Ohio University

(a component unit of the State of Ohio)

Financial Statements

for the Years Ended June 30, 2014 and 2013

Contents

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Independent Auditor's Report

To the Board of Trustees
Ohio University
Athens, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio University (the "University") and its discretely presented component unit as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the University's financial statements as listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

To the Board of Trustees
Ohio University

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio University and its discretely presented component unit as of June 30, 2014 and 2013 and the changes in its financial position and, where applicable, its cash flows thereof, 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 1 to the financial statements, effective July 1, 2013, the University adopted new accounting guidance under GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. Our opinion is not modified in respect to this matter.

As explained in Notes 2 and 18, the financial statements include investments that are not listed on national exchanges nor for which quoted market prices are available. These investments include limited partnerships, hedge funds, funds-of-funds, and commingled funds that are not mutual funds. Such investments totaled $41,313,469 (4.5 percent of net position) and $26,829,907 (3.2 percent of net position) for the University and $106,152,848 (20.5 percent of net position) and $93,789,496 (20.7 percent of net position) for its discretely presented component unit at June 30, 2014 and 2013, respectively.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as indicated on the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ohio University's financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements.

To the Board of Trustees
Ohio University

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2014 on our consideration of Ohio University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ohio University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 9, 2014

Management's discussion and analysis (MD&A) provides an unaudited overview of the financial position and activities of Ohio University for the year ended June 30, 2014, with selected comparative information for the years ended June 30, 2013 and 2012. The financial statements are prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recorded when the related liability is incurred. As the MD&A presentation includes highly summarized information, it should be read in conjunction with the accompanying financial statements and related notes to the financial statements. The financial statements, footnotes, and this discussion are the responsibility of University management.

The Ohio University Foundation (the "Foundation") has been determined to be a component unit of the University. Accordingly, the Foundation is discretely presented in the University's financial statements. The Foundation's primary function is fundraising to supplement resources that are available to the University in support of its programs. The Foundation is governed by a separate board of trustees comprised of graduates and friends of the University. Nearly all the assets of the Foundation are restricted by donors to activities of the University. Ohio University provides both support for advancement operations as well as administrative support to the Foundation for critical business functions.

Financial Highlights

- The University's financial position remained strong, with assets of $1,383.5 million, deferred outflows of resources of $3.1 million, and liabilities of $474.5 million at June 30, 2014, compared to assets of $1,309.1 million, deferred outflows of resources of $3.5 million, and liabilities of $464.9 million at June 30, 2013. Net position, which represents the residual interest in the University's assets and deferred outflows of resources after liabilities are deducted, totaled $912.1 million at June 30, 2014 as compared to $847.8 million at June 30, 2013. Changes in net position represent the University's results for the year and are summarized for the years ended June 30, 2014, 2013, and 2012 as follows:

(in thousands)	2014	2013	2012
Operating revenues and state appropriations	$645,062	$ 625,401	$ 586,949
Total expenses	677,961	649,794	600,633
	(32,899)	(24,393)	(13,684)
Net investment income	28,471	13,651	3,659
Gifts and other nonoperating revenues, net	68,788	62,107	69,394
Increase in net position	$ 64,360	$ 51,365	$ 59,369

- Net position for the University increased $64.4 million during fiscal year 2014 as compared to an increase of $51.4 million in fiscal year 2013. This reinforces the impact of conservative revenue forecasting, a reserve strategy, and longer-term planning efforts on the financial health of the institution. This level of financial strength continues to provide the flexibility needed for the institution to make strategic investments over the next several years.
- Student tuition and fees increased $6 million in fiscal year 2014. This increase would have been higher with record enrollment growth and a 1.6 percent tuition and general fee increase, but the one-time increase in fiscal year 2013 from the transition of quarters to semesters has minimized the increase.
- Investment income increased $14.8 million in fiscal year 2014. The University's investment income is comprised of interest, dividends, realized gains (losses), and unrealized gains (losses). Investment income stems from two primary sources. First, the University's endowment assets, as well as a portion of its working capital, are invested in a long-term, broadly diversified portfolio. This "diversified pool" achieved a return of 16.72 percent for fiscal year 2014, underperforming its diversified benchmark of 17.35 percent for the same period. Additionally, a portion of the University's working capital is invested in a pool of investment-grade fixed income securities. This "liquidity pool" achieved a return of 3.71 percent for fiscal year 2014, underperforming the Barclays U.S. Aggregate Bond Index, which returned 4.37 percent for the same period.
- The University had no new bond issuances in fiscal year 2014. The University views debt as a strategic resource and plans to issue additional debt in the future for the renovation of academic facilities, student housing, and deferred maintenance and infrastructure improvements, which have been identified as one of the top priorities for the University over the next decade.

Statement of Net Position

The statement of net position is the University's balance sheet. It reflects the total assets, deferred outflows, liabilities, and net position (equity) of the University as of the end of the fiscal year. Net position represents the residual interest in the university's assets and deferred outflows of resources after the deduction of its liabilities. The change in net position measures whether the overall financial condition has improved or deteriorated during the year. Except for capital assets, all other assets and liabilities are measured at a point in time using current values. Capital assets are recorded at historical costs less an allowance for depreciation.

The following table depicts a summary of the composition of the statement of net position for the three years ended June 30, 2014:

(in thousands)	2014	2013	2012
Assets:			
Current assets	$ 482,793	$ 433,134	$ 391,189
Capital assets - Net	765,845	687,866	646,087
Other assets	134,845	188,131	70,607
Total assets	1,383,483	1,309,131	1,107,883
Deferred outflows of resources	3,128	3,527	2,831
Liabilities:			
Current liabilities	135,173	107,411	92,252
Noncurrent liabilities	339,319	357,488	222,068
Total liabilities	474,492	464,899	314,320
Total net position	$ 912,119	$ 847,759	$ 796,394

- **Assets** – Total assets grew by $74.4 million as a result of the following changes:
  - Investments increased by $67.4 million due to the appreciation of existing investments and endowment investments.
  - Restricted cash and cash equivalents decreased by $56.2 million due to the continued spending of the bond funds during fiscal year 2014.
  - Capital assets increased by $78.0 million mainly due to increased spending on capital projects.

- **Deferred Outflows of Resources** – is a new category this year with the implementation of the Governmental Accounting Standards Board (the "GASB") statement number 65. The only item in this category is the deferred charge on refunding, which is being amortized over the life of the 2003 and 2004 bonds.

- **Liabilities** – Total liabilities increased by $9.6 million partially as a result of the following changes:
  - Accounts payable and accrued liabilities increased $18.1 million primarily as a result of the timing of payments for invoices on capital construction projects.
  - Long-term debt decreased $18.1 million. This decrease was related to principal payments on the bonds. Please see Note 7 for more information on repayments.

- **Net Position** – is classified into three major categories:
  - Net Investment in capital assets – the net equity in property, plant, and equipment owned by the University.
  - Restricted – owned by the University, but the use or purpose of the funds is restricted by an external source or entity. The restricted category is subdivided further into expendable and nonexpendable.
    - Restricted nonexpendable – endowment funds whose principal may be invested; however, only interest, dividends, and capital gains may be spent.
    - Restricted expendable – may be spent by the institution, but only for the purpose specified by the donor, grantor, or other external entity. This category includes the unspent balance in grant funds, loan funds, and debt service funds.
  - Unrestricted – resources derived primarily from student tuition, fees, state appropriations, and auxiliary enterprises. These are used for the general obligations of the University and may be used at the discretion of

the board of trustees for any purpose furthering the University's mission.

Net position for the three years ended June 30, 2014 is displayed in the table below:

(in thousands)	2014	2013	2012
Net Investment in capital assets	$ 536,487	$ 498,855	$ 479,454
Restricted:			
Nonexpendable	22,364	20,036	19,040
Expendable	39,670	39,218	37,740
Unrestricted	313,598	289,650	260,160
Total net position	$ 912,119	$ 847,759	$ 796,394

The University continues to solidify its financial position as represented by an increase in unrestricted net position of $23.9 million for fiscal year 2014. This is a result of a longer-term strategy to improve the University's financial strength and enable the continued pursuit of strategic priorities. This strategy encompassed prudent resource planning and utilization including:

- Conservative revenue forecasting
- Creating reserves for protection from revenue shortfalls and improvement in the financial strength of the University
- Revenue generation through the creation of new programs and strategic growth that leveraged existing programs
- Elimination of the reliance on investment income in support of unrestricted operations
- Management of debt in a strategic manner

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position is the University's income statement and presents the results of operations. It should be noted that the required subtotal for net operating income or loss will generally reflect a loss for state-supported colleges and universities.

In accordance with the GASB reporting principles, the revenues and expenses are primarily reported as either operating or nonoperating. Revenue is generated by providing goods and services to customers, predominately students. Nonoperating revenue includes the instructional subsidy from the State of Ohio, which Ohio University relies upon for current operations. Other revenue includes state capital appropriations. Operating expenses include all expenses except for interest on debt and disposal and write-offs of plant facilities, which are reported as nonoperating expenses.

The following is a summary of the statement of revenue, expenses, and changes in net position for the three years ended June 30, 2014:

Highlights from the statement of revenue, expenses, and changes in net position include:

(in thousands)	2014	2013	2012
Operating revenue	$ 493,844	$ 484,049	$ 450,312
Operating expenses	667,830	643,232	593,924
Net operating loss	(173,986)	(159,183)	(143,612)
Net nonoperating revenue	218,639	201,738	185,306
Income - before other revenue	44,653	42,555	41,694
Other revenues	19,707	8,810	17,675
Increase in net position	64,360	51,365	59,369
Net position - End of year	$ 912,119	$ 847,759	$ 796,394

- Operating revenue increased $9.8 million for fiscal year 2014 mainly due to increases in student tuition and fee revenue and increases in auxiliary revenue.

- Federal grants and contracts are included in the operating revenue category and experienced a decrease of $6.6 million for fiscal year 2014. There were many factors for this decrease including increased competition for federal funding, the transition from quarters to semesters in the Fall of 2012 which caused an increase in planning activities for faculty and had a negative impact on proposal development, a hiring freeze which occurred a few years ago. Had this freeze not occurred, faculty who would have been hired then would be actively submitting proposals at this time in their tenure.
- Operating expenses increased $24.6 million mainly due to increases in the institutional support category driven by the accrued costs for the buyout of workers' compensation claims administered by the State of Ohio.
- Net nonoperating revenue increased $16.9 million mainly due to increases in state appropriations and investment income.
- Other revenues increased $10.9 million driven by increases in state capital appropriations and capital gifts.

One of the University's operational strengths is the diverse streams of revenue that supplement its student tuition and fees. This includes private support from individuals, foundations, and corporations, along with government and other sponsored programs, state appropriations, and investment income. Consistent with its mission, the University continues to seek funding from all possible sources to supplement student tuition and to responsibly manage financial resources used to fund operating activities.

A comparison of operating and nonoperating revenues for the three years ended June 30, 2014 is as follows:

(in thousands)	2014	% of Total	2013	% of Total	2012	% of Total	2011	% of Total
Student tuition and fees - Net	$ 310,136	41.8%	$ 306,402	43.7%	$ 282,916	42.9%	$ 267,334	37.9%
State appropriations	151,217	20.4%	141,352	20.2%	136,636	20.7%	132,717	18.8%
Auxiliary enterprises - Net	90,614	12.2%	84,541	12.1%	87,060	13.2%	83,027	11.8%
Gifts, grants, and contracts	66,986	9.0%	64,195	9.2%	68,905	10.4%	70,791	10.0%
Pell grants	40,059	5.4%	43,868	6.3%	43,451	6.6%	47,437	6.7%
Investment income - Net	28,471	3.8%	13,651	1.9%	3,659	0.6%	16,751	2.4%
Other sources	20,585	2.8%	17,700	2.5%	13,185	2.0%	11,195	1.6%
Sales and services	16,291	2.2%	14,276	1.9%	8,332	1.2%	10,621	1.5%
Royalties	10,585	1.4%	10,238	1.5%	9,658	1.5%	36,077	5.1%
State capital appropriations	7,377	1.0%	4,936	0.7%	6,200	0.9%	8,543	1.2%
Total operating and nonoperating revenues	$ 742,321	100.0%	$ 701,159	100.0%	$ 660,002	100.0%	$ 705,815	100.0%

Student tuition and fees, the largest of the revenue streams, comprises 41.8 percent of total revenues for fiscal year 2014. This is down from 43.7 and 42.9 percent of total revenue for fiscal years 2013 and 2012, respectively. This percentage decrease is reflective of the effort to diversify revenue streams. State appropriations are up $9.9 million for fiscal year 2014. The Ohio Board of Regents implemented a new funding model resulting in an increase for Ohio University.

The University continues to make cost containment a priority. This strategy will allow the University to direct financial resources to the most strategic activities of the institution. This is critical as the University continues to face significant financial pressures, mainly in the areas of deferred maintenance of buildings and infrastructure as well as compensation and benefits. In addition to a functional classification of expenses below, the University has prepared operating expenses by natural classification in Note 9 to the financial statements.

A comparison of operating and nonoperating expenses for the three years ended June 30, 2014 is as follows:

(in thousands)	2014	% of Total	2013	% of Total	2012	% of Total
Instruction and departmental research	$ 254,676	37.6%	$ 252,853	38.9%	$ 231,424	38.6%
Separately budgeted research	45,196	6.7%	45,849	7.1%	42,517	7.1%
Public service	28,675	4.2%	27,883	4.3%	27,135	4.5%
Academic support	77,510	11.4%	67,417	10.4%	62,992	10.4%
Student services	41,073	6.1%	36,415	5.6%	29,138	4.9%
Institutional support	52,276	7.7%	39,144	6.0%	34,038	5.6%
Operation and maintenance of plant	48,950	7.2%	54,199	8.3%	52,732	8.8%
Student aid	10,262	1.5%	11,493	1.8%	10,575	1.8%
Depreciation	36,429	5.4%	35,151	5.4%	34,829	5.8%
Auxiliary enterprises	72,783	10.7%	72,827	11.2%	68,545	11.4%
Interest on debt	9,994	1.5%	6,084	0.9%	6,130	1.0%
Other nonoperating expense	137	0.0%	479	0.1%	578	0.1%
Total operating and nonoperating expenses	$ 677,961	100.0%	$ 649,794	100.0%	$ 600,633	100.0%

Institutional support increased mainly due to a large accrual for worker's compensation expense.

Operation and maintenance of plant decreased mainly due to increased capitalizable projects as compared to prior years.

Student aid decreased $1.2 million between fiscal years 2013 and 2014. When a student receives financial aid in excess of his or her tuition and fees for a given term, a disbursement will be issued that is considered student aid.

Statement of Cash Flows

The statement of cash flows provides additional information about the University's financial results and presents detailed information about the major sources and uses of cash for the institution for the fiscal year. The cash flow analysis is divided into four sections: (1) operating activities, (2) noncapital financing activities (which include state appropriations as well as gift revenue), (3) capital and related financing activities (which include debt activity), and (4) investing activities.

A comparative summary of the statement of cash flows for the three years ended June 30, 2014 is as follows:

(in thousands)	2014	2013	2012
Cash (used in) provided by			
Operating activities	$ (118,102)	$ (78,651)	$ (108,072)
Noncapital financing activities	208,616	189,839	180,099
Capital financing activities	(120,423)	51,801	(10,948)
Investing activities	(38,863)	202	(118,365)
Net (decrease) increase in cash	(68,772)	163,191	(57,286)
Cash - Beginning of year	272,374	109,183	166,469
Cash - End of year	$ 203,602	$ 272,374	$ 109,183

Capital Assets

The University made significant additions to capital during fiscal year 2014. These capital asset additions were financed with University funds, bond funds, state capital appropriations, gifts, and grants. The largest additions to capital during the fiscal year were the completion of the Walter Fieldhouse recreational facility and the continuing construction project for phase 1 of the housing development plan that includes four new residence halls. Other capital projects include work on an energy performance contract to provide energy efficiency and water conservation measures for 72 buildings on the University's main campus.

Cumulative costs associated with capital projects continuing after the fiscal year ended June 30, 2014 total approximately $68.7 million.

More detailed information about the University's capital assets are presented in Note 5 to the financial statements.

Debt Administration

As of June 30, 2014, the University had $310.2 million in bonds and notes outstanding, compared to $324.8 million at the end of 2013. Detailed information exists in Note 7 related to borrowings and retirements for fiscal years 2014 and 2013.

Ohio University takes its stewardship responsibility seriously and works diligently to manage the institution's resources effectively, including the use of debt to finance capital projects. The University is committed to using debt conservatively in order to maintain an acceptable credit rating and debt burden ratio. A solid debt rating and debt burden ratio is a key measurement of financial strength. Standard & Poor's Rating Services long-term rating on Ohio University's outstanding general and subordinated general receipts bonds is an "A+" with a "stable" outlook and Moody's Investors Service's rating is an "Aa3" with a "stable" outlook. This rating puts the University in a position to move forward with an aggressive capital plan that will change the face of the campus.

Additional debt issuances are planned in the near future for the purpose of various academic and auxiliary facility needs as well as infrastructure requirements.

Senate Bill 6 Ratios

Senate Bill 6 ratios, enacted into law in 1997 by the Ohio General Assembly, are used to assist the State in monitoring the financial accountability of state colleges and universities by using a standard set of measures with which to monitor the fiscal health of campuses. In order to meet the legislative intent, there are three ratios from which four scores are generated. The data and methodology used to compute the ratios are as follows:

- Expendable net position – The sum of unrestricted net position and restricted expendable net position
- Plant debt – Total debt, including bonds payable, notes payable, and capital lease obligations
- Total revenue – Total operating revenue, plus nonoperating revenue, plus capital appropriations, capital grants and gifts, and additions to permanent endowments
- Total operating expenses – Total operating expenses, plus interest on long-term debt
- Total nonoperating expenses – All expenses reported as nonoperating with the exception of interest expense

- Change in total net position - Total revenue less total expenses (operating and nonoperating)

The methodology for calculating the three ratios is as follows:

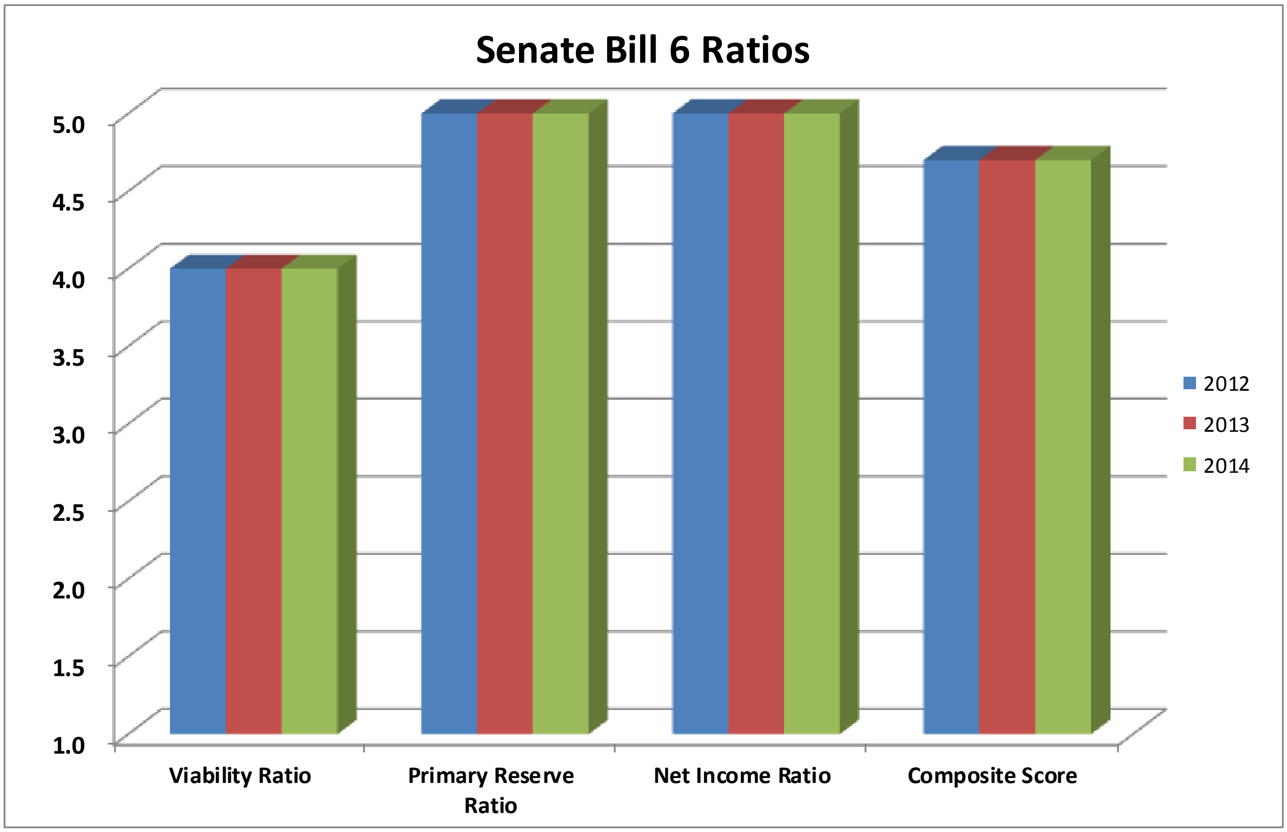
- Viability Ratio = Expendable Net Position/Plant Debt
  - This ratio measures the availability of expendable net position to cover debt should the institution need to settle its obligations as of the balance sheet date.
- Primary Reserve Ratio = Expendable Net Position/Total Operating Expenses
  - This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net position generated by operations.
- Net Income Ratio = Change in Total Net Position/Total Revenue
  - This ratio offers a measure of profitability as a percentage of all institutional revenue including revenue received for capital needs.

Based on the calculations, each ratio is assigned a score ranging from zero to five according to the table below. A score of 5 indicates the highest degree of fiscal strength in each category.

	0	1	2	3	4	5
Viability Ratio	less than 0	0 to .29	.30 to .59	.6 to .99	1.0 to 2.5	greater than 2.5
Primary Reserve Ratio	less than -.1	-.1 to .049	.05 to .099	.10 to .249	.25 to .49	.5 or greater
Net Income Ratio	less than -.05	-.05 to 0	0 to .009	.01 to .029	.03 to .049	.05 or greater

Based on these scores, a summary score, termed the composite score, is determined, which is the primary indicator of fiscal health. The composite score equals the sum of the assigned viability score multiplied by 30 percent, the assigned primary reserve score multiplied by 50 percent, and the assigned net income score multiplied by 20 percent. A composite score of or below 1.75 for two consecutive years would result in an institution being placed on fiscal watch.

Ohio University's composite score stayed steady at 4.7 for the third year in a row as summarized below:



The viability ratio, which uses Plant Debt as the denominator, may decrease in the future as more debt is issued.

Economic Outlook

Ohio University continues to show steady improvement and a strengthening of its institutional balance sheet. This is due to the disciplined approach to spending, clearly focused strategic goals and objectives around core programs, and a commitment to continual assessment of the University's competitive environment.

Ohio University's vision: to be the nation's best transformative learning community, and highlight our four fundamental objectives: inspired teaching and research, innovative academic programs, exemplary student support services, and integrative co-curricular activities. There are also four supporting strategic priorities: effective total compensation, short-term and long-term enrollment goals, improved financial health, and a successful capital campaign.

In light of the existing economic challenges, the University continues to focus efforts on moving the institution forward while remaining committed to the financial health of the institution.

Due to management's deliberative strategic planning efforts over the last several years, the University is well positioned to make progress in each of these areas.

The University will continue to utilize its long-term investment strategy to maximize total returns, at an appropriate level of risk, while employing a spending rate policy to preserve endowment principal and minimize the impact of market volatility on operations.

While it is not possible to predict the results, management believes that prudent planning and aligning resources to strategic priorities will allow the University to both maintain a strong financial position and successfully invest in strategic initiatives.

Requests for Information

This management’s discussion and analysis is intended to provide additional information for the reader of the audited financial statements that follow. Further questions may be addressed to: Ohio University Controller’s Office, 204 West Union Street Office Center, Athens, Ohio 45701.

Statements of Net Position

	June 30, 2014		June 30, 2013	
	Ohio University	The Ohio University Foundation	Ohio University	The Ohio University Foundation
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	$ 102,979,491	$ 21,882,396	$ 115,564,096	$ 8,071,986
Investments	306,494,961	279,984,163	241,448,566	241,523,536
Accounts and pledges receivable - Net	57,504,486	7,585,280	60,394,030	9,971,564
Interest and dividends receivable	491,889	43,936	467,015	72,664
Notes receivable - Net	1,296,937	-	1,539,081	-
Prepaid expenses	11,177,537	1,310,106	10,881,572	1,352,528
Inventories	2,847,434	38,842	2,839,313	37,991
Total current assets	482,792,735	310,844,723	433,133,673	261,030,269
Noncurrent Assets				
Restricted cash and cash equivalents	100,622,917	3,883,034	156,810,340	3,928,534
Pledges receivable - Net	-	6,465,695	-	5,797,999
Bequests receivable	-	1,168,065	-	1,351,091
Cash surrender value of life insurance	-	1,223,349	-	1,264,216
Charitable trusts	-	18,346,809	-	17,196,625
Charitable gift annuities	-	2,588,573	-	2,380,660
Endowment investments	22,364,013	179,329,588	20,035,671	168,851,765
Notes receivable - Net	11,857,783	-	11,285,624	-
Capital assets - Net	765,845,039	29,775,131	687,865,540	29,885,459
Total noncurrent assets	900,689,752	242,780,244	875,997,175	230,656,349
Total assets	1,383,482,487	553,624,967	1,309,130,848	491,686,618
Deferred Outflows of Resources				
Deferred charge on refunding	3,128,453	-	3,527,219	-
Total deferred outflows of resources	3,128,453	-	3,527,219	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$1,386,610,940	$ 553,624,967	$1,312,658,067	$ 491,686,618

The accompanying notes are an integral part of these financial statements.

Statements of Net Position (Continued)

	June 30, 2014		June 30, 2013	
	Ohio University	The Ohio University Foundation	Ohio University	The Ohio University Foundation
Liabilities and Net Position				
Current Liabilities				
Accounts payable and accrued liabilities	$ 70,978,200	$ 2,488,452	$ 52,867,833	$ 2,688,271
Unearned revenue	34,332,061	-	29,843,599	-
Refunds and other liabilities	10,544,654	6,284,076	7,154,774	5,830,493
Long term-debt - Current portion	18,061,935	1,138,800	16,158,057	1,077,400
Deposits held in custody for others	1,256,863	372,213	1,386,565	418,478
Total current liabilities	135,173,713	10,283,541	107,410,828	10,014,642
Noncurrent Liabilities				
Compensated absences	16,372,247	-	16,363,187	-
Other long-term liabilities	743,471	-	771,258	-
Long-term debt	314,808,382	26,336,200	332,870,329	27,685,000
Refundable advances, federal student loans	7,394,403	-	7,483,391	-
Total noncurrent liabilities	339,318,503	26,336,200	357,488,165	27,685,000
Total liabilities	474,492,216	36,619,741	464,898,993	37,699,642
Net Position				
Net investment in capital assets	536,486,732	6,183,165	498,855,400	5,051,593
Restricted:				
Nonexpendable	22,364,013	179,329,588	20,035,671	168,851,765
Expendable	39,670,016	328,951,465	39,217,527	279,708,969
Unrestricted	313,597,963	2,541,008	289,650,476	374,649
Total net position	912,118,724	517,005,226	847,759,074	453,986,976
TOTAL LIABILITIES AND NET POSITION	$1,386,610,940	$ 553,624,967	$1,312,658,067	$ 491,686,618

The accompanying notes are an integral part of these financial statements.

Ohio University

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2014 and 2013

	2014		2013	
	Ohio University	The Ohio University Foundation	Ohio University	The Ohio University Foundation
OPERATING REVENUE:				
Student tuition and fees	$ 380,145,215	$ -	$ 374,172,489	$ -
Less: Pell grants	(33,496,473)	-	(36,383,579)	-
Less: Other scholarships	(36,512,529)	-	(31,387,122)	-
Net Student tuition and fees	310,136,213	-	306,401,788	-
Auxiliary enterprises	101,448,181	-	94,966,777	-
Less: Pell grants-room and board	(2,825,662)	-	(2,563,364)	-
Less: Other scholarships-room and board	(8,008,265)	-	(7,862,805)	-
Net Auxiliary enterprises	90,614,254	-	84,540,608	-
Federal grants and contracts	26,615,696	-	33,234,217	-
State and local grants and contracts	7,300,853	-	8,930,894	-
Private grants and contracts	11,725,508	-	8,732,387	-
Royalties	10,584,970	-	10,237,675	-
Sales and services	16,290,831	-	14,276,623	-
Other sources	20,575,799	12,184,597	17,695,240	11,447,338
Total operating revenue	493,844,124	12,184,597	484,049,432	11,447,338
OPERATING EXPENSES:				
Educational and general:				
Instruction and departmental research	254,675,549	9,549,706	252,853,205	8,846,362
Separately budgeted research	45,196,225	572,530	45,849,130	873,202
Public service	28,675,082	311,569	27,883,360	463,594
Academic support	77,509,564	1,412,427	67,416,554	1,314,395
Student services	41,073,453	1,144,610	36,414,843	1,762,675
Institutional support	52,275,969	13,541,728	39,144,473	11,706,501
Operation and maintenance of plant	48,949,560	-	54,198,994	-
Student aid (including Pell grants of $3,737,036 in 2014 and $4,921,374 in 2013 for Ohio University)	10,262,608	4,459,077	11,493,470	3,699,972
Depreciation	36,428,683	2,032,528	35,150,724	1,509,232
Auxiliary enterprises	72,782,997	-	72,827,179	-
Operating expenses - Related entities	-	6,830,323	-	7,159,262
Total operating expenses	667,829,690	39,854,498	643,231,932	37,335,195
OPERATING LOSS	$(173,985,566)	$ (27,669,901)	$(159,182,500)	$ (25,887,857)

The accompanying notes are an integral part of these financial statements.

Ohio University

Statements of Revenues, Expenses, and Changes in Net Position (Continued)
Years Ended June 30, 2014 and 2013

	2014		2013	
	Ohio University	The Ohio University Foundation	Ohio University	The Ohio University Foundation
NONOPERATING REVENUE (EXPENSES):				
State appropriations	$ 151,216,997	$ -	$ 141,351,804	$ -
Federal grants - Pell	40,059,171	-	43,868,317	-
Federal grants - other nonexchange	2,060,444	-	2,078,589	-
State and local grants nonexchange	2,402,264	-	2,731,913	-
Private gifts	4,560,193	9,470,549	4,618,051	8,449,002
University support	-	5,166,862	-	5,436,801
Investment income - Net	28,471,319	66,392,360	13,651,449	43,609,711
Interest on debt	(9,993,972)	-	(6,083,629)	-
Other nonoperating expense	(137,416)	-	(478,687)	-
Net nonoperating revenue	218,639,000	81,029,771	201,737,807	57,495,514
INCOME BEFORE OTHER REVENUE, EXPENSES, GAINS, OR LOSSES	44,653,434	53,359,870	42,555,307	31,607,657
OTHER REVENUE, EXPENSES, GAINS, OR LOSSES:				
State capital appropriations	7,376,727	-	4,935,547	-
Capital grants and gifts	12,320,018	-	3,869,353	-
Additions to permanent endowments	9,471	9,658,380	4,694	5,011,179
Total other revenue	19,706,216	9,658,380	8,809,594	5,011,179
INCREASE IN NET POSITION	64,359,650	63,018,250	51,364,901	36,618,836
NET POSITION:				
Beginning of year	847,759,074	453,986,976	796,394,173	417,368,140
End of year	$ 912,118,724	$ 517,005,226	$ 847,759,074	$ 453,986,976

The accompanying notes are an integral part of these financial statements.

Ohio University

Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	Ohio University	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 319,287,094	$ 316,890,502
Grants and contracts	48,340,009	50,330,134
Payments to suppliers	(165,831,004)	(136,445,031)
Payments to or on behalf of employees	(404,654,729)	(398,427,637)
Payments for scholarships and fellowships	(49,401,957)	(35,970,312)
Loans issued to students	(2,473,703)	(2,130,066)
Collection of loans to students	2,693,452	2,038,043
Auxiliary enterprise sales	98,829,362	89,042,904
Royalties	11,225,081	10,085,175
Sales and services	5,303,910	8,243,624
Other receipts	18,580,429	17,691,878
Net cash used in operating activities	(118,102,056)	(78,650,786)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	151,216,997	141,351,804
Gifts and grants for other than capital purposes	49,091,544	53,301,564
Federal direct student loan program receipts	217,312,772	216,175,535
Federal direct student loan program disbursements	(209,362,553)	(221,243,028)
Student organization agency transactions	356,863	252,811
Net cash provided by noncapital financing activities	208,615,623	189,838,686
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Proceeds from capital debt	-	173,810,370
State capital appropriations	7,244,138	4,723,966
Capital grants and gifts received	12,499,165	5,086,417
Purchases of capital assets	(115,440,773)	(77,407,543)
Principal paid on capital debt and leases	(14,731,233)	(48,328,122)
Interest paid on capital debt and leases	(9,993,972)	(6,083,629)
Net cash (used in) provided by capital financing activities	(120,422,675)	51,801,459
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	39,981,825	35,204,442
Investment income	7,574,252	7,624,679
Purchase of investments	(86,418,997)	(42,627,122)
Net cash (used in) provided by investing activities	(38,862,920)	201,999
NET (DECREASE) INCREASE IN CASH	(68,772,028)	163,191,358
CASH AND CASH EQUIVALENTS - Beginning of year	272,374,436	109,183,078
CASH AND CASH EQUIVALENTS - End of year	$ 203,602,408	$ 272,374,436
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES -		
Construction in process in accounts payable	$ 18,732,000	$ 12,966,000

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows (Continued)
Years Ended June 30, 2014 and 2013

	Ohio University	
	2014	2013
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (173,985,566)	$ (159,182,500)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	36,428,683	35,150,724
Changes in assets and liabilities:		
Accounts receivable - Net	2,447,784	13,279,008
Notes receivable - Net	(330,015)	125,481
Prepaid expenses	(295,965)	3,159,983
Inventories	(8,121)	(249,431)
Accounts payable and accrued liabilities	16,990,098	7,531,611
Unearned revenue	(3,863,161)	19,646,079
Refunds and other liabilities	4,514,207	1,888,259
NET CASH USED IN OPERATING ACTIVITIES	$ (118,102,056)	$ (78,650,786)

The accompanying notes are an integral part of these financial statements.

Note 1 - Organization, Basis of Presentation, and Significant Accounting Policies

Organization - Ohio University (the "University") is a public institution established by the State of Ohio ("State") in 1804 under Chapter 3337 of the Ohio Revised Code ("ORC"). As such, it is a component unit of the State and is included as a discretely presented entity in the State's Comprehensive Annual Financial Report. The University is the oldest of the State-assisted universities in Ohio. It is defined by statute to be a body politic and corporate and an instrumentality of the State.

The University is governed by a Board of Trustees composed of nine Trustees and two student Trustees, all appointed by the governor. The Board shall also include two national Trustees and the chair of the Ohio University Alumni Association Board of Directors or his or her designee. The two national Trustees are appointed by the Board for staggered three-year terms. The nine Trustees appointed by the governor will hold voting privileges. The two student trustees, the two national trustees, and the chair of the Ohio University Alumni Association Board of Directors may not vote on Board matters, but their opinions and advice will be actively solicited and welcomed in Board deliberations.

Basis of Presentation - The financial statements of the University have been prepared in accordance with generally accepted accounting principles. The presentation provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows, liabilities, net position, revenues, expenses, and changes in net position, and the direct method of cash flow presentation.

Certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government. The University has determined that The Ohio University Foundation (the "Foundation") meets this definition and it is therefore included as a discretely presented component unit in the University's financial statements. The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board. A separate financial report for the Foundation is available by contacting The Ohio University Foundation, 168 West Union Street Office Center, Athens, Ohio 45701, or by calling 740-593-1901. See Note 18 for additional disclosures regarding the Foundation.

Basis of Accounting - The University is a special-purpose government entity engaged in business-type activities. Accordingly, the financial statements are presented using an economic resources measurement focus and are presented on the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned and expenses are recorded when incurred. All significant interfund transactions have been eliminated. The financial statements of its component unit are also presented under the accrual basis of accounting.

Cash and Cash Equivalents – Cash consists primarily of petty cash, cash in banks, and money market accounts. Cash equivalents are short-term highly liquid investments readily convertible to cash with original maturities of three months or less.

Investments – All investments are carried at fair value. Investments in publicly traded securities are stated at fair value as established by major securities markets. Nonpublicly traded investments are valued based on independent appraisals and estimates considering market prices of similar investments. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income (loss) in the statements of revenues, expenses, and changes in net position.

Accounts Receivable – Accounts receivable consists of amounts due for tuition and fees, grants and contracts, and auxiliary enterprise services. Grants and contracts receivable include amounts due from the federal government, state and local governments, or private sources, as reimbursement for certain expenditures made in accordance with agreements. Uncollectible amounts have been reserved.

Inventories – Inventories are stated at the lower of weighted-average cost or net realizable value.

Restricted Cash and Cash Equivalents – Restricted cash and cash equivalents are funds restricted for capital expenditures subject to bond and note agreements held by bond trustees. In addition, it includes funds held in escrow based on terms and conditions of various agreements.

Capital Assets – Purchased or constructed capital assets are recorded at cost. Donated capital assets are recorded at their estimated fair market value as of the date received. Depreciation is calculated using the straight-line method over the estimated useful life of the asset.

The following are the capitalization levels and estimated useful lives of the University asset classes:

Asset Class	Capitalize At	Estimated Useful Life
Land	Any amount	N/A
Land improvements	$100,000	N/A
Works of art and historical treasures	$5,000	N/A
Infrastructure	$100,000	10-50 years
Buildings	Any amount	40 years
Machinery and equipment	$5,000	5-25 years
Library books and publications	Any amount	10 years
Transportation equipment	$5,000	5-10 years
Purchased software	$500,000	5-10 years
Internally developed software	$1,000,000	5-10 years

Building renovations that significantly increase the value or extend the useful life of the structure are also capitalized. The costs of normal maintenance and repairs are not capitalized. Interest incurred during the construction of capital assets is included in the cost of the asset when capitalized. Land, land improvements, and works of art and historical treasures are not depreciated. Any impairment of capital assets and insurance recoveries are disclosed.

Deferred Outflows – Deferred outflows consist of deferred charges arising from the amount transferred to the escrow agent to defease the 2003 and 2004 bond issues, in excess of the carrying value of those bonds. The University recorded deferred outflows of $3,128,453 and $3,527,219 at June 30, 2014 and 2013, respectively.

Unearned Revenue – Unearned revenue includes amounts for tuition and fees, grants and contracts, and certain auxiliary activities received prior to the end of the fiscal year, related to the subsequent accounting period.

Compensated Absences – University employees earn vacation and sick leave benefits based, in part, on length of service. Upon separation from service, employees are paid their accumulated vacation and sick pay based upon the nature of separation (termination, retirement, or death). Certain limits are placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding the limits are forfeited. The estimated and accrued liability is recorded at year end in the statements of net position, and the net change from the prior year is recorded as a component of operating expense in the statements of revenues, expenses, and changes in net position.

Net Position – Net position is classified into three major categories:

- Net investment in capital assets – the net equity in property, plant, and equipment owned by the University.
- Restricted – owned by the University, but the use or purpose of the funds is restricted by an external source or entity. The restricted net position category is subdivided further into expendable and nonexpendable.
    - Restricted expendable – may be spent by the institution, but only for the purpose specified by the donor, grantor, or other external entity. This category includes the unspent balance in grant funds, loan funds, debt service funds, and bond funded capital projects.
    - Restricted nonexpendable – endowment funds whose principal may be invested; however, only interest, dividends, and capital gains may be spent.
- Unrestricted – resources derived primarily from student tuition, fees, state appropriations, and auxiliary enterprises. They are used for the

general obligations of the University and may be used at the discretion of the Board of Trustees for any purpose furthering the University's mission.

Restricted Versus Unrestricted Resources – When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to apply the expense at the discretion of University management.

Income Taxes – The University is an organization described in Section 115 of the Internal Revenue Code (the "Code") and has further been classified as an organization that is not a private foundation in accordance with Sections 509(a)(1) and 170(b)(1)(A)(ii) of the Code. However, certain revenues are considered unrelated business income and are taxable under Code Sections 511 through 513.

Classification of Revenue – Revenue is classified as either operating or nonoperating.

- Operating revenue include revenues from activities that have characteristics similar to exchange transactions. These include student tuition and fees (net of scholarship discounts and allowances), sales and services of auxiliary enterprises (net of scholarship discounts and allowances), and certain federal, state, local and private grants, and contracts. The presumption is that there is a fair exchange of value between all parties to the transaction.
- Nonoperating revenue includes revenue from activities that have the characteristics of nonexchange transactions, such as state appropriations, and certain federal, state, local and private gifts, and grants. The implication is that such revenues are derived from more passive efforts related to the acquisition of the revenue, rather than the earning of it.

Scholarship Discounts and Allowances – Student tuition and fee revenue, and certain other payments recorded as auxiliary enterprises revenue, are net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the charge for tuition and fees, and the amount paid by students or by third parties on the students' behalf. Scholarship discounts and allowances were $80,842,929 (of which $70,009,002 is netted against student tuition and fees and $10,833,927 is netted against auxiliary enterprises revenue) and $78,196,870 (of which $67,770,701 is netted against student tuition and fees and $10,426,169 is netted against auxiliary enterprises revenues) as of June 30, 2014 and 2013, respectively.

Auxiliary Enterprises – Auxiliary revenue is primarily from residence halls, dining services, intercollegiate athletics, printing services, and parking services. It is shown net of scholarship discounts and allowances for room and board.

Component Units – Management has determined that Tech GROWTH Ohio Fund and University Medical Associates are component units of the University. Due to the insignificant amount of activity represented by these two organizations, their financial results have not been presented in the University's financial statements. Should the operations of either of these entities become significant, the University will discretely present the entity in the financial statements of the applicable year.

Tech GROWTH Ohio Fund was established in August 2008, within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The exclusive purpose of the organization is for charitable, educational, and scientific endeavors in areas involving the advancement of technology, and increasing technology-based and/or other entrepreneurial commercialization ventures throughout southeast Ohio, with a focus on strategic technology-based sectors that offer economic development prospects for the region.

University Medical Associates (the "Corporation") is a not-for-profit organization incorporated in the state of Ohio and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and applicable state statutes. The membership of the Corporation consists of many physicians who are faculty members of the Ohio University Heritage College of Osteopathic Medicine. The Corporation provides medical services in private physician offices and clinic settings on the campus of Ohio University and surrounding locations.

Eliminations – The University eliminates interfund assets and liabilities and revenue and expenses related to internal activities.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) may require management to make estimates and assumptions that affect certain amounts reported in the financial statements. The estimates and assumptions are based on currently available information and actual results could differ from those estimates.

Reclassifications – Certain amounts from the prior year have been reclassified to conform to the current year's presentation. Auxiliary revenues during 2013 have been reclassified to sales and services in the amount of $5,452,780. Auxiliary expenditures during 2013 have been reclassified to student services in the amount of $5,042,398. Operations and maintenance of plant expenditures during 2013 have been reclassified to Auxiliaries in the amount of $7,306,000. Net operating results have not been affected by these reclassifications.

Newly Adopted Accounting Pronouncements

- **Items previously reported as Assets and Liabilities** – In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilitie*s. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

Newly Issued Accounting Pronouncements

- **Reporting for Pensions** – In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information. The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

  The University is currently evaluating the impact this standard will have on the financial statements when adopted in fiscal year 2015.

- **Reporting for Government combinations and disposals** – In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. Until now, governments had been accounting for mergers, acquisitions, and transfers of operations by analogizing to accounting and financial reporting guidance intended for the business environment. This statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

The University is currently evaluating the impact this standard will have on the financial statements when adopted in fiscal year 2015.

Note 2 – Deposits with Financial Institutions, Cash and Cash Equivalents, and Investments

As of June 30, 2014, the carrying amount of the University's cash and cash equivalents for all funds was $203,602,408 compared to bank balances of $205,909,249. As of June 30, 2013, the carrying amount of the University's cash and cash equivalents for all funds was $272,374,436 compared to bank balances of $283,753,001. The difference in carrying amounts and bank balances is caused by outstanding checks and deposits-in-transit. At June 30, 2014, of the bank balances, $16,810,615 is covered by the Federal Deposit Insurance Corporation (FDIC) and $189,098,634 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

The University's investment portfolio may include investments in the following:

- Obligations of the U.S. Treasury and other federal agencies and instrumentalities
- Municipal and State bonds
- Certificates of deposit
- Repurchase agreements
- Mutual funds
- Commercial paper
- Corporate bonds and notes
- Common and preferred stock
- Asset-backed securities
- Hedge funds
- Private equity and venture capital
- Real assets

The University's endowment fund operates with a long-term investment goal of preserving the purchasing power of the principal in a diversified portfolio.

U.S. government and agency securities are invested through trust agreements with banks that keep the securities in their safekeeping accounts at the Federal Reserve Bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the University. Common stocks, corporate bonds, money market instruments, mutual funds, and other investments are invested through trust agreements with banks that keep the investments in their safekeeping account in the appropriate custodial bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the University.

The values of investments as of June 30, 2014 and 2013 are as follows:

Investment Type	2014	2013
Money markets	$ 5,701,625	$ 6,566,062
U.S. government obligations	1,652,631	1,241,338
U.S. government agency obligations	4,458,691	4,856,799
Mortgage-backed securities	249,064	361,499
Corporate bonds and notes	2,799,103	2,053,328
Bond mutual funds	158,493,730	144,713,095
Municipal bonds	2,465,214	3,058,555
U.S. common stock	850,916	511,802
U.S. equity mutual funds	42,423,390	29,254,492
International equity mutual funds	56,888,595	35,394,020
Hedge funds	26,434,321	13,640,016
Real assets	15,309,002	9,295,214
Private equity funds	11,132,692	10,538,017
Total	$ 328,858,974	$ 261,484,237

The University's investment strategy incorporates certain financial instruments that involve, to varying degrees, elements of market risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate movements and rate fluctuations embodied in forwards, futures, commodities, or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the related underlying assets are traded.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

As of June 30, 2014, maturities of the University's interest-bearing investments are as follows:

		Investment Maturities			
Investment Type	Market Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
Money markets	$ 5,701,625	$ 5,701,625	$ -	$ -	$ -
U.S. government obligations	1,652,631	-	1,652,631	-	-
U.S. government agency obligations	4,458,691	278,525	4,180,166	-	-
Mortgage-backed securities	249,064	-	85,360	31,187	132,517
Corporate bonds and notes	2,799,103	508,932	1,816,963	302,925	170,283
Bond mutual funds	158,493,730	413,146	11,599,183	146,082,695	398,706
Municipal bonds	2,465,214	304,693	2,160,521	-	-
Total	$ 175,820,058	$ 7,206,921	$ 21,494,824	$ 146,416,807	$ 701,506

As of June 30, 2013, maturities of the University's interest-bearing investments are as follows:

		Investment Maturities			
Investment Type	Market Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
Money markets	$ 6,566,062	$ 6,505,003	$ -	$ -	$ 61,059
U.S. government obligations	1,241,338	60,279	1,181,059	-	-
U.S. government agency obligations	4,856,799	-	4,856,799	-	-
Mortgage-backed securities	361,499	-	120,981	62,599	177,919
Corporate bonds and notes	2,053,328	683,323	1,039,453	211,570	118,982
Bond mutual funds	144,713,095	653,715	6,967,033	137,092,347	-
Municipal bonds	3,058,555	912,923	2,145,632	-	-
Total	$ 162,850,676	$ 8,815,243	$ 16,310,957	$ 137,366,516	$ 357,960

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the statement of net position and is not represented by the contract or notional amounts of the instruments. Credit quality, as commonly expressed in terms of credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings, provides a current depiction of potential variable cash flows and credit risk.

The credit ratings of the University's interest-bearing investments as of June 30, 2014 are as follows:

		Credit Quality (S&P)						
	Market Value	AAA	AA	A	BBB	BB	B	Unrated
Money markets	$ 5,701,625	$ 5,646,111	$ -	$ -	$ -	$ -	$ -	$ 55,514
U.S. government obligations	1,652,631	-	1,652,631	-	-	-	-	-
U.S. government agency obligations	4,458,691	-	4,458,691	-	-	-	-	-
Mortgage-backed securities	249,064	-	249,064	-	-	-	-	-
Corporate bonds and notes	2,799,103	-	502,309	1,109,356	448,533	-	-	738,905
Bond mutual funds	158,493,730	6,191,503	133,519,567	292,637	641,435	6,331,400	216,507	11,300,681
Municipal bonds	2,465,214	101,214	1,212,459	353,165	-	-	-	798,376
Total	$ 175,820,058	$ 11,938,828	$ 141,594,721	$ 1,755,158	$ 1,089,968	$ 6,331,400	$ 216,507	$ 12,893,476

The credit ratings of the University's interest-bearing investments as of June 30, 2013 are as follows:

		Credit Quality (S&P)						
	Market Value	AAA	AA	A	BBB	BB	B	Unrated
Money markets	$ 6,566,062	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,566,062
U.S. government obligations	1,241,338	-	1,241,338	-	-	-	-	-
U.S. government agency obligations	4,856,799	-	4,856,799	-	-	-	-	-
Mortgage-backed securities	361,499	-	339,262	-	22,237	-	-	-
Corporate bonds and notes	2,053,328	-	1,153,189	586,049	118,036	-	-	196,054
Bond mutual funds	144,713,095	3,766,861	128,376,215	294,506	340,477	5,060,689	164,692	6,709,655
Municipal bonds	3,058,555	-	1,699,854	457,743	-	-	-	900,958
Total	$ 162,850,676	$ 3,766,861	$ 137,666,657	$ 1,338,298	$ 480,750	$ 5,060,689	$ 164,692	$ 14,372,729

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. As of June 30, 2014 and 2013, the University had no custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2014 and 2013, there were no single-issuer investments that exceeded 5 percent of total investments.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University's exposure to foreign currency is limited to its investment in international equity mutual funds. The value of this investment was $56.9 million and $35.4 million as of June 30, 2014 and 2013, respectively.

Valuation of Alternative Investments - Because financial data for many private investments are not available until several months after fiscal year end, some reported alternative investment valuations represent an estimate of the June 30, 2014 value, while the remaining valuations represent March 31, 2014 reported valuations that have been adjusted by cash added to and cash distributed from these accounts through June 30. Management considers information that becomes available after the financial statements are compiled but before they are released, to determine whether an adjustment to the reported fair value of investments should be made. At June 30, 2014 and 2013, there was $41.3 million and $19.1 million, respectively, in investment assets reported at the estimated values described above.

Note 3 - Accounts Receivable

The composition of accounts receivable at June 30, 2014 and 2013 is summarized as follows:

	2014	2013
Student tuition and fees	$ 46,721,073	$ 40,729,411
Grants and contracts	10,645,406	11,790,104
Royalties	2,895,000	2,400,000
Student loans	2,174,845	9,310,229
Other	6,084,788	6,051,070
Total accounts receivable	68,521,112	70,280,814
Less allowance for doubtful accounts	(11,016,626)	(9,886,784)
Accounts receivable - Net	$ 57,504,486	$ 60,394,030

Note 4 - Notes Receivable

The University's notes receivable at June 30, 2014 and 2013 is net of allowance for doubtful accounts of $2,144,767 and $2,275,385, respectively. Principal repayment and interest terms vary. Federal loan programs are funded primarily through borrower repayments, federal contributions under Perkins, and various Health Professions loan programs.

The University distributed $209,362,553 and $221,243,028 for student loans through the U.S. Department of Education Federal Direct Lending program during the years ended June 30, 2014 and 2013, respectively. These distributions and the related funding sources are included as cash disbursements and cash receipts in the accompanying statement of cash flows.

The composition of notes receivable at June 30, 2014 and 2013 is as follows:

	2014	2013
Student loan program	$ 13,736,381	$ 13,356,507
Other	1,563,106	1,743,583
Total notes receivable	15,299,487	15,100,090
Less allowance for doubtful accounts	(2,144,767)	(2,275,385)
Notes receivable - Net	13,154,720	12,824,705
Less current portion	(1,296,937)	(1,539,081)
Notes receivable - Net, noncurrent portion	$ 11,857,783	$ 11,285,624

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Transfers	Retirements	Balance June 30, 2014
Capital assets not being depreciated:					
Land	$ 25,004,286	$ 28,350	$ -	$ (53,812)	$ 24,978,824
Land improvements	4,701,091	-	-	-	4,701,091
Construction in progress	60,239,676	52,279,402	(43,505,267)	(299,251)	68,714,560
Works of art and historical treasures	9,431,699	7,623,234	-	-	17,054,933
Total capital assets not being depreciated	99,376,752	59,930,986	(43,505,267)	(353,063)	115,449,408
Capital assets being depreciated:					
Infrastructure	115,638,154	4,156,815	2,679,599	-	122,474,568
Buildings	825,890,650	41,650,609	40,825,668	(446,188)	907,920,739
Machinery and equipment	128,046,784	7,259,685	-	(2,559,621)	132,746,848
Library books and publications	75,453,263	1,136,647	-	(949,727)	75,640,183
Transportation equipment	20,812,018	1,306,031	-	(310,392)	21,807,657
Total capital assets being depreciated	1,165,840,869	55,509,787	43,505,267	(4,265,928)	1,260,589,995
Total capital assets	1,265,217,621	115,440,773	-	(4,618,991)	1,376,039,403
Less accumulated depreciation:					
Infrastructure	59,142,961	5,017,353	-	-	64,160,314
Buildings	347,790,910	20,390,537	-	(33,464)	368,147,983
Machinery and equipment	87,391,065	7,703,923	-	(2,292,816)	92,802,172
Library books and publications	66,209,586	2,134,404	-	(949,727)	67,394,263
Transportation equipment	16,817,559	1,182,466	-	(310,393)	17,689,632
Total accumulated depreciation	577,352,081	36,428,683	-	(3,586,400)	610,194,364
Total capital assets being depreciated - net	588,488,788	19,081,104	43,505,267	(679,528)	650,395,631
Capital assets - net	$ 687,865,540	$ 79,012,090	$ -	$ (1,032,591)	$ 765,845,039

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Transfers	Retirements	Balance June 30, 2013
Capital assets not being depreciated:					
Land	$ 24,835,699	$ 168,587	$ -	$ -	$ 25,004,286
Land improvements	4,701,091	-	-	-	4,701,091
Construction in progress	20,821,462	52,678,490	(13,115,140)	(145,136)	60,239,676
Works of art and historical treasures	8,915,599	516,100	-	-	9,431,699
Total capital assets not being depreciated	59,273,851	53,363,177	(13,115,140)	(145,136)	99,376,752
Capital assets being depreciated:					
Infrastructure	113,597,134	5,762,927	551,737	(4,273,644)	115,638,154
Buildings	802,767,592	11,276,615	12,563,403	(716,960)	825,890,650
Machinery and equipment	127,347,829	4,683,342	-	(3,984,387)	128,046,784
Library books and publications	74,951,911	1,270,128	-	(768,776)	75,453,263
Transportation equipment	19,924,980	1,051,354	-	(164,316)	20,812,018
Total capital assets being depreciated	1,138,589,446	24,044,366	13,115,140	(9,908,083)	1,165,840,869
Total capital assets	1,197,863,297	77,407,543	-	(10,053,219)	1,265,217,621
Less accumulated depreciation:					
Infrastructure	58,570,806	4,845,799	-	(4,273,644)	59,142,961
Buildings	329,789,028	18,718,729	-	(716,847)	347,790,910
Machinery and equipment	83,190,354	7,854,463	-	(3,653,752)	87,391,065
Library books and publications	64,622,680	2,355,682	-	(768,776)	66,209,586
Transportation equipment	15,603,021	1,376,051	-	(161,513)	16,817,559
Total accumulated depreciation	551,775,889	35,150,724	-	(9,574,532)	577,352,081
Total capital assets being depreciated - net	586,813,557	(11,106,358)	13,115,140	(333,551)	588,488,788
Capital assets - net	$ 646,087,408	$ 42,256,819	$ -	$ (478,687)	$ 687,865,540

Note 6 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Accrued payroll	$ 16,954,752	$ 17,776,482
Accrued workers' compensation	10,345,097	575,000
Accrued self-insurance claims	3,388,000	3,413,000
Accrued royalties	2,847,500	2,352,500
Accrued compensated absences - Current portion	1,441,465	523,499
Other accrued liabilities	2,805,009	921,138
Vendor and other payables	33,196,377	27,306,214
Total accounts payable and accrued liabilities	$ 70,978,200	$ 52,867,833

Note 7 - Long-term Debt

The University's long-term debt at June 30, 2014 is summarized as follows:

	July 1, 2013	Additions	Reductions	June 30, 2014	Current
General receipts bonds - Series 2013	$ 145,170,000	$ -	$ 2,225,000	$ 142,945,000	$ 5,610,000
General receipts bonds - Series 2012A & B	28,068,654	-	1,656,775	26,411,879	1,686,431
General receipts bonds - Series 2012	76,470,000	-	1,645,000	74,825,000	3,975,000
General receipts bonds - Series 2009	19,640,000	-	2,470,000	17,170,000	2,555,000
General receipts bonds - Series 2008A & B	8,665,000	-	265,000	8,400,000	280,000
Subordinated general receipts bonds - Series 2006B	22,390,000	-	1,285,000	21,105,000	1,340,000
Subordinated general receipts bonds - Series 2006A	20,655,000	-	1,345,000	19,310,000	1,395,000
Subordinated general receipts bonds - Series 2004	1,540,000	-	1,540,000	-	-
Subordinated variable general bonds - Series 2003	2,250,000	-	2,250,000	-	-
Total bonds and notes payable	324,848,654	-	14,681,775	310,166,879	16,841,431
Bond premiums	24,086,804	-	1,426,836	22,659,968	1,199,574
Capital lease obligations	92,928	-	49,458	43,470	20,930
Total long-term debt	$ 349,028,386	$ -	$ 16,158,069	$ 332,870,317	$ 18,061,935

The University's long-term debt at June 30, 2013 is summarized as follows:

	July 1, 2012	Additions	Reductions	June 30, 2013	Current
General receipts bonds - Series 2013	$ -	$ 145,170,000	$ -	$ 145,170,000	$ 2,225,000
General receipts bonds - Series 2012A & B	-	28,640,370	571,716	28,068,654	1,656,775
General receipts bonds - Series 2012	76,470,000	-	-	76,470,000	1,645,000
General receipts bonds - Series 2009	22,035,000	-	2,395,000	19,640,000	2,470,000
General receipts bonds - Series 2008A & B	8,920,000	-	255,000	8,665,000	265,000
Subordinated general receipts bonds - Series 2006B	23,625,000	-	1,235,000	22,390,000	1,285,000
Subordinated general receipts bonds - Series 2006A	21,955,000	-	1,300,000	20,655,000	1,345,000
Subordinated general receipts bonds - Series 2004	27,065,000	-	25,525,000	1,540,000	1,540,000
Subordinated general receipts bonds - Series 2003	4,380,000	-	2,130,000	2,250,000	2,250,000
Subordinated variable general receipts bonds - Series 2001	14,845,000	-	14,845,000	-	-
Total bonds and notes payable	199,295,000	173,810,370	48,256,716	324,848,654	14,681,775
Bond premiums	9,452,452	16,024,871	1,390,519	24,086,804	1,426,836
Capital lease obligations	164,334	-	71,406	92,928	49,446
Total long-term debt	$ 208,911,786	$ 189,835,241	$ 49,718,641	$ 349,028,386	$ 16,158,057

Note: Series 2001, Series 2003, Series 2004, Series 2006A, Series 2006B, and Series 2006C bonds were designated "subordinate" upon their issuance due to the existence of a prior trust agreement; that trust agreement has since been defeased and the aforementioned bonds are now parity debt service obligations.

On May 22, 2013, the University issued general receipts bonds Series 2013 in the amount of $145,170,000. The proceeds are being used to develop extension campuses in Columbus and Cleveland, Ohio for a number of programmatic initiatives including the expansion of the Heritage College of Osteopathic Medicine, for renovations to multiple academic buildings, for construction of a new Indoor Multi-Purpose Facility for various instructional, athletic, and recreational uses, and to complete the Housing Development Phase I which will consist of the construction of a new residential housing facility, student support spaces, and residential housing administration office space. Proceeds were also used to refund the 2001 bonds and the 2004 bonds as described below.

On July 31, 2012, the University issued general receipts notes, Ohio Air Quality Development Authority ("OAQDA") Series 2012A & B in the amount of $28,640,370. The Series 2012A is an OAQDA tax-exempt bond for $20,140,370 and Series 2012B is an OAQDA tax-credit revenue bond (Qualified Energy Conservation Bond) for $8,500,000. The proceeds were used for financing the costs of air quality facilities in order to promote the public purposes of Chapter 3706, of the ORC.

On February 29, 2012, the University issued general receipts bonds Series 2012 in the amount of $76,470,000. The proceeds are being used to develop an extension campus in Columbus, Ohio for a number of programmatic initiatives including the expansion of the Heritage College of Osteopathic Medicine, for renovations to multiple academic buildings, for infrastructure improvements including a chilled water expansion, and for additional upgrades to the University's existing information technology network. Proceeds were also used to refund portions of the 2003 and 2004 bonds as described below.

On June 2, 2009, the University issued general receipts bonds Series 2009 in the amount of $26,645,000. The proceeds were used to purchase and implement a new student information system and to upgrade the University's existing information technology network infrastructure.

On July 10, 2008, the University issued general receipts bonds Series 2008A in the amount of $13,345,000 and taxable general receipts bonds Series 2008B in the amount of $2,005,000. The proceeds were used to refund the general receipts bond anticipation notes and acquire a facility on the edge of the University's campus.

On April 6, 2006, the University issued $29,170,000 in subordinated general receipts bonds, Series 2006B. The proceeds were used for various capital projects on the Athens campus.

On February 16, 2006, the University issued $28,145,000 in subordinated general receipts bonds, Series 2006A. The proceeds were used to refund the Series 1999 bonds.

On March 15, 2004, the University issued $52,885,000 in subordinated general receipts bonds, Series 2004. The proceeds were used to refund the Series 2003B notes, and for capital equipment and construction costs on various building projects. On February 29, 2012, the Series 2004 bonds were partially refunded with $15,395,000 being incorporated into the Series 2012 bonds. On May 22, 2013, the Series 2004 bonds were again partially refunded with $22,935,000 being incorporated into the Series 2013 Bonds.

On September 3, 2003, the University issued $47,860,000 in subordinated general receipts Bonds, Series 2003. The proceeds were used to refund the Series 1993 bonds and the Series 2003A notes. On February 29, 2012, the Series 2003 bonds were partially refunded with $14,465,000 being incorporated into the Series 2012 bonds.

These obligations are secured by a gross pledge of and first lien on the general receipts of the University. The general receipts include the full amount of every type and character of campus receipts, except for State appropriations and receipts previously pledged or otherwise restricted.

The University's bonds are secured by a Trust Agreement dated as of May 1, 2001 ("Master Trust Agreement"), as supplemented by a First Supplemental Trust Agreement dated as of May 1, 2001, a Second Supplemental Trust Agreement dated as of September 1, 2003, a Third Supplemental Trust Agreement dated as of October 1, 2003, a Fourth Supplemental Trust Agreement dated as of March 15, 2004, a Fifth Supplemental Trust Agreement dated as of February 1, 2006, a Sixth Supplemental Trust Agreement dated as of April 1, 2006, a Seventh Supplemental Trust Agreement dated as of July 1, 2008, an Eighth Supplemental Trust Agreement dated as of May 1, 2009, a Ninth Supplemental Trust Agreement dated as of February 1, 2012 entered into in connection with the issuance of the Series 2012 bonds, each between the University and U.S. Bank National Association, a Tenth Supplemental Trust Agreement dated as of July 1, 2012 entered into in connection with the issuance of the Series 2012A & B bonds, each between the University and U.S. Bank National Association, and a Twelfth Supplemental Trust Agreement dated as of June 1, 2013 entered into in connection with the issuance of the Series 2013 bonds, each between the University and U.S. Bank National Association.

Details of the series are as follows:

Series	Interest Rate	Maturity Fiscal Year	Initial Issue Amount	Outstanding at June 30, 2014
2003	5.00%-5.25%	2024	$ 47,860,000	$ -
2004	2.00%-5.00%	2032	52,885,000	-
2006A	3.50%-5.00%	2025	28,145,000	19,310,000
2006B	3.75%-5.00%	2037	29,170,000	21,105,000
2008A & B	4.17%-5.00%	2034	15,350,000	8,400,000
2009	2.00%-5.00%	2020	26,645,000	17,170,000
2012	2.00%-5.00%	2043	76,470,000	74,825,000
2012A & B	2.00%-5.00%	2028	28,640,370	26,411,879
2013	2.00%-5.00%	2044	145,170,000	142,945,000
				$ 310,166,879

Principal and interest payment requirements for the bonded debt for the years subsequent to June 30, 2014 are summarized as follows:

Years Ending June 30	Principal	Interest	Total
2015	$ 16,841,431	$ 12,844,156	$ 29,685,587
2016	17,111,619	12,226,102	29,337,721
2017	17,677,346	11,542,631	29,219,977
2018	16,193,624	10,911,023	27,104,647
2019	16,275,461	10,334,382	26,609,843
2020-2024	58,920,172	44,378,926	103,299,098
2025-2029	49,997,226	32,844,085	82,841,311
2030-2034	41,880,000	22,922,706	64,802,706
2035-2039	36,270,000	13,977,500	50,247,500
2040-2044	39,000,000	4,780,675	43,780,675
Total	$ 310,166,879	$ 176,762,186	$ 486,929,065

In August 2014, the University's Board of Trustees authorized the issuance of a general receipts bond offering of up to $250 million. The Bonds may be taxable or tax-exempt and may have a final maturity of up to 100 years. The Bonds are expected to be issued in November 2014.

The University has $43,470 in capital lease obligations that have varying maturity dates through fiscal year 2016 and carry implicit interest rates ranging from 3.9 to 14.6 percent. Lease arrangements are being used to provide partial financing for certain equipment. Capital asset balances as of June 30, 2014 that are financed under capital leases are $92,626.

The scheduled maturities of these leases at June 30, 2014 are as follows:

Years Ending June 30	Minimum Lease Payments
2015	$ 22,296
2016	22,973
Total minimum lease payments	45,269
Less amount representing interest	1,799
Net minimum capital lease payments	43,470
Less current portion	20,930
Noncurrent capital lease obligations	$ 22,540

Note 8 – Operating Leases

The University leases various facilities and equipment under operating lease agreements. These facilities and equipment are not recorded as assets on the statements of net position. The total rental expense under these agreements was $1,717,745 and $1,618,544 for the years ended June 30, 2014 and 2013, respectively.

Future minimum payments for all significant operating leases with initial terms in excess of one year at June 30, 2014 are as follows:

Years Ending June 30	Minimum Lease Payments
2015	$ 2,128,340
2016	2,502,813
2017	2,353,114
2018	1,582,356
2019	1,392,573
2020-2021	2,809,638
Total minimum operating lease payments	$ 12,768,834

Note 9 – Operating Expenses by Natural Classification

The University reports operating expenses by functional classification on the statements of revenues, expenses, and changes in net position. Operating expenses by natural classification for the two years ended June 30, 2014 and 2013 are summarized as follows:

Year ended June 30, 2014

	Compensation and Benefits	Supplies and Services	Professional Services	Utilities	Travel and Entertainment	Total
Instruction and departmental research	$ 214,728,758	$ 10,781,515	$ 23,115,076	$ 56,581	$ 5,993,619	$ 254,675,549
Separately budgeted research	21,946,510	8,260,922	12,850,720	33,704	2,104,369	45,196,225
Public service	18,548,645	4,989,874	4,261,566	173,842	701,155	28,675,082
Academic support	56,092,901	16,311,107	2,570,137	4,070	2,531,349	77,509,564
Student services	27,044,659	9,913,251	2,338,980	103,820	1,672,743	41,073,453
Institutional support	36,485,170	7,273,004	7,753,946	19,484	744,365	52,275,969
Operation and maintenance of plant	20,579,851	14,674,268	1,372,729	12,016,310	306,402	48,949,560
Auxiliary enterprises	41,364,641	23,471,341	1,190,469	3,274,295	3,482,251	72,782,997
Total	$ 436,791,135	$ 95,675,282	$ 55,453,623	$ 15,682,106	$ 17,536,253	$ 621,138,399
					Student Aid	10,262,608
					Depreciation	36,428,683
					Total Operating Expenses	$ 667,829,690

Year ended June 30, 2013

	Compensation and Benefits	Supplies and Services	Professional Services	Utilities	Travel and Entertainment	Total
Instruction and departmental research	$ 212,091,551	$ 9,817,200	$ 25,298,794	$ 55,971	$ 5,589,689	$ 252,853,205
Separately budgeted research	23,996,314	7,712,298	11,698,247	12,714	2,429,557	45,849,130
Public service	17,293,116	6,692,971	3,266,049	125,978	505,246	27,883,360
Academic support	39,862,249	24,642,493	999,658	30,245	1,881,909	67,416,554
Student services	23,047,846	10,626,603	1,233,843	119,789	1,386,762	36,414,843
Institutional support	25,151,049	6,455,437	6,712,682	22,594	802,711	39,144,473
Operation and maintenance of plant	19,810,747	20,345,357	896,529	12,803,663	342,698	54,198,994
Auxiliary enterprises	40,511,194	24,286,543	925,746	3,476,216	3,627,480	72,827,179
Total	$ 401,764,066	$ 110,578,902	$ 51,031,548	$ 16,647,170	$ 16,566,052	$ 596,587,738
					Student Aid	11,493,470
					Depreciation	35,150,724
					Total Operating Expenses	$ 643,231,932

Note 10 - Compensated Absences

Per University policy, eligible salaried administrative appointments earn vacation at the rate of 21 days per year with a maximum accrual of 32 days. Upon termination, they are entitled to a payout of their accumulated balance. Hourly classified employees earn vacation at rates per years of service, ranging from 10 to 25 days per year. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The estimated liability for accrued vacation at June 30, 2014 and 2013 was $12,180,128 and $11,041,465, respectively.

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro rata monthly basis for salaried employees and on a pro rata hourly basis for classified hourly employees). Salaried employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25 percent of unused days (maximum of 30 days). Hourly classified employees with 10 or more years of service are eligible for payout upon retirement of up to 50 percent of unused days (maximum of 60 days). The estimated liability for accrued sick leave at June 30, 2014 and 2013 was $5,633,584 and $5,845,221, respectively.

Compensated absences at June 30, 2014 and 2013 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
For the year ended:					
June 30, 2014	$ 16,886,686	$ 23,387,176	$ (22,460,150)	$ 17,813,712	$ 1,441,465
June 30, 2013	$ 15,155,331	$ 21,093,205	$ (19,361,850)	$ 16,886,686	$ 523,499

Note 11 – Retirement Plans

Employees of Ohio University are covered under one of three retirement plans, unless eligible for exemption as in the case of most student employees. The particular system in which an employee is eligible to enroll is dependent on his or her position with the University. Generally, faculty appointments are eligible for enrollment in a defined benefit plan, administered by the State Teachers Retirement System of Ohio ("STRS Ohio"), and all other employees are eligible for enrollment in a defined benefit plan, administered by the Ohio Public Employees Retirement System of Ohio ("OPERS"). In addition, full-time employees may opt out of the state retirement system and choose a defined contribution plan, also referred to as an Alternative Retirement Plan ("ARP"), with one of nine independent providers. STRS Ohio and OPERS also offer a defined contribution plan and a combined plan with features of both a defined contribution plan and a defined benefit plan. All options are discussed below in more detail.

Defined Benefit Plans – The defined benefit plans of STRS Ohio and OPERS are cost-sharing, multiple-employer public employee retirement plans. Both systems provide retirement and disability benefits, annual cost-of-living adjustments, survivor benefits, and postretirement health care. The authority to establish and amend benefits is provided by State statute. Both STRS Ohio and OPERS issue stand-alone financial reports. Interested parties may obtain a copy of the STRS Ohio report by making a written request to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll free 888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org. The OPERS report may be obtained by making a written request to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Defined Contribution Plans – The ARP is a defined contribution pension plan, under IRS Section 401(a), and established by Ohio Amended Substitute House Bill 586 (ORC 3305.02) on March 31, 1998, for public institutions of higher education. The University's Board of Trustees adopted the University's plan on April 18, 1998. Full-time employees are eligible to choose a provider, in lieu of STRS Ohio or OPERS, from the list of nine providers currently approved by the Ohio Department of Insurance and who hold agreements with the University. Employee and employer contributions equal to those required by STRS Ohio and OPERS are required for the ARP, less any amounts required to be remitted to the state retirement system in which the employee would otherwise have been enrolled.

Eligible employees have 120 days from their date of hire to make an irrevocable election to participate in the ARP. Under this plan, employees who would have otherwise been required to be in STRS Ohio or OPERS, and who elect to participate in the ARP, must contribute the employee's share of retirement contributions to one of nine private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Board of Regents. That amount is 4.5 percent for STRS Ohio and 0.77 percent for OPERS for the year ended June 30, 2014. The employer also contributes what would have been the employer's contribution under STRS Ohio or OPERS, less the aforementioned percentages, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting.

The ARP does not provide disability benefits, survivor benefits, or postretirement health care. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

STRS Ohio and OPERS also offer a defined contribution plan and a combined plan with features of both a defined contribution plan and a defined benefit plan.

Retirement Plan Funding – The ORC provides statutory authority for employee and employer contributions to retirement systems. The employee and employer rates are the same for ARP employees as the retirement system under which they would otherwise be covered. However, for those who would otherwise be covered by STRS Ohio and who instead elect the ARP, 4.5 percent of the employer contribution goes to the STRS Ohio retirement system and 0.77 percent of the employer contribution goes to the OPERS systems as of August 1, 2007. The University's contributions each year are equal to its required contributions.

Following are the employee and employer contribution rates in effect for fiscal year 2014:

	Contribution Rates		
	STRS Ohio	OPERS	ARP
Faculty:			
Employee:	11%		11%
University:	14%		14%
Staff:			
Employee:		10%	10%
University:		14%	14%
Law enforcement staff:			
Employee:		13%	13%
University:		18.1%	18.1%

University contributions for the current and two preceding years are summarized as follows:

	Employer Contributions		
	STRS Ohio	OPERS	ARP
2014	$ 11,237,622	$ 15,806,561	$ 9,010,786
2013	11,905,170	14,201,304	10,453,721
2012	11,680,349	13,721,099	9,333,834

The payroll for employees covered by OPERS and STRS Ohio for the year ended June 30, 2014 was $143,749,652 and $128,111,674, respectively. The payroll for employees covered by OPERS and STRS Ohio for the year ended June 30, 2013 was $131,001,002 and $130,143,250, respectively. For the years ended June 30, 2014 and 2013, the University's total payroll was $314,052,242 and $303,044,263, respectively.

Other Postemployment Benefits – In addition to the pension benefits described above, Ohio Law provides that the University fund postretirement healthcare benefits to retirees and their dependents through employer contributions to OPERS and STRS Ohio.

OPERS provides retirement, disability, and survivor benefits as well as postemployment healthcare coverage to qualifying members of its plans. A portion of each employer's contribution to OPERS is set aside for funding of postretirement health care. The portion of employer contributions, for all employers, allocated to health care was 1.0 percent during calendar year 2013.

STRS Ohio provides access to healthcare coverage to retirees who participated in the Defined Benefit or Combined Plans, and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the State Teachers Retirement Board (the "Board") has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the healthcare cost in the form of a monthly premium.

The ORC grants authority to STRS Ohio to provide healthcare coverage to eligible benefit recipients, spouses, and dependents. By Ohio law, healthcare benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Board allocates employer contributions to the Health Care Stabilization Fund from which healthcare benefits are paid. For the fiscal years ended June 30, 2014 and 2013, the board allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The balance in the Health Care Stabilization Fund was $3.12 billion on January 1, 2013, the date of the most recent information available from STRS Ohio.

For the fiscal year ended June 30, 2013, the date of the most recent information available from STRS, net healthcare costs paid by STRS Ohio were $627,890,000. There were 149,221 eligible benefit recipients.

Note 12 – Risk Management and Contingencies

Legal – During the normal course of operations, the University has become a defendant in various legal and administrative actions. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. However, in the opinion of in-house legal counsel and University management, the disposition of all pending litigation would not have a significant adverse effect on the University's financial position.

Self-insurance - The University provides medical and dental coverage for its employees on a self-insurance basis. Expenses for claims are recorded on an accrual basis based on the date claims are incurred.

Changes in the self-insurance claims liability for the three years ended June 30, 2014 are summarized as follows:

	2014	2013	2012
Accrued claims liability - Beginning of year	$ 3,413,000	$ 3,362,000	$ 3,375,000
Incurred claims - Net of favorable settlements	45,849,148	43,272,586	41,170,771
Claims paid	(45,874,148)	(43,221,586)	(41,183,771)
Accrued claims liability - End of year	$ 3,388,000	$ 3,413,000	$ 3,362,000

Liability for claims is accrued based on estimates of the claims liabilities made by the University's third-party actuary. These estimates are based on past experience and current claims outstanding. Actual claims experience may differ from the estimate.

Commercial Insurance Coverage - The University has the following commercial insurance policies:

Type	Deductible	Coverage
Aircraft Liability (Flight Training)	$ -	$ 5,000,000
Aircraft Liability (Corporate)	-	50,000,000
Airport Liability	10,000	10,000,000
General and Auto Liability	100,000	50,000,000
Educator's Liability	100,000	30,000,000
Medical Malpractice Liability	25,000	1,000,000
Foreign Liability	-	1,000,000
Crime	100,000	5,000,000
Property ($900 million shared with other Inter-University Council Insurance Consortium members)	100,000	1,000,000,000

Workers' Compensation Coverage - Beginning January 1, 2013 the University became self-insured for workers' compensation claims. For claims initiated prior to that date the University participates in a plan that pays workers' compensation benefits to employees who have been injured on the job. The Ohio Bureau of Workers' Compensation calculates the estimated amount of cash needed in the subsequent fiscal year to pay the claims for these workers and sets rates to collect this estimated amount from participating state agencies and universities in the subsequent year.

During the fiscal year ended June 30, 2014, the University entered into negotiations with the Ohio Bureau of Worker's Compensation to buy out the claims incurred prior to January 1, 2013. This is likely to be settled in the near future. Amounts are included in accounts payable and accrued liabilities detailed in Note 6.

Note 13 - Capital Project Commitments

At June 30, 2014, the University is committed to future capital expenditures as follows:

Contractual commitments	$ 90,659,256
Estimated completion costs of projects	81,195,548
Total	$ 171,854,804
These projects will be funded by:	
State appropriations	$ 24,926,863
University funds (including bond funds)	142,440,117
Gifts, grants, and other	4,487,824
Total	$ 171,854,804

Note 14 - Other Noncurrent Liabilities

Refundable Advances for Federal Student Loans - Refundable advances for federal student loans for the two years ended June 30, 2014 are summarized as follows:

	Beginning Balance	Reductions - Net	Ending Balance
For the year ended:			
June 30, 2014	$ 7,483,391	$ (88,988)	$ 7,394,403
June 30, 2013	$ 7,531,402	$ (48,011)	$ 7,483,391

Note 15 - Pollution Remediation

The GASB requires the University to account for pollution (including contamination) remediation obligations.

Future expected payments for pollution remediation activities include legal obligations due to commencing purchase orders for asbestos removal. This liability is measured at the cost of the construction contract including consultants and the amount assumes no unexpected change orders.

Pollution remediation obligations continued to include expected payments imposed by the Ohio Environmental Protection Agency (OEPA). The violation of OAC Rule 3745-27-13(A) and ORC Rule 3734.02 (H) lists the University as responsible for the methane gas level monitoring of a disposal site on the University's Southern Campus. The University's monitoring on this site in fiscal year 2009 was estimated at 40 years. The liability is accrued based on reasonably expected potential outlays for performing this monitoring. The current value of expected cash flows method was used to measure the estimated liability using the prior year expenditures as an estimate of future annual obligations. Future expected payments for all significant pollution remediation activities include the following:

Years Ending June 30	Minimum Payments
2015	$ 52,210
2016	5,000
2017	5,000
2018	5,000
2019	5,000
2020-2049	150,000
Total minimum payments	$ 222,210

These amounts are included in the current portion of accounts payable and accrued liabilities, as well as in other long-term liabilities on the statements of net position.

Note 16 - Donor-restricted Endowments

Under the standard established by Section 1715.56 of the ORC, an institution may appropriate as much as is prudent of the realized and unrealized net appreciation of the fair value of the assets of the endowment fund over the historic dollar value of the fund for the uses and purposes for which an endowment fund is established. The University's endowment spending policy is based on the concept of total return, and the spending rate for fiscal years 2014 and 2013 was 6 percent, which included a 2 percent administrative fee.

The amounts of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure by the Board were $14,785,257 and $12,083,806 for June 30, 2014 and 2013, respectively. Those amounts are reported as restricted expendable net position.

Note 17 - Net Position

Restricted and unrestricted net position for the years ended June 30, 2014 and 2013 are as follows:

	2014	2013
Restricted - nonexpendable:		
Permanent endowments	$ 22,364,013	$ 20,035,671
Restricted - expendable:		
Sponsored programs	$ 6,328,981	$ 7,170,104
Loans	10,013,332	9,424,050
Grant funded capital projects and debt service funds	8,542,446	10,539,567
Endowments- net income and appreciation	14,785,257	12,083,806
Total restricted - expendable	$ 39,670,016	$ 39,217,527
Unrestricted - allocated:		
Auxiliaries	$ 47,801,979	$ 27,810,763
Quasi endowments	44,531,214	35,978,856
Capital projects and reserves	12,351,315	23,480,374
Ongoing academic and research programs, and reserves	208,913,455	202,380,483
Total unrestricted	$ 313,597,963	$ 289,650,476

Restricted net position is subject to external restrictions and is categorized as either nonexpendable or expendable. Restricted nonexpendable net position consists entirely of endowments whose corpus is held in perpetuity. Restricted expendable net position is made up of the categories above.

Unrestricted net position is not subject to external restrictions; however, the University's unrestricted net position has been internally designated for specific purposes or for contractual purchase obligations. This category includes amounts set aside for auxiliaries, academic and research programs, reserves, and capital projects.

Note 18 - The Ohio University Foundation

Organization and Operation

The Ohio University Foundation (the "Foundation") was incorporated in Ohio in October 1945 to support the educational undertakings of 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.

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

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

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

Summary of Significant Accounting Policies

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

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

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

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

Pledges Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using an assumed inflation rate at the time the pledge is made. The discount rate utilized was 4.86 and 4.92 percent for the years ended June 30, 2014 and 2013, respectively. Amortization of the discounts is included in contribution revenue. Unconditional promises to give, which are silent as to the due date, are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

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

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

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

Income from Investments – All investment income in the form of interest and dividends is credited to unrestricted net assets unless otherwise designated by the donor. All capital appreciation/depreciation earned on permanently restricted, temporarily restricted, and unrestricted investments is credited to unrestricted net assets unless otherwise restricted by the donor or by state law.

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

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

Annually, or more frequently if events or circumstances change, a determination is made by management to ascertain whether property and equipment and intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, the Foundation will recognize an impairment loss in an amount necessary to write down the assets to a fair value as determined from expected future discounted cash flows. Based upon its most recent analysis, the Foundation has determined that no impairment to the carrying value of its long-lived assets existed at June 30, 2014 and 2013.

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 $23,904,650 and $10,223,165 in cash that was uninsured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2014 and 2013, respectively.

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

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

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

Income Taxes – The Internal Revenue Service has determined that the Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated income. The provision for income taxes for the Inn, including deferred tax expenses, totaled $308,849 and $194,233 for the years ended June 30, 2014 and 2013, respectively. The provision is mostly comprised of federal and city taxes. Of these amounts, $210,587 and $115,471 represent current tax expense for the years ended June 30, 2014 and 2013, respectively. The deferred taxes are a result of differences between book and tax depreciation and are presented as long-term other liabilities on the statements of financial position.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and to recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2014 and 2013, 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, 2011.

Fair Value of Financial Instruments – The carrying values of the Foundation's financial instruments in the accompanying consolidated statements of financial position approximate their respective estimated fair value at June 30, 2014 and 2013.

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

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

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

Net Assets

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

Unrestricted net assets as of June 30, 2014 and 2013 are available for the following purposes:

	2014	2013
Designated:		
Board-designated 1804 grants	$ 9,050	$ 92,011
Designated underwater accounts	(569,243)	(648,358)
Subtotal designated	(560,193)	(556,347)
Undesignated:		
The Inn	4,256,854	3,673,949
Housing	(412,650)	(997,451)
Other	(351,497)	(3,333,748)
Subtotal undesignated	3,492,707	(657,250)
Total unrestricted net assets	$ 2,932,514	$ (1,213,597)

Temporarily Restricted Net Assets – Temporarily restricted net assets consist of funds that are restricted for a specific use or time determined by the donor. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions when the restrictions are satisfied either by the passage of time or by actions of the Foundation. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

Temporarily restricted net assets as of June 30, 2014 and 2013 are available for the following purposes:

	2014	2013
Academic support	$ 15,769,107	$ 13,608,421
Alumni relations	275,208	242,530
Fundraising and development	837,161	656,757
Institutional support	13,174,063	11,831,713
Instruction and departmental research	230,135,953	201,076,911
Intercollegiate athletics	2,572,565	1,961,953
Public service	635,306	467,460
Research	2,061,759	1,742,620
Student aid	67,026,056	53,038,090
Student services	2,255,946	1,722,353
Total	$ 334,743,124	$ 286,348,808

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

Permanently restricted net assets as of June 30, 2014 and 2013 are available for the following purposes:

	2014	2013
Academic support	$ 8,819,357	$ 10,569,687
Alumni relations	80,246	98,067
Fundraising and development	85,130	76,843
Institutional support	3,430,066	3,397,541
Instruction and departmental research	76,966,181	71,643,577
Intercollegiate athletics	1,727,067	1,731,020
Public service	364,768	360,793
Research	1,198,798	1,188,095
Student aid	83,816,781	77,013,240
Student services	2,841,194	2,772,902
Total	$ 179,329,588	$ 168,851,765

Pledges Receivable

Amounts included in pledges receivable for unconditional promises to give at June 30, 2014 and 2013 are as follows:

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

At June 30, 2013	Temporarily Restricted	Permanently Restricted	Total
Gross amounts due in:			
Less than one year	$ 5,234,880	$ 4,390,561	$ 9,625,441
One to five years	4,407,008	7,106,705	11,513,713
More than five years	204,433	1,000	205,433
Gross pledges receivable	9,846,321	11,498,266	21,344,587
Less allowance for uncollectible pledges	(2,210,985)	(2,581,928)	(4,792,913)
Less discount to present value	(386,105)	(742,129)	(1,128,234)
Total pledges receivable - Net	$ 7,249,231	$ 8,174,209	$ 15,423,440

The allowance for uncollectible contributions is a general valuation based on the percentage of prior years' pledge write-offs. Specific pledges deemed uncollectible are charged against the allowance for uncollectible pledges in the period in which the determination is made. Both the general allowance and the specific write-offs are reported as the loss on fair value of pledges receivable in the statement of activities.

As of June 30, 2014, the Foundation has approximately $51 million in numerous outstanding pledges that are considered to be intentions to give and are contingent upon future events. These pledges are not accrued as pledges receivable or recognized as revenue because they do not represent unconditional promises to give. It is not practicable to estimate the ultimate realizable value of these commitments or the period over which they might be collected.

Fair Value Measurements

The Foundation's investments include endowed funds, as well as a portion of working capital funds. The Foundation's investment policy provides that the long-term objective of the investment pool is to maximize the real return, or the nominal return less inflation, of the assets over a complete market cycle with emphasis on preserving capital and reducing volatility through prudent diversification. Further, the investment strategy seeks to provide real growth of assets in excess of endowment spending requirements plus inflation. The asset allocation of the Foundation's investments at June 30, 2014 and 2013 is summarized in the following table:

Fair Value and Cost of Investments at June 30, 2014 and 2013

	June 30, 2014		June 30, 2013	
	Fair Value	Cost	Fair Value	Cost
Fixed-income investments:				
Money market mutual funds	$ 13,896,973	$ 13,896,973	$ 21,113,517	$ 21,113,517
Bonds and bond mutual funds	45,573,257	43,729,713	40,300,495	39,188,554
TIPS mutual funds	14,976,295	14,664,585	12,073,226	11,814,984
Subtotal fixed income	74,446,525	72,291,271	73,487,238	72,117,055
Public equity investments:				
Domestic large-cap equity	97,867,695	76,716,119	91,589,917	75,039,493
Domestic small-cap equity	10,407,808	8,457,050	9,362,263	7,542,023
REITs	4,957,238	4,315,094	730,519	722,448
Developed international equity	96,971,097	74,196,039	89,133,259	78,253,139
Emerging markets international equity	44,240,624	33,634,339	30,123,093	23,996,460
Commodities	24,269,916	22,031,336	22,159,516	23,843,737
Subtotal public equity	278,714,378	219,349,977	243,098,567	209,397,300
Alternative investments:				
Commodities	9,211,309	11,358,018	8,845,589	12,254,000
Hedge funds	64,993,331	58,065,644	45,497,617	51,330,119
Private equity funds	18,967,577	18,700,327	23,863,532	15,806,438
Private real estate funds	8,486,977	8,262,406	10,880,456	9,480,533
Venture capital funds	4,493,654	4,140,623	4,702,302	3,961,005
Subtotal alternative investments	106,152,848	100,527,018	93,789,496	92,832,095
Total investments	$ 459,313,751	$ 392,168,266	$ 410,375,301	$ 374,346,450

The Foundation reports investments and split-interest agreements at estimated fair value, in accordance with the fair value hierarchy prescribed by Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. The framework for determining fair value is based on a hierarchy that prioritizes the valuation techniques and inputs used to measure fair value, as follows:

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

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

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

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the least observable input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The Foundation's fair value assets and liabilities, by level, at June 30, 2014 and 2013 are summarized in the following tables:

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

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

Assets Measured at Fair Value on the Recurring Basis at June 30, 2013

		Fair Value at Reporting Date Using		
	June 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Fixed-income investments:				
Money market mutual funds	$ 21,113,517	$ 21,104,883	$ 8,634	$ -
Bonds and bond mutual funds	40,300,495	37,342,273	2,958,222	-
TIPS mutual funds	12,073,226	12,073,226	-	-
Subtotal fixed income	73,487,238	70,520,382	2,966,856	-
Public equity investments:				
Domestic large-cap equity	91,589,917	91,589,917	-	-
Domestic small-cap equity	9,362,263	9,362,263	-	-
REITs	730,519	730,519	-	-
Developed international equity	89,133,259	89,133,259	-	-
Commodities	22,159,516	22,159,516	-	-
Emerging markets international equity	30,123,093	18,194,911	11,928,182	-
Subtotal public equity	243,098,567	231,170,385	11,928,182	-
Alternative investments:				
Commodities (1)	8,845,589		-	8,845,589
Absolute return funds (2)	53,634,717	-	-	53,634,717
Private equity funds (3)	15,726,432	-	-	15,726,432
Private real estate funds (4)	10,880,456	-	-	10,880,456
Venture capital funds (5)	4,702,302	-	-	4,702,302
Subtotal alternative investments	93,789,496	-	-	93,789,496
Total investments	$ 410,375,301	$ 301,690,767	$ 14,895,038	$ 93,789,496
Split-interest Agreements Assets				
Charitable gift annuities	$ 2,380,660	$ 1,562,552	$ 818,108	$ -
Charitable trusts (6)	17,196,625	15,896,894	478,479	821,252
Total split-interest agreements	$ 19,577,285	$ 17,459,446	$ 1,296,587	$ 821,252
Total fair value measurements	$ 429,952,586	$ 319,150,213	$ 16,191,625	$ 94,610,748

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

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

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

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

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

(6) Level 1 and Level 2 assets represent the Foundation's interest in trusts in which the Foundation is the trustee. Level 3 assets represent 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 liabilities based upon the present value of the expected future cash flows using management's best estimates of key assumptions including life expectancies of annuitants, payment periods, and a discount rate commensurate with the current market and other risks involved. Significant changes in these key assumptions would result in a significantly lower or higher fair value measurement.

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

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the beginning of the reporting period. For the fiscal years ended June 30, 2014 and June 30, 2013, there were no transfers between levels of the fair value hierarchy.

Additional information on the changes in Level 3 assets is summarized in the tables below as of June 30, 2014 and 2013:

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

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

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

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

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Year Ended June 30, 2013

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
		Alternative Investments	
	Total Level 3 Investments	Commodities	Hedge Funds
Beginning balance	$ 91,863,930	$ 9,504,659	$ 49,180,019
Gains (losses) included in changes in net assets:			
Realized gains (losses)	1,826,679	(3,322)	(605,756)
Unrealized gains (losses)	3,840,731	(654,164)	5,523,879
Total gains (losses)	5,667,410	(657,486)	4,918,123
Purchases and sales:			
Purchases	14,548,625	56,859	11,762,720
Sales	(18,290,469)	(58,443)	(12,226,145)
Total purchases and sales	(3,741,844)	(1,584)	(463,425)
Ending balance	$ 93,789,496	$ 8,845,589	$ 53,634,717

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)		
	Alternative Investments (Continued)		
	Private Equity Funds	Private Real Estate Funds	Venture Capital Funds
Beginning balance	$ 17,146,101	$ 11,474,746	$ 4,558,405
Gains (losses) included in changes in net assets:			
Realized gains	2,029,510	347,534	58,713
Unrealized losses	(818,764)	(29,671)	(180,549)
Total gains (losses)	1,210,746	317,863	(121,836)
Purchases and sales:			
Purchases	1,288,448	1,068,114	372,484
Sales	(3,918,863)	(1,980,267)	(106,751)
Total purchases and sales	(2,630,415)	(912,153)	265,733
Ending balance	$ 15,726,432	$ 10,880,456	$ 4,702,302

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)
	Split-interest Agreements
	Charitable Trust Assets
Beginning balance	$ 787,352
Change in value of split-interest agreements included in changes in net assets:	
Change in actuarial estimate	33,900
Total change in value	33,900
Ending balance	$ 821,252

Investments in Entities that Calculate Net Asset Value per Share

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

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

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

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

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

Level 2 and Level 3 Investments Reported at Net Asset Value at June 30, 2013

	Fair Value	Redemption Frequency	Redemption Notice Period	Estimated Termination Date (Fiscal Year)	Unfunded Commitment
Fixed-income investments:					
Money market mutual funds (Level 2)	$ 8,634	daily	none	not applicable	$ -
Bonds and bond mutual funds (Level 2)	1,672,279	daily	1 day	not applicable	-
Subtotal fixed income	1,680,913				-
Public equity investments:					
Emerging markets international equity mutual funds (Level 2)	11,928,182	monthly	30 days	not applicable	-
Subtotal public equity	11,928,182				-
Alternative investments:					
Commodities (Level 3)	8,845,589	monthly	10 - 30 days	not applicable	-
Absolute return funds (Level 3)	53,634,717	quarterly	60 - 95 days	not applicable	-
Private equity funds (Level 3)	15,726,432	not liquid	not liquid	2013 - 2022	16,468,825
Private real estate funds (Level 3)	10,880,456	not liquid	not liquid	2013 - 2018	500,502
Venture capital funds (Level 3)	4,702,302	not liquid	not liquid	2013 - 2014	442,598
Subtotal alternative investments	93,789,496				17,411,925
Total investments	$ 107,398,591				$ 17,411,925

Donor- and Board-restricted Endowments

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

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

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to distribute or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

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

(3) General economic conditions

(4) The possible effect of inflation and deflation

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

(6) Other resources of the Foundation

(7) The investment policies of the Foundation

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

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

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

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ (648,358)	$ 129,236,725	$ 157,859,625	$ 286,447,992
Board-designated (quasi) endowment created with donor-restricted funds	-	92,166,008	-	92,166,008
Total funds	$ (648,358)	$ 221,402,733	$ 157,859,625	$ 378,614,000

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Market value - Beginning of the year	$ (290,619)	$ 195,422,276	$ 152,083,400	$ 347,215,057
Net realized and unrealized gains and losses and investment income	(357,739)	41,093,134	439,853	41,175,248
Contributions	-	-	5,336,372	5,336,372
Spending policy transfer	-	(10,406,944)	-	(10,406,944)
Transfers (from) to board - designated endowments	-	(16,660)	-	(16,660)
Administrative fee	-	(4,689,073)	-	(4,689,073)
Market value - End of the year	$ (648,358)	$ 221,402,733	$ 157,859,625	$ 378,614,000

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the contributed value that the donor or UPMIFA requires the Foundation to retain as the corpus. These funds are known as “underwater accounts.” In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $569,243 and $648,358 as of June 30, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations and allowable distributions made over time.

Return Objectives and Risk Parameters - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the long-term purchasing power of the endowment assets. Endowment assets include donor-restricted funds that are held in perpetuity or for donor-specified periods, as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to outperform, over rolling 12-quarter periods, a composite benchmark of appropriately weighted indices, while maintaining acceptable risk levels. The Foundation anticipates the endowment funds will provide an average rate of return of approximately 7.8 percent annually, gross of investment management fees of approximately 0.8 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, 2014, the Foundation's spending policy stipulated that 6 percent of a three-year moving average of the market value of the endowment was available to spend, with 2 percent of the amount being set aside to support the Foundation's administrative expenses. The spending rate applied to all endowment accounts except underwater accounts, where spending was limited to 1 percent of a three-year moving average of the market value. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow the endowment to grow at an average of 1.6 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.

Property and Equipment

As of June 30, 2014 and 2013, property and equipment are as follows:

	2014	2013
Land	$ 2,705,054	$ 2,455,998
Land improvements	800,628	829,229
Building and building improvements	40,321,700	40,084,104
Furnishings, fixtures, and equipment	5,968,122	5,339,174
Construction in progress	5,090	-
Subtotal	49,800,594	48,708,505
Less accumulated depreciation and amortization	(20,025,463)	(18,823,046)
Property and equipment - Net	$29,775,131	$29,885,459

Total depreciation expense of $1,653,590 and $1,509,232 was recorded in fiscal years 2014 and 2013, respectively.

Support from Ohio University

During 2014 and 2013, the University paid certain payroll costs amounting to

$4,698,590 and $5,436,801, 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 2014 or 2013.

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, 2014 and 2013 ranged from 1.2 to 9.4 percent.

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

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

In instances where the donor has not specifically reserved the right to change the remainderman, and the Foundation serves as the trustee, the Foundation will recognize the fair market value of the assets of the trust, as well as a liability for the net present value of future payments to be distributed by the Foundation to the donor or his/her designated beneficiaries. The amount of the contribution is the difference between the asset and liability at the inception of the trust. The Foundation uses the IRS discount rate, or Applicable Federal Rate, to determine net present value of the liability. This rate is published monthly and represents the annual rate of return that the IRS assumes the gift assets will earn during the gift term. The discount rate for each charitable remainder trust is established at the beginning of the agreement. The discount rate applied to charitable remainder trusts held at June 30, 2014 and 2013 ranged from 2.4 to 8.2 percent.

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

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

Lead Trusts - Charitable lead trusts provide an income stream to the Foundation for a set period of time established by the donor. The income stream is recorded at the net present value of the payments. Once the set period of time ends, the Foundation will no longer receive the income stream and the remaining principal is transferred back to the donor. If the Foundation serves as trustee, an asset and a liability will be recorded for the trust. The asset is booked at the fair market value. The liability is recorded at fair market value less the net present value of the income stream. If the Foundation does not serve as trustee, only the asset, at the net present value of the income stream, will be recorded for the trust. The Foundation uses the IRS discount rate, or Applicable Federal Rate, to determine net present value of the income stream. This rate is published monthly and represents the annual rate of return that the IRS assumes the gift assets will earn during the gift term. The discount rate for each charitable lead trust is established at the beginning of the agreement. The discount rate applied to the lead trusts held at June 30, 2014 and 2013 ranged from 1.05 to 5.00 percent.

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

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

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

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, 2014 and 2013 are summarized below:

	2014	2013
Revenue	$ 5,479,088	$ 4,838,051
Operating and general expenses	4,040,226	3,754,778
Depreciation and amortization	540,184	493,850
Interest expense - Net	19,266	33,048
Provision for income taxes	308,849	194,233
Total expenses	4,908,525	4,475,909
Net income	570,563	362,142
Unrealized gains (losses)	12,342	(46,757)
Change in net assets	$ 582,905	$ 315,385

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

In fiscal years 2014 and 2013, base management fees incurred by the Inn with respect to the Manager were $100,000 per year and incentive fees were $193,174 and $136,887, respectively.

Property and Equipment – Property and equipment of the Inn as of June 30, 2014 and June 30, 2013 consists of the following:

	2014	2013
Land	$ 197,300	$ 197,300
Land improvements	800,628	829,229
Buildings	6,879,593	6,872,143
Furnishings, fixtures, and equipment	4,027,661	3,781,669
Construction in progress	5,090	-
Total property and equipment	11,910,272	11,680,341
Less accumulated depreciation and amortization	(7,653,816)	(7,566,904)
Net property and equipment	$ 4,256,456	$ 4,113,437

Debt Obligations – Long-term debt of the Inn as of June 30, 2014 and June 30, 2013 consists of the following:

	2014	2013
Term loan - Principal due through June 2021, interest at 3.31 percent through June 2016 and adjusted thereafter	$ 2,325,000	$ 2,582,400
Less current portion of long-term debt	(273,800)	(257,400)
Total	$ 2,051,200	$ 2,325,000

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.

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

Maturities of long-term debt at June 30, 2014 are set forth in the following schedule:

Years Ending June 30	Amount
2015	$ 273,800
2016	291,300
2017	309,900
2018	329,600
2019	350,500
Thereafter	769,900
Total	$ 2,325,000

The fair value of the debt obligations approximates the carrying value at June 30, 2014 and 2013.

Housing for Ohio, Inc.

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

Operations – Housing's operations for the years ended June 30, 2014 and 2013 are summarized below:

	2014	2013
Revenue	$3,297,038	$3,448,559
Operating and general expenses	1,306,370	1,340,422
Depreciation and amortization	824,629	748,904
Interest expense and bond fees	283,294	592,138
Tax and insurance	297,944	208,658
Total expenses	2,712,237	2,890,122
Change in net assets	$ 584,801	$ 558,437

Property and Equipment – Property and equipment of Housing as of June 30, 2014 and June 30, 2013 consists of the following:

	2014	2013
Student housing facility and improvements	$ 27,329,935	$ 27,206,322
Furnishings and equipment	1,561,688	1,403,851
Total property and equipment	28,891,623	28,610,173
Less accumulated depreciation	10,335,170	9,559,484
Net property and equipment	$ 18,556,453	$ 19,050,689

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

The average interest rate for the years ended June 30, 2014 and 2013 were 0.06 percent and 0.14 percent, respectively, and the actual interest rates at June 30, 2014 and 2013 were 0.06 and 0.08 percent, respectively.

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

Principal payments for the bonded debt for the years subsequent to June 30, 2014 are summarized as follows:

Years Ending June 30	Principal
2015	$ 865,000
2016	910,000
2017	960,000
2018	1,010,000
2019	1,065,000
Thereafter	20,340,000
Total	$ 25,150,000

Debt issuance costs are included in property on the consolidated statements of financial position and are amortized over the term of the 2000 Bonds. Amortization was $26,158 during each of the years ended June 30, 2014 and 2013.

Additionally, Housing has an outstanding promissory note to the Project's developer in the original amount of $700,000. The note is payable in 10 annual installments of $70,000 through June 2014. The payment terms are predicated on the Project's current management company remaining the manager of the Project. In the event that the current management company's services are terminated prior to the final payment, the remaining balance shall become immediately due and payable. There is no interest accruing on the note, and management of Housing believes that the present value discount of future payments and the calculation of imputed interest on this note are not significant to the consolidated financial statement. In March 2012, Housing was notified by a financial institution that the developer had listed the remaining installment payments as collateral on a loan with that financial institution. The notification advised that all subsequent payments were to be made to that financial institution. Although a payment was due June 1, 2013, Housing was in the process of negotiating a settlement of all payments with the financial institution, and the outstanding promissory note balance was $210,000 on June 30, 2013. During September 2013, Housing and the financial institution reached a settlement agreement and the $210,000 balance was paid in full.

Supplementary Information

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

Independent Auditor's Report

To Management and the Board of Trustees
Ohio University

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 financial statements of Ohio University, a component unit of the State of Ohio, and its discretely presented component unit, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's financial statements, and have issued our report thereon dated October 9, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University'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.

To Management and the Board of Trustees
Ohio University

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ohio University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Plante & Moran, PLLC

October 9, 2014

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Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees
Ohio University

Report on Compliance for Each Major Federal Program

We have audited Ohio University's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Ohio University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ohio University's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ohio University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ohio University's compliance.

Opinion on Each Major Federal Program

In our opinion, Ohio University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

To the Board of Trustees
Ohio University

Report on Internal Control Over Compliance

Management of Ohio University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ohio University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

October 9, 2014

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
STUDENT AID CLUSTER			
DEPARTMENT OF EDUCATION			
Direct Programs:			
Federal Supplemental Educational Opportunity Grants	84.007	P007A133342	$ 1,085,044
Federal Work-Study Program	84.033	P033A133342	976,880
Federal Perkins Loans Outstanding	84.038	UNKNOWN	8,686,915
Federal Pell Grant Program	84.063	P063P120345	12,197
Federal Pell Grant Program	84.063	P063P130345, P063P140345	40,059,171
Federal Direct Student Loan	84.268	P268K140345, P268K150345, P268K146641, P268K156641	209,362,553
TEACH Grant	84.379	P379T140345	640,997
Total Department of Education			260,823,757
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
Primary Care Loans (HPSL) Outstanding	93.342	UNKNOWN	907,706
Disadvantaged Student Loans Outstanding	93.342	UNKNOWN	2,041,455
Total Department of Health and Human Services			2,949,161
TOTAL STUDENT AID CLUSTER			**263,772,918**
RESEARCH AND DEVELOPMENT CLUSTER			
APPALACHIAN REGIONAL COMMISSION			
Direct Programs:			
Wind Energy Feasibility Study	23.009	OH-16259-09	(9,821)
Total Appalachian Regional Commission			(9,821)
DEPARTMENT OF AGRICULTURE			
Direct Programs:			
US Department of Agriculture	10.001	58-1235-8-160	110
US Department of Agriculture	10.001	58-1230-2-490,58-1230-3-500	16,398
US Department of Agriculture	10.206	2009-35320-05623	2,824
US Department of Agriculture	10.961	58-3148-1-166	23,558
US Department of Agriculture	10.XXX	10-CR-11242302-056	106
US Department of Agriculture	10.XXX	11-JV-11242309-117	17,213
US Department of Agriculture	10.XXX	12-JV-11242309-018	987
Total US Department of Agriculture			61,196
DEPARTMENT OF DEFENSE			
Direct Programs:			
US Army			
US Army RDECOM Acquisition Center	12.431	W911NF-11-1-0358	50,165
US Army Construction Engineering Research Laboratory	12.630	W9132T-09-1-0001	165,612
US Army Construction Engineering Research Laboratory	12.630	W9132T-12-2-0006	50,145
US Army CORP of Engineers	12.XXX	W912DR-13-P-0083	33,115
US Army CORP of Engineers	12.XXX	W912DR-14-P-0053	8,431
			307,468
Defense Threat Reduction Agency			
Defense Threat Reduction Agency	12.351	HDTRA1-09-1-0059	52,643
Air Force Institute of Technology	12.800	FA8601-12-P-0345	21,600
Air Force Institute of Technology	12.XXX	FA8601-09-P-0307	22,407
Subtotal Direct Programs			404,118
Pass-Through Programs From:			
Boise State University	12.351	HDTRA1-11-1-0055	3,101
William Marsh Rice University	12.431	W911NF-12-1-0407	150,258
The Design Knowledge Company	12.800	Unknown	212
Dayton Area Graduate Studies Institute	12.XXX	Unknown	(1,377)
Infoscitex (IST)	12.XXX	FA8650-09-D-3900	227,269
Miami University	12.XXX	Unknown	4,807
Ohio State University	12.XXX	FA8650-08-D-1451	293,970
Ohio State University	12.XXX	W912HQ-09-C-0004	28,356
Performance Polymer Solutions Inc	12.XXX	HQO147-12-C-7732	25,772
Science Applications International Corporation	12.XXX	N00019-02-C-3002	38,263
Subtotal Pass-Through Programs			770,631
Total Department of Defense			1,174,749
DEPARTMENT OF EDUCATION			
Direct Programs			
US Department of Education	84.324A	R324A120272	467,750
Subtotal Direct Programs			467,750
Pass-Through Programs			
Lehigh University	84.324	R324C080006	25,946
University of South Carolina	84.324	R324A120003	298,008
Ohio State University	84.350C	U350C110001	12,307
ARRA-Ohio State University	84.395A	ARRA-CSP905512	159,257
ARRA-Ohio State University	84.395A	ARRA-CSP905512	354
ARRA-Ohio State University	84.395A	ARRA-CSP905512	12,500
Subtotal Pass-Through Programs			508,372
Total Department of Education			976,122

See Notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (cont.)			
DEPARTMENT OF ENERGY			
Direct Programs:			
US Department of Energy	81.049	DE-FG02-93ER40756	$ 354,106
US Department of Energy	81.049	DE-FG02-88ER40387	320,032
US Department of Energy	81.049	DE-FG02-02ER46012	161,526
US Department of Energy	81.049	DE-FG02-06ER46317	173,762
US Department of Energy	81.049	DE-SC0004084	94,885
US Department of Energy	81.087	DE-EE0003666	8,594
US Department of Energy	81.112	DE-NA0001837	227,806
US Department of Energy	81.214	DE-EM0000357	151,985
Subtotal Direct Programs			1,492,696
Pass-Through Programs From:			
National Nanomaterials Inc	81.049	DE-SC0011351	15,303
AMD Advanced Research, LLC	81.123	DE-AC52-07NA27344	9,818
Bio2electric	81.135	DE-AR0000327	40,266
Brookhaven National Laboratory	81.XXX	DE-AC02-98CH10886	3,598
Jefferson Science Associates, LLC	81.XXX	DE-AC05-06OR23177	24,036
Jefferson Science Associates, LLC	81.XXX	UNKNOWN	5,000
Lawrence Livermore National Laboratory	81.XXX	DE-AC52-07NA27344	45,890
Los Alamos National Laboratory	81.XXX	DE-AC52-06NA25396	48,577
Research Partnership To Secure Energy For America	81.XXX	DE-AC26-07NT43677	695,829
Subtotal Pass-Through Programs			888,317
Total Department of Energy			2,381,013
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
National Institute of Health			
National Institute of Health	93.173	R01DC010883	460,645
National Institute of Health	93.213	R01AT006978	304,444
National Institute of Health	93.242	R01MH082864	203,977
National Institute of Health	93.389	R21 RR032366-01 / R21 GM103494-02	127,516
National Institute of Health	93.393	R01CA086928	27,471
National Institute of Health	93.396	R15CA161830	101,246
National Institute of Health	93.846	1R21AR064430-01A1	17,440
National Institute of Health	93.853	1R15NS081629-01A1	59,521
National Institute of Health	93.855	1R15AI103887-01A1	137,001
National Institute of Health	93.859	R01GM073188	138,223
National Institute of Health	93.879	G13LM010878	31,808
National Institute of Health	93.989	D43TW008261	164,590
			1,773,882
Health Resources and Services Administration			
Health Resources and Services Administration	93.912	D06RH26831-01-00	18,516
Subtotal Direct Programs			1,792,398
Pass-Through Programs From:			
University of Washington	93.155	6 U1CRH03712-09	3,000
Harvard University	93.173	R01 DC002290	2,570
University of Georgia	93.242	7R01MH087462-04	11,465
Fordham University	93.279	R25-DA031608	9,984
Baylor College of Medicine	93.394	R21CA158917	31,867
Brigham and Women's Hospital	93.837	5U01HL101422-02	5,116
Board of Trustees University of Alabama	93.847	1R21DK096201-01A1	6,377
The Trustees of Indiana University	93.847	R18DK092765	185,865
New Jersey Institute of Technology	93.853	5R01-NS083319-03	28,286
University of Florida	93.853	1R01-NS083319-01	6,835
Southern Illinois University	93.866	5PO1AG031736	217,374
The Trustees of Indiana University	93.866	R21AG039818-02	12,595
University of Rochester	93.866	1 R21 AG041942-01A1, R21 AG041942-02	14,391
Subtotal Pass-Through Programs			535,725
Total Department of Health and Human Services			2,328,123
DEPARTMENT OF JUSTICE			
Direct Programs:			
US Department of Justice	16.560	2010-DE-BX-K002	41,157
Total Department of Justice			41,157
DEPARTMENT OF STATE			
Pass-Through Programs From:			
National Academy of Sciences	19.XXX	S-LMAQM-10-CA-384	98,892
Total Department of State			98,892
DEPARTMENT OF TRANSPORTATION			
Direct Programs:			
Federal Aviation Administration			
Federal Aviation Administration	20.108	09-G-010	289,892
Federal Aviation Administration	20.108	10-G-018	147,781
Federal Aviation Administration	20.108	12-G-004	256,902
Federal Aviation Administration	20.XXX	DTFAAC-09-A-80000	18,417
Federal Aviation Administration	20.XXX	DTFAWA-10-D-00020	422,661
Federal Aviation Administration	20.XXX	DTFAWA-10-D-00020	65,740
Federal Aviation Administration	20.XXX	DTFAWA-10-D-00020	32,965
Federal Aviation Administration	20.XXX	DTFAWA-10-D-00020	122,534
Federal Aviation Administration	20.XXX	DTFAWA-10-D-00020	19,210
Federal Aviation Administration	20.XXX	DTFAWA-10-D-00020	97,935
Federal Aviation Administration	20.XXX	DTFAWA-10-D-00020	140,254
Federal Aviation Administration	20.XXX	DTFAWA-10-D-00020	26,984
Federal Aviation Administration	20.XXX	DTFAWA-10-D-00020	27,837
			1,669,112
US Department of Transportation			
US Department of Transportation	20.724	DTPH56-13-H-CAAP08	25,420
US Department of Transportation	20.XXX	DTFH64-12-G-00075, DTFH64-13-G-00047	5,075
			30,495
Subtotal Direct Programs			1,699,607

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (cont.)			
DEPARTMENT OF TRANSPORTATION (cont.)			
Pass-Through Programs From:			
Thales Defense and Security Inc	20.106	36237.27.10.2	$ 30,694
Engineering & Software Consultants, Inc.	20.200	DTFH61-11D-00009	(3,269)
National Academy of Sciences	20.200	DTFH61-08-H-000035	37,306
Wayne State University	20.200	DTFH61-11-RA-00012	39,093
Tri Environmental	20.514	UNKNOWN	1,432
Engility Corporation	20.XXX	DTRT57-08-D-30012	386,780
ARRA-Beaver Excavating Company	20.XXX	ARRA-UNKNOWN	22,280
Subtotal Pass-Through Programs			514,316
Total Department of Transportation			2,213,923
NATIONAL ENDOWMENT FOR HUMANITIES			
Direct Programs:			
National Endowment for Humanities	45.160	FA-57116-13	50,400
Total National Endowment for Humanities			50,400
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Direct Programs:			
NASA Goddard Space Flight Center	43.001	NNX11AP15G	118,760
NASA Goddard Space Flight Center	43.001	NNX12AE31G	32,676
NASA Goddard Space Flight Center	43.001	NNX12AP20G	2,476
NASA Langley Research Center	43.001	NNX12AP28A	442,823
NASA Shared Services Center	43.003	NNX13AM84G	28,951
NASA Shared Services Center	43.007	NNX13AR39G	25,536
NASA Goddard Space Flight Center	43.XXX	NNX10AC79G	25,437
Subtotal Direct Programs			676,659
Pass-Through Programs From:			
William Marsh Rice University	43.001	NNX12AE43G	36,996
Jacobs Technology Inc	43.XXX	NNM12AA41C	9,424
Ohio Aerospace Institute	43.XXX	UNKNOWN	1,637
Space Telescope Science Institute	43.XXX	NAS5-26555	17,351
Space Telescope Science Institute	43.XXX	HST-GO-12871.07-A	11,947
Space Telescope Science Institute	43.XXX	HST-GO-13330.022-A	3,195
Unisys Corporation	43.XXX	NNL11AA08C / PO#TSM-000599	(695)
Subtotal Pass-Through Programs			79,855
Total National Aeronautics and Space Administration			756,514
NATIONAL SCIENCE FOUNDATION			
Direct Programs:			
National Science Foundation	47.041	CMMI-0926420	3,566
National Science Foundation	47.041	CBET-0933415	23,617
National Science Foundation	47.041	CBET-1039869	5,542
National Science Foundation	47.041	CBET-1106118	108,950
National Science Foundation	47.041	CBET-1126350	983,492
National Science Foundation	47.041	ECCS-1129010	153,597
National Science Foundation	47.041	ECCS-1138749	(715)
National Science Foundation	47.041	CMMI-1235273	58,618
National Science Foundation	47.041	EEC-1242154	75,235
National Science Foundation	47.041	IIP-1265974	13,881
National Science Foundation	47.041	IIP-1362075	37,249
National Science Foundation	47.049	DMR-0902936	3,353
National Science Foundation	47.049	PHY-0969986, PHY-1308299	136,236
National Science Foundation	47.049	DMR-1005525	23,704
National Science Foundation	47.049	PHY-1005578	94,599
National Science Foundation	47.049	DMR-1056493	59,664
National Science Foundation	47.049	AST-1109576	84,846
National Science Foundation	47.049	CHE-1112250	90,032
National Science Foundation	47.049	CHE-1149367	110,194
National Science Foundation	47.049	DMR-1206636	120,066
National Science Foundation	47.049	PHY-1229373	45,399
National Science Foundation	47.049	CHE-1230961	310,974
National Science Foundation	47.049	PHY-0969297	20,109
National Science Foundation	47.049	PHY-1306137	142,711
National Science Foundation	47.049	PHY-0969788	38,495
National Science Foundation	47.049	PHY-1306376	149,381
National Science Foundation	47.049	DMR-1108285	168,212
National Science Foundation	47.050	EAR-0844256	9,072
National Science Foundation	47.050	OCE-1061973	35,438
National Science Foundation	47.050	EAR-1305610	44,162
National Science Foundation	47.050	EAR-1305609	42,123
National Science Foundation	47.050	PLR-1341621	28,468
National Science Foundation	47.050	EAR-1349825	9,965
National Science Foundation	47.070	IIS-1018590	31,353
National Science Foundation	47.070	CCF-1054339	61,682
National Science Foundation	47.070	IIS-1117489	78,547
National Science Foundation	47.074	IOS-0842624	6,094
National Science Foundation	47.074	DEB-0936855	33,792
National Science Foundation	47.074	IOS-0958926	136,976
National Science Foundation	47.074	IOS-0955569	74,222
National Science Foundation	47.074	IOS-1050154	72,447
National Science Foundation	47.074	DBI-1062327	12,827
National Science Foundation	47.074	IOS-1145887	182,154
National Science Foundation	47.074	IOS-1147087	136,043
National Science Foundation	47.074	IOS-1146789	50,532
National Science Foundation	47.074	EF-1206750	65,723
National Science Foundation	47.075	BCS-0921952	55,737
National Science Foundation	47.075	BCS-1010118	1,360
National Science Foundation	47.075	SES-1127710	2,576
National Science Foundation	47.075	BSC-1127164	70,742
National Science Foundation	47.075	BCS-1228258	34,110
National Science Foundation	47.075	BCS-125070	79,127
National Science Foundation	47.076	DUE-0941224	(8,730)
National Science Foundation	47.076	DGE-0947813	371,596
National Science Foundation	47.076	DGE-1060934	37,031
National Science Foundation	47.076	DUE-1154126	182,418
National Science Foundation	47.076	DUE-0833295	60,111

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (cont.)			
NATIONAL SCIENCE FOUNDATION (cont.)			
Direct Programs (cont.):			
National Science Foundation	47.078	ANT-1043576	$ 108,458
National Science Foundation	47.078	ANT-1142104	18,681
National Science Foundation	47.079	OISE-0730257	66,738
National Science Foundation	47.XXX	AST-0956640	26,800
National Science Foundation	47.XXX	IOS-1250620	42,496
ARRA-National Science Foundation	47.082	ARRA-DBI-0845955	21,920
ARRA-National Science Foundation	47.082	ARRA-DMR-0906825	8,746
ARRA-National Science Foundation	47.082	ARRA-DEB-0918681	18,980
ARRA-National Science Foundation	47.082	ARRA-EAR-0922067	10,900
ARRA-National Science Foundation	47.082	ARRA-EAR-0933619	886
ARRA-National Science Foundation	47.082	ARRA-ANT-0944168	8,004
Subtotal Direct Programs			5,391,314
Pass-Through Programs From:			
Nanoridge Materials Inc%	47.041	IIP-1346254	18,782
Ivy Tech Community College	47.076	HRD-1209019	40,383
University of Maine	47.076	HRD-1008498	29,673
University of Alaska Fairbanks	47.078	ANT-0741301	10,619
Subtotal Pass-Through Programs			99,457
Total National Science Foundation			5,490,771
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			**15,563,039**
CHILD NUTRITION CLUSTER			
DEPARTMENT OF AGRICULTURE			
Pass-Through Programs From:			
Ohio Department of Education	10.559	UNKNOWN	15,093
TOTAL CHILD NUTRITION CLUSTER			**15,093**
FISH AND WILDLIFE CLUSTER			
DEPARTMENT OF THE INTERIOR			
Pass-Through Program From:			
Commonwealth of Kentucky Department of Fish and Wildlife	15.605	UNKNOWN	837
TOTAL FISH AND WILD LIFE CLUSTER			**837**
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			
DEPARTMENT OF TRANSPORTATION			
Pass-Through Programs From:			
Cleveland State University	20.205	25199	27,012
Fayette County Engineer's Office	20.205	FAY-CR4-1.60	78,450
Ohio Department of Transportation	20.205	State Job No. 134625	342
Ohio Department of Transportation	20.205	UNKNOWN	186,395
Ohio Department of Transportation	20.205	E120319	11,668
Ohio Department of Transportation	20.205	UNKNOWN	55,422
Ohio Department of Transportation	20.205	UNKNOWN	117,733
Ohio Department of Transportation	20.205	E120972	46,141
Ohio Department of Transportation	20.205	UNKNOWN	228,084
Ohio Department of Transportation	20.205	E131400	58,147
Ohio Department of Transportation	20.205	E131372	22,613
Ohio Department of Transportation	20.205	E131373	63,974
Ohio Department of Transportation	20.205	134881	1,801
Texas A&M University	20.205	25302	50,124
Texas A&M University	20.205	DTFH61-07-H-0009	(650)
The University of Toledo	20.205	25151	16,466
University of Akron	20.205	UNKNOWN	2,329
University of Akron	20.205	25178	51,232
TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			**1,017,283**
SPECIAL EDUCATION (IDEA) CLUSTER			
DEPARTMENT OF EDUCATION			
Pass-Through Programs From:			
Trimble Local School District	84.027	UNKNOWN	22,448
TOTAL SPECIAL EDUCATION (IDEA) CLUSTER			**22,448**
TRIO CLUSTER			
DEPARTMENT OF EDUCATION			
Direct Programs:			
US Department of Education	84.042A	P042A100511-14	321,224
US Department of Education	84.047A	P047A121446-13	361,561
TOTAL TRIO CLUSTER			**682,785**
MEDICAID CLUSTER			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass Though Programs From:			
Ohio State University	93.778	G-1415-07-0060; ODM201409	483,624
Ohio State University	93.778	G-1213-07-0343, G-1415-07-0060	210,000
Ohio State University	93.778	G-1213-07-0343, G-1415-07-0060/ODM201409	99,719
TOTAL MEDICAID CLUSTER			**793,343**
OTHER PROGRAMS			
APPALACHIAN REGIONAL COMMISSION			
Direct Programs:			
Appalachian Regional Commission	23.011	CO-17648-2013	960
Total Appalachian Regional Commission			960

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
OTHER PROGRAMS (cont.)			
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Pass-Through Programs From:			
Ohio Commission on Service and Volunteerism	94.006	12AFH-1502-13-OC068	$ 4,571
Ohio Commission on Service and Volunteerism	94.006	12AFH-1502-14-OC068	244,984
Rural Action Inc	94.XXX	UNKNOWN	800
Total Corporation for National and Community Service			250,355
DEPARTMENT OF AGRICULTURE			
Pass-Through Programs From:			
Ohio State University	10.500	2010-48869-20781	92,733
Ohio State University	10.500	Preaward	39,979
Total Department of Agriculture			132,712
DEPARTMENT OF COMMERCE			
Direct Programs:			
Economic Development Administration	11.302	06-86-05482	80,564
			80,564
Pass-Through Programs From:			
Bowling Green State University	11.303	06-66-04858/04616/04741/04955/05054/05301/05704/05704-02	103,160
Department of Commerce	11.553	51-51-W10606	14,558
Subtotal Pass-Through Programs			117,718
Total Department of Commerce			198,282
DEPARTMENT OF DEFENSE			
Pass-Through Programs From:			
Ohio Development Services Agency	12.002	UNKNOWN	134,310
Ohio Development Services Agency	12.002	UNKNOWN	115,009
Total Department of Defense			249,319
DEPARTMENT OF EDUCATION			
Direct Programs:			
US Department of Education	84.015A	P015A100009	82,674
US Department of Education	84.015B	P015B100009, P015B100009-12, P015B100009-13	251,146
US Department of Education	84.215P	U215P110022	13,571
Subtotal Direct Programs			347,391
Pass-Through Programs From:			
ARRA-Miami University	84.395	ARRA-CSP905812	29,177
ARRA-Ohio Board of Regents	84.395	ARRA-UNKNOWN	303,498
ARRA-Ohio State University	84.395A	ARRA-S395A100070	41,669
Ohio board of regents	84.002	063024-AB-SL-2013	19,443
Ohio board of regents	84.002	063024-AB-SL-2012	35,510
Athens City School District	84.010	UNKNOWN	10,361
Southern Local School District (Perry County)	84.010	UNKNOWN	32,741
Athens City School District	84.287	UNKNOWN	172,458
East Central Ohio ESC	84.287	UNKNOWN	11,167
Federal Hocking Local School District	84.287	6630, 5901	125,511
Federal Hocking Local School District	84.287	UNKNOWN	184,885
Southern Local School District (Perry County)	84.287	UNKNOWN	58,224
Trimble Local School District	84.287	UNKNOWN	85,780
Trimble Local School District	84.287	UNKNOWN	176,015
Gallia-Vinton Educational Service Center	84.366	UNKNOWN	12,727
Ohio Board of Regents	84.367	12.38	50,051
Ohio Board of Regents	84.367	UNKNOWN	120,020
Ohio Board of Regents	84.367	UNKNOWN	33,038
Ohio Board of Regents	84.367	UNKNOWN	26,328
Ohio Dominican University	84.367	12-28	1,915
Athens Meigs Educational Service Center	84.412	2029578	15,550
Bellaire Local School District	84.215E	UNKNOWN	13,981
Wellston City School District	84.215K	UNKNOWN	10,028
Mahoning County Educational Service Center	84.323A	UNKNOWN	8,243
Ohio State University	84.350C	U350C070001	5,803
National Writing Project Corporation	84.376D	UNKNOWN	1,504
Alexander Local School District	84.XXX	UNKNOWN	232
Athens City School District	84.XXX	UNKNOWN	10,341
Bellaire Local School District	84.XXX	UNKNOWN	2,024
Gallia-Vinton Educational Service Center	84.XXX	UNKNOWN	10,649
Gallia-Vinton Educational Service Center	84.XXX	UNKNOWN	2,352
Kratos Technology And Training Solutions, Inc	84.XXX	ED-VAE-11C-0048	36,896
Ohio Board of Regents	84.XXX	11-36	(169)
Subtotal Pass-Through Programs			1,647,952
Total Department of Education			1,995,343
DEPARTMENT OF ENERGY			
Direct Programs:			
US Department of Energy	81.214	DE-EM0000357	116,193
US Department of Energy	81.214	DE-EM0000357	242,502
Subtotal Direct Programs			358,695
Pass-Through Programs From:			
Westside Industrial Retention and Expansion Network	81.087	UNKNOWN	23,321
Jefferson Science Associates, LLC	81.XXX	UNKNOWN	10,000
Subtotal Pass-Through Programs			33,321
Total Department of Energy			392,016
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
Centers for Disease Control			
Centers For Disease Control and Prevention	93.262	1T03OH009841-01A1, 5T03OH009841-02	100,819
Health Resources and Services Administration			
Health Resources and Services Administration	93.247	D09HP09349	(13,195)
Health Resources and Services Administration	93.358	A10HP25166	336,402
Health Resources and Services Administration	93.359	D11HP22202	196,992
			520,199
Subtotal Direct Programs			621,018

See Notes to Schedule of Expenditures of Federal Awards.

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
OTHER PROGRAMS (cont.)			
DEPARTMENT OF HEALTH AND HUMAN SERVICES (cont.)			
Pass-Through Programs From:			
ARRA-Ohio Health Information Partnership (OHIP)	93.718	ARRA-90RC001201	$ 532,109
Buckeye Hills Area Agency on Aging 8%	93.072	90LR0026	889
The University of Toledo	93.107	U77HP23072	98,029
National Rural Health Association	93.155	UA9RH19333	63,444
Ohio Department of Alcohol and Drug Addiction	93.243	UNKNOWN	207,735
Ohio Department of Health	93.243	H79SM059345	777,547
Ohio Department of Mental Health	93.243	3H80 335606	70,596
Fairfield County Family, Adult & Children First CO	93.276	UNKNOWN	2,458
The Center For Appalachian Philanthropy	93.283	U58DP002785	30,247
Ohio Department of Health	93.283	5U58DP000795-04	4,778
Fairfield County Department of Jobs and Family Services	93.601	UNKNOWN	14,052
Ohio Department of Job and Family Services	93.645	UNKNOWN	4,192
Ohio Department of Job and Family Services	93.658	UNKNOWN	13,591
Ohio Department of Job and Family Services	93.658	G1201-OH-1400 and G-1301-OH-1401	23,033
Ohio Department of Job and Family Services	93.659	G1201-OH-1400 and G-1301-OH-1401	11,954
Integrating Professionals For Appalachian Children	93.767	G-1213-07-0477, G-1415-07-0430	25,789
Integrating Professionals For Appalachian Children	93.767	UNKNOWN	42,113
Ohio Department of Job and Family Services	93.778	G1201-OH-1400 and G-1301-OH-1401	478
National AHEC Organization	93.824	HHSH250200900063C	1,459
Trinity Hospital Twin City	93.910	UNKNOWN	196
Trinity Hospital Twin City	93.912	UNKNOWN	3,869
Ohio Department of Health	93.994	UNKNOWN	41,538
Ohio Department of Job and Family Services	94.645	G1201-OH-1400 and G-1301-OH-1401	22,412
Federal Hocking Local School District	93.XXX	UNKNOWN	10,430
Subtotal Pass-Through Programs			2,002,938
Total Department of Health and Human Services			2,623,956
DEPARTMENT OF HOMELAND SECURITY			
Direct Programs:			
Ohio Department of Public Safety	97.036	FEMA-4077-DR-09UAGH2	66,625
Total Department of Homeland Security			66,625
DEPARTMENT OF THE INTERIOR			
Pass-Through Programs From:			
Buckeye Hills -Hocking Valley Regional Development	15.XXX	UNKNOWN	2,308
Total Department of the Interior			2,308
DEPARTMENT OF JUSTICE			
Direct Programs:			
US Department of Justice	16.525	2009-WA-AX-0003	102,177
Pass-Through Programs From:			
Ohio Attorney General's Office	16.575	UNKNOWN	71,953
Ohio Department of Public Safety	16.607	UNKNOWN	1,436
Ohio Department of Rehabilitation and Correction	16.812	UNKNOWN	10,081
Subtotal Pass-Through Programs			83,470
Total Department of Justice			185,647
DEPARTMENT OF LABOR			
Direct Programs:			
US Department of Labor	17.268	HG-22714-12-60-A-39	1,178,753
Total Department of Labor			1,178,753
DEPARTMENT OF STATE			
Direct Programs:			
US Department of State	19.401	S-ECAGD-13-CA-100(CD)	278,032
US Department of State	19.401	S-ECAAE-12-CA-041 (RJ)	3,536
Subtotal Direct Programs			281,568
Pass-Through Programs From:			
Institute of International Education	19.400	S-ECAGD-13-CA-017(MJ)	120,309
Ohio State University	19.408	S-ECAGD13-CA-007(SS)	330,291
Subtotal Pass-Through Programs			450,600
Total Department of State			732,168
DEPARTMENT OF TRANSPORTATION			
Direct Programs:			
DOT- Federal Aviation Administration	20.106	3-39-0006-1710	1,782
DOT- Federal Aviation Administration	20.106	3-39-0006-1812	13,946
Total Department of Transportation			15,728
ENVIRONMENTAL PROTECTION AGENCY			
Direct Programs:			
US Environmental Protection Agency	66.034	XA-83492901	80,089
Pass-Through Programs From:			
Ohio Environmental Protection Agency	66.460	C9975500010 CWA	27,606
Total Environmental Protection Agency			107,695
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Pass-Through Programs From:			
Ohio Aerospace Institute	43.XXX	UNKNOWN	4,332
Ohio Aerospace Institute	43.XXX	UNKNOWN	3,500
Total National Aeronautics and Space Administration			7,832
NATIONAL ENDOWMENT FOR THE ARTS			
Pass-Through Programs From:			
Ohio Humanities Council	45.XXX	GR-M13-05800	1,000
Ohio Arts Council	45.025	UNKNOWN	1,436
Total National Endowment for the Arts			2,436

See Notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
OTHER PROGRAMS (cont.)			
SMALL BUSINESS ADMINISTRATION			
Pass-Through Programs From:			
Ohio Development Services Agency	59.037	UNKNOWN	$ 109,912
Total Small Business Administration			109,912
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT			
Pass-Through Programs From:			
C-Change Program	98.XXX	GPO-A-00-07-00004-00	(608)
Total United States Agency for International Development			(608)
TOTAL OTHER PROGRAMS			8,251,439
GRAND TOTAL FEDERAL AWARDS			$ 290,119,185

See Notes to Schedule of Expenditures of Federal Awards.

Note 4 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Economic Development Support for Planning Organizations	11.302	$ 5,358
Basic, Applied, and Advanced Research in Science and Engineering	12.630	2,698
Highway Planning and Construction	20.205	169,489
Signatures of Relativistic Shock Acceleration in Blazar Emission	43.XXX	25,437
Aerospace Education Services Program	43.001	193,624
Exploration	43.003	8,381
Engineering Grants	47.041	57,638
Mathematical and Physical Sciences	47.049	131,000
Biological Sciences	47.074	13,048
Social, Behavioral, and Economic Sciences	47.075	19,082
Trans-NSF Recovery Act Research Support	47.082	15,212
Fossil Energy Research and Development	81.089	18,000
Renewable Energy Research and Development	81.087	8,594
Fund for the Improvement of Education	84.215P	11,761
Research in Special Education	84.324A	191,205
Research Related to Deafness and Communication Disorders	93.173	239,199
Ohio Strategic Prevention Framework State Incentive Grant (SPF-SIG) Evaluation	93.243	77,292
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	326,028
Health Information Technology Regional Extension Centers Program	93.718	474,000
Biomedical Research and Research Training	93.859	106,528
International Research and Research Training	93.989	120,017
	Total	$ 2,213,591

Note 5 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, in the year ended June 30, 2014, the University expended $119,278 of the 2012-2013 Federal Work Study (FWS) Program (84.033) award carried forward to the 2013-2014 award year. The University also carried forward $58,402 of the 2013-2014 FWS Program (84.033) to be expended in the 2014-2015 award year.

During the year ended June 30, 2014, the University transferred $305,335 of the 2013-2014 FWS Program (84.033) award to the Supplemental Educational Opportunity Grant (SEOG) Program (84.007). In addition, the University expended $57,027 of the 2012-2013 SEOG Program (84.007) award carried forward to the 2013-2014 award year. The University did not carry forward any of the 2013-2014 SEOG Program (84.007) to be expended in the 2014-2015 award year.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ______ Yes __X__ None reported

Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ______ Yes __X__ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ______ Yes __X__ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, and 93.342	Student Financial Aid Cluster
93.778	Medicaid Cluster
84.287	Twenty-First Century Community Learning Centers
84.395, 84.395A	ARRA-Department of Education
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance
17.268	H-1B Job Training Grants

Dollar threshold used to distinguish between type A and type B programs: $790,388

Auditee qualified as low-risk auditee? ______ Yes __X__ No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Corrective Action
2013-001	Student Financial Aid Cluster - Federal Direct Student Loans and Perkins Loan Program - 84.268 and 84.063	Student withdrawal date was not determined within the required time frame.	This issue was remediated in the second quarter of fiscal year 2012-2013.	Due to the transition and implementation of a new student system that went into effect for summer 2011, reports to the National Student Clearinghouse were delayed for fiscal year 2011-2012 and the first quarter of fiscal year 2012-2013. Ohio University submitted data timely for fiscal year 2013-2014.
2013-002	Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.268, 84.038, and 84.379	Title IV refunds were not returned within the required 45 days after a student withdrawal date.	This issue was remediated in the second quarter of fiscal year 2012-2013.	The conversion to a new student system in summer 2011 resulted in a delay in developing reports to identify students subject to the Return to Title IV calculation. Return to Title IV calculations were delayed for fiscal year 2011-2012 and the first quarter of fiscal year 2012-2013. Ohio University prepared the Return to Title IV calculations timely for fiscal year 2013-2014.