

# **The Ohio University Foundation and Subsidiaries**

---

**Consolidated Financial Statements as of and  
for the Years Ended June 30, 2018 and 2017  
with Supplementary Schedules as of and  
for the Year Ended June 30, 2018 and  
Independent Auditor's Report**

# The Ohio University Foundation and Subsidiaries

---

## Contents

<b>Report Letter</b>	1-2
<b>Consolidated Financial Statements as of and for the Years Ended June 30, 2018 and 2017</b>	
Statements of Financial Position	3
Statements of Activities	4-7
Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9-26
<b>Supplementary Schedules as of and for the Year Ended June 30, 2018</b>	27
Consolidating Schedule of Financial Position	28
Consolidating Schedule of Activities	29
Consolidating Schedule of Cash Flows	30
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	31-32

## 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 not-for-profit corporation, and Subsidiaries (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017 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 Consolidated 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 audits 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 opinion.

### *Opinion*

In our opinion, the 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, 2018 and 2017 and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As described 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 \$87,768,079 (15.9 percent of net assets) and \$101,115,439 (18.8 percent of net assets) at June 30, 2018 and 2017, 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.

To the Board of Trustees  
The Ohio University Foundation and Subsidiaries

**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 indicated on the table of contents and as identified on pages 28-30, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2018 on our consideration of 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, 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.



October 4, 2018



# The Ohio University Foundation and Subsidiaries

## Consolidated Statements of Activities Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support:				
Gifts and contributions	\$ 1,229,760	\$ 8,730,266	\$ 9,682,004	\$ 19,642,030
University support	3,601,332	-	-	3,601,332
Income from investments:				
Interest and dividends	492,989	9,264,943	-	9,757,932
Sold during the year (realized gain)	459,896	8,511,579	112,237	9,083,712
Held at year end (unrealized gain)	567,916	11,644,490	142,107	12,354,513
Revenue from sales, services, and events	556,099	11,947	-	568,046
Change in value of split-interest agreements	-	(34,467)	36,494	2,027
Administrative fee income	7,658,561	(7,658,561)	-	-
Other	12,799	(34,523)	76,206	54,482
Related entity revenue	5,952,777	918,245	-	6,871,022
Total revenue and other support	<u>20,532,129</u>	<u>31,353,919</u>	<u>10,049,048</u>	<u>61,935,096</u>
Net assets released from restrictions -				
Satisfaction of program restrictions:				
Academic support	1,408,763	(1,408,763)	-	-
Alumni relations	16,926	(16,926)	-	-
Fundraising and development	340,737	(340,737)	-	-
Fund administration	5,507	(5,507)	-	-
Institutional support	552,085	(552,085)	-	-
Instruction and departmental research	6,396,317	(6,396,317)	-	-
Intercollegiate athletics	6,645,472	(6,645,472)	-	-
Public service	1,126,751	(1,126,751)	-	-
Research	2,832,063	(2,832,063)	-	-
Student aid	7,548,212	(7,548,212)	-	-
Student services	396,405	(396,405)	-	-
Related entity operations	1,065,215	(1,065,215)	-	-
Total net assets released from restrictions	<u>28,334,453</u>	<u>(28,334,453)</u>	<u>-</u>	<u>-</u>
Total revenue, other support, and net assets released from restrictions	<u>48,866,582</u>	<u>3,019,466</u>	<u>10,049,048</u>	<u>61,935,096</u>

# The Ohio University Foundation and Subsidiaries

## Consolidated Statements of Activities (Continued) Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:				
Program services:				
Academic support	\$ 1,442,064	\$ -	\$ -	\$ 1,442,064
Alumni relations	3,047,848	-	-	3,047,848
Institutional support	647,299	-	-	647,299
Instruction and departmental research	6,419,121	-	-	6,419,121
Intercollegiate athletics	6,645,472	-	-	6,645,472
Public service	1,167,783	-	-	1,167,783
Research	2,832,063	-	-	2,832,063
Student aid	7,553,857	-	-	7,553,857
Student services	397,427	-	-	397,427
Support services:				
Fundraising and development	10,181,482	-	-	10,181,482
Fund administration	1,085,737	-	-	1,085,737
Related entity operations	6,403,729	-	-	6,403,729
Total expenses	47,823,882	-	-	47,823,882
<b>Changes in Net Assets</b>	1,042,700	3,019,466	10,049,048	14,111,214
<b>Net Assets - Beginning of year</b>	6,260,536	317,178,949	214,186,022	537,625,507
<b>Net Assets - End of year</b>	<b>\$ 7,303,236</b>	<b>\$ 320,198,415</b>	<b>\$ 224,235,070</b>	<b>\$ 551,736,721</b>

# The Ohio University Foundation and Subsidiaries

## Consolidated Statements of Activities Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support:				
Gifts and contributions	\$ 157,750	\$ 6,522,349	\$ 8,433,060	\$ 15,113,159
University support	4,119,288	-	-	4,119,288
Income from investments:				
Interest and dividends	383,490	7,391,540	-	7,775,030
Sold during the year (realized loss)	(139,706)	(2,555,776)	(34,454)	(2,729,936)
Held at year end (unrealized gain)	2,679,983	44,398,906	586,420	47,665,309
Revenue from sales, services, and events	523,828	93,888	-	617,716
Change in value of split-interest agreements	(47,915)	531,523	(45,794)	437,814
Administrative fee income	7,301,778	(7,301,778)	-	-
Other	126,994	86,979	183,899	397,872
Related entity revenue	8,143,385	1,478,978	-	9,622,363
Total revenue and other support	<u>23,248,875</u>	<u>50,646,609</u>	<u>9,123,131</u>	<u>83,018,615</u>
Net assets released from restrictions -				
Satisfaction of program restrictions:				
Academic support	1,928,135	(1,928,135)	-	-
Alumni relations	7,819	(7,819)	-	-
Fundraising and development	178,476	(178,476)	-	-
Institutional support	1,505,457	(1,505,457)	-	-
Instruction and departmental research	10,133,780	(10,133,780)	-	-
Intercollegiate athletics	1,680,021	(1,680,021)	-	-
Public service	365,501	(365,501)	-	-
Research	1,383,393	(1,383,393)	-	-
Student aid	6,554,802	(6,554,802)	-	-
Student services	242,460	(242,460)	-	-
Related entity operations	1,077,162	(1,077,162)	-	-
Total net assets released from restrictions	<u>25,057,006</u>	<u>(25,057,006)</u>	<u>-</u>	<u>-</u>
Total revenue, other support, and net assets released from restrictions	<u>48,305,881</u>	<u>25,589,603</u>	<u>9,123,131</u>	<u>83,018,615</u>



# The Ohio University Foundation and Subsidiaries

## Consolidated Statements of Activities (Continued) Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:				
Program services:				
Academic support	\$ 1,928,135	\$ -	\$ -	\$ 1,928,135
Alumni relations	3,143,729	-	-	3,143,729
Institutional support	1,645,289	-	-	1,645,289
Instruction and departmental research	10,137,137	-	-	10,137,137
Intercollegiate athletics	1,680,021	-	-	1,680,021
Public service	365,501	-	-	365,501
Research	1,383,393	-	-	1,383,393
Student aid	6,602,192	-	-	6,602,192
Student services	242,460	-	-	242,460
Support services:				
Fundraising and development	9,323,402	-	-	9,323,402
Fund administration	958,265	-	-	958,265
Related entity operations	7,654,340	-	-	7,654,340
Total expenses	<u>45,063,864</u>	<u>-</u>	<u>-</u>	<u>45,063,864</u>
<b>Changes in Net Assets</b>	3,242,017	25,589,603	9,123,131	37,954,751
<b>Net Assets - Beginning of year</b>	<u>3,018,519</u>	<u>291,589,346</u>	<u>205,062,891</u>	<u>499,670,756</u>
<b>Net Assets - End of year</b>	<u><b>\$ 6,260,536</b></u>	<u><b>\$ 317,178,949</b></u>	<u><b>\$ 214,186,022</b></u>	<u><b>\$ 537,625,507</b></u>

# The Ohio University Foundation and Subsidiaries

## Consolidated Statements of Cash Flows

	Years Ended June 30	
	2018	2017
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 14,111,214	\$ 37,954,751
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Realized investment losses (gains) - Net	(9,083,712)	2,729,936
Noncash items:		
Depreciation and amortization	1,129,432	1,543,315
(Gain) loss on disposition of property	126,500	(1,870,320)
Unrealized investment (gains) losses - Net	(12,354,513)	(47,665,309)
(Increase) decrease in cash surrender value of life insurance policies	(40,574)	(55,605)
(Increase) decrease in investments subject to annuity agreements	(293,788)	(189,857)
(Increase) decrease in charitable remainder trust assets	(633,398)	(1,074,170)
Increase (decrease) in annuity obligations	8,531	262,181
Increase (decrease) in trust obligations	(132,161)	(166,343)
Contributions of securities	(1,266,415)	(1,305,297)
Contributions of land and buildings	(85,000)	-
Contributions restricted for endowment investments	(9,682,004)	(8,433,060)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	266,687	69,831
(Increase) decrease in pledges receivable	4,239,339	4,114,432
(Increase) decrease in bequests receivable	(3,071,840)	7,417,850
(Increase) decrease in interest and dividends receivable	(872,116)	(14,477)
(Increase) decrease in prepaid expenses	(96,262)	686,415
(Increase) decrease in other assets	(77,493)	46,207
Increase (decrease) in accounts payable	3,487,790	1,441,099
Increase (decrease) in other liabilities	(49,799)	(108,259)
Increase (decrease) in deposits held in custody for others	30,643	(275)
Net cash used in operating activities	<u>(14,338,939)</u>	<u>(4,616,955)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(951,784)	(1,420,133)
Proceeds from sales of property and equipment	70,000	20,765,000
Purchases of investments	(127,936,139)	(49,087,738)
Proceeds from sales of investments	133,463,527	46,098,045
Contributions to new charitable gift annuities	(198,328)	(543,562)
Payments on charitable gift annuities	524,729	258,956
Contributions to new charitable remainder trusts	(19,119)	(20,000)
Payments on charitable remainder trusts	790,346	1,104,644
Net cash provided by (used in) investing activities	<u>5,743,232</u>	<u>17,155,212</u>
<b>Cash Flows from Financing Activities</b>		
Contributions restricted for endowment investment	9,682,004	8,433,060
Payments on notes and bonds payable	(327,501)	(23,684,900)
(Increase) decrease in restricted cash	-	4,946,298
Net cash provided by (used in) financing activities	<u>9,354,503</u>	<u>(10,305,542)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<u>758,796</u>	<u>2,232,715</u>
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>25,731,084</u>	<u>23,498,369</u>
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 26,489,880</u>	<u>\$ 25,731,084</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 28,605	\$ 125,022
Cash paid for income taxes	386,000	135,000
<b>Supplemental Disclosure of Noncash Activities</b>		
Contributions of securities	\$ 1,266,415	\$ 1,305,297
Contributions of land and buildings	85,000	-

# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

### 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 operated a 182-unit student housing facility in Athens, Ohio. It was 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). Housing formally dissolved in October 2017 (see Note 11).

The Sugar Bush Foundation (Sugar Bush) is an Ohio not-for-profit corporation, and is a supporting organization as defined in Code Section 509(a)(3). Sugar Bush has pledged 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 (see Note 12).

The Russ LLC's are four limited liability companies (Fritz J. and Dolores H. Russ Holdings LLC, Russ North Valley Road LLC, Russ Research Center LLC, Russ Center North LLC) created to receive and hold property distributions from The Dolores H. Russ Trust for the benefit of the Russ College of Engineering. 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, Russ Research Center LLC, and Russ Center North LLC (see Note 13).

### 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 consolidated 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

# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

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 2.45 and 2.36 percent for the years ended June 30, 2018 and 2017, 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, 2018 and 2017.

# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

**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 \$25,604,353 and \$24,720,698 in cash that was uninsured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2018 and 2017, respectively.

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

**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, a for-profit corporation, including deferred tax expenses, totaled \$(24,428) and \$201,339 for the years ended June 30, 2018 and 2017, respectively. The provision is mostly comprised of federal and city taxes. Of these amounts, \$124,572 and \$249,339 represent current tax expense for the years ended June 30, 2018 and 2017, 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. There are no income taxes on the Russ LLCs as they are disregarded entities.

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, 2018 and 2017, 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, 2015.

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

**Upcoming Accounting Pronouncements** - In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgements and changes in judgements and assets, recognized from costs incurred to obtain or fulfill a contract. The Foundation's primary revenue sources are not expected to be significantly impacted by the standard but a complete review of all revenue sources has not yet been completed. In addition, management is currently analyzing the disclosures that will be required with this pronouncement. The new guidance will be effective for the Foundation's year ending June 30, 2020.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Foundation's year ending June 30, 2021. The effect of applying the new lease guidance on the consolidated financial statements has not yet been determined.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the

# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Foundation, including required disclosures about the liquidity and availability of resources. The Foundation is currently evaluating the impact of the standard and will present the two classes of net assets, add the liquidity note, expense matrix, and related disclosures. The new standard is effective for the Foundation's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis.

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounting for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Foundation's year ending June 30, 2020 and will be applied on a modified prospective basis. The Foundation does not expect the standard to have a significant impact on the timing of revenue recognition but has not yet determined the impact on recognition of foundation and individual grants and contributions.

**Subsequent Events** - The consolidated financial statements and related disclosures include evaluation of events up through and including October 4, 2018, which is the date the consolidated financial statements were available to be 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, 2018 and 2017 are available for the following purposes:

	2018	2017
Designated:		
Underwater accounts	\$ (60,966)	\$ (2,231)
Undesignated:		
The Inn	5,471,932	4,974,388
Housing	-	208,625
Other	1,892,270	1,079,754
Subtotal undesignated	<u>7,364,202</u>	<u>6,262,767</u>
Total unrestricted net assets	<u>\$ 7,303,236</u>	<u>\$ 6,260,536</u>

**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, 2018 and 2017 are available for the following purposes:

	2018	2017
Academic support	\$ 15,110,825	\$ 13,930,025
Alumni relations	157,999	152,580
Fundraising and development	1,178,162	1,077,621
Institutional support	9,301,600	8,984,042
Instruction and departmental research	200,147,597	200,093,138
Intercollegiate athletics	4,526,766	7,403,279
Public service	789,001	720,963
Research	16,761,605	15,894,192
Student aid	70,173,700	66,962,623
Student services	2,051,160	1,960,486
Total	<u>\$320,198,415</u>	<u>\$317,178,949</u>

**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

# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

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, 2018 and 2017 are available for the following purposes:

	2018	2017
Academic support	\$ 11,266,061	\$ 10,195,532
Alumni relations	53,707	53,707
Fundraising and development	198,426	188,191
Institutional support	3,369,648	3,381,584
Instruction and departmental research	64,392,526	64,089,082
Intercollegiate athletics	1,966,434	1,867,185
Public service	1,364,878	1,363,903
Research	18,541,366	18,204,320
Student aid	119,976,058	111,739,077
Student services	3,105,966	3,103,441
Total	<u>\$224,235,070</u>	<u>\$214,186,022</u>

### Note 4 - Pledges Receivable

The following amounts are included in pledges receivable for unconditional promises to give at June 30, 2018 and 2017:

At June 30, 2018	Temporarily Restricted	Permanently Restricted	Total
Gross amounts due in:			
Less than one year	\$ 4,654,320	\$ 2,069,634	\$ 6,723,954
One to five years	1,917,276	1,792,793	3,710,069
More than five years	10,000	-	10,000
Gross pledges receivable	6,581,596	3,862,427	10,444,023
Less allowance for uncollectible pledges	(629,538)	(369,446)	(998,984)
Less discount to present value	(133,571)	(119,049)	(252,620)
Total pledges receivable - Net	<u>\$ 5,818,487</u>	<u>\$ 3,373,932</u>	<u>\$ 9,192,419</u>
At June 30, 2017	Temporarily Restricted	Permanently Restricted	Total
Gross amounts due in:			
Less than one year	\$ 5,060,036	\$ 3,561,764	\$ 8,621,800
One to five years	5,548,959	2,030,039	7,578,998
More than five years	540,000	-	540,000
Gross pledges receivable	11,148,995	5,591,803	16,740,798
Less allowance for uncollectible pledges	(1,640,963)	(823,029)	(2,463,992)
Less discount to present value	(703,646)	(141,402)	(845,048)
Total pledges receivable - Net	<u>\$ 8,804,386</u>	<u>\$ 4,627,372</u>	<u>\$ 13,431,758</u>

# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

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 statements of activities. As of June 30, 2018, the Foundation has approximately \$96.6 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. Furthermore, 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 bonds and government agency obligations.

**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 private real estate. They 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.

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, by level, at June 30, 2018 and 2017 are summarized in the following tables:



# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

### Assets Measured at Fair Value on a Recurring Basis at June 30, 2018

	June 30, 2018	Fair Value at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments</b>				
Fixed-income investments:				
Money market mutual funds	\$ 28,957,965	\$ 28,957,965	\$ -	\$ -
Bonds and bond mutual funds	63,698,064	44,412,421	19,285,643	-
TIPS mutual funds	17,507,164	17,507,164	-	-
Subtotal fixed income	110,163,193	90,877,550	19,285,643	-
Public equity investments:				
Domestic large-cap equity	106,775,386	106,775,386	-	-
Domestic small-cap equity	11,728,374	11,728,374	-	-
REITs	6,052,374	6,052,374	-	-
Developed international equity	106,672,946	106,672,946	-	-
Emerging markets international equity	32,722,662	32,722,662	-	-
Commodities	19,402,738	19,402,738	-	-
Subtotal public equity	283,354,480	283,354,480	-	-
Alternative investments:				
Private real estate funds	90,765	-	-	90,765
Subtotal alternative investments	90,765	-	-	90,765
Total investments by fair value level	\$ 393,608,438	\$ 374,232,030	\$ 19,285,643	\$ 90,765
Investments measured at net asset value (NAV):				
Emerging markets international equity (1)	\$ 12,312,629			
Commodities (2)	3,751,036			
Hedge funds (3)	50,751,908			
Private equity funds (4)	29,547,253			
Private real estate funds (5)	2,221,069			
Venture capital funds (6)	1,406,048			
Subtotal investments measured at NAV	99,989,943			
Total investments measured at fair value	\$ 493,598,381			
<b>Split-Interest Agreements</b>				
Charitable gift annuity assets:				
Money market mutual funds	\$ 8,169	\$ 8,169	\$ -	\$ -
Bonds and bond mutual funds	979,079	943,167	35,912	-
Domestic equity	643,009	643,009	-	-
International equity	370,628	370,628	-	-
REITs	310,085	310,085	-	-
Total charitable gift annuity assets	\$ 2,310,970	\$ 2,275,058	\$ 35,912	\$ -
Charitable trust assets:				
Money market mutual funds	419,614	419,614	-	-
Bonds and bond mutual funds	9,174,888	9,174,888	-	-
Domestic equity	2,736,858	2,736,858	-	-
International equity	1,592,998	1,592,998	-	-
REITs	2,137,755	2,137,755	-	-
Private real estate	432,478	-	-	432,478
Other (7)	224,221	-	-	224,221
Total charitable trust assets	\$ 16,718,812	\$ 16,062,113	\$ -	\$ 656,699
Total split-interest agreements	\$ 19,029,782	\$ 18,337,171	\$ 35,912	\$ 656,699
Total fair value measurements	\$ 512,628,163	\$ 392,569,201	\$ 19,321,555	\$ 747,464

# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

### Assets Measured at Fair Value on a Recurring Basis at June 30, 2017

	June 30, 2017	Fair Value at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments</b>				
Fixed-income investments:				
Money market mutual funds	\$ 29,749,119	\$ 29,749,119	\$ -	\$ -
Bonds and bond mutual funds	42,778,255	42,778,255	-	-
TIPS mutual funds	14,984,411	14,984,411	-	-
Subtotal fixed income	87,511,785	87,511,785	-	-
Public equity investments:				
Domestic large-cap equity	92,616,231	92,616,231	-	-
Domestic small-cap equity	11,692,155	11,692,155	-	-
REITs	6,000,917	6,000,917	-	-
Developed international equity	113,139,234	113,139,234	-	-
Emerging markets international equity	34,196,678	34,196,678	-	-
Commodities	17,289,465	17,289,465	-	-
Subtotal public equity	274,934,680	274,934,680	-	-
Alternative investments:				
Private real estate funds	93,098	-	-	93,098
Subtotal alternative investments	93,098	-	-	93,098
Total investments by fair value level	\$ 362,539,563	\$ 362,446,465	\$ -	\$ 93,098
Investments measured at net asset value (NAV):				
Emerging markets international equity (1)	\$ 12,864,354			
Commodities (2)	3,504,237			
Hedge funds (3)	65,229,094			
Private equity funds (4)	27,261,616			
Private real estate funds (5)	2,595,728			
Venture capital funds (6)	2,426,537			
Subtotal investments measured at NAV	113,881,566			
Total investments measured at fair value	\$ 476,421,129			
<b>Split-Interest Agreements</b>				
Charitable gift annuity assets:				
Money market mutual funds	\$ 36,374	\$ 36,374	\$ -	\$ -
Bonds and bond mutual funds	973,452	715,688	257,764	-
Domestic equity	640,087	640,087	-	-
International equity	390,287	390,287	-	-
REITs	303,383	303,383	-	-
Total charitable gift annuity assets	\$ 2,343,583	\$ 2,085,819	\$ 257,764	\$ -
Charitable trust assets:				
Money market mutual funds	408,146	408,146	-	-
Bonds and bond mutual funds	9,126,843	9,126,843	-	-
Domestic equity	2,801,194	2,801,194	-	-
International equity	1,736,830	1,736,830	-	-
REITs	2,082,674	2,082,674	-	-
Private real estate	432,478	-	-	432,478
Other (7)	268,476	-	-	268,476
Total charitable trust assets	\$ 16,856,641	\$ 16,155,687	\$ -	\$ 700,954
Total split-interest agreements	\$ 19,200,224	\$ 18,241,506	\$ 257,764	\$ 700,954
Total fair value measurements	\$ 495,621,353	\$ 380,687,971	\$ 257,764	\$ 794,052

# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

- (1) International equity mutual funds include a fund which seeks to achieve total return in excess of the MSCI Emerging Markets Index through investing in the world's emerging stock markets. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- (2) Commodities funds invest in areas that offer strong relative performance in rising inflation environments. These 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 values of the investments in this class have been estimated using the net asset value per share of the investments.
- (3) Hedge funds are broadly diversified across managers, investment strategies, and investment venues. These include both fund investments, as well as fund of funds investments. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- (4) Private equity funds are broadly diversified across managers, investment stages, geography, industry sectors, and company size. These include individual fund investments, as well as fund of funds investments. The fair values of the investments in this class have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next one to 13 years.
- (5) Private real estate funds are broadly diversified across managers, investment strategies, geography, and industry sectors. The fair values of the investments in this class have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next one to two years.
- (6) Venture capital funds invest in early-stage business entities and enterprises with a primary focus on medical and information technologies. The fair values of the investments in this class have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next one to two years.
- (7) 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, 2018 and June 30, 2017, there were no transfers between levels of the fair value hierarchy.

# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

Additional information on the changes in Level 3 assets is summarized in the tables below as of June 30, 2018 and 2017:

### Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Year Ended June 30, 2018

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Investments - Private Real Estate Funds	Charitable Trust Assets - Private Real Estate	Charitable Trust Assets - Other
Beginning balance	\$ 93,098	\$ 432,478	\$ 268,476
Gains included in changes in net assets - Unrealized losses	(2,333)	-	-
Change in value of split-interest agreements included in changes in net assets:			
Payments to beneficiaries	-	(11,969)	(33,000)
Change in actuarial estimate	-	11,969	(11,255)
Total change in value	-	-	(44,255)
Ending balance	\$ 90,765	\$ 432,478	\$ 224,221

### Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Year Ended June 30, 2017

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Investments - Private Real Estate Funds	Charitable Trust Assets - Private Real Estate	Charitable Trust Assets - Other
Beginning balance	\$ 92,805	\$ 490,000	\$ 599,373
Gains included in changes in net assets - Unrealized gains	293	-	-
Change in value of split interest agreements included in changes in net assets -			
Payments to beneficiaries	-	(6,694)	(394,035)
Change in actuarial estimate	-	(50,828)	63,138
Total change in value	-	(57,522)	(330,897)
Ending balance	\$ 93,098	\$ 432,478	\$ 268,476

#### 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.

# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

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.

### Investments Reported at Net Asset Value

	June 30, 2018	June 30, 2017	June 30, 2018		
	Fair Value	Fair Value	Unfunded Commitment	Redemption Frequency, if Eligible	Redemption Notice Period
Emerging markets international equity	\$ 12,312,629	\$ 12,864,354	\$ -	Monthly	30 days
Commodities	3,751,036	3,504,237	-	Monthly	30 days
Hedge funds	50,751,908	65,229,094	-	Quarterly	60 days
Private equity funds	29,547,253	27,261,616	25,799,649	None	None
Private real estate funds	2,221,069	2,595,728	252,393	None	None
Venture capital funds	1,406,048	2,426,537	65,082	None	None
Total	<u>\$ 99,989,943</u>	<u>\$ 113,881,566</u>	<u>\$ 26,117,125</u>		

### 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 term endowments. The Foundation's term endowments have been created with gifts that were temporarily restricted by the donor for the benefit of a particular college within the University. Term 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

# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

### Endowment Net Asset Composition by Type of Fund as of June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	\$ (60,966)	\$ 94,045,541	\$ 217,804,644	\$ 311,789,219
Board-designated (quasi) endowment created with donor-restricted funds	-	151,956,333	-	151,956,333
Total funds	<u>\$ (60,966)</u>	<u>\$ 246,001,874</u>	<u>\$ 217,804,644</u>	<u>\$ 463,745,552</u>

### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Market value - Beginning of the year	\$ (2,231)	\$ 239,993,337	\$ 208,301,555	\$ 448,292,661
Net realized and unrealized gains and losses and investment income	(58,735)	29,223,920	254,344	29,419,529
Contributions	-	-	9,248,745	9,248,745
Spending policy transfer	-	(15,765,220)	-	(15,765,220)
Transfers to board-designated endowments	-	208,398	-	208,398
Administrative fee	-	(7,658,561)	-	(7,658,561)
Market value - End of the year	<u>\$ (60,966)</u>	<u>\$ 246,001,874</u>	<u>\$ 217,804,644</u>	<u>\$ 463,745,552</u>

# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

### Endowment Net Asset Composition by Type of Fund as of June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	\$ (2,231)	\$ 89,652,213	\$ 208,301,555	\$ 297,951,537
Board-designated (quasi) endowment created with donor-restricted funds	-	150,341,124	-	150,341,124
Total funds	\$ (2,231)	\$ 239,993,337	\$ 208,301,555	\$ 448,292,661

### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Market value - Beginning of the year	\$ (335,966)	\$ 207,418,670	\$ 195,404,518	\$ 402,487,222
Net realized and unrealized gains and losses and investment income	333,735	49,295,568	551,966	50,181,269
Contributions	-	-	12,345,071	12,345,071
Spending policy transfer	-	(15,156,478)	-	(15,156,478)
Transfers to board-designated endowments	-	5,737,355	-	5,737,355
Administrative fee	-	(7,301,778)	-	(7,301,778)
Market value - End of the year	\$ (2,231)	\$ 239,993,337	\$ 208,301,555	\$ 448,292,661

**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 \$60,966 and \$2,231 as of June 30, 2018 and 2017, 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 36-month periods, a composite benchmark of appropriately weighted indices, while maintaining acceptable risk levels. The Foundation anticipates that the endowment funds will provide average annual rates of return of approximately 8.4 percent in the long-term and 6.1 percent in the intermediate-term, gross of investment management fees approximately 0.6 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.

# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

**Spending Policy** - For the fiscal year ended June 30, 2018, 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 allocated 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 1.8 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, 2018 and 2017, property and equipment are as follows:

	2018	2017
Land	\$ 2,863,510	\$ 2,829,723
Land improvements	926,463	908,906
Building and building improvements	13,775,619	13,574,894
Furnishings, fixtures, and equipment	5,968,571	5,258,004
Construction in progress	9,531	69,221
Subtotal	23,543,694	22,640,748
Less accumulated depreciation	<u>(12,847,732)</u>	<u>(11,767,138)</u>
Property and equipment - Net	<u>\$ 10,695,962</u>	<u>\$ 10,873,610</u>

Total depreciation expense of \$1,123,599 and \$1,122,012 was recorded in fiscal years 2018 and 2017, respectively.

### Note 8 - Support from Related Organizations

During 2018 and 2017, the University paid certain payroll costs amounting to \$3,323,259 and \$4,109,096 and additional costs of \$278,073 and \$10,192, 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 2018 or 2017.

### 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, 2018 and 2017 ranged from 1.2 to 9.0 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 the charitable remainder trust are maintained by a third-party trustee in an irrevocable trust for the benefit of the Foundation, the Foundation recognizes as contribution revenue the present value of the estimated future benefits to be received when the trust assets are



# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

distributed. The Foundation also recognizes a charitable trust asset at fair value, using as inputs the trust's investment market values, as well as the present value of the estimated future benefits to be received from the trust. The fair value of these trusts are disclosed as Level 3 assets in Note 5. 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, 2018 and 2017 ranged from 2.0 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, 2018 and 2017 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-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

# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

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, 2018 and 2017 are summarized below:

	2018	2017
Revenues:	\$ 5,841,267	\$ 5,536,189
Expenses:		
Operating and general expenses	4,552,920	4,282,165
Interest expense - Net	(5,066)	6,213
Realized gain (loss) on investment	11,170	(53,102)
Depreciation and amortization	775,359	770,920
Provision for income taxes	(24,428)	201,339
Total expenses	<u>5,309,955</u>	<u>5,207,535</u>
Net income	531,312	328,654
Other comprehensive income (loss)	<u>(33,768)</u>	<u>(332,792)</u>
Change in net assets	<u>\$ 497,544</u>	<u>\$ (4,138)</u>

For fiscal years 2018 and 2017, the Inn's other comprehensive income (losses) include distributions to the Foundation of \$0 and \$250,000, respectively.

The Foundation has entered into a management agreement with a property manager to operate the Inn. 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 2018 and 2017, base management fees incurred by the Inn with respect to the manager were \$100,000 per year and incentive fees were \$173,809 and \$162,037, respectively.

**Property and Equipment** - Property and equipment of the Inn as of June 30, 2018 and June 30, 2017 consist of the following:

	2018	2017
Land	\$ 323,978	\$ 323,978
Land improvements	926,463	908,906
Buildings	7,646,223	7,445,499
Furnishings, fixtures, and equipment	5,412,816	4,864,140
Construction in progress	9,531	69,221
Total property and equipment	14,319,011	13,611,744
Less accumulated depreciation	<u>(9,478,318)</u>	<u>(8,751,798)</u>
Net property and equipment	<u>\$ 4,840,693</u>	<u>\$ 4,859,946</u>

**Debt Obligations** - Long-term debt of the Inn as of June 30, 2018 and June 30, 2017 consists of the following:

	2018	2017
Term loan due	\$ 1,120,400	\$ 1,450,000
Less current portion	(350,500)	(329,600)
Less unamortized loan costs	<u>(6,993)</u>	<u>(9,092)</u>
Total long-term debt	<u>\$ 762,907</u>	<u>\$ 1,111,308</u>

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 is pledged as collateral for the term loan. Principal payments on the Term Loan ranging from \$21,000 to \$34,100 are due in monthly installments through June 2021. 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 was adjusted to the index rate as defined in the agreement plus 1.40 percent in June 2016, effectively, 2.50 percent.

Maturities of long-term debt at June 30, 2018 are set forth in the following schedule:

Years Ending June 30	Amount
2019	\$ 350,500
2020	373,000
2021	396,900
Total	<u>\$ 1,120,400</u>

# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

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

In November 1999, the Foundation established Housing for Ohio, Inc. (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 that, as of June 30, 2017, was owned by the University and leased to Housing. The facility was managed and operated by a private entity.

During the fiscal year ended June 30, 2017, Housing purchased the land formerly leased from the University, disposed of all of its fixed assets, used the proceeds of the sale to retire its debt, and distributed substantially all of its remaining assets to the Foundation. As noted in the table below, Housing recognized a gain of \$1,162,492 on the property sale. Housing was formally dissolved in October 2017.

**Operations** - Housing's operations for the years ended June 30, 2018 and 2017 are summarized below:

	2018	2017
Revenue:		
Operating revenue	\$ -	\$ 1,724,394
Gain on property sale	-	1,162,492
Total revenue	-	2,886,886
Expenses:		
Operating and general expens	-	784,259
Depreciation and amortization	-	419,205
Interest expense and bond fee	-	269,552
Tax and insurance	-	93,525
Distribution to Foundation	208,625	2,370,886
Total expenses	208,625	3,937,427
Change in net assets	\$ (208,625)	\$ (1,050,541)

### Property and Equipment

During the fiscal year ended June 30, 2016, Housing committed to a plan that ultimately resulted in the sale of all of Housing's assets and eventual dissolution of Housing itself.

During fiscal year 2017, Housing entered into a purchase and sale agreement to dispose of all of its fixed assets. The transaction closed during December 2016. Housing used the proceeds from the sale to retire the outstanding bonds in February 2017. During June 2017, the Foundation resolved to dissolve Housing, and

substantially all of Housing's remaining cash was distributed to the Foundation at that time.

During fiscal year 2018, Housing collected a receivable and distributed all remaining cash to the Foundation before being formally dissolved.

### Note 12 - Sugar Bush Foundation

The Foundation entered into an agreement with The Sugar Bush Foundation (Sugar Bush), an Ohio not-for-profit corporation, in August 2005. Sugar Bush works with Ohio University and local communities to improve the quality of life in Appalachian Ohio by encouraging civic engagement and by fostering sustainable environmental, socioeconomic and human development.

**Operations** - Sugar Bush's operations for the years ended June 30, 2018 and 2017 are summarized below:

	2018	2017
Revenue:		
Interest and dividends	\$ 57,871	\$ 72,037
Realized gain (loss)	934,060	196,953
Unrealized gain (loss)	(668,886)	292,894
Total investment income	323,045	561,884
Expenses:		
Distribution to Foundation	406,396	293,077
Change in net assets	\$ (83,351)	\$ 268,807

### Note 13 - Russ LLC's

During 2009, the Foundation created three limited liability companies to receive property distributions from The Dolores H. Russ Trust (the "Trust") for the benefit of the Russ College of Engineering. The three limited liability companies are the Fritz J. and Dolores H. Russ Holdings LLC, which is the sole member of the other LLCs; the Russ Research Center LLC, which operates a research park in Beavercreek, Ohio; and Russ North Valley Road LLC, which received and subsequently liquidated a real estate gift received from the Trust. A fourth limited liability company, Russ Center North LLC, was established during 2016 for the purpose of purchasing and holding property adjacent to the Russ Research Center LLC.

# The Ohio University Foundation and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2018 and 2017

**Operations** – Russ LLCs’ operations for the years ended June 30, 2018 and 2017 are summarized below:

	<u>2018</u>	<u>2017</u>
Revenue:		
Rental income	\$ 711,969	\$ 917,094
Expenses:		
Operating and general expense	602,122	628,401
Depreciation and amortization	339,593	336,612
Taxes and insurance	123,501	112,149
Distribution to Foundation	250,000	250,000
Total expenses	<u>1,315,216</u>	<u>1,327,162</u>
Change in net assets	<u>\$ (603,247)</u>	<u>\$ (410,068)</u>

During fiscal 2018 and 2017, leases with tenants responsible for a significant amount of Russ Research Center LLC revenue expired and were not renewed. The decrease in revenue resulted in net losses for the years ended June 30, 2018 and 2017. Management is collaborating with various professional organizations in and around the Dayton/Beavercreek area to forge new and expanded research partnerships. These partnerships have already resulted in new tenants being secured for the Russ Research Center LLC. Management anticipates these efforts will result in increased leasing activity in the coming fiscal year.

**Property and Equipment** - Property and equipment of the Russ LLCs as of June 30, 2018 and June 30, 2017 consist of the following:

Land	\$ 1,707,792	\$ 1,674,005
Buildings	5,455,653	5,455,652
Furnishings, fixtures, and equipmen	<u>555,755</u>	<u>393,864</u>
Total property and equipment	7,719,200	7,523,521
Less accumulated depreciation	<u>(2,844,538)</u>	<u>(2,504,944)</u>
Net property and equipment	<u>\$ 4,874,662</u>	<u>\$ 5,018,577</u>

## **Supplementary Information**

---

# The Ohio University Foundation and Subsidiaries

## Consolidating Schedule of Financial Position Year Ended June 30, 2018

	The Ohio University Foundation	Inn-Ohio of Athens, Inc	Housing for Ohio, Inc.	Sugar Bush Foundation	Russ LLCs	Eliminations	Total
<b>Assets</b>							
Cash and cash equivalents	\$ 24,711,764	\$ 839,591	\$ -	\$ -	\$ 938,525	\$ -	\$ 26,489,880
Accounts receivable - Net	98,901	122,987	-	-	21,182	-	243,070
Related party receivable - Net	6,422	-	-	-	-	(6,422)	-
Pledges receivable - Net	9,192,419	-	-	-	-	-	9,192,419
Bequests receivable	3,571,840	-	-	-	-	-	3,571,840
Interest and dividends receivable	951,985	-	-	-	-	-	951,985
Prepaid expenses	121,796	52,850	-	-	74,353	-	248,999
Investments	487,931,329	1,487,810	-	5,667,052	-	(1,487,810)	493,598,381
Investment in Inn-Ohio of Athens, Inc.	5,471,932	-	-	-	-	(5,471,932)	-
Assets held for sale	85,000	-	-	-	-	-	85,000
Cash surrender value - Life insurance policies	1,271,338	-	-	-	-	-	1,271,338
Charitable gift annuities	2,310,970	-	-	-	-	-	2,310,970
Charitable trusts	16,718,812	-	-	-	-	-	16,718,812
Property and equipment - Net	980,607	4,840,693	-	-	4,874,662	-	10,695,962
Other assets	104,505	78,833	-	-	-	-	183,338
<b>Total assets</b>	<b>\$ 553,529,620</b>	<b>\$ 7,422,764</b>	<b>\$ -</b>	<b>\$ 5,667,052</b>	<b>\$ 5,908,722</b>	<b>\$ (6,966,164)</b>	<b>\$ 565,561,994</b>
<b>Liabilities and Net Assets (Deficit)</b>							
<b>Liabilities:</b>							
Accounts payable - Ohio University	\$ 5,727,404	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,727,404
Accounts payable - Trade	775,049	526,425	-	-	255,386	-	1,556,860
Accounts payable - Related party	-	-	-	-	6,422	(6,422)	-
Deposits held in custody for others	1,871,696	-	-	-	43,895	(1,487,810)	427,781
Annuities payable	1,705,473	-	-	-	-	-	1,705,473
Charitable trusts obligations	2,801,295	-	-	-	-	-	2,801,295
Notes payable	-	1,113,407	-	-	-	-	1,113,407
Other liabilities	-	311,000	-	-	182,053	-	493,053
<b>Total liabilities</b>	<b>12,880,917</b>	<b>1,950,832</b>	<b>-</b>	<b>-</b>	<b>487,756</b>	<b>(1,494,232)</b>	<b>13,825,273</b>
<b>Net assets (deficit):</b>							
Unrestricted	7,303,236	-	-	-	-	-	7,303,236
Temporarily restricted	309,110,397	-	-	5,667,052	5,420,966	-	320,198,415
Permanently restricted	224,235,070	-	-	-	-	-	224,235,070
<b>Total net assets (deficit)</b>	<b>540,648,703</b>	<b>-</b>	<b>-</b>	<b>5,667,052</b>	<b>5,420,966</b>	<b>-</b>	<b>551,736,721</b>
<b>Stockholders' equity:</b>							
Common stock	-	3,429,192	-	-	-	(3,429,192)	-
Additional paid-in capital	-	4,266,632	-	-	-	(4,266,632)	-
Retained earnings	-	(2,223,892)	-	-	-	2,223,892	-
<b>Total stockholders' equity</b>	<b>-</b>	<b>5,471,932</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,471,932)</b>	<b>-</b>
<b>Total liabilities and net assets</b>	<b>\$ 553,529,620</b>	<b>\$ 7,422,764</b>	<b>\$ -</b>	<b>\$ 5,667,052</b>	<b>\$ 5,908,722</b>	<b>\$ (6,966,164)</b>	<b>\$ 565,561,994</b>

# The Ohio University Foundation and Subsidiaries

## Consolidating Schedule of Activities Year Ended June 30, 2018

	The Ohio University Foundation Unrestricted	Inn-Ohio of Athens, Inc	Housing for Ohio, Inc.	Total Unrestricted	The Ohio University Foundation Temporarily Restricted	Sugar Bush Foundation	Russ LLCs	Total Temporarily Restricted	The Ohio University Foundation Permanently Restricted	Eliminations	Total
<b>Revenue and Other Support</b>											
Gifts and contributions	\$ 1,229,760	\$ -	\$ -	\$ 1,229,760	\$ 8,730,266	\$ -	\$ -	\$ 8,730,266	\$ 9,682,004	\$ -	\$ 19,642,030
University support	3,601,332	-	-	3,601,332	-	-	-	-	-	-	3,601,332
Income from investments:											
Interest and dividends	492,989	-	-	492,989	9,264,943	-	-	9,264,943	-	-	9,757,932
Sold during the year (realized gain)	459,896	-	-	459,896	8,511,579	-	-	8,511,579	112,237	-	9,083,712
Held at year end (unrealized gain)	567,916	-	-	567,916	11,644,490	-	-	11,644,490	142,107	-	12,354,513
Revenue from sales, services, and events	556,099	-	-	556,099	11,947	-	-	11,947	-	-	568,046
Change in value of split-interest agreements	-	-	-	-	(34,467)	-	-	(34,467)	36,494	-	2,027
Administrative fee income	7,658,561	-	-	7,658,561	(7,658,561)	-	-	(7,658,561)	-	-	-
Other	12,799	-	-	12,799	(34,523)	-	-	(34,523)	76,206	-	54,482
Related entity revenue	822,888	5,836,008	-	6,658,896	539,628	323,045	711,969	1,574,642	-	(1,362,516)	6,871,022
<b>Total revenue and other support</b>	<b>15,402,240</b>	<b>5,836,008</b>	<b>-</b>	<b>21,238,248</b>	<b>30,975,302</b>	<b>323,045</b>	<b>711,969</b>	<b>32,010,316</b>	<b>10,049,048</b>	<b>(1,362,516)</b>	<b>61,935,096</b>
<b>Net assets released from restrictions -</b>											
Satisfaction of program restrictions:											
Academic support	1,408,763	-	-	1,408,763	(1,408,763)	-	-	(1,408,763)	-	-	-
Alumni relations	16,926	-	-	16,926	(16,926)	-	-	(16,926)	-	-	-
Fundraising and development	340,737	-	-	340,737	(340,737)	-	-	(340,737)	-	-	-
Fund administration	5,507	-	-	5,507	(5,507)	-	-	(5,507)	-	-	-
Institutional support	552,085	-	-	552,085	(552,085)	-	-	(552,085)	-	-	-
Instruction and departmental research	6,396,317	-	-	6,396,317	(6,396,317)	-	-	(6,396,317)	-	-	-
Intercollegiate athletics	6,645,472	-	-	6,645,472	(6,645,472)	-	-	(6,645,472)	-	-	-
Public service	1,126,751	-	-	1,126,751	(1,126,751)	-	-	(1,126,751)	-	-	-
Research	2,832,063	-	-	2,832,063	(2,832,063)	-	-	(2,832,063)	-	-	-
Student aid	7,548,212	-	-	7,548,212	(7,548,212)	-	-	(7,548,212)	-	-	-
Student services	396,405	-	-	396,405	(396,405)	-	-	(396,405)	-	-	-
Related entity operations	1,065,215	-	-	1,065,215	-	(406,396)	(1,315,216)	(1,721,612)	-	656,397	-
<b>Total net assets released from restrictions</b>	<b>28,334,453</b>	<b>-</b>	<b>-</b>	<b>28,334,453</b>	<b>(27,269,238)</b>	<b>(406,396)</b>	<b>(1,315,216)</b>	<b>(28,990,850)</b>	<b>-</b>	<b>656,397</b>	<b>-</b>
<b>Total revenue, other support, and net assets released from restrictions</b>	<b>43,736,693</b>	<b>5,836,008</b>	<b>-</b>	<b>49,572,701</b>	<b>3,706,064</b>	<b>(83,351)</b>	<b>(603,247)</b>	<b>3,019,466</b>	<b>10,049,048</b>	<b>(706,119)</b>	<b>61,935,096</b>
<b>Expenses</b>											
Program services:											
Academic support	1,442,064	-	-	1,442,064	-	-	-	-	-	-	1,442,064
Alumni relations	3,047,848	-	-	3,047,848	-	-	-	-	-	-	3,047,848
Institutional support	647,299	-	-	647,299	-	-	-	-	-	-	647,299
Instruction and departmental research	6,419,121	-	-	6,419,121	-	-	-	-	-	-	6,419,121
Intercollegiate athletics	6,645,472	-	-	6,645,472	-	-	-	-	-	-	6,645,472
Public service	1,167,783	-	-	1,167,783	-	-	-	-	-	-	1,167,783
Research	2,832,063	-	-	2,832,063	-	-	-	-	-	-	2,832,063
Student aid	7,553,857	-	-	7,553,857	-	-	-	-	-	-	7,553,857
Student services	397,427	-	-	397,427	-	-	-	-	-	-	397,427
Support services:											
Fundraising and development	10,181,482	-	-	10,181,482	-	-	-	-	-	-	10,181,482
Fund administration	1,085,737	-	-	1,085,737	-	-	-	-	-	-	1,085,737
Related entity operations	1,065,215	5,338,464	208,625	6,612,304	-	-	-	-	-	(208,575)	6,403,729
<b>Total expenses</b>	<b>42,485,368</b>	<b>5,338,464</b>	<b>208,625</b>	<b>48,032,457</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(208,575)</b>	<b>47,823,882</b>
<b>Changes in Net Assets</b>	<b>1,251,325</b>	<b>497,544</b>	<b>(208,625)</b>	<b>1,540,244</b>	<b>3,706,064</b>	<b>(83,351)</b>	<b>(603,247)</b>	<b>3,019,466</b>	<b>10,049,048</b>	<b>(497,544)</b>	<b>14,111,214</b>
<b>Net Assets - Beginning of year</b>	<b>6,051,911</b>	<b>4,974,388</b>	<b>208,625</b>	<b>11,234,924</b>	<b>305,404,333</b>	<b>5,750,403</b>	<b>6,024,213</b>	<b>317,178,949</b>	<b>214,186,022</b>	<b>(4,974,388)</b>	<b>537,625,507</b>
<b>Net Assets - End of year</b>	<b>\$ 7,303,236</b>	<b>\$ 5,471,932</b>	<b>\$ -</b>	<b>\$ 12,775,168</b>	<b>\$ 309,110,397</b>	<b>\$ 5,667,052</b>	<b>\$ 5,420,966</b>	<b>\$ 320,198,415</b>	<b>\$ 224,235,070</b>	<b>\$ (5,471,932)</b>	<b>\$ 551,736,721</b>

# The Ohio University Foundation and Subsidiaries

## Consolidating Schedule of Cash Flows Year Ended June 30, 2018

	The Ohio University Foundation	Inn-Ohio of Athens, Inc	Housing for Ohio, Inc.	Sugar Bush Foundation	Russ LLCs	Total
<b>Cash Flows From Operating Activities</b>						
Changes in net assets	\$ 14,508,893	\$ 497,544	\$ (208,625)	\$ (83,351)	\$ (603,247)	\$ 14,111,214
Adjustments to reconcile changes in net assets to net cash from operating activities:						
Realized investment (gains) losses - Net	(9,083,712)	-	-	-	-	(9,083,712)
Noncash items:						
Depreciation and amortization	14,480	775,359	-	-	339,593	1,129,432
(Gain) loss on disposition of property	126,500	-	-	-	-	126,500
Unrealized investment (gains) losses - Net	(12,354,513)	-	-	-	-	(12,354,513)
(Increase) decrease in cash surrender value of life insurance policies	(40,574)	-	-	-	-	(40,574)
(Increase) decrease in investments subject to annuity agreements	(293,788)	-	-	-	-	(293,788)
(Increase) decrease in charitable remainder trust assets	(633,398)	-	-	-	-	(633,398)
Increase (decrease) in annuity obligations	8,531	-	-	-	-	8,531
Increase (decrease) in trust obligations	(132,161)	-	-	-	-	(132,161)
Contributions of securities	(1,266,415)	-	-	-	-	(1,266,415)
Contributions of land and buildings	(85,000)	-	-	-	-	(85,000)
Contributions restricted for endowment investment	(9,682,004)	-	-	-	-	(9,682,004)
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	56,445	(20,077)	208,575	-	21,744	266,687
(Increase) decrease in pledges receivable	4,239,339	-	-	-	-	4,239,339
(Increase) decrease in bequests receivable	(3,071,840)	-	-	-	-	(3,071,840)
(Increase) decrease in interest and dividends receivable	(872,116)	-	-	-	-	(872,116)
(Increase) decrease in prepaid expenses	(12,694)	(19,733)	-	-	(63,835)	(96,262)
(Increase) decrease in other assets	(104,505)	26,990	22	-	-	(77,493)
Increase (decrease) in accounts payable	3,735,876	(296,000)	(122)	-	48,036	3,487,790
Increase (decrease) in other liabilities	(2,800)	(179,000)	-	-	132,001	(49,799)
Increase (decrease) in deposits held in custody for others	23,967	-	-	-	6,676	30,643
Net cash provided by (used in) operating activities	(14,921,489)	785,083	(150)	(83,351)	(119,032)	(14,338,939)
<b>Cash Flows From Investing Activities</b>						
Purchases of property and equipment	-	(756,106)	-	-	(195,678)	(951,784)
Proceeds from sales of property and equipment	70,000	-	-	-	-	70,000
Purchases of investments	(127,340,995)	(216,569)	-	(378,575)	-	(127,936,139)
Proceeds from sales of investments	132,682,957	318,644	-	461,926	-	133,463,527
Contributions to new charitable gift annuities	(198,328)	-	-	-	-	(198,328)
Payments on charitable gift annuities	524,729	-	-	-	-	524,729
Contributions to new charitable remainder trusts	(19,119)	-	-	-	-	(19,119)
Payments on charitable remainder trusts	790,346	-	-	-	-	790,346
Net cash provided by (used in) investing activities	6,509,590	(654,031)	-	83,351	(195,678)	5,743,232
<b>Cash Flows from Financing Activities</b>						
Contributions restricted for endowment investment	9,682,004	-	-	-	-	9,682,004
Payments on notes and bonds payable	-	(327,501)	-	-	-	(327,501)
Net cash provided by (used in) financing activities	9,682,004	(327,501)	-	-	-	9,354,503
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,270,105	(196,449)	(150)	-	(314,710)	758,796
<b>Cash and Cash Equivalents - Beginning of year</b>	23,441,659	1,036,040	150	-	1,253,235	25,731,084
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 24,711,764</u>	<u>\$ 839,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 938,525</u>	<u>\$ 26,489,880</u>



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 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 financial statements of The Ohio University Foundation, an Ohio not-for-profit corporation, and Subsidiaries (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2018 and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated October 4, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's 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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Foundation'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.

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 Foundation's 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*.

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

**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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moreau, PLLC*

October 4, 2018