# The Ohio University Foundation and Subsidiaries

## Consolidated Financial Statements as of and for the Years Ended June 30, 2015 and 2014 with Supplementary Schedules as of and for the Year Ended June 30, 2015 and Independent Auditor's Report

# The Ohio University Foundation and Subsidiaries

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Plante & Moran, PLLC
Suite 600
65 E. State St.
Columbus, OH 43215
Tel: 614.849.3000
Fax: 614.221.3535
plantemoran.com

# Independent Auditor's Report

To the Board of Trustees
The Ohio University Foundation and Subsidiaries

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Ohio University Foundation, an Ohio non-for-profit corporation, and Subsidiaries (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Trustees
The Ohio University Foundation and Subsidiaries

### *Opinion*

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of The Ohio University Foundation and Subsidiaries as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As further explained in Note 5, the consolidated financial statements include investments that are not listed on national exchanges nor for which quoted market prices are available. These investments include limited partnerships, hedge funds, funds-of-funds, and commingled funds that are not mutual funds. Such investments totaled $102,359,346 (20.0 percent of net assets) and $106,152,848 (20.5 percent of net assets) at June 30, 2015 and 2014, respectively. Where a publicly listed price is not available, management uses alternative sources of information including the funds' audited financial statements, unaudited interim reports, lists of underlying fund holdings, and similar evidence provided by the fund managers to determine fair values of the investments. Our opinion is not modified with respect to this matter.

### *Other Matters*

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the consolidated financial statements of the Foundation taken as a whole. The consolidating information, as identified on pages 28-31, is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

To the Board of Trustees
The Ohio University Foundation and Subsidiaries

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2015 on our consideration of the The Ohio University Foundation and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Ohio University Foundation and Subsidiaries' internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 5, 2015

## Consolidated Statements of Financial Position
## June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 16,833,423 | $ 21,882,396 |
| Accounts receivable - Net | 553,429 | 320,720 |
| Pledges receivable - Net | 19,412,286 | 13,730,255 |
| Bequests receivable | 2,706,305 | 1,168,065 |
| Interest and dividends receivable | 79,546 | 43,936 |
| Prepaid expenses | 788,814 | 772,675 |
| Investments | 452,529,565 | 459,313,751 |
| Cash surrender value - Life insurance policies | 1,143,126 | 1,223,349 |
| Charitable gift annuities | 2,408,258 | 2,588,573 |
| Charitable trusts | 18,167,908 | 18,346,809 |
| Deposits with trustees - Restricted cash | 4,156,544 | 3,883,034 |
| Property and equipment - Net | 29,721,811 | 29,775,131 |
| Other assets | 720,542 | 576,273 |
| Total assets | **$ 549,221,557** | **$ 553,624,967** |
| **Liabilities and Net Assets** | | |
| **Liabilities** | | |
| Accounts payable: | | |
| Ohio University | $ 1,419,176 | $ 956,403 |
| Trade and other | 1,575,233 | 1,532,049 |
| Deposits held in custody for others | 395,616 | 372,213 |
| Annuities payable | 1,853,312 | 1,897,276 |
| Charitable trusts obligations | 4,122,145 | 3,959,145 |
| Bonds payable | 24,285,000 | 25,150,000 |
| Notes payable | 2,051,200 | 2,325,000 |
| Other liabilities | 532,327 | 427,655 |
| Total liabilities | 36,234,009 | 36,619,741 |
| **Net Assets** | | |
| Unrestricted | 3,321,433 | 2,932,514 |
| Temporarily restricted | 317,271,534 | 334,743,124 |
| Permanently restricted | 192,394,581 | 179,329,588 |
| Total net assets | 512,987,548 | 517,005,226 |
| Total liabilities and net assets | **$ 549,221,557** | **$ 553,624,967** |

The Notes to Consolidated Financial Statements
are an Integral Part of this Statement.

## Consolidated Statements of Activities
## Year Ended June 30, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Revenue and other support: | | | | |
| Gifts and contributions | $ 331,783 | $ 17,185,679 | $ 13,680,523 | $ 31,197,985 |
| University support | 4,116,877 | - | - | 4,116,877 |
| Income from investments: | | | | |
| Interest and dividends | 348,624 | 6,954,520 | - | 7,303,144 |
| Sold during the year (realized gain) | 2,025,390 | 38,943,461 | 506,443 | 41,475,294 |
| Held at year end (unrealized loss) | (2,065,898) | (51,450,707) | (685,896) | (54,202,501) |
| Revenue from sales, services, and events | 456,351 | 98,694 | 870 | 555,915 |
| Change in value of split-interest agreements | 38,969 | (422,668) | (207,549) | (591,248) |
| Administrative fee income | 6,461,268 | (6,461,268) | - | - |
| Other | 63,684 | 827,332 | (229,398) | 661,618 |
| Related entity revenue | 8,633,820 | 1,454,795 | - | 10,088,615 |
| Total revenue and other support | 20,410,868 | 7,129,838 | 13,064,993 | 40,605,699 |
| Net assets released from restrictions - Satisfaction of program restrictions: | | | | |
| Academic support | 1,582,956 | (1,582,956) | - | - |
| Alumni relations | 55,834 | (55,834) | - | - |
| Fundraising and development | 153,463 | (153,463) | - | - |
| Institutional support | 1,217,895 | (1,217,895) | - | - |
| Instruction and departmental research | 12,334,284 | (12,334,284) | - | - |
| Intercollegiate athletics | 1,067,855 | (1,067,855) | - | - |
| Public service | 464,248 | (464,248) | - | - |
| Research | 621,308 | (621,308) | - | - |
| Student aid | 5,240,972 | (5,240,972) | - | - |
| Student services | 458,854 | (458,854) | - | - |
| Related entity operations | 1,403,759 | (1,403,759) | - | - |
| Total net assets released from restrictions | 24,601,428 | (24,601,428) | - | - |
| Total revenue, other support, and net assets released from restrictions | 45,012,296 | (17,471,590) | 13,064,993 | 40,605,699 |

## Consolidated Statements of Activities (Continued)
## Year Ended June 30, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Expenses: | | | | |
| Program services: | | | | |
| Academic support | $ 1,582,956 | $ - | $ - | $ 1,582,956 |
| Alumni relations | 2,447,845 | - | - | 2,447,845 |
| Institutional support | 1,338,092 | - | - | 1,338,092 |
| Instruction and departmental research | 12,340,204 | - | - | 12,340,204 |
| Intercollegiate athletics | 1,067,855 | - | - | 1,067,855 |
| Public service | 464,248 | - | - | 464,248 |
| Research | 621,428 | - | - | 621,428 |
| Student aid | 5,240,972 | - | - | 5,240,972 |
| Student services | 458,854 | - | - | 458,854 |
| Support services: | | | | |
| Fundraising and development | 9,375,913 | - | - | 9,375,913 |
| Fund administration | 763,014 | - | - | 763,014 |
| Related entity operations | 8,921,996 | - | - | 8,921,996 |
| Total expenses | 44,623,377 | - | - | 44,623,377 |
| **Changes in Net Assets** | 388,919 | (17,471,590) | 13,064,993 | (4,017,678) |
| **Net Assets** - Beginning of year | 2,932,514 | 334,743,124 | 179,329,588 | 517,005,226 |
| **Net Assets** - End of year | **$ 3,321,433** | **$ 317,271,534** | **$ 192,394,581** | **$ 512,987,548** |

# The Ohio University Foundation and Subsidiaries

## Consolidated Statements of Activities
## Year Ended June 30, 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Revenue and other support: | | | | |
| Gifts and contributions | $ 236,232 | $ 9,234,317 | $ 9,658,380 | $ 19,128,929 |
| University support | 5,166,862 | - | - | 5,166,862 |
| Income from investments: | | | | |
| Interest and dividends | 372,336 | 7,619,661 | - | 7,991,997 |
| Sold during the year (realized gain) | 1,103,934 | 21,979,396 | 292,566 | 23,375,896 |
| Held at year end (unrealized gain) | 1,673,873 | 31,752,172 | 427,513 | 33,853,558 |
| Revenue from sales, services, and events | 488,632 | 81,145 | 1,982 | 571,759 |
| Change in value of split-interest agreements | (43,015) | 1,113,579 | 100,345 | 1,170,909 |
| Administrative fee income | 5,796,440 | (5,796,440) | - | - |
| Other | 84,510 | 256,160 | (2,963) | 337,707 |
| Related entity revenue | 8,788,468 | 2,486,663 | - | 11,275,131 |
| Total revenue and other support | 23,668,272 | 68,726,653 | 10,477,823 | 102,872,748 |
| Net assets released from restrictions - Satisfaction of program restrictions: | | | | |
| Academic support | 1,412,427 | (1,412,427) | - | - |
| Alumni relations | 4,824 | (4,824) | - | - |
| Fundraising and development | 171,543 | (171,543) | - | - |
| Institutional support | 1,473,255 | (1,473,255) | - | - |
| Instruction and departmental research | 9,544,260 | (9,544,260) | - | - |
| Intercollegiate athletics | 935,969 | (935,969) | - | - |
| Public service | 311,569 | (311,569) | - | - |
| Research | 568,683 | (568,683) | - | - |
| Student aid | 4,459,077 | (4,459,077) | | - |
| Student services | 208,641 | (208,641) | - | - |
| Related entity operations | 1,242,089 | (1,242,089) | - | - |
| Total net assets released from restrictions | 20,332,337 | (20,332,337) | - | - |
| Total revenue, other support, and net assets released from restrictions | 44,000,609 | 48,394,316 | 10,477,823 | 102,872,748 |

# The Ohio University Foundation and Subsidiaries

## Consolidated Statements of Activities (Continued)
## Year Ended June 30, 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Expenses: | | | | |
| Program services: | | | | |
| Academic support | $ 1,412,427 | $ - | $ - | $ 1,412,427 |
| Alumni relations | 2,323,681 | - | - | 2,323,681 |
| Institutional support | 1,644,633 | - | - | 1,644,633 |
| Instruction and departmental research | 9,549,706 | - | - | 9,549,706 |
| Intercollegiate athletics | 935,969 | - | - | 935,969 |
| Public service | 311,569 | - | - | 311,569 |
| Research | 572,530 | - | - | 572,530 |
| Student aid | 4,459,077 | - | - | 4,459,077 |
| Student services | 208,641 | - | - | 208,641 |
| Support services: | | | | |
| Fundraising and development | 8,817,207 | - | - | 8,817,207 |
| Fund administration | 756,207 | - | - | 756,207 |
| Related entity operations | 8,862,851 | - | - | 8,862,851 |
| Total expenses | 39,854,498 | - | - | 39,854,498 |
| **Changes in Net Assets** | 4,146,111 | 48,394,316 | 10,477,823 | 63,018,250 |
| **Net Assets (Deficit)** - Beginning of year | (1,213,597) | 286,348,808 | 168,851,765 | 453,986,976 |
| **Net Assets** - End of year | **$ 2,932,514** | **$ 334,743,124** | **$ 179,329,588** | **$ 517,005,226** |

# The Ohio University Foundation and Subsidiaries

## Consolidated Statements of Cash Flows

| | Years Ended June 30 2015 | Years Ended June 30 2014 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Changes in net assets | $ (4,017,678) | $ 63,018,250 |
| Adjustments to reconcile changes in net assets to net cash from operating activities | | |
| Realized investment gains - Net | (41,475,294) | (23,375,896) |
| Noncash items: | | |
| Depreciation and amortization | 1,890,023 | 1,704,632 |
| Loss on disposition of property | 510,711 | 3,413 |
| Unrealized investment losses (gains) - Net | 54,202,501 | (33,853,558) |
| Decrease in cash surrender value of life insurance policies | 80,223 | 40,867 |
| Decrease (increase) in investments subject to annuity agreements | 189,312 | (54,176) |
| Decrease (increase) in charitable remainder trust assets | 482,907 | (1,256,620) |
| Decrease (increase) in annuity obligations | (43,964) | 43,226 |
| Decrease in trust obligations | 163,000 | 332,047 |
| Contributions of securities | (1,207,039) | (846,411) |
| Contributions of land and buildings | - | (305,547) |
| Contributions restricted for endowment investments | (13,680,523) | (9,658,380) |
| Changes in current assets and liabilities: | | |
| Decrease (increase) in accounts receivable | (218,724) | 25,403 |
| Decrease (increase) in pledges receivable | (5,682,031) | 1,693,185 |
| Decrease (increase) in bequests receivable | (1,538,240) | 183,026 |
| Decrease (increase) in interest and dividends receivable | (35,610) | 28,728 |
| Increase in prepaid expenses | (38,926) | (19,230) |
| Decrease (increase) in other assets | (172,524) | 9,757 |
| Increase (decrease) in accounts payable | 491,972 | (199,819) |
| Increase in other liabilities | 104,672 | 78,310 |
| Increase (decrease) in deposits held in custody for others | 23,403 | (46,265) |
| Net cash used in operating activities | (9,971,829) | (2,455,058) |
| **Cash Flows from Investing Activities** | | |
| Purchases of property and equipment | (2,531,002) | (1,241,126) |
| Proceeds from sales of property and equipment | 234,630 | - |
| Purchases of investments | (290,714,504) | (121,384,111) |
| Proceeds from sales of investments | 285,978,522 | 130,521,526 |
| Contributions to new charitable gift annuities | (116,686) | (235,260) |
| Payments on charitable gift annuities | 107,689 | 81,523 |
| Contributions to new charitable remainder trusts | (516,498) | (100,000) |
| Payments on charitable remainder trusts | 212,492 | 206,436 |
| Net cash (used in) provided by investing activities | (7,345,357) | 7,848,988 |
| **Cash Flows from Financing Activities** | | |
| Contributions restricted for endowment investment | 13,680,523 | 9,658,380 |
| Payments on notes and bonds payable | (1,138,800) | (1,287,400) |
| Decrease (increase) in restricted cash | (273,510) | 45,500 |
| Net cash provided by financing activities | 12,268,213 | 8,416,480 |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (5,048,973) | 13,810,410 |
| **Cash and Cash Equivalents** - Beginning of year | 21,882,396 | 8,071,986 |
| **Cash and Cash Equivalents** - End of year | $ 16,833,423 | $ 21,882,396 |
| **Supplemental Disclosure of Cash Flow Information** - | | |
| Cash paid during the year for interest | $ 83,130 | $ 97,780 |
| Cash paid for income taxes | 81,700 | 123,100 |
| **Supplemental Disclosure of Noncash Activities** - | | |
| Contributions of securities | $ 1,207,039 | $ 846,411 |
| Contributions of land and buildings | - | 305,547 |

The Notes to Consolidated Financial Statements are an Integral Part of this Statement.

**Note 1 - Organization and Operation**

The Ohio University Foundation (the "Foundation") was incorporated in Ohio in October 1945 to support the educational undertakings of Ohio University (the "University"). The Foundation is authorized to solicit and receive gifts and contributions for the benefit of the University and to ensure that funds and property received are applied to the uses specified by the donor.

The Foundation's wholly owned subsidiary, Inn-Ohio of Athens, Inc. (the "Inn"), owns and operates a 139-room hotel and restaurant facility in Athens, Ohio known as The Ohio University Inn (see Note 10).

Another controlled entity, Housing for Ohio, Inc. ("Housing"), constructed and operates a 182-unit student housing facility in Athens, Ohio (see Note 11). It has been granted tax-exempt status under Section 501(a)(3) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3).

The Foundation entered into an agreement with the Sugar Bush Foundation ("Sugar Bush"), an Ohio not-for-profit corporation, in August 2005. Sugar Bush is a supporting organization as defined in Code Section 509(a)(3) and the Foundation is its primary supported organization receiving 51 percent of its charitable distributions. This agreement was further amended in August 2007 with Sugar Bush pledging to commit all of its charitable distributions to the Foundation. Upon dissolution of Sugar Bush and payment of all Sugar Bush liabilities, all of its assets shall be transferred to the Foundation, provided the Foundation is then recognized as a nonprofit Ohio corporation and as a tax-exempt organization under Section 501(c)(3) of the Code. The Foundation consolidates this supporting organization that is deemed to be financially interrelated.

During 2009, the Foundation created three limited liability companies to receive property distributions from The Dolores H. Russ Trust for the benefit of the Russ College of Engineering. The three limited liability companies are Fritz J. and Dolores H. Russ Holdings LLC, Russ North Valley Road LLC, and Russ Research Center LLC (collectively referred to as the "Russ LLCs"). The limited liability companies are treated as disregarded entities for federal income tax purposes. The Foundation is the sole member of Fritz J. and Dolores H. Russ Holdings LLC. Fritz J. and Dolores H. Russ Holdings LLC is the sole member of Russ North Valley Road LLC and Russ Research Center LLC.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Accounting** - The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. The accompanying consolidated financial statements present the financial position and results of activities of the Foundation and its wholly owned subsidiary and other related entities - the Inn, Housing, one supporting organization, and three limited liability companies. All intercompany transactions have been eliminated.

**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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Concentration of Credit Risk** - Financial instruments, which potentially subject the Foundation to a concentration of credit risk, consist principally of pledges receivable, investments for the Foundation, and receivables related to operations of the Inn and Russ Research Center LLC. Exposure to losses on pledges receivable is principally dependent on each donor's financial condition. The Foundation monitors the exposure for credit losses and maintains allowances for anticipated losses on receivables.

Investments are recorded at fair value. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the Foundation's consolidated statements of financial position and activities.

The management companies that operate the Inn and the Russ Research Center are responsible for collection of receivables. Each entity provides a reserve for any estimated uncollectible balances, as appropriate.

**Gifts and Contributions** - Contributions are recorded at their fair value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset categories. When a donor restriction expires (when a stipulated time restriction ends or the purpose of restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Contributed property is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property are recorded as unrestricted support.

Contributions of charitable gift annuities are reduced by the actuarially determined liability resulting from acceptance of the gift. Contributions are held in charitable trusts at the present value of their estimated future benefits to be received when the trust assets are distributed upon notification of the donor's death (see Note 9).

**Pledges Receivable** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using an assumed inflation rate at the time the pledge is made. The discount rate utilized was 2.86 and 4.86 percent for the years ended June 30, 2015 and 2014, respectively. Amortization of the discounts is included in contribution revenue. Unconditional promises to give, which are silent as to the due date, are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

**Intentions** - The Foundation receives communications from donors indicating that the Foundation has been included in the donor's will or life insurance policy as beneficiary, representing intentions to give rather than promises to give. Such communications are not unconditional promises to give because the donors retain the ability to modify their wills and insurance policies during their lifetimes. The total realizable value of these intended gifts has not been established, nor have the intended gifts been recognized as an asset or contribution revenue. Such gifts are recorded when the Foundation is notified of the donor's death, the will is declared valid by a probate court, and the proceeds are measurable.

**Cash Surrender Value of Insurance Policies** - The Foundation records as an asset the cash surrender value of insurance policies for which it is the owner and beneficiary.

**Investments** - Investments in securities are recorded at fair value based on quoted market values, with changes in market value during the year reflected in the consolidated statements of activities. Investments not publicly traded are either stated at cost, which approximates market, or at appraised market values when applicable. Alternatives are recorded at their most recent available valuation as provided by the investment custodian. Purchases and sales of investments are accounted for as of the trade date. See Note 5 for the valuation policy for alternative investments.

**Income from Investments** - All investment income earned on permanently restricted, temporarily restricted, and unrestricted investments is credited to unrestricted net assets unless otherwise restricted by the donor or by state law.

**Property and Equipment** - Property and equipment are recorded at the estimated fair value, if received as a gift, or at the purchase cost, plus any expenditures for improvements.

Depreciation of buildings is recorded over periods ranging from 20 to 40 years using the straight-line method. Depreciation and amortization of other property, equipment, and improvements are recorded over periods ranging from 3 to 15 years using the straight-line method.

Annually, or more frequently if events or circumstances change, a determination is made by management to ascertain whether property and equipment and intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, the Foundation will recognize an impairment loss in an amount necessary to write down the assets to a fair value as determined from expected future discounted cash flows. Based upon its most recent analysis, the Foundation has determined that no impairment to the carrying value of its long-lived assets existed at June 30, 2015 and 2014.

**Cash** - At times, cash may exceed federally insured amounts. The Foundation believes it mitigates risks by depositing cash with major financial institutions. The Foundation held $18,968,322 and $23,904,650 in cash that was uninsured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2015 and 2014, respectively.

**Cash Equivalents** - The Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

**Restricted Cash** - Restricted cash represents cash that, under terms of the bond issue trust indenture agreement (the "Trust Indenture") (related to Housing for Ohio, Inc., see Note 11), is restricted for various purposes. In accordance with the terms of the Trust Indenture and related agreements, the proceeds from the bonds not used to construct the student housing facility and certain equipment and improvements were deposited with the trustee. The Foundation is also required to deposit all revenue directly into a designated revenue fund. The trustee is then authorized, without further direction from the Foundation, to transfer funds out of the revenue fund to other funds as outlined in the Trust Indenture.

**Functional Allocation of Expenses** - The costs of providing the various programs and support services have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the programs and support services benefited. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

**Income Taxes** - The Internal Revenue Service has determined that the Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated income. The provision for income taxes for the Inn, including deferred tax expenses, totaled $156,506 and $308,849 for the years ended June 30, 2015 and 2014, respectively. The provision is mostly comprised of federal and city taxes. Of these amounts, $80,206 and $210,587 represent current tax expense for the years ended June 30, 2015 and 2014, respectively. The deferred taxes are a result of differences between book and tax depreciation and are presented as long-term other liabilities on the statements of financial position.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and to recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2015 and 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes that it is no longer subject to income tax examinations for years prior to June 30, 2012.

**Fair Value of Financial Instruments** - The carrying values of the Foundation's financial instruments in the accompanying consolidated statements of financial position approximate their respective estimated fair value at June 30, 2015 and 2014.

The Foundation has estimated the fair values of its financial instruments using available quoted market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange. Determinations of fair value are based on subjective data and significant judgment relating to timing of payments and collections and the amounts to be realized. Different market assumptions and/or estimation methodologies might have a significant effect on the estimated fair value amounts.

The fair values of short-term financial instruments, including cash equivalents and trade accounts receivable and payable, approximate the carrying amounts in the accompanying consolidated financial statements due to the short maturity of such instruments. The fair value of long-term obligations approximates the carrying amounts in the accompanying consolidated financial statements. The carrying value of the debt approximates fair value based on current borrowing rates. The inputs are based upon terms in contractual agreements. The fair value of these financial instruments is determined using Level 2 inputs (see Note 5).

**Advertising Costs** - Advertising costs of the Inn are included in marketing expenses and are expensed as incurred.

**Subsequent Events** - The consolidated financial statements and related disclosures include evaluation of events up through and including October 5, 2015, which is the date the consolidated financial statements were issued.

### Note 3 - Net Assets

**Unrestricted Net Assets** - The unrestricted net assets consist of operating funds available for any purpose authorized by the board of trustees.

Unrestricted net assets as of June 30, 2015 and 2014 are available for the following purposes:

| | 2015 | 2014 |
|---|---|---|
| Designated: | | |
| Board-designated 1804 grants | $ 8,552 | $ 9,050 |
| Designated underwater accounts | (12,377) | (569,243) |
| Subtotal designated | (3,825) | (560,193) |
| Undesignated: | | |
| The Inn | 4,644,351 | 4,256,854 |
| Housing | 315,436 | (412,650) |
| Other | (1,634,529) | (351,497) |
| Subtotal undesignated | 3,325,258 | 3,492,707 |
| Total unrestricted net assets | $ 3,321,433 | $ 2,932,514 |

**Temporarily Restricted Net Assets** - Temporarily restricted net assets consist of funds that are restricted for a specific use or time determined by the donor. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions when the restrictions are satisfied either by the passage of time or by actions of the Foundation.

Temporarily restricted net assets as of June 30, 2015 and 2014 are available for the following purposes:

| | 2015 | 2014 |
|---|---|---|
| Academic support | $ 14,656,172 | $ 15,769,107 |
| Alumni relations | 227,952 | 275,208 |
| Fundraising and development | 841,831 | 837,161 |
| Institutional support | 12,877,689 | 13,174,063 |
| Instruction and departmental research | 216,585,362 | 230,135,953 |
| Intercollegiate athletics | 6,489,711 | 2,572,565 |
| Public service | 576,748 | 635,306 |
| Research | 2,474,275 | 2,061,759 |
| Student aid | 60,681,301 | 67,026,056 |
| Student services | 1,860,493 | 2,255,946 |
| Total | $ 317,271,534 | $ 334,743,124 |

**Permanently Restricted Net Assets -** Permanently restricted net assets consist of funds arising from a gift or bequest in which the donor has stipulated, as a condition of the gift, that the principal be maintained in perpetuity and only the investment income from investment of the funds be expended. Certain donor endowments also specify that a portion of the earnings from the investment be reinvested as principal, or that all income earned over a period of time be reinvested. Amounts are also transferred for specific uses as authorized from time to time by the donor. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless otherwise restricted by the donor or by applicable state laws.

Permanently restricted net assets as of June 30, 2015 and 2014 are available for the following purposes:

| | 2015 | 2014 |
|---|---|---|
| Academic support | $ 9,814,599 | $ 8,819,357 |
| Alumni relations | 20,348 | 80,246 |
| Fundraising and development | 106,718 | 85,130 |
| Institutional support | 3,435,413 | 3,430,066 |
| Instruction and departmental research | 80,523,523 | 76,966,181 |
| Intercollegiate athletics | 1,959,091 | 1,727,067 |
| Public service | 1,371,273 | 364,768 |
| Research | 1,200,825 | 1,198,798 |
| Student aid | 91,065,442 | 83,816,781 |
| Student services | 2,897,349 | 2,841,194 |
| Total | $ 192,394,581 | $ 179,329,588 |

**Note 4 - Pledges Receivable**

The following amounts are included in pledges receivable for unconditional promises to give at June 30, 2015 and 2014:

| At June 30, 2015 | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|
| Gross amounts due in: | | | |
| Less than one year | $ 6,375,093 | $ 4,166,582 | $ 10,541,675 |
| One to five years | 7,835,831 | 4,935,941 | 12,771,772 |
| More than five years | 1,603,700 | 142,857 | 1,746,557 |
| Gross pledges receivable | 15,814,624 | 9,245,380 | 25,060,004 |
| Less allowance for uncollectible pledges | (2,489,029) | (1,455,111) | (3,944,140) |
| Less discount to present value | (1,257,190) | (446,388) | (1,703,578) |
| Total pledges receivable - Net | $ 12,068,405 | $ 7,343,881 | $ 19,412,286 |

| At June 30, 2014 | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|
| Gross amounts due in: | | | |
| Less than one year | $ 5,244,534 | $ 3,972,069 | $ 9,216,603 |
| One to five years | 3,327,703 | 5,907,097 | 9,234,800 |
| More than five years | 56,767 | 19,957 | 76,724 |
| Gross pledges receivable | 8,629,004 | 9,899,123 | 18,528,127 |
| Less allowance for uncollectible pledges | (1,827,592) | (2,096,598) | (3,924,190) |
| Less discount to present value | (290,698) | (582,984) | (873,682) |
| Total pledges receivable - Net | $ 6,510,714 | $ 7,219,541 | $ 13,730,255 |

The allowance for uncollectible contributions is a general valuation based on the percentage of prior years' pledge write-offs. Specific pledges deemed uncollectible are charged against the allowance for uncollectible pledges in the period in which the determination is made. Both the general allowance and the specific write-offs are reported as a loss on fair value of pledges receivable in the statement of activities. As of June 30, 2015, the Foundation has approximately $156 million in numerous outstanding pledges that are considered to be intentions to give and are contingent upon future events. These pledges are not accrued as pledges receivable or recognized as revenue because they do not represent unconditional promises to give. It is not practicable to estimate the ultimate realizable value of these commitments or the period over which they might be collected.

**Note 5 - Fair Value Measurements**

The Foundation's investments include endowed funds, as well as a portion of working capital funds. The Foundation's investment policy provides that the long-term objective of the investment pool is to maximize the real return, or the nominal return less inflation, of the assets over a complete market cycle with emphasis on preserving capital and reducing volatility through prudent diversification. Further, the investment strategy seeks to provide real growth of assets in excess of endowment spending requirements plus inflation.

The Foundation reports investments and split-interest agreements at estimated fair value, in accordance with the fair value hierarchy prescribed by Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*.

The framework for determining fair value is based on a hierarchy that prioritizes the valuation techniques and inputs used to measure fair value, as follows:

**Level 1** - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. The Foundation's Level 1 assets consist primarily of fixed-income or equity mutual funds, publicly traded large- and small-cap stocks, and REITs. Prices for these investments are widely available through major financial reporting services.

**Level 2** - Inputs other than quoted prices that are observable, either directly or indirectly. These may include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. The Foundation's Level 2 assets include government and corporate bonds, as well as commingled money market, bond, and equity funds that are not registered with the Securities and Exchange Commission and do not trade on an exchange.

**Level 3** - Inputs that are unobservable, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. The Foundation's Level 3 assets include allocations to commodities, hedge funds, private equity, private real estate, and venture capital funds. The Foundation's Level 3 assets also include split-interest agreements that are valued using an actuarial approach. The Foundation has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. These processes include quarterly meetings with the Foundation's investment committee for calibration and review of Level 3 investment monthly or quarterly fund manager statements and annual audited financial statements. The Foundation cannot independently assess the value of these underlying positions through a public exchange or over-the-counter market. The Foundation utilizes a third-party investment advisor to monitor, participate in fund manager calls, and obtain underlying financial information on the Level 3 investments.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the least observable input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The Foundation's fair value assets and liabilities, by level, at June 30, 2015 and 2014 are summarized in the following tables:

**Assets Measured at Fair Value on a Recurring Basis at June 30, 2015**

| | | Fair Value at Reporting Date Using | | |
|---|---|---|---|---|
| | June 30, 2015 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments | | | | |
| Fixed-income investments: | | | | |
| Money market mutual funds | $ 21,834,284 | $ 21,803,580 | $ 30,704 | $ - |
| Bonds and bond mutual funds | 44,223,672 | 41,416,786 | 2,806,886 | - |
| TIPS mutual funds | 14,717,852 | 14,717,852 | - | - |
| Subtotal fixed income | 80,775,808 | 77,938,218 | 2,837,590 | - |
| Public equity investments: | | | | |
| Domestic large-cap equity | 81,326,912 | 81,326,912 | - | - |
| Domestic small-cap equity | 11,110,312 | 11,110,312 | - | - |
| REITs | 5,226,169 | 5,226,169 | - | - |
| Developed international equity | 98,229,378 | 98,229,378 | - | - |
| Emerging markets international equity | 45,229,034 | 33,998,744 | 11,230,290 | - |
| Commodities | 28,272,606 | 28,272,606 | - | - |
| Subtotal public equity | 269,394,411 | 258,164,121 | 11,230,290 | - |
| Alternative investments: | | | | |
| Commodities (1) | 7,037,763 | - | - | 7,037,763 |
| Hedge funds (2) | 65,338,993 | - | - | 65,338,993 |
| Private equity funds (3) | 20,214,090 | - | - | 20,214,090 |
| Private real estate funds (4) | 6,905,218 | - | - | 6,905,218 |
| Venture capital funds (5) | 2,863,282 | - | - | 2,863,282 |
| Subtotal alternative investments | 102,359,346 | - | - | 102,359,346 |
| Total investments | $ 452,529,565 | $ 336,102,339 | $ 14,067,880 | $ 102,359,346 |
| Split-interest Agreements Assets | | | | |
| Charitable gift annuities (6) | $ 2,408,258 | $ 2,090,409 | $ 317,849 | $ - |
| Charitable trusts (6) | 18,167,908 | 16,377,131 | 608,429 | 1,182,348 |
| Total split-interest agreements | $ 20,576,166 | $ 18,467,540 | $ 926,278 | $ 1,182,348 |
| Total fair value measurements | $ 473,105,731 | $ 354,569,879 | $ 14,994,158 | $ 103,541,694 |

**Assets Measured at Fair Value on a Recurring Basis at June 30, 2014**

| | | Fair Value at Reporting Date Using | | |
|---|---|---|---|---|
| | June 30, 2014 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments | | | | |
| Fixed-income investments: | | | | |
| Money market mutual funds | $ 13,896,973 | $ 13,865,404 | $ 31,569 | $ - |
| Bonds and bond mutual funds | 45,573,257 | 42,005,508 | 3,567,749 | - |
| TIPS mutual funds | 14,976,295 | 14,976,295 | - | - |
| Subtotal fixed income | 74,446,525 | 70,847,207 | 3,599,318 | - |
| Public equity investments: | | | | |
| Domestic large-cap equity | 97,867,695 | 97,867,695 | - | - |
| Domestic small-cap equity | 10,407,808 | 10,407,808 | - | - |
| REITs | 4,957,238 | 4,957,238 | - | - |
| Developed international equity | 96,971,097 | 96,971,097 | - | - |
| Emerging markets international equity | 44,240,624 | 32,098,926 | 12,141,698 | - |
| Commodities | 24,269,916 | 24,269,916 | - | - |
| Subtotal public equity | 278,714,378 | 266,572,680 | 12,141,698 | - |
| Alternative investments: | | | | |
| Commodities (1) | 9,211,309 | - | - | 9,211,309 |
| Hedge funds (2) | 64,993,331 | - | - | 64,993,331 |
| Private equity funds (3) | 18,967,577 | - | - | 18,967,577 |
| Private real estate funds (4) | 8,486,977 | - | - | 8,486,977 |
| Venture capital funds (5) | 4,493,654 | - | - | 4,493,654 |
| Subtotal alternative investments | 106,152,848 | - | - | 106,152,848 |
| Total investments | $ 459,313,751 | $ 337,419,887 | $ 15,741,016 | $ 106,152,848 |
| Split-interest Agreements Assets | | | | |
| Charitable gift annuities (6) | $ 2,588,573 | $ 2,275,895 | $ 312,678 | $ - |
| Charitable trusts (6) | 18,346,809 | 17,173,803 | 439,530 | 733,476 |
| Total split-interest agreements | $ 20,935,382 | $ 19,449,698 | $ 752,208 | $ 733,476 |
| Total fair value measurements | $ 480,249,133 | $ 356,869,585 | $ 16,493,224 | $ 106,886,324 |

(1) Commodities funds investing in areas that offer strong relative performance in rising inflation environments and are broadly diversified across the commodities markets, including futures, options on futures, and forward contracts on exchange-traded agricultural goods, metals, minerals, and energy products. The fair value of this investment has been estimated using the net asset value per share of the investment.

(2) Hedge funds broadly diversified across managers, investment strategies, and investment venues. Includes both fund investments as well as fund-of-funds investments. The fair value of this investment has been estimated using the net asset value per share of the investment.

(3) Private equity funds broadly diversified across managers, investment stages, geography, industry sectors, and company size. Includes individual fund investments, as well as fund-of-funds investments. The fair value of this investment has been estimated using the net asset value per share of the investment.

(4) Private real estate funds broadly diversified across managers, investment strategies, geography, and industry sectors. The fair value of this investment has been estimated using the net asset value per share of the investment.

(5) Venture capital funds with the objective of investing in early stage business entities and enterprises with a primary focus on medical and information technologies. The fair value of this investment has been estimated using the net asset value per share of the investment.

(6) Level 1 and Level 2 assets represent the Foundation's interest in trusts and annuities in which the Foundation is the trustee. Level 1 assets are invested in a variety of domestic and international equity mutual funds, fixed income mutual funds, and REITs. Level 2 assets are invested in money market mutual funds and U.S. Treasury bonds and notes. Level 3 assets represent real estate assets held in trust, as well as the present value of the revenue expected to be received from charitable trusts where the Foundation does not serve as trustee. The Foundation estimates the fair value of these assets based upon the present value of the expected future cash flows using management's best estimates of key assumptions including life expectancies of beneficiaries, payment periods, and a discount rate commensurate with market conditions and other risks involved. Significant changes in these key assumptions would result in a significantly lower or higher fair value measurement.

Investments are reported as Level 3 assets if the valuation is based on significant unobservable inputs. Often, these assets trade infrequently, or not at all. For some Level 3 assets, both observable and unobservable inputs may be used to determine fair value. As a result, the unrealized gains and losses presented in the tables below may include changes in fair value that were attributable to both observable and unobservable inputs.

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the beginning of the reporting period. For the fiscal years ended June 30, 2015 and June 30, 2014, there were no transfers between levels of the fair value hierarchy.

Additional information on the changes in Level 3 assets is summarized in the tables below as of June 30, 2015 and 2014:

**Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Year Ended June 30, 2015**

| | Fair Value Measurements Using Significant Unobservable Inputs (Level | | |
|---|---|---|---|
| | | Alternative Investments | |
| | Total Level 3 Investments | Commodities | Hedge Funds |
| Beginning balance | $ 106,152,848 | $ 9,211,309 | $ 64,993,331 |
| Gains (losses) included in changes in net assets: | | | |
| Realized gains (losses) | 3,395,685 | (5,956) | (4,260) |
| Unrealized gains (losses) | (3,854,962) | (2,092,190) | 1,798,705 |
| Total gains (losses) | (459,277) | (2,098,146) | 1,794,445 |
| Purchases and sales: | | | |
| Purchases | 7,033,546 | 118,345 | - |
| Sales | (10,367,771) | (193,745) | (1,448,783) |
| Total purchases and sales | (3,334,225) | (75,400) | (1,448,783) |
| Ending balance | $ 102,359,346 | $ 7,037,763 | $ 65,338,993 |

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued) | | |
|---|---|---|---|
| | Alternative Investments (Continued) | | |
| | Private Equity Funds | Private Real Estate Funds | Venture Capital Funds |
| Beginning balance | $ 18,967,577 | $ 8,486,977 | $ 4,493,654 |
| Gains (losses) included in changes in net assets: | | | |
| Realized gains (losses) | 3,405,901 | - | - |
| Unrealized gains (losses) | (2,585,579) | 737,843 | (1,713,741) |
| Total gains (losses) | 820,322 | 737,843 | (1,713,741) |
| Purchases and sales: | | | |
| Purchases | 6,729,776 | 90,533 | 94,892 |
| Sales | (6,303,585) | (2,410,135) | (11,523) |
| Total purchases and sales | 426,191 | (2,319,602) | 83,369 |
| Ending balance | $ 20,214,090 | $ 6,905,218 | $ 2,863,282 |

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued) |
|---|---|
| | Split-interest Agreements |
| | Charitable Trust Assets |
| Beginning balance | $ 733,476 |
| Change in value of split-interest agreements included in changes in net assets: | 408,277 |
| Change in actuarial estimate | 40,595 |
| Total change in value | 448,872 |
| Ending balance | $ 1,182,348 |

**Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Year Ended June 30, 2014**

| | Fair Value Measurements Using Significant Unobservable Inputs (Level | | |
|---|---|---|---|
| | | Alternative Investments | |
| | Total Level 3 Investments | Commodities | Hedge Funds |
| Beginning balance | $ 93,789,496 | $ 8,845,589 | $ 53,634,717 |
| Gains (losses) included in changes in net assets: | | | |
| Realized gains (losses) | 4,903,860 | (4,194) | 2,502,628 |
| Unrealized gains (losses) | 4,930,034 | 1,051,539 | 5,032,343 |
| Total gains (losses) | 9,833,894 | 1,047,345 | 7,534,971 |
| Purchases and sales: | | | |
| Purchases | 32,999,878 | 68,160 | 26,280,674 |
| Sales | (30,470,420) | (749,785) | (22,457,031) |
| Total purchases and sales | 2,529,458 | (681,625) | 3,823,643 |
| Ending balance | $ 106,152,848 | $ 9,211,309 | $ 64,993,331 |

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued) | | |
|---|---|---|---|
| | Alternative Investments (Continued) | | |
| | Private Equity Funds | Private Real Estate Funds | Venture Capital Funds |
| Beginning balance | $ 15,726,432 | $ 10,880,456 | $ 4,702,302 |
| Gains (losses) included in changes in net assets: | | | |
| Realized gains (losses) | 2,405,426 | - | - |
| Unrealized gains (losses) | 357,821 | (1,123,403) | (388,266) |
| Total gains (losses) | 2,763,247 | (1,123,403) | (388,266) |
| Purchases and sales: | | | |
| Purchases | 6,157,654 | 313,772 | 179,618 |
| Sales | (5,679,756) | (1,583,848) | - |
| Total purchases and sales | 477,898 | (1,270,076) | 179,618 |
| Ending balance | $ 18,967,577 | $ 8,486,977 | $ 4,493,654 |

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued) |
|---|---|
| | Split-interest Agreements |
| | Charitable Trust Assets |
| Beginning balance | $ 821,252 |
| Change in value of split-interest agreements included in changes in net assets: | |
| Change in actuarial estimate | (87,776) |
| Total change in value | (87,776) |
| Ending balance | $ 733,476 |

### Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

Certain investments measured at net asset value per share (or its equivalent) may be classified within Level 2 of the fair value hierarchy if the investment can be redeemed at, or within 1-10 days. If the investment holdings cannot be redeemed at, or within this timeframe, due to redemption restrictions or other factors, then the investment is classified within Level 3 of the fair value hierarchy. Although the Foundation considers all available data in reporting the fair value of investments, the NAV, or its equivalent, is used as the primary valuation input for some Level 2 and most Level 3 assets.

The following tables provide additional information regarding the fair value, liquidity, and unfunded commitment for investments where the NAV was used as a practical expedient.

**Level 2 and Level 3 Investments Reported at Net Asset Value at June 30, 2015**

| | Fair Value | Redemption Frequency | Redemption Notice Period | Estimated Termination Date (Fiscal Year) | Unfunded Commitment |
|---|---|---|---|---|---|
| Fixed-income investments: | | | | | |
| Money market mutual funds (Level 2) | $ 30,704 | daily | none | not applicable | $ - |
| Bonds and bond mutual funds (Level 2) | 1,063,765 | daily | 1 day | not applicable | - |
| Subtotal fixed income | 1,094,469 | | | | - |
| Public equity investments: | | | | | |
| Emerging markets international equity mutual funds (Level 2) | 11,230,290 | monthly | 30 days | not applicable | - |
| Alternative investments: | | | | | |
| Commodities (Level 3) | 7,037,763 | monthly | 10 - 30 days | not applicable | - |
| Hedge funds (Level 3) | 65,338,993 | quarterly | 60 days | not applicable | - |
| Private equity funds (Level 3) | 20,214,090 | not liquid | not liquid | 2015 - 2022 | 23,255,639 |
| Private real estate funds (Level 3) | 6,819,428 | not liquid | not liquid | 2015 - 2018 | 281,033 |
| Venture capital funds (Level 3) | 2,863,282 | not liquid | not liquid | 2015 - 2015 | 168,088 |
| Subtotal alternative investments | 102,273,556 | | | | 23,704,760 |
| Total investments | $ 114,598,315 | | | | $ 23,704,760 |

**Level 2 and Level 3 Investments Reported at Net Asset Value at June 30, 2014**

| | Fair Value | Redemption Frequency | Redemption Notice Period | Estimated Termination Date (Fiscal Year) | Unfunded Commitment |
|---|---|---|---|---|---|
| Fixed-income investments: | | | | | |
| Money market mutual funds (Level 2) | $ 31,569 | daily | none | not applicable | $ - |
| Bonds and bond mutual funds (Level 2) | 2,147,675 | daily | 1 day | not applicable | - |
| Subtotal fixed income | 2,179,244 | | | | - |
| Public equity investments: | | | | | |
| Emerging markets international equity mutual funds (Level 2) | 12,141,698 | monthly | 30 days | not applicable | - |
| Alternative investments: | | | | | |
| Commodities (Level 3) | 9,211,309 | monthly | 10 - 30 days | not applicable | - |
| Hedge funds (Level 3) | 64,993,331 | quarterly | 60 days | not applicable | - |
| Private equity funds (Level 3) | 18,967,577 | not liquid | not liquid | 2014 - 2022 | 18,116,229 |
| Private real estate funds (Level 3) | 8,486,977 | not liquid | not liquid | 2014 - 2018 | 291,591 |
| Venture capital funds (Level 3) | 4,493,654 | not liquid | not liquid | 2014 - 2015 | 262,980 |
| Subtotal alternative investments | 106,152,848 | | | | 18,670,800 |
| Total investments | $ 120,473,790 | | | | $ 18,670,800 |

## Note 6 - Donor-restricted and Board-designated Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees as quasi-endowments. The Foundation's quasi-endowments have been created with gifts that were temporarily restricted by the donor for the benefit of a particular college within the university. Quasi-endowments have been included in the following schedules because they have been invested to provide income for a long, but unspecified period in accordance with board-imposed restrictions. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions or board-imposed restrictions.

**Interpretation of Relevant Law** - The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the contributed value of the original gift of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to distribute or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the gifting organization or individual and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Foundation

(7) The investment policies of the Foundation

**Endowment Net Asset Composition by Type of Fund as of June 30, 2015**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted endowment | $ (12,377) | $ 147,666,731 | $ 181,034,433 | $ 328,688,787 |
| Board-designated (quasi) endowment created with donor-restricted funds | - | 93,571,157 | - | 93,571,157 |
| Total funds | $ (12,377) | $ 241,237,888 | $ 181,034,433 | $ 422,259,944 |

**Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2015**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Market value - Beginning of the year | $ (569,243) | $ 265,316,842 | $ 169,394,525 | $ 434,142,124 |
| Net realized and unrealized gains and losses and investment income | 556,866 | (4,937,427) | (1,255,507) | (5,636,068) |
| Contributions | - | - | 12,895,415 | 12,895,415 |
| Spending policy transfer | - | (13,483,828) | - | (13,483,828) |
| Transfers to board-designated endowments | - | 803,569 | - | 803,569 |
| Administrative fee | - | (6,461,268) | - | (6,461,268) |
| Market value - End of the year | $ (12,377) | $ 241,237,888 | $ 181,034,433 | $ 422,259,944 |

**Endowment Net Asset Composition by Type of Fund as of June 30, 2014**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted endowment | $ (569,243) | $ 172,274,458 | $ 169,394,525 | $ 341,099,740 |
| Board-designated (quasi) endowment created with donor-restricted funds | - | 93,042,384 | - | 93,042,384 |
| Total funds | $ (569,243) | $ 265,316,842 | $ 169,394,525 | $ 434,142,124 |

**Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Market value - Beginning of the year | $ (648,358) | $ 221,402,733 | $ 157,859,625 | $ 378,614,000 |
| Net realized and unrealized gains and losses and investment income | 79,115 | 61,455,807 | 720,079 | 62,255,001 |
| Contributions | - | - | 10,814,821 | 10,814,821 |
| Spending policy transfer | - | (12,400,670) | - | (12,400,670) |
| Transfers to board-designated endowments | - | 655,412 | - | 655,412 |
| Administrative fee | - | (5,796,440) | - | (5,796,440) |
| Market value - End of the year | $ (569,243) | $ 265,316,842 | $ 169,394,525 | $ 434,142,124 |

**Funds with Deficiencies** - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the contributed value that the donor or UPMIFA requires the Foundation to retain as the corpus. These funds are known as "underwater accounts." In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $12,377 and $569,243 as of June 30, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations and allowable distributions made over time.

**Return Objectives and Risk Parameters** - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the long-term purchasing power of the endowment assets. Endowment assets include donor-restricted funds that are held in perpetuity or for donor-specified periods, as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to outperform, over rolling 12-quarter periods, a composite benchmark of appropriately weighted indices, while maintaining acceptable risk levels. The Foundation anticipates the endowment funds will provide an average rate of return of approximately 7.6 percent annually, gross of investment management fees of approximately 0.7 percent. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, the Foundation relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy** - For the fiscal year ended June 30, 2015, the Foundation's spending policy stipulated that 6 percent of a three-year moving average of the market value of the endowment was available to spend, with 2 percent of the amount being set aside to support the Foundation's administrative expenses. The spending rate applied to all endowment accounts except underwater accounts, where spending was limited to 1 percent of a three-year moving average of the market value. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow the endowment to grow at an average of 1.0 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through investment returns and new gifts.

## Note 7 - Property and Equipment

As of June 30, 2015 and 2014, property and equipment are as follows:

| | 2015 | 2014 |
|---|---|---|
| Land | $ 2,488,895 | $ 2,705,054 |
| Land improvements | 880,910 | 800,628 |
| Building and building improvements | 40,804,333 | 40,321,700 |
| Furnishings, fixtures, and equipment | 6,376,639 | 5,968,122 |
| Construction in progress | 80,943 | 5,090 |
| Subtotal | 50,631,720 | 49,800,594 |
| Less accumulated depreciation and amortization | (20,909,909) | (20,025,463) |
| Property and equipment - Net | $ 29,721,811 | $29,775,131 |

Total depreciation expense of $1,838,981 and $1,653,590 was recorded in fiscal years 2015 and 2014, respectively.

## Note 8 - Support from Related Organizations

During 2015 and 2014, the University paid certain payroll costs amounting to $4,116,887 and $4,698,590, and additional costs of $0 and $468,272, respectively, for the Foundation's Development Office, Office of Alumni Relations, and Accounting Office. The support costs paid by the University are reflected in the consolidated statements of activities as University support, with a like amount included in expenses.

The University provides office space and the use of certain common facilities and services to the Foundation at no cost. These costs have not been recorded as University support because they are not considered to be significant to the results of activities of the Foundation.

The Foundation has a noncontrolling economic interest in Ohio South East Enterprise Development Fund, Inc. (SEED), a tax-exempt organization under Code Section 501(c)(4). SEED was created in July 1994 for the purpose of supporting the scientific and technological research, educational activities, and economic development of Ohio University. Currently, the Foundation is the named beneficiary of SEED's assets in the event that the entity is dissolved. Distributions from SEED are reflected in the consolidated statements of activities as gifts and contributions in the year they are received. However, SEED did not make any distributions to the Foundation during 2015 or 2014.

## Note 9 - Split-interest Agreements

**Charitable Gift Annuities** - Under charitable gift annuity agreements, all assets are held by the Foundation. Therefore, the Foundation has recorded the donated assets at fair value and the liabilities to the donor or his/her beneficiaries discounted to the present value of the estimated future payments to be distributed by the Foundation to such individuals. The amount of the contribution is the difference between the asset and liability and is recorded as contribution revenue. The Foundation uses the Internal Revenue Service (IRS) discount rate, or Applicable Federal Rate, to determine net present value of the liability. This rate is published monthly and represents the annual rate of return that the IRS assumes the gift assets will earn during the gift term.

The discount rate for each charitable gift annuity is established at the beginning of the agreement. The discount rate applied to gift annuities held at June 30, 2015 and 2014 ranged from 1.2 to 9.4 percent.

**Charitable Remainder Trusts** - Under charitable remainder trust agreements, the Foundation serves as the remainderman and will receive the net assets of the trust upon death of the donor's beneficiary. During the life of the trust, the donor, or the donor-designated beneficiary, will receive regular payments as established by the trust.

In instances where the donor has not specifically reserved the right to change the remainderman, and all assets of charitable remainder trust are maintained by a third-party trustee in an irrevocable trust for the benefit of the Foundation, the Foundation will recognize, as contribution revenue and as a charitable trust asset, the present value of the estimated future benefits to be received when the trust assets are distributed. The trustee disburses income earned on the assets of the charitable remainder trust to the donor or donor-designated beneficiaries.

In instances where the donor has not specifically reserved the right to change the remainderman, and the Foundation serves as the trustee, the Foundation will recognize the fair market value of the assets of the trust, as well as a liability for the net present value of future payments to be distributed by the Foundation to the donor or his/her designated beneficiaries. The amount of the contribution is the difference between the asset and liability at the inception of the trust. The Foundation uses the IRS discount rate, or Applicable Federal Rate, to determine net present value of the liability. This rate is published monthly and represents the annual rate of return that the IRS assumes the gift assets will earn during the gift term. The discount rate for each charitable remainder trust is established at the beginning of the agreement. The discount rate applied to charitable remainder trusts held at June 30, 2015 and 2014 ranged from 2.4 to 8.2 percent.

Certain charitable remainder trust transactions are not reported on the consolidated statements of financial position or the consolidated statements of activities as, in these cases, the remainderman can be changed by the donor prior to his/her death.

Adjustments to the charitable trust asset to reflect amortization of the discount, revaluation of the present value of the estimated future payments to the donor-designated beneficiaries, and changes in actuarial assumptions during the term of the trust are recognized as changes in the value of split-interest agreements. Upon the death of the donor-designated beneficiaries, the receivable is closed, the assets received from the trust are recognized at fair value, and any difference is reported as a change in the value of split-interest agreements.

**Lead Trusts** - Charitable lead trusts provide an income stream to the Foundation for a set period of time established by the donor. The income stream is recorded at the net present value of the payments. Once the set period of time ends, the Foundation will no longer receive the income stream and the remaining principal is transferred back to the donor. If the Foundation serves as trustee, an asset and a liability will be recorded for the trust. The asset is booked at the fair market value. The liability is recorded at fair market value less the net present value of the income stream. If the Foundation does not serve as trustee, only the asset, at the net present value of the income stream, will be recorded for the trust. The Foundation uses the IRS discount rate, or Applicable Federal Rate, to determine net present value of the income stream. This rate is published monthly and represents the annual rate of return that the IRS assumes the gift assets will earn during the gift term. The discount rate for each charitable lead trust is established at the beginning of the agreement. The discount rate applied to the lead trusts held at June 30, 2015 and 2014 ranged from 1.07 to 5.16 percent.

**Perpetual and Other Trusts** - Perpetual trusts are those trusts that provide a perpetual income stream to the Foundation but are held by a third party. An asset and revenue are recorded for the fair market value of the instrument. Each year, the net change in fair market value to the asset is recorded as an increase or decrease in revenue.

**Pooled Income Fund** - A pooled income fund allows a donor to place funds into an investment pool from which an income stream is provided. The income stream is paid to the donor and/or the donor-designated beneficiaries, and the Foundation will receive the net assets of the fund upon their death.

**Revocable Trusts** - Under revocable trust agreements, the Foundation serves as the remainderman and will receive the net assets of the trust upon death of the donor's beneficiary. All assets of the trust may be maintained by a third-party trustee for the benefit of the Foundation, or by the Foundation if named as a trustee. The trustee disburses income earned on the assets of the trust to the donor or donor-designated beneficiaries. Under revocable trust agreements, the donor maintains the ability to legally dissolve the trusts and may or may not reserve the right to change the remainderman. For these reasons, the Foundation does not report revocable trust transactions on the consolidated statements of financial position or the consolidated statements of activities if the trust is held by a third-party trustee.

### Note 10 - Inn-Ohio of Athens, Inc.

The Inn was purchased by the Foundation on August 30, 1986. The primary purpose for which the Foundation invested in the Inn was to provide affordable and convenient housing, dining, and conference facilities for University employees, alumni, and guests. As a significant portion of the Inn's revenue is derived from these customers, the Foundation is committed to financially supporting the Inn.

The Inn's business is subject to all of the risks inherent in the lodging industry. These risks include, among other factors, varying levels of demand for rooms and related services, adverse effects of general and local economic and market conditions, changes in governmental regulations that influence wages or prices, changes in interest rates, the availability of credit, changes in real estate taxes and other operating expenses, and the recurring need for renovation, refurbishment, and improvements.

**Operations** - The Inn's operations for the years ended June 30, 2015 and 2014 are summarized below:

| | 2015 | 2014 |
|---|---|---|
| Revenue | $ 5,275,949 | $ 5,479,088 |
| Operating and general expenses | 4,048,312 | 4,040,226 |
| Depreciation and amortization | 672,005 | 540,184 |
| Interest expense - Net | 7,469 | 19,266 |
| Provision for income taxes | 156,506 | 308,849 |
| Total expenses | 4,884,292 | 4,908,525 |
| Net income | 391,657 | 570,563 |
| Realized gains on investments | 43,869 | - |
| Other comprehensive income (losse: | (48,029) | 12,342 |
| Change in net assets | $ 387,497 | $ 582,905 |

Effective November 30, 1996, a management agreement (the "Management Agreement") was entered into with Winegardner & Hammons, Inc. (the "Manager"). The Management Agreement was amended during fiscal 2001 to automatically renew annually unless notified in writing 60 days prior to the end of the fiscal year. The Manager's compensation is a base fee plus 15 percent of the hotel's net available operating profit as defined in the Management Agreement.

In fiscal years 2015 and 2014, base management fees incurred by the Inn with respect to the Manager were $100,000 per year and incentive fees were $170,964 and $193,174, respectively.

**Property and Equipment** – Property and equipment of the Inn as of June 30, 2015 and June 30, 2014 consists of the following:

| | 2015 | 2014 |
|---|---|---|
| Land | $ 197,300 | $ 197,300 |
| Land improvements | 880,910 | 800,628 |
| Buildings | 7,237,852 | 6,879,593 |
| Furnishings, fixtures, and equipment | 4,358,956 | 4,027,661 |
| Construction in progress | 80,943 | 5,090 |
| Total property and equipment | 12,755,961 | 11,910,272 |
| Less accumulated depreciation and amortization | (7,369,634) | (7,653,816) |
| Net property and equipment | $ 5,386,327 | $ 4,256,456 |

**Debt Obligations** - Long-term debt of the Inn as of June 30, 2015 and June 30, 2014 consists of the following:

| | 2015 | 2014 |
|---|---|---|
| Term loan - Principal due through June 2021, interest at 3.31 percent through June 2016 and adjusted thereafter | $ 2,051,200 | $ 2,325,000 |
| Less current portion of long-term debt | (291,300) | (273,800) |
| Total | $ 1,759,900 | $ 2,051,200 |

In June 2006, the Inn obtained a $4,000,000 term loan, the proceeds of which were used to pay a dividend of $3,000,000 in June 2006 and $1,000,000 of which was placed in the bond fund to retire the 1996 Serial and Term Project Bonds in November 2006. The term loan is guaranteed by the Foundation.

A significant portion of the property and equipment are pledged as collateral for the term loan. The interest rate on the term loan was fixed at 6.20 percent through June 2011 and was adjusted to 3.31 percent as of July 1, 2011. The interest rate will be adjusted to the index rate as defined in the agreement plus 1.40 percent in June 2016.

Maturities of long-term debt at June 30, 2015 are set forth in the following schedule:

| Years Ending June 30 | Amount |
|---|---|
| 2016 | $ 291,300 |
| 2017 | 309,900 |
| 2018 | 329,600 |
| 2019 | 350,500 |
| 2020 | 373,000 |
| Thereafter | 396,900 |
| Total | $ 2,051,200 |

The fair value of the debt obligations approximates the carrying value at June 30, 2015 and 2014.

**Note 11 - Housing for Ohio, Inc.**

In November 1999, the Foundation established Housing, a limited liability company and 501(c)(3) corporation, with the purpose of acquiring, developing, constructing, and operating a 182-unit student-housing rental project which contains 580 beds. The property, known as University Courtyard Apartments (the "Project"), is located in Athens, Ohio on property owned by the University and leased to Housing. The facility is managed and operated by a private entity.

**Operations** - Housing's operations for the years ended June 30, 2015 and 2014 are summarized below:

| | 2015 | 2014 |
|---|---|---|
| Revenue | $3,362,031 | $3,297,038 |
| Operating and general expenses | 1,435,563 | 1,306,370 |
| Depreciation and amortization | 861,596 | 824,629 |
| Interest expense and bond fees | 161,820 | 283,294 |
| Tax and insurance | 174,966 | 297,944 |
| Total expenses | 2,633,945 | 2,712,237 |
| Change in net assets | $ 728,086 | $ 584,801 |

**Property and Equipment** – Property and equipment of Housing as of June 30, 2015 and June 30, 2014 consists of the following:

| | 2015 | 2014 |
|---|---|---|
| Student housing facility and improvements | $ 27,483,760 | $ 27,329,935 |
| Furnishings and equipment | 1,623,819 | 1,561,688 |
| Total property and equipment | 29,107,579 | 28,891,623 |
| Less accumulated depreciation | 11,147,822 | 10,335,170 |
| Net property and equipment | $ 17,959,757 | $ 18,556,453 |

**Debt** - In September 2000, Housing offered $31,985,000 of variable-rate, tax-exempt bonds (the "2000 Bonds"). The proceeds of the 2000 Bonds financed the construction, installation, and equipping of the Project. The 2000 Bonds will be fully matured at June 2032 and bear interest at an adjustable rate as determined weekly by the remarketing agent, based on its knowledge of prevailing market conditions, except that in no event will the interest rate exceed 12 percent.

The average interest rates for the years ended June 30, 2015 and 2014 were 0.04 percent and 0.06 percent, respectively and the actual interest rates at June 30, 2015 and 2014 were 0.10 percent and 0.06 percent, respectively.

As collateral, until all principal and interest on any of the 2000 Bonds have been paid, Housing has pledged, assigned, and granted a security interest to its right, title, and interest in gross revenue of University Courtyard Apartments and related assets. The Foundation has made no additional pledge of assets or revenue to the 2000 Bonds, which are nonrecourse to the Foundation.

Principal payments for the bonded debt for the years subsequent to June 30, 2015 are summarized as follows:

| Years Ending June 30 | Principal |
|---|---|
| 2016 | $ 910,000 |
| 2017 | 960,000 |
| 2018 | 1,010,000 |
| 2019 | 1,065,000 |
| 2020 | 1,125,000 |
| Thereafter | 19,215,000 |
| Total | $ 24,285,000 |

Debt issuance costs are included in property on the consolidated statements of financial position and are amortized over the term of the 2000 Bonds. Amortization was $26,158 during each of the years ended June 30, 2015 and 2014.

# Supplementary Information

# The Ohio University Foundation and Subsidiaries

## Consolidating Schedule of Financial Position
## June 30, 2015

| | The Foundation | The Inn | Housing | Supporting Organization | Russ LLCs | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | $ 12,567,382 | $ 969,129 | $ 1,668,095 | $ - | $ 1,628,817 | $ - | $ 16,833,423 |
| Accounts receivable - Net | 151,290 | 131,831 | 28,968 | - | 241,340 | - | 553,429 |
| Related party receivable - Net | 57,407 | - | - | - | - | (57,407) | - |
| Pledges receivable - Net | 19,412,286 | - | - | - | - | - | 19,412,286 |
| Bequests receivable | 2,706,305 | - | - | - | - | - | 2,706,305 |
| Interest and dividends receivable | 79,546 | - | - | - | - | - | 79,546 |
| Prepaid expenses | 117,630 | 16,148 | 643,308 | - | 11,728 | - | 788,814 |
| Investments | 446,628,783 | 1,063,765 | - | 5,900,782 | - | (1,063,765) | 452,529,565 |
| Investment in Inn-Ohio of Athens, Inc. | 4,644,351 | - | - | - | - | (4,644,351) | - |
| Cash surrender value - Life insurance policies | 1,143,126 | - | - | - | - | - | 1,143,126 |
| Charitable gift annuities | 2,408,258 | - | - | - | - | - | 2,408,258 |
| Charitable trusts | 18,167,908 | - | - | - | - | - | 18,167,908 |
| Deposits with trustees - Restricted cash | - | - | 4,156,544 | - | - | - | 4,156,544 |
| Property and equipment - Net | 1,522,404 | 5,386,327 | 17,959,757 | - | 4,853,323 | - | 29,721,811 |
| Other assets | - | 249,072 | 471,470 | - | - | - | 720,542 |
| Total assets | **$ 509,606,676** | **$ 7,816,272** | **$ 24,928,142** | **$ 5,900,782** | **$ 6,735,208** | **$ (5,765,523)** | **$ 549,221,557** |
| **Liabilities and Net Assets (Deficit)** | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable - Ohio University | $ 1,419,176 | $ - | $ - | $ - | $ - | $ - | $ 1,419,176 |
| Accounts payable - Trade | 408,786 | 698,721 | 166,071 | - | 301,655 | - | 1,575,233 |
| Accounts payable - Related party | - | - | - | - | 57,407 | (57,407) | - |
| Deposits held in custody for others | 1,352,652 | - | 51,308 | - | 55,421 | (1,063,765) | 395,616 |
| Annuities payable | 1,853,312 | - | - | - | - | - | 1,853,312 |
| Charitable trusts obligations | 4,122,145 | - | - | - | - | - | 4,122,145 |
| Bonds payable | - | - | 24,285,000 | - | - | - | 24,285,000 |
| Notes payable | - | 2,051,200 | - | - | - | - | 2,051,200 |
| Other liabilities | - | 422,000 | 110,327 | - | - | - | 532,327 |
| Total liabilities | 9,156,071 | 3,171,921 | 24,612,706 | - | 414,483 | (1,121,172) | 36,234,009 |
| Net assets (deficit): | | | | | | | |
| Unrestricted | 3,005,997 | - | 315,436 | - | - | - | 3,321,433 |
| Temporarily restricted | 305,050,027 | - | - | 5,900,782 | 6,320,725 | - | 317,271,534 |
| Permanently restricted | 192,394,581 | - | - | - | - | - | 192,394,581 |
| Total net assets (deficit) | 500,450,605 | - | 315,436 | 5,900,782 | 6,320,725 | - | 512,987,548 |
| Stockholders' equity: | | | | | | | |
| Common stock | - | 3,429,192 | - | - | - | (3,429,192) | - |
| Additional paid-in capital | - | 4,139,955 | - | - | - | (4,139,955) | - |
| Retained earnings | - | (2,924,796) | - | - | - | 2,924,796 | - |
| Total stockholders' equity | - | 4,644,351 | - | - | - | (4,644,351) | - |
| Total liabilities and net assets (deficit) | **$ 509,606,676** | **$ 7,816,272** | **$ 24,928,142** | **$ 5,900,782** | **$ 6,735,208** | **$ (5,765,523)** | **$ 549,221,557** |

# Consolidating Schedule of Activities
## Year Ended June 30, 2015

| | Unrestricted | The Inn | Housing | Total Unrestricted | Temporarily Restricted | Supporting Organization | Russ LLCs | Total Temporarily Restricted | Total Permanently Restricted | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue and Other Support** | | | | | | | | | | | |
| Gifts and contributions | $ 331,783 | $ - | $ - | $ 331,783 | $ 17,185,679 | $ - | $ - | $ 17,185,679 | $ 13,680,523 | $ - | $ 31,197,985 |
| University support | 4,116,877 | - | - | 4,116,877 | - | - | - | - | - | - | 4,116,877 |
| Income from investments: | | | | | | | | | | | |
| Interest and dividends | 348,624 | - | - | 348,624 | 6,954,520 | - | - | 6,954,520 | - | - | 7,303,144 |
| Sold during the year (realized gain) | 2,025,390 | - | - | 2,025,390 | 38,943,461 | - | - | 38,943,461 | 506,443 | - | 41,475,294 |
| Held at year end (unrealized loss) | (2,065,898) | - | - | (2,065,898) | (51,450,707) | - | - | (51,450,707) | (685,896) | - | (54,202,501) |
| Revenue from sales, services, and events | 456,351 | - | - | 456,351 | 98,694 | - | - | 98,694 | 870 | - | 555,915 |
| Change in value of split-interest agreements | 38,969 | - | - | 38,969 | (422,668) | - | - | (422,668) | (207,549) | - | (591,248) |
| Administrative fee income | 6,461,268 | - | - | 6,461,268 | (6,461,268) | - | - | (6,461,268) | - | - | - |
| Other | 63,684 | - | - | 63,684 | 827,332 | - | - | 827,332 | (229,398) | - | 661,618 |
| Related entity revenue | 387,497 | 5,271,789 | 3,362,031 | 9,021,317 | 769,901 | 96,209 | 1,358,586 | 2,224,696 | - | (1,157,398) | 10,088,615 |
| Total revenue and other support | 12,164,545 | 5,271,789 | 3,362,031 | 20,798,365 | 6,444,944 | 96,209 | 1,358,586 | 7,899,739 | 13,064,993 | (1,157,398) | 40,605,699 |
| Net assets released from restrictions - | | | | | | | | | | | |
| Satisfaction of program restrictions: | | | | | | | | | | | |
| Academic support | $ 1,582,956 | - | - | 1,582,956 | (1,582,956) | - | - | (1,582,956) | - | - | - |
| Alumni relations | 55,834 | - | - | 55,834 | (55,834) | - | - | (55,834) | - | - | - |
| Fundraising and development | 153,463 | - | - | 153,463 | (153,463) | - | - | (153,463) | - | - | - |
| Institutional support | 1,217,895 | - | - | 1,217,895 | (1,217,895) | - | - | (1,217,895) | - | - | - |
| Instruction and departmental research | 12,334,284 | - | - | 12,334,284 | (12,334,284) | - | - | (12,334,284) | - | - | - |
| Intercollegiate athletics | 1,067,855 | - | - | 1,067,855 | (1,067,855) | - | - | (1,067,855) | - | - | - |
| Public service | 464,248 | - | - | 464,248 | (464,248) | - | - | (464,248) | - | - | - |
| Research | 621,308 | - | - | 621,308 | (621,308) | - | - | (621,308) | - | - | - |
| Student aid | 5,240,972 | - | - | 5,240,972 | (5,240,972) | - | - | (5,240,972) | - | - | - |
| Student services | 458,854 | - | - | 458,854 | (458,854) | - | - | (458,854) | - | - | - |
| Related entity operations | 1,403,759 | - | - | 1,403,759 | - | (335,632) | (1,838,028) | (2,173,660) | - | 769,901 | - |
| Total net assets released from restrictions | 24,601,428 | - | - | 24,601,428 | (23,197,669) | (335,632) | (1,838,028) | (25,371,329) | - | 769,901 | - |
| Total revenue, other support, and net assets released from restrictions | 36,765,973 | 5,271,789 | 3,362,031 | 45,399,793 | (16,752,725) | (239,423) | (479,442) | (17,471,590) | 13,064,993 | (387,497) | 40,605,699 |
| **Expenses** | | | | | | | | | | | |
| Program services: | | | | | | | | | | | |
| Academic support | 1,582,956 | - | - | 1,582,956 | - | - | - | - | - | - | 1,582,956 |
| Alumni relations | 2,447,845 | - | - | 2,447,845 | - | - | - | - | - | - | 2,447,845 |
| Institutional support | 1,338,092 | - | - | 1,338,092 | - | - | - | - | - | - | 1,338,092 |
| Instruction and departmental research | 12,340,204 | - | - | 12,340,204 | - | - | - | - | - | - | 12,340,204 |
| Intercollegiate athletics | 1,067,855 | - | - | 1,067,855 | - | - | - | - | - | - | 1,067,855 |
| Public service | 464,248 | - | - | 464,248 | - | - | - | - | - | - | 464,248 |
| Research | 621,428 | - | - | 621,428 | - | - | - | - | - | - | 621,428 |
| Student aid | 5,240,972 | - | - | 5,240,972 | - | - | - | - | - | - | 5,240,972 |
| Student services | 458,854 | - | - | 458,854 | - | - | - | - | - | - | 458,854 |
| Support services: | | | | | | | | | | | |
| Fundraising and development | 9,375,913 | - | - | 9,375,913 | - | - | - | - | - | - | 9,375,913 |
| Fund administration | 763,014 | - | - | 763,014 | - | - | - | - | - | - | 763,014 |
| Related entity operations | 1,403,759 | 4,884,292 | 2,633,945 | 8,921,996 | - | - | - | - | - | - | 8,921,996 |
| Total expenses | 37,105,140 | 4,884,292 | 2,633,945 | 44,623,377 | - | - | - | - | - | - | 44,623,377 |
| **Changes in Net Assets** | (339,167) | 387,497 | 728,086 | 776,416 | (16,752,725) | (239,423) | (479,442) | (17,471,590) | 13,064,993 | (387,497) | (4,017,678) |
| **Net Assets (Deficit)** - Beginning of year | 3,345,164 | 4,256,854 | (412,650) | 7,189,368 | 321,802,752 | 6,140,205 | 6,800,167 | 334,743,124 | 179,329,588 | (4,256,854) | 517,005,226 |
| **Net Assets (Deficit)** - End of year | $ 3,005,997 | $ 4,644,351 | $ 315,436 | $ 7,965,784 | $ 305,050,027 | $ 5,900,782 | $ 6,320,725 | $ 317,271,534 | $ 192,394,581 | $ (4,644,351) | $ 512,987,548 |

# The Ohio University Foundation and Subsidiaries

## Consolidating Schedule of Cash Flows
## Year Ended June 30, 2015

| | The Foundation | The Inn | Housing | Supporting Organization | Russ LLCs | Total |
|---|---|---|---|---|---|---|
| **Cash Flows From Operating Activities** | | | | | | |
| Changes in net assets | $ (4,414,396) | $ 387,497 | $ 728,086 | $ (239,423) | $ (479,442) | $ (4,017,678) |
| Adjustments to reconcile changes in net assets to net cash from operating activities: | | | | | | |
| Realized investment gains - Net | (41,475,294) | - | - | - | - | (41,475,294) |
| Noncash items: | | | | | | |
| Depreciation and amortization | 12,615 | 672,005 | 861,596 | - | 343,807 | 1,890,023 |
| Loss on disposition of property | 16,639 | 57,341 | - | - | 436,731 | 510,711 |
| Unrealized investment loss - Net | 54,202,501 | - | - | - | - | 54,202,501 |
| Decrease in cash surrender value of life insurance policies | 80,223 | - | - | - | - | 80,223 |
| Decrease in investments subject to annuity agreements | 189,312 | - | - | - | - | 189,312 |
| Decrease in charitable remainder trust assets | 482,907 | - | - | - | - | 482,907 |
| Increase in annuity obligations | (43,964) | - | - | - | - | (43,964) |
| Decrease in trust obligations | 163,000 | - | - | - | - | 163,000 |
| Contributions of securities | (1,207,039) | - | - | - | - | (1,207,039) |
| Contributions restricted for endowment investment | (13,680,523) | - | - | - | - | (13,680,523) |
| Changes in current assets and liabilities: | | | | | | |
| Decrease (increase) in accounts receivable | (90,982) | (117,938) | (22,129) | - | 12,325 | (218,724) |
| Increase in pledges receivable | (5,682,031) | - | - | - | - | (5,682,031) |
| Increase in bequests receivable | (1,538,240) | - | - | - | - | (1,538,240) |
| Increase in interest and dividends receivable | (35,610) | - | - | - | - | (35,610) |
| (Increase) decrease in prepaid expenses | (37,982) | 1,391 | (3,428) | - | 1,093 | (38,926) |
| Increase in other assets | - | (168,242) | (4,282) | - | - | (172,524) |
| Increase (decrease) in accounts payable | 446,823 | 11,367 | (2,930) | - | 36,712 | 491,972 |
| Increase in other liabilities | - | 102,600 | 2,072 | - | - | 104,672 |
| Increase (decrease) in deposits held in custody for others | 20,390 | - | 7,910 | - | (4,897) | 23,403 |
| Net cash (used in) provided by operating activities | (12,591,651) | 946,021 | 1,566,895 | (239,423) | 346,329 | (9,971,829) |
| **Cash Flows From Investing Activities** | | | | | | |
| Purchases of property and equipment | (430,456) | (1,857,119) | (215,956) | - | (27,471) | (2,531,002) |
| Proceeds from sales of property and equipment | 49,361 | - | - | - | 185,269 | 234,630 |
| Purchases of investments | (290,397,787) | (163,205) | - | (153,512) | - | (290,714,504) |
| Proceeds from sales of investments | 284,333,409 | 1,252,178 | - | 392,935 | - | 285,978,522 |
| Contributions to new charitable gift annuities | (116,686) | - | - | - | - | (116,686) |
| Payments on charitable gift annuities | 107,689 | - | - | - | - | 107,689 |
| Contributions to new charitable remainder trusts | (516,498) | - | - | - | - | (516,498) |
| Payments on charitable remainder trusts | 212,492 | - | - | - | - | 212,492 |
| Net cash provided by (used in) investing activities | (6,758,476) | (768,146) | (215,956) | 239,423 | 157,798 | (7,345,357) |
| **Cash Flows from Financing Activities** | | | | | | |
| Contributions restricted for endowment investment | 13,680,523 | - | - | - | - | 13,680,523 |
| Payments on notes and bonds payable | - | (273,800) | (865,000) | - | - | (1,138,800) |
| Increase in restricted cash | - | - | (273,510) | - | - | (273,510) |
| Net cash provided by (used in) financing activities | 13,680,523 | (273,800) | (1,138,510) | - | - | 12,268,213 |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (5,669,604) | (95,925) | 212,429 | - | 504,127 | (5,048,973) |
| **Cash and Cash Equivalents** - Beginning of year | 18,236,986 | 1,065,054 | 1,455,666 | - | 1,124,690 | 21,882,396 |
| **Cash and Cash Equivalents** - End of year | $ 12,567,382 | $ 969,129 | $ 1,668,095 | $ - | $ 1,628,817 | $ 16,833,423 |

Plante & Moran, PLLC
Suite 600
65 E. State St.
Columbus, OH 43215
Tel: 614.849.3000
Fax: 614.221.3535
plantemoran.com

# Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

## Independent Auditor's Report

To Management and the Board of Trustees
The Ohio University Foundation and Subsidiaries

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Ohio University Foundation, an Ohio not-for-profit corporation, and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2015, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Ohio University Foundation and Subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To Management and the Board of Trustees
The Ohio University Foundation and Subsidiaries

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Ohio University Foundation and Subsidiaries' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards.*

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 5, 2015