

**CHEYNEY UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2008 AND 2007
&
INDEPENDENT AUDITORS' REPORT
&
SUPPLEMENTARY INFORMATION**

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INDEPENDENT AUDITORS' REPORT

Council of Trustees
Cheyney University of Pennsylvania
of the State System of Higher Education:

We have audited the accompanying basic financial statements of Cheyney University of Pennsylvania of the State System of Higher Education (the "University") and its aggregate discretely presented component units as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Cheyney University Foundation, which represents 94%, 94%, and 44%, respectively, of the assets, net assets, and revenues of the discretely presented component units as of and for the year ended June 30, 2008. We did not audit the financial statements of the discretely presented component units as of and for the year ended June 30, 2007. Those financial statements were audited by other auditors whose reports 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. 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component units as of June 30, 2008 and 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The University has not presented Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Schedule of Funding Progress for the System Plan and REHP (OPEB) on page 37 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Parente Randolph, LLC

Philadelphia, Pennsylvania
June 4, 2009

**CHEYNEY UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION**

**BALANCE SHEET - PRIMARY INSTITUTION
JUNE 30, 2008 AND 2007**

	2008	2007 (RESTATED)
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,394,775	\$ 3,073,974
Accounts receivable:		
Governmental grants and contracts	1,638,817	2,236,335
Students, net of allowance for doubtful accounts of \$1,518,832 in 2008 and \$1,263,289 in 2007	2,221,767	1,711,242
Auxiliary	25,000	25,000
Other, net of allowance for doubtful accounts of \$371,846 in 2008 and 2007	98,896	132,657
Interest income receivable	-	23,225
Inventory	660,482	618,606
Loans receivable	-	2,796
Due from component units	50,000	-
Other current assets	<u>30,484</u>	<u>28,746</u>
Total current assets	<u>9,120,221</u>	<u>7,852,581</u>
NONCURRENT ASSETS:		
Endowment investments	1,516,693	1,590,960
Conversion pay receivable	19,266	17,957
Capital assets, net	<u>21,130,875</u>	<u>21,193,257</u>
Total noncurrent assets	<u>22,666,834</u>	<u>22,802,174</u>
TOTAL	<u>\$ 31,787,055</u>	<u>\$ 30,654,755</u>

**CHEYNEY UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION
BALANCE SHEET - PRIMARY INSTITUTION
JUNE 30, 2008 AND 2007**

	2008	2007 (RESTATED)
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 8,720,798	\$ 9,243,144
Deferred revenue	3,387,620	2,161,199
Students' deposits	734,934	310,517
Workers' compensation	152,578	156,030
Compensated absences and postretirement benefit obligations	1,288,983	1,237,970
Current portion of bonds payable, net	312,972	300,903
Current portion of loans payable, net	500,000	-
Current portion of capitalized lease obligations	963	19,632
Due to System, Academic Facilities Renovation Bond Program (AFRP)	82,507	85,097
Due to component units	-	14,246
Other current liabilities	<u>6,507</u>	<u>-</u>
Total current liabilities	<u>15,187,862</u>	<u>13,528,738</u>
NONCURRENT LIABILITIES:		
Deferred revenue	75,151	77,268
Workers' compensation	179,348	229,365
Compensated absences and postretirement benefit obligations	14,982,111	13,485,333
Bonds payable, net	6,635,180	6,936,021
Long-term portion of capitalized lease obligations	-	963
Long-term portion of loans payable	1,350,000	-
Due to System, AFRP	<u>1,318,777</u>	<u>1,303,151</u>
Total noncurrent liabilities	<u>24,540,567</u>	<u>22,032,101</u>
Total liabilities	<u>39,728,429</u>	<u>35,560,839</u>
NET ASSETS (DEFICIT):		
Invested in capital assets, net of related debt	13,858,903	13,890,067
Restricted - expendable:		
Scholarships and fellowships	2,100,176	1,946,663
Capital projects	495,723	929,109
Unrestricted	<u>(24,396,176)</u>	<u>(21,671,923)</u>
Total net assets (deficit)	<u>(7,941,374)</u>	<u>(4,906,084)</u>
TOTAL	<u>\$ 31,787,055</u>	<u>\$ 30,654,755</u>

See Notes to Financial Statements

**CHEYNEY UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION**

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS (DEFICIT) - PRIMARY INSTITUTION
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007 (RESTATED)
OPERATING REVENUES:		
Tuition and fees	\$11,791,944	\$ 12,264,523
Less scholarship discounts and allowances	<u>(8,610,110)</u>	<u>(8,690,311)</u>
Net tuition and fees	3,181,834	3,574,212
Governmental grants and contracts:		
Federal	6,785,968	7,125,170
State	6,726,662	6,622,030
Local	413,085	378,127
Nongovernment grants and contracts	649,178	534,819
Auxiliary enterprises, net of scholarship discounts and allowances of \$79,527 in 2008 and \$79,267 in 2007	8,996,182	8,184,055
Other revenues	<u>175,138</u>	<u>469,012</u>
Total operating revenues	<u>26,928,047</u>	<u>26,887,425</u>
OPERATING EXPENSES:		
Instruction	10,674,840	11,156,812
Research	161,679	242,154
Public service	333,629	193,567
Academic support	2,515,093	2,655,215
Student services	4,177,047	3,559,446
Institutional support	12,155,400	9,828,553
Operations and maintenance of plant	5,490,771	4,348,840
Depreciation	1,614,674	1,494,726
Student aid	1,550,586	1,693,065
Auxiliary enterprises	<u>7,090,977</u>	<u>7,695,259</u>
Total operating expenses	<u>45,764,696</u>	<u>42,867,637</u>
OPERATING LOSS	<u>(18,836,649)</u>	<u>(15,980,212)</u>
NONOPERATING REVENUES (EXPENSES):		
State appropriations, general and restricted	14,827,836	12,121,712
Investment income, net of related investment expense of \$386 in 2008 and \$345 in 2007	236,954	439,551
Unrealized (loss) gain on investments	(118,452)	194,453
Gifts for other than capital purposes	696,173	461,709
Interest expense	(352,887)	(358,357)
Loss on disposal of assets	-	(151,321)
Other nonoperating revenue	<u>6,015</u>	<u>4,573</u>
Nonoperating revenues, net	<u>15,295,639</u>	<u>12,712,320</u>
LOSS BEFORE OTHER REVENUES	<u>(3,541,010)</u>	<u>(3,267,892)</u>
OTHER REVENUES:		
State appropriations, capital	496,874	731,472
Capital gifts and grants	<u>8,846</u>	<u>339,240</u>
Total other revenues	<u>505,720</u>	<u>1,070,712</u>
DECREASE IN NET ASSETS	<u>(3,035,290)</u>	<u>(2,197,180)</u>
NET ASSETS (DEFICIT):		
Net assets (deficit), beginning of year, as previously reported	<u>(4,906,084)</u>	<u>(2,213,203)</u>
Prior period adjustment	-	(495,701)
Net assets (deficit), beginning of year, as restated	<u>(4,906,084)</u>	<u>(2,708,904)</u>
Net assets (deficit), end of year	<u>\$ (7,941,374)</u>	<u>\$ (4,906,084)</u>

See Notes to Financial Statements

CHEYNEY UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION

STATEMENT OF CASH FLOWS - PRIMARY INSTITUTION
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007 (RESTATED)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net tuition and fees	\$ 3,571,912	\$ 3,311,071
Grants and contracts	15,959,862	14,846,209
Payments to suppliers for goods and services	(16,300,941)	(16,223,646)
Payments to employees	(25,260,271)	(24,780,091)
Loans issued to students	(175)	3,950
Loans collected from students	9,548	18,566
Student aid	(1,564,908)	(1,708,508)
Auxiliary enterprise charges	8,921,877	8,121,389
Other receipts	185,571	602,806
	<u>(14,477,525)</u>	<u>(15,808,254)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	14,827,836	12,121,712
Gifts for other than capital purposes	604,208	461,709
PLUS, Stafford, and other loans receipts (non-Perkins)	8,017,467	9,442,465
PLUS, Stafford, and other loans disbursements (non-Perkins)	(8,017,467)	(9,442,465)
Other	6,015	4,573
	<u>15,438,059</u>	<u>12,587,994</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Proceeds from debt	2,195,096	3,628,137
Capital appropriations	496,874	731,472
Capital gifts and grants received	8,846	339,240
Purchases of capital assets	(1,552,292)	(3,054,920)
Principal paid on debt	(636,773)	(373,539)
Interest paid on debt	(367,478)	(320,413)
	<u>144,273</u>	<u>949,977</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	-	194,453
Purchase of investments	(44,185)	434,027
Interest income	260,179	(201,661)
	<u>215,994</u>	<u>426,819</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,320,801	(1,843,464)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>3,073,974</u>	<u>4,917,438</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 4,394,775</u>	<u>\$ 3,073,974</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (18,836,649)	\$(15,980,212)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,614,674	1,494,726
Changes in assets and liabilities:		
Receivables, net	86,993	(58,617)
Inventory	(41,876)	(121,594)
Other assets	(29,290)	380,421
Accounts payable and accrued expenses	(430,296)	(2,371,116)
Deferred revenue	1,224,304	(4,350)
Students' deposits	424,417	(169,826)
Compensated absences	150,129	(139,932)
Loans to students	9,373	22,516
Other liabilities	1,350,696	1,139,730
	<u>\$ (14,477,525)</u>	<u>\$(15,808,254)</u>

See Notes to Financial Statements

**CHEYNEY UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION**

**COMBINED BALANCE SHEET - COMPONENT UNITS
JUNE 30, 2008 AND 2007**

	2008	2007
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 326,240	\$ 333,471
Accounts receivable	13,496	21,330
Other current assets	3,549	5,455
Total current assets	343,285	360,256
NONCURRENT ASSETS:		
Investments	2,219,605	2,501,114
Capital assets, net	-	5,017
Total noncurrent assets	2,219,605	2,506,131
TOTAL	\$2,562,890	\$2,866,387
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 17,018	\$ 7,898
Royalty advances	26,962	29,662
Due to University	-	1,026
Funds held for agencies/others	10,000	10,000
Total current liabilities	53,980	48,586
NET ASSETS:		
Unrestricted	2,184,590	507,395
Temporarily restricted	324,320	2,310,406
Total net assets	2,508,910	2,817,801
TOTAL	\$2,562,890	\$2,866,387

See Notes to Financial Statements

**CHEYNEY UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS - COMPONENT UNITS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUES AND OTHER ADDITIONS:		
Investment income	\$ 77,947	\$ 78,484
Student activity fees	188,750	222,598
Realized gain on investments	41,168	98,625
Unrealized gain on investments	-	198,540
Other revenues	<u>106,035</u>	<u>45,838</u>
Total revenues and other additions	<u>413,900</u>	<u>644,085</u>
EXPENSES AND OTHER DEDUCTIONS:		
Program expenses	299,572	261,874
General and administrative	89,283	70,400
Unrealized loss on investments	330,478	-
Other expenses	<u>3,458</u>	<u>16,435</u>
Total expenses and other deductions	<u>722,791</u>	<u>348,709</u>
(DECREASE) INCREASE IN NET ASSETS	(308,891)	295,376
NET ASSETS, BEGINNING	<u>2,817,801</u>	<u>2,522,425</u>
NET ASSETS, ENDING	<u>\$2,508,910</u>	<u>\$2,817,801</u>

See Notes to Financial Statements

**CHEYNEY UNIVERSITY OF PENNSYLVANIA
OF THE STATE SYSTEM OF HIGHER EDUCATION**

NOTES TO FINANCIAL STATEMENTS

**1. NATURE OF OPERATIONS AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES**

ORGANIZATION

Cheyney University of Pennsylvania of the State System of Higher Education (the "University"), a public four-year institution located in Cheyney, Pennsylvania was founded in 1837. The University is one of fourteen universities of the Pennsylvania State System of Higher Education ("PASSHE"). PASSHE was created by the State System of Higher Education Act of November 12, 1982, P.L. 660, No. 188, as amended ("Act 188"). PASSHE is a component unit of the Commonwealth of Pennsylvania (the "Commonwealth").

REPORTING ENTITY

In accordance with Government Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB 14*, the University has determined that Cheyney University Student Government Cooperative Association (the "Association") and the Cheyney University Foundation (the "Foundation") should be included in the University's financial statements as discretely presented component units. A component unit is a legally separate organization for which the primary institution is financially accountable or closely related.

The Association is a legally separate, tax-exempt entity, which is responsible for certain student group activities. The activities of the Association are solely for the benefit of the University and its students. Since these resources are held by the Association and can only be used to benefit the University and its students, the Association is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of the Association is presented as of June 30, 2008 and 2007.

The Foundation is a legally separate, tax-exempt entity, which acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. 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 activities of the University by the donors. Since 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. The financial activity of the Foundation is presented as of June 30, 2008 and 2007.

Complete financial statements for the Association and the Foundation may be obtained at the University's administrative office.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The University functions as a business-type activity, as defined by GASB.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The University applies the Financial Accounting Standards Board pronouncements issued before November 30, 1989, only, except for those that conflict with GASB pronouncements.

OPERATING REVENUES

Operating revenues of the University consist of tuition, all academic, instructional, and other student fees, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. In addition, governmental and private grants and contracts in which the grantor receives equal value for the funds given to the University are recorded as operating revenue. All other revenues are reported as nonoperating revenues. All expenses, with the exception of interest expense, loss on the sale of investments, loss on the disposal of assets, and extraordinary expenses, are recorded as operating expenses. Appropriations, gifts, interest income, capital grants, gains on the disposal of assets, parking and library fines, and governmental and private research grants and contracts in which the grantor does not receive equal value for the funds given to the University are reported as nonoperating revenue.

