The Ohio University Foundation and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended June 30, 2019 and 2018 with Supplementary Schedules as of and for the Year Ended June 30, 2019 and Independent Auditor's Report

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
Ohio University Foundation and Subsidiaries
1 Ohio University
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of the Ohio University Foundation and Subsidiaries, Athens County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio University Foundation and Subsidiaries is responsible for compliance with these laws and regulations.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

November 12, 2019

This page intentionally left blank.

Contents

This page intentionally left blank.

Plante & Moran, PLLC
Suite 100
250 S. High Street
Columbus, OH 43215
Tel: 614.849.3000
Fax: 614.221.3535
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
The Ohio University Foundation and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Ohio University Foundation, an Ohio not-for-profit corporation, and Subsidiaries (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018 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, 2019 and 2018 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 Matters

As discussed in Note 16 to the consolidated financial statements, the 2018 consolidated financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

To the Board of Trustees
The Ohio University Foundation and Subsidiaries

As described in Note 4, 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 $85,025,037 (15.1 percent of net assets) and $87,768,079 (15.9 percent of net assets) at June 30, 2019 and 2018, 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.

As described in Note 2 to the consolidated financial statements, the Foundation adopted the provisions of Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, for the year ended June 30, 2019, applied retrospectively to all years presented. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion 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 34-36, 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 14, 2019 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.

Plante & Moran, PLLC

October 14, 2019

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	Restated 2018
Assets		
Cash and cash equivalents	$ 23,056,904	$ 26,489,880
Accounts receivable - net	262,389	243,070
Contributions receivable - net	9,505,203	9,192,419
Bequests receivable	2,618,096	3,571,840
Interest and dividends receivable	1,103,432	951,985
Prepaid expenses	299,878	248,999
Investments	504,228,313	493,598,381
Assets held for sale	85,000	85,000
Life insurance cash surrender value	1,247,498	1,271,338
Charitable gift annuities	2,376,745	2,310,970
Charitable trusts	17,110,341	16,718,812
Property and equipment - net	10,310,397	10,695,962
Other assets	155,277	183,338
Total assets	$ 572,359,473	$ 565,561,994
Liabilities and Net Assets		
Liabilities		
Accounts payable:		
Ohio University	$ 197,565	$ 5,727,404
Trade and other	1,493,610	1,556,860
Deposits held in custody for others	508,689	427,781
Annuities payable	1,611,797	1,705,473
Charitable trusts obligations	2,893,949	2,801,295
Notes payable:		
Ohio University	1,612,064	-
Other	764,905	1,113,407
Other liabilities	383,631	493,053
Total liabilities	9,466,210	13,825,273
Net Assets		
Without donor restrictions	102,722,820	98,176,265
With donor restrictions	460,170,443	453,560,456
Total net assets	562,893,263	551,736,721
Total liabilities and net assets	$ 572,359,473	$ 565,561,994

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

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Gifts and contributions	$ 265,601	$ 21,995,044	$ 22,260,645
University support	4,626,138	-	4,626,138
Income from investments:			
Interest and dividends	3,534,169	7,440,177	10,974,346
Realized gain (loss)	597,415	(7,006)	590,409
Unrealized gain (loss)	4,166,133	5,763,776	9,929,909
Revenues from sales and events	6,486,008	595,450	7,081,458
Gain (loss) on split-interest agreements	-	308,049	308,049
Endowment management fee income	5,020,726	(5,020,726)	-
Other	1,399	105,281	106,680
Related entity revenues	57,675	(57,675)	-
Net assets released from restrictions	24,512,383	(24,512,383)	-
Total revenues and other support	49,267,647	6,609,987	55,877,634
Expenses			
Program services:			
Academic support	2,391,788	-	2,391,788
Alumni relations	2,691,371	-	2,691,371
Institutional support	349,893	-	349,893
Instruction	3,885,261	-	3,885,261
Intercollegiate athletics	3,553,537	-	3,553,537
Public service	1,930,041	-	1,930,041
Research	2,784,133	-	2,784,133
Student aid	7,684,451	-	7,684,451
Student services	579,679	-	579,679
Support services:			
Fundraising and development	10,640,917	-	10,640,917
Management and general	1,551,538	-	1,551,538
Related entity operations	6,678,483	-	6,678,483
Total expenses	44,721,092	-	44,721,092
Changes in net assets	4,546,555	6,609,987	11,156,542
Net assets - beginning of year, as restated	98,176,265	453,560,456	551,736,721
Net assets - end of year	$ 102,722,820	$ 460,170,443	$ 562,893,263

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

The Ohio University Foundation and Subsidiaries

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Gifts and contributions	$ 1,229,831	$ 18,412,199	$ 19,642,030
University support	3,601,332	-	3,601,332
Income from investments:			
Interest and dividends	3,206,346	6,649,252	9,855,598
Realized gain (loss)	3,032,698	6,973,904	10,006,602
Unrealized gain (loss)	4,927,508	6,724,350	11,651,858
Revenues from sales and events	6,397,366	723,801	7,121,167
Gain (loss) on split-interest agreements	-	2,027	2,027
Endowment management fee income	4,837,157	(4,837,157)	-
Other	12,799	41,683	54,482
Related entity revenues	116,769	(116,769)	-
Net assets released from restrictions	28,141,786	(28,141,786)	-
Total revenues and other support	55,503,592	6,431,504	61,935,096
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	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
Management and general	1,085,737	-	1,085,737
Related entity operations	6,403,729	-	6,403,729
Total expenses	47,823,882	-	47,823,882
Changes in net assets	7,679,710	6,431,504	14,111,214
Net assets - beginning of year			
As previously reported	6,260,536	531,364,971	537,625,507
Adjusted to properly classify restrictions	84,236,019	(84,236,019)	-
As restated	90,496,555	447,128,952	537,625,507
Net assets - end of year, as restated	$ 98,176,265	$ 453,560,456	$ 551,736,721

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Cash Flows

	Years Ended June 30 2019		Years Ended June 30 2018	
Cash Flows from Operating Activities				
Changes in net assets	$	11,156,542	$	14,111,214
Adjustments to reconcile changes in net assets to net cash from operating activities:				
Realized investment losses (gains) - Net		(590,409)		(10,006,602)
Noncash items:				
Depreciation and amortization		1,139,771		1,129,432
(Gain) loss on disposition of property		-		126,500
Unrealized investment (gains) losses - Net		(9,929,909)		(11,651,858)
(Increase) decrease in cash surrender value of life insurance policies		23,840		(40,574)
(Increase) decrease in investments subject to annuity agreements		(282,820)		(293,788)
(Increase) decrease in charitable remainder trust assets		(1,051,731)		(633,398)
Increase (decrease) in annuity obligations		(93,676)		8,531
Increase (decrease) in trust obligations		92,654		(132,161)
Contributions of securities		(1,540,250)		(1,266,415)
Contributions of land and buildings		-		(85,000)
Contributions restricted for endowment investments		(11,814,357)		(9,682,004)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable		(19,319)		266,687
(Increase) decrease in contributions receivable		(312,784)		4,239,339
(Increase) decrease in bequests receivable		953,744		(3,071,840)
(Increase) decrease in interest and dividends receivable		(151,447)		(872,116)
(Increase) decrease in prepaid expenses		(50,879)		(96,262)
(Increase) decrease in other assets		28,061		(77,493)
Increase (decrease) in accounts payable		(5,593,089)		3,487,790
Increase (decrease) in other liabilities		(109,422)		(49,799)
Increase (decrease) in deposits held in custody for others		80,908		30,643
Net cash used in operating activities		(18,064,572)		(14,338,939)
Cash Flows from Investing Activities				
Purchases of property and equipment		(754,206)		(951,784)
Proceeds from sales of property and equipment		-		70,000
Purchases of investments		(79,103,330)		(127,936,139)
Proceeds from sales of investments		80,533,966		133,463,527
Contributions to new charitable gift annuities		(35,794)		(198,328)
Payments on charitable gift annuities		252,839		524,729
Contributions to new charitable remainder trusts		(135,546)		(19,119)
Payments on charitable remainder trusts		795,748		790,346
Net cash provided by investing activities		1,553,677		5,743,232
Cash Flows from Financing Activities				
Contributions restricted for endowment investment		11,814,357		9,682,004
Payments on notes and bonds payable		(449,188)		(327,501)
Issuance of long-term debt		1,712,750		-
Net cash provided by financing activities		13,077,919		9,354,503
Net Increase (Decrease) in Cash and Cash Equivalents		(3,432,976)		758,796
Cash and Cash Equivalents - Beginning of year		26,489,880		25,731,084
Cash and Cash Equivalents - End of year	**$**	**23,056,904**	**$**	**26,489,880**
Supplemental Disclosure of Cash Flow Information				
Cash paid during the year for interest	$	74,958	$	28,605
Cash paid for income taxes		1,800		386,000
Supplemental Disclosure of Noncash Activities				
Contributions of securities	$	1,540,250	$	1,266,415
Contributions of land and buildings		-		85,000

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

Note 1 - Organization and Operation

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

The Foundation's wholly owned subsidiary, Inn-Ohio of Athens, Inc. (the "Inn"), owns and operates a 139-room hotel and restaurant facility in Athens, Ohio known as The Ohio University Inn (see Note 12).

Another controlled entity, Housing for Ohio, Inc. (Housing), constructed and operated a 182-unit student housing facility in Athens, Ohio. It was 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 13).

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 14).

The Russ LLCs 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 15).

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting and Presentation- 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 four limited liability companies. All intercompany transactions have been eliminated.

Financial statements of not-for-profit organizations measure aggregate net assets and net asset activity based on the absence or existence of donor-imposed restrictions. As required by the Financial Accounting Standards Board (FASB), effective for the Foundation's year ending June 30, 2019 and applied on a retrospective basis, the Foundation has adopted Accounting Standards Update (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 financial reporting model of organizations that follow FASB not-for-profit rules, including collapsing the three classes of net assets (unrestricted, temporarily restricted and permanently restricted) into two classes: net assets with donor restrictions and net assets without donor restrictions. Brief definitions of the two net asset classes are presented below:

Net Assets Without Donor Restrictions – Net assets derived from gifts and other institutional resources that are not subject to explicit donor-imposed restrictions. Net assets without donor restrictions also include board designated funds functioning as endowment.

Net Assets With Donor Restrictions – Net assets that are subject to explicit donor-imposed restrictions on the expenditure of contributions or income and gains on contributed assets and net assets from endowments not yet appropriated for spending by the Foundation. In addition, net assets with donor restrictions include restricted contributions from donors classified as funds functioning as endowment. The Foundation records as net assets with donor restrictions the original amount of gifts which donors have given to be maintained in perpetuity. Restrictions include support of specific schools or departments of the University, for professorships, research, faculty support, scholarships and fellowships, building construction and other purposes. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

As a result of implementing this standard, prior year amounts for temporarily restricted and permanently restricted net assets were combined as net assets with donor restrictions.

ASU No. 2016-14 also calls for the following changes:

- The classification of underwater endowment funds will be changed from as net assets without donor restrictions to net assets with donor restrictions. The amount of the restatement for fiscal year 2018 is $60,966.

- The Foundation is required to make certain expanded disclosures relating to (1) the liquidity of financial assets and (2) expenses by both their natural and functional classification in one location in the financial statements.

Liquidity and Availability of Resources – The Foundation's financial assets available within one year of the Statements of Financial Position for general expenditure as of June 30 are as follows:

	2019	2018
Total assets, at year end	$ 572,359,473	$ 565,561,994
Less nonfinancial assets:		
Prepaid Expenses	299,878	248,999
Property and equipment, net of depreciation	10,310,397	10,695,962
Other Assets	155,277	183,338
Financial assets, at year end	561,593,921	554,433,695
Less those unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	49,647,873	48,926,845
Donor-restricted endowments subject to appropriation and satisfaction of donor restrictions	321,544,976	309,993,287
Board-designated (quasi) endowments created with donor-restricted funds	57,633,729	63,251,186
Investments held in annuities and trusts	19,487,086	19,029,782
Life insurance cash surrender value	1,247,498	1,271,338
Financial assets held by Foundation subsidiaries	8,954,244	9,077,147
Board designations:		
Quasi-endowment funds without donor restrictions	94,589,461	90,501,079
Quasi-endowment spending account balances without donor restrictions	367,467	310,983
Subtotal of amounts unavailable for general expenditure within one year	553,472,334	542,361,647
Plus endowment distributions made available for general expenditure within one year due to:		
Endowment distributions without purpose restrictions made available on July 1, 2019	42,955	43,165
Endowment management fee made available on July 1, 2019	7,847,488	7,828,365
Subtotal of fiscal year 2020 endowment distributions without donor restrictions or board designations	7,890,443	7,871,530
Financial assets available to meet cash needs for general expenditures	$ 16,012,030	$ 19,943,578

The Foundation is substantially supported by restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in various short- and long-term investments. These investment pools offer sufficient liquidity to enable the Foundation to access funds, as necessary, to cover any immediate cash needs.

Additionally, the Foundation had board-designated (quasi) endowment funds created with donor-restricted funds of $152,223,190 and $153,752,265 for the years ended June 30, 2019 and 2018, respectively. Although the Foundation does not intend to spend from this endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment funds could be made available if and when necessary. Please refer to Note 9 for further details describing spending from endowments.

Reserve funds in the amount of $1,247,730 and $1,192,882 were accumulated for the years ended June 30, 2019 and 2018, respectively, in accordance with the Foundation's Contingency and Operating Reserves Policy, as adopted in February 2014. The reserve is intended to stabilize the Foundation's finances and may be used for significant legal settlements, a large unanticipated loss in funding, or one-time, nonrecurring expenses that will build long-term capacity, such as projects addressing critical needs or unique opportunities deemed to be consistent with the mission of the University. The Foundation also realizes that there could be unanticipated liquidity needs.

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 contributions receivable, investments for the Foundation, and receivables related to operations of the Inn and Russ Research Center LLC. Exposure to losses on contributions 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 company that operates the Inn is responsible for collection of receivables and it provides a reserve for any estimated uncollectible balances, as appropriate.

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 $21,960,505 and $25,604,353 in cash that was uninsured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2019 and 2018, respectively.

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

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.

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 4 for the valuation policy for alternative investments.

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.

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, 2019 and 2018.

Gifts and Contributions - Contributions are recorded at their fair value on the date of receipt. All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as revenue with donor restrictions. When a donor restriction expires (when a stipulated time restriction ends or the purpose of restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions 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 donor-restricted support. In the absence of such stipulations, contributions of property are recorded as support without donor restrictions.

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 5).

Income from Investments - All investment income earned is credited to net assets without donor restrictions unless otherwise restricted by the donor or by state law.

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. Salaries and benefits are allocated based on the functions of the employees being paid. Supplies, services, and travel expenses are allocated on the basis of the program or support service incurring those costs. Occupancy, maintenance and repairs expense is allocated on the basis of the program or support service which uses the space being maintained. Depreciation is allocated on the basis of the program or support service which uses the fixed asset. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts. See Note 11 for more detail describing the how costs are distributed by both function and natural expense.

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 $118,968 and $(24,428) for the years ended June 30, 2019 and 2018, respectively. The provision is mostly comprised of federal and city taxes. Of these amounts, $164,968 and $124,572 represent current tax expense for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, 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, 2016.

Recent Accounting Pronouncements –
In May 2014, FASB issued 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 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 accounted 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 14, 2019, which is the date the consolidated financial statements were available to be issued.

Note 3 - Contributions Receivable

Contributions receivable consist of the following unconditional promises to give as of June 30, 2019 and 2018:

	2019	2018
Purpose:		
Endowment	$ 4,678,461	$ 3,862,427
Capital purposes	4,951,485	5,158,725
Operating programs	1,195,773	1,422,871
Contributions receivable, gross	10,825,719	10,444,023
Less: Discount to present value	(254,374)	(252,620)
Less: Allowance for uncollectible accounts	(1,066,142)	(998,984)
Contributions receivable, net	$ 9,505,203	$ 9,192,419
Amounts due in:		
Less than one year	$ 6,103,544	$ 6,080,800
One to five years	3,372,150	3,104,109
More than five years	29,509	7,510
	$ 9,505,203	$ 9,192,419

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 2.19 and 2.45 percent for the years ended June 30, 2019 and 2018, 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 net assets with donor restrictions. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

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 contributions receivable in the statements of activities. As of June 30, 2019, the Foundation has approximately $97.4 million in numerous outstanding commitments that are considered to be intentions to give and are contingent upon future events. These commitments are not accrued as contributions receivable or recognized as revenue because they do not represent unconditional promises to give.

Note 4 - 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, 2019 and 2018 are summarized in the following tables:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2019

	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)	Net Asset Value (NAV)	June 30, 2019 Total
Investments					
Fixed-income investments:					
Money market mutual funds	$ 30,167,223	$ -	$ -	$ -	$ 30,167,223
Bonds and bond mutual funds	47,164,649	18,984,595	-	-	66,149,244
TIPS mutual funds	17,734,125	-	-	-	17,734,125
Subtotal fixed income	95,065,997	18,984,595	-	-	114,050,592
Public equity investments:					
Domestic large-cap equity	134,070,736	-	-	-	134,070,736
Domestic small-cap equity	11,755,707	-	-	-	11,755,707
REITs	6,622,997	-	-	-	6,622,997
Developed international equity	102,934,002	-	-	-	102,934,002
Emerging markets international equity (1)	36,128,411	-	-	13,640,831	49,769,242
Subtotal public equity	291,511,853	-	-	13,640,831	305,152,684
Alternative investments:					
Hedge funds (2)	-	-	-	50,794,476	50,794,476
Private equity funds (3)	-	-	-	32,774,416	32,774,416
Private real estate funds (4)(6)	-	-	109,891	894,801	1,004,692
Venture capital funds (5)	-	-	-	451,453	451,453
Subtotal alternative investments	-	-	109,891	84,915,146	85,025,037
Total investments by fair value level	$ 386,577,850	$ 18,984,595	$ 109,891	$ 98,555,977	$ 504,228,313
Split-Interest Agreements					
Charitable gift annuity assets:					
Money market mutual funds	$ 37,236	$ -	$ -	$ -	$ 37,236
Bonds and bond mutual funds	944,201	35,502	-	-	979,703
Domestic equity	612,425	-	-	-	612,425
International equity	398,717	-	-	-	398,717
REITs	348,664	-	-	-	348,664
Total charitable gift annuity assets	$ 2,341,243	$ 35,502	$ -	$ -	$ 2,376,745
Charitable trust assets:					
Money market mutual funds	563,103	-	-	-	563,103
Bonds and bond mutual funds	9,246,823	-	-	-	9,246,823
Domestic equity	2,520,048	-	-	-	2,520,048
International equity	1,720,589	-	-	-	1,720,589
REITs	2,341,652	-	-	-	2,341,652
Private real estate (6)	-	-	542,448	-	542,448
Other (6)	-	-	175,678	-	175,678
Total charitable trust assets	$ 16,392,215	$ -	$ 718,126	$ -	$ 17,110,341
Total split-interest agreements	$ 18,733,458	$ 35,502	$ 718,126	$ -	$ 19,487,086
Total fair value measurements	$ 405,311,308	$ 19,020,097	$ 828,017	$ 98,555,977	$ 523,715,399

Assets Measured at Fair Value on a Recurring Basis at 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)	Net Asset Value (NAV)	June 30, 2018 Total
Investments					
Fixed-income investments:					
Money market mutual funds	$ 28,957,965	$ -	$ -	$ -	$ 28,957,965
Bonds and bond mutual funds	44,412,421	19,285,643	-	-	63,698,064
TIPS mutual funds	17,507,164	-	-	-	17,507,164
Subtotal fixed income	90,877,550	19,285,643	-	-	110,163,193
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 (1)	32,722,662	-	-	12,312,629	45,035,291
Commodities (7)	19,402,738	-	-	3,751,036	23,153,774
Subtotal public equity	283,354,480	-	-	16,063,665	299,418,145
Alternative investments:					
Hedge funds (2)	-	-	-	50,751,908	50,751,908
Private equity funds (3)	-	-	-	29,547,253	29,547,253
Private real estate funds (4)(6)	-	-	90,765	2,221,069	2,311,834
Venture capital funds (5)	-	-	-	1,406,048	1,406,048
Subtotal alternative investments	-	-	90,765	83,926,278	84,017,043
Total investments by fair value level	$ 374,232,030	$ 19,285,643	$ 90,765	$ 99,989,943	$ 493,598,381
Split-Interest Agreements					
Charitable gift annuity assets:					
Money market mutual funds	$ 8,169	$ -	$ -	$ -	$ 8,169
Bonds and bond mutual funds	943,167	35,912	-	-	979,079
Domestic equity	643,009	-	-	-	643,009
International equity	370,628	-	-	-	370,628
REITs	310,085	-	-	-	310,085
Total charitable gift annuity assets	$ 2,275,058	$ 35,912	$ -	$ -	$ 2,310,970
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 (6)	-	-	432,478	-	432,478
Other (6)	-	-	224,221	-	224,221
Total charitable trust assets	$ 16,062,113	$ -	$ 656,699	$ -	$ 16,718,812
Total split-interest agreements	$ 18,337,171	$ 35,912	$ 656,699	$ -	$ 19,029,782
Total fair value measurements	$ 392,569,201	$ 19,321,555	$ 747,464	$ 99,989,943	$ 512,628,163

(1) Emerging markets 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) 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.

(3) 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.

(4) 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.

(5) 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.

(6) 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.

(7) 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.

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, 2019 and June 30, 2018, there were no transfers between levels of the fair value hierarchy.

Additional information on the changes in Level 3 assets is summarized in the tables below as of June 30, 2019 and 2018:

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Year Ended June 30, 2019

	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	$ 90,765	$ 432,478	$ 224,221
Gains included in changes in net assets -			
Unrealized gains (losses)	19,126	-	-
Change in value of split-interest agreements included in changes in net assets:			
Payments to beneficiaries	-	(6,144)	(33,000)
Change in actuarial estimate	-	116,114	(15,543)
Total change in value	-	109,970	(48,543)
Ending balance	$ 109,891	$ 542,448	$ 175,678

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 gains (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

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 following table provides 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, 2019	June 30, 2018	June 30, 2019		
	Fair Value	Fair Value	Unfunded Commitment	Redemption Frequency, if Eligible	Redemption Notice Period
Emerging markets international equity	$ 13,640,831	$ 12,312,629	$ -	Monthly	30 days
Commodities	-	3,751,036	-	Monthly	30 days
Hedge funds	50,429,570	50,751,908	-	Quarterly	60 days
Private equity funds	32,064,009	29,547,253	19,711,564	None	None
Private real estate funds	1,000,440	2,221,069	251,293	None	None
Venture capital funds	451,453	1,406,048	65,082	None	None
Total	$ 97,586,303	$ 99,989,943	$ 20,027,938		

Note 5 - 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, 2019 and 2018 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 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 values of these trusts are disclosed as Level 3 assets in Note 4. 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, 2019 and 2018 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, 2019 and 2018 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 6 - Property and Equipment

As of June 30, 2019 and 2018, property and equipment are as follows:

	2019	2018
Land	$ 2,863,512	$ 2,863,510
Land improvements	936,115	926,463
Building and building improvements	14,045,288	13,775,619
Furnishings, fixtures, and equipment	6,226,397	5,968,571
Construction in progress	24,243	9,531
Subtotal	24,095,555	23,543,694
Less accumulated depreciation	(13,785,158)	(12,847,732)
Property and equipment - Net	$ 10,310,397	$ 10,695,962

Total depreciation expense of $1,139,771 and $1,123,599 was recorded in fiscal years 2019 and 2018, respectively.

Note 7 - Related-Party Debt

In March 2019, the Foundation entered into an internal loan agreement for $1,712,750 with Ohio University to fund the renovation of the Konneker Alumni Center, which is owned by the Foundation. Both the University and Foundation Boards of Trustees approved the project and funding it through an internal loan. The loan is to be repaid over a period of no more than 10 years, and the interest rate at June 30, 2019 is 4.75 percent, compounded quarterly, and is variable, based on the blended cost of the University's outstanding debt, plus an administrative fee.

Maturities of this loan as of June 30, 2019 are as follows:

Years Ending June 30	Amount
2020	$ 142,312
2021	149,193
2022	156,407
2023	163,970
2024	171,898
Due thereafter	828,284
Total	$ 1,612,064

Note 8 - Net Assets

The Foundation's net assets, by restriction, as of June 30, 2019 and 2018, include:

	2019	2018
With Donor Restrictions:		
Donor-restricted endowments, perpetual in nature	$ 321,544,976	$ 309,993,288
Board-designated (quasi) endowments created with donor-restricted funds	57,633,729	63,251,186
Property, plant and equipment	359,047	366,219
Planned gift expectancies	26,885,993	27,263,664
Unexpended gift balances	43,137,417	41,598,081
Sugar Bush Foundation	5,673,767	5,667,052
Russ LLCs	4,935,514	5,420,966
Net assets with donor restrictions	460,170,443	453,560,456
Without Donor Restrictions:		
Board-designated (quasi) endowments	93,899,547	90,464,759
Property, plant and equipment	692,080	699,388
Equity in the OU Inn	5,675,670	5,471,932
Undesignated	2,455,523	1,540,186
Net assets without donor restrictions	102,722,820	98,176,265
Total net assets	$ 562,893,263	$ 551,736,721

The Foundation's net assets, by purpose, as of June 30, 2019 and 2018, include:

	2019	2018
Net assets with donor restrictions:		
Discretionary/General Support	$ 192,674,218	$ 193,798,779
Chairs and Professorships	59,724,455	59,252,786
Research	20,178,142	20,769,613
Scholarships, Fellowships and Awards	181,877,544	173,692,005
Capital Improvements and Renovation	3,727,967	4,789,474
Other	1,988,117	1,257,799
Total net assets with donor restrictions	460,170,443	453,560,456
Net assets without donor restrictions	102,722,820	98,176,265
Total net assets	$ 562,893,263	$ 551,736,721

Note 9 - Donor-restricted and Board-designated Endowments

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

Interpretation of Relevant Law - The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the contributed value of the original gift of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as endowment corpus, and presented within net assets with donor restrictions, (a) the original value of gifts donated to the endowment corpus, (b) the original value of subsequent gifts to the endowment corpus, and (c) accumulations to the endowment corpus 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 as endowment corpus is classified as accumulated endowment gains and presented within net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to distribute or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

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

(3) General economic conditions

(4) The possible effect of inflation and deflation

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

(6) Other resources of the Foundation

(7) The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	$ -	$ 321,544,976	$ 321,544,976
Board-designated (quasi) endowment created with donor-restricted funds	94,589,461	57,633,729	152,223,190
Total funds	$ 94,589,461	$ 379,178,705	$ 473,768,166

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Market value - Beginning of the year	$ 90,501,079	$ 373,244,473	$ 463,745,552
Net realized and unrealized gains and losses and investment income	7,149,344	12,868,870	20,018,214
Contributions	-	13,916,885	13,916,885
Spending policy transfer	(253,323)	(15,969,752)	(16,223,075)
Transfers to board-designated (quasi) endowments	-	138,956	138,956
Administrative fee	(2,807,639)	(5,020,727)	(7,828,366)
Market value - End of the year	$ 94,589,461	$ 379,178,705	$ 473,768,166

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	$ -	$ 309,993,287	$ 309,993,287
Board-designated (quasi) endowment created with donor-restricted funds	90,501,079	63,251,186	153,752,265
Total funds	$ 90,501,079	$ 373,244,473	$ 463,745,552

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

	Without Donor Restrictions	With Donor Restrictions	Total
Market value - Beginning of the year	$ 83,954,795	$ 364,337,866	$ 448,292,661
Net realized and unrealized gains and losses and investment income	9,592,345	20,187,088	29,779,433
Contributions	-	8,888,842	8,888,842
Spending policy transfer	(224,657)	(15,540,563)	(15,765,220)
Transfers to board-designated endowments	-	208,398	208,398
Administrative fee	(2,821,404)	(4,837,158)	(7,658,562)
Market value - End of the year	$ 90,501,079	$ 373,244,473	$ 463,745,552

Accumulated Investment Income – The endowment tables above include both original investment, as well as accumulated investment income. For the fiscal year ended June 30, 2019, the $321.5 million reported as donor-restricted endowments with donor restrictions includes donor-restricted endowment corpus of $229.6 million and accumulated investment income of $91.9 million. The $152.2 million reported as board-designated (quasi) endowment created with donor restricted funds includes donor-restricted original investment of $57.6 million and accumulated investment income without donor restrictions of $94.6 million. For the fiscal year ended June 30, 2018, the $310.0 million reported as donor-restricted endowments with donor restrictions includes donor-restricted endowment corpus of $217.3 million and accumulated investment income of $92.7 million. The $153.8 million reported as board-designated (quasi) endowment created with donor restricted funds includes donor-restricted original investment of $63.3 million and accumulated investment income without donor restrictions of $90.5 million. As of the fiscal years ended June 30, 2019 and 2018, the Foundation did not have any board-designated (quasi) endowment funds that were created with funds without donor restrictions.

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." These deficiencies resulted from unfavorable market fluctuations and allowable distributions made over time. The detail of the underwater accounts' deficiency at June 30, 2019 and 2018 is as follows:

	2019	2018
Fair value of underwater endowment funds	$ 12,611	$ 2,889,823
Contributed value of gifts of underwater endowment funds	19,170	2,950,789
Deficiency	$ (6,559)	$ (60,966)

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 8.0 percent in the long-term and 7.4 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.

Spending Policy - For the fiscal year ended June 30, 2019, 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 1.4 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 10 - Support from Related Organizations

During 2019 and 2018, the University paid certain payroll costs amounting to $3,720,581 and $3,323,259 and additional costs of $905,557 and $278,073, 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 2019 or 2018.

Note 11 – Functional and Natural Classification of Expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions such as Instruction, Research and Fundraising. The following table provides further detail of these expenses, by showing both the functional and natural classification (Salaries, Maintenance, etc.) of each category of expenses for the years ended June 30, 2019 and June 30, 2018, respectively:

Year Ended June 30, 2019

Expenses by function:	Salaries & Benefits	Student Aid	Supplies & Services	Occupancy, Maintenance & Repairs	Travel & Entertainment	Other	Total
Program services:							
Academic support	$ 596,357	$ -	$ 761,396	$ 110,390	$ 922,823	$ 822	$ 2,391,788
Alumni relations	1,020,243	-	932,095	83,556	576,694	78,783	2,691,371
Institutional support	70,843	-	44,928	13,458	220,527	137	349,893
Instruction	2,691,691	-	282,302	596,093	314,271	904	3,885,261
Intercollegiate athletics	160,460	-	161,125	2,710,297	519,231	2,424	3,553,537
Public service	510,598	-	448,972	147,562	822,819	90	1,930,041
Research	1,186,555	-	760,140	563,691	273,377	370	2,784,133
Student aid	271,376	7,331,886	39,645	1,100	26,229	14,215	7,684,451
Student services	47,588	-	142,574	108,332	281,140	45	579,679
Total program services	6,555,711	7,331,886	3,573,177	4,334,479	3,957,111	97,790	25,850,154
Support services:							
Fundraising and development	7,742,192	-	1,498,964	325,512	1,069,504	4,745	10,640,917
Fund administration	1,102,029	-	214,281	8,157	213,864	13,207	1,551,538
Total support services	8,844,221	-	1,713,245	333,669	1,283,368	17,952	12,192,455
Related entity operations	2,427,812	-	811,611	1,388,508	58,042	1,992,510	6,678,483
Total expenses	$ 17,827,744	$ 7,331,886	$ 6,098,033	$ 6,056,656	$ 5,298,521	$ 2,108,252	$ 44,721,092

Year Ended June 30, 2018

Expenses by function:	Salaries & Benefits	Student Aid	Supplies & Services	Occupancy, Maintenance & Repairs	Travel & Entertainment	Other	Total
Program services:							
Academic support	$ 243,926	$ -	$ 428,229	$ 267,620	$ 493,980	$ 8,309	$ 1,442,064
Alumni relations	1,124,134	-	1,010,847	39,353	805,622	67,892	3,047,848
Institutional support	39,811	-	364,530	142,850	100,108	-	647,299
Instruction	2,434,647	-	1,182,330	1,892,443	903,742	5,959	6,419,121
Intercollegiate athletics	16,127	-	293,074	5,914,243	419,566	2,462	6,645,472
Public service	337,684	-	356,485	404,731	56,883	12,000	1,167,783
Research	1,075,916	-	947,175	204,823	601,611	2,538	2,832,063
Student aid	445,676	6,872,284	31,422	35,341	151,107	18,027	7,553,857
Student services	136,949	-	78,847	9,935	167,657	4,039	397,427
Total program services	5,854,870	6,872,284	4,692,939	8,911,339	3,700,276	121,226	30,152,934
Support services:							
Fundraising and development	6,886,120	-	2,042,185	358,965	883,206	11,006	10,181,482
Fund administration	742,713	-	219,649	12,668	107,423	3,284	1,085,737
Total support services	7,628,833	-	2,261,834	371,633	990,629	14,290	11,267,219
Related entity operations	-	-	536,606	1,479,335	-	4,387,788	6,403,729
Total expenses	$ 13,483,703	$ 6,872,284	$ 7,491,379	$ 10,762,307	$ 4,690,905	$ 4,523,304	$ 47,823,882

Note 12 - 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 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, 2019 and 2018 are summarized below:

	2019	2018
Revenues:	$ 5,936,411	$ 5,841,267
Expenses:		
Operating and general expenses	4,688,533	4,552,920
Interest expense - Net	(21,939)	(5,066)
Realized gain (loss) on investments	-	11,170
Depreciation and amortization	767,573	775,359
Provision for income taxes	118,968	(24,428)
Total expenses	5,553,135	5,309,955
Net income	383,276	531,312
Other comprehensive income (loss)	(179,538)	(33,768)
Change in net assets	$ 203,738	$ 497,544

For fiscal years 2019 and 2018, the Inn's other comprehensive income (losses) include distributions to the Foundation of $250,000 and $0, 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 2019 and 2018, base management fees incurred by the Inn with respect to the manager were $100,000 per year and incentive fees were $164,208 and $173,809, respectively.

Property and Equipment - Property and equipment of the Inn as of June 30, 2019 and June 30, 2018 consist of the following:

	2019	2018
Land	$ 323,978	$ 323,978
Land improvements	936,115	926,463
Buildings	7,765,480	7,646,223
Furnishings, fixtures, and equipment	5,492,752	5,412,816
Construction in progress	24,243	9,531
Total property and equipment	14,542,568	14,319,011
Less accumulated depreciation	(10,043,545)	(9,478,318)
Net property and equipment	$ 4,499,023	$ 4,840,693

Debt Obligations - Long-term debt of the Inn as of June 30, 2019 and June 30, 2018 consists of the following:

	2019	2018
Term loan due	$ 769,800	$ 1,120,400
Less current portion	(373,000)	(350,500)
Less unamortized loan costs	(4,895)	(6,993)
Total long-term debt	$ 391,905	$ 762,907

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, 2019 are set forth in the following schedule:

Years Ending June 30	Amount
2020	$ 373,000
2021	396,800
Total	$ 769,800

Note 13 - 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.

During the fiscal year ended June 30, 2018 Housing's operations consisted of collecting a receivable and distributing all of its remaining assets, in the amount of $208,625, to the Foundation. Housing was formally dissolved in October 2017.

Note 14 - 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, 2019 and 2018 are summarized below:

	2019	2018
Revenue:		
Interest and dividends	$ 75,917	$ 57,871
Realized gain (loss)	101,886	934,060
Unrealized gain (loss)	173,174	(668,886)
Total investment income	350,978	323,045
Expenses:		
Distribution to Foundation	344,263	406,396
Change in net assets	6,715	(83,351)

Note 15 - Russ LLCs

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.

Operations – Russ LLCs' operations for the years ended June 30, 2019 and 2018 are summarized below:

	2019	2018
Revenue:		
Rental income	$ 592,936	$ 711,969
Expenses:		
Operating and general expenses	610,468	602,122
Depreciation and amortization	357,718	339,593
Taxes and insurance	110,202	123,501
Distribution to Foundation	-	250,000
Total expenses	1,078,388	1,315,216
Change in net assets	$ (485,452)	$ (603,247)

During fiscal 2019 and 2018, 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, 2019 and 2018. Management is collaborating with various professional organizations in and around the Dayton/Beavercreek area to forge new and expanded research partnerships. These partnerships have resulted in new tenants being secured for the Russ Research Center LLC.

Property and Equipment - Property and equipment of the Russ LLCs as of June 30, 2019 and June 30, 2018 consist of the following:

	2019	2018
Land	$ 1,707,792	$ 1,707,792
Buildings	5,455,654	5,455,653
Furnishings, fixtures, and equipment	733,645	555,755
Total property and equipment	7,897,091	7,719,200
Less accumulated depreciation	(3,202,256)	(2,844,538)
Net property and equipment	$ 4,694,835	$ 4,874,662

Note 16 – Restatement

Over time, the Foundation has used temporarily restricted donor gifts to establish numerous board-designated endowments. Through the fiscal year ended June 30, 2018, the Foundation has consistently classified and reported the accumulated investment income on these board-designated endowments as temporarily restricted net assets. Similar to the accounting treatment for donor-restricted endowment funds, distributions from these board-designated endowments have been sourced from accumulated investment income while the original investment has remained intact.

During the fiscal year ended June 30, 2019, the Foundation determined that the practice described above was inconsistent with accounting standards, which provide that accumulated investment income should be classified as net assets with donor restrictions only when this restriction is explicitly stipulated by the donor or required by applicable law. Furthermore, accounting standards require that funds with donor restrictions be used prior to funds without donor restrictions being used for that same purpose. As a result, distributions from board-designated endowments should be sourced from the donor-restricted original investment rather than the accumulated investment income, which lacks a donor restriction, until the original donor-restricted investment balance is exhausted in its entirety.

A prior-period adjustment was recorded to properly classify as net assets without donor restrictions all accumulated investment income on board-designated endowments established with funds with donor restrictions. The prior-period adjustment also released from restriction any prior period spending against the portion of these board-designated endowments that were established with funds with donor restrictions.

This action had no net effect on the Foundation's total financial position. However, the adjustment increased net assets without donor restrictions and reduced net assets with donor restrictions by a like amount.

As of July 1, 2017, the adjustment increased net assets without donor restrictions by $84.2 million and reduced net assets with donor restrictions by $84.2 million. For the year ended June 30, 2018, the adjustment increased the change in net assets without donor restrictions by $6.6 million and reduced the change in net assets with donor restrictions by $6.6 million. As of June 30, 2018, the adjustment increased net assets without donor restrictions by $90.8 million and reduced net assets with donor restrictions by $90.8 million.

The correction of errors and adoption of ASU 2016-14 had the following effect on net assets at July 1, 2017:

Net Asset Class	As Originally Presented at July 1, 2017	Corrections of Errors	As Corrected	As a Result of ASU 2016-14	Restated July 1, 2017 After Adoption of ASU 2016-14
Unrestricted Net Assets	$ 6,260,536	$ 84,233,788	$ 90,494,324	$ 2,231	$ -
Temporarily Restricted Net Assets	317,178,949	(83,770,056)	233,408,893	(2,231)	-
Permanently Restricted Net Assets	214,186,022	(463,732)	213,722,290	-	-
Net Assets Without Donor Restrictions	-	-	-	-	90,496,555
Net Assets With Donor Restrictions	-	-	-	-	447,128,952
Total	$ 537,625,507	$ -	$ 537,625,507	$ -	$ 537,625,507

The correction of errors and adoption of ASU 2016-14 had the following effect on net assets at June 30, 2018:

Net Asset Class	As Originally Presented at June 30, 2018	Corrections of Errors	As Corrected	As a Result of ASU 2016-14	Restated June 30, 2018 After Adoption of ASU 2016-14
Unrestricted Net Assets	$ 7,303,236	$ 90,812,063	$ 98,115,299	$ 60,966	$ -
Temporarily Restricted Net Assets	320,198,415	(90,347,947)	229,850,468	(60,966)	-
Permanently Restricted Net Assets	224,235,070	(464,116)	223,770,954	-	-
Net Assets Without Donor Restrictions	-	-	-	-	98,176,265
Net Assets With Donor Restrictions	-	-	-	-	453,560,456
Total	$ 551,736,721	$ -	$ 551,736,721	$ -	$ 551,736,721

Supplementary Information

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Financial Position
As of June 30, 2019

	The Foundation	Inn-Ohio of Athens, Inc.	Sugar Bush Foundation	Russ LLCs	Eliminations	Total
Assets						
Cash and cash equivalents	$ 21,623,027	$ 953,108	$ -	$ 480,769	$ -	$ 23,056,904
Accounts receivable - net	18,904	222,344	-	21,141	-	262,389
Related party receivable - net	-	-	-	-	-	-
Contributions receivable - net	9,505,203	-	-	-	-	9,505,203
Bequests receivable	2,618,096	-	-	-	-	2,618,096
Interest and dividends receivable	1,103,432	-	-	-	-	1,103,432
Prepaid expenses	185,473	45,522	-	68,883	-	299,878
Investments	498,554,546	1,603,115	5,673,767	-	(1,603,115)	504,228,313
Investment in Inn-Ohio of Athens, Inc.	5,675,670	-	-	-	(5,675,670)	-
Assets held for sale	85,000	-	-	-	-	85,000
Life insurance cash surrender value	1,247,498	-	-	-	-	1,247,498
Charitable gift annuities	2,376,745	-	-	-	-	2,376,745
Charitable trusts	17,110,341	-	-	-	-	17,110,341
Property and equipment - net	1,116,539	4,499,023	-	4,694,835	-	10,310,397
Other assets	98,470	56,807	-	-	-	155,277
Total assets	$ 561,318,944	$ 7,379,919	$ 5,673,767	$ 5,265,628	$ (7,278,785)	$ 572,359,473
Liabilities						
Accounts payable:						
Ohio University	$ 110,313	$ -	$ -	$ 87,252	$ -	$ 197,565
Trade and other	731,914	709,344	-	52,352	-	1,493,610
Related party	-	-	-	-	-	-
Deposits held in custody for others	2,074,925	-	-	36,879	(1,603,115)	508,689
Annuities payable	1,611,797	-	-	-	-	1,611,797
Charitable trusts obligations	2,893,949	-	-	-	-	2,893,949
Notes payable:	-	-	-	-	-	-
Ohio University	1,612,064	-	-	-	-	1,612,064
Other	-	764,905	-	-	-	764,905
Other liabilities	-	230,000	-	153,631	-	383,631
Total liabilities	9,034,962	1,704,249	-	330,114	(1,603,115)	9,466,210
Net assets						
Without donor restrictions	102,722,820	-	-	-	-	102,722,820
With donor restrictions	449,561,162	-	5,673,767	4,935,514	-	460,170,443
Total net assets	552,283,982	-	5,673,767	4,935,514	-	562,893,263
Stockholders' equity						
Common stock	-	3,429,192	-	-	(3,429,192)	-
Additional paid-in capital	-	4,266,632	-	-	(4,266,632)	-
Retained earnings	-	(2,020,154)	-	-	2,020,154	-
Total stockholders' equity	-	5,675,670	-	-	(5,675,670)	-
Total liabilities and net assets	$ 561,318,944	$ 7,379,919	$ 5,673,767	$ 5,265,628	$ (7,278,785)	$ 572,359,473

Consolidating Schedule of Activities
Year Ended June 30, 2019

	The Foundation Without Donor Restrictions	Inn-Ohio of Athens, Inc.	Total Without Donor Restrictions	The Foundation With Donor Restrictions	Sugar Bush Foundation	Russ LLCs	Total With Donor Restrictions	Eliminations	Total
Revenues and other support									
Gifts and contributions	$ 265,601	$ -	$ 265,601	$ 21,995,044	$ -	$ -	$ 21,995,044	$ -	$ 22,260,645
University support	4,626,138	-	4,626,138	-	-	-	-	-	4,626,138
Income from investments:				-	-	-		-	
Interest and dividends	3,487,209	46,960	3,534,169	7,364,249	75,918	10	7,440,177	-	10,974,346
Realized gain (loss)	597,415	-	597,415	(108,892)	101,886	-	(7,006)	-	590,409
Unrealized gain (loss)	4,095,671	70,462	4,166,133	5,590,602	173,174	-	5,763,776	-	9,929,909
Revenues from sales and events	549,597	5,936,411	6,486,008	2,524	-	592,926	595,450	-	7,081,458
Gain (loss) on split-interest agreement	-	-	-	308,049	-	-	308,049	-	308,049
Endowment management fee income	5,020,726	-	5,020,726	(5,020,726)	-	-	(5,020,726)	-	-
Other	1,399	-	1,399	105,281	-	-	105,281	-	106,680
Related entity revenues	511,413	-	511,413	286,588	-	-	286,588	(798,001)	-
Net assets released from restrictions	24,512,383	-	24,512,383	(23,433,995)	(344,263)	(1,078,388)	(24,856,646)	344,263	-
Total revenues and other support	43,667,552	6,053,833	49,721,385	7,088,724	6,715	(485,452)	6,609,987	(453,738)	55,877,634
Expenses									
Program services:									
Academic support	2,391,788	-	2,391,788	-	-	-	-	-	2,391,788
Alumni relations	2,691,371	-	2,691,371	-	-	-	-	-	2,691,371
Institutional support	349,893	-	349,893	-	-	-	-	-	349,893
Instruction	3,885,261	-	3,885,261	-	-	-	-	-	3,885,261
Intercollegiate athletics	3,553,537	-	3,553,537	-	-	-	-	-	3,553,537
Public service	1,930,041	-	1,930,041	-	-	-	-	-	1,930,041
Research	2,784,133	-	2,784,133	-	-	-	-	-	2,784,133
Student aid	7,684,451	-	7,684,451	-	-	-	-	-	7,684,451
Student services	579,679	-	579,679	-	-	-	-	-	579,679
Support services:									
Fundraising and development	10,640,917	-	10,640,917	-	-	-	-	-	10,640,917
Fund administration	1,551,538	-	1,551,538	-	-	-	-	-	1,551,538
Related entity operations	1,078,388	5,850,095	6,928,483	-	-	-	-	(250,000)	6,678,483
Total expenses	39,120,997	5,850,095	44,971,092	-	-	-	-	(250,000)	44,721,092
Changes in net assets	4,546,555	203,738	4,750,293	7,088,724	6,715	(485,452)	6,609,987	(203,738)	11,156,542
Net assets - beginning of year	98,176,265	5,471,932	103,648,197	442,472,438	5,667,052	5,420,966	453,560,456	(5,471,932)	551,736,721
Net assets - end of year	$ 102,722,820	$ 5,675,670	$ 108,398,490	$ 449,561,162	$ 5,673,767	$ 4,935,514	$ 460,170,443	$ (5,675,670)	$ 562,893,263

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Cash Flows
Year Ended June 30, 2019

	The Foundation	Inn-Ohio of Athens, Inc.	Sugar Bush Foundation	Russ LLCs	Total
Cash Flows From Operating Activities					
Changes in net assets	$ 11,431,541	$ 203,738	$ 6,715	$ (485,452)	$ 11,156,542
Adjustments to reconcile changes in net assets to net cash from operating activities:					
Realized investment (gains) losses - Net	(488,523)	-	(101,886)	-	(590,409)
Noncash items:					
Depreciation and amortization	14,480	767,573	-	357,718	1,139,771
(Gain) loss on disposition of property	-	-	-	-	-
Unrealized investment (gains) losses - Net	(9,686,273)	(70,462)	(173,174)	-	(9,929,909)
(Increase) decrease in cash surrender value of life insurance policies	23,840	-	-	-	23,840
(Increase) decrease in investments subject to annuity agreements	(282,820)	-	-	-	(282,820)
(Increase) decrease in charitable remainder trust assets	(1,051,731)	-	-	-	(1,051,731)
Increase (decrease) in annuity obligations	(93,676)	-	-	-	(93,676)
Increase (decrease) in trust obligations	92,654	-	-	-	92,654
Contributions of securities	(1,540,250)	-	-	-	(1,540,250)
Contributions of land and buildings	-	-	-	-	-
Contributions restricted for endowment investment	(11,814,357)	-	-	-	(11,814,357)
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	79,997	(99,357)	-	41	(19,319)
(Increase) decrease in contributions receivable	(312,784)	-	-	-	(312,784)
(Increase) decrease in bequests receivable	953,744	-	-	-	953,744
(Increase) dncrease in interest and dividends receivable	(151,447)	-	-	-	(151,447)
(Increase) decrease in prepaid expenses	(63,677)	7,328	-	5,470	(50,879)
(Increase) decrease in other assets	6,035	22,026	-	-	28,061
Increase (decrease) in accounts payable	(5,653,804)	182,919	-	(122,204)	(5,593,089)
Increase (decrease) in other liabilities	-	(81,000)	-	(28,422)	(109,422)
Increase (decrease) in deposits held in custody for others	87,924	-	-	(7,016)	80,908
Net cash provided by (used in) operating activities	(18,449,127)	932,765	(268,345)	(279,865)	(18,064,572)
Cash Flows From Investing Activities					
Purchases of property and equipment	(150,412)	(425,903)	-	(177,891)	(754,206)
Purchases of investments	(78,929,664)	(44,843)	(128,823)	-	(79,103,330)
Proceeds from sales of investments	80,136,798	-	397,168	-	80,533,966
Contributions to new charitable gift annuities	(35,794)	-	-	-	(35,794)
Payments on charitable gift annuities	252,839	-	-	-	252,839
Contributions to new charitable remainder trusts	(135,546)	-	-	-	(135,546)
Payments on charitable remainder trusts	795,748	-	-	-	795,748
Net cash provided by (used in) investing activities	1,933,969	(470,746)	268,345	(177,891)	1,553,677
Cash Flows from Financing Activities					
Contributions restricted for endowment investment	11,814,357	-	-	-	11,814,357
Payments on notes and bonds payable	(100,686)	(348,502)	-	-	(449,188)
Issuance of long-term debt	1,712,750	-	-	-	1,712,750
Net cash provided by (used in) financing activities	13,426,421	(348,502)	-	-	13,077,919
Net Increase (Decrease) in Cash and Cash Equivalents	(3,088,737)	113,517	-	(457,756)	(3,432,976)
Cash and Cash Equivalents - Beginning of year	24,711,764	839,591	0	938,525	26,489,880
Cash and Cash Equivalents - End of year	**$ 21,623,027**	**$ 953,108**	**$ 0**	**$ 480,769**	**$ 23,056,904**
Supplemental Disclosure of Cash Flow Information					
Cash paid during the year for interest	$ 54,828	$ 20,130	$ -	$ -	$ 74,958
Cash paid during the year for income taxes	-	1,800	-	-	1,800
Supplemental Disclosure of Non-Cash Activities					
Contributions of securities	$ 1,540,250	$ -	$ -	$ -	$ 1,540,250
Contributions of land and buildings	-	-	-	-	-

plante moran

Plante & Moran, PLLC
Suite 100
250 S. High Street
Columbus, OH 43215
Tel: 614.849.3000
Fax: 614.221.3535
plantemoran.com

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

Independent Auditor's Report

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

We have audited, in accordance with 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 statement of financial position as of June 30, 2019 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 14, 2019.

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 consolidated 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 consolidated 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. We consider the deficiency described as Finding 2019-001 in the accompanying schedule of findings and responses to be a material weakness.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses as Finding 2019-001, we identified a certain deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated 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 consolidated 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.*

The Foundation's Response to Finding

The Foundation's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Foundation's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we express no opinion on it.

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 & Moran, PLLC

October 14, 2019

Schedule of Findings and Responses

Year Ended June 30, 2019

Reference Number	Finding
2019-001	**Finding Type** - Material weakness

Criteria - Generally accepted accounting principles (GAAP) require that, when classifying a donor-restricted endowment fund, consideration shall be given to both the donor's explicit stipulations and the applicable laws that extend donor restrictions. A board-designated endowment fund is created by the not-for-profit entity's governing board by designating a portion of its net assets without donor restrictions. In rare circumstances, a board-designated endowment fund also can include a portion of net assets with donor restrictions.

Distributions from board-designated endowments should be sourced from the donor-restricted original investment (net assets with donor restrictions) rather than the accumulated investment income (net assets without donor restrictions) until the original investment balance is exhausted in its entirety.

Condition - The Foundation previously has reported, as net assets with restrictions, all accumulated investment income on board-designated endowments sourced from donor-restricted funds. In addition, distributions from board-designated endowments were sourced from the accumulated investment income (net assets without donor restrictions).

Context - Foundation management identified the error in the current year and performed an analysis to determine what the amounts for net assets without donor restrictions and net assets with donor restrictions should have been at June 30, 2019, 2018, and 2017. A prior-period adjustment was recorded to properly classify the two net asset categories. As of July 1, 2017, the adjustment increased net assets without donor restrictions by $84.2 million and reduced net assets with donor restrictions by the same amount. As of June 30, 2018, the adjustment increased net assets without donor restrictions by $6.6 million and reduced net assets with donor restrictions by the same amount.

Cause - The Foundation did not compare its internal policies and practices for board-designated endowments and associated distributions to existing GAAP, which resulted in a material misstatement of previously issued financial statements.

Effect - The action had no net effect on the Foundation's total financial position. However, as a result of not properly classifying income and distributions from board-designated endowments, net assets without donor restrictions were understated and net assets with donor restrictions were overstated by $84.2 million and $6.6 million at July 1, 2017 and June 30, 2018, respectively. Since the issue was identified by management in the current year, the July 1, 2017 and June 30, 2018 net assets had to be restated.

Recommendation - We recommend that management implement policies and procedures for board-designated endowment funds that ensure that activity is recorded in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Actions - After identifying this error during fiscal year 2019, the Foundation has revised its internal procedures to ensure that the accounting for board-designated (quasi) endowments complies with FASB accounting standards. Going forward, investment income on board-designated (quasi) endowments will be recorded as net assets without donor restrictions. When spending from board-designated (quasi) endowments created with donor-restricted funds, distributions will be sourced from the donor-restricted original investment (net assets with donor restrictions) rather than the accumulated investment income (net assets without donor restrictions) until the original investment balance is exhausted in its entirety.

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

OHIO UNIVERSITY FOUNDATION

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 26, 2019

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370
www.ohioauditor.gov