

The Ohio University Foundation and Subsidiaries

**Consolidated Financial Statements as of and
for the Years Ended June 30, 2020 and 2019
with Supplementary Schedules as of and
for the Year Ended June 30, 2020 and
Independent Auditor's Report**



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

We have reviewed the *Independent Auditor's Report* of The Ohio University Foundation and Subsidiaries, Athens County, prepared by Crowe LLP, for the audit period July 1, 2019 through June 30, 2020. 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
Auditor of State
Columbus, Ohio

November 12, 2020

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The Ohio University Foundation and Subsidiaries

Contents

Independent Auditor's Report	1-2
Consolidated Financial Statements as of and for the Years Ended June 30, 2020 and 2019	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-32
Supplementary Schedules as of and for the Year Ended June 30, 2020	
Consolidating Schedule of Financial Position	34
Consolidating Schedule of Activities	35
Consolidating Schedule of Cash Flows	36
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37-38
Schedule of Prior Year Findings	39

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
The Ohio University Foundation and Subsidiaries
Athens, Ohio

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Ohio University Foundation and Subsidiaries, a discretely presented component unit of Ohio University, which comprise the consolidated statements of financial position as of June 30, 2020, and the related consolidated statements of activities and cash flows for the year then ended and the related notes to the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Ohio University Foundation and Subsidiaries as of June 30, 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2020, a subsidiary of the Foundation changed its method of accounting to not-for-profit accounting principles. The change required a retroactive application to the beginning of the first period presented in the consolidated financial statements, resulting in a reclassification between net assets with donor restrictions and net assets without donor restrictions as of July 1, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, 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 other 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.

The consolidated financial statements of The Ohio University Foundation and Subsidiaries as of June 30, 2019, were audited by other auditors whose report dated October 14, 2019, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.


Crowe LLP

Columbus, Ohio
October 15, 2020

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Financial Position June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 11,228,543	\$ 23,056,904
Accounts receivable - net	245,720	262,389
Contributions receivable - net	7,799,460	9,505,203
Bequests receivable	2,142,197	2,618,096
Interest and dividends receivable	1,073,326	1,103,432
Prepaid expenses	232,117	299,878
Investments	514,942,048	504,228,313
Assets held for sale	-	85,000
Life insurance cash surrender value	1,206,424	1,247,498
Charitable gift annuities	2,614,257	2,376,745
Charitable trusts	16,660,343	17,110,341
Property and equipment - net	11,816,723	10,310,397
Other assets	129,939	155,277
	<u>\$ 570,091,097</u>	<u>\$ 572,359,473</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable:		
Ohio University	\$ 949,116	\$ 197,565
Trade and other	615,842	1,493,610
Deposits held in custody for others	440,632	508,689
Annuities payable	1,754,709	1,611,797
Charitable trusts obligations	2,642,943	2,893,949
Notes payable:	-	
Ohio University	1,469,752	1,612,064
Other	394,003	764,905
Other liabilities	1,245,518	383,631
	<u>9,512,515</u>	<u>9,466,210</u>
Total liabilities		
Net Assets		
Without donor restrictions	107,891,345	107,658,334
With donor restrictions	452,687,237	455,234,929
	<u>560,578,582</u>	<u>562,893,263</u>
Total net assets		
Total liabilities and net assets	<u>\$ 570,091,097</u>	<u>\$ 572,359,473</u>

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Activities Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Gifts and contributions	\$ 417,850	\$ 18,216,629	\$ 18,634,479
University support	5,121,492	-	5,121,492
Income from investments:			
Interest and dividends	3,085,825	5,515,181	8,601,006
Realized gain (loss)	(1,622,271)	(2,976,730)	(4,599,001)
Unrealized gain (loss)	3,202,218	4,568,114	7,770,332
Revenues from sales and events	5,322,697	52,938	5,375,635
Gain (loss) on split-interest agreements	-	(386,879)	(386,879)
Other	137	94,221	94,358
Related entity revenues	58,278	(58,278)	-
Net assets released from restrictions	27,572,888	(27,572,888)	-
Total revenues and other support	43,159,114	(2,547,692)	40,611,422
Expenses			
Program services:			
Academic support	1,129,510	-	1,129,510
Alumni relations	2,528,140	-	2,528,140
Institutional support	266,473	-	266,473
Instruction	3,025,427	-	3,025,427
Intercollegiate athletics	2,143,330	-	2,143,330
Public service	1,054,965	-	1,054,965
Research	3,632,105	-	3,632,105
Student aid	7,823,480	-	7,823,480
Student services	511,889	-	511,889
Support services:			
Fundraising and development	13,803,525	-	13,803,525
Management and general	1,159,055	-	1,159,055
Related entity operations	5,848,204	-	5,848,204
Total expenses	42,926,103	-	42,926,103
Changes in net assets	233,011	(2,547,692)	(2,314,681)
Net assets - beginning of year	107,658,334	455,234,929	562,893,263
Net assets - end of year	\$ 107,891,345	\$ 452,687,237	\$ 560,578,582

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Activities (Continued) 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	3,534,179	7,440,167	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	7,078,934	2,524	7,081,458
Gain (loss) on split-interest agreements	-	308,049	308,049
Other	1,399	105,281	106,680
Related entity revenues	57,675	(57,675)	-
Net assets released from restrictions	28,454,721	(28,454,721)	-
Total revenues and other support	48,782,195	7,095,439	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	4,061,103	7,095,439	11,156,542
Net assets - beginning of year, restated	103,597,231	448,139,490	551,736,721
Net assets - end of year	\$ 107,658,334	\$ 455,234,929	\$ 562,893,263

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Cash Flows

	Years Ended June 30	
	2020	2019
Cash Flows from Operating Activities		
Changes in net assets	\$ (2,314,681)	\$ 11,156,542
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Realized investment losses (gains)	4,599,001	(590,409)
Noncash items:		
Depreciation and amortization	1,180,763	1,139,771
Gain on disposition of property	(20,895)	-
Unrealized investment gains	(7,770,332)	(9,929,909)
Decrease in cash surrender value of life insurance policies	41,074	23,840
Increase in investments subject to annuity agreements	(121,154)	(282,820)
Increase in charitable remainder trust assets	(269,423)	(1,051,731)
Increase (decrease) in annuity obligations	142,912	(93,676)
Increase (decrease) in trust obligations	(251,006)	92,654
Contributions of securities	(973,000)	(1,540,250)
Contributions of property and equipment	(1,080,000)	-
Contributions restricted for endowment investments	(7,453,095)	(11,814,357)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	16,669	(19,319)
(Increase) decrease in contributions receivable	1,705,743	(312,784)
Decrease in bequests receivable	475,899	953,744
(Increase) decrease in interest and dividends receivable	30,106	(151,447)
(Increase) decrease in prepaid expenses	67,761	(50,879)
Decrease in other assets	25,338	28,061
Increase (decrease) in accounts payable	513,342	(5,593,089)
Increase (decrease) in other liabilities	222,328	(109,422)
Increase (decrease) in deposits held in custody for others	(68,057)	80,908
Net cash used in operating activities	<u>(11,300,707)</u>	<u>(18,064,572)</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,607,089)	(754,206)
Proceeds from sales of property and equipment	105,895	-
Purchases of investments	(266,512,719)	(79,103,330)
Proceeds from sales of investments	259,943,315	80,533,966
Contributions to new charitable gift annuities	(385,000)	(35,794)
Payments on charitable gift annuities	268,642	252,839
Contributions to new charitable remainder trusts	(65,553)	(135,546)
Payments on charitable remainder trusts	784,974	795,748
Net cash (used in) provided by investing activities	<u>(7,467,535)</u>	<u>1,553,677</u>
Cash Flows from Financing Activities		
Contributions restricted for endowment investment	7,453,095	11,814,357
Payments on notes and bonds payable	(513,214)	(449,188)
Issuance of long-term debt	-	1,712,750
Net cash provided by financing activities	<u>6,939,881</u>	<u>13,077,919</u>
Net Decrease in Cash and Cash Equivalents	<u>(11,828,361)</u>	<u>(3,432,976)</u>
Cash and Cash Equivalents - Beginning of year	<u>23,056,904</u>	<u>26,489,880</u>
Cash and Cash Equivalents - End of year	<u>\$ 11,228,543</u>	<u>\$ 23,056,904</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 89,082	\$ 74,958
Cash paid for income taxes	124,347	-
Supplemental Disclosure of Noncash Activities		
Contributions of securities	\$ 973,000	\$ 1,540,250
Contributions of property and equipment	1,080,000	-

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

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

Note 1 - Organization and Operation

The Ohio University Foundation (the "Foundation"), a component unit of Ohio University, 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).

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 13).

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 14).

Note 2 - Summary of Significant Accounting Policies

Change in Accounting Principle- During the year ended June 30, 2020, the Foundation's Board of Trustees and the Russ LLC's Board of Directors determined that it was in the best interest of the Russ LLCs to amend their articles of organization and convert them from Ohio for-profit limited liability companies to not-for-profit limited liability companies. To that end, certificate of amendments of the Russ LLCs' articles of organization were filed with and approved by the Ohio Secretary of State on April 20, 2020.

The accompanying consolidated financial statements have been adjusted to reflect the Russ LLC's financial information for the years ended June 30, 2020 and 2019 using accounting principles that apply to not-for-profit entities.

The change in accounting principle did not result in any adjustment to the valuation of the Russ LLC's assets or liabilities, nor did it result in any change to the valuation of the Russ LLC's net assets, as of the beginning of the fiscal years ended June 30, 2020 and 2019. The change in accounting principle did result in the reclassification of all of the Russ LLC's net assets from Funds With Donor Restrictions to Funds Without Donor Restrictions.

As of July 1, 2018, the change in accounting principle increased net assets without donor restrictions by \$5.4 million and reduced net assets with donor restrictions by a like amount. For the year ended June 30, 2019, the adjustment decreased the change in net assets without donor restrictions by \$0.5 million and

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

increased the change in net assets with donor restrictions by a like amount. As of June 30, 2019, the adjustment increased net assets without donor restrictions by \$4.9 million and reduced net assets with donor restrictions by a like amount.

Net Asset Class	As Originally Presented at July 1, 2018	Russ LLCs conversion to not-for-profit	Adjusted July 1, 2018
Net Assets Without Donor Restrictions	98,176,265	5,420,966	103,597,231
Net Assets With Donor Restrictions	453,560,456	(5,420,966)	448,139,490
Total	<u>\$ 551,736,721</u>	<u>\$ -</u>	<u>\$ 551,736,721</u>

For the year ended June 30, 2019, amounts released from restriction were \$592,936 as a result of the change in accounting principle above based on revenues generated by assets placed in service by the Russ LLCs.

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, 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. 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.

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:

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

	2020	2019
Total assets, at year end	\$ 570,091,097	\$ 572,359,473
Less nonfinancial assets:		
Prepaid Expenses	232,117	299,878
Property and equipment, net of depreciation	11,816,723	10,310,397
Other Assets	129,939	155,277
Financial assets, at year end	557,912,318	561,593,921
Less those unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	53,518,497	49,647,873
Donor-restricted endowments subject to appropriation and satisfaction of donor restrictions	320,545,292	321,544,976
Board-designated (quasi) endowments created with donor-restricted funds	52,478,054	57,633,729
Investments held in annuities and trusts	19,274,600	19,487,086
Life insurance cash surrender value	1,206,424	1,247,498
Financial assets held by Foundation subsidiaries	8,799,709	8,954,244
Board designations:		
Quasi-endowment funds without donor restrictions	95,152,150	94,589,461
Quasi-endowment spending account balances without donor restrictions	507,926	367,467
Subtotal of amounts unavailable for general expenditure within one year	551,482,652	553,472,334
Plus endowment distributions made available for general expenditure within one year due to:		
Endowment distributions without purpose restrictions	43,556	42,955
Endowment management fee	8,066,878	7,847,488
Subtotal of endowment distributions without donor restrictions or board designations	8,110,434	7,890,443
Financial assets available to meet cash needs for general expenditures	<u>\$ 14,540,100</u>	<u>\$ 16,012,030</u>

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, with accumulated earnings of \$95,152,150 and \$94,589,461 for the years ended June 30, 2020 and 2019, 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 \$259,651 and \$1,289,565 were accumulated for the years ended June 30, 2020 and 2019, 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.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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.

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported changes in net assets or total net assets.

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. The property management staff that operates the Russ Research Center LLC is responsible for collection of receivables and 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 \$9,891,953 and \$21,960,505 in cash that was uninsured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2020 and 2019, 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

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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, 2020 and 2019.

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 - Investment income earned is credited to net assets with donor restrictions if restricted by the donor or by state law. Otherwise, investment income earned is credited to net assets without donor restrictions. All investment income is recorded net of investment management fees.

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.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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 \$(46,462) and \$118,968 for the years ended June 30, 2020 and 2019, respectively. The provision is mostly comprised of federal and city taxes. Of these amounts, \$(7,362) and \$164,968 represent current tax expense for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, 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, 2017.

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, 2021.

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 Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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 provided 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 was expected to result in more governmental contracts being accounted for as contributions and could delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance was effective for the Foundation's year ending June 30, 2020 and was applied on a modified prospective basis. Implementation of the new standard had no impact on the timing of revenue recognition.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including October 15, 2020, which is the date the consolidated financial statements were available to be issued.

As a result of the Novel Coronavirus Disease (COVID-19), the President of the United States declared that the COVID-19 outbreak in the United States constituted a national emergency effective March 1, 2020. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

Note 3 - Contributions Receivable

Contributions receivable consist of the following unconditional promises to give as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Purpose:		
Endowment	\$ 5,201,321	\$ 4,678,461
Capital purposes	4,583,641	4,951,485
Operating programs	1,989,502	1,195,773
Contributions receivable, gross	11,774,464	10,825,719
Less: Discount to present value	(297,870)	(254,374)
Less: Allowance for uncollectible accounts	(3,677,134)	(1,066,142)
Contributions receivable, net	<u>\$ 7,799,460</u>	<u>\$ 9,505,203</u>
Amounts due in:		
Less than one year	\$ 4,346,910	\$ 6,103,544
One to five years	3,162,885	3,372,150
More than five years	289,665	29,509
	<u>\$ 7,799,460</u>	<u>\$ 9,505,203</u>

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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 2.16 for pledges made during the year ended June 30, 2020 and 2.19 percent for the year ended June 30, 2019. 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 to bad debt expense are reported as a fundraising expense in the statements of activities. As of June 30, 2020, the Foundation has approximately \$122.2 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

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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.

Certain assets are measured at net asset value (NAV) as a practical expedient for establishing fair value.

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, 2020 and 2019 are summarized in the following tables:

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

Assets Measured at Fair Value on a Recurring Basis at June 30, 2020

	Fair Value at Reporting Date Using				June 30, 2020 Total
	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)	
Investments					
Fixed-income investments:					
Money market mutual funds	\$ 42,730,559	\$ -	\$ -	\$ -	\$ 42,730,559
Bonds and bond mutual funds	72,945,004	20,403,011	-	-	93,348,015
TIPS mutual funds	18,813,140	-	-	-	18,813,140
Subtotal fixed income	134,488,703	20,403,011	-	-	154,891,714
Public equity investments:					
Domestic large-cap equity	164,075,898	-	-	-	164,075,898
Domestic small-cap equity	15,634,239	-	-	-	15,634,239
REITs	10,114,835	-	-	-	10,114,835
Developed international equity	50,987,017	-	-	27,200,133	78,187,150
Emerging markets international equity (1)	22,957,828	-	-	13,028,298	35,986,126
Commodities (7)	-	-	-	-	-
Subtotal public equity	263,769,817	-	-	40,228,431	303,998,248
Alternative investments:					
Hedge funds (2)	-	-	-	15,109,332	15,109,332
Private equity funds (3)	-	-	-	40,250,280	40,250,280
Private real estate funds (4) (6)	-	-	127,880	177,010	304,890
Venture capital funds (5)	-	-	-	387,584	387,584
Subtotal alternative investments	-	-	127,880	55,924,206	56,052,086
Total investments by fair value level	\$ 398,258,520	\$ 20,403,011	\$ 127,880	\$ 96,152,637	\$ 514,942,048
Split-Interest Agreements					
Charitable gift annuity assets:					
Money market mutual funds	\$ 47,735	\$ -	\$ -	\$ -	\$ 47,735
Bonds and bond mutual funds	821,276	267,986	-	-	1,089,262
Domestic equity	660,087	-	-	-	660,087
International equity	433,260	-	-	-	433,260
REITs	383,913	-	-	-	383,913
Total charitable gift annuity assets	\$ 2,346,271	\$ 267,986	\$ -	\$ -	\$ 2,614,257
Charitable trust assets:					
Money market mutual funds	556,327	-	-	-	556,327
Bonds and bond mutual funds	9,299,225	31,438	-	-	9,330,663
Domestic equity	2,501,662	-	-	-	2,501,662
International equity	1,736,052	-	-	-	1,736,052
REITs	2,281,171	-	-	-	2,281,171
Private real estate (6)	-	-	-	-	-
Other (6)	-	-	254,468	-	254,468
Total charitable trust assets	\$ 16,374,437	\$ 31,438	\$ 254,468	\$ -	\$ 16,660,343
Total split-interest agreements	\$ 18,720,708	\$ 299,424	\$ 254,468	\$ -	\$ 19,274,600
Total fair value measurements	\$ 416,979,228	\$ 20,702,435	\$ 382,348	\$ 96,152,637	\$ 534,216,648

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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

	Fair Value at Reporting Date Using				June 30, 2019 Total
	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)	
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

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

- (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, 2020 and June 30, 2019, there were no transfers between levels of the fair value hierarchy.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

Additional information on the changes in Level 3 assets is summarized in the tables below as of June 30, 2020 and 2019:

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Year Ended June 30, 2020

	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	\$ 109,891	\$ 542,448	\$ 175,678
Gains included in changes in net assets - Unrealized gains (losses)	17,989	-	-
Change in value of split-interest agreements included in changes in net assets:			
Payments to beneficiaries	-	(11,907)	(33,000)
Sale of trust investments	-	(480,000)	-
Realized gain (loss) on sale of trust investments	-	(2,566)	-
Change in actuarial estimate	-	(47,975)	111,790
Total change in value	-	(542,448)	78,790
Ending balance	\$ 127,880	\$ -	\$ 254,468

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

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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, 2020	June 30, 2019		June 30, 2020	
	Fair Value	Fair Value	Unfunded Commitment	Redemption Frequency, if Eligible	Redemption Notice Period
Developed international equity	\$ 27,200,133			Daily	1 day
Emerging markets international equity	13,028,298	13,640,831	-	Monthly	1 day
Commodities	-	-	-	Monthly	30 days
Hedge funds	15,109,332	50,794,476	-	Monthly	30 days
Private equity funds	40,250,280	32,774,416	25,940,839	Quarterly or Annually	45-60 days
Private real estate funds	177,010	894,801	35,017	None	None
Venture capital funds	387,584	451,453	-	None	None
Total	<u>\$ 96,152,637</u>	<u>\$ 98,555,977</u>	<u>\$ 25,975,856</u>		

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, 2020 and 2019 ranged from 1.2 to 8.2 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

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019 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, 2020 and 2019 was 1.07 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.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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, 2020 and 2019, property and equipment are as follows:

	2020	2019
Land	\$ 3,293,174	\$ 2,863,512
Land improvements	967,476	936,115
Building and building improvements	14,016,044	14,045,288
Furnishings, fixtures, and equipment	6,742,484	6,226,397
Gifted collections	1,080,000	-
Construction in progress	683,464	24,243
Subtotal	26,782,642	24,095,555
Less accumulated depreciation	(14,965,919)	(13,785,158)
Property and equipment - Net	<u>\$ 11,816,723</u>	<u>\$ 10,310,397</u>

Total depreciation expense of \$1,180,763 and \$1,139,771 was recorded in fiscal years 2020 and 2019, 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, 2020 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, 2020 are as follows:

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

<u>Years Ending June 30</u>	<u>Amount</u>
2021	\$ 149,193
2022	156,407
2023	163,970
2024	171,898
2025	180,210
Due thereafter	<u>648,074</u>
Total	<u>\$ 1,469,752</u>

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

Note 8 - Net Assets

The Foundation's net assets, by restriction, as of June 30, 2020 and 2019, include:

	2020	2019
With Donor Restrictions:		
Donor-restricted endowments, perpetual in nature	\$ 320,545,291	\$ 321,544,976
Board-designated (quasi) endowments created with donor-restricted funds	52,478,054	57,633,729
Property, plant and equipment	1,346,875	359,047
Planned gift expectancies	24,499,317	26,887,546
Unexpended gift balances	48,153,330	43,135,864
Sugar Bush Foundation	5,664,370	5,673,767
Net assets with donor restrictions	<u>452,687,237</u>	<u>455,234,929</u>
Without Donor Restrictions:		
Earnings on board-designated (quasi) endowments	95,152,150	94,589,461
Property, plant and equipment	1,781,300	757,492
Equity in the CU Inn	5,555,237	5,675,670
Russ LLCs	4,635,081	4,935,514
Unspent board-designated endowment distributions	507,926	410,632
Undesignated	259,651	1,289,565
Net assets without donor restrictions	<u>107,891,345</u>	<u>107,658,334</u>
Total net assets	<u>\$ 560,578,582</u>	<u>\$ 562,893,263</u>

The Foundation's net assets, by purpose, as of June 30, 2020 and 2019, include:

	2020	2019
Net assets with donor restrictions:		
Discretionary/General Support	\$ 106,332,250	\$ 109,383,970
Chairs and Professorships	57,455,574	58,780,020
Research	19,295,796	20,003,809
Scholarships, Fellowships and Awards	174,493,328	171,599,549
Capital Improvements and Renovation	3,681,207	3,705,892
Other	91,429,082	91,761,689
Total net assets with donor restrictions	<u>452,687,237</u>	<u>455,234,929</u>
Net assets without donor restrictions	<u>107,891,345</u>	<u>107,658,334</u>
Total net assets	<u>\$ 560,578,582</u>	<u>\$ 562,893,263</u>

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

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	\$ -	\$ 320,545,291	\$ 320,545,291
Board-designated (quasi) created with donor-restricted funds	<u>95,152,150</u>	<u>52,478,054</u>	<u>147,630,204</u>
Total funds	<u>\$ 95,152,150</u>	<u>\$ 373,023,345</u>	<u>\$ 468,175,495</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Market value - Beginning of the year	\$ 94,589,461	\$ 379,178,705	\$ 473,768,166
Net realized and unrealized gains and losses and investment income	\$ - 3,775,997	\$ - 7,232,796	11,008,793
Contributions	-	6,985,640	6,985,640
Spending policy transfer	(304,785)	(16,038,926)	(16,343,711)
Transfers to board-designated (quasi) endowments	-	615,031	615,031
Administrative fee	<u>(2,908,523)</u>	<u>(4,949,901)</u>	<u>(7,858,424)</u>
Market value - End of the year	<u>\$ 95,152,150</u>	<u>\$ 373,023,345</u>	<u>\$ 468,175,495</u>

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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	<u>\$ 94,589,461</u>	<u>\$ 379,178,705</u>	<u>\$ 473,768,166</u>

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	<u>\$ 94,589,461</u>	<u>\$ 379,178,705</u>	<u>\$ 473,768,166</u>

Accumulated Investment Income – The endowment tables above include both original investment, as well as accumulated investment income. For the fiscal year ended June 30, 2020, the \$320.5 million reported as donor-restricted endowments with donor restrictions includes donor-restricted endowment corpus of \$236.4 million and accumulated investment income of \$84.1 million. The \$147.6 million reported as board-designated (quasi) endowment created with donor restricted funds includes donor-restricted original investment of \$52.5 million and accumulated investment income without donor restrictions of \$95.1 million. 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. As of the fiscal years ended June 30, 2020 and 2019, 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 Foundation held 52 and 2 underwater endowment funds at June 30, 2020 and 2019, respectively. The detail of the underwater accounts’ deficiency at June 30, 2020 and 2019 is as follows:

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

	2020	2019
Fair value of underwater endowment funds	\$ 1,622,534	\$ 12,611
Contributed value of gifts of underwater endowment funds	1,684,301	19,170
Deficiency	<u>\$ (61,767)</u>	<u>\$ (6,559)</u>

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 7.8 percent in the long-term and 6.7 percent in the intermediate-term, net 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, 2020, the Foundation's spending policy stipulated that 6 percent of a three-year moving average of the market value of the endowment was available to spend, with 2 percent of the amount being allocated to support the Foundation's administrative expenses. The spending rate applied to all endowment accounts except underwater accounts, where spending was limited to 1 percent of a three-year moving average of the market value. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow the endowment to grow at an average of 1.8 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through investment returns and new gifts.

Note 10 - Support from Related Organizations

During 2020 and 2019, the University paid certain payroll costs amounting to \$4,837,807 and \$3,720,581 and additional costs of \$283,685 and \$905,557, 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 2020 or 2019.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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, 2020 and June 30, 2019, respectively:

Expenses by function:	Year Ended June 30, 2020						
	Salaries & Benefits	Student Aid	Supplies & Services	Occupancy, Maintenance & Repairs	Travel & Entertainment	Other	Total
Program services:							
Academic support	\$ 596,550	\$ -	\$ 252,214	\$ 68,210	\$ 211,877	\$ 659	\$ 1,229,510
Alumni relations	1,153,338	-	777,269	99,755	383,314	114,464	2,528,140
Institutional support	4,101	-	5,766	156,373	99,633	600	266,473
Instruction	2,246,673	-	452,316	138,999	187,010	429	3,025,427
Intercollegiate athletics	19,231	-	27,998	2,084,500	11,601	-	2,143,330
Public service	511,766	-	409,837	113,047	18,809	1,506	1,054,965
Research	1,353,673	-	689,117	1,393,584	195,263	468	3,632,105
Student aid	281,774	7,556,325	1,504	102	(16,225)	-	7,823,480
Student services	74,051	-	137,932	102,909	196,997	-	511,889
Total program services	6,241,157	7,556,325	2,753,953	4,157,479	1,288,279	118,126	22,115,319
Support services:							
Fundraising and development	8,534,267	-	1,650,010	117,325	714,893	2,787,030	13,803,525
Fund administration	945,457	-	206,397	7,330	(249)	120	1,159,055
Total support services	9,479,724	-	1,856,407	124,655	714,644	2,787,150	14,962,580
Related entity operations	1,689,916	-	758,677	1,931,755	20,613	1,447,243	5,848,204
Total expenses	\$ 17,410,797	\$ 7,556,325	\$ 5,369,037	\$ 6,213,889	\$ 2,023,536	\$ 4,352,519	\$ 42,926,103

Expenses by function:	Year Ended June 30, 2019						
	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

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

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, 2020 and 2019 are summarized below:

	<u>2020</u>	<u>2019</u>
Revenues:	\$ 4,579,491	\$ 6,053,847
Expenses:		
Operating and general expenses	3,941,611	4,688,533
Interest expense	16,703	25,035
Depreciation	788,072	767,573
Provision for income taxes	<u>(46,462)</u>	<u>118,968</u>
Total expenses	<u>4,699,924</u>	<u>5,600,109</u>
Net income	(120,433)	453,738
Distribution to stockholder	<u>-</u>	<u>(250,000)</u>
Change in net assets	<u>\$ (120,433)</u>	<u>\$ 203,738</u>

For fiscal years 2020 and 2019, the Inn's other comprehensive income (losses) include distributions to the Foundation of \$0 and \$250,000, respectively.

The Foundation has entered into a management agreement with a property manager to operate the Inn. The manager's compensation is a base fee plus 15 percent of the hotel's net available operating profit as defined in the management agreement.

In fiscal years 2020 and 2019, base management fees incurred by the Inn with respect to the manager were \$100,000 per year and incentive fees were \$24,075 and \$164,208, respectively.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

Property and Equipment - Property and equipment of the Inn as of June 30, 2020 and June 30, 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 323,978	\$ 323,978
Land improvements	967,476	936,115
Buildings	7,865,444	7,765,480
Furnishings, fixtures, and equipment	5,956,132	5,492,752
Construction in progress	<u>16,599</u>	<u>24,243</u>
Total property and equipment	15,129,629	14,542,568
Less accumulated depreciation	<u>(10,831,616)</u>	<u>(10,043,545)</u>
Net property and equipment	<u>\$ 4,298,013</u>	<u>\$ 4,499,023</u>

Debt Obligations - Long-term debt of the Inn as of June 30, 2020 and June 30, 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Term loan due	\$ 394,003	\$ 769,800
Less current portion	(396,800)	(373,000)
Less unamortized loan costs	<u>2,797</u>	<u>(4,895)</u>
Total long-term debt	<u>\$ 0</u>	<u>\$ 391,905</u>

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

A significant portion of the property and equipment is pledged as collateral for the term loan. Principal payments on the Term Loan ranging from \$32,100 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.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

Note 13 - 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, 2020 and 2019 are summarized below:

	<u>2020</u>	<u>2019</u>
Revenue:		
Contributions	\$ 152,671	\$ -
Interest and dividends	79,563	75,917
Realized gain (loss)	106,953	101,886
Unrealized gain (loss)	1,085	173,174
Total income	<u>340,272</u>	<u>350,978</u>
Expenses:		
Distribution to Foundation	<u>349,669</u>	<u>344,263</u>
Change in net assets	<u>\$ (9,397)</u>	<u>\$ 6,715</u>

Note 14 - Russ LLCs

During fiscal year 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. A fourth limited liability company was established during fiscal year 2016. The four 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; the Russ North Valley Road LLC, which received and subsequently liquidated a real estate gift received from the Trust; and the Russ Center North LLC, which was established for the purpose of purchasing and holding property adjacent to the Russ Research Center LLC. As discussed in Note 2, the four LLCs were converted from for-profit LLCs to not-for-profit LLCs on April 20, 2020.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2020 and 2019

Operations – Russ LLCs’ operations for the years ended June 30, 2020 and 2019 are summarized below:

	<u>2020</u>	<u>2019</u>
Revenue:		
Rental income	\$ 543,592	\$ 592,936
Donated Services	<u>304,255</u>	<u>-</u>
Total revenues and other support	<u>847,847</u>	<u>592,936</u>
Expenses:		
Operating and general expenses	629,163	610,468
Depreciation and amortization	378,211	357,718
Taxes and insurance	<u>140,906</u>	<u>110,202</u>
Total expenses	<u>1,148,280</u>	<u>1,078,388</u>
Change in net assets	<u>\$ (300,433)</u>	<u>\$ (485,452)</u>

During fiscal 2020 and 2019, 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, 2020 and 2019. 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, 2020 and June 30, 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,707,792	\$ 1,707,792
Buildings	5,476,857	5,455,654
Furnishings, fixtures, and equipment	<u>786,353</u>	<u>733,645</u>
Total property and equipment	7,971,002	7,897,091
Less accumulated depreciation	<u>(3,580,467)</u>	<u>(3,202,256)</u>
Net property and equipment	<u>\$ 4,390,535</u>	<u>\$ 4,694,835</u>

Supplementary Information

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Financial Position As of June 30, 2020

	The Foundation	Inn-Chio of Athens, Inc.	Russ LLCs	Sugar Bush Foundation	Eliminations	Total
Assets						
Cash and cash equivalents	\$ 10,072,732	\$ 658,466	\$ 497,345	\$ -	\$ -	\$ 11,228,543
Accounts receivable - net	798	222,122	22,800	-	-	245,720
Related party receivable - net	-	-	-	-	-	-
Contributions receivable - net	7,799,460	-	-	-	-	7,799,460
Bequests receivable	2,142,197	-	-	-	-	2,142,197
Interest and dividends receivable	1,073,326	-	-	-	-	1,073,326
Prepaid expenses	145,225	51,286	35,606	-	-	232,117
Investments	509,277,678	1,734,606	-	5,664,370	(1,734,606)	514,942,048
Investment in Inn-Chio of Athens, Inc.	5,555,237	-	-	-	(5,555,237)	-
Assets held for sale	-	-	-	-	-	-
Life insurance cash surrender value	1,206,424	-	-	-	-	1,206,424
Charitable gift annuities	2,614,257	-	-	-	-	2,614,257
Charitable trusts	16,660,343	-	-	-	-	16,660,343
Property and equipment - net	3,128,175	4,298,013	4,390,535	-	-	11,816,723
Other assets	82,081	47,858	-	-	-	129,939
Total assets	\$ 559,757,933	\$ 7,012,351	\$ 4,946,286	\$ 5,664,370	\$ (7,289,843)	\$ 570,091,097
Liabilities						
Accounts payable:						
Ohio University	\$ 884,893	\$ -	\$ 64,223	\$ -	\$ -	\$ 949,116
Trade and other	515,257	67,546	33,039	-	-	615,842
Related party	-	-	-	-	-	-
Deposits held in custody for others	2,165,952	-	9,286	-	(1,734,606)	440,632
Annuities payable	1,754,709	-	-	-	-	1,754,709
Charitable trusts obligations	2,642,943	-	-	-	-	2,642,943
Notes payable:						
Ohio University	1,469,752	-	-	-	-	1,469,752
Other	-	394,003	-	-	-	394,003
Other liabilities	45,296	995,565	204,657	-	-	1,245,518
Total liabilities	9,478,802	1,457,114	311,205	-	(1,734,606)	9,512,515
Net assets						
Without donor restrictions	103,256,264	-	4,635,081	-	-	107,891,345
With donor restrictions	447,022,867	-	-	5,664,370	-	452,687,237
Total net assets	550,279,131	-	4,635,081	5,664,370	-	560,578,582
Stockholders' equity						
Common stock	-	3,429,192	-	-	(3,429,192)	-
Additional paid-in capital	-	4,266,632	-	-	(4,266,632)	-
Retained earnings	-	(2,140,587)	-	-	2,140,587	-
Total stockholders' equity	-	5,555,237	-	-	(5,555,237)	-
Total liabilities and net assets	\$ 559,757,933	\$ 7,012,351	\$ 4,946,286	\$ 5,664,370	\$ (7,289,843)	\$ 570,091,097

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Activities Year Ended June 30, 2020

	The Foundation Without Donor Restrictions	Inn-Chio of Athens, Inc. Without Donor Restrictions	Russ LLCs Without Donor Restrictions	Sugar Bush Foundation Without Donor Restrictions	Eliminations Without Donor Restrictions	Total Without Donor Restrictions	The Foundation With Donor Restrictions	Sugar Bush Foundation With Donor Restrictions	Eliminations With Donor Restrictions	Total With Donor Restrictions	Total
Revenues and other support											
Gifts and contributions	\$ 417,850	\$ -	\$ -	\$ -	\$ -	\$ 417,850	\$ 18,063,958	\$ 152,671	\$ -	\$ 18,216,629	\$ 18,634,479
University support	4,944,867	-	304,255	-	(127,630)	5,121,492	-	-	-	-	5,121,492
Income from investments:	-	-	-	-	-	-	-	-	-	-	-
Interest and dividends	3,044,476	41,349	-	-	-	3,085,825	5,435,618	79,563	-	5,515,181	8,601,006
Realized gain (loss)	(1,630,023)	7,752	-	-	-	(1,622,271)	(3,083,683)	106,953	-	(2,976,730)	(4,599,001)
Unrealized gain (loss)	3,121,777	80,441	-	-	-	3,202,218	4,567,029	1,085	-	4,568,114	7,770,332
Revenues from sales and events	460,962	4,449,949	543,592	-	(131,806)	5,322,697	52,938	-	-	52,938	5,375,635
Gain (loss) on split-interest agreement	-	-	-	-	-	-	(386,879)	-	-	(386,879)	(386,879)
Other	137	-	-	-	-	137	94,221	-	-	94,221	94,358
Related entity revenues	(62,155)	-	-	-	120,433	58,278	291,391	-	(349,669)	(58,278)	-
Net assets released from restrictions	27,572,888	-	-	349,669	(349,669)	27,572,888	(27,572,888)	(349,669)	349,669	(27,572,888)	-
Total revenues and other support	37,870,779	4,579,491	847,847	349,669	(488,672)	43,159,114	(2,538,295)	(9,397)	-	(2,547,692)	40,611,422
Expenses											
Program services:											
Academic support	1,140,385	-	-	-	(10,875)	1,129,510	-	-	-	-	1,129,510
Alumni relations	2,560,978	-	-	-	(32,838)	2,528,140	-	-	-	-	2,528,140
Institutional support	389,234	-	-	-	(122,761)	266,473	-	-	-	-	266,473
Instruction	3,035,134	-	-	-	(9,707)	3,025,427	-	-	-	-	3,025,427
Intercollegiate athletics	2,145,772	-	-	-	(2,442)	2,143,330	-	-	-	-	2,143,330
Public service	1,058,167	-	-	-	(3,202)	1,054,965	-	-	-	-	1,054,965
Research	3,632,105	-	-	-	-	3,632,105	-	-	-	-	3,632,105
Student aid	7,823,480	-	-	-	-	7,823,480	-	-	-	-	7,823,480
Student services	516,974	-	-	-	(5,085)	511,889	-	-	-	-	511,889
Support services:											
Fundraising and development	13,810,379	-	-	-	(6,854)	13,803,525	-	-	-	-	13,803,525
Fund administration	1,224,727	-	-	-	(65,672)	1,159,055	-	-	-	-	1,159,055
Related entity operations	-	4,699,924	1,148,280	349,669	(349,669)	5,848,204	-	-	-	-	5,848,204
Total expenses	37,337,335	4,699,924	1,148,280	349,669	(609,105)	42,926,103	-	-	-	-	42,926,103
Changes in net assets	533,444	(120,433)	(300,433)	-	120,433	233,011	(2,538,295)	(9,397)	-	(2,547,692)	(2,314,681)
Net assets - beginning of year	102,722,820	5,675,670	4,935,514	-	(5,675,670)	107,658,334	449,561,162	5,673,767	-	455,234,929	562,893,263
Net assets - end of year	\$ 103,256,264	\$ 5,555,237	\$ 4,635,081	\$ -	\$ (5,555,237)	\$ 107,891,345	\$ 447,022,867	\$ 5,664,370	\$ -	\$ 452,687,237	\$ 560,578,582

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Cash Flows Year Ended June 30, 2020

	The Foundation	Inn-Ohio of Athens, Inc.	Russ LLCs	Sugar Bush Foundation	Eliminations	Total
Cash Flows From Operating Activities						
Changes in net assets	\$ (2,004,851)	\$ (120,433)	\$ (300,433)	\$ (9,397)	\$ 120,433	\$ (2,314,681)
Adjustments to reconcile changes in net assets to net cash from operating activities:						
Realized investment (gains) losses	4,713,706	(7,752)	-	(106,953)	-	4,599,001
Noncash items:						
Depreciation and amortization	14,480	788,072	378,211	-	-	1,180,763
Gain on disposition of property	(20,895)	-	-	-	-	(20,895)
Unrealized investment gains	(7,688,806)	(80,441)	-	(1,085)	-	(7,770,332)
Decrease in cash surrender value of life insurance policies	41,074	-	-	-	-	41,074
Increase in investments subject to annuity agreements	(121,154)	-	-	-	-	(121,154)
Increase in charitable remainder trust assets	(269,423)	-	-	-	-	(269,423)
Increase in annuity obligations	142,912	-	-	-	-	142,912
Decrease in trust obligations	(251,006)	-	-	-	-	(251,006)
Contributions of securities	(973,000)	-	-	-	-	(973,000)
Contributions of property and equipment	(1,080,000)	-	-	-	-	(1,080,000)
Contributions restricted for endowment investment	(7,453,095)	-	-	-	-	(7,453,095)
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	18,106	222	(1,659)	-	-	16,669
Decrease in contributions receivable	1,705,743	-	-	-	-	1,705,743
Decrease in bequests receivable	475,899	-	-	-	-	475,899
Decrease in interest and dividends receivable	30,106	-	-	-	-	30,106
(Increase) decrease in prepaid expenses	40,248	(5,764)	33,277	-	-	67,761
Decrease in other assets	16,389	8,949	-	-	-	25,338
Increase (decrease) in accounts payable	557,923	(2,239)	(42,342)	-	-	513,342
Increase in other liabilities	45,296	126,006	51,026	-	-	222,328
Decrease in deposits held in custody for others	91,027	-	(27,593)	-	(131,491)	(68,057)
Net cash provided by (used in) operating activities	(11,969,321)	706,620	90,487	(117,435)	(11,058)	(11,300,707)
Cash Flows From Investing Activities						
Purchases of property and equipment	(946,116)	(587,062)	(73,911)	-	-	(1,607,089)
Proceeds from sales of property and equipment	105,895	-	-	-	-	105,895
Purchases of investments	(266,183,722)	(43,298)	-	(285,699)	-	(266,512,719)
Proceeds from sales of investments	259,529,123	-	-	403,134	11,058	259,943,315
Contributions to new charitable gift annuities	(385,000)	-	-	-	-	(385,000)
Payments on charitable gift annuities	268,642	-	-	-	-	268,642
Contributions to new charitable remainder trusts	(65,553)	-	-	-	-	(65,553)
Payments on charitable remainder trusts	784,974	-	-	-	-	784,974
Net cash provided by (used in) investing activities	(6,891,757)	(630,360)	(73,911)	117,435	11,058	(7,467,535)
Cash Flows from Financing Activities						
Contributions restricted for endowment investment	7,453,095	-	-	-	-	7,453,095
Payments on notes and bonds payable	(142,312)	(370,902)	-	-	-	(513,214)
Net cash provided by (used in) financing activities	7,310,783	(370,902)	-	-	-	6,939,881
Net Increase (Decrease) in Cash and Cash Equivalents	(11,550,295)	(294,642)	16,576	-	-	(11,828,361)
Cash and Cash Equivalents - Beginning of year	<u>21,623,027</u>	<u>953,108</u>	<u>480,769</u>	<u>-</u>	<u>-</u>	<u>23,056,904</u>
Cash and Cash Equivalents - End of year	<u>\$ 10,072,732</u>	<u>\$ 658,466</u>	<u>\$ 497,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,228,543</u>
Supplemental Disclosure of Cash Flow Information						
Cash paid during the year for interest	\$ 74,063	\$ 15,019	\$ -	\$ -	\$ -	\$ 89,082
Cash paid during the year for income taxes	-	124,347	-	-	-	124,347
Supplemental Disclosure of Non-Cash Activities						
Contributions of securities	\$ 973,000	\$ -	\$ -	\$ -	\$ -	\$ 973,000
Contributions of property and equipment	1,080,000	-	-	-	-	1,080,000

INDEPENDENT AUDITOR'S 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

Board of Trustees
The Ohio University Foundation and Subsidiaries
Athens, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Ohio University Foundation and Subsidiaries, a component unit of Ohio University, which comprise the consolidated statement of financial position as of June 30, 2020, 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 15, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Ohio University Foundation and Subsidiaries' consolidated financial statements are free of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting 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.


Crowe LLP

Columbus, Ohio
October 15, 2020

The Ohio University Foundation and Subsidiaries

Schedule of Prior Year Findings

Reference Number	Finding
2019-001	<p data-bbox="431 363 829 392">Finding Type - Material weakness</p> <p data-bbox="431 447 1393 686">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.</p> <p data-bbox="431 741 1386 875">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.</p> <p data-bbox="431 930 1414 1102">Condition - The Foundation previously had 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).</p> <p data-bbox="431 1157 646 1186">Status - Corrected</p>

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OHIO AUDITOR OF STATE KEITH FABER



OHIO UNIVERSITY FOUNDATION

ATHENS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/1/2020

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This report is a matter of public record and is available online at
www.ohioauditor.gov