# Ohio University

(a component unit of the State of Ohio)

## Financial Statements

for the Years Ended June 30, 2015 and 2014

# 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 basic financial statements of Ohio University (the "University") and its discretely presented component unit as of and for the years ended June 30, 2015 and 2014, 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 in accordance with the standards applicable to financial audits contained in *Governement 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Ohio University as of June 30, 2015 and 2014, 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 basic financial statements, effective July 1, 2014, the University adopted new accounting guidance under Governmental Accounting Standards Board Statement No. 68*, Accounting and Financial Reporting for Pensions.* Statement No. 68 is an amendment to Statement No. 27. In accordance with Statement No. 68, the University is now recognizing its unfunded pension benefit obligation as a liability on the statements of net position for the first time. This statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). Our opinion is not modified with 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 $71,357,380 (12.0 percent of University net position) and $41,313,469 (4.5 percent of University net position) and $102,359,346 (20.0 percent of discretetly presented component unit net position) and $106,152,848 (20.5 percent of discretetly presented component unit net position) at June 30, 2015 and 2014, 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, and the schedule of the university's proportionate share of the net pension liability and the schedule of university contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

To the Board of Trustees
Ohio University

## *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ohio University's basic financial statements. The schedule of expenditures of federal awards is presented for purposes 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 basic financial statements.

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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 8, 2015 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ohio University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 8, 2015

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, 2015, with selected comparative information for the years ended June 30, 2014 and 2013. 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 $1,661.5 million and liabilities of $1,053.6 million at June 30, 2015, compared to assets of $1,383.5 million and liabilities of $474.5 million at June 30, 2014. Net position, which represents the residual interest in the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, totaled $594.7 million at June 30, 2015 as compared to $912.1 million at June 30, 2014. The primary reason for the decrease to net position was the implementation of a new accounting standard, Governmental Accounting Standards Board (GASB) Statement No. 68, which requires the recognition of a liability for the unfunded pension liability from the state retirement systems. The table below represents the activity for the University without the one-time change for the initial recognition of the pension liability.

  Changes in net position represent the University's results for the year and are summarized for the years ended June 30, 2015, 2014, and 2013 as follows:

| (in thousands) | 2015 | 2014 | 2013 |
|---|---|---|---|
| Operating revenues and state appropriations | $ 691,734 | $645,062 | $625,401 |
| Total expenses | 706,750 | 677,961 | 649,794 |
| Net results before items below | (15,016) | (32,899) | (24,393) |
| Net investment income | 2,512 | 28,471 | 13,651 |
| Gifts and other nonoperating revenues, net | 66,162 | 68,788 | 62,107 |
| Increase in net position | 53,658 | 64,360 | 51,365 |
| Less: Amounts related to changes in the unfunded pension liability included in expenses above | (6,080) | - | - |
| Increase in net position without effects of GASB 68 | $ 47,578 | $ 64,360 | $ 51,365 |

- Net pension liability was recorded for $349.1 million in fiscal year 2015. This is the first year of the required implementation of the new accounting standard. This standard requires governments providing defined benefit pensions to recognize their proportionate share of the actuarially determined amount of the unfunded pension benefit obligation as a liability.
- Without the effects of the implementation of the new accounting standard, net position for the University increased $47.6 million during fiscal year 2015 as compared to an increase of $64.4 million in fiscal year 2014. The recognition of the pension liability caused a decrease to beginning unrestricted net position of $371.1 million and an increase to deferred inflows of resources of $16.0 million.
- The unfunded pension liability will change each year resulting from the changes in plan assumptions about economic and demographic factors, differences between actual and expected experience, and differences between actual and expected investment earnings. The current year impact from these factors is an increase to net position of $6.1 million.
- Student tuition and fees increased $11.9 million in fiscal year 2015. This increase was caused by a combination of increased enrollment and tuition increases.
- Investment income decreased $26.0 million in fiscal year 2015. 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 (1.11) percent for fiscal year 2015, underperforming its diversified benchmark of 0.32 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 2.19 percent for fiscal year 2015, outperforming the Barclays U.S. Aggregate Bond Index, which returned 1.86 percent for the same period.
- The University strategically issues debt to finance its facility and infrastructure investments. On November 14, 2014, the University issued a $250 million taxable bond with a final maturity in 100 years. Proceeds from this Century Bond will be used to establish a sustainable approach to investing in the University's buildings and infrastructure.

**Statement of Net Position**

The statement of net position is the University's balance sheet. It reflects the total assets, deferred outflows, liabilities, deferred inflows, 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 and deferred inflows of resources. 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, 2015:

| (in thousands) | 2015 | 2014 | 2013 |
|---|---|---|---|
| Assets: | | | |
| Current assets | $ 387,467 | $ 426,004 | $ 386,890 |
| Capital assets - Net | 909,397 | 765,845 | 687,866 |
| Other assets | 364,640 | 191,634 | 234,375 |
| Total assets | 1,661,504 | 1,383,483 | 1,309,131 |
| Deferred outflows of resources | 2,730 | 3,128 | 3,527 |
| Liabilities: | | | |
| Current liabilities | 133,767 | 135,173 | 107,411 |
| Noncurrent liabilities | 919,832 | 339,319 | 357,488 |
| Total liabilities | 1,053,599 | 474,492 | 464,899 |
| Deferred inflows of resources | 15,979 | - | - |
| Total net position | $ 594,656 | $ 912,119 | $ 847,759 |

- **Assets** - Total assets grew by $278 million as a result of the following changes:

- Noncurrent investments increased by $257.6 million due to the investment of proceeds from the current year taxable bond issue.
- Restricted cash and cash equivalents decreased by $86.3 million due to the continued spending of the prior years' bond funds during fiscal year 2015.
- Capital assets increased by $143.6 million mainly due to increased spending on capital projects.

- **Deferred Outflows of Resources** - The only item in this category is the deferred charge on the refunding of bonds, which is being amortized over the life of the 2003 and 2004 bonds.

- **Liabilities** - Total liabilities increased by $579.1 million as a result of the following changes:
  - Net pension liability was recorded for the first time in fiscal year 2015 as required by GASB 68 for $349.1 million.
  - Long-term debt increased $229.5 million. This increase was related to the new bond issue netted with principal payments on the existing bonds. Please see Note 7 for more information on issuances and repayments of debt.

- **Deferred Inflows of Resources** -The only item in this category is the deferral of items related to the unfunded pension liability. See Note 11 for more information.

- **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, 2015 is displayed as follows:

| (in thousands) | 2015 | 2014 | 2013 |
|---|---|---|---|
| Net Investment in capital assets | $ 595,030 | $ 536,487 | $ 498,855 |
| Restricted: | | | |
| Nonexpendable | 22,296 | 22,364 | 20,036 |
| Expendable | 34,539 | 39,670 | 39,218 |
| Unrestricted | (57,209) | 313,598 | 289,650 |
| Total net position | $ 594,656 | $ 912,119 | $ 847,759 |

Total net position decreased $317.5 million between fiscal year 2014 and 2015. This decrease was mainly due to the recording of the liability for the unfunded pension liability. Although the University is required to record this liability, it will remain an unfunded liability (the University is not setting aside reserve cash balances or budgeting to fund this liability). Without the effects of the current year impact from these factors, the University continues to solidify its financial position as represented by an increase in overall net position of $47.6 million for fiscal year 2015. 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, 2015:

| (in thousands) | 2015 | 2014 | 2013 |
|---|---|---|---|
| Operating revenue | $ 532,706 | $ 493,844 | $ 484,049 |
| Operating expenses | 687,922 | 667,830 | 643,232 |
| Net operating loss | (155,216) | (173,986) | (159,183) |
| Net nonoperating revenue | 190,085 | 218,639 | 201,738 |
| Income - before other revenue | 34,869 | 44,653 | 42,555 |
| Other revenues | 18,789 | 19,707 | 8,810 |
| Increase in net position | 53,658 | 64,360 | 51,365 |
| Adjustments to beginning net position | (371,120) | - | - |
| Net position - End of year | $ 594,656 | $ 912,119 | $ 847,759 |

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

- Operating revenue increased $38.9 million for fiscal year 2015 mainly due to increases in student tuition and fee revenue and increases in auxiliary revenue. Also included in this were revenues from the University's component units University Medical Associates, Inc. and Tech GROWTH Ohio Fund.
- Federal grants and contracts included in the operating revenue category experienced an increase of $0.2 million for fiscal year 2015.
- Operating expenses increased $20.1 million mainly due to increases in student services related to the recording of $11.0 million of expenditures for University Medical Associates, Inc.
- Net nonoperating revenue decreased $28.6 million mainly due to decreases in investment income of $26.0 million and increases in interest expense of $8.6 million. Offsetting that were increases to state appropriations of $7.8 million.
- Other revenues increased $0.9 million comprised of increases to state capital appropriations of $6.6 million offset by decreases to capital gifts of $7.5 million.

One of the University's operational strengths are 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, 2015 is as follows:

| (in thousands) | 2015 | % of Total | 2014 | % of Total | 2013 | % of Total |
|---|---|---|---|---|---|---|
| Student tuition and fees - Net | $ 320,911 | 42.2% | $ 310,136 | 41.8% | $ 306,402 | 43.7% |
| State appropriations | 159,028 | 20.9% | 151,217 | 20.4% | 141,352 | 20.2% |
| Auxiliary enterprises - Net | 104,479 | 13.7% | 90,614 | 12.2% | 84,541 | 12.1% |
| Gifts, grants, and contracts | 63,289 | 8.5% | 66,986 | 9.0% | 64,195 | 9.2% |
| Pell grants | 38,067 | 5.0% | 40,059 | 5.4% | 43,868 | 6.3% |
| Investment income - Net | 2,512 | 0.3% | 28,471 | 3.8% | 13,651 | 1.9% |
| Other sources | 33,977 | 4.5% | 20,585 | 2.8% | 17,700 | 2.5% |
| Sales and services | 14,055 | 1.8% | 16,291 | 2.2% | 14,276 | 1.9% |
| Royalties | 10,133 | 1.3% | 10,585 | 1.4% | 10,238 | 1.5% |
| State capital appropriations | 13,957 | 1.8% | 7,377 | 1.0% | 4,936 | 0.7% |
| Total operating and nonoperating revenues | $ 760,408 | 100.0% | $ 742,321 | 100.0% | $ 701,159 | 100.0% |

Student tuition and fees, the largest of the revenue streams, comprises 42.2 percent of total revenues for fiscal year 2015. This is up from 41.8 percent of total revenue for fiscal year 2014, but down from 43.7 percent from 2013. State appropriations are up $7.8 million for fiscal year 2015. The Ohio Board of Regents implemented a new funding model resulting in an increase for Ohio University.

Other sources increased $13.4 million mainly due to revenues included from the blended component unit, University Medical Associates, Inc.

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, 2015 is as follows:

| (in thousands) | 2015 | % of Total | 2014 | % of Total | 2013 | % of Total |
|---|---|---|---|---|---|---|
| Instruction and departmental research | $ 248,199 | 35.1% | $ 254,676 | 37.6% | $ 252,853 | 38.9% |
| Separately budgeted research | 44,751 | 6.3% | 45,196 | 6.7% | 45,849 | 7.1% |
| Public service | 28,081 | 4.0% | 28,675 | 4.2% | 27,883 | 4.3% |
| Academic support | 79,379 | 11.2% | 77,510 | 11.4% | 67,417 | 10.4% |
| Student services | 51,153 | 7.3% | 41,073 | 6.1% | 36,415 | 5.6% |
| Institutional support | 60,032 | 8.5% | 52,276 | 7.7% | 39,144 | 6.0% |
| Operation and maintenance of plant | 52,841 | 7.5% | 48,950 | 7.2% | 54,199 | 8.3% |
| Student aid | 8,648 | 1.2% | 10,262 | 1.5% | 11,493 | 1.8% |
| Depreciation | 37,919 | 5.4% | 36,429 | 5.4% | 35,151 | 5.4% |
| Auxiliary enterprises | 76,920 | 10.9% | 72,783 | 10.7% | 72,827 | 11.2% |
| Interest on debt | 18,554 | 2.6% | 9,994 | 1.5% | 6,084 | 0.9% |
| Other nonoperating expense | 273 | 0.0% | 137 | 0.0% | 479 | 0.1% |
| Total operating and nonoperating expenses | $ 706,750 | 100.0% | $ 677,961 | 100.0% | $ 649,794 | 100.0% |

The biggest change was the increase of $10.1 million in the student services category. This increase is due to the inclusion of expenditures for the blended component unit, University Medical Associates, Inc.

Student aid decreased $1.6 million between fiscal years 2014 and 2015. 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, 2015 is as follows:

| (in thousands) | 2015 | 2014 | 2013 |
|---|---|---|---|
| Cash (used in) provided by: | | | |
| Operating activities | $ (128,274) | $ (114,771) | $ (78,651) |
| Noncapital financing activities | 200,480 | 208,616 | 189,839 |
| Capital financing activities | 53,552 | (123,754) | 51,801 |
| Investing activities | (247,706) | (38,863) | 202 |
| Net (decrease) increase in cash | (121,948) | (68,772) | 163,191 |
| Cash - Beginning of year | 203,602 | 272,374 | 109,183 |
| Cash - End of year | $ 81,654 | $ 203,602 | $ 272,374 |

### Capital Assets

The University made significant additions to capital during fiscal year 2015. 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 Tupper and Lindley Hall renovations, bringing two buildings back into use that were previously off-line, Alden Library and Stocker Center cooling and sprinkling projects, completion of the final phase of renovations to the Central Food Facility, and the final phases of Bromley Hall renovations.

Major investments to construction in progress, which will greatly enhance the University's assets in fiscal year 2016, include $95.4 million in the Phase I Housing Development project, $14.0 million in the OUHCOM Cleveland Extension Campus, $25.1 million in the Performance Contracting project, and a $7.1 million investment in the initial phases (projects) of the Energy Infrastructure Initiative, a campaign to upgrade/rehabilitate the aged infrastructures that provide steam, heating, cooling, and utilities to the campus overall.

Cumulative costs associated with capital projects continuing after the fiscal year ended June 30, 2015 total approximately $193.0 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, 2015, the University had $543.3 million in bonds and notes outstanding, compared to $310.2 million at the end of 2014. On November 14, 2014, the University issued a $250 million taxable Century Bond with annual interest payments and principal bullet maturity in 2114. The proceeds from the Century Bond will be used to establish a sustainable approach to investing in the University's buildings and infrastructure. Detailed information exists in Note 7 related to borrowings and retirements for fiscal years 2015 and 2014.

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. Both Standard & Poor's and Moody's reaffirmed their long-term credit ratings in November 2014. 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.

Additional debt issuances may be needed in the near future for the purpose of various academic and auxiliary facility needs.

**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:

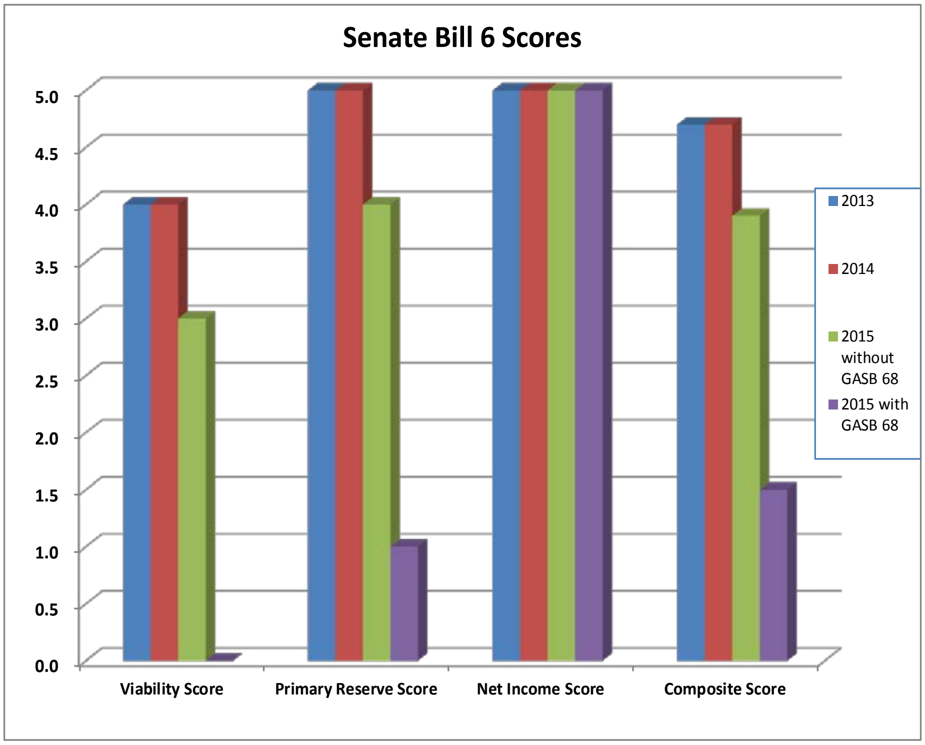
- Viability Ratio = Expendable Net Position/Plant Debt
  - This ratio measures the availability of expendable net position to cover debt should the institution need to settle its obligations as of the balance sheet date.
- Primary Reserve Ratio = Expendable Net Position/Total Operating Expenses
  - This 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.

| Scores | 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.

There are discussions being held by the Ohio Board of Regents to measure the ratios without the effects of the new GASB 68 accounting standard. We have presented the ratios with and without the effects of GASB 68 as summarized below:




The viability ratio, which uses debt as the denominator, has decreased due to the Century Bond issue. The primary reserve ratio decreased due to increased interest payments related to the Century Bond as well as increased operating expenses and a decrease in expendable net position. Overall the composite score decreased from 4.7 to 3.9 without the effects of GASB 68.

**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, 2015 | | June 30, 2014 | |
|---|---|---|---|---|
| | Ohio University | The Ohio University Foundation | Ohio University | The Ohio University Foundation |
| **Assets and Deferred Outflows of Resources** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | $ 67,329,945 | $ 16,833,423 | $ 102,979,491 | $ 21,882,396 |
| Investments | 243,265,210 | 46,275,909 | 249,706,447 | 38,879,567 |
| Accounts and pledges receivable - Net | 61,835,789 | 9,435,972 | 57,504,486 | 7,585,280 |
| Interest and dividends receivable | 345,895 | 79,546 | 491,889 | 43,936 |
| Notes receivable - Net | 1,403,245 | - | 1,296,937 | - |
| Prepaid expenses | 10,302,272 | 1,467,571 | 11,177,537 | 1,310,106 |
| Inventories | 2,985,261 | 41,785 | 2,847,434 | 38,842 |
| Total current assets | 387,467,617 | 74,134,206 | 426,004,221 | 69,740,127 |
| **Noncurrent Assets** | | | | |
| Restricted cash and cash equivalents | 14,323,886 | 4,156,544 | 100,622,917 | 3,883,034 |
| Pledges receivable - Net | - | 10,529,743 | - | 6,465,695 |
| Bequests receivable | - | 2,706,305 | - | 1,168,065 |
| Cash surrender value of life insurance | - | 1,143,126 | - | 1,223,349 |
| Charitable trusts | - | 2,408,258 | - | 18,346,809 |
| Charitable gift annuities | - | 18,167,908 | - | 2,588,573 |
| Investments | 257,736,273 | 5,900,782 | 154,584 | 6,140,205 |
| Endowment investments | 80,602,914 | 400,352,874 | 78,997,943 | 414,293,979 |
| Notes receivable - Net | 11,977,446 | - | 11,857,783 | - |
| Capital assets - Net | 909,396,502 | 29,721,811 | 765,845,039 | 29,775,131 |
| Total noncurrent assets | 1,274,037,021 | 475,087,351 | 957,478,266 | 483,884,840 |
| Total assets | 1,661,504,638 | 549,221,557 | 1,383,482,487 | 553,624,967 |
| **Deferred Outflows of Resources** | | | | |
| Deferred charge on refunding | 2,729,687 | - | 3,128,453 | - |
| Total deferred outflows of resources | 2,729,687 | - | 3,128,453 | - |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | $ 1,664,234,325 | $549,221,557 | $ 1,386,610,940 | $ 553,624,967 |

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

## Statements of Net Position (Continued)

| | June 30, 2015 | | June 30, 2014 | |
|---|---|---|---|---|
| | Ohio University | The Ohio University Foundation | Ohio University | The Ohio University Foundation |
| **Liabilities, Deferred Inflows of Resources, and Net Position** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued liabilities | $ 75,883,839 | $ 2,994,409 | $ 70,978,200 | $ 2,488,452 |
| Unearned revenue | 33,839,326 | - | 34,332,061 | - |
| Deposits and other liabilities | 4,363,211 | 6,507,784 | 10,544,654 | 6,284,076 |
| Long term-debt - Current portion | 18,307,342 | 1,201,300 | 18,061,935 | 1,138,800 |
| Funds held on behalf of others | 1,373,645 | 395,616 | 1,256,863 | 372,213 |
| Total current liabilities | 133,767,363 | 11,099,109 | 135,173,713 | 10,283,541 |
| **Noncurrent Liabilities** | | | | |
| Compensated absences | 18,651,740 | - | 16,372,247 | - |
| Other long-term liabilities | 487,814 | - | 743,471 | - |
| Long-term debt | 544,297,018 | 25,134,900 | 314,808,382 | 26,336,200 |
| Net pension liability | 349,060,791 | - | - | - |
| Refundable advances, federal student loans | 7,333,999 | - | 7,394,403 | - |
| Total noncurrent liabilities | 919,831,362 | 25,134,900 | 339,318,503 | 26,336,200 |
| Total liabilities | 1,053,598,725 | 36,234,009 | 474,492,216 | 36,619,741 |
| **Deferred Inflows of Resources** | | | | |
| Deferred inflows related to pensions | 15,979,336 | - | - | - |
| Total deferred inflows of resources | 15,979,336 | - | - | - |
| **Net Position** | | | | |
| Net investment in capital assets | 595,029,592 | 7,542,155 | 536,486,732 | 6,183,165 |
| Restricted: | | | | |
| Nonexpendable | 22,296,237 | 192,394,581 | 22,364,013 | 179,329,588 |
| Expendable | 34,539,384 | 312,421,371 | 39,670,016 | 328,951,465 |
| Unrestricted | (57,208,949) | 629,441 | 313,597,963 | 2,541,008 |
| Total net position | 594,656,264 | 512,987,548 | 912,118,724 | 517,005,226 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | $ 1,664,234,325 | $549,221,557 | $ 1,386,610,940 | $ 553,624,967 |

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, 2015 and 2014

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Ohio University | The Ohio University Foundation | Ohio University | The Ohio University Foundation |
| **OPERATING REVENUE:** | | | | |
| Student tuition and fees | $ 392,062,045 | $ - | $ 380,145,215 | $ - |
| Less: Pell grants | (32,661,455) | - | (33,496,473) | - |
| Less: Other scholarships | (38,489,391) | - | (36,512,529) | - |
| Net Student tuition and fees | 320,911,199 | - | 310,136,213 | - |
| Auxiliary enterprises | 114,799,222 | - | 101,448,181 | - |
| Less: Pell grants-room and board | (2,328,069) | - | (2,825,662) | - |
| Less: Other scholarships-room and board | (7,992,024) | - | (8,008,265) | - |
| Net Auxiliary enterprises | 104,479,129 | - | 90,614,254 | - |
| Federal grants and contracts | 26,843,597 | - | 26,615,696 | - |
| State and local grants and contracts | 8,633,612 | - | 7,300,853 | - |
| Private grants and contracts | 13,687,059 | - | 11,725,508 | - |
| Royalties | 10,133,481 | - | 10,584,970 | - |
| Sales and services | 14,054,755 | - | 16,290,831 | - |
| Other sources | 33,963,350 | 11,322,787 | 20,575,799 | 12,184,597 |
| Total operating revenue | 532,706,182 | 11,322,787 | 493,844,124 | 12,184,597 |
| **OPERATING EXPENSES:** | | | | |
| Educational and general: | | | | |
| Instruction and departmental research | 248,199,396 | 12,340,204 | 254,675,549 | 9,549,706 |
| Separately budgeted research | 44,750,624 | 621,428 | 45,196,225 | 572,530 |
| Public service | 28,081,220 | 464,248 | 28,675,082 | 311,569 |
| Academic support | 79,378,564 | 1,582,956 | 77,509,564 | 1,412,427 |
| Student services | 51,152,513 | 458,854 | 41,073,453 | 1,144,610 |
| Institutional support | 60,032,232 | 14,992,719 | 52,275,969 | 13,541,728 |
| Operation and maintenance of plant | 52,841,001 | - | 48,949,560 | - |
| Student aid (including Pell grants of $3,077,532 in 2015 and $3,737,036 in 2014 for Ohio University) | 8,647,508 | 5,240,972 | 10,262,608 | 4,459,077 |
| Depreciation | 37,919,010 | 1,838,981 | 36,428,683 | 2,032,528 |
| Auxiliary enterprises | 76,920,143 | - | 72,782,997 | - |
| Operating expenses - Related entities | - | 7,083,015 | - | 6,830,323 |
| Total operating expenses | 687,922,211 | 44,623,377 | 667,829,690 | 39,854,498 |
| OPERATING LOSS | $(155,216,029) | $ (33,300,590) | $(173,985,566) | $ (27,669,901) |

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

## Statements of Revenues, Expenses, and Changes in Net Position (Continued)
## Years Ended June 30, 2015 and 2014

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Ohio University | The Ohio University Foundation | Ohio University | The Ohio University Foundation |
| **NONOPERATING REVENUE (EXPENSES):** | | | | |
| State appropriations | $ 159,027,530 | $ - | $ 151,216,997 | $ - |
| Federal grants - Pell | 38,067,056 | - | 40,059,171 | - |
| Federal grants - other nonexchange | 1,937,952 | - | 2,060,444 | - |
| State and local grants nonexchange | 2,528,416 | - | 2,402,264 | - |
| Private gifts | 4,839,879 | 17,517,462 | 4,560,193 | 9,470,549 |
| University support | - | 4,116,877 | - | 5,166,862 |
| Investment income - Net | 2,511,783 | (6,031,950) | 28,471,319 | 66,392,360 |
| Interest on debt | (18,554,472) | - | (9,993,972) | - |
| Other nonoperating expense | (272,925) | - | (137,416) | - |
| Net nonoperating revenue | 190,085,219 | 15,602,389 | 218,639,000 | 81,029,771 |
| INCOME (LOSS) BEFORE OTHER REVENUE, EXPENSES, GAINS, OR LOSSES | 34,869,190 | (17,698,201) | 44,653,434 | 53,359,870 |
| **OTHER REVENUE, EXPENSES, GAINS, OR LOSSES:** | | | | |
| State capital appropriations | 13,957,113 | - | 7,376,727 | - |
| Capital grants and gifts | 4,819,265 | - | 12,320,018 | - |
| Additions to permanent endowments | 12,382 | 13,680,523 | 9,471 | 9,658,380 |
| Total other revenue | 18,788,760 | 13,680,523 | 19,706,216 | 9,658,380 |
| INCREASE (DECREASE) IN NET POSITION | 53,657,950 | (4,017,678) | 64,359,650 | 63,018,250 |
| **NET POSITION:** | | | | |
| Beginning of year | 912,118,724 | 517,005,226 | 847,759,074 | 453,986,976 |
| Adjustment for change in accounting principle | (371,120,410) | - | - | - |
| Beginning of year, as restated | 540,998,314 | 517,005,226 | 847,759,074 | 453,986,976 |
| End of year | $ 594,656,264 | $ 512,987,548 | $ 912,118,724 | $ 517,005,226 |

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

# Ohio University

## Statements of Cash Flows
## Years Ended June 30, 2015 and 2014

| | Ohio University 2015 | Ohio University 2014 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Student tuition and fees | $ 313,704,802 | $ 319,287,094 |
| Grants and contracts | 44,081,228 | 48,340,009 |
| Payments to suppliers | (157,181,640) | (162,500,029) |
| Payments to or on behalf of employees | (438,857,001) | (404,654,729) |
| Payments for scholarships and fellowships | (32,194,451) | (49,401,957) |
| Loans issued to students | (2,698,558) | (2,473,703) |
| Collection of loans to students | 2,463,741 | 2,693,452 |
| Auxiliary enterprise sales | 102,507,023 | 98,829,362 |
| Royalties | 10,678,481 | 11,225,081 |
| Sales and services | 9,400,738 | 5,303,910 |
| Other receipts | 19,821,218 | 18,580,429 |
| Net cash used in operating activities | (128,274,419) | (114,771,081) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| State appropriations | 159,027,530 | 151,216,997 |
| Gifts and grants for other than capital purposes | 47,385,685 | 49,091,544 |
| Federal direct student loan program receipts | 201,349,108 | 217,312,772 |
| Federal direct student loan program disbursements | (204,386,868) | (209,362,553) |
| Student organization agency transactions | (2,895,199) | 356,863 |
| Net cash provided by noncapital financing activities | 200,480,256 | 208,615,623 |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | |
| Proceeds from capital debt | 250,000,000 | - |
| State capital appropriations | 14,259,346 | 7,244,138 |
| Capital grants and gifts received | 4,895,932 | 12,499,165 |
| Purchases of capital assets | (178,248,238) | (115,440,773) |
| Principal paid on capital debt and leases | (16,862,361) | (14,731,233) |
| Interest paid on capital debt and leases | (20,492,651) | (13,324,947) |
| Net cash provided by (used in) capital financing activities | 53,552,028 | (123,753,650) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sales and maturities of investments | 389,284,843 | 39,981,825 |
| Investment income | 9,763,120 | 7,574,252 |
| Purchase of investments | (646,754,405) | (86,418,997) |
| Net cash used in investing activities | (247,706,442) | (38,862,920) |
| NET DECREASE IN CASH | (121,948,577) | (68,772,028) |
| CASH AND CASH EQUIVALENTS - Beginning of year | 203,602,408 | 272,374,436 |
| CASH AND CASH EQUIVALENTS - End of year | $ 81,653,831 | $ 203,602,408 |
| SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES - | | |
| Construction in process in accounts payable | $ 20,814,000 | $ 18,732,000 |

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

## Statements of Cash Flows (Continued)
## Years Ended June 30, 2015 and 2014

| | Ohio University | |
|---|---|---|
| | 2015 | 2014 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES: | | |
| Operating loss | $ (155,216,029) | $ (173,985,566) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation expense | 37,919,010 | 36,428,683 |
| Changes in assets and liabilities: | | |
| Accounts receivable - Net | (2,934,575) | 2,447,784 |
| Notes receivable - Net | (225,971) | (330,015) |
| Prepaid expenses | 917,763 | (295,965) |
| Inventories | (137,827) | (8,121) |
| Deferred outflows of resources | 38,131,866 | - |
| Accounts payable and accrued liabilities | 577,902 | 16,990,098 |
| Unearned revenue | 1,330,314 | (532,186) |
| Refunds and other liabilities | (4,424,723) | 4,514,207 |
| Net pension liability | (44,212,149) | - |
| NET CASH USED IN OPERATING ACTIVITIES | $ (128,274,419) | $ (114,771,081) |

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, deferred inflows, 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.

Included in long-term investments is $250 million of unspent bond proceeds to be used to promote a sustainable approach to investing in the University's buildings and infrastructure.

**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 of Resources** - In addition to assets, the statements of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The University's deferred outflows of resources is related to the net pension liability—see Note 11 for more information. They also 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 total deferred outflows of resources of $2,729,687 and $3,128,453 at June 30, 2015 and 2014, respectively.

**Deferred Inflows of Resources -** In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The University's deferred inflows of resources is related to the net pension liability. More detailed information can be found in Note 11.

**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.

**Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System (OPERS) and State Teachers Retirement System of Ohio (STRS) Pension Plan and additions to/deductions from OPERS' and STRS' fiduciary net position have been determined on the same basis as they are reported by OPERS and STRS. Both OPERS and STRS use the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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 $81,470,939 (of which $71,150,846 is netted against student tuition and fees and $10,320,093 is netted against auxiliary enterprises revenue) and $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) as of June 30, 2015 and 2014, respectively.

**Operating Revenue – Other Sources** – Other sources revenue is primarily from component unit activity, rebates from contractual agreements, and noncredit training programs.

**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, Inc. are component units of the University. Their financial results have been presented in a blended format in the University's financial statements.

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, Inc. (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 and to blended component units.

**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. On the statements of cash flows, payment to suppliers during fiscal year 2014 have been reclassified to interest paid on capital debt and leases in the amount of $3,630,975 to accurately reflect the noncash nature of amortization amounts. Cash and cash equivalents have not been affected by this change.

On the statements of net position, investments and endowment investments have been reclassified between current and noncurrent for fiscal year 2014 to better reflect the nature of these investments. For Ohio University, $56,788,514 has been reclassified from current investments, $154,584 has been reclassified to noncurrent investments and $56,633,930 has been reclassified to endowment investments. For the Ohio University Foundation $241,104,596 has been reclassified from current investments, $6,140,205 has been reclassified to noncurrent investments and $234,964,391 has been reclassified to endowment investments. Total assets have not been affected by this change.

**Newly Adopted Accounting Pronouncements**

- The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). June 30, 2014 amounts have not been restated to reflect the impact of GASB 68 because the information is not available to calculate the impact on pension expense for the fiscal year ending June 30, 2014. In accordance with the statement, the University has reported a net pension liability (net of deferred outflow of resources) in the amount of $371,120,410 as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014.

**Newly Issued Accounting Pronouncements**

- In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The University is currently evaluating the impact this standard will have on the financial statements when adopted, during the 2016 fiscal year.

- In June 2015, the GASB issued Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the University to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the OPERS and STRS plans. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2018.

**Note 2 - Deposits with Financial Institutions, Cash and Cash Equivalents, and Investments**

As of June 30, 2015, the carrying amount of the University's cash and cash equivalents for all funds was $81,653,831 compared to bank balances of $84,450,744. 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. The difference in carrying amounts and bank balances is caused by outstanding checks and deposits-in-transit. At June 30, 2015, of the bank balances, $26,800,811 is covered by the Federal Deposit Insurance Corporation (FDIC) and $57,649,933 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, 2015 and 2014 are as follows:

| Investment Type | 2015 | 2014 |
|---|---|---|
| Money markets | $ 116,577,291 | $ 5,701,625 |
| US government obligations | 1,583,338 | 1,652,631 |
| US government agency obligati | 4,634,485 | 4,458,691 |
| Mortgage-backed securities | 169,289 | 249,064 |
| Corporate bonds and notes | 3,124,739 | 2,799,103 |
| Bond mutual funds | 179,971,269 | 158,493,730 |
| Municipal bonds | 2,112,609 | 2,465,214 |
| Convertible notes | 1,505,425 | - |
| US common and preferred stock | 1,439,786 | 850,916 |
| US equity mutual funds | 65,639,811 | 42,423,390 |
| International equity mutual fun | 106,461,556 | 56,888,595 |
| Hedge funds | 57,261,513 | 26,434,321 |
| Real assets | 29,893,891 | 15,309,002 |
| Private equity funds | 11,229,395 | 11,132,692 |
| Total | $ 581,604,397 | $ 328,858,974 |

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, 2015, 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 | $ 116,577,291 | $ 116,577,291 | $ - | $ - | $ - |
| U.S. government obligations | 1,583,338 | 140,129 | 1,443,209 | - | - |
| U.S. government agency obligations | 4,634,485 | 338,697 | 4,295,788 | - | - |
| Mortgage-backed securities | 169,289 | 2,487 | 57,908 | 54,002 | 54,892 |
| Corporate bonds and notes | 3,124,739 | 308,338 | 2,285,291 | 296,770 | 234,340 |
| Bond mutual funds | 179,971,269 | 126,398 | 36,759,469 | 142,779,515 | 305,887 |
| Municipal bonds | 2,112,609 | 870,462 | 1,242,147 | - | - |
| Convertible notes | 1,505,425 | 1,505,425 | - | - | - |
| Total | $ 309,678,445 | $ 119,869,227 | $ 46,083,812 | $ 143,130,287 | $ 595,119 |

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 |

**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, 2015 are as follows:

| | | Credit Quality (S&P) | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Market Value | AAA | AA | A | BBB | BB | B | Unrated |
| Money markets | $ 116,577,291 | $ - | $ - | $ - | $ 16,296 | $ - | $ - | $ 116,560,995 |
| U.S. government obligations | 1,583,338 | - | - | - | - | - | - | 1,583,338 |
| U.S. government agency obligatic | 4,634,485 | - | 4,634,485 | - | - | - | - | - |
| Mortgage-backed securities | 169,289 | - | - | - | - | - | - | 169,289 |
| Corporate bonds and notes | 3,124,739 | - | 1,051,362 | 856,432 | 502,370 | - | - | 714,575 |
| Bond mutual funds | 179,971,269 | - | 149,961,544 | 5,423,745 | - | 11,178,345 | - | 13,407,635 |
| Municipal bonds | 2,112,609 | - | 784,586 | 150,702 | - | - | - | 1,177,321 |
| Convertible notes | 1,505,425 | - | - | - | - | - | - | 1,505,425 |
| Total | $ 309,678,445 | $ - | $ 156,431,977 | $ 6,430,879 | $ 518,666 | $ 11,178,345 | $ - | $ 135,118,578 |

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 obligatic | 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 |

**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, 2015 and 2014, 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, 2015 and 2014, 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 $106.5 million and $56.9 million as of June 30, 2015 and 2014, 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, 2015 value, while the remaining valuations represent March 31, 2015 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, 2015 and 2014, there was $73.3 million and $41.3 million, respectively, in investment assets reported at the estimated values described above.

## Note 3 - Accounts Receivable

The composition of accounts receivable at June 30, 2015 and 2014 is summarized as follows:

| | 2015 | 2014 |
|---|---|---|
| Student tuition and fees | $ 45,024,279 | $ 46,721,073 |
| Grants and contracts | 15,494,857 | 10,645,406 |
| Student loans | 4,397,770 | 2,174,845 |
| Other | 9,409,829 | 8,979,788 |
| Total accounts receivable | 74,326,735 | 68,521,112 |
| Less allowance for doubtful accounts | (12,490,946) | (11,016,626) |
| Accounts receivable - Net | $ 61,835,789 | $ 57,504,486 |

## Note 4 - Notes Receivable

The University's notes receivable at June 30, 2015 and 2014 is net of allowance for doubtful accounts of $2,331,481 and $2,144,767, 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 $204,386,868 and $209,362,553 for student loans through the U.S. Department of Education Federal Direct Lending program during the years ended June 30, 2015 and 2014, 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, 2015 and 2014 is as follows:

| | 2015 | 2014 |
|---|---|---|
| Student loan program | $ 13,867,795 | $ 13,736,381 |
| Other | 1,844,377 | 1,563,106 |
| Total notes receivable | 15,712,172 | 15,299,487 |
| Less allowance for doubtful accounts | (2,331,481) | (2,144,767) |
| Notes receivable - Net | 13,380,691 | 13,154,720 |
| Less current portion | (1,403,245) | (1,296,937) |
| Notes receivable - Net, noncurrent portion | $ 11,977,446 | $ 11,857,783 |

## Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

| | Balance July 1, 2014 | Additions | Transfers | Retirements | Balance June 30, 2015 |
|---|---|---|---|---|---|
| Capital assets not being depreciated: | | | | | |
| Land | $ 24,978,824 | $ - | $ - | $ - | $ 24,978,824 |
| Land improvements | 4,701,091 | - | - | - | 4,701,091 |
| Construction in progress | 68,714,560 | 134,485,672 | (10,165,046) | (588) | 193,034,598 |
| Works of art and historical treasures | 17,054,933 | - | - | - | 17,054,933 |
| Total capital assets not being depreciated | 115,449,408 | 134,485,672 | (10,165,046) | (588) | 239,769,446 |
| Capital assets being depreciated: | | | | | |
| Infrastructure | 122,474,568 | 6,383,353 | 1,066,349 | - | 129,924,270 |
| Buildings | 907,920,739 | 31,535,427 | 9,098,697 | - | 948,554,863 |
| Machinery and equipment | 132,746,848 | 7,190,308 | - | (4,569,134) | 135,368,022 |
| Library books and publications | 75,640,183 | 1,102,548 | - | (252,216) | 76,490,515 |
| Transportation equipment | 21,807,657 | 1,303,581 | - | (258,718) | 22,852,520 |
| Total capital assets being depreciated | 1,260,589,995 | 47,515,217 | 10,165,046 | (5,080,068) | 1,313,190,190 |
| Total capital assets | 1,376,039,403 | 182,000,889 | - | (5,080,656) | 1,552,959,636 |
| Less accumulated depreciation: | | | | | |
| Infrastructure | 64,160,314 | 4,887,898 | - | - | 69,048,212 |
| Buildings | 368,147,983 | 22,641,488 | - | - | 390,789,471 |
| Machinery and equipment | 92,802,172 | 7,532,308 | - | (4,046,910) | 96,287,570 |
| Library books and publications | 67,394,263 | 1,923,396 | - | (252,216) | 69,065,443 |
| Transportation equipment | 17,689,632 | 933,920 | - | (251,114) | 18,372,438 |
| Total accumulated depreciation | 610,194,364 | 37,919,010 | - | (4,550,240) | 643,563,134 |
| Total capital assets being depreciated - net | 650,395,631 | 9,596,207 | 10,165,046 | (529,828) | 669,627,056 |
| Capital assets - net | $ 765,845,039 | $ 144,081,879 | $ - | $ (530,416) | $ 909,396,502 |

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 |

## Note 6 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2015 and 2014 consisted of the following:

| | 2015 | 2014 |
|---|---|---|
| Accrued payroll | $ 17,229,198 | $ 16,954,752 |
| Accrued workers' compensation | 10,263,770 | 10,345,097 |
| Accrued self-insurance claims | 3,279,000 | 3,388,000 |
| Accrued royalties | 2,565,500 | 2,847,500 |
| Accrued compensated absences - Current portion | 1,978,423 | 1,441,465 |
| Other accrued liabilities | 4,608,471 | 2,805,009 |
| Vendor and other payables | 35,959,477 | 33,196,377 |
| Total accounts payable and accrued liabilities | $ 75,883,839 | $ 70,978,200 |

## Note 7 - Long-term Debt

The University's long-term debt at June 30, 2015 is summarized as follows:

| | July 1, 2014 | Additions | Reductions | June 30, 2015 | Current |
|---|---|---|---|---|---|
| General receipts bonds - Series 2014 | $ - | $ 250,000,000 | $ - | $ 250,000,000 | $ - |
| General receipts bonds - Series 2013 | 142,945,000 | - | 5,610,000 | 137,335,000 | 4,240,000 |
| General receipts bonds - Series 2012A & B | 26,411,879 | - | 1,686,431 | 24,725,448 | 1,716,619 |
| General receipts bonds - Series 2012 | 74,825,000 | - | 3,975,000 | 70,850,000 | 5,850,000 |
| General receipts bonds - Series 2009 | 17,170,000 | - | 2,555,000 | 14,615,000 | 2,655,000 |
| General receipts bonds - Series 2008A & B | 8,400,000 | - | 280,000 | 8,120,000 | 295,000 |
| Subordinated general receipts bonds - Series 2006B | 21,105,000 | - | 1,340,000 | 19,765,000 | 905,000 |
| Subordinated general receipts bonds - Series 2006A | 19,310,000 | - | 1,395,000 | 17,915,000 | 1,450,000 |
| Total bonds and notes payable | 310,166,879 | 250,000,000 | 16,841,431 | 543,325,448 | 17,111,619 |
| Bond premiums | 22,659,968 | - | 1,199,574 | 21,460,394 | 1,195,446 |
| Bond discounts | - | (2,226,285) | (22,263) | (2,204,022) | (22,263) |
| Capital lease obligations | 43,470 | - | 20,930 | 22,540 | 22,540 |
| Total long-term debt | $ 332,870,317 | $ 247,773,715 | $ 18,039,672 | $ 562,604,360 | $ 18,307,342 |

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 |

Note: Series 2003, Series 2004, Series 2006A, and Series 2006B 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 November 14, 2014, the University issued general receipts bonds (federally taxable) Series 2014 in the amount of $250,000,000. The proceeds are being used for new construction and upgrades to capital facilities, including capital expenditures for deferred maintenance of various campus facilities and energy infrastructure facilities. Proceeds were also used to pay costs of issuance of the Series 2014 Bonds.

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, 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, and a Thirteenth Supplemental Trust Agreement dated as of November 1, 2014 entered into in connection with the issuance of the Series 2014 bonds.

Details of the series are as follows:

| Series | Interest Rate | Maturity Fiscal Year | Initial Issue Amount | Outstanding at June 30, 2015 |
|---|---|---|---|---|
| 2006A | 3.50%-5.00% | 2025 | $ 28,145,000 | $ 17,915,000 |
| 2006B | 3.75%-5.00% | 2037 | 29,170,000 | 19,765,000 |
| 2008A & B | 4.17%-5.00% | 2034 | 15,350,000 | 8,120,000 |
| 2009 | 2.00%-5.00% | 2020 | 26,645,000 | 14,615,000 |
| 2012 | 2.00%-5.00% | 2043 | 76,470,000 | 70,850,000 |
| 2012A & B | 2.00%-5.00% | 2028 | 28,640,370 | 24,725,448 |
| 2013 | 2.00%-5.00% | 2044 | 145,170,000 | 137,335,000 |
| 2014 | 5.59% | 2115 | 250,000,000 | 250,000,000 |
| | | | | $ 543,325,448 |

Principal and interest payment requirements for the bonded debt for the years subsequent to June 30, 2015 are summarized as follows:

| Years Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2016 | $ 17,111,619 | $ 26,201,102 | $ 43,312,721 |
| 2017 | 17,677,346 | 25,517,631 | 43,194,977 |
| 2018 | 16,193,624 | 24,886,023 | 41,079,647 |
| 2019 | 16,275,461 | 24,309,382 | 40,584,843 |
| 2020 | 13,962,868 | 23,722,903 | 37,685,771 |
| 2021-2025 | 56,536,965 | 111,974,847 | 168,511,812 |
| 2026-2030 | 47,157,565 | 100,611,224 | 147,768,789 |
| 2031-2035 | 40,240,000 | 90,916,156 | 131,156,156 |
| 2036-2040 | 36,665,000 | 82,100,563 | 118,765,563 |
| 2041-2115 | 281,505,000 | 1,044,178,999 | 1,325,683,999 |
| Total | $ 543,325,448 | $ 1,554,418,830 | $ 2,097,744,278 |

The University has $22,540 in a capital lease obligation that has a maturity date through fiscal year 2016 with an interest rate of 3.9 percent. Lease arrangements are being used to provide partial financing for certain equipment. Capital asset balances as of June 30, 2015 that are financed under capital leases are $86,694.

The scheduled maturities of these leases at June 30, 2015 are as follows:

| Years Ending June 30 | Minimum Lease Payments |
|---|---|
| 2016 | $ 22,973 |
| Total minimum lease payments | 22,973 |
| Less amount representing interest | 433 |
| Net minimum capital lease payments | 22,540 |
| Less current portion | 22,540 |
| Noncurrent capital lease obligations | $ - |

**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 $1,988,963 and $1,717,745 for the years ended June 30, 2015 and 2014, respectively.

Future minimum payments for all significant operating leases with initial terms in excess of one year at June 30, 2015 are as follows:

| Years Ending June 30 | Minimum Lease Payments |
|---|---|
| 2016 | $ 2,986,339 |
| 2017 | 2,835,686 |
| 2018 | 1,936,781 |
| 2019 | 2,300,109 |
| 2020 | 2,997,148 |
| 2021-2030 | 29,784,000 |
| Total minimum operating lease payments | $ 42,840,063 |

## 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, 2015 and 2014 are summarized as follows:

Year ended June 30, 2015

| | Compensation and Benefits | Supplies and Services | Professional Services | Utilities | Travel and Entertainment | Total |
|---|---|---|---|---|---|---|
| Instruction and departmental research | $ 216,888,225 | $ 10,057,244 | $ 15,256,509 | $ 55,778 | $ 5,941,640 | $ 248,199,396 |
| Separately budgeted research | 21,356,474 | 7,883,387 | 13,210,115 | 7,203 | 2,293,445 | 44,750,624 |
| Public service | 19,718,250 | 5,491,752 | 2,073,629 | 107,370 | 690,219 | 28,081,220 |
| Academic support | 59,303,942 | 16,143,441 | 688,482 | 360,319 | 2,882,380 | 79,378,564 |
| Student services | 26,463,185 | 9,813,311 | 13,104,427 | 78,608 | 1,692,982 | 51,152,513 |
| Institutional support | 42,218,224 | 11,067,730 | 5,718,249 | 17,989 | 1,010,040 | 60,032,232 |
| Operation and maintenance of plar | 21,003,869 | 18,042,881 | 941,625 | 12,513,293 | 339,333 | 52,841,001 |
| Auxiliary enterprises | 41,341,374 | 27,660,673 | 971,514 | 3,737,270 | 3,209,312 | 76,920,143 |
| Total | $ 448,293,543 | $ 106,160,419 | $ 51,964,550 | $ 16,877,830 | $ 18,059,351 | $ 641,355,693 |
| | | | | | Student Aid | 8,647,508 |
| | | | | | Depreciation | 37,919,010 |
| | | | | | Total Operating Expenses | $ 687,922,211 |

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 plar | 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 |

## 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, 2015 and 2014 was $13,404,558 and $12,180,128, 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, 2015 and 2014 was $7,225,605 and $5,633,584, respectively.

Compensated absences at June 30, 2015 and 2014 are summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| For the year ended: | | | | | |
| June 30, 2015 | $ 17,813,712 | $ 26,555,787 | $ (23,739,336) | $ 20,630,163 | $ 1,978,423 |
| June 30, 2014 | $ 16,886,686 | $ 23,387,176 | $ (22,460,150) | $ 17,813,712 | $ 1,441,465 |

**Note 11 - Retirement Plans**

Based on rules governed by the Ohio Revised Code (ORC), 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.

**Retirement Plan Funding** - Chapter 3307 of the ORC limits the maximum rate of contributions. The retirement boards of the systems individually set contributions rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, each employer entity's contribution is expected to finance the costs of benefits earned by its employees during the year, with an additional amount to finance a portion of the defined benefit plans' unfunded accrued liability.

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.

Member contributions are 10 percent of gross wages for all plans, set at the maximums authorized by the ORC. The plans' 2015 contribution rates on covered payroll to each system are:

| | Employer Contribution Rate | | | |
|---|---|---|---|---|
| | Pension | Post Retirement Healthcare | Death Benefit | Total |
| STRS - Faculty | 14.00% | 0.00% | 0.00% | 14.00% |
| OPERS - State Employees | 12.00% | 2.00% | 0.00% | 14.00% |
| OPERS - Law Enforcement | 16.10% | 2.00% | 0.00% | 18.10% |

The plans' 2014 contribution rates on covered payroll to each system are:

| | Employer Contribution Rate | | | |
|---|---|---|---|---|
| | Pension | Post Retirement Healthcare | Death Benefit | Total |
| STRS - Faculty | 13.00% | 1.00% | 0.00% | 14.00% |
| OPERS - State Employees | 12.00% | 2.00% | 0.00% | 14.00% |
| OPERS - Law Enforcement | 16.10% | 2.00% | 0.00% | 18.10% |

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

| | Employer Contributions | | |
|---|---|---|---|
| | STRS Ohio | OPERS | ARP |
| 2015 | $ 12,263,867 | $ 16,670,306 | $ 12,299,008 |
| 2014 | 11,237,622 | 15,806,561 | 9,010,786 |

The payroll for employees covered by OPERS and STRS Ohio for the year ended June 30, 2015 was $155,361,858 and 138,569,272, respectively. 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. For the years ended June 30, 2015 and 2014, the University's total payroll was $331,322,479 and $314,052,242, respectively. Contributions made to OPEB were $3,250,678, $3,054,334, and $4,390,580 for the years ended June 30, 2015, 2014, and 2013, respectively.

**Benefits Provided**

**STRS** – Plan benefits are established under Chapter 3307 of the Revised Code, as amended by Substitute Senate Bill 342 in 2012, which gives the Retirement Board the authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the cost-of-living adjustment as the need or opportunity arises, depending on the retirement system's funding progress.

Any member may retire who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age. Beginning August 1, 2015, eligibility requirements for an unreduced benefit will change. The maximum annual retirement allowance, payable for life considers years of credited service, final average salary (3-5 years) and multiplying by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

A defined benefit plan or combined plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may receive a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits.

A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the plan. Death benefit coverage up to $2,000 can be purchased by participants in all three of the plans. Various other benefits are available to members' beneficiaries.

**OPERS** – Plan benefits are established under Chapter 145 of the Ohio Revised Code, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depend on years of service (15 to 30 years) and from attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15-30 years), age (48-62 years) and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

A death benefit of $500 - $2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years, except for Law Enforcement and Public Safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent.

**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 (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits. The authority to establish and amend benefits is provided by the ORC. Each retirement system issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment health care plans. 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.

**Net Pension Liability, Deferrals, and Pension Expense** – At June 30, 2015, the University reported a liability for its proportionate share of the net pension liability of both STRS and OPERS. The net pension liability was measured as of June 30, 2014 for the STRS plan and December 31, 2014 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

| | Measurement | Net Pension Liability | | Proportionate Share | | Percent |
|---|---|---|---|---|---|---|
| Plan | Date | 2015 | 2014 | 2015 | 2014 | Change |
| STRS | June 30 | $ 242,888,149 | $ 289,326,775 | 0.999% | 0.999% | 0.000% |
| OPERS | December 31 | $ 106,172,642 | $ 103,946,495 | 0.878% | 0.878% | 0.000% |

For the year ended June 30, 2015 and 2014, the University recognized pension expense of $35,590,653 and $39,673,270, respectively. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actua experience | $ 2,338,329 | $ 1,943,961 |
| Changes in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investmen | 5,692,955 | 44,935,229 |
| Changes in proportion and differences between University contributions and proportionate share of contribution | - | 26,165 |
| University contributions subsequent to the measurement date | 22,894,735 | - |
| Total | $ 30,926,019 | $ 46,905,355 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases or (decreases) in pension expense as follows:

| Years ending June 30 | Amount |
|---|---|
| 2016 | $ (10,108,877) |
| 2017 | (10,108,877) |
| 2018 | (9,381,251) |
| 2019 | (9,235,060) |
| 2020 | (9,076) |
| Thereafter | (30,929) |
| | $ (38,874,070) |

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2016).

Actuarial Assumptions – The total pension liability in the actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | STRS - as of June 30, 2014 | OPERS - as of December 31, 2014 |
|---|---|---|
| Valuation date | July 1, 2014 | December 31, 2014 |
| Actuarial cost method | Entry age normal | Individual entry age |
| Cost of living | 2.0 percent | 3.0 percent |
| Salary increases, including inflation | 2.75 percent - 12.25 percent | 4.25 percent - 10.05 percent |
| Inflation | 2.75 percent | 3.75 percent |
| Investments rate of returr | 7.75 percent, net of pension plan investment expense | 8.00 percent, net of pension plan investment expense |
| Experience study date | Period of 5 years ended July 1, 2012 | Period of 5 years ended December 31, 2010 |
| Mortality basis | RP-2000 combined mortality table (Projection 2022-Scale AA) | RP-2000 mortality table projected 20 years using Projection Scale AA |

**Discount Rate** – The discount rate used to measure the total pension liability was 7.75 percent for STRS and 8.0 percent for OPERS. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| | STRS | | | OPERS | |
|---|---|---|---|---|---|
| Investment Category | Target Allocation | Long-term Expected Real Rate of Return | Investment Category | Target Allocation | Long-term Expected Real Rate of Return |
| Domestic Equity | 31.00% | 5.50% | Domestic Equity | 23.00% | 2.31% |
| International Equity | 26.00% | 5.35% | International Equity | 19.90% | 5.84% |
| Alternatives | 14.00% | 5.50% | Alternatives | 10.00% | 4.25% |
| Fixed Income | 18.00% | 1.25% | Fixed Income | 10.00% | 9.25% |
| Real Estate | 10.00% | 4.25% | Real Estate | 19.10% | 7.40% |
| Liquidity Reserves | 1.00% | 0.50% | Liquidity Reserves | 18.00% | 4.59% |
| | 100.00% | | | 100.00% | |

**Sensitivity of the net pension liability to changes in the discount rate** – The following presents the net pension liability of the University, calculated using the discount rate listed below, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

Sensitivity of Net Pension Liability/(Asset) to Changes in the Discount Rate

| Plan | 1% Decrease | | Current Discount Rate | | 1% Increase | |
|---|---|---|---|---|---|---|
| STRS | 6.75% | $ 347,720,999 | 7.75% | $ 242,888,149 | 8.75% | $ 154,235,006 |
| OPERS | 7.00% | 194,936,560 | 8.00% | 106,172,642 | 9.00% | 30,372,651 |
| | | $ 542,657,559 | | $ 349,060,791 | | $ 184,607,657 |

**Pension plan fiduciary net position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued STRS and OPERS financial reports.

**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, 2015. 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.

**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 2.0 percent during calendar year 2014.

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, 2015 and 2014, the board allocated employer contributions equal to 1.0 percent of covered payroll to postemployment health care. The balance in the Health Care Stabilization Fund was $3.454 billion on January 1, 2014, the date of the most recent information available from STRS Ohio.

For the fiscal year ended June 30, 2014, the date of the most recent information available from STRS, net healthcare costs paid by STRS Ohio were $656,000,000. There were 124,568 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, 2015 are summarized as follows:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Accrued claims liability - Beginning of year | $ 3,388,000 | $ 3,413,000 | $ 3,362,000 |
| Incurred claims - Net of favorable settlements | 46,510,478 | 45,849,148 | 43,272,586 |
| Claims paid | (46,619,478) | (45,874,148) | (43,221,586) |
| Accrued claims liability - End of year | $ 3,279,000 | $ 3,388,000 | $ 3,413,000 |

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 Trainin( | $ - | $ 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 | 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, 2015, the University is committed to future capital expenditures as follows:

| | |
|---|---|
| Contractual commitments | $ 70,805,902 |
| Estimated completion costs of projects | 89,450,111 |
| Total | $ 160,256,013 |
| These projects will be funded by: | |
| State appropriations | $ 41,318,255 |
| University funds (including bond funds) | 117,445,217 |
| Gifts, grants, and other | 1,492,541 |
| Total | $ 160,256,013 |

**Note 14 - Other Noncurrent Liabilities**

**Refundable Advances for Federal Student Loans** - Refundable advances for federal student loans for the two years ended June 30, 2015 are summarized as follows:

| | Beginning Balance | Reductions - Net | Ending Balance | Current Portion |
|---|---|---|---|---|
| For the year ended: | | | | |
| June 30, 2015 | $ 7,394,403 | $ (60,404) | $ 7,333,999 | $ - |
| June 30, 2014 | $ 7,483,391 | $ (88,988) | $ 7,394,403 | $ - |

**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 |
|---|---|
| 2016 | $ 148,184 |
| 2017 | 5,000 |
| 2018 | 5,000 |
| 2019 | 5,000 |
| 2020 | 5,000 |
| 2021-2049 | 145,000 |
| Total minimum payment | $ 313,184 |

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 2015 and 2014 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 $13,299,312 and $14,785,257 for June 30, 2015 and 2014, 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, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---|---|---|
| Restricted - nonexpendable: | | |
| Permanent endowments | $ 22,296,237 | $ 22,364,013 |
| Restricted - expendable: | | |
| Sponsored programs and component units | $ 7,234,141 | $ 5,124,983 |
| Loans | 9,425,013 | 10,013,332 |
| Unspent endowment funds (available through the endowment spending policy) | 1,295,684 | 1,203,998 |
| Grant funded capital projects and debt service funds | 3,285,234 | 8,542,446 |
| Endowments- net income and appreciation | 13,299,312 | 14,785,257 |
| Total restricted - expendable | $ 34,539,384 | $ 39,670,016 |
| Unrestricted - allocated: | | |
| Auxiliaries | $ 55,773,889 | $ 47,801,979 |
| Quasi endowments | 49,100,166 | 44,531,214 |
| Capital projects and reserves | 119,239,801 | 12,351,315 |
| GASB 68 - Unfunded Pension Liability | (365,040,127) | - |
| Ongoing academic and research programs, reserves, and component units | 83,717,322 | 208,913,455 |
| Total unrestricted | $ (57,208,949) | $ 313,597,963 |

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 Ohio University (the "University"). The Foundation is authorized to solicit and receive gifts and contributions for the benefit of the University and to ensure that funds and property received are applied to the uses specified by the donor.

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

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 2.86 and 4.86 percent for the years ended June 30, 2015 and 2014, respectively. Amortization of the discounts is included in contribution revenue. Unconditional promises to give, which are silent as to the due date, are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**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, 2015 and 2014 are available for the following purposes:

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

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

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

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

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

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

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

### Pledges Receivable

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

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

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

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

### Fair Value Measurements

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

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

820, *Fair Value Measurements and Disclosures*. The framework for determining fair value is based on a hierarchy that prioritizes the valuation techniques and inputs used to measure fair value, as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Donor-restricted and Board-designated Endowments

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

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

(1) The duration and preservation of the fund

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

(3) General economic conditions

(4) The possible effect of inflation and deflation

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

(6) Other resources of the Foundation

(7) The investment policies of the Foundation

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

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

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

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

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

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

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

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

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

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

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

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

### Property and Equipment

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

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

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

### Support from Related Organizations

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

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

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

### Split-interest Agreements

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

This rate is published monthly and represents the annual rate of return that the IRS assumes the gift assets will earn during the gift term. The discount rate for each charitable gift annuity is established at the beginning of the agreement. The discount rate applied to gift annuities held at June 30, 2015 and 2014 ranged from 1.2 to 9.4 percent.

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

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

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

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

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

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

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

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

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

**Inn-Ohio of Athens, Inc.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Housing for Ohio, Inc.**

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

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

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

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

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

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

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

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

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

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

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

# Required Supplementary Information

# Schedule of the University's Proportionate Share of the Net Pension Liability and Schedule of University Contributions
## June 30, 2015

**Schedule of the University's Proportionate Share of the Net Pension Liability**

| | STRS 2015 | OPERS 2015 |
|---|---|---|
| University's proportion of the collective STRS net pension liability: As a percentage | 0.999% | 0.878% |
| Amount | $ 242,888,149 | $ 106,172,642 |
| University's covered-employee payroll | $ 86,635,900 | $ 109,873,095 |
| University's proportionate share of the collective pension liability (amount), as a percentage of the University's covered-employee payroll | 280.36% | 96.63% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.71% | 86.53% |

**Schedule of University Contributions**

| | STRS 2015 | OPERS 2015 |
|---|---|---|
| Statutorily required contribution | $ 12,263,867 | $ 16,670,306 |
| Contributions in relation to the actuarially determined contractually required contribution | $ 12,263,867 | $ 16,670,306 |
| Contribution deficiency (excess) | $ - | $ - |
| Covered employee payroll | $ 87,599,050 | $ 118,734,373 |
| Contributions as a percentage of covered employee payroll | 14.00% | 14.04% |

## Notes to Required Supplementary Information for the Year Ended June 30, 2015

*Changes of benefit terms*. There were no changes in benefit terms affecting the STRS and OPERS plans for the plan years ended June 30, 2014 and December 31, 2014, respectively.

*Changes of assumptions*. There were no changes in assumptions or plan amendments affecting the STRS and OPERS plans for the plan years ended June 30, 2014 and December 31, 2014, respectively.

# Supplementary Information

plante moran

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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 Universiy and its discretely presented component unit, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Ohio University's financial statements, and have issued our report thereon dated October 8, 2015.

**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 Ohio University's internal control. Accordingly, we do not express an opinion on the effectiveness of Ohio 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 Ohio 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 Ohio University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 8, 2015

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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, 2015. 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.

To Management and the Board of Trustees
Ohio University

## 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, 2015.

## 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 Ohio 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.

To Management and the Board of Trustees
Ohio University

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 8, 2015

# Ohio University

## Schedule of Expenditures of Federal Awards
## Year Ended June 30, 2015

| 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/P007A143342 | $ 1,053,642 |
| Federal Work-Study Program | 84.033 | P033A143342 | 900,516 |
| Federal Perkins Loans Outstanding | 84.038 | UNKNOWN | 8,589,014 |
| Federal Pell Grant Program | 84.063 | P063P140345/P063P150345 | 38,067,056 |
| Federal Direct Student Loan | 84.268 | P268K150345/P268K160345/P268K156641/P268K166641 | 204,386,868 |
| TEACH Grant | 84.379 | P379T150345 | 718,063 |
| Total Department of Education | | | 253,715,159 |
| **DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | |
| Direct Programs: | | | |
| Primary Care Loans (HPSL) Outstanding | 93.342 | UNKNOWN | 1,077,215 |
| Disadvantaged Student Loans Outstanding | 93.342 | UNKNOWN | 2,006,845 |
| Total Department of Health and Human Services | | | 3,084,060 |
| **TOTAL STUDENT AID CLUSTER** | | | **256,799,219** |
| **RESEARCH AND DEVELOPMENT CLUSTER** | | | |
| **DEPARTMENT OF AGRICULTURE** | | | |
| Direct Programs: | | | |
| US Department of Agriculture | 10.001 | 58-1230-3-500, 58-1230-4-010 | 16,476 |
| US Department of Agriculture | 10.001 | 58-8040-5-006 | 33,860 |
| US Department of Agriculture | 10.206 | 2009-35320-05623 | 64 |
| US Department of Agriculture | 10.961 | 58-3148-1-166 | 48,149 |
| US Department of Agriculture | 10.XXX | 11-JV-11242309-117 | 7,310 |
| Total Department of Agriculture | | | 105,859 |
| **DEPARTMENT OF DEFENSE** | | | |
| Direct Programs: | | | |
| US Army | | | |
| US Army RDECOM Acquisition Center | 12.431 | W911NF-12-1-0105 | 1,068 |
| US Army RDECOM Acquisition Center | 12.431 | W911NF-11-1-0358 | 60,602 |
| US Army Construction Engineering Research Laboratory | 12.630 | W9132T-12-2-0006 | 71,334 |
| US Army CORP of Engineers | 12.XXX | W912DR-14-P-0053 | 54,651 |
| | | | 187,655 |
| Defense Threat Reduction Agency | | | |
| Air Force Institute of Technology | 12.XXX | FA8601-09-P-0307 | 7,195 |
| | | | 7,195 |
| Subtotal Direct Programs | | | 194,850 |
| Pass-Through Programs From: | | | |
| William Marsh Rice University | 12.431 | R17832 | 163,641 |
| The Design Knowledge Company | 12.800 | UNKNOWN | 14,788 |
| Infoscitex (IST) | 12.XXX | 4009-S010 | 45,051 |
| Ohio State University | 12.XXX | 60018316 | 134,773 |
| Ohio State University | 12.XXX | 60019394 | (312) |
| Berriehill Research Corporation | 12.XXX | OU-S2001 | 24,650 |
| Subtotal Pass-Through Programs | | | 382,591 |
| Total Department of Defense | | | 577,441 |
| **DEPARTMENT OF EDUCATION** | | | |
| Direct Programs: | | | |
| US Department of Education | 84.324A | R324A120272 | 659,622 |
| Subtotal Direct Programs | | | 659,622 |
| Pass-Through Programs From: | | | |
| University of South Carolina | 84.324 | R324A120003 | 110,211 |
| Ohio State University | 84.350C | R53291 | 16,249 |
| Ohio Department of Education | 84.395A | PO 14666 | 23,123 |
| ARRA-Ohio State University | 84.395A | ARRA-60035141-OU | 48,233 |
| ARRA-Ohio State University | 84.395A | ARRA-60035141-OU | 3,536 |
| Subtotal Pass-Through Programs | | | 201,352 |
| Total Department of Education | | | 860,974 |

# Ohio University

## Schedule of Expenditures of Federal Awards
## Year Ended June 30, 2015

| 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 | $ 369,484 |
| US Department of Energy | 81.049 | DE-FG02-88ER40387 | 308,995 |
| US Department of Energy | 81.049 | DE-FG02-02ER46012 | 123,235 |
| US Department of Energy | 81.049 | DE-FG02-06ER46317 | 186,736 |
| US Department of Energy | 81.049 | DE-SC0004084 | 30,774 |
| US Department of Energy | 81.112 | DE-NA0001837 | 242,471 |
| Subtotal Direct Programs | | | 1,261,695 |
| Pass-Through Programs From: | | | |
| National Nanomaterials Inc | 81.049 | NNI1401 | 29,697 |
| Los Alamos National Laboratory | 81.XXX | 221107-1 | 14,185 |
| Jefferson Science Associates, LLC | 81.XXX | 12-P1982 | 3,168 |
| Jefferson Science Associates, LLC | 81.XXX | 14-P1042 | 33,305 |
| Research Partnership To Secure Energy For America | 81.XXX | 11122-60 | 717,346 |
| Subtotal Pass-Through Programs | | | 797,701 |
| Total Department of Energy | | | 2,059,396 |
| **DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | |
| Direct Programs: | | | |
| National Institute of Health | | | |
| National Institute of Health | 93.121 | 1R15DE023668-01A1 | 136,280 |
| National Institute of Health | 93.173 | R01DC010883 | 559,402 |
| National Institute of Health | 93.213 | R01AT006978 | 330,374 |
| National Institute of Health | 93.242 | R01MH082864 | 11,514 |
| National Institute of Health | 93.389 | R21 RR032366-01 / R21 GM103494-02 | 71,133 |
| National Institute of Health | 93.393 | R01CA086928 | 54,162 |
| National Institute of Health | 93.396 | R15CA161830 | 63,908 |
| National Institute of Health | 93.837 | 1R56HL119180-01A1 | 342,671 |
| National Institute of Health | 93.846 | 1R21AR063909-01A1 | 96,176 |
| National Institute of Health | 93.846 | 1R21AR064430-01A1 | 164,642 |
| National Institute of Health | 93.847 | 1R15DK102115-01 | 46,420 |
| National Institute of Health | 93.853 | 1R15NS081629-01A1 | 146,796 |
| National Institute of Health | 93.855 | 1R15AI103887-01A1 | 105,373 |
| National Institute of Health | 93.855 | 1R15AI105749-01A1 | 38,398 |
| National Institute of Health | 93.855 | 1R15AI105721-01A1 | 88,478 |
| National Institute of Health | 93.866 | 1R01AG044424-01A1 | 50,599 |
| National Institute of Health | 93.879 | G13LM010878 | 12,424 |
| National Institute of Health | 93.989 | D43TW008261 | 158,893 |
| | | | 2,477,643 |
| Health Resources and Services Administration | | | |
| Health Resources and Services Administration | 93.912 | D06RH26831-01-00 | 279,856 |
| Health Resources and Services Administration | 93.912 | D04RH28409-01-00 | 11,278 |
| | | | 291,134 |
| Subtotal Direct Programs | | | 2,768,777 |
| Pass-Through Programs From: | | | |
| National Rural Health Association | 93.155 | UA9RH19333 | 61,208 |
| University of Washington | 93.155 | UNKNOWN | 3,000 |
| Fordham University | 93.279 | R25-DA031608 | 248 |
| Brigham and Women's Hospital | 93.837 | 107223 | 2,091 |
| Board of Trustees University of Alabama | 93.847 | 500528 | 5,787 |
| The Trustees of Indiana University | 93.847 | IN-4685559-OU | 98,585 |
| New Jersey Institute of Technology | 93.853 | NP9961095 | 36,390 |
| Subtotal Pass-Through Programs | | | 207,309 |
| Total Department of Health and Human Services | | | 2,976,086 |
| **DEPARTMENT OF STATE** | | | |
| Pass-Through Programs From: | | | |
| National Academy of Sciences | 19.XXX | PGA-P210852 | 29,157 |
| Total Department of State | | | 29,157 |

| Federal Agency/Pass-Through Grantor | CFDA No. | Federal /Pass-Through Grant Number | Expenditures |
|---|---|---|---|
| **RESEARCH AND DEVELOPMENT CLUSTER (cont.)** | | | |
| **DEPARTMENT OF TRANSPORTATION** | | | |
| Direct Programs: | | | |
| Federal Aviation Administration | | | |
| Federal Aviation Administration | 20.108 | 09-G-010 | $ 156,813 |
| Federal Aviation Administration | 20.108 | 10-G-018 | 73,957 |
| Federal Aviation Administration | 20.108 | 12-G-004 | 131,325 |
| Federal Aviation Administration | 20.XXX | DTFAWA-10-D-00020 | 244,314 |
| Federal Aviation Administration | 20.XXX | DTFAWA-10-D-00020 | 168,422 |
| Federal Aviation Administration | 20.XXX | DTFAWA-10-D-00020 | 58,680 |
| Federal Aviation Administration | 20.XXX | DTFAWA-10-D-00020 | 19,384 |
| Federal Aviation Administration | 20.XXX | DTFAWA-10-D-00020 | 184,586 |
| Federal Aviation Administration | 20.XXX | DTFAWA-10-D-00020 | 70,221 |
| Federal Aviation Administration | 20.XXX | DTFAWA-10-D-00020 | 357,026 |
| Federal Aviation Administration | 20.XXX | DTFAWA-10-D-00020 | 136,570 |
| Federal Aviation Administration | 20.XXX | DTFAWA-10-D-00020 | 125,327 |
| Federal Aviation Administration | 20.XXX | DTFAWA-10-D-00020 | 335,268 |
| Federal Aviation Administration | 20.XXX | DTFAWA-10-D-00020 | 63,035 |
| | | | 2,124,928 |
| US Department of Transportation | | | |
| US Department of Transportation | 20.724 | DTPH56-13-H-CAAP08 | 46,682 |
| US Department of Transportation | 20.XXX | DTFH64-12-G-00075, DTFH64-13-G-00047 | 2 |
| | | | 46,684 |
| Subtotal Direct Programs | | | 2,171,612 |
| Pass-Through Programs From: | | | |
| Wayne State University | 20.200 | WSU12010 | 79,761 |
| Tri Environmental | 20.514 | UNKNOWN | 31,252 |
| ARRA-Beaver Excavating Company | 20.XXX | ARRA-UNKNOWN | 34,177 |
| Engility Corporation | 20.XXX | S-12-032 | 4,104 |
| Subtotal Pass-Through Programs | | | 149,294 |
| Total Department of Transportation | | | 2,320,906 |
| **NATIONAL AERONAUTICS AND SPACE ADMINISTRATION** | | | |
| Direct Programs: | | | |
| NASA Shared Services Center | 43.003 | NNX15AJ69G | 24,388 |
| NASA Goddard Space Flight Center | 43.001 | SCEX22015D | 94,658 |
| NASA Goddard Space Flight Center | 43.001 | NNX11AP15G | 51,731 |
| NASA Langley Research Center | 43.001 | NNX12AP28A | 458,640 |
| NASA Shared Services Center | 43.003 | NNX13AM84G | 102,616 |
| NASA Shared Services Center | 43.007 | NNX13AM84G | 48,624 |
| Subtotal Direct Programs | | | 780,657 |
| Pass-Through Programs From: | | | |
| William Marsh Rice University | 43.001 | R53291 | 39,264 |
| Jacobs Technology Inc | 43.XXX | 13N0071 | 2,664 |
| Ohio Aerospace Institute | 43.XXX | UNKNOWN | 10,500 |
| Ohio Aerospace Institute | 43.XXX | UNKNOWN | 2,904 |
| Space Telescope Science Institute | 43.XXX | HST-GO-13330.022-A | (674) |
| Space Telescope Science Institute | 43.XXX | HST-GO-12253.01-A | 2,734 |
| Subtotal Pass-Through Programs | | | 57,392 |
| Total National Aeronautics and Space Administration | | | 838,049 |
| **NATIONAL SCIENCE FOUNDATION** | | | |
| Direct Programs: | | | |
| National Science Foundation | 47.041 | CBET-1039869 | 2,335 |
| National Science Foundation | 47.041 | CBET-0547165 | 2,937 |
| National Science Foundation | 47.041 | CHE-1428787 | 398,414 |
| National Science Foundation | 47.041 | 1522924 | 2,292 |
| National Science Foundation | 47.041 | CBET-1106118 | 70,047 |
| National Science Foundation | 47.041 | CBET-1126350 | 174,491 |
| National Science Foundation | 47.041 | ECCS-1129010 | 94,215 |
| National Science Foundation | 47.041 | CMMI-1235273 | 4,344 |
| National Science Foundation | 47.041 | EEC-1242154 | 49,090 |
| National Science Foundation | 47.041 | ECCS-1342657 | 21,043 |
| National Science Foundation | 47.041 | IIP-1362049 | 11,398 |
| National Science Foundation | 47.041 | IIP-1362075 | 65,144 |
| National Science Foundation | 47.049 | PHY-1458244 | 152,228 |
| National Science Foundation | 47.049 | PHY-0969986, PHY-1308299 | 110,657 |

# Ohio University

## Schedule of Expenditures of Federal Awards
## Year Ended June 30, 2015

| Federal Agency/Pass-Through Grantor | CFDA No. | Federal /Pass-Through Grant Number | Expenditures |
|---|---|---|---|
| **RESEARCH AND DEVELOPMENT CLUSTER (cont.)** | | | |
| **NATIONAL SCIENCE FOUNDATION (cont.)** | | | |
| National Science Foundation | 47.049 | PHY-1005578 | $ 77,488 |
| National Science Foundation | 47.049 | DMR-1056493 | 53,902 |
| National Science Foundation | 47.049 | AST-1109576 | 9,022 |
| National Science Foundation | 47.049 | CHE-1112250 | 72,094 |
| National Science Foundation | 47.049 | CHE-1149367 | 117,128 |
| National Science Foundation | 47.049 | DMR-1206636 | 107,798 |
| National Science Foundation | 47.049 | CHE-1230961 | 465,692 |
| National Science Foundation | 47.049 | CHE-1338000 | 440,790 |
| National Science Foundation | 47.049 | DMS-1418787 | 45,413 |
| National Science Foundation | 47.049 | PHY-1306137 | 166,943 |
| National Science Foundation | 47.049 | PHY-1306376 | 148,439 |
| National Science Foundation | 47.049 | DMR-1108285 | 199,962 |
| National Science Foundation | 47.049 | DMR-1507670 | 2,096 |
| National Science Foundation | 47.050 | EAR-0844256 | 15,302 |
| National Science Foundation | 47.050 | OCE-1061973 | 5,448 |
| National Science Foundation | 47.050 | EAR-1305610 | 20,186 |
| National Science Foundation | 47.050 | EAR-1305609 | 37,124 |
| National Science Foundation | 47.050 | PLR-1341621 | 81,333 |
| National Science Foundation | 47.050 | PLF-1341602 | 68,041 |
| National Science Foundation | 47.050 | EAR-1349825 | 55,283 |
| National Science Foundation | 47.070 | IIS-1018590 | 7,034 |
| National Science Foundation | 47.070 | CCF-1054339 | 54,928 |
| National Science Foundation | 47.070 | IIS-1117489 | 65,879 |
| National Science Foundation | 47.070 | CNS-1318981 | 53,256 |
| National Science Foundation | 47.070 | CCF-1420718 | 5,665 |
| National Science Foundation | 47.074 | EF-1206750 | 41,764 |
| National Science Foundation | 47.074 | DEB-0936855 | 9,683 |
| National Science Foundation | 47.074 | IOS-0958926 | 51,887 |
| National Science Foundation | 47.074 | IOS-0955569 | 7,352 |
| National Science Foundation | 47.074 | IOS-1050154 | 91,327 |
| National Science Foundation | 47.074 | DBI-1062327 | 8,754 |
| National Science Foundation | 47.074 | IOS-1145887 | 80,079 |
| National Science Foundation | 47.074 | IOS-1147087 | 21,668 |
| National Science Foundation | 47.074 | DBI-1337443 | 368,745 |
| National Science Foundation | 47.074 | IOS-1146789 | 116,623 |
| National Science Foundation | 47.074 | DBI-1455554 | 6,078 |
| National Science Foundation | 47.075 | BCS-0921952 | 14,991 |
| National Science Foundation | 47.075 | BSC-1127164 | 55,370 |
| National Science Foundation | 47.075 | BCS-1228258 | 52,118 |
| National Science Foundation | 47.075 | BCS-125070 | 70,897 |
| National Science Foundation | 47.075 | BCS-1010118 | 1,654 |
| National Science Foundation | 47.076 | DUE-1452606 | 12,007 |
| National Science Foundation | 47.076 | DGE-0947813 | 278,819 |
| National Science Foundation | 47.076 | DGE-1060934 | 6,969 |
| National Science Foundation | 47.076 | DUE-1154126 | 171,367 |
| National Science Foundation | 47.078 | ANT-1043576 | 113,070 |
| National Science Foundation | 47.078 | ANT-1142104 | 13,421 |
| National Science Foundation | 47.XXX | IOS-1250620, MCB-1521664 | 41,057 |
| Subtotal Direct Programs | | | 5,170,581 |
| Pass-Through Programs From: | | | |
| Nanoridge Materials Inc% | 47.041 | UNKNOWN | 57,737 |
| University of Maine | 47.076 | UMS-908 | 4,554 |
| Rochester Institute of Technology | 47.076 | PO 164785 | 9,077 |
| Subtotal Pass-Through Programs | | | 71,368 |
| Total National Science Foundation | | | 5,241,949 |
| **TOTAL RESEARCH AND DEVELOPMENT CLUSTER** | | | **15,009,817** |
| **CHILD NUTRITION CLUSTER** | | | |
| **DEPARTMENT OF AGRICULTURE** | | | |
| Pass-Through Programs From: | | | |
| Ohio Department of Education | 10.559 | UNKNOWN | 6,936 |
| **TOTAL CHILD NUTRITION CLUSTER** | | | **6,936** |
| **ECONOMIC DEVELOPMENT CLUSTER** | | | |
| Pass-Through Programs From: | | | |
| Direct Programs: | | | |
| Appalachian Partnership for Economic Development | 11.307 | UNKNOWN | 1,857 |
| **TOTAL ECONOMIC DEVELOPMENT CLUSTER** | | | **1,857** |

## Schedule of Expenditures of Federal Awards
## Year Ended June 30, 2015

| Federal Agency/Pass-Through Grantor | CFDA No. | Federal /Pass-Through Grant Number | Expenditures |
|---|---|---|---|
| **FISH AND WILDLIFE CLUSTER** | | | |
| **DEPARTMENT OF THE INTERIOR** | | | |
| Pass-Through Programs From: | | | |
| Commonwealth of Kentucky Department of Fish and Wildlife Resc | 15.605 | UNKNOWN | $ 79 |
| **TOTAL FISH AND WILDLIFE CLUSTER** | | | **79** |
| **HIGHWAY PLANNING AND CONSTRUCTION CLUSTER** | | | |
| **DEPARTMENT OF TRANSPORTATION** | | | |
| Pass-Through Programs From: | | | |
| Ohio Department of Transportation | 20.205 | 26608 | 16,532 |
| Ohio Department of Transportation | 20.205 | OU-01957 | 20,697 |
| Cleveland State University | 20.205 | 25199 | 16,416 |
| Iowa State University | 20.205 | 26586 | 170 |
| University of Akron | 20.205 | 02336-OU | 13,381 |
| Fayette County Engineer's Office | 20.205 | FAY-CR4-1.60 | 74,448 |
| Ohio Department of Transportation | 20.205 | UNKNOWN | 44,417 |
| Ohio Department of Transportation | 20.205 | E120319 | 358 |
| Ohio Department of Transportation | 20.205 | UNKNOWN | 57,965 |
| Ohio Department of Transportation | 20.205 | UNKNOWN | 162,198 |
| Ohio Department of Transportation | 20.205 | E131400 | 36,262 |
| Ohio Department of Transportation | 20.205 | E131372 | 16,664 |
| Ohio Department of Transportation | 20.205 | E131373 | 207,577 |
| Ohio Department of Transportation | 20.205 | 26651 | 26,698 |
| Ohio Department of Transportation | 20.205 | 26656, 135024 | 222,956 |
| Ohio Department of Transportation | 20.205 | 26620 | 72,995 |
| Ohio Department of Transportation | 20.205 | 26595 | 54,097 |
| Ohio Department of Transportation | 20.205 | 26597 | 34,063 |
| Ohio Department of Transportation | 20.205 | 26830 | 5,436 |
| University of Akron | 20.205 | 25178 | 11,273 |
| **TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER** | | | **1,094,603** |
| **SPECIAL EDUCATION (IDEA) CLUSTER** | | | |
| **DEPARTMENT OF EDUCATION** | | | |
| Pass-Through Programs From: | | | |
| Trimble Local School District | 84.027 | 516 | 28,097 |
| Ohio Department of Education | 84.027A | PO 13944 | 410 |
| **TOTAL SPECIAL EDUCATION (IDEA) CLUSTER** | | | **28,507** |
| **TRIO CLUSTER** | | | |
| DEPARTMENT OF EDUCATION | | | |
| Direct Programs: | | | |
| US Department of Education | 84.042A | P042A100511-14 | 315,961 |
| US Department of Education | 84.047A | P047A121446-13, -14 | 392,273 |
| **TOTAL TRIO CLUSTER** | | | **708,234** |
| **TANF CLUSTER** | | | |
| **DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | |
| Pass-Through Programs From: | | | |
| Battelle for Kids | 93.558 | JFSFTF15 | 565 |
| **TOTAL TANF CLUSTER** | | | **565** |
| **MEDICAID CLUSTER** | | | |
| **DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | |
| Pass-Through Programs From: | | | |
| Ohio State University | 93.778 | 60036810, 60042622 | 210,000 |
| Ohio State University | 93.778 | 60036810, 60042622 | 352,713 |
| Ohio State University | 93.778 | 60036810, 60042622 | 205,351 |
| Ohio Department of Jobs and Family Services | 93.778 | G1201-OH-1400 and G-1301-OH-1401 | 701 |
| **TOTAL MEDICAID CLUSTER** | | | **768,765** |

# Ohio University

## Schedule of Expenditures of Federal Awards
## Year Ended June 30, 2015

| Federal Agency/Pass-Through Grantor | CFDA No. | Federal /Pass-Through Grant Number | Expenditures |
|---|---|---|---|
| **OTHER PROGRAMS** | | | |
| **CORPORATION FOR NATIONAL AND COMMUNITY SERVICE** | | | |
| Pass-Through Programs From: | | | |
| Ohio Commission on Service and Volunteerism | 94.006 | 12AFH-1502-14-OC068 | $ 4,258 |
| Ohio Commission on Service and Volunteerism | 94.006 | 12AFH-1502-15-OC068 | 235,478 |
| Rural Action Inc | 94.006 | UNKNOWN | 1,000 |
| Total Corporation for National and Community Service | | | 240,736 |
| **DEPARTMENT OF AGRICULTURE** | | | |
| Pass-Through Programs From: | | | |
| Ohio State University | 10.500 | 2010-48869-20781 | (21) |
| Ohio State University | 10.500 | 2010-48869-20781 | 129,260 |
| Ohio State University | 10.500 | 2012-48703-20123 | 50,038 |
| Appalachian Partnership for Economic Development | 10.773 | UNKNOWN | 1,858 |
| Total Department of Agriculture | | | 181,135 |
| **DEPARTMENT OF COMMERCE** | | | |
| Direct Programs: | | | |
| National Institute of Standards and Technology | 11.609 | 70NANB14H052 | 165,962 |
| | | | 165,962 |
| Pass-Through Programs From: | | | |
| Bowling Green State University | 11.303 | BG50001559 | 71,344 |
| Purdue University | 11.303 | 4112-66291 | 1,562 |
| Warn Public Broadcasting Service | 11.553 | 51-51-W10606 | 282,922 |
| Appalachian Partnership for Economic Development | 11.611 | UNKNOWN | 1,857 |
| | | | 357,685 |
| Total Department of Commerce | | | 523,647 |
| **DEPARTMENT OF DEFENSE** | | | |
| Pass-Through Programs From: | | | |
| Ohio Development Services Agency | 12.002 | UNKNOWN | 347,563 |
| Total Department of Defense | | | 347,563 |
| **DEPARTMENT OF EDUCATION** | | | |
| Direct Programs: | | | |
| US Department of Education | 84.015A | P015A100009 | 39,902 |
| US Department of Education | 84.015B | P015B100009, P015B100009-12, P015B100009-13 | 21,793 |
| US Department of Education | 84.305A | R305A140356 | 535,474 |
| Subtotal Direct Programs | | | 597,169 |
| Pass-Through Programs: | | | |
| ARRA-Miami University | 84.395 | ARRA-GO2121-OU | 12,822 |
| ARRA-Ohio Board of Regents | 84.395 | ARRA-UNKNOWN | 206,954 |
| Ohio Board of Regents | 84.002 | BOR01-0000003345 | 2,106 |
| Athens City School District | 84.010 | 2015 | 12,126 |
| Southern Local School District (Perry County) | 84.010 | UNKNOWN | 39,288 |
| Michigan State University | 84.021 | RC102184 OHIO | 9,997 |
| Athens City School District | 84.287 | UNKNOWN | 180,523 |
| Federal Hocking Local School District | 84.287 | 6630, 5901 | 86,351 |
| Federal Hocking Local School District | 84.287 | 17842 | 185,557 |
| Southern Local School District (Perry County) | 84.287 | UNKNOWN | 5,450 |
| Southern Local School District (Perry County) | 84.287 | 8062 | 126,181 |
| Trimble Local School District | 84.287 | UNKNOWN | 980 |
| Trimble Local School District | 84.287 | UNKNOWN | 204,360 |
| Battelle for Kids | 84.305 | UNKNOWN | 11,000 |
| Gallia-Vinton Educational Service Center | 84.366 | UNKNOWN | 12,161 |
| Ohio Board of Regents | 84.367 | UNKNOWN | 46,048 |
| Ohio Board of Regents | 84.367 | UNKNOWN | 156,869 |
| Ohio Board of Regents | 84.367 | 14-16 | 1,527 |
| Ohio Dominican University | 84.367 | 13-26 | 4,649 |
| Bellaire Local School District | 84.215E | UNKNOWN | 28,541 |
| Gallia-Vinton Educational Service Center | 84.366B | UNKNOWN | 3,012 |
| National Writing Project Corporation | 84.376D | UNKNOWN | 18,233 |
| Subtotal Pass-Through Programs | | | 1,354,735 |
| Total Department of Education | | | 1,951,904 |

# Ohio University

## Schedule of Expenditures of Federal Awards
## Year Ended June 30, 2015

| Federal Agency/Pass-Through Grantor | CFDA No. | Federal /Pass-Through Grant Number | Expenditures |
|---|---|---|---|
| **OTHER PROGRAMS (cont.)** | | | |
| **DEPARTMENT OF ENERGY** | | | |
| Direct Programs: | | | |
| US Department of Energy | 81.214 | DE-EM0000357 | $ 112,090 |
| US Department of Energy | 81.214 | DE-EM0000357 | 23,350 |
| US Department of Energy | 81.214 | DE-EM0000357 | (153) |
| Subtotal Direct Programs | | | 135,287 |
| Pass-Through Programs: | | | |
| AMD Advanced Research, LLC | 81.123 | B600716 | 2,750 |
| Argonne National Laboratory | 81.XXX | 4F-31323 | 31,000 |
| Pacific Northwest National Laboratory | 81.XXX | 236339 and 236340 | 154,440 |
| Subtotal Pass-Through Programs | | | 188,190 |
| Total Department of Energy | | | 323,477 |
| **DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | |
| Direct Programs: | | | |
| Centers for Disease Control | | | |
| Centers For Disease Control and Prevention | 93.262 | 1T03OH009841-01A1, 5T03OH009841-02, 5T03OH009841-03 | 106,419 |
| Health Resources and Services Administration | | | |
| Health Resources and Services Administration | 93.243 | G02HP27951-01-00 | 36,892 |
| Health Resources and Services Administration | 93.358 | A10HP25166 | 304,516 |
| Health Resources and Services Administration | 93.359 | D11HP22202 | 336,828 |
| | | | 678,236 |
| Subtotal Direct Programs | | | 784,655 |
| Pass-Through Programs: | | | |
| Buckeye Hills Area Agency on Aging 8% | 93.072 | 90LR0026 | 1,611 |
| The University of Toledo | 93.107 | F-2012-1111 | 96,659 |
| Ohio Department of Alcohol and Drug Addiction | 93.243 | UNKNOWN | 63,232 |
| Ohio Department of Health | 93.243 | H79SM059345 | 378,555 |
| Ohio Department of Health | 93.243 | CSP906615 | 5,214 |
| Ohio Department of Mental Health | 93.243 | 99-60205-SSHS-P-15-1470/1547 | 206,077 |
| Ohio Department of Mental Health | 93.243 | 99-13510-SPFPFS-P-15-15151 | 40,109 |
| Fairfield County Department of Jobs and Family Services | 93.276 | UNKNOWN | 8,500 |
| The Center For Appalachian Philanthropy | 93.283 | UNKNOWN | 15,496 |
| University of South Carolina | 93.283 | 15-2767; 11520-FB44 | 141,231 |
| Ohio Department of Health | 93.283 | UNKNOWN | 5,454 |
| Ohio Department of Job and Family Services | 93.645 | G1213-06-0150 | 907 |
| Ohio Department of Job and Family Services | 93.658 | G1201-OH-1400 and G-1301-OH-1401 | 33,834 |
| Ohio Department of Job and Family Services | 93.658 | G1213-06-0150 | 1,251 |
| Ohio Department of Job and Family Services | 93.659 | G1201-OH-1400 and G-1301-OH-1401 | 17,560 |
| Ohio Department of Job and Family Services | 93.659 | G1213-06-0150 | 1,315 |
| Integrating Professionals For Appalachian Children | 93.767 | UNKNOWN | 127 |
| Trinity Hospital Twin City | 93.910 | UNKNOWN | 96 |
| Trinity Hospital Twin City | 93.912 | UNKNOWN | 3,531 |
| Ohio Department of Health | 93.994 | UNKNOWN | 32,555 |
| Ohio Department of Job and Family Services | 94.645 | G1201-OH-1400 and G-1301-OH-1401 | 32,922 |
| Federal Hocking Local School District | 93.XXX | UNKNOWN | 1,216 |
| University of South Florida | 93.XXX | 175797 | 712 |
| Subtotal Pass-Through Programs | | | 1,088,164 |
| Total Department of Health and Human Services | | | 1,872,819 |
| **DEPARTMENT OF THE INTERIOR** | | | |
| Pass-Through Programs From: | | | |
| Maryland Department of Natural Resources | 15.XXX | UNKNOWN | 3,286 |
| Total Department of the Interior | | | 3,286 |
| **DEPARTMENT OF JUSTICE** | | | |
| Direct Programs: | | | |
| US Department of Justice | 16.525 | 2009-WA-AX-0003 | 107,887 |
| Subtotal Direct Programs | | | 107,887 |

| Federal Agency/Pass-Through Grantor | CFDA No. | Federal /Pass-Through Grant Number | Expenditures |
|---|---|---|---|
| **OTHER PROGRAMS (cont.)** | | | |
| **DEPARTMENT OF JUSTICE (cont.)** | | | |
| Pass-Through Programs From: | | | |
| Ohio Attorney General's Office | 16.575 | UNKNOWN | $ 92,932 |
| Ohio Attorney General's Office | 16.575 | 2015-VOCA-12386149 | 931 |
| Ohio Department of Youth Services | 16.816 | 5AS3550 | 1,695 |
| Turning Point Applied Learning Ctr | 16.817 | UNKNOWN | 20,218 |
| Subtotal Pass-Through Programs | | | 115,776 |
| Total Department of Justice | | | 223,663 |
| **DEPARTMENT OF LABOR** | | | |
| Direct Programs: | | | |
| US Department of Labor | 17.268 | HG-22714-12-60-A-39 | 1,208,337 |
| Appalachian Partnership for Economic Development | 17.268 | UNKNOWN | 1,857 |
| Total Department of Labor | | | 1,210,194 |
| **DEPARTMENT OF STATE** | | | |
| Direct Programs: | | | |
| US Department of State | 19.401 | S-ECAGD-13-CA-100(CD) | 275,546 |
| US Department of State | 19.451 | S-ECAGD-14-CA-1116 | 227,594 |
| Subtotal Direct Programs | | | 503,140 |
| Pass-Through Programs From: | | | |
| Institute of International Education | 19.400 | UNKNOWN | 155,411 |
| Ohio State University | 19.408 | 60038360 | 148,453 |
| Subtotal Pass-Through Programs | | | 303,864 |
| Total Department of State | | | 807,004 |
| **DEPARTMENT OF TRANSPORTATION** | | | |
| Direct Programs: | | | |
| DOT- Federal Aviation Administration | 20.106 | 3-39-0006-019-2014 | 101,379 |
| DOT- Federal Aviation Administration | 20.106 | 3-39-0006-1812 | (43) |
| Total Department of Transportation | | | 101,336 |
| **ENVIRONMENTAL PROTECTION AGENCY** | | | |
| Pass-Through Programs From: | | | |
| Ohio Environmental Protection Agency | 66.605 | EPA01-000005312 | 42,345 |
| Ohio Environmental Protection Agency | 66.460 | 14(h)EPA-32 | 492 |
| Total Environmental Protection Agency | | | 42,837 |
| **NATIONAL ENDOWMENT FOR THE ARTS** | | | |
| Pass-Through Programs From: | | | |
| Ohio Arts Council | 45.025 | UNKNOWN | 1,436 |
| Total National Endowments for the Arts | | | 1,436 |
| **SMALL BUSINESS ADMINISTRATION** | | | |
| Pass-Through Programs From: | | | |
| Ohio Development Services Agency | 59.037 | UNKNOWN | 112,817 |
| Total Small Business Administration | | | 112,817 |
| **TOTAL OTHER PROGRAMS** | | | **7,943,854** |
| **GRAND TOTAL FEDERAL AWARDS** | | | **$ 282,362,436** |

## Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Ohio University under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Ohio University, it is not intended to and does not present the financial position, changes in net position, or cash flows of Ohio University.

## Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

## Note 3 - Noncash Assistance

During the year ended June 30, 2015, Ohio University did not receive any nonmonetary assistance.

## Notes to Schedule of Expenditures of Federal Awards (Continued)
## Year Ended June 30, 2015

### 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 |
|---|---|---|
| Measurement and Engineering Research and Standards | 11.609 | $ 47,781 |
| Byrne Criminal Justice Innovation Program | 16.817 | 1,472 |
| Highway Planning and Construction | 20.205 | 99,867 |
| Aerospace Education Services Program | 43.001 | 253,722 |
| Engineering Grants | 47.041 | 42,152 |
| Mathematical and Physical Sciences | 47.049 | 200,273 |
| Biological Sciences | 47.074 | 9,306 |
| Social, Behavioral, and Economic Sciences | 47.075 | 1,596 |
| Research Related to Deafness and Communication Disorders | 93.173 | 364,669 |
| Ohio Strategic Prevention Framework State Incentive Grant (SPF-SIG) Evaluation | 93.243 | 15,458 |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | 170,726 |
| Health Information Technology Regional Extension Centers Program | 93.283 | 1,144 |
| Biomedical Research and Research Training | 93.837 | 98,843 |
| Rural Health Care Services Outreach | 93.912 | 48,850 |
| International Research and Research Training | 93.989 | 109,828 |
| Space Operations, National Aeronautics and Space Administration | 43.007 | 25,881 |
| Education Research, Development and Dissemination | 84.305A | 247,867 |
| Research in Special Education | 84.324A | 364,511 |
| | Total | $ 2,103,946 |

### Note 5 - Catalog of Federal Domestic Assistance (CFDA) Numbers

All programs with identifiable CFDA numbers have been listed separately. Grant numbers have been provided for several programs for which CFDA numbers were not available.

## Note 6 - 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, 2015, Ohio University expended $58,402 of the 2013-2014 Federal Work Study (FWS) Program (84.033) award carried forward to the 2014-2015 award year. The University also carried forward $129,556 of the 2014-2015 FWS Program (84.033) to be expended in the 2015-2016 award year.

During the year ended June 30, 2015, Ohio University transferred $323,890 of the 2014-2015 FWS Program (84.033) award to the Supplemental Educational Opportunity Grant (SEOG) Program (84.007). In addition, Ohio University did not expend any of the 2013-2014 SEOG Program (84.007) award carried forward to the 2014-2015 award year. Ohio University did not carry forward any of the 2014-2015 SEOG Program (84.007) to be expended in the 2015-2016 award year.

## Schedule of Findings and Questioned Costs
## Year Ended June 30, 2015

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 |
| 84.395 | ARRA - Race to the Top |

Dollar threshold used to distinguish between type A and type B programs: $766,897

Auditee qualified as low-risk auditee? _______ Yes ___X___ No

## Section II - Financial Statement Audit Findings

None

## Section III - Federal Program Audit Findings

None