



**CENTRAL STATE UNIVERSITY FOUNDATION  
GREENE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Central State University Foundation  
Greene County  
1400 Brush Row Road  
Wilberforce, Ohio 45384

To the Board of Trustees:

We have audited the accompanying financial statements of the Central State University Foundation, Greene County, (the Foundation) as of and for the years ended June 30, 1999 and 1998. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 1, the Foundation prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Central State University Foundation, Greene County, as of June 30, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2000 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

**JIM PETRO**  
Auditor of State

June 15, 2000



**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES - ALL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total (Memorandum Only)</u>
<b>Cash receipts:</b>				
Contributions	\$122,297	\$ 422,893	\$ 55,410	\$ 600,600
Investment income	18,997	-	34,821	53,818
Reimbursements	1,126	23,226	-	24,352
Other revenue	-	49,019	-	49,019
Unrealized gain on investments	-	-	69,639	69,639
Interfund Transfers	-	(18,000)	18,000	-
Net assets released from restrictions:				
Satisfaction of donor restrictions	<u>340,849</u>	<u>(334,131)</u>	<u>(6,718)</u>	<u>-</u>
Total cash receipts after assets released from restriction	<u>483,269</u>	<u>143,007</u>	<u>171,152</u>	<u>797,428</u>
<b>Cash disbursements:</b>				
Scholarship Programs	39,196	-	-	39,196
Athletic Programs	29,622	-	-	29,622
Academic Programs	74,847	-	-	74,847
Institution Programs	163,704	-	-	163,704
Distributions to Alumni Association	33,480	-	-	33,480
Other Department Expenditures	<u>53,357</u>	<u>-</u>	<u>-</u>	<u>53,357</u>
Total cash disbursements	<u>394,206</u>	<u>-</u>	<u>-</u>	<u>394,206</u>
Excess of cash receipts and other additions over (under) cash disbursements	<u>89,063</u>	<u>143,007</u>	<u>171,152</u>	<u>403,222</u>
Fund cash balance July 1, 1998	<u>22,722</u>	<u>446,387</u>	<u>713,320</u>	<u>1,182,429</u>
Fund cash balance June 30, 1999	<u>\$111,785</u>	<u>\$589,394</u>	<u>\$884,472</u>	<u>\$1,585,651</u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Central State University Foundation (the Foundation) is an Ohio nonprofit corporation. The Foundation was formed to receive contributions which are to be used to support the educational undertakings of Central State University. The Foundation operates exclusively for the benefit of Central State University. The Foundation's is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

**B. Basis of Accounting**

These financial statements were prepared on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

**C. Cash and Investments**

The Foundation currently maintains their cash accounts in 1) an interest bearing money market and an interest bearing checking account, 2) a certificate of deposit, and 3) investment accounts managed by the Fifth Third/Ohio Company. Investments within the investment accounts are reported at market value. All investment accounts are reported within the permanently restricted funds.

**D. Fund Accounting**

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, its accounts are maintained in accordance with principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund, however, in the accompanying statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The Foundation classifies its funds into the following types:

**Unrestricted Funds**

The Foundation had the following significant unrestricted funds:

Unrestricted Fund - used to account for all financial resources presently available for use by the Foundation.

President's Discretionary Fund - used to account for contributions which are expendable at the discretion of the University's President.

**Temporarily Restricted Funds**

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

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**Temporarily Restricted Funds (Continued)**

Tom Joyner Fund - This fund receives donations from the Tom Joyner Foundation Program for scholarships to students who demonstrate financial need.

Packard Foundation Grant Fund - This fund receives proceeds from a grant given by the David and Lucille Packard Foundation to support science programs.

**Permanently Restricted Funds**

These funds are used to account for resources in which the donor has stipulated, as a condition of the gift, that the principle be maintained intact and only the investment income of the fund be expended as the donor specified. The Foundation had the following categories of permanently restricted funds.

Scholarship Endowment Funds - Investment income of the funds may be expended for student scholarships.

Academic Endowment Funds - Investment income of the funds may be expended for academic purposes.

General Endowment Funds - Investment income of the funds may be expended for general operations of the University at the discretion of the Foundation.

**E. Gifts**

Gifts are recorded at their fair market value as of the date received.

**F. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

**2. DISTRIBUTIONS TO CENTRAL STATE UNIVERSITY**

Upon request by the authorities of Central State University, the Foundation distributes funds to the University to be used in accordance with the original donor's specifications. Management of the Foundation is responsible for determining that the University's requests are in accordance with donors' specifications and that they are recorded to the proper fund accounts of the Foundation.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**3. DEPOSITS AND INVESTMENTS**

The carrying amount of cash and investments at June 30, 1999, was as follows:

	Fund Type			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Deposits				
Demand deposits	\$(399,193)	\$589,394	\$ 37,850	\$ 228,051
Money market funds	-	-	130,822	130,822
Certificate of deposit	100,000	-	-	100,000
Business index account	<u>410,978</u>	<u>-</u>	<u>-</u>	<u>410,978</u>
Total Deposits	<u>111,785</u>	<u>589,394</u>	<u>168,672</u>	<u>869,851</u>
Investments				
Stock	-	-	210,320	210,320
Mortgage backed securities	-	-	91,451	91,451
Federal agency notes	-	-	31,800	31,800
Unit investment trust	-	-	41,033	41,033
Mutual funds	<u>-</u>	<u>-</u>	<u>341,196</u>	<u>341,196</u>
Total Investments	<u>-</u>	<u>-</u>	<u>715,800</u>	<u>715,800</u>
Total	<u>\$ 111,785</u>	<u>\$589,394</u>	<u>\$884,472</u>	<u>\$ 1,585,651</u>

**Deposits:**

At year-end, the bank balances of deposits was \$879,056. Of the bank balance, \$100,000 was covered by federal depository insurance and \$779,056 was uninsured and uncollateralized.

**Investments:**

All Foundation investments are held in the permanently restricted funds and are reported at market value. For the year ended June 30, 1999, the investment market values increased by \$69,639 which is reflected as an unrealized gain on investments.

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES - ALL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1998**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total (Memorandum Only)</u>
<b>Cash receipts and inter-fund transfers:</b>				
Contributions	\$ 67,328	\$ 198,830	\$ 4,825	\$ 270,983
Investment income	11,323	-	39,245	50,568
Reimbursements	35	7,776	1,592	9,403
Unrealized gain on investments	-	-	81,884	81,884
Miscellaneous	15	17,814	-	17,829
Inter-fund transfers	(87,774)	91,790	(4,016)	-
Net assets released from restrictions:				
Satisfaction of donor restrictions	<u>291,788</u>	<u>(276,539)</u>	<u>(15,249)</u>	<u>-</u>
Total cash receipts and inter-fund transfers after assets released from restriction	<u>282,715</u>	<u>39,671</u>	<u>108,281</u>	<u>430,667</u>
<b>Cash disbursements:</b>				
Scholarship Programs	40,672	-	-	40,672
Athletic Programs	32,135	-	-	32,135
Academic Programs	50,281	-	-	50,281
Institution Programs	162,240	-	-	162,240
Distributions to Alumni Association	6,460	-	-	6,460
Other Department Expenditures	<u>51,786</u>	<u>-</u>	<u>-</u>	<u>51,786</u>
Total cash disbursements	<u>343,574</u>	<u>-</u>	<u>-</u>	<u>343,574</u>
Excess of cash receipts and other additions over (under) cash disbursements	(60,859)	39,671	108,281	87,093
Fund cash balance July 1, 1997	<u>83,581</u>	<u>406,716</u>	<u>605,039</u>	<u>1,095,336</u>
Fund cash balance June 30, 1998	<u>\$ 22,722</u>	<u>\$446,387</u>	<u>\$713,320</u>	<u>\$1,182,429</u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Central State University Foundation (the Foundation) is an Ohio nonprofit corporation. The Foundation was formed to receive contributions which are to be used to support the educational undertakings of Central State University. The Foundation operates exclusively for the benefit of Central State University. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

**B. Basis of Accounting**

These financial statements were prepared on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

**C. Cash and Investments**

The Foundation currently maintains their cash accounts in 1) an interest bearing money market and an interest bearing checking account, 2) a certificate of deposit, and 3) investment accounts managed by the Fifth Third/Ohio Company. Investments within the investment accounts are reported at market value. All investment accounts are reported within the permanently restricted funds.

**D. Fund Accounting**

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, its accounts are maintained in accordance with principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund however, in the accompanying statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The Foundation classifies its funds into the following types:

**Unrestricted Funds**

The Foundation had the following significant unrestricted funds:

Unrestricted Fund - used to account for all financial resources presently available for use by the Foundation.

President's Discretionary Fund - used to account for contributions which are expendable at the discretion of the University's President.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**Temporarily Restricted Funds**

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

Sunken Garden Fund - This fund receives contributions from several sources and is used for construction and maintenance of the sunken garden in the center of the University.

CSU Chorus Gifts Fund - Receives donations and general fund transfers to fund travel expenses, awards, supplies and professional services in relation to the university chorus.

Academic Funds - Receives donations from private companies and foundations with their own restrictions.

**Permanently Restricted Funds**

These funds are used to account for resources in which the donor has stipulated, as a condition of the gift, that the principle be maintained intact and only the investment income of the fund be expended as the donor specified. The Foundation had the following categories of permanently restricted funds.

Scholarship Endowment Funds - Investment income of the fund may be expended for student scholarships.

Academic Endowment Funds - Investment income of the fund 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.

**E. Gifts**

Gifts are recorded at their fair market value as of the date received.

**F. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

**2. DISTRIBUTIONS TO CENTRAL STATE UNIVERSITY**

Upon request by the authorities of Central State University, the Foundation distributes funds to the University to be used in accordance with the original donor's specifications. Management of the Foundation is responsible for determining that the University's requests are in accordance with donor's specifications and that they are recorded to the proper fund accounts of the Foundation.

**3. DEPOSITS AND INVESTMENTS**

The carrying amount of cash and investments at June 30, 1998, was as follows:

	Fund Type			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Deposits				
Demand deposits	\$(77,278)	\$446,387	\$ 9,158	\$ 378,267
Money market funds	-	-	31,212	31,212
Certificate of deposit	<u>100,000</u>	-	-	<u>100,000</u>
Total Deposits	<u>22,722</u>	<u>446,387</u>	<u>40,370</u>	<u>509,479</u>
Investments				
Stock	-	-	236,436	236,436
Mortgage backed Securities	-	-	129,769	129,769
Federal agency notes	-	-	32,587	32,587
Unit investment Trust	-	-	41,632	41,632
Mutual funds	<u>-</u>	<u>-</u>	<u>232,526</u>	<u>232,526</u>
Total Investments	<u>-</u>	<u>-</u>	<u>672,950</u>	<u>672,950</u>
Total	<u>\$ 22,722</u>	<u>\$446,387</u>	<u>\$713,320</u>	<u>\$1,182,429</u>

**Deposits:**

At year end the bank balances of deposits was \$518,772. Of the bank balance, \$100,000 was covered by federal depository insurance and \$418,772 was uninsured and uncollateralized.

**Investments:**

All Foundation investments are held in the permanently restricted funds and are reported at market value. For the year ended June 30, 1998, the investment market values increased by \$81,884 which is reflected as an unrealized gain on investments.



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## REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Central State University Foundation  
Greene County  
1400 Brush Row Road  
Wilberforce, Ohio 45384

To the Board of Trustees:

We have audited the financial statements of Central State University Foundation, Greene County, (the Foundation) as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated June 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Foundation in a separate letter dated June 15, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Foundation's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-70329-001, 1999-70329-002, and 1999-70329-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1999-70329-001, 1999-70329-002, and 1999-70329-003 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Foundation in a separate letter dated June 15, 2000.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.



**JIM PETRO**  
Auditor of State

June 15, 2000



**SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

<b>FINDING NUMBER</b>	<b>1999-70329-001</b>
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**Monthly Reconciliations**

During fiscal years 1999 and 1998, the Foundation did not perform monthly bank reconciliations. Bank transactions were verified, but no reconciliations to book balances were performed. At year-end, the Foundation contracted services to perform annual reconciliations.

Failure to perform cash reconciliations on a timely basis could result in Foundation funds being misappropriated without detection in a timely manner.

To reasonably ensure the completeness of recorded transactions and depository and investment account balances, the Foundation should provide training in this area to its fund administrator. Reconciliations of the general ledger (book) balance and the bank and investment account balances should be performed on a monthly basis with management review of balances, adjustments, and any unreconciled differences.

<b>FINDING NUMBER</b>	<b>1999-70329-002</b>
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**Purchasing Procedures**

The Foundation has written procedures for requesting and supporting expenditures. Before a check is written, a requisition must be submitted to the Fund Administrator. In part, the requisition must include the date, the signature of the fund manager or executive director, and adequate support for the amount requested.

During fiscal year 1998, a significant amount of checks were written without a signed and dated requisition. Approval from the administrator was not obtained. Also, some requisitions were dated subsequent to the expenditure, and support for material expenditures was not on file at the Foundation. In many instances, it took weeks to find and/or obtain support documentation for 1998 expenditures.

Failure to write checks without written approval and support could result in the misappropriation of Foundation funds.

To ensure accountability of Foundation assets, checks should not be written until Foundation procedures are followed.

<b>FINDING NUMBER</b>	<b>1999-70329-003</b>
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**Insufficient Collateral**

During the audit period, the Foundation had deposits in their checking account in excess of the \$100,000 insurance provided through the FDIC. The investment account also had cash and cash equivalents which were not uninsured. In total, the uncollateralized amounts at June 30, 1999 and 1998 were \$779,056 and \$418,772, respectively. Failure to obtain some form of insurance on deposits could result in Foundation funds being lost in case of bankruptcy by the bank or investment company. To minimize the risk of loss of funds, the Foundation should obtain collateral or other form of insurance for any uninsured deposits.

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b></u>
1997-70329-001	Finding for Recovery issued against Francoise Agnovino in the amount of \$150.05	No	The Foundation has made two requests for recovery of the money. As of the report date, it has not been repaid.
1997-70329-002	Finding for Recovery issued against Dr. Laxley Rodney in the amount of \$700.00	Yes	N/A
1997-70329-003	Failure to perform cash reconciliations	No	Partially corrected, however a book-to-bank reconciliation is not performed nor is an outstanding check list maintained.
1997-70329-004	Lack of segregation of duties	Yes	N/A
1997-70329-005	Entering into grant agreements inconsistent with the purpose of the Foundation.	Yes	N/A
1997-70329-006	Excessive number of funds with no activity; listed as both University and Foundation accounts	No	Partially corrected. Funds are now listed as Foundation funds, the Board has approved elimination of the funds, and public notification was given early in 1999, however action has not been taken to eliminate the funds from the books.
1997-70329-007	Negative fund balances due to lack of monitoring fund balances	No	Partially corrected. In some instances in FY 1998 fund balances were reviewed before an expenditure was authorized.
1997-70329-008	Lack of maintaining documentation and monitoring of donations	No	Partially corrected. Procedures are being developed for the maintenance of individual donor files. Currently donor records are maintained in a database as well as with the designated account.
1997-70329-009	Checks issued to fund managers without monitoring support for expenditure.	No	Significantly corrected in fiscal year 1999. In fiscal year 1998 numerous requisitions for checks did not have support on file for monitoring purposes. Support was located in various departments of the University or from vendors' records.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**CENTRAL STATE UNIVERSITY FOUNDATION**

**GREENE COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 22, 2000**