

CAMPUS DISTRICT , INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

CAMPUS DISTRICT , INC.

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August 25, 2011

To the Board of Directors
Campus District, Inc.
Cleveland, Ohio

Independent Auditors' Report

We have audited the accompanying statements of financial position of Campus District, Inc. (a not-for-profit corporation) as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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. 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 provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Campus District, Inc. as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Koester, DiSalvo and Fried

CAMPUS DISTRICT, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS			
	<u>Jun. 30, 2011</u>	<u>Jun. 30, 2010</u>	<u>Increase (Decrease)</u>
Current Assets			
Cash and cash equivalents	\$ 189,197	\$ 199,852	\$ (10,655)
Accounts receivable	29,117	17,410	11,707
Prepaid expenses	<u>2,202</u>	<u>1,902</u>	<u>300</u>
Total Current Assets	220,516	219,164	1,352
Property and Equipment			
Furniture	2,309	2,309	-
Office equipment	782	782	-
University loft condo	203,818	203,818	-
Less: accumulated depreciation	<u>(11,128)</u>	<u>(3,709)</u>	<u>(7,419)</u>
Net Property and Equipment	195,781	203,200	(7,419)
Other Assets			
Deposit-W.C.	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total Other Assets	<u>1,000</u>	<u>1,000</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 417,297</u></u>	<u><u>\$ 423,364</u></u>	<u><u>\$ (6,067)</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

CAMPUS DISTRICT, INC.
STATEMENTS OF FINANCIAL POSITION

LIABILITIES AND NET ASSETS

	<u>Jun. 30, 2011</u>	<u>Jun. 30, 2010</u>	<u>Increase (Decrease)</u>
Current Liabilities			
Accounts payable	\$ -	\$ 651	\$ (651)
Current portion of long-term debt	5,510	5,164	346
Security deposit	560	560	-
Accrued pension	30,000	-	30,000
Payables-other	21,682	10,122	11,560
Deferred revenue	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total Current Liabilities	72,751	16,497	56,254
Long-Term Liabilities			
Mortgage payable	120,441	125,604	(5,163)
Less current portion	<u>(5,510)</u>	<u>(5,164)</u>	<u>(346)</u>
Total Long-Term Liabilities	<u>114,931</u>	<u>120,440</u>	<u>(5,509)</u>
Total Liabilities	187,682	136,937	50,745
Net Assets			
Unrestricted	217,615	286,427	(68,812)
Temporarily restricted	12,000	-	12,000
Permanently restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>229,615</u>	<u>286,427</u>	<u>(56,812)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 417,297</u>	<u>\$ 423,364</u>	<u>\$ (6,067)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CAMPUS DISTRICT, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Un- Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ -	\$ 65,617	\$ -	\$ 65,617
Contributions	-	24,500	-	24,500
Contract income	39,450	-	-	39,450
Charter membership dues	75,000	-	-	75,000
General membership dues	18,500	-	-	18,500
Miscellaneous	120	-	-	120
Interest income	1,101	-	-	1,101
Rental income	18,000	-	-	18,000
Released from restrictions	<u>78,117</u>	<u>(78,117)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	230,288	12,000	-	242,288
Expenses				
Program expenses	213,469	-	-	213,469
Management services	59,096	-	-	59,096
Fundraising expenses	<u>26,535</u>	<u>-</u>	<u>-</u>	<u>26,535</u>
Total Expenses	<u>299,100</u>	<u>-</u>	<u>-</u>	<u>299,100</u>
Increase (Decrease) in Net Assets	(68,812)	12,000	-	(56,812)
Net Assets at Beginning of Year	<u>286,427</u>	<u>-</u>	<u>-</u>	<u>286,427</u>
NET ASSETS AT END OF YEAR	<u>\$ 217,615</u>	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ 229,615</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CAMPUS DISTRICT, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Un- Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Charter membership dues	\$ 75,000	\$ -	\$ -	\$ 75,000
General membership dues	31,500	-	-	31,500
Banner revenue	28,376	-	-	28,376
Miscellaneous	775	-	-	775
Interest income	3,053	-	-	3,053
Rental income	900	-	-	900
Released from restrictions	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue and Support	139,604	-	-	139,604
Expenses				
Program expenses	93,596	-	-	93,596
Management services	27,187	-	-	27,187
Fundraising expenses	21,583	-	-	21,583
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	142,366	-	-	142,366
Increase (Decrease) in Net Assets	(2,762)	-	-	(2,762)
Net Assets at Beginning of Year	<hr/> 289,189	<hr/> -	<hr/> -	<hr/> 289,189
NET ASSETS AT END OF YEAR	<u>\$ 286,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 286,427</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CAMPUS DISTRICT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Program Expenses</u>	<u>Management Services</u>	<u>Fund Raising</u>	<u>Total</u>
Expenses				
Advertising	\$ 1,600	\$ -	\$ 1,000	\$ 2,600
Bank charges	-	33	-	33
Banner program	2	-	-	2
Computer expense	1,303	-	-	1,303
Condo fee	2,796	-	-	2,796
Consulting	1,663	-	-	1,663
Depreciation	7,419	-	-	7,419
Dues	-	50	200	250
Insurance	1,250	627	626	2,503
Interest expense	8,011	-	-	8,011
Payroll	49,596	32,064	14,532	96,192
Pension expense	15,250	10,500	4,750	30,500
Professional fees	115,038	11,360	3,000	129,397
Rent	1,800	900	900	3,600
Seminars and meetings	964	-	-	964
Supplies	2,548	787	-	3,335
Taxes-payroll	3,740	2,493	1,246	7,479
Taxes-real estate	208	-	-	208
Telephone	281	282	281	844
	<u>281</u>	<u>282</u>	<u>281</u>	<u>844</u>
Total Expenses	<u>\$ 213,469</u>	<u>\$ 59,096</u>	<u>\$ 26,535</u>	<u>\$ 299,100</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CAMPUS DISTRICT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Program Expenses</u>	<u>Management Services</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Expenses				
Advertising	\$ 3,000	\$ -	\$ -	\$ 3,000
Banner program	26,017	-	-	26,017
Computer expense	1,366	-	-	1,366
Condo fee	839	-	-	839
Depreciation	631	-	-	631
Dues	-	500	-	500
Insurance	1,250	626	626	2,502
Interest expense	702	-	-	702
Miscellaneous	-	243	-	243
Payroll	33,500	16,750	16,750	67,000
Postage	-	66	-	66
Professional fees	15,858	3,881	-	19,739
Rent	1,800	900	900	3,600
Seminars and meetings	-	822	822	1,644
Supplies	-	756	-	756
Taxes-payroll	2,563	1,282	1,281	5,126
Taxes-w.c.	74	37	37	147
Telephone	1,092	547	546	2,185
Travel	25	-	-	25
Utilities	-	156	-	156
Website	4,879	621	621	6,121
	<u>4,879</u>	<u>621</u>	<u>621</u>	<u>6,121</u>
Total Expenses	<u>\$ 93,596</u>	<u>\$ 27,187</u>	<u>\$ 21,583</u>	<u>\$ 142,366</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CAMPUS DISTRICT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED

	<u>Jun. 30, 2011</u>	<u>Jun. 30, 2010</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (56,812)	\$ (2,762)
Adjustments to reconcile Net change to net cash provided by (used in) operating activities		
Depreciation and amortization	7,419	631
Decrease (Increase) in Operating Assets:		
Accounts receivable	(11,707)	(7,910)
Prepays	(300)	-
Increase (Decrease) in Operating Liabilities:		
Accounts payable	10,908	1,631
Deferred revenue	15,000	-
Accrued liabilities	30,000	-
Total Adjustments	<u>51,320</u>	<u>(5,648)</u>
Net Cash Provided By (Used in) Operating Activities	(5,492)	(8,410)
Cash Flows From Investing Activities		
Capital expenditures	<u>-</u>	<u>(193,819)</u>
Net Cash Provided By (Used In) Investing Activities	-	(193,819)
Cash Flows From Financing Activities		
Notes payable (repayment)	<u>(5,163)</u>	<u>125,604</u>
Net Cash Provided By (Used In) Financing Activities	<u>(5,163)</u>	<u>125,604</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,655)	(76,625)
Cash and Cash Equivalents at Beginning of year	<u>199,852</u>	<u>276,477</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 189,197</u>	<u>\$ 199,852</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CAMPUS DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1- BACKGROUND AND STRUCTURE OF THE ORGANIZATION

Campus District, Inc. (Campus District), formerly known as The Quadrangle, Inc., is an Ohio not for profit organization established in 1983 by three charter members: Cleveland State University, Cuyahoga Community College and St. Vincent Charity Hospital. In addition to the three charter members, there are approximately 26 other local institutions and businesses which are members.

Campus District mission is to connect Cleveland's downtown campuses by leading, providing, and promoting community development services.

Its Vision: By connecting people and ideas, Campus District promotes and strengthens the business, education, healthcare, religious, research, and service activities of its member institutions. Campus District creates places and not just facilities by working to improve the quality of life for those who live, work, visit, and study in this growing district.

Campus District has been granted nonprofit status under Section 501 (c) (3) of the Internal Revenue Code.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. General Method - The accompanying financial statements have been prepared as prescribed in the American Institute of Certified Public Accountants' Guide for Not-For-Profit Organizations.
- B. Accrual Basis - Campus District records transactions on the accrual basis of accounting. Revenue is recognized when earned, support is recognized when receivable, and expenses are recognized when incurred.
- C. Campus District complies with FASB ASC 958-605-25, which affects the timing of revenue recognition with regard to temporarily restricted net assets

Campus District also complies with FASB ASC 958-205, which establish es standards for general purpose external financial statements of not-for-profit organizations. This statement requires classification of an organization's net assets, its support and revenue, and its expenses and distributions, based on the existence or absence of donor imposed restrictions in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Temporarily restricted net assets are available for payment of program expenses or specific operating expenses and cannot be used for general operating expense unless specifically stated in the grant.

See Auditors' Report

CAMPUS DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- D. Contributions and Grants - All contributions , if any, are considered unrestricted unless specifically restricted by the donor. Donated items are recorded as contributions at their estimated fair market value at the time of donation. Grants with donor restrictions are recorded as temporarily restricted grants when awarded.
- E. Depreciation - Property and equipment are depreciated using the straight-line method over estimated useful lives. (See Note 5- Property and Equipment)
- F. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- G. Advertising Expenses – Advertising costs are expensed as incurred
- H. Campus District complies with FIN 48- Accounting for Uncertainty in Income Taxes. FIN 48 details how organizations should recognize, measure, present and disclose uncertain tax positions that have been or are expected to be taken. As such, the financials would reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of all relevant facts, if they existed. Management believes there are no uncertain tax positions.

The organization's tax years that remain subject to examination by the Internal Revenue Service are fiscal years ended June 30, 2008, 2009, and 2010.
- I. Unadopted FASB statements. Various statements of the Financial Accounting Standards Board (FASB) have been issued, where compliance is encourage but not required until years ending after June 30, 2011. Management believes there are no issued FASB statements in which compliance is encouraged but not required that would have a material effect on the financial statements.

See Auditors' Report

CAMPUS DISTRICT, INC.
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011 AND 2010

NOTE 3- CASH

Campus District considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Campus District maintains its cash at a credit union which is insured by the American Share Insurance Group. The American Share Group has a liability limit of \$250,000 per account. Although not federally insured, Campus District has not experienced any losses in this account and believes it is not exposed to any significant credit risk related to cash.

NOTE 4- ACCOUNTS AND GRANTS RECEIVABLE

Campus District considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. The balance consists of grants and trade receivables as follows:

	June 30,	
	<u>2011</u>	<u>2010</u>
Trade Receivables	\$ -	\$ 1,910
City of Cleveland	25,617	-
Campus District Members	<u>3,500</u>	<u>15,500</u>
Total	<u>\$ 29,117</u>	<u>\$ 17,410</u>

NOTE 5- PROPERTY AND EQUIPMENT

Property and equipment are stated at cost (if purchased) or fair market value (if donated) at date of contribution. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Office Equipment	5 Years
Furniture	7 Years
University Loft Condo	27.5 Years

Maintenance and Repairs - Costs of maintenance and repairs are charged to expense. Costs of renewals and betterments, where significant in amount, are capitalized.

See Auditors' Report

CAMPUS DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

NOTE 6- UNIVERSITY LOFT CONDOMINIUM

During fiscal year ended June 30, 2009, Campus District signed a purchase agreement for the purchase of a condominium that is part of a redevelopment project. The unit's construction was completed during fiscal year ended June 30, 2010. Presently the unit is being held as rental real estate.

NOTE 7- FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, direct expenses are recorded as program expenses as incurred. Payroll and related expenses are allocated based on management's estimate of actual time spent by organization personnel.

NOTE 8- MORTGAGE PAYABLE

Campus District has a mortgage with The Ohio Educational Credit Union. The mortgage requires 180 (179 remaining) monthly principal and interest payments of \$1,097. Interest is calculated at 6.5%. The balance as of June 30, 2010 was \$125,606. The required principal payments for the next five years are as follows:

<u>June 30,</u>	<u>Amount</u>
2012	\$ 5,510
2013	5,879
2014	6,273
2015	6,693
2016	7,141
Thereafter	<u>88,945</u>
	<u>\$120,441</u>

NOTE 9- OPERATING LEASES

The organization leases its office space on a month to month basis for \$300 monthly. Rent expense for June 30, 2011 and 2010 was \$3,600 and \$3,600, respectively.

See Auditors' Report

CAMPUS DISTRICT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

NOTE 10- RELATED PARTY TRANSACTIONS

Each of the three charter members has a representative on Campus District's board with the title of vice chairman. Each charter member paid annual dues of \$25,000 to Campus District for the fiscal years ended June 30, 2011 and 2010, respectively.

Campus District reimbursed a board member for expenses related to the use of a copier in the amounts of \$94 and \$560 for the fiscal years ended June 30, 2011 and 2010, respectively.

A board member has a controlling interest in the Condo Association. Campus District pays \$210 per month or \$2,516 annually.

NOTE 11- CASH FLOWS DISCLOSURE

For the fiscal years ended June 30, 2011 and 2010, the amount of interest paid on all debt was \$8,011 and \$702, respectively.

NOTE 12- TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted as of June 30, 2011 to Campus District Observer. In addition, \$78,627 of temporarily restricted net assets were released by expenditure and \$0 of temporarily restricted net assets were released by time.

Historically, Campus District did not receive restricted contributions. As such, there are no temporarily restricted net assets as of June 30, 2010. In addition, \$0 temporarily restricted net assets were released by expenditure and \$0 of temporarily restricted net assets were released by time.

See Auditors' Report