the University. Both the Foundation and the Corporation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Board of the Foundation is self-perpetuating and consists of business leaders and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. Complete financial statements for the Foundation can be obtained from the Office of the Executive Director at 2121 Euclid Avenue, Keith Building Room 323, Cleveland, OH 44115-2214.

During the years ended June 30, 2009 and 2008, the Foundation paid \$3,921,197 and \$5,331,260, respectively, to the University. At June 30, 2009 and 2008, the University had receivables from the Foundation totaling \$777,496 and \$198,306, respectively.

As authorized by the Board of Trustees, beginning in fiscal year 1998, the University placed Endowment and Quasi-Endowment funds on deposit with the Foundation for investment. At June 30, 2009 and 2008, the amount on deposit with the Foundation totaled \$1,804,588 and \$2,004,172, respectively.

The Corporation was organized primarily to further the educational mission of the University by developing, owning and managing housing for the students, faculty and staff of the University. On March 1, 2005, the Corporation leased the Fenn Tower building, located on the University's campus, from the University. Annual rent is equal to the net available cash flows from the Fenn Tower project. No rent was paid during fiscal years 2009 and 2008. On March 1, 2005, the Corporation entered into a Development Agreement with American Campus Communities (ACC) to plan, design and construct housing units in Fenn Tower. In addition, the Corporation entered into a Management Agreement with ACC to manage Fenn Tower. The project was completed in August 2006. The facility has the capacity to house 430 residents.

On March 17, 2005, the Corporation issued \$34,385,000 of Cleveland-Cuyahoga County Port Authority bonds (Series 2005 Bonds) to finance the costs of the Fenn Tower project. The Series 2005 Bonds are serial bonds maturing between 2007 and 2036. Interest rates are fixed and vary from 3.0% to 4.5%.

On June 1, 2008, the Corporation leased land, owned by the University and located on its campus, from the University. On August 22, 2008, the Corporation entered into a design-build agreement with the Apostolos Group to construct a 623-car parking garage on the site. On July 1, 2008, the Corporation entered into a lease agreement with the University to operate the garage once construction is completed. On July 25, 2008, the Corporation issued \$14,500,000 of tax-exempt bonds with the Cleveland-Cuyahoga County Port Authority to finance construction of the garage. The Series 2008 Bonds are serial bonds maturing between 2009 and 2040. They bear variable interest rates that reset weekly. The interest rate is set at rates based upon yield evaluations at par of comparable securities. The interest rate was .30% at June 30, 2009. Construction of the garage was completed in August 2009.

Principal and interest payable for the next five years and in subsequent five-year increments are as follows:

	Principal	Interest
2010	\$ 965,000	\$ 1,883,642
2011	1,035,000	1,854,235
2012	1,065,000	1,821,051
2013	1,095,000	1,786,564
2014	1,125,000	1,749,543
2015-2019	6,195,000	14,312,399
2020-2024	7,580,000	14,323,500
2025-2029	9,070,000	14,095,892
2030-2034	10,985,000	13,972,628
2035-2039	8,800,000	9,512,348
	<u>\$47,915,000</u>	<u>\$75,311,802</u>

Complete financial statements for the Corporation can be obtained from the Office of the President at 2121 Euclid Avenue, Cleveland, OH 44115-2214.