Ohio University
(a component unit of the State of Ohio)

Financial Statements

June 30, 2018 and 2017

Board of Trustees
Ohio University
West Union Street Office Center
Suite 214
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of the Ohio University, Athens County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

FINDING FOR RECOVERY – PRESIDENTIAL HOUSING EXPENSES

On March 19, 2015, the Ohio University and Ohio University Foundation (hereafter referred to collectively as OHIO) entered into a residential lease agreement with John A. Wharton and S. Joyce Wharton to lease a house located at 31 Coventry Lane in Athens, Ohio, and four adjoining parcels of property to serve as the residence for the President of the University. The agreement expired on June 30, 2017 and included an option for the University to purchase the property, which was to be exercised no later than April 28, 2017. Section 7A of the agreement, related to maintenance, repairs, and care of the property, stated:

> Lessor shall be responsible for all maintenance and repairs of and to the Property and the Premises . . . Lessor shall be entitled to invoice OHIO for actual costs it incurs in providing the maintenance and repair services described in this section that are requested by OHIO.

Furthermore, on May 26, 2016, OHIO notified Mr. Wharton via letter they would not be exercising the purchase option in the agreement. This letter acknowledged that Mr. Wharton had listed the property for sale and included guidelines for scheduling appointments to show the property to prospective buyers.

During the lease agreement, various payments were made by Ohio University to John A. Wharton DBA Wharton Rentals, some of which included amounts invoiced by University Off-Campus Housing: both companies are owned by Mr. Wharton. These expenses were for maintenance, repairs, or care of the property that were not requested by OHIO; should have been borne by the lessor as landlord expenses; or, were not related to the residence at 31 Coventry Lane based on the support provided. The total amount overpaid was $20,449, as detailed in the following table:

Date(s) Paid	**Date(s) Items Purchased or Services Provided**	**Description**	**Amount**
6/20/2015	04/14/2015	Duplicate Payment for Lawn Care Supplies and Services	$ 249
12/19/2015-6/15/2017	11/19/2015-4/30/2017	City Code Inspection, Lack of Evidence Item Related to OHIO Rental Property, Overbilling of Hours for Maintenance Work, Sales Tax Related to Mowing Service Provided at Mr. Wharton's Personal Residence	$ 369
12/10/2016	11/10-11/17/2016	Deck Replacement	$ 5,019
12/24/2016	10/5-10/11/2016	Sod Replacement	$14,812
			$20,449

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code §117.28, a finding for recovery for public money illegally expended was issued against John A. Wharton DBA Wharton Rentals in the amount of $20,449 and in favor of Ohio University's general operating fund in the amount of $20,449.

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

Keith Faber
Auditor of State
Columbus, Ohio

February 13, 2019

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Independent Auditor's Report

To the Board of Trustees
Ohio University

Report on the Financial Statements

We have audited the accompanying basic financial statements of Ohio University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit as of and for the years ended June 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the University's financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Ohio University and its discretely presented component unit as of June 30, 2018 and 2017 and the changes in its financial position and its cash flows where applicable, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the basic financial statements, the University adopted the provisions under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as of July 1, 2017. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Ohio University

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 $79,104,529 (12.0 percent of university net position) and $75,609,004 (11.8 percent of university net position) and $87,768,079 (15.9 percent of discretely presented component unit net position) and $101,115,439 (18.8 percent of discretely presented component unit net position) at June 30, 2018 and 2017, respectively.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the University's proportionate share of the net pension liability, the schedule of University pension contributions, the schedule of the University's proportionate share of the net OPEB liability, and the schedule of University OPEB 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, which 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Ohio University's basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), 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 4, 2018 on our consideration of Ohio University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ohio University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 4, 2018

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, 2018, with selected comparative information for the years ended June 30, 2017 and 2016. 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, notes, and this discussion are the responsibility of the 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 $1,895.7 million and liabilities of $1,292.3 million at June 30, 2018, compared to assets of $1,848.1 million and liabilities of $1,341.6 million at June 30, 2017. 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 $659.0 million at June 30, 2018 as compared to $641.8 million at June 30, 2017. The change in net position was a positive $158.1 million at June 30, 2018 as compared to a positive $31.2 million at June 30, 2017. Factoring into the net position change are the Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 75, which require the recognition of liabilities for the unfunded pension and other postemployment benefits (OPEB) from the state retirement systems. This is the first year of implementation for GASB Statement No. 75. The table below represents the activity for the University with the adjustments for the recognition of the pension and OPEB liabilities listed.

  Changes in net position represent the University's results for the year and are summarized for the years ended June 30, 2018, 2017, and 2016 as follows:

(in thousands)	2018	2017	2016
Operating revenues and state appropriations	$ 686,695	$ 714,915	$ 696,220
Total expenses	628,064	787,554	738,418
Subtotal	58,631	(72,639)	(42,198)
Net investment income (loss)	28,985	43,823	(4,401)
Other nonoperating revenues	70,483	60,017	62,570
Increase in net position	158,099	31,201	15,971
Adjustment for amounts related to changes in the unfunded pension and OPEB liabilities included in total expenses above	(97,397)	40,256	6,810
Increase in net position without effects of GASB 68 & 75	$ 60,702	$ 71,457	$ 22,781

- The unfunded pension and OPEB liabilities will change each year based on the University's proportionate share of contributions to the pension plans relative to total contributions of all participating employers to the plans. The net pension and OPEB liabilities are determined by actuarial valuations as of the measurement dates of the retirement plans. The effect of changes in the net pension and OPEB liabilities due to the differences between projected and actual investment earnings, differences between expected and actual experience, change in assumptions about economic and demographic factors, and change in the employer's proportionate share of net pension and OPEB liabilities result in changes to deferred outflows of resources and deferred inflows of resources. The current year impact from these factors is an increase to net position of $97.4 million. The impact for fiscal year 2017 was a decrease to net position of $40.3 million.
- Without the effects of the accounting standards related to the unfunded pension and OPEB liabilities, net position for the University increased $60.7 million during fiscal year 2018 as compared to an increase of $71.5 million in fiscal year 2017.
- Investment income, although strong, decreased $14.8 million from fiscal year 2017 to fiscal year 2018. 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 "long-term pool" achieved a return of 6.53 percent for fiscal year 2018, underperforming its diversified benchmark of 8.11 percent for the same period. Additionally, a portion of the University's working capital is invested in several tiers of investment-grade fixed-income securities. Tier II working capital investments achieved a return of 1.18 percent for fiscal year 2018, and Tier III working capital investments achieved a return of 0.37 percent, outperforming their benchmarks, which returned 0.92 percent and -0.19 percent, respectively.
- Other sources revenue decreased by $20.5 million in fiscal year 2018. $18.4 million of the decrease relates to revenue earned in the prior year from the Federal Communications Commission broadcast frequency spectrum auction where a branch campus TV station moved to a lower broadcast frequency. There was also a decrease in revenue from a university component unit, University Medical Associates, Inc., of which the assets and liabilities were sold during the prior year to an outside organization. The University had recognized a partial year of revenue in fiscal year 2017 from University Medical Associates, Inc.'s operations.
- The University strategically issues debt to finance facility and infrastructure investments. On November 15, 2017, the University issued general receipts obligations Series 2017B (Line of Credit) with a maximum principal amount not to exceed $50.0 million. Advances on the line of credit will be used to provide funds to finance the costs of capital facilities and to pay costs of issuance. The amount advanced as of June 30, 2018 is $65,500 and was used to pay costs of issuance.

Statement of Net Position

The statement of net position is the University's balance sheet. It reflects the total assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 is a summary of the statement of net position for the three years ended June 30, 2018:

(in thousands)	2018	2017	2016
Assets:			
Current assets	$ 447,631	$ 424,619	$ 369,134
Capital assets, net	1,042,192	1,019,149	967,952
Other assets	405,838	404,336	326,738
Total assets	1,895,661	1,848,104	1,663,824
Deferred outflows of resources	117,929	139,933	87,882
Liabilities:			
Current liabilities	135,731	131,565	131,161
Noncurrent liabilities	1,156,570	1,210,037	985,412
Total liabilities	1,292,301	1,341,602	1,116,573
Deferred inflows of resources	62,289	4,605	24,505
Total net position	$ 659,000	$ 641,830	$ 610,628

- **Assets** - Total assets grew by $47.6 million as a result of the following changes:
    - Cash and cash equivalents increased $14.5 million due primarily to increased student receipts and less paid invoices primarily for capital project expenditures.
    - Current investments increased $12.7 million due to positive investment returns earned on intermediate-term and long-term working capital investments.
    - Restricted cash and cash equivalents decreased by $5.3 million due to continued spending of prior year bond funds.
    - Noncurrent investments decreased by $8.9 million due to investment income of $12.2 million, which was offset by $21.1 million in spending of the century bond funds on construction projects.
    - Endowment investments increased by $15.7 million due to increases for $6.5 million of investment income and $14.1 million of transfers into quasi-endowments offset by a decrease of $4.9 million of distributions for spending.
    - Net capital assets increased by $23.0 million due to spending on capital projects, machinery, and equipment offset by depreciation.

- **Deferred Outflows of Resources** - Decreased $22.0 million as a result of the following changes:
    - Deferred outflows related to pensions decreased $30.8 million mainly due to decrease in deferred outflows arising from net difference between projected and actual earnings on pension plan investments. Also, there was a decrease in deferred outflows arising from change in the proportionate share in contributions, and differences between expected and actual experience. These were offset by increase in deferred outflows due to changes in assumptions. The most significant change was a reduction in the discount rate from 7.75 percent to 7.45 percent for STRS Ohio (see Note 11).
    - Deferred outflows related to OPEB were recorded for the first time in fiscal year 2018 as required by GASB 75 for $9.2 million.
    - Deferred charge on refunding of bonds decreased $0.4 million. This deferred charge is being amortized over the life of the refunded bond issues.

- **Liabilities** - Total liabilities decreased by $49.3 million as a result of the following changes:
    - Net pension liability decreased $169.4 million and net OPEB liability was recorded for the first time in fiscal year 2018 for $133.6 million. Although the University is required to record the net pension and net OPEB liabilities, the University is not setting aside reserve cash balances or budgeting to fund these liabilities.
    - Long-term debt decreased $18.0 million. This decrease is mainly due to principal payments on existing bonds. Please see Note 7 for more information on issuances and repayments of debt.

- **Deferred Inflows of Resources** - Increased $57.7 million as a result of the following changes:
    - Deferred inflows related to pensions increased $45.8 million mainly due to a difference between projected and actual earnings on pension plan investments as described in Note 11.
    - Deferred inflows related to OPEB was recorded for the first time in fiscal year 2018 for $11.9 million.

- **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 nonexpendable and expendable.
        - 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, debt service funds, and the interest, dividends, and capital gains on endowment 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, 2018 is displayed as follows:

(in thousands)	2018	2017	2016
Net Investment in capital assets	$ 663,338	$ 644,054	$ 651,057
Restricted:			
Nonexpendable	22,640	22,479	22,160
Expendable	32,981	31,381	32,063
Unrestricted	(59,959)	(56,084)	(94,652)
Total net position	$ 659,000	$ 641,830	$ 610,628

Total net position increased $17.1 million between fiscal year 2017 and 2018. Without the current year impact of the GASB Statement Nos. 68 and 75 that increase would have been $60.7 million. There is a long-term strategy in place to position the University to remain relevant and competitive. This strategy encompassed prudent resource planning and utilization including:

- Managing expenses while strategically investing in new programs
- Creating reserves for protection from revenue shortfalls and improvement in the financial strength of the University
- Management of cash flows, reserve balances and debt in a strategic manner

Statement of Revenue, Expenses, and Changes in Net Position

The statement of revenue, 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, 2018:

(in thousands)	2018	2017	2016
Operating revenue	$ 520,672	$ 551,858	$ 534,758
Operating expenses	592,975	753,890	709,898
Net operating loss	(72,303)	(202,032)	(175,140)
Net nonoperating revenue	204,653	215,877	172,081
Income (loss) before other revenue	132,350	13,845	(3,059)
Other revenue	25,749	17,357	19,030
Increase in net position	158,099	31,202	15,971
Adjustments to beginning net position for GASB 75	(140,929)	-	-
Net position - End of year	$ 659,000	$ 641,830	$ 610,628

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

- Operating revenues decreased $31.2 million for fiscal year 2018. The biggest factor causing this was a $20.5 million decrease in other sources revenue; this is mainly comprised of a decrease of $18.4 million for the prior year spectrum auction proceeds and a decrease of $5.1 million from prior year sales from the University's component unit, University Medical Associates, Inc.
- Net auxiliary enterprises revenue decreased $5.9 million due to lower room and board sales driven by a smaller freshman class.
- Grants and contracts included in the operating revenue category experienced a decrease of $4.0 million for fiscal year 2018 due to the cyclical nature of grant funding.
- Operating expenses decreased $160.9 million for fiscal year 2018. The biggest factor causing this was the unfunded pension and OPEB liabilities. In fiscal year 2017 there was an increase to pension expense for the unfunded pension liability of $40.3 million. In fiscal year 2018 there is a decrease to pension expense for the unfunded pension and OPEB liabilities of $97.4 million, causing a $137.7 million decrease to operating expenses from fiscal year 2017 to fiscal year 2018.
- Operating expenses decreased $7.1 million in fiscal year 2018 related to the University's component unit, University Medical Associates, Inc. expenses recorded in fiscal year 2017 that did not recur for fiscal year 2018.
- Decreases in auxiliary and grant revenue would also cause a corresponding decrease in operating expenditures.

- Depreciation expense increased $4.2 million for fiscal year 2018 due to the increased capital expenditures in recent years.
- Net nonoperating revenues decreased $11.2 million mainly due to decreases in investment income of $14.8 million offset by increases in State appropriations of $3.0 million and increases in Federal Pell revenue of $1.7 million.

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

A comparison of operating and nonoperating revenue for the three years ended June 30, 2018 is as follows:

(in thousands)	2018	% of Total	2017	% of Total	2016	% of Total
Student tuition and fees, net	$ 338,879	43.1%	$ 339,822	41.5%	$ 329,815	43.7%
State appropriations	166,023	21.1%	163,057	19.9%	161,462	21.4%
Auxiliary enterprises, net	97,056	12.3%	102,966	12.6%	102,532	13.6%
Gifts, grants, and contracts	56,605	7.2%	59,014	7.2%	56,224	7.5%
Pell grants	36,438	4.6%	34,704	4.2%	36,158	4.8%
Investment income (loss), net	28,985	3.7%	43,823	5.4%	(4,401)	-0.6%
Sales and services	21,697	2.8%	22,205	2.7%	21,997	2.9%
State capital appropriations	19,617	2.5%	12,462	1.5%	13,802	1.8%
Other sources	15,459	2.0%	35,963	4.4%	30,158	4.0%
Royalties	5,404	0.7%	4,740	0.6%	6,642	0.9%
Total operating and nonoperating revenues	$ 786,163	100.0%	$ 818,756	100.0%	$ 754,389	100.0%

Student tuition and fees, the largest of the revenue streams, decreased slightly this year, but increased to 43.1 percent of total revenue for fiscal year 2018. This is up from 41.5 percent of total revenue for fiscal year 2017. State appropriations continue to increase and are up $3.0 million for fiscal year 2018; as a percentage of total revenue it is also increasing.

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, 2018 is as follows:

(in thousands)	2018	% of Total	2017	% of Total	2016	% of Total
Instruction	$ 208,744	33.1%	$ 283,532	36.0%	$ 259,123	35.1%
Auxiliary enterprises	79,813	12.7%	86,673	11.0%	82,930	11.2%
Academic support	66,937	10.7%	85,568	10.9%	80,761	10.9%
Depreciation	53,134	8.5%	48,941	6.2%	43,021	5.8%
Research	40,117	6.4%	42,110	5.3%	38,952	5.3%
Institutional support	39,124	6.2%	57,106	7.3%	59,941	8.1%
Student services	37,682	6.0%	58,004	7.4%	56,039	7.7%
Operation and maintenance of plant	36,754	5.9%	52,130	6.6%	50,392	6.8%
Interest on debt	27,683	4.4%	26,316	3.3%	24,169	3.3%
Public service	21,716	3.5%	30,504	3.9%	30,259	4.1%
Student aid	8,954	1.4%	9,322	1.2%	8,480	1.1%
Other nonoperating expense	7,406	1.2%	7,348	0.9%	4,351	0.6%
Total operating and nonoperating expenses	$ 628,064	100.0%	$ 787,554	100.0%	$ 738,418	100.0%

The decrease in unfunded pension and OPEB liabilities are functionally allocated causing large variances in expenditures and making many of the amounts on the chart above difficult to compare year over year. A review of the order of functional expenditures and percent of total comparisons are more useful.

Student aid is listed as a functional expenditure and is defined as the funds a student receives for financial aid in excess of his or her tuition and fees for a given term that is then disbursed back to the student. This should be added to the scholarships, which are shown as offsetting tuition and fees and auxiliary enterprises revenue, to determine total scholarships and aid awarded for the fiscal year.

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, 2018 is as follows:

(in thousands)	2018	2017	2016
Cash (used in) provided by:			
Operating activities	$ (112,746)	$ (117,196)	$ (123,325)
Noncapital financing activities	212,144	207,578	209,524
Capital financing activities	(99,175)	(18,193)	(133,668)
Investing activities	8,947	17,257	9,492
Net increase (decrease) in cash	9,170	89,446	(37,977)
Cash - Beginning of year	133,123	43,677	81,654
Cash - End of year	$ 142,293	$ 133,123	$ 43,677

Capital Assets

The University made significant additions to capital assets during fiscal year 2018. 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 acquisition of 31 S. Court Street and 4 University Terrace, and renovations to Jefferson Hall, Siegfried Hall (windows and roof), Alden Library Phase I Renovations, Boyd and Tiffin Hall Bathroom Upgrades.

Major investments to construction in progress, which will greatly enhance the University's assets in fiscal year 2019 and beyond, include $4.8 million in the Ellis Hall Renovations project, $4.5 million in the Sook Academic Center project, $2.3 million in the Clippinger Hall Phase I Addition, $1.1 million in the HCOM Athens Campus Phase I project, $2.3 million investment in roadway improvements, and an $8.7 million investment in the on-going phases 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, 2018 total approximately $32.3 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, 2018, the University had $608.5 million in bonds and notes outstanding, compared to $624.6 million at the end of 2017. The decrease is due to annual principal payments. On November 15, 2017, the University issued general receipts obligations Series 2017B (Line of Credit) with a maximum principal amount not to exceed $50 million. Advances on the line of credit will be used to provide funds to finance the costs of capital facilities and to pay costs of issuance. The amount advanced as of June 30, 2018 is $65,500 and was used to pay costs of issuance. Detailed information exists in Note 7 related to borrowings and retirements for fiscal years 2018 and 2017.

Ohio University takes its stewardship responsibility seriously and works diligently to manage the institution's resources effectively, including the use of debt to finance capital projects. The University is committed to using debt conservatively in order to maintain an acceptable credit rating and debt burden ratio. A solid debt rating and debt burden ratio is a key measurement of financial strength. Standard & Poor's reaffirmed its long-term credit rating in April 2018 and Moody's in January 2017. 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.

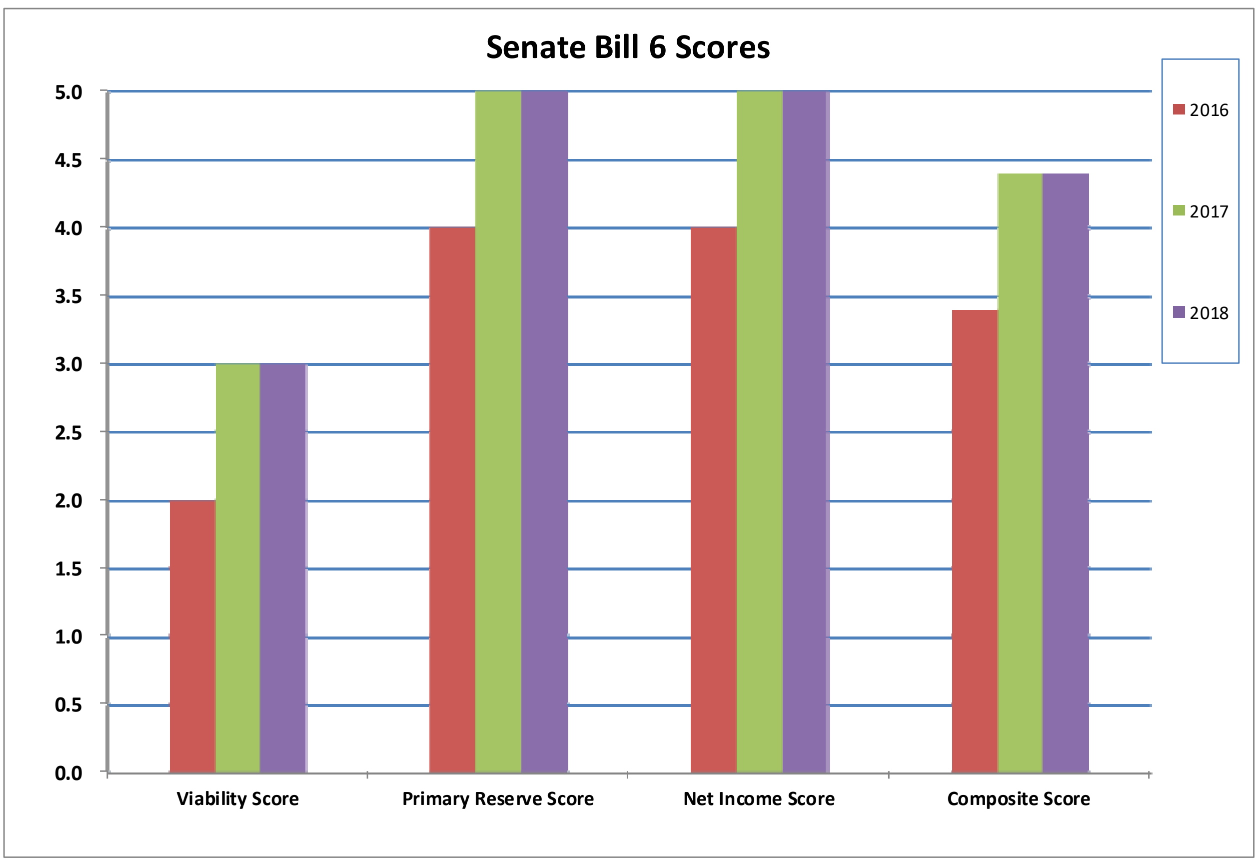
Based on the calculations, each ratio is assigned a score ranging from zero to five according to the table below. A score of 5 indicates the highest degree of fiscal strength in each category.

Scores	0	1	2	3	4	5
Viability Ratio	less than 0	0 to 0.29	0.30 to 0.59	0.6 to 0.99	1.0 to 2.5	greater than 2.5
Primary Reserve Ratio	less than -0.1	-0.1 to 0.049	0.05 to 0.099	0.10 to 0.249	0.25 to 0.49	0.5 or greater
Net Income Ratio	less than -.05	-0.05 to 0	0 to 0.009	0.01 to 0.029	0.03 to 0.049	0.05 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.

In an effort to appropriately recognize the incorporation of GASB Statement Nos. 68 for the unfunded pension liability and No. 75 for the unfunded OPEB liability as an accounting change rather than a structural change in the true financial condition of the institution, the Ohio Department of Higher Education will calculate institutional financial ratios from fiscal year 2015 onward both including and excluding associated impacts of those GASB Statements. Pursuant to administrative rule (126:3-1-01) established in response to Senate Bill 6 of the 122nd General Assembly, a composite score of or below 1.75 for two consecutive years results in an institution being placed on fiscal watch. For the purposes of this determination, the Chancellor will utilize composite scores excluding associated impacts of GASB Statement Nos. 68 and 75.

We have presented the scores excluding the effects of GASB Statement Nos. 68 and 75 as summarized below:



The viability ratio, which uses debt as the denominator, had decreased due to the Century Bond issuance in fiscal year 2015 and continued to have a low score in fiscal year 2016. The numerator for the viability ratio, expendable net position, increased in fiscal year 2017 as we continued to build up our unrestricted net position. This was consistent with fiscal year 2018 results. The primary reserve and net income ratios increased from fiscal year 2016 to 2017 mainly due to increased investment income. This was also consistent with fiscal year 2018 results. Overall, the scores were unchanged from 2017 to 2018 with a composite score of 4.4.

Economic Outlook

Ohio University continues to show steady improvement and a strengthening of its institutional balance sheet. While the University is committed to operating as efficiently as possible and continues a collective focus on reducing expenses, it is also committed to maintaining investment in the University mission and strategic priorities. That level of investment will be balanced with the financial resources available in the University's competitive environment.

Ohio University's mission and vision statements encapsulate the University's purpose and its goals. They also play an important role in defining the ties that link all members of our University community.

Ohio University's mission statement: Ohio University holds as its central purpose the intellectual and personal development of its students. Distinguished by its rich history, diverse campus, international community, and beautiful Appalachian setting, Ohio University is known as well for its outstanding faculty of accomplished teachers whose research and creative activity advance knowledge across many disciplines.

Ohio University's vision statement: Ohio University will be the nation's best transformative learning community where students realize their promise, faculty advance knowledge, staff achieve excellence, and alumni become global leaders.

Key strategic pathways have been developed that reflect the diverse voices of those who represent the University. These pathways and priorities will continue to redefine Ohio University as a leading-edge public research university.

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 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, 2018		June 30, 2017	
	Ohio University	The Ohio University Foundation	Ohio University	The Ohio University Foundation
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	$ 72,561,153	$ 26,489,880	$ 58,048,268	$ 25,731,084
Investments	288,901,883	50,126,287	276,219,578	45,621,869
Accounts and pledges receivable, net	70,826,692	6,323,869	74,504,768	7,862,558
Interest and dividends receivable	1,603,307	951,985	872,047	79,869
Notes receivable, net	1,197,851	-	1,280,941	-
Prepaid expenses	9,959,634	283,999	10,852,683	217,759
Inventories	2,580,130	148,338	2,840,661	40,823
Total current assets	447,630,650	84,324,358	424,618,946	79,553,962
Noncurrent Assets				
Restricted cash and cash equivalents	69,731,869	-	75,074,942	-
Pledges receivable, net	-	3,111,620	-	6,078,957
Bequests receivable	-	3,571,840	-	500,000
Cash surrender value of life insurance	-	1,271,338	-	1,230,764
Charitable gift annuities and trusts	-	19,029,782	-	19,200,224
Investments - noncurrent	225,900,842	5,667,052	234,842,646	5,750,403
Endowment investments	98,994,652	437,805,042	83,343,088	425,048,857
Notes receivable - noncurrent, net	11,210,204	-	11,075,662	-
Assets held for sale	-	85,000	-	196,500
Capital assets, net	1,042,192,460	10,695,962	1,019,149,440	10,873,610
Total noncurrent assets	1,448,030,027	481,237,636	1,423,485,778	468,879,315
Total assets	1,895,660,677	565,561,994	1,848,104,724	548,433,277
Deferred Outflows of Resources				
Deferred outflows related to pensions	106,873,119	-	137,671,455	-
Deferred outflows related to OPEB	9,213,851	-	-	-
Deferred charge on bond refunding	1,842,120	-	2,261,468	-
Total deferred outflows of resources	117,929,090	-	139,932,923	-
Total Assets and Deferred Outflows of Resources	$ 2,013,589,767	$ 565,561,994	$ 1,988,037,647	$ 548,433,277

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

Statements of Net Position (Continued)

	June 30, 2018		June 30, 2017	
	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	$ 73,300,440	$ 7,284,264	$ 74,175,614	$ 3,796,474
Unearned revenue	39,355,757	-	33,574,091	-
Deposits and other liabilities	3,679,454	4,999,821	4,414,966	5,173,250
Long-term debt - current portion	18,106,103	350,500	18,128,046	329,600
Funds held on behalf of others	1,289,631	427,781	1,272,612	397,138
Total current liabilities	135,731,385	13,062,366	131,565,329	9,696,462
Noncurrent Liabilities				
Compensated absences	18,204,793	-	18,460,533	-
Other noncurrent liabilities	3,908,871	-	2,870,150	-
Long-term debt	617,641,697	762,907	635,682,300	1,111,308
Net pension liability	376,369,264	-	545,779,275	-
Net OPEB liability	133,641,529	-	-	-
Refundable advances, federal student loans	6,803,269	-	7,244,887	-
Total noncurrent liabilities	1,156,569,423	762,907	1,210,037,145	1,111,308
Total liabilities	1,292,300,808	13,825,273	1,341,602,474	10,807,770
Deferred Inflows of Resources				
Deferred inflows related to pensions	49,847,823	-	3,998,005	-
Deferred inflows related to OPEB	11,865,146	-	-	-
Deferred gain on bond refunding	575,502	-	607,475	-
Total deferred inflows of resources	62,288,471	-	4,605,480	-
Net Position				
Net investment in capital assets	663,337,793	9,667,555	644,053,780	9,629,202
Restricted:				
Nonexpendable	22,640,431	224,235,070	22,478,834	214,186,022
Expendable	32,981,197	315,323,753	31,381,205	312,160,372
Unrestricted	(59,958,933)	2,510,343	(56,084,126)	1,649,911
Total net position	659,000,488	551,736,721	641,829,693	537,625,507
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 2,013,589,767	$ 565,561,994	$ 1,988,037,647	$ 548,433,277

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, 2018 and 2017

	2018		2017	
	Ohio University	The Ohio University Foundation	Ohio University	The Ohio University Foundation
Operating Revenues				
Student tuition and fees	$ 412,552,733	$ -	$ 413,459,850	$ -
Less: Pell grants	(30,542,431)	-	(29,327,271)	-
Less: Other scholarships	(43,130,966)	-	(44,311,079)	-
Net Student tuition and fees	338,879,336	-	339,821,500	-
Auxiliary enterprises	111,206,307	-	115,814,901	-
Less: Pell grants-room and board	(3,076,428)	-	(2,587,873)	-
Less: Other scholarships-room and board	(11,074,147)	-	(10,261,034)	-
Net Auxiliary enterprises	97,055,732	-	102,965,994	-
Federal grants and contracts	23,560,772	-	26,053,864	-
State and other grants and contracts	9,021,138	-	8,467,058	-
Private grants and contracts	9,602,254	-	11,650,081	-
Royalties	5,404,316	-	4,740,056	-
Sales and services	21,696,924	-	22,204,968	-
Other sources	15,451,715	7,493,550	35,954,805	10,637,951
Total operating revenues	520,672,187	7,493,550	551,858,326	10,637,951
Operating Expenses				
Educational and general:				
Instruction	208,744,251	6,419,121	283,532,549	10,137,137
Research	40,116,547	2,832,063	42,110,172	1,383,393
Public service	21,716,104	1,167,783	30,503,815	365,501
Academic support	66,936,874	1,442,064	85,568,442	1,928,135
Student services	37,681,667	397,427	58,003,606	242,460
Institutional support	39,123,549	21,607,838	57,106,146	16,750,706
Operation and maintenance of plant	36,753,585	-	52,129,896	-
Student aid (including Pell grants of $2,819,165 in 2018 and $2,788,767 in 2017 for Ohio University)	8,954,766	7,553,857	9,322,352	6,602,192
Depreciation	53,134,087	1,125,699	48,940,898	1,122,012
Auxiliary enterprises	79,813,224	-	86,672,559	-
Operating expenses - Related entities	-	5,278,030	-	6,532,328
Total operating expenses	592,974,654	47,823,882	753,890,435	45,063,864
Operating Loss	$ (72,302,467)	$ (40,330,332)	$ (202,032,109)	$ (34,425,913)

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

Ohio University

Statements of Revenues, Expenses, and Changes in Net Position (Continued)
Years Ended June 30, 2018 and 2017

	2018		2017	
	Ohio University	The Ohio University Foundation	Ohio University	The Ohio University Foundation
Nonoperating Revenue (Expenses)				
State appropriations	$ 166,022,935	$ -	$ 163,056,923	$ -
Federal grants - Pell	36,438,024	-	34,703,910	-
Federal grants nonexchange	2,259,338	-	2,312,701	-
State and other grants nonexchange	6,036,539	-	5,643,310	-
Private gifts	-	9,960,026	-	6,680,099
University support	-	3,601,332	-	4,119,288
Investment income, net	28,984,959	31,198,184	43,823,178	53,148,217
Interest on debt	(27,683,159)	-	(26,315,525)	-
Other nonoperating expense	(7,405,949)	-	(7,347,956)	-
Net nonoperating revenue	204,652,687	44,759,542	215,876,541	63,947,604
Income Before Other Revenue	132,350,220	4,429,210	13,844,432	29,521,691
Other Revenue				
State capital appropriations	19,616,691	-	12,462,119	-
Capital grants and gifts	6,124,735	-	4,886,960	-
Additions to permanent endowments	7,551	9,682,004	8,659	8,433,060
Total other revenue	25,748,977	9,682,004	17,357,738	8,433,060
Increase in Net Position	158,099,197	14,111,214	31,202,170	37,954,751
Net Position				
Beginning of year	641,829,693	537,625,507	610,627,523	499,670,756
Adjustment for change in accounting principle (see Note 1)	(140,928,402)	-	-	-
Beginning of year, as restated	500,901,291	537,625,507	610,627,523	499,670,756
End of year	$ 659,000,488	$ 551,736,721	$ 641,829,693	$ 537,625,507

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

Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	Ohio University 2018	Ohio University 2017
Cash Flows From Operating Activities		
Student tuition and fees	$ 339,370,375	$ 337,117,559
Grants and contracts	40,392,233	46,383,642
Payments to suppliers	(157,489,391)	(151,574,722)
Payments to or on behalf of employees	(458,514,134)	(474,174,518)
Payments for scholarships and fellowships	(36,893,495)	(37,570,100)
Loans issued to students	(2,454,195)	(2,066,392)
Collection of loans from students	2,230,980	2,285,350
Auxiliary enterprise sales	96,928,311	103,362,133
Royalties	219,865	2,448,494
Sales and services	24,942,351	26,808,562
Other receipts	38,520,808	29,783,656
Net cash used in operating activities	(112,746,292)	(117,196,336)
Cash Flows From Noncapital Financing Activities		
State appropriations	166,022,935	163,056,923
Gifts and grants for other than capital purposes	44,741,452	42,668,580
Federal direct student loan program receipts	223,650,966	219,738,476
Federal direct student loan program disbursements	(223,833,315)	(219,825,008)
Student organization agency transactions	1,561,370	1,939,243
Net cash provided by noncapital financing activities	212,143,408	207,578,214
Cash Flows From Capital Financing Activities		
Proceeds from capital debt	65,500	156,150,000
State capital appropriations	17,649,145	13,698,909
Capital grants and gifts received	6,124,735	4,680,190
Purchases of capital assets	(76,797,085)	(108,049,001)
Principal paid on capital debt and leases	(16,209,610)	(57,871,815)
Interest paid on capital debt and leases	(30,007,358)	(26,800,983)
Net cash used in capital financing activities	(99,174,673)	(18,192,700)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	139,327,142	120,943,305
Investment income	12,740,995	10,860,350
Purchase of investments	(143,120,768)	(114,547,015)
Net cash provided by investing activities	8,947,369	17,256,640
Net Increase In Cash And Cash Equivalents	9,169,812	89,445,818
Cash And Cash Equivalents - Beginning of year	133,123,210	43,677,392
Cash And Cash Equivalents - End of year	$ 142,293,022	$ 133,123,210
Supplemental Disclosure of Noncash Activities -		
Construction in progress in accounts payable	$ 11,954,046	$ 16,211,726

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

Statements of Cash Flows (Continued)
Years Ended June 30, 2018 and 2017

	Ohio University 2018	Ohio University 2017
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:		
Operating loss	$ (72,302,467)	$ (202,032,109)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	53,134,087	48,940,898
Changes in operating assets and liabilities and deferred outflows of resources and deferred inflows of resources which (used) provided cash:		
Accounts receivable, net	3,567,615	(17,693,533)
Notes receivable, net	(493,071)	1,130,662
Prepaid expenses	893,049	(349,693)
Inventories	260,532	(85,186)
Deferred outflows of resources	21,584,485	(52,050,458)
Deferred inflows of resources	57,714,964	(19,899,519)
Accounts payable and accrued liabilities	(5,424,756)	4,215,625
Unearned revenue	5,781,666	7,995,837
Deposits and other liabilities	(765,512)	(251,388)
Net pension and OPEB liabilities	(176,696,884)	112,882,528
Net Cash Used In Operating Activities	$ (112,746,292)	$ (117,196,336)

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 (the "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 also includes 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 of resources, liabilities, deferred inflows of resources, net position, revenue, 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 $188.2 million and $204.2 million of unspent bond proceeds as of June 30, 2018 and 2017, respectively, to be used to promote a sustainable approach to investing in the University's buildings and infrastructure.

The University has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants,* which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold on June 30, 2018 and 2017.

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 in years
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
Buildings	Any amount	40
Machinery and equipment	$5,000	5-25
Library books and publications	Any amount	10
Transportation equipment	$5,000	5-10
Purchased software	$500,000	5-10
Internally developed software	$500,000	5-10

Building renovations that significantly increase the value, change the use, 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 is disclosed.

Deferred Outflows of Resources - In addition to assets, the statements of net position report 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 and net other postemployment benefit (OPEB) liability. See Note 11 for more information. Also included are deferred charges arising from the amount transferred to the escrow agent to refund Series 2001, 2003, and 2004 and to advance refund Series 2008A bond issues, in excess of the carrying value of those bonds.

Deferred Inflows of Resources - In addition to liabilities, the statements of net position report 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 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 and net OPEB liability. More detailed information can be found in Note 11. Also included are deferred charges arising from the carrying value of the refunded Series 2006A & B bond issue, in excess of the amount transferred to the escrow agent to refund the 2006A & B bonds.

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 revenue, expenses, and changes in net position.

Net Pension Liability - 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 the State Teachers Retirement System of Ohio (STRS Ohio) Pension Plan and additions to/deductions from OPERS' and STRS Ohio's fiduciary net position have been determined on the same basis as they are reported by OPERS and STRS Ohio. Both OPERS and STRS Ohio 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.

Other Postemployment Benefit Costs - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the STRS/OPERS Pension Plan and additions to/deductions from STRS'/OPERS' fiduciary net position have been determined on the same basis as they are reported by STRS/OPERS. STRS/OPERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, STRS/OPERS recognizes benefit payments 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 the interest, dividends, and capital gains on endowment funds.
    - 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 (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 includes revenue 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, certain federal, state, and other 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 revenue, 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 $87,823,972 (of which $73,673,397 is netted against student tuition and fees and $14,150,575 is netted against auxiliary enterprises revenue) and $86,487,257 (of which $73,638,350 is netted against student tuition and fees and $12,848,907 is netted against auxiliary enterprises revenue) as of June 30, 2018 and 2017, 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, University Medical Associates, Inc., and the Coalition of Rural and Appalachian Schools are component units of the University. Their financial results have been presented in a blended format in the University's financial statements. The Muskingum Recreation Center (MRC) board passed an amended resolution late July 2018 making the University the sole member. The adoption of the resolution is contingent upon the satisfaction of terms and is anticipated to be completed in fiscal year 2019. Obligations for the outstanding debt of MRC are disclosed in Note 7.

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. (UMA) 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. UMA provided medical services in private physician offices and clinic settings on the campus of Ohio University and surrounding locations. The assets and liabilities of UMA were sold to an outside party during fiscal year 2017. Partial year financial results were included for fiscal year 2017 and trailing results are included in fiscal year 2018. UMA continues to exist, but is a shell corporation to deal with malpractice and no longer employs our doctors or runs our clinic.

Coalition of Rural and Appalachian Schools (CORAS) is a Regional Chapter of Governments pursuant to Chapter 167 of the Ohio Revised Code. CORAS is composed of 118 school districts, institutions of higher learning, and other educational agencies in the 35 county region of Ohio designated as Appalachia. In partnership with the University Patton College of Education the mission of CORAS is to advocate for and support the public schools of rural and Appalachia Ohio in the continuous improvement of educational opportunities available to the region's children.

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. This presentation more accurately reflects the nature of the Foundation payroll expenditures and corresponding revenue. On the statement of revenue, expenses and changes in net position and on the statement of cash flows, $9,000,000 of Other sources revenue has been decreased and offset with decreases to Operating Expenses of $400,000 in Academic support, $4,350,000 in Institutional support, $3,250,000 in Instruction, $110,000 in Public service, $760,000 in Research, and $130,000 in Student services. Net position has not been affected by these changes.

Newly Adopted Accounting Pronouncements

- 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 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 Ohio plans. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statements, the University has reported a change in accounting principle adjustment to unrestricted net position of $140,928,402, which is the net of the net OPEB liability and related deferred outflows of resources as of July 1, 2017. June 30, 2017 amounts have not been restated to reflect the impact of GASB No. 75 because the information is not available to calculate the impact on OPEB expense for the fiscal year ended June 30, 2017.

Newly Issued Accounting Pronouncements

- In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The University is currently evaluating the impact of this standard. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2019.
- In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The University is currently evaluating the impact of this standard, specifically related to holding assets for student club accounts. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2020.
- In June 2017, the GASB issued Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The new lease standard is expected to have a significant effect on the University's financial statements as a result of the leases for various facilities and equipment classified as operating leases. The effect of applying the new lease guidance on the financial statements has not yet been determined. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2021.

- In June 2018, the GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the University's financial statements for the fiscal year ending June 30, 2021.

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

As of June 30, 2018, the carrying amount of the University's cash and cash equivalents for all funds was $142,293,022 compared to bank balances of $145,020,774. As of June 30, 2017, the carrying amount of the University's cash and cash equivalents for all funds was $133,123,210 compared to bank balances of $136,231,327. The difference in carrying amounts and bank balances is caused by outstanding checks and deposits-in-transit. At June 30, 2018, of the bank balances, $1,420,818 is covered by the Federal Deposit Insurance Corporation (FDIC) and $143,599,956 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, 2018 and 2017 are as follows:

Investment Type	2018	2017
Money market mutual funds	$ 26,263,226	$ 26,460,212
US government obligations	15,926,870	16,622,694
Mortgage-backed securities	22,740,912	24,820,609
Asset-backed securities	42,560,681	37,917,529
Corporate bonds and notes	51,669,962	45,620,070
Bond mutual funds	129,074,101	140,674,373
Notes and convertible notes	1,540,276	1,167,514
US common and preferred stock	4,595,143	3,972,650
US equity mutual funds	95,484,518	79,094,900
International equity mutual funds	121,897,831	121,936,287
Hedge funds	56,578,993	59,355,125
Commodities	19,601,157	16,691,622
REITs	4,201,742	3,957,924
Direct private equity investments	1,478,120	1,352,606
Private equity funds	20,183,845	14,761,197
Total	$ 613,797,377	$ 594,405,312

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 rate.

As of June 30, 2018, 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	$ 26,263,226	$ 26,263,226	$ -	$ -	$ -
U.S. government obligations	15,926,870	8,402,619	3,657,362	145,168	3,721,721
Mortgage-backed securities	22,740,912	4,434,154	7,217,077	1,533,783	9,555,898
Asset-backed securities	42,560,681	319,384	39,425,540	2,815,757	-
Corporate bonds and notes	51,669,962	15,640,090	35,442,386	477,236	110,250
Bond mutual funds	129,074,101	9,985,272	79,585,275	33,167,694	6,335,860
Convertible notes	1,540,276	-	1,540,276	-	-
Total	$ 289,776,028	$ 65,044,745	$ 166,867,916	$ 38,139,638	$ 19,723,729

As of June 30, 2017, 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	$ 26,460,212	$ 26,460,212	$ -	$ -	$ -
U.S. government obligations	16,622,694	799,241	11,896,330	349,000	3,578,123
Mortgage-backed securities	24,820,609	-	9,422,404	2,225,826	13,172,379
Asset-backed securities	37,917,529	-	37,917,529	-	-
Corporate bonds and notes	45,620,070	16,003,039	28,803,368	386,903	426,760
Bond mutual funds	140,674,373	30,840,109	79,312,598	30,521,666	-
Convertible notes	1,167,514	920,806	246,708	-	-
Total	$ 293,283,001	$ 75,023,407	$ 167,598,937	$ 33,483,395	$ 17,177,262

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, 2018 are as follows:

		Credit Quality (S&P)						
	Market Value	AAA	AA	A	BBB	BB	B	Unrated
Money markets	$ 26,263,226	$ -	$ -	$ -	$ -	$ -	$ -	$ 26,263,226
U.S. government obligations	15,926,870	15,926,870	-	-	-	-	-	-
Mortgage-backed securities	22,740,912	20,268,909	2,472,003	-	-	-	-	-
Asset-backed securities	42,560,681	37,680,274	1,564,770	94,740	1,998,074	-	1,222,823	-
Corporate bonds and notes	51,669,962	-	7,629,872	24,475,821	19,564,269	-	-	-
Bond mutual funds	129,074,101	-	25,095,002	70,253,443	12,668,612	19,581,911	1,475,133	-
Convertible notes	1,540,276	-	-	-	-	-	-	1,540,276
Total	$ 289,776,028	$ 73,876,053	$ 36,761,647	$ 94,824,004	$ 34,230,955	$ 19,581,911	$ 2,697,956	$ 27,803,502

The credit ratings of the University's interest-bearing investments as of June 30, 2017 are as follows:

		Credit Quality (S&P)						
	Market Value	AAA	AA	A	BBB	BB	B	Unrated
Money markets	$ 26,460,212	$ 4,080,277	$ -	$ -	$ -	$ -	$ -	$ 22,379,935
U.S. government obligations	16,622,694	16,622,694	-	-	-	-	-	-
Mortgage-backed securities	24,820,609	24,820,609	-	-	-	-	-	-
Asset-backed securities	37,917,529	37,917,529	-	-	-	-	-	-
Corporate bonds and notes	45,620,070	2,111,916	8,713,502	20,470,333	14,224,209	-	-	100,110
Bond mutual funds	140,674,373	-	23,630,548	80,409,135	18,889,971	17,744,719	-	-
Convertible notes	1,167,514	-	-	-	-	-	-	1,167,514
Total	$ 293,283,001	$ 85,553,025	$ 32,344,050	$ 100,879,468	$ 33,114,180	$ 17,744,719	$ -	$ 23,647,559

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, 2018 and 2017, 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, 2018 and 2017, 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 $121.9 million and $121.9 million as of June 30, 2018 and 2017, 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, 2018 value, while the remaining valuations represent March 31, 2018 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, 2018 and 2017, there was $71.8 million and $64.6 million, respectively, in investment assets reported at the estimated values described above.

Fair Value Measurements - The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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 lowest level input that is significant to the valuation. The University'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 University has the following recurring fair value measurements as of June 30, 2018 and 2017:

	Balance at June 30, 2018	Fair Value at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Fixed-income investments:				
U.S. government obligations	$ 15,926,870	$ 15,926,870	$ -	$ -
Mortgage-backed securities	22,740,912	-	22,740,912	-
Asset-backed securities	42,560,681	-	42,560,681	-
Corporate bonds and notes	51,669,962	-	51,669,962	-
Bond mutual funds	129,074,101	129,074,101	-	-
Subtotal fixed-income investments	261,972,526	145,000,971	116,971,555	-
Public equity investments:				
U.S. common and preferred stock	4,595,143	4,595,143	-	-
U.S. equity mutual funds	95,484,518	95,484,518	-	-
International equity mutual funds	116,182,721	116,182,721	-	-
Commodities	17,860,051	17,860,051	-	-
REITs	4,201,742	4,201,742	-	-
Subtotal public equity investments	238,324,175	238,324,175	-	-
Alternative investments:				
Convertible notes	1,540,276	-	-	1,540,276
Direct private equity investments	1,478,120	-	-	1,478,120
Subtotal alternative investments	3,018,396	-	-	3,018,396
Total investments by fair value level	$ 503,315,097	$ 383,325,146	$ 116,971,555	$ 3,018,396
Investments measured at net asset value (NAV)				
International equity mutual funds	5,715,110			
Hedge funds	56,578,993			
Commodities	1,741,106			
Private equity funds	20,183,845			
Subtotal investments measured at NAV	84,219,054			
Total investments measured at fair value	$ 587,534,151			

		Fair Value at Reporting Date Using		
	Balance at June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Fixed-income investments:				
U.S. government obligations	$ 16,622,694	$ -	$ 16,622,694	$ -
Mortgage-backed securities	24,820,609	-	24,820,609	-
Asset-backed securities	37,917,529	-	37,917,529	-
Corporate bonds and notes	45,620,070	-	45,620,070	-
Bond mutual funds	140,674,373	140,674,373	-	-
Subtotal fixed-income investments	265,655,275	140,674,373	124,980,902	-
Public equity investments:				
U.S. common and preferred stock	3,972,650	3,972,650	-	-
U.S. equity mutual funds	79,094,900	79,094,900	-	-
International equity mutual funds	116,464,540	116,464,540	-	-
Commodities	15,201,124	15,201,124	-	-
REITs	3,957,924	3,957,924	-	-
Subtotal public equity investments	218,691,138	218,691,138	-	-
Alternative investments:				
Convertible notes	1,167,514	-	-	1,167,514
Direct private equity investments	1,352,606	-	-	1,352,606
Subtotal alternative investments	2,520,120	-	-	2,520,120
Total investments by fair value level	$ 486,866,533	$ 359,365,511	$ 124,980,902	$ 2,520,120
Investments measured at net asset value (NAV)				
International equity mutual funds	5,471,747			
Hedge funds	59,355,125			
Commodities	1,490,498			
Private equity funds	14,761,197			
Subtotal investments measured at NAV	81,078,567			
Total investments measured at fair value	$ 567,945,100			

Short-term investments and investments on the statement of net position at June 30, 2018 and 2017 include investments in STAR Ohio of $20,505,460 and $20,234,322, respectively. The investments in STAR Ohio are measured at amortized cost; therefore, they are not included in the tables above. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

As of June 30, 2018 and 2017, the University invested in money market funds in the amounts of $26,263,226 and $26,460,212, respectively, which are not included in the table above.

Investments classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of many investment income securities, including mortgage-backed securities, corporate bonds and notes, and municipal bonds, at June 30, 2018 and 2017 was determined primarily based on level 2 inputs. The University estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The fair value of certain alternative investments, including convertible notes and direct private equity investments, at June 30, 2018 and 2017 was determined primarily based on Level 3 inputs. The Organization estimates the fair value of these investments using the University's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table.

Investments in Entities that Calculate Net Asset Value per Share - The University holds shares or interests in investment companies where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Investments Reported at Net Asset Value				
	June 30, 2018	June 30, 2017	June 30, 2018		
	Fair Value	Fair Value	Unfunded Commitment	Redemption Frequency, if Eligible	Redemption Notice Period
Fixed-income investments:					
International equity mutual funds (1)	$ 5,715,110	$ 5,471,747	$ -	Monthly	30 days
Hedge funds (2)	56,578,993	59,355,125	-	Quarterly	60 days
Commodities (3)	1,741,106	1,490,498	-	Monthly	10-30 days
Private equity funds (4)	20,183,845	14,761,197		None	None
Total	$ 84,219,054	$ 81,078,567	$ -		

(1) International equity mutual funds include a fund that seeks to achieve total return in excess of the MSCI Emerging Markets Index through investing in the world's emerging stock markets. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
(2) Hedge funds include absolute and total return funds that are broadly diversified across managers, investment strategies, and investment venues. This asset category includes both fund investments, as well as fund of funds investments. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
(3) Commodities funds include investments 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 values of the investments in this class have been estimated using the net asset value per share of the investments.

(4) Private equity funds are broadly diversified across managers, investment stages, geography, industry sectors, and company size. This asset category includes private equity, private real estate, and venture capital funds. It also includes individual fund investments, as well as fund of funds investments. The fair values of the investments in this class have been estimated using the net asset value of the University's ownership interest in partners' capital. The investments in the private equity asset class above cannot be redeemed with the funds. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next one to 13 years.

Note 3 - Accounts Receivable

The composition of accounts receivable at June 30, 2018 and 2017 is summarized as follows:

	2018	2017
Student tuition and fees	$ 46,885,973	$ 43,612,947
Grants and contracts	11,920,126	11,234,396
Direct Lending Loans	1,947,859	1,762,376
Other	25,100,203	31,626,069
Total accounts receivable	85,854,161	88,235,788
Less allowance for doubtful accounts	(15,027,469)	(13,731,020)
Accounts receivable, net	$ 70,826,692	$ 74,504,768

Note 4 - Notes Receivable

The University's notes receivable at June 30, 2018 and 2017 is net of allowance for doubtful accounts of $2,850,682 and $2,882,315, 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 $223,833,315 and $219,825,008 for student loans through the U.S. Department of Education Federal Direct Lending program during the years ended June 30, 2018 and 2017, 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, 2018 and 2017 is as follows:

	2018	2017
Student loan program	$ 13,833,254	$ 13,739,942
Heritage College of Osteopathic Medicine former students	675,483	748,976
Muskingum Recreation Center	750,000	750,000
Total notes receivable	15,258,737	15,238,918
Less allowance for doubtful accounts	(2,850,682)	(2,882,315)
Notes receivable, net	12,408,055	12,356,603
Less current portion	(1,197,851)	(1,280,941)
Notes receivable - noncurrent, net	$ 11,210,204	$ 11,075,662

The composition of the allowance for doubtful accounts on notes receivable at June 30, 2018 and 2017 is as follows:

	2018	2017
Student loan program	$ (1,599,386)	$ (1,630,166)
Heritage College of Osteopathic Medicine former students	(501,296)	(502,149)
Muskingum Recreation Center	(750,000)	(750,000)
Total allowance for doubtful accounts	$ (2,850,682)	$ (2,882,315)

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Transfers	Retirements	Balance June 30, 2018
Capital assets not being depreciated:					
Land	$ 23,979,345	$ 2,066,551	$ -	$ -	$ 26,045,896
Land improvements	4,701,091	-	-	-	4,701,091
Construction in progress	76,473,030	22,626,424	(65,655,729)	(293,467)	33,150,258
Works of art and historical treasures	17,912,435	6,500	-	-	17,918,935
Total capital assets not being depreciated	123,065,901	24,699,475	(65,655,729)	(293,467)	81,816,180
Capital assets being depreciated:					
Infrastructure	162,226,853	14,306,131	12,862,978	-	189,395,962
Buildings	1,181,297,714	29,148,859	50,140,059	-	1,260,586,632
Machinery and equipment	161,063,804	7,949,025	2,652,692	(5,060,762)	166,604,759
Library books and publications	77,723,464	693,595	-	(509,305)	77,907,754
Total capital assets being depreciated	1,582,311,835	52,097,610	65,655,729	(5,570,067)	1,694,495,107
Total capital assets	1,705,377,736	76,797,085	-	(5,863,534)	1,776,311,287
Less accumulated depreciation:					
Infrastructure	74,195,971	7,479,992	-	-	81,675,963
Buildings	433,229,916	33,826,357	-	-	467,056,273
Machinery and equipment	107,158,047	10,976,080	-	(4,734,251)	113,399,876
Library books and publications	71,644,362	851,658	-	(509,305)	71,986,715
Total accumulated depreciation	686,228,296	53,134,087	-	(5,243,556)	734,118,827
Total capital assets being depreciated, net	896,083,539	(1,036,477)	65,655,729	(326,511)	960,376,280
Capital assets, net	$ 1,019,149,440	$ 23,662,998	$ -	$ (619,978)	$ 1,042,192,460

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Transfers	Retirements	Balance June 30, 2017
Capital assets not being depreciated:					
Land	$ 24,890,824	$ -	$ -	$ (911,479)	$ 23,979,345
Land improvements	4,701,091	-	-	-	4,701,091
Construction in progress	67,417,769	71,160,746	(58,469,392)	(3,636,093)	76,473,030
Works of art and historical treasures	17,083,983	828,452	-	-	17,912,435
Total capital assets not being depreciated	114,093,667	71,989,198	(58,469,392)	(4,547,572)	123,065,901
Capital assets being depreciated:					
Infrastructure	148,153,998	6,789,161	13,919,662	(6,635,968)	162,226,853
Buildings	1,135,274,831	14,661,426	44,549,730	(13,188,273)	1,181,297,714
Machinery and equipment	163,438,309	14,047,091	-	(16,421,596)	161,063,804
Library books and publications	77,418,522	562,125	-	(257,183)	77,723,464
Total capital assets being depreciated	1,524,285,660	36,059,803	58,469,392	(36,503,020)	1,582,311,835
Total capital assets	1,638,379,327	108,049,001	-	(41,050,592)	1,705,377,736
Less accumulated depreciation:					
Infrastructure	74,539,759	6,175,015	-	(6,518,803)	74,195,971
Buildings	412,380,787	31,237,209	-	(10,388,080)	433,229,916
Machinery and equipment	112,885,228	10,248,228	-	(15,975,409)	107,158,047
Library books and publications	70,621,099	1,280,446	-	(257,183)	71,644,362
Total accumulated depreciation	670,426,873	48,940,898	-	(33,139,475)	686,228,296
Total capital assets being depreciated, net	853,858,787	(12,881,095)	58,469,392	(3,363,545)	896,083,539
Capital assets, net	$ 967,952,454	$ 59,108,103	$ -	$ (7,911,117)	$ 1,019,149,440

Note 6 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2018 and 2017 consisted of the following:

	2018	2017
Accrued payroll	$ 17,876,161	$ 18,335,808
Accrued workers' compensation tail claims	4,226,395	5,348,142
Accrued self-insurance claims	7,736,709	7,637,994
Accrued compensated absences - current portion	2,328,105	2,165,621
Other accrued liabilities	11,952,711	6,862,924
Vendor and other payables	29,180,359	33,825,125
Total accounts payable and accrued liabilities	$ 73,300,440	$ 74,175,614

Note 7 - Long-term Debt

The University's long-term debt at June 30, 2018 is summarized as follows:

	July 1, 2017	Additions	Reductions	June 30, 2018	Current
General receipts bonds - Series 2017A	$ 156,150,000	$ -	$ 2,485,000	$ 153,665,000	$ 2,375,000
General receipts bonds - Series 2014	250,000,000	-	-	250,000,000	-
General receipts bonds - Series 2013	128,650,000	-	2,395,000	126,255,000	2,465,000
General receipts bonds - Series 2012A & B	21,261,483	-	1,778,624	19,482,859	1,810,461
General receipts bonds - Series 2012	59,025,000	-	6,240,000	52,785,000	6,395,000
General receipts bonds - Series 2009	9,190,000	-	2,910,000	6,280,000	3,060,000
General receipts bonds - Series 2008A & B	300,000	-	300,000	-	-
Total bonds and notes payable	624,576,483	-	16,108,624	608,467,859	16,105,461
Series 2017B (line of credit)	-	65,500	-	65,500	-
Bond premiums	28,653,473	-	1,918,436	26,735,037	1,896,094
Capital lease obligations	580,390	-	100,986	479,404	104,548
Total long-term debt	$ 653,810,346	$ 65,500	$ 18,128,046	$ 635,747,800	$ 18,106,103

The University's long-term debt at June 30, 2017 is summarized as follows:

	July 1, 2016	Additions	Reductions	June 30, 2017	Current
General receipts bonds - Series 2017A	$ -	$ 156,150,000	$ -	$ 156,150,000	$ 2,485,000
General receipts bonds - Series 2014	250,000,000	-	-	250,000,000	-
General receipts bonds - Series 2013	133,095,000	-	4,445,000	128,650,000	2,395,000
General receipts bonds - Series 2012A & B	23,008,829	-	1,747,346	21,261,483	1,778,624
General receipts bonds - Series 2012	65,000,000	-	5,975,000	59,025,000	6,240,000
General receipts bonds - Series 2009	11,960,000	-	2,770,000	9,190,000	2,910,000
General receipts bonds - Series 2008A & B	7,825,000	-	7,525,000	300,000	300,000
Subordinated general receipts bonds - Series 2006B	18,860,000	-	18,860,000	-	-
Subordinated general receipts bonds - Series 2006A	16,465,000	-	16,465,000	-	-
Total bonds and notes payable	526,213,829	156,150,000	57,787,346	624,576,483	16,108,624
Bond premiums	20,264,948	10,387,000	1,998,475	28,653,473	1,918,436
Bond discounts	(2,181,759)	-	(2,181,759)	-	-
Capital lease obligations	459,815	205,044	84,469	580,390	100,986
Total long-term debt	$ 544,756,833	$ 166,742,044	$ 57,688,531	$ 653,810,346	$ 18,128,046

Note: 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 15, 2017, the University issued general receipts obligations Series 2017B (Line of Credit) with a maximum principal amount not to exceed $50,000,000. Advances on the line of credit will be used to provide funds to finance the costs of capital facilities and to pay costs of issuance. The amount advanced as of June 30, 2018 is $65,500 and was used to pay costs of issuance. The Series 2017B Obligations advanced and outstanding bear interest at a variable rate of interest per annum equal to the Bank Index Rate not to exceed the Maximum Rate as defined in the agreement. The fiscal year 2019 interest rates on advances ranged from 1.24% to 2.09%. The undrawn/unused fee is 0.15% when advances are less than or equal to $25,000,000 and is reduced to 0.10% when advances exceed $25,000,000. The line of credit matures on December 1, 2019.

On March 1, 2017, the University issued general receipts bonds Series 2017A in the amount of $156,150,000. The proceeds are being used for new construction and upgrades to capital facilities. Proceeds were also used to refund the 2006A&B bonds and advance refund the callable 2008A bonds and to pay costs of issuance of the Series 2017A Bonds.

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 March 1, 2017, the callable component of the Series 2008A bonds were advance refunded with $6,565,000 being incorporated into the Series 2017A Bonds.

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 1, 2017, the Series 2006A&B bonds were refunded with $29,115,000 being incorporated into the Series 2017A 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 entered into in connection with the issuance of the Series 2009 bonds, a Ninth Supplemental Trust Agreement dated as of February 1, 2012 entered into in connection with the issuance of the Series 2012 bonds, a Tenth Supplemental Trust Agreement dated as of July 1, 2012 entered into in connection with the issuance of the Series 2012A & B bonds, an Eleventh Supplemental Trust Agreement dated as of October 1, 2012 entered into in connection with the issuance of the Series 2011 bonds, a Twelfth Supplemental Trust Agreement dated as of June 1, 2013 entered into in connection with the issuance of the Series 2013 bonds, a Thirteenth Supplemental Trust Agreement dated as of November 1, 2014 entered into in connection with the issuance of the Series 2014 bonds, a Fourteenth Supplemental Trust Agreement dated as of March 1, 2017 entered into in connection with the issuance of the Series 2017A bonds, and a Fifteenth Supplemental Trust Agreement dated as of November 1 2017 entered into in connection with the issuance of Series 2017B obligations (Line of Credit) each between the University and U.S. Bank National Association.

In January 2013, the University executed a guaranty in favor of PNC New Markets Investment Partners, LLC (PNC), against disallowance and recapture of federal and state new markets tax credits in connection with construction of a community recreation center by the Muskingum Recreation Center (MRC), an Ohio non-profit Corporation. MRC financed the construction in part with equity contributed by PNC, which was eligible for federal and state new markets tax credit treatment. As part of the deal structure, PNC expected to realize federal new markets tax credit in the amount of $4,290,000 and state credits in the amount of $1,000,000. To facilitate PNC's equity investment, the University and MRC jointly agreed to pay PNC any shortfall in realized new markets tax credits as a result of the investment being deemed ineligible for such tax treatment by federal and/or state tax authorities. The University made this commitment because it believed it would receive substantial benefits from PNC's investment, which funded improvements to MRC's leased property located on the Ohio University Zanesville campus, where the University is the landlord/owner. The University expects that its guaranty commitment effectively will terminate in 2023.

In addition, as part of the same transaction, the University pledged $1.5 million as cash collateral supporting a loan with a remaining balance of $2,542,550 at June 30, 2018, from PNC Bank to the Muskingum County Community Foundation (MCCF). The loan fully matures in January 2020. Such collateral is currently maintained through a deposit with PNC Bank. In the event that MCCF defaults on the loan, PNC may draw against the $1.5 million account to satisfy the loan obligation.

In order to avoid recapture of the new markets tax credits (which the University fully guaranteed as stated above) MRC must be a viable entity at the February 2020 date. Although the MRC is not an affiliate at June 30, 2018, the University has determined that a reasonable estimate of the liability exposure at June 30, 2018 is $2,542,550. That full amount has been booked as a liability and is reported as part of accounts payable and accrued liabilities in the statements of net position.

Details of the series are as follows:

Series	Interest Rate	Maturity Fiscal Year	Initial Issue Amount	Outstanding at June 30, 2018
2008A	4.17%-5.00%	2018	$ 13,345,000	$ -
2009	2.00%-5.00%	2020	26,645,000	6,280,000
2012	2.00%-5.00%	2043	76,470,000	52,785,000
2012A&B	2.00%-5.00%	2028	28,640,370	19,482,859
2013	2.00%-5.00%	2044	145,170,000	126,255,000
2014	5.59%	2115	250,000,000	250,000,000
2017A	1.50%-5.00%	2048	156,150,000	153,665,000
				$ 608,467,859

Principal and interest payment requirements for the bonded debt for the years subsequent to June 30, 2018 are summarized as follows:

Years Ending June 30	Principal	Interest	Total
2019	$ 16,105,461	$ 29,466,327	$ 45,571,788
2020	13,777,868	28,898,905	42,676,773
2021	10,625,856	28,449,278	39,075,134
2022	10,994,433	28,052,300	39,046,733
2023	11,438,612	27,625,622	39,064,234
2024-2028	51,855,629	130,955,665	182,811,294
2029-2033	41,560,000	120,928,969	162,488,969
2034-2038	35,490,000	112,033,050	147,523,050
2039-2115	416,620,000	1,118,108,550	1,534,728,550
Total	$ 608,467,859	$ 1,624,518,665	$ 2,232,986,524

Capital Leases - The University has $479,404 in capital lease obligations that have maturity dates through fiscal year 2022 and carry interest rates ranging from 3.28 to 3.90 percent. These lease arrangements are being used to provide partial financing for certain equipment. Capital asset balances as of June 30, 2018 that are financed under capital leases are $708,463.

The scheduled maturities of these leases at June 30, 2018 are as follows:

Years Ending June 30	Minimum Lease Payments
2019	$ 119,476
2020	119,476
2021	235,216
2022	36,720
Total minimum lease payments	510,888
Less amount representing interest	31,485
Net minimum capital lease payments	479,404
Less current portion	104,548
Noncurrent capital lease obligations	$ 374,856

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 $3,399,791 and $4,351,743 for the years ended June 30, 2018 and 2017, respectively.

Future minimum payments for all significant operating leases with initial terms in excess of one year at June 30, 2018 are as follows:

Years Ending June 30	Minimum Lease Payments
2019	$ 2,443,409
2020	3,030,284
2021	2,783,870
2022	2,657,822
2023	2,677,760
2024-2035	19,770,552
Total minimum operating lease payments	$ 33,363,697

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, 2018 and 2017 are summarized as follows:

Year ended June 30, 2018	Compensation and Benefits	Supplies and Services	Professional Services	Utilities	Travel and Entertainment	Total
Instruction	$ 178,228,390	$ 7,900,225	$ 16,783,956	$ 49,156	$ 5,782,524	$ 208,744,251
Research	25,957,179	7,040,399	4,831,636	18,267	2,269,066	40,116,547
Public service	14,892,468	3,169,588	2,857,672	160,067	636,309	21,716,104
Academic support	47,876,002	13,484,147	2,644,391	207,431	2,724,903	66,936,874
Student services	25,064,650	8,354,783	2,205,874	89,595	1,966,765	37,681,667
Institutional support	23,600,513	10,236,391	4,162,941	461,749	661,955	39,123,549
Operation and maintenance of plant	18,705,391	4,415,810	1,107,701	12,347,898	176,785	36,753,585
Auxiliary enterprises	46,615,120	24,887,064	1,798,658	3,509,896	3,002,486	79,813,224
Total	$ 380,939,713	$ 79,488,407	$ 36,392,829	$ 16,844,059	$ 17,220,793	$ 530,885,801
					Student Aid	8,954,766
					Depreciation	53,134,087
					Total Operating Expenses	$ 592,974,654

Year ended June 30, 2017	Compensation and Benefits	Supplies and Services	Professional Services	Utilities	Travel and Entertainment	Total
Instruction	$ 248,751,462	$ 8,141,967	$ 19,446,823	$ 27,150	$ 7,165,147	$ 283,532,549
Research	27,766,263	8,362,944	3,596,609	5,534	2,378,822	42,110,172
Public service	22,780,463	4,815,346	2,187,805	127,070	593,131	30,503,815
Academic support	65,237,343	13,772,660	3,257,229	413,710	2,887,500	85,568,442
Student services	34,723,612	19,045,763	2,156,811	79,989	1,997,431	58,003,606
Institutional support	44,927,654	8,094,927	3,392,339	70,643	620,583	57,106,146
Operation and maintenance of plant	30,990,758	9,233,243	936,082	10,566,290	403,523	52,129,896
Auxiliary enterprises	52,941,001	24,903,470	1,548,701	3,407,117	3,872,270	86,672,559
Total	$ 528,118,556	$ 96,370,320	$ 36,522,399	$ 14,697,503	$ 19,918,407	$ 695,627,185
					Student Aid	9,322,352
					Depreciation	48,940,898
					Total Operating Expenses	$ 753,890,435

Note 10 - Compensated Absences

Per University policy, eligible salaried administrative appointments and administrative hourly employees 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 up to a maximum of 32 days. Hourly classified employees earn vacation at rates per years of service, ranging from 10 to 25 days per year. The accrual is equal to the amount earned in three years, up to a maximum of 600 hours, which is subject to payout upon termination.

Other hourly, nonexempt employees are also eligible to elect compensatory time off in lieu of overtime pay. The use of compensatory time is scheduled with supervisory approval or subject to payout upon termination or transfer to another department.

The estimated liability for accrued vacation and compensatory time at June 30, 2018 and 2017 was $14,312,750 and $14,349,541, 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 and administrative hourly employees). Salaried and administrative hourly employees with 10 or more years of service are eligible to receive a payout upon retirement of 25 percent of unused days up to a maximum of 30 days. Hourly classified employees with 10 or more years of service are eligible for payout upon retirement of 50 percent of unused days up to a maximum of

60 days, except for hourly classified employees under American Federation of State, County and Municipal Employees contract, where the maximum is 80 days.

The estimated liability for accrued sick leave at June 30, 2018 and 2017 was $6,220,148 and $6,276,613, respectively.

Compensated absences at June 30, 2018 and 2017 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
For the year ended:					
June 30, 2018	$ 20,626,154	$ 25,892,534	$ (25,985,790)	$ 20,532,898	$ 2,328,105
June 30, 2017	$ 20,940,761	$ 26,422,637	$ (26,737,244)	$ 20,626,154	$ 2,165,621

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 STRS Ohio, and all other employees are eligible for enrollment in a defined benefit plan, administered by 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 seven 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, 4.47 percent of the employer contribution goes to the STRS Ohio retirement system and 2.44 percent goes to the OPERS systems at June 30, 2018. 4.5 percent of the employer contributions goes to the STRS Ohio retirement system and 0.77 percent of the employer contribution goes to the OPERS systems at June 30, 2017. The University’s contributions each year are equal to its required contributions.

Member contributions, set at the maximums authorized by the ORC, are 10 percent of gross wages for OPERS state employees and 13 percent of gross wages for OPERS law enforcement at June 30, 2018 and 2017. Member contributions, set at the maximums authorized by the ORC, are 14 percent of gross wages for STRS Ohio at June 30, 2018 and 2017.

The plans' 2018 contribution rates on covered payroll to each system are:

	Employer Contribution Rate			
	Pension	Post Retirement Healthcare	Death Benefit	Total
STRS Ohio - Faculty	14.00%	0.00%	0.00%	14.00%
OPERS - State Employees	13.00%	1.00%	0.00%	14.00%
OPERS - Law Enforcement	17.10%	1.00%	0.00%	18.10%

The plans' 2017 contribution rates on covered payroll to each system are:

	Employer Contribution Rate			
	Pension	Post Retirement Healthcare	Death Benefits	Total
STRS Ohio - Faculty	14.00%	0.00%	0.00%	14.00%
OPERS - State Employees (through 12/31/16)	12.00%	2.00%	0.00%	14.00%
OPERS - State Employees (beginning 1/1/17)	13.00%	1.00%	0.00%	14.00%
OPERS - Law Enforcement (through 12/31/16)	16.10%	2.00%	0.00%	18.10%
OPERS - Law Enforcement (beginning 1/1/17)	17.10%	1.00%	0.00%	18.10%

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

	Employer Contributions - for the years ended June 30			
	2018		2017	
Plan	Pension	OPEB	Pension	OPEB
STRS	$ 14,598,317	$ -	$ 15,527,585	$ -
OPERS	17,759,151	618,683	15,956,637	1,868,726
ARP	10,890,638	-	11,666,371	-
	$ 43,248,106	$ 618,683	$ 43,150,593	$ 1,868,726

The payroll for employees covered by STRS Ohio, OPERS, and ARP for the year ended June 30, 2018 was $89,914,465, $123,083,009 and $103,626,154, respectively. The payroll for employees covered by STRS Ohio, OPERS, and ARP for the year ended June 30, 2017 was $92,038,084, $123,682,003, and $103,380,431, respectively. For the years ended June 30, 2018 and 2017, the University's total payroll was $351,611,069 and $355,716,209, respectively. Contributions made to OPEB were $618,683, $1,868,726 and $2,450,630 for the years ended June 30, 2018, 2017, and 2016, respectively.

Benefits Provided

STRS Ohio - 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 changed. 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, survivor, and disability benefits to plan members and their beneficiaries. The systems also provide post-employment health care benefits (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, 2018 and 2017, the University reported a liability for its proportionate share of the net pension liability of both STRS Ohio and OPERS. The net pension liability was measured as of June 30, 2017 for the STRS Ohio plan and December 31, 2017 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.

For the years ended June 30, 2018 and 2017, the University's proportionate shares of the net pension liability are as follows:

Plan	Measurement Date	Net Pension Liability 2018	Net Pension Liability 2017	Proportionate Share 2018	Proportionate Share 2017	Percent Change
STRS Ohio	June 30	$ 238,258,194	$ 341,136,198	1.003%	1.019%	-0.016%
OPERS	December 31	138,111,070	204,643,077	0.878%	0.894%	-0.016%
		$ 376,369,264	$ 545,779,275			

For the years ended June 30, 2018 and 2017, the University recognized pension expense of ($49,157,186) and $85,430,931, respectively.

For the years ended June 30, 2018 and 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	2017
Deferred outflows of resources:		
Differences between expected and actual experience	$ 9,386,629	$ 14,105,608
Changes in assumptions	68,802,036	32,597,576
Net difference between projected and actual earnings on pension plan investments	-	58,934,300
Changes in proportion and differences between University contributions and proportionate share of contributions	4,935,968	7,846,894
University contributions subsequent to the measurement date	23,748,486	24,187,077
Total deferred outflows of resources	$ 106,873,119	$ 137,671,455

	2018	2017
Deferred inflows of resources:		
Differences between expected and actual experience	$ 4,921,441	$ 1,407,701
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	37,851,890	-
Changes in proportion and differences between University contributions and proportionate share of contributions	7,074,492	2,590,304
Total deferred inflows of resources	$ 49,847,823	$ 3,998,005

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
2019	$ 22,024,888
2020	17,811,251
2021	2,620,610
2022	(9,121,636)
2023	(21,228)
Thereafter	(37,075)
	$ 33,276,810

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2019).

Net OPEB Liability, Deferrals, and OPEB Expense - At June 30, 2018, the University reported a liability for its proportionate share of the net OPEB liability of both STRS Ohio and OPERS. The net OPEB liability was measured as of June 30, 2017 for the STRS Ohio plan and December 31, 2017 for the OPERS plan. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates. The University's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

For the year ended June 30, 2018, the University's proportionate share of the net OPEB liability is as follows:

Plan	Measurement Date	Net OPEB Liability 2018	Proportionate Share 2018
STRS Ohio	June 30	$ 39,132,274	1.003%
OPERS	December 31	94,509,255	0.870%
		$ 133,641,529	

For the year ended June 30, 2018, the University recognized OPEB expense of ($4,635,577).

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,332,576	$ -
Changes in assumptions	6,881,275	3,152,231
Net difference between projected and actual earnings on pension plan investments	-	8,712,915
Changes in proportion and differences between University contributions and proportionate share of contributions	-	-
University contributions subsequent to the measurement date	-	-
Total deferred outflows/inflows	$ 9,213,851	$ 11,865,146

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

Years ending June 30	Amount
2019	$ 998,048
2020	998,048
2021	(2,022,524)
2022	(2,327,108)
2023	(148,880)
Thereafter	(148,879)
	$ (2,651,295)

In addition, the contributions subsequent to the measurement date (if any) will be included as a reduction of the net OPEB liability in the next year (2019).

Actuarial Assumptions - The total pension liability and OPEB liability in the actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement on June 30, 2018:

	STRS Ohio	OPERS
Valuation date - Pension	July 1, 2017	December 31, 2017
Valuation date - OPEB	June 30, 2017	December 31, 2017
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	None	3.0 percent
Salary increases, including inflation	2.50 percent - 12.50 percent	3.25 percent - 10.75 percent
Inflation	2.50 percent	3.25 percent
Investments rate of return - Pension	7.45 percent, net of pension plan investment expense	7.50 percent, net of pension plan investment expense
Investments rate of return - OPEB	7.45 percent, net of pension plan investment expense	6.50 percent, net of pension plan investment expense
Health care cost trend rates	6.0 percent - 11.0 percent initial, 4.5 percent ultimate	7.5 percent initial, 3.25 percent ultimate in 2028
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
Mortality basis	RP-2014 Annuitant/Disabled/Employee mortality table (Projection mortality improvement scale MP-2016)	RP-2014 Employees/Healthy Annuitant/Disabled mortality table (MP-2015 mortality improvement scale)

The following actuarial assumptions, applied to all periods included in the measurement for the period ended June 30, 2017, were as follows:

	STRS Ohio	OPERS
Valuation date - Pension	July 1, 2016	December 31, 2016
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	3.25 percent - 10.75 percent
Inflation	2.75 percent	3.25 percent
Investments rate of return	7.75 percent, net of pension plan investment expense	7.50 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, 2015
Mortality basis	RP-2000 combined mortality table (Projection 2022-Scale AA)	RP-2014 healthy annuitant mortality table

Discount Rate - The discount rates used to measure the total pension liabilities at June 30, 2018 were 7.45 percent for STRS Ohio and 7.50 percent for OPERS. The discount rates used to measure the total pension liabilities at June 30, 2017 were 7.75 percent for STRS Ohio and 7.50 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 discount rates used to measure the total OPEB liabilities at June 30, 2018 were 4.13 percent for STRS Ohio and 3.85 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 become insufficient to make all projected future benefit payments for current active and inactive employees for STRS Ohio and OPERS. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments and a 20-year municipal bond rate applied to the unfunded benefit payment period to determine the total OPEB liability.

The long-term expected rate of return on pension plan and OPEB 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 (geometric for STRS) real rates of return for each major asset class are summarized in the following tables:

	STRS - as of 7/1/17			OPERS - as of 12/31/17			
				Defined Benefit Portfolio		Health Care Portfolio	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	28.00%	5.10%	Domestic Equities	19.00%	6.37%	21.00%	6.37%
International Equity	23.00%	5.30%	International Equities	20.00%	7.88%	22.00%	7.88%
Alternatives	17.00%	4.84%	Private Equity	10.00%	8.97%	-	-
Fixed Income	21.00%	0.75%	Fixed Income	23.00%	2.20%	34.00%	1.88%
Real Estate	10.00%	3.75%	Real Estate	10.00%	5.26%	-	-
Liquidity Reserves	1.00%	-	REITs	-	-	6.00%	5.91%
			Other Investments	18.00%	5.26%	17.00%	5.39%
	100.00%			100.00%		100.00%	

	STRS - as of 7/1/16			OPERS - as of 12/31/16	
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 Equities	20.70%	6.34%
International Equity	26.00%	5.35%	International Equities	18.30%	7.95%
Alternatives	14.00%	5.50%	Private Equity	10.00%	8.97%
Fixed Income	18.00%	1.25%	Fixed Income	23.00%	2.75%
Real Estate	10.00%	4.25%	Real Estate	10.00%	4.75%
Liquidity Reserves	1.00%	0.50%	Other investments	18.00%	4.92%
	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:

2018

Plan	1% Decrease		Current Discount Rate		1% Increase	
STRS Ohio	6.45%	$ 341,535,012	7.45%	$ 238,258,194	8.45%	$ 151,262,954
OPERS	6.50%	246,359,768	7.50%	138,111,070	8.50%	47,920,170
		$ 587,894,780		$ 376,369,264		$ 199,183,124

2017

Plan	1% Decrease		Current Discount Rate		1% Increase	
STRS Ohio	6.75%	$ 453,342,288	7.75%	$ 341,136,198	8.75%	$ 246,483,748
OPERS	6.50%	313,186,112	7.50%	204,643,077	8.50%	114,215,926
		$ 766,528,400		$ 545,779,275		$ 360,699,675

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the University, calculated using the discount rate listed below, as well as what the University's net OPEB 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:

2018

Plan	1% Decrease		Current Discount Rate		1% Increase	
STRS Ohio	3.13%	$ 52,534,450	4.13%	$ 39,132,274	5.13%	$ 28,540,175
OPERS	2.85%	125,559,624	3.85%	94,509,255	4.85%	69,389,816
		$ 178,094,074		$ 133,641,529		$ 97,929,991

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - The following presents the net OPEB liability of the University, calculated using the health care cost trend rate listed below, as well as what the University's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2018

Plan	1% Decrease	Current Discount Rate	1% Increase
STRS Ohio	$ 27,187,427	$ 39,132,274	$ 54,853,091
OPERS	90,425,209	94,509,255	98,727,966
	$ 117,612,636	$ 133,641,529	$ 153,581,057

Pension Plan and OPEB Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued STRS Ohio and OPERS financial reports.

Payable to the Pension Plan and OPEB Plan - At June 30, 2018, the University reported a payable of $2,597,384 and $-0- for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018. At June 30, 2017, the University reported a payable of $2,533,981 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Changes in Assumptions - During the current measurement period, the STRS Board adopted certain assumption changes which impacted the annual actuarial valuations prepared as of June 30, 2017. Among the changes include a reduction in the discount rate from 7.75 percent to 7.45 percent, inflation assumption was lowered from 2.75 percent to 2.50 percent, payroll growth assumption was lowered to 3.00 percent, total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation.

Changes Between Measurement Date and Report Date – Effective July 1, 2017, the STRS Ohio cost of living adjustment was reduced to zero.

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 seven 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 seven 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 4.47 percent for STRS Ohio and 2.44 percent for OPERS for the year ended June 30, 2018, and 4.5 percent for STRS Ohio and 0.77 percent for OPERS for the year ended June 30, 2017. 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 allocated for funding of postretirement health care. The portion of employer contributions, for all employers, allocated to health care was 1.0 percent during calendar year 2017.

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. Effective July 1, 2014, the Board discontinued allocating 1 percent of employer contributions to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was $3.5 billion as of January 1, 2017, the date of the most recent information available from STRS Ohio.

For the fiscal year ended June 30, 2017, the date of the most recent information available from STRS Ohio, net healthcare costs paid by STRS Ohio were $566 million. There were 158,039 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-insured Medical, Prescription, Dental and Workers' Compensation - The University provides medical, prescription, dental and workers' compensation 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, 2018 are summarized as follows:

	2018	2017	2016
Accrued claims liability - Beginning of year	$ 7,637,994	$ 6,739,692	$ 5,617,713
Incurred claims - Net of favorable settlements	61,576,108	57,025,077	53,967,782
Claims paid	(61,477,393)	(56,126,775)	(52,845,803)
Accrued claims liability - End of year	$ 7,736,709	$ 7,637,994	$ 6,739,692

Liability for claims is accrued based on estimates 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.

Effective January 1, 2013, the University became self-insured for workers' compensation. For claims initiated prior to that date (tail claims), the University participates in The Ohio Bureau of Workers' Compensation plan (PES – Public Employer State) that pays workers' compensation benefits to employees who have been injured on the job. The workers' compensation claims incurred prior to January 1, 2013 are estimated by the University's third-party actuary and are included in accounts payable and accrued liabilities detailed in Note 6.

Commercial Insurance Coverage – In addition to self-insurance, the University carries various commercial insurance coverages and participates in the Inter-University Council Insurance consortium with certain other Ohio state-assisted universities for the acquisition of commercial property and liability insurance. There was no significant reduction in insurance coverage from the prior year. Settlements did not exceed insurance coverage for each of the past three fiscal years.

At June 30, 2018, the University has the following commercial insurance policies:

Type	Deductible	Coverage
Aircraft Liability (Flight Training)	$ -	$ 5,000,000
Aircraft Liability (Corporate)	-	50,000,000
Airport General Liability	5,000	10,000,000
General and Auto Liability	100,000	50,000,000
Educator's Liability	100,000	50,000,000
Medical Malpractice Liability	25,000	1,000,000/3,000,000
Foreign Liability	-	50,000,000
Cyber Liability	75,000	3,000,000
Special Accident Liability	-	20,000,000
Crime	100,000	5,000,000
Property *	100,000	1,750,000,000

* $1.75 billion shared with other Inter-University Council Insurance Consortium members

Note 13 - Capital Project Commitments

At June 30, 2018, the University is committed to future capital expenditures as follows:

Contractual commitments	$ 55,327,062
Estimated completion costs of projects	58,937,981
Total	$ 114,265,043
These projects will be funded by:	
State appropriations	$ 11,422,402
Gifts, grants, etc.	2,148,827
University funds	100,693,814
Total	$ 114,265,043

Note 14 - Other Noncurrent Liabilities

Refundable Advances for Federal Student Loans - Refundable advances for federal student loans for the two years ended June 30, 2018 are summarized as follows:

	Beginning Balance	Reductions - Net	Ending Balance	Current Portion
For the year ended:				
June 30, 2018	$ 7,244,887	$ (441,618)	$ 6,803,269	$ -
June 30, 2017	$ 7,281,752	$ (36,865)	$ 7,244,887	$ -

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
2019	$ 353,314
2020	5,000
2021	5,000
2022	5,000
2023	5,000
2024-2049	130,000
Total minimum payments	$ 503,314

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 2018 and 2017 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 $12,611,392 and $12,363,466 for June 30, 2018 and 2017, 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, 2018 and 2017 are as follows:

	2018	2017
Restricted - Nonexpendable -		
Permanent endowments	$ 22,640,431	$ 22,478,834
Restricted - Expendable:		
Sponsored programs	$ 1,904,875	$ 2,756,199
Restricted component units	3,757,642	2,884,227
Loans	10,211,033	10,054,933
Capital project debt service funds	1,266,617	1,653,993
Capital projects	1,399,153	-
Unspent endowment distributions	1,830,485	1,668,387
Endowments - net appreciation	12,611,392	12,363,466
Total restricted - Expendable	$ 32,981,197	$ 31,381,205
Unrestricted - Allocated:		
Auxiliaries	$ 82,709,444	$ 80,160,015
Quasi endowments	76,385,336	53,062,266
Other	236,583,080	222,799,419
Unfunded pension liability	(319,343,969)	(412,105,826)
Unfunded OPEB liability	(136,292,824)	-
Total unrestricted - allocated	$ (59,958,933)	$ (56,084,126)

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

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 operated a 182-unit student housing facility in Athens, Ohio. It was been granted tax-exempt status under Section 501(a)(3) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3). Housing formally dissolved in October 2017.

The Sugar Bush Foundation (Sugar Bush) is an Ohio not-for-profit corporation, and is a supporting organization as defined in Code Section 509(a)(3). Sugar Bush has pledged to commit all of its charitable distributions to The Foundation. Upon dissolution of Sugar Bush and payment of all Sugar Bush liabilities, all of its assets shall be transferred to the Foundation, provided the Foundation is then recognized as a nonprofit Ohio corporation and as a tax-exempt organization under Section 501(c)(3) of the Code. The Foundation consolidates this supporting organization that is deemed to be financially interrelated.

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

Summary of Significant Accounting Policies

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

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

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

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

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

Gifts and Contributions - Contributions are recorded at their fair value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the 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 2.45 and 2.36 percent for the years ended June 30, 2018 and 2017, respectively. Amortization of the discounts is included in contribution revenue. Unconditional promises to give, which are silent as to the due date, are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

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

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

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

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

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

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

Annually, or more frequently if events or circumstances change, a determination is made by management to ascertain whether property and equipment and intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, the Foundation will recognize an impairment loss in an amount necessary to write down the assets to a fair value as determined from expected future discounted cash flows. Based upon its most recent analysis, the Foundation has determined that no impairment to the carrying value of its long-lived assets existed at June 30, 2018 and 2017.

Cash - At times, cash may exceed federally insured amounts. The Foundation believes it mitigates risks by depositing cash with major financial institutions. The Foundation held $25,604,353 and $24,720,698 in cash that was uninsured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2018 and 2017, respectively.

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

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

Income Taxes - The Internal Revenue Service has determined that the Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated income. The provision for income taxes for the Inn, a for-profit corporation, including deferred tax expenses, totaled $(24,428) and $201,339 for the years ended June 30, 2018 and 2017, respectively. The provision is mostly comprised of federal and city taxes. Of these amounts, $124,572 and $249,339 represent current tax expense for the years ended June 30, 2018 and 2017, respectively. The deferred taxes are a result of differences between book and tax depreciation and are presented as long-term other liabilities on the statements of financial position. There are no income taxes on the Russ LLCs as they are disregarded entities.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and to recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes that it is no longer subject to income tax examinations for years prior to June 30, 2015.

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

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

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

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Foundation, including required disclosures about the liquidity and availability of resources. The Foundation is currently evaluating the impact of the standard and will present the two classes of net assets, add the liquidity note, expense matrix, and related disclosures. The new standard is effective for the Foundation's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis.

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

Net Assets

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

Unrestricted net assets as of June 30, 2018 and 2017 are available for the following purposes:

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

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

Temporarily restricted net assets as of June 30, 2018 and 2017 are available for the following purposes:

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

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, 2018 and 2017 are available for the following purposes:

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

Pledges Receivable

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

At June 30, 2018	Temporarily Restricted	Permanently Restricted	Total
Gross amounts due in:			
Less than one year	$ 4,654,320	$ 2,069,634	$ 6,723,954
One to five years	1,917,276	1,792,793	3,710,069
More than five years	10,000	-	10,000
Gross pledges receivable	6,581,596	3,862,427	10,444,023
Less allowance for uncollectible pledges	(629,538)	(369,446)	(998,984)
Less discount to present value	(133,571)	(119,049)	(252,620)
Total pledges receivable - Net	$ 5,818,487	$ 3,373,932	$ 9,192,419

At June 30, 2017	Temporarily Restricted	Permanently Restricted	Total
Gross amounts due in:			
Less than one year	$ 5,060,036	$ 3,561,764	$ 8,621,800
One to five years	5,548,959	2,030,039	7,578,998
More than five years	540,000	-	540,000
Gross pledges receivable	11,148,995	5,591,803	16,740,798
Less allowance for uncollectible pledges	(1,640,963)	(823,029)	(2,463,992)
Less discount to present value	(703,646)	(141,402)	(845,048)
Total pledges receivable - Net	$ 8,804,386	$ 4,627,372	$ 13,431,758

The allowance for uncollectible contributions is a general valuation based on the percentage of prior years' pledge write-offs. Specific pledges deemed uncollectible are charged against the allowance for uncollectible pledges in the period in which the determination is made. Both the general allowance and the specific write-offs are reported as a loss on fair value of pledges receivable in the statements of activities. As of June 30, 2018, the Foundation has approximately $96.6 million in numerous outstanding pledges that are considered to be intentions to give and are contingent upon future events. These pledges are not accrued as pledges receivable or recognized as revenue because they do not represent unconditional promises to give. It is not practicable to estimate the ultimate realizable value of these commitments or the period over which they might be collected.

Fair Value Measurements

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

The Foundation reports investments and split-interest agreements at estimated fair value, in accordance with the fair value hierarchy prescribed by Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. The framework for determining fair value

is based on a hierarchy that prioritizes the valuation techniques and inputs used to measure fair value, as follows:
Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. The Foundation's Level 1 assets consist primarily of fixed-income or equity mutual funds, publicly traded large- and small-cap stocks, and REITs. Prices for these investments are widely available through major financial reporting services.

Level 2 - Inputs other than quoted prices that are observable, either directly or indirectly. These may include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. The Foundation's Level 2 assets include government bonds and government agency obligations.

Level 3 - Inputs that are unobservable, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. The Foundation's Level 3 assets include private real estate. They also include split-interest agreements that are valued using an actuarial approach. The Foundation has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the least observable input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The Foundation's fair value assets, by level, at June 30, 2018 and 2017 are summarized in the following tables:

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

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

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

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

(1) International equity mutual funds include a fund which seeks to achieve total return in excess of the MSCI Emerging Markets Index through investing in the world's emerging stock markets. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

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

(3) Hedge funds are broadly diversified across managers, investment strategies, and investment venues. These include both fund investments, as well as fund of funds investments. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

(4) Private equity funds are broadly diversified across managers, investment stages, geography, industry sectors, and company size. These include individual fund investments, as well as fund of funds investments. The fair values of the investments in this class have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next one to 13 years.

(5) Private real estate funds are broadly diversified across managers, investment strategies, geography, and industry sectors. The fair values of the investments in this class have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next one to two years.

(6) Venture capital funds invest in early-stage business entities and enterprises with a primary focus on medical and information technologies. The fair values of the investments in this class have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next one to two years.

(7) Level 3 assets represent real estate assets held in trust, as well as the present value of the revenue expected to be received from charitable trusts where the Foundation does not serve as trustee. The Foundation estimates the fair value of these assets based upon the present value of the expected future cash flows using management's best estimates of key assumptions including life expectancies of beneficiaries, payment periods, and a discount rate commensurate with market conditions and other risks involved. Significant changes in these key assumptions would result in a significantly lower or higher fair value measurement.

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

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the beginning of the reporting period. For the fiscal years ended June 30, 2018 and June 30, 2017, there were no transfers between levels of the fair value hierarchy.

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

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

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

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

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

Investments in Entities that Calculate Net Asset Value per Share

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

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

Investments Reported at Net Asset Value

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

Donor-restricted and Board-designated Endowments

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

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

(1) The duration and preservation of the fund

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

(3) General economic conditions

(4) The possible effect of inflation and deflation

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

(6) Other resources of the Foundation

(7) The investment policies of the Foundation

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

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

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

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

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

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

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

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

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the contributed value that the donor or UPMIFA requires the Foundation to retain as the corpus. These funds are known as “underwater accounts.” In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $60,966 and $2,231 as of June 30, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations and allowable distributions made over time.

Return Objectives and Risk Parameters - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the long-term purchasing power of the endowment assets. Endowment assets include donor-restricted funds that are held in perpetuity or for donor-specified periods, as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to outperform, over rolling 36-month periods, a composite benchmark of appropriately weighted indices, while maintaining acceptable risk levels. The Foundation anticipates that the endowment funds will provide average annual rates of return of approximately 8.4 percent in the long-term and 6.1percent in the intermediate-term, gross of investment management fees approximately 0.6 percent. Actual returns in any given year may vary from this amount.

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

Spending Policy - For the fiscal year ended June 30, 2018, the Foundation's spending policy stipulated that 6 percent of a three-year moving average of the market value of the endowment was available to spend, with 2 percent of the amount being allocated to support the Foundation's administrative expenses. The spending rate applied to all endowment accounts except underwater accounts, where spending was limited to 1 percent of a three-year moving average of the market value. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow the endowment to grow at an average of 1.8 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through investment returns and new gifts.

Property and Equipment

As of June 30, 2018 and 2017, property and equipment are as follows:

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

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

Support from Related Organizations

During 2018 and 2017, the University paid certain payroll costs amounting to $3,323,259 and $4,109,096 and additional costs of $278,073 and $10,192, respectively, for the Foundation's Development Office, Office of Alumni Relations, and Accounting Office. The support costs paid by the University are reflected in the consolidated statements of activities as University support, with a like amount included in expenses.

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

The Foundation has a noncontrolling economic interest in Ohio South East Enterprise Development Fund, Inc. (SEED), a tax-exempt organization under Code Section 501(c)(4). SEED was created in July 1994 for the purpose of supporting the scientific and technological research, educational activities, and economic development of Ohio University. Currently, the Foundation is the named beneficiary of SEED's assets in the event that the entity is dissolved. Distributions from SEED are reflected in the consolidated statements of activities as gifts and contributions in the year they are received. However, SEED did not make any distributions to the Foundation during 2018 or 2017.

Split-interest Agreements

Charitable Gift Annuities - Under charitable gift annuity agreements, all assets are held by the Foundation. Therefore, the Foundation has recorded the donated assets at fair value and the liabilities to the donor or his/her beneficiaries discounted to the present value of the estimated future payments to be distributed by the Foundation to such individuals. The amount of the contribution is the difference between the asset and liability and is recorded as contribution revenue. The Foundation uses the Internal Revenue Service (IRS) discount rate, or Applicable Federal Rate, to determine net present value of the liability. This rate is published monthly and represents the annual rate of return that the IRS assumes the gift assets will earn during the gift term. The discount rate for each charitable gift annuity is established at the beginning of the agreement. The discount rate applied to gift annuities held at June 30, 2018 and 2017 ranged from 1.2 to 9.0 percent.

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

In instances where the donor has not specifically reserved the right to change the remainderman, and all assets of the charitable remainder trust are maintained by a third-party trustee in an irrevocable trust for the benefit of the Foundation, the Foundation recognizes as contribution revenue the present value of the estimated future benefits to be received when the trust assets are distributed. The Foundation also recognizes a charitable trust asset at fair value, using as inputs the trust's investment market values, as well as the present value of the estimated future benefits to be received from the trust. The fair value of these trusts are disclosed as Level 3 assets in Note 5. The trustee disburses income earned on the assets of the charitable remainder trust to the donor or donor-designated beneficiaries.

In instances where the donor has not specifically reserved the right to change the remainderman, and the Foundation serves as the trustee, the Foundation will recognize the fair market value of the assets of the trust, as well as a liability for the net present value of future payments to be distributed by the Foundation to the donor or his/her designated beneficiaries. The amount of the contribution is the difference between the asset and liability at the inception of the trust. The Foundation uses the IRS discount rate, or Applicable Federal Rate, to determine net present value of the liability. This rate is published monthly and represents the annual rate of return that the IRS assumes the gift assets will earn during the gift term. The discount rate for each charitable remainder trust is established at the beginning of the agreement. The discount rate applied to charitable remainder trusts held at June 30, 2018 and 2017 ranged from 2.0 to 8.2 percent.

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

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

Lead Trusts - Charitable lead trusts provide an income stream to the Foundation for a set period of time established by the donor. The income stream is recorded at the net present value of the payments. Once the set period of time ends, the Foundation will no longer receive the income stream and the remaining principal is transferred back to the donor. If the Foundation serves as trustee, an asset and a liability will be recorded for the trust. The asset is booked at the fair market value. The liability is recorded at fair market value less the net present value of the income stream. If the Foundation does not serve as trustee, only the asset, at the net present value of the income stream, will be recorded for the trust. The Foundation uses the IRS discount rate, or Applicable Federal Rate, to determine net present value of the income stream. This rate is published monthly and represents the annual rate of return that the IRS assumes the gift assets will earn during the gift term. The discount rate for each charitable lead trust is established at the beginning of the agreement. The discount rate applied to the lead trusts held at June 30, 2018 and 2017 ranged from 1.07 to 5.16 percent.

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

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

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

Inn-Ohio of Athens, Inc.

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

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

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

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

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

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

In fiscal years 2018 and 2017, base management fees incurred by the Inn with respect to the manager were $100,000 per year and incentive fees were $173,809 and $162,037, respectively.

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

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

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

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

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

A significant portion of the property and equipment is pledged as collateral for the term loan. Principal payments on the Term Loan ranging from $21,000 to $34,100 are due in monthly installments through June 2021. The interest rate on the term loan was fixed at 6.20 percent through June 2011 and was adjusted to 3.31 percent as of July 1, 2011. The interest rate was adjusted to the index rate as defined in the agreement plus 1.40 percent in June 2016, effectively, 2.50 percent.

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

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

Housing for Ohio, Inc.

In November 1999, the Foundation established Housing for Ohio, Inc. (Housing), a limited liability company and 501(c)(3) corporation, with the purpose of acquiring, developing, constructing, and operating a 182-unit student-housing rental project which contains 580 beds. The property, known as University Courtyard Apartments (the "Project"), is located in Athens, Ohio on property that, as of June 30, 2017, was owned by the University and leased to Housing. The facility was managed and operated by a private entity.

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

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

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

Property and Equipment

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

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

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

Sugar Bush Foundation

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

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

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

Russ LLC's

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

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

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

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

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

	2018	2017
Land	$ 1,707,792	$ 1,674,005
Buildings	5,455,653	5,455,652
Furnishings, fixtures, and equipment	555,755	393,864
Total property and equipment	7,719,200	7,523,521
Less accumulated depreciation	(2,844,538)	(2,504,944)
Net property and equipment	$ 4,874,662	$ 5,018,577

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Required Supplementary Information

Schedule of University's Proportionate Share of the Net Pension Liability – STRS Ohio

	2018	2017	2016	2015
University's proportion of the collective STRS net pension liability:				
Percentage	1.003%	1.019%	0.992%	0.999%
Amount	$ 238,258,194	$ 341,136,198	$ 274,039,342	$ 242,888,149
University's covered-employee payroll	$ 92,038,084	$ 89,300,361	$ 87,599,050	$ 86,635,900
University's proportional share of the collective pension liability, as a percentage of the University's covered-employee payroll	258.87%	382.01%	312.83%	280.36%
Plan fiduciary net position as a percentage of the total pension liability	75.29%	66.78%	72.09%	74.71%

Schedule of University's Proportionate Share of the Net Pension Liability – OPERS

	2018	2017	2016	2015
University's proportion of the collective OPERS net pension liability:				
Percentage	0.878%	0.894%	0.910%	0.878%
Amount	$ 138,111,070	$ 204,643,077	$ 158,857,405	$ 106,172,642
University's covered-employee payroll	$ 123,297,069	$ 123,214,718	$ 121,248,226	$ 109,873,095
University's proportional share of the collective pension liability, as a percentage of the University's covered-employee payroll	112.01%	166.09%	131.02%	96.63%
Plan fiduciary net position as a percentage of the total pension liability	84.85%	77.39%	81.19%	86.53%

Schedule of University Pension Contributions – STRS Ohio

	2018	2017	2016	2015
Statutorily required contribution	$ 14,598,317	$ 15,527,585	$ 14,809,723	$ 14,461,472
Contributions in relation to the actuarially determined contractually required contribution	$ 14,598,317	$ 15,527,585	$ 14,809,723	$ 14,461,472
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 89,914,465	$ 92,038,084	$ 89,300,361	$ 87,599,052
Contributions as a percentage of covered employee payroll	16.24%	16.87%	16.58%	16.51%

Schedule of University Pension Contributions – OPERS

	2018	2017	2016	2015
Statutorily required contribution	$ 17,759,151	$ 15,956,637	$ 17,518,016	$ 17,091,376
Contributions in relation to the actuarially determined contractually required contribution	$ 17,759,151	$ 15,956,637	$ 17,518,016	$ 17,091,376
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll	123,083,009	$ 123,682,003	$ 122,635,620	$ 118,482,020
Contributions as a percentage of covered employee payroll	14.43%	12.90%	14.28%	14.43%

Notes to Required Supplementary Information – Pension Plans
June 30, 2018 and 2017

Schedule of University Pension Contributions – OPERS. The OPERS pension contribution is presented net of OPEB allocation starting in 2017. 2017 OPEB allocation was higher compared to 2018 consequently, the OPERS net pension contribution was lower in 2017. 2016 and 2015 OPERS contribution numbers were not adjusted to exclude OPEB allocation.

Changes in benefit terms. There were no changes in benefit terms affecting the STRS Ohio and OPERS plans for the plan years ended June 30, 2017 and December 31, 2017, respectively.

Changes in assumptions.

STRS: During the plan year ended June 30, 2017, there were changes to several assumptions for STRS. The cost-of-living adjustment dropped from 2.00 percent to 0.00 percent. The wage inflation dropped from 2.75 percent to 2.50 percent. The investment rate of return decreased from 7.75 percent to 7.45 percent. The mortality tables used changed from RP-2000 to RP-2014.

OPERS: During the plan year ended December 31, 2016, there were changes to several assumptions for OPERS. The wage inflation dropped from 3.75 percent to 3.25 percent. The projected salary increase range changed from 4.25-10.05 percent to 3.25-10.75 percent. The mortality tables used changed from RP-2000 to RP-2014.

Schedule of University's Proportionate Share of the Net OPEB Liability – STRS Ohio

		2018
University's proportion of the collective STRS net OPEB liability:		
Percentage		1.003%
Amount	$	39,132,274
University's covered-employee payroll	$	92,038,084
University's proportional share of the collective OPEB liability, as a percentage of the University's covered-employee payroll		42.52%
Plan fiduciary net position as a percentage of the total OPEB liability		47.11%

Schedule of University's Proportionate Share of the Net OPEB Liability – OPERS

		2018
University's proportion of the collective OPERS net OPEB liability:		
Percentage		0.870%
Amount	$	94,509,255
University's covered-employee payroll	$	123,297,069
University's proportional share of the collective OPEB liability, as a percentage of the University's covered-employee payroll		76.65%
Plan fiduciary net position as a percentage of the total OPEB liability		54.14%

Schedule of University OPEB Contributions – STRS Ohio

	2018
Statutorily required contribution	$ -
Contributions in relation to the actuarially determined contractually required contribution	$ -
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 89,914,465
Contributions as a percentage of covered employee payroll	0.00%

Schedule of University OPEB Contributions – OPERS

	2018
Statutorily required contribution	$ 618,683
Contributions in relation to the actuarially determined contractually required contribution	$ 618,683
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 123,083,009
Contributions as a percentage of covered employee payroll	0.50%

Notes to Required Supplementary Information - OPEB
June 30, 2018

Changes in benefit terms. There were no changes in benefit terms affecting the STRS Ohio and OPERS plans for the plan years ended June 30, 2017 and December 31, 2017, respectively.

Changes in assumptions. There were no changes in assumptions affecting the STRS and OPERS plans for the plan years ended June 30, 2017 and December 31, 2017, respectively.

Supplementary Information

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

Independent Auditor's Report

To Management and the Board of Trustees
Ohio University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ohio University (the "University"), a component unit of the State of Ohio, and the University's discretely presented component unit, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 4, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.*

To Management and the Board of Trustees
Ohio University

Purpose of this Report

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

Plante & Moran, PLLC

October 4, 2018

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Report on Compliance for Each Major Federal Program and 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 (the "University") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on University's major federal program for the year ended June 30, 2018. The University's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance 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 the 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 the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the OMB Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

The University's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

To the Board of Trustees
Ohio University

Report on Internal Control Over Compliance

Management of the 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 the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2018-001, that we consider to be a significant deficiency.

The University's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

October 4, 2018

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Pass-Through Subrecipients	Expenditures
STUDENT FINANCIAL ASSISTANCE CLUSTER				
DEPARTMENT OF EDUCATION				
Direct Programs:				
Federal Supplemental Educational Opportunity Grants	84.007	P007A163342/173342/183342	$ -	$ 908,469
Federal Work-Study Program	84.033	P033A173342	-	1,254,666
Federal Perkins Loans Outstanding	84.038	UNKNOWN	-	10,965,846
Federal Pell Grant Program	84.063	P063P160345/170345/180345		36,438,024
Federal Direct Student Loan	84.268	P268K170345/180345/190345/P268K176641/186641/196641	-	223,650,966
Teacher Education Assistance for College and Higher Education Grants	84.379	P379T170345/180345/190345	-	1,268,326
Total Department of Education			-	274,486,297
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs:				
Primary Care Loans (HPSL) Outstanding	93.342	UNKNOWN	-	1,825,898
Disadvantaged Student Loans Outstanding	93.342	UNKNOWN	-	2,507,794
Total Department of Health and Human Services				4,333,692
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER				278,819,989
RESEARCH AND DEVELOPMENT CLUSTER				
DEPARTMENT OF AGRICULTURE				
Direct Programs:				
U S DEPARTMENT OF AGRICULTURE	10.001	58-8020-5-006	-	10,254
U S DEPARTMENT OF AGRICULTURE	10.001	58-8040-5-006	-	73,673
U S DEPARTMENT OF AGRICULTURE	10.652	17-JV-11242309-118	-	22,257
Subtotal Direct Programs			-	106,184
Pass-Through Programs From:				
UNIVERSITY OF NEVADA RENO	10.320	UNR-16-62	-	31,586
Total Department of Agriculture			-	137,770
DEPARTMENT OF COMMERCE				
Direct Programs:				
NATIONAL INSTITUTES OF STANDARDS AND TECHNOLOGY	11.609	70NANB14H052	-	124,732
Total Department of Commerce			-	124,732
DEPARTMENT OF DEFENSE				
Direct Programs:				
US Army				
U S ARMY CORP OF ENGINEERS	12.010	W912DR-18-2-0003	-	18,971
U S ARMY CORP OF ENGINEERS	12.RD	W912DR-16-2-0002	-	50,163
			-	69,134
Defense Advanced Research Projects Agency				
SPACE AND NAVAL WARFARE SYSTEMS CENTER	12.910	N66001-16-1-4040	-	100,886
Subtotal Direct Programs			-	170,020

See Notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2018

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Pass-Through Subrecipients	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (cont.)				
DEPARTMENT OF DEFENSE (cont.)				
Pass-Through Programs From:				
WILLIAM MARSH RICE UNIVERSITY	12.431	R17832	$ -	$ 19,363
BERRIEHILL RESEARCH CORPORATION	12.800	OU-S2001	-	444,480
MATERIALS RESOURCES LLC (MRL)	12.XXX	MRL 18-T002	-	1,401
Subtotal Pass-Through Programs			-	465,244
Total Department of Defense			-	635,264
DEPARTMENT OF EDUCATION				
Direct Programs:				
U S DEPARTMENT OF EDUCATION	84.305A	R305A140356	241,085	399,287
Pass-Through Programs From:				
NORTHEASTERN UNIVERSITY	84.324A	503733-78050	-	81,140
UNIVERSITY OF BRITISH COLUMBIA	84.324A	12R73590	-	284,368
Subtotal Pass-Through Programs			-	365,508
Total Department of Education			241,085	764,795
DEPARTMENT OF ENERGY				
Direct Programs:				
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-93ER40756	-	395,921
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-88ER40387	-	312,562
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-02ER46012	-	165,295
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-06ER46317	-	162,811
U S DEPARTMENT OF ENERGY	81.049	DE-SC0014329	-	153,630
U S DEPARTMENT OF ENERGY	81.089	DE-FE0026315	15,874	144,865
U S DEPARTMENT OF ENERGY	81.087	DE-EE0007105	103,513	362,806
U S DEPARTMENT OF ENERGY	81.112	DE-NA0002905	-	257,912
Subtotal Direct Programs			119,387	1,955,802
Pass-Through Programs From:				
PACIFIC NORTHWEST NATIONAL LABORATORY	81.XXX	236340	-	25,812
Total Department of Energy			119,387	1,981,614
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs:				
National Institutes of Health				
NATIONAL INSTITUTES OF HEALTH	93.879	G13LM010878	-	2,043
NATIONAL INSTITUTES OF HEALTH	93.213	R01AT006978	26,018	357,813
NATIONAL INSTITUTES OF HEALTH	93.855	1R15AI103887-01A1	-	8,181
NATIONAL INSTITUTES OF HEALTH	93.855	1R15AI105749-01A1	35,175	56,945
NATIONAL INSTITUTES OF HEALTH	93.866	1R01AG044424-01A1	17,357	168,153
NATIONAL INSTITUTES OF HEALTH	93.846	1R21AR063909-01A1	-	17,130
NATIONAL INSTITUTES OF HEALTH	93.855	1R15AI105721-01A1	-	3,174
NATIONAL INSTITUTES OF HEALTH	93.847	1R15DK102115-01	-	136,767
NATIONAL INSTITUTES OF HEALTH	93.121	1R15DE023668-01A1	-	6,522
NATIONAL INSTITUTES OF HEALTH	93.173	1R15DC014587-01	-	113,849

See Notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2018

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Pass-Through Subrecipients	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (cont.)				
DEPARTMENT OF HEALTH AND HUMAN SERVICES (cont.)				
Direct Programs (cont.):				
National Institutes of Health (cont.)				
NATIONAL INSTITUTES OF HEALTH	93.859	RGM116098A	$ -	$ 81,486
NATIONAL INSTITUTES OF HEALTH	93.837	1R01HL127766-01A1	158,319	761,824
NATIONAL INSTITUTES OF HEALTH	93.286	1R21EB022356-01A1	-	118,715
NATIONAL INSTITUTES OF HEALTH	93.847	7R01DK101711-02	10,004	225,751
NATIONAL INSTITUTES OF HEALTH	93.847	7R01DK089182-06	-	97,272
NATIONAL INSTITUTES OF HEALTH	93.173	R03DC013388	-	39,440
NATIONAL INSTITUTES OF HEALTH	93.273	1R21AA024524-01A1	38,614	115,622
NATIONAL INSTITUTES OF HEALTH	93.855	1R21AI128376-01	-	220,859
NATIONAL INSTITUTES OF HEALTH	93.859	1R15GM110602-01A1	-	158,351
NATIONAL INSTITUTES OF HEALTH	93.213	1R21AT009339-01	-	96,534
NATIONAL INSTITUTES OF HEALTH	93.837	1R15HL133885-01A1	-	75,098
NATIONAL INSTITUTES OF HEALTH	93.855	1R15AI130983-01	-	56,769
NATIONAL INSTITUTES OF HEALTH	93.273	1R21AA025182-01A1	-	91,297
NATIONAL INSTITUTES OF HEALTH	93.865	RO1HD088417	9,121	253,139
NATIONAL INSTITUTES OF HEALTH	93.837	7R01HL112248-06	-	153,854
NATIONAL INSTITUTES OF HEALTH	93.847	7R01DK054254-14	-	18,650
NATIONAL INSTITUTES OF HEALTH	93.847	2R01DK054254-15A1	-	5,860
			294,608	3,441,098
Health Resources and Services Administration				
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.912	D06RH26831-03-00	-	11,575
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.912	D04RH28409-01-00	8,123	165,232
			8,123	176,807
Subtotal Direct Programs			302,731	3,617,905
Pass-Through Programs From:				
UNIVERSITY OF SOUTH CAROLINA	93.283	17-3242	-	9,882
UNIVERSITY OF TEXAS AT DALLAS	93.279	1603594	-	27,647
BOSTON UNIVERSITY	93.847	4500002018	-	20,162
BRIGHAM AND WOMEN'S HOSPITAL	93.837	107223	-	(7,657)
SOUTHERN ILLINOIS UNIVERSITY	93.866	520446	-	7,625
UNIVERSITY OF WASHINGTON	93.884	UWSC9343	-	126,105
AEIOU SCIENTIFIC LLC	93.866	AEIOU-OU-001	-	13,812
AUGUSTA UNIVERSITY	93.847	30835-48	-	19,903
BOSTON UNIVERSITY	93.837	4500002694	-	5,100
OHIO STATE UNIVERSITY	93.286	60051347	-	18,843
Subtotal Pass-Through Programs			-	241,422
Total Department of Health and Human Services			302,731	3,859,327
DEPARTMENT OF HOMELAND SECURITY				
Pass-Through Programs From:				
HARVARD UNIVERSITY	97.044	UNKNOWN	-	35,607
Total Department of Homeland Security			-	35,607

See Notes to Schedule of Expenditures
of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2018

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Pass-Through Subrecipients	Expenditures
DEPARTMENT OF THE INTERIOR				
Direct Programs:				
BUREAU OF LAND MANAGEMENT	15.236	L16AC00190	$ -	$ 23,117
U S OFFICE OF SURFACE MINING	15.255	S16AC20072	-	86,495
U S GEOLOGICAL SURVEY	15.808	G17AC00188	-	36,249
NATIONAL PARK SERVICE	15.945	P16AC01753	-	3,225
NATIONAL PARK SERVICE	15.945	P16AC01533	-	28,438
Subtotal Direct Programs			-	177,524
Total Department of the Interior			-	177,524
DEPARTMENT OF JUSTICE				
Direct Programs:				
U S DEPARTMENT OF JUSTICE	16.560	2016-R2-CX-0035	-	25,731
U S DEPARTMENT OF JUSTICE	16.560	2016-R2-CX-0048	-	85,210
			-	110,941
Total Department of Justice			-	110,941
DEPARTMENT OF STATE				
Direct Programs:				
U S DEPARTMENT OF STATE	19.401	S-ECAGD-16-CA-1049	-	349,459
Total Department of State			-	349,459
DEPARTMENT OF TRANSPORTATION				
Direct Programs:				
FEDERAL AVIATION ADMINISTRATION	20.108	16-G-012	-	154,756
U S DEPARTMENT OF TRANSPORTATION	20.200	693JK18500002	-	55,719
FEDERAL AVIATION ADMINISTRATION	20.RD	DTFAWA-16-A-80014	-	1,009,226
Subtotal Direct Programs			-	1,219,701
Pass-Through Programs From:				
NATIONAL ACADEMY OF SCIENCES	20.200	HR 18-18	2,229	59,838
TRI ENVIRONMENTAL	20.514	UNKNOWN	-	(23,209)
Subtotal Pass-Through Programs			2,229	36,629
Total Department of Transportation			2,229	1,256,330
ENVIRONMENTAL PROTECTION AGENCY				
Pass-Through Programs From:				
OHIO ENVIRONMENTAL PROTECTION AGENCY	66.605	EPA01-000005312	-	31,693
Total Environmental Protection Agency			-	31,693
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
Direct Programs:				
NASA SHARED SERVICES CENTER	43.001	80NSSC18K0665	-	23,781
NASA SHARED SERVICES CENTER	43.002	NNL16AA16C	84,278	269,632
NASA SHARED SERVICES CENTER	43.003	NNX15AJ69G	27,784	66,996
NASA SHARED SERVICES CENTER	43.003	NNX13AM48G	-	1,408
NASA SHARED SERVICES CENTER	43.007	NNX13AR39G	-	425
Subtotal Direct Programs			112,062	362,242

See Notes to Schedule of Expenditures of Federal Awards.

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Pass-Through Subrecipients	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (cont.)				
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (cont.)				
Pass-Through Programs From:				
SMITHSONIAN ASTROPHYSICAL OBSERVATORY	43.001	DD7-18096B	$ -	$ 3,504
OHIO SPACE GRANT CONSORTIUM	43.001	UNKNOWN	-	5,000
SMITHSONIAN ASTROPHYSICAL OBSERVATORY	43.001	G07-18054B	-	7,798
CONTROL POINT CORPORATION	43.001	SC170001	-	31,678
OHIO AEROSPACE INSTITUTES	43.001	G07-18046B	-	7,214
OHIO WESLEYAN UNIVERSITY	43.007	32060.00	-	32,957
OHIO SPACE GRANT CONSORTIUM	43.008	UNKNOWN	-	2,933
OHIO SPACE GRANT CONSORTIUM	43.008	UNKNOWN	-	2,537
Subtotal Pass-Through Programs			-	93,621
Total National Aeronautics and Space Administration			112,062	455,863
NATIONAL SCIENCE FOUNDATION				
Direct Programs:				
NATIONAL SCIENCE FOUNDATION	47.041	CBET-1554044	-	76,815
NATIONAL SCIENCE FOUNDATION	47.041	CMMI-1633500	-	42,419
NATIONAL SCIENCE FOUNDATION	47.041	CBET-1705817	-	78,848
NATIONAL SCIENCE FOUNDATION	47.041	IIP-1362075	-	27,469
NATIONAL SCIENCE FOUNDATION	47.049	PHY-1308299	-	49,622
NATIONAL SCIENCE FOUNDATION	47.049	DMR-1056493	-	3,028
NATIONAL SCIENCE FOUNDATION	47.049	CHE-1149367	-	(2,736)
NATIONAL SCIENCE FOUNDATION	47.049	DMS-1418787	-	1,467
NATIONAL SCIENCE FOUNDATION	47.049	DMR-1506836	-	67,396
NATIONAL SCIENCE FOUNDATION	47.049	DMR-1508325	-	118,858
NATIONAL SCIENCE FOUNDATION	47.049	DMR-1507670	-	104,466
NATIONAL SCIENCE FOUNDATION	47.049	CHE-1507321	-	115,756
NATIONAL SCIENCE FOUNDATION	47.049	PHY-1520972	-	99,685
NATIONAL SCIENCE FOUNDATION	47.049	PHY 1614479	-	186,638
NATIONAL SCIENCE FOUNDATION	47.049	CHE-1709075	-	47,751
NATIONAL SCIENCE FOUNDATION	47.049	DMS-1821162	-	14,590
NATIONAL SCIENCE FOUNDATION	47.049	PHY-1306137	-	33,778
NATIONAL SCIENCE FOUNDATION	47.049	PHY-1714008	-	85,241
NATIONAL SCIENCE FOUNDATION	47.050	PLR-1341621	-	11,070
NATIONAL SCIENCE FOUNDATION	47.050	PLF-1341602	-	51,491
NATIONAL SCIENCE FOUNDATION	47.050	EAR-1349825	-	68,245
NATIONAL SCIENCE FOUNDATION	47.050	EAR-1525915	-	10,722
NATIONAL SCIENCE FOUNDATION	47.050	AGS-1749504	-	6,604
NATIONAL SCIENCE FOUNDATION	47.070	CCF-1054339	-	38,182
NATIONAL SCIENCE FOUNDATION	47.070	CNS-1318981	-	14,917
NATIONAL SCIENCE FOUNDATION	47.070	CCF-1420718	-	76,068
NATIONAL SCIENCE FOUNDATION	47.070	CCF-1513606	-	84,508
NATIONAL SCIENCE FOUNDATION	47.070	CNS-1657279	-	35,318
NATIONAL SCIENCE FOUNDATION	47.070	CCF-1657358	-	50,591
NATIONAL SCIENCE FOUNDATION	47.070	CCF-1703013	-	99,218
NATIONAL SCIENCE FOUNDATION	47.074	DBI-1455554	-	128,398
NATIONAL SCIENCE FOUNDATION	47.074	IOS-1456810	-	182,666
NATIONAL SCIENCE FOUNDATION	47.074	IOS-1456503	-	65,890
NATIONAL SCIENCE FOUNDATION	47.074	DBI-1556316	-	10,105
NATIONAL SCIENCE FOUNDATION	47.074	DEB-1655230	-	21,796
NATIONAL SCIENCE FOUNDATION	47.074	DEB-1701680	-	1,827
NATIONAL SCIENCE FOUNDATION	47.074	IOS-1656765	-	136,175

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2018

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Pass-Through Subrecipients	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (cont.)				
NATIONAL SCIENCE FOUNDATION (cont.)				
Direct Programs (cont.):				
NATIONAL SCIENCE FOUNDATION	47.075	SES-1557082	$ -	$ 61,580
NATIONAL SCIENCE FOUNDATION	47.075	BCS-1638796	-	61,628
NATIONAL SCIENCE FOUNDATION	47.075	SES-1643084	-	32,315
NATIONAL SCIENCE FOUNDATION	47.075	BCS-1644736	-	10,014
NATIONAL SCIENCE FOUNDATION	47.075	SMA-1659455	-	23,739
NATIONAL SCIENCE FOUNDATION	47.075	SES-1734567	-	32,461
NATIONAL SCIENCE FOUNDATION	47.076	DGE-0947813	-	132,005
NATIONAL SCIENCE FOUNDATION	47.076	DGE-1645419	-	69,249
NATIONAL SCIENCE FOUNDATION	47.078	ANT-1142104	-	15,539
Subtotal Direct Programs			-	2,683,412
Pass-Through Programs From:				
THE CATHOLIC UNIVERSITY OF AMERICA	47.049	361226	-	24,330
UNIVERSITY OF NEVADA RENO	47.050	PO116GC000066	-	13,029
OLD DOMINION UNIVERSITY RESEARCH FOUNDATION	47.075	16-218-100580-010	-	40,902
UNIVERSITY OF CINCINNATI	47.076	L12-4500093879	-	7,946
Subtotal Pass-Through Programs			-	86,207
Total National Science Foundation			-	2,769,619
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			777,494	12,690,538
CHILD NUTRITION CLUSTER				
DEPARTMENT OF AGRICULTURE				
Pass-Through Programs From:				
OHIO DEPARTMENT OF EDUCATION	10.559	UNKNOWN	-	26,154
TOTAL CHILD NUTRITION CLUSTER			-	26,154
ECONOMIC DEVELOPMENT CLUSTER				
Direct Programs:				
APPALACHIAN REGIONAL COMMISSION	11.300	PW-18918-IM-17	78,352	271,050
ECONOMIC DEVELOPMENT ADMINISTRATION	11.307	06-69-06094	-	27,091
ECONOMIC DEVELOPMENT ADMINISTRATION	11.307	06-69-06035	-	51,317
TOTAL ECONOMIC DEVELOPMENT CLUSTER			78,352	349,458
FISH AND WILDLIFE CLUSTER				
DEPARTMENT OF THE INTERIOR				
Pass-Through Programs From:				
COMMONWEALTH OF KENTUCKY DEPARTMENT OF FISH AND WILDLIFE RESOURCES	15.605	UNKNOWN	-	1,525
OHIO DEPARTMENT OF NATURAL RESOURCES	15.611	427	-	40,833
TOTAL FISH AND WILDLIFE CLUSTER			-	42,358
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER				
DEPARTMENT OF TRANSPORTATION				
Pass-Through Programs From:				
OHIO DEPARTMENT OF TRANSPORTATION	20.205	25364	-	10
OHIO DEPARTMENT OF TRANSPORTATION	20.205	27043	13,927	19,651
OHIO DEPARTMENT OF TRANSPORTATION	20.205	27225	-	36,890

See Notes to Schedule of Expenditures of Federal Awards.

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Pass-Through Subrecipients	Expenditures
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER (cont.)				
DEPARTMENT OF TRANSPORTATION (cont.)				
Pass-Through Programs From (cont.):				
OHIO DEPARTMENT OF TRANSPORTATION	20.205	27236, 27236A	$ -	$ 7,630
OHIO DEPARTMENT OF TRANSPORTATION	20.205	27233	34,548	54,215
OHIO DEPARTMENT OF TRANSPORTATION	20.205	19137	-	(445)
OHIO DEPARTMENT OF TRANSPORTATION	20.205	27695	-	2,174
EL ROBINSON ENGINEERING	20.205	26869	-	30,149
OHIO DEPARTMENT OF TRANSPORTATION	20.205	27897	-	(69)
OHIO DEPARTMENT OF TRANSPORTATION	20.205	27831	30,864	62,357
OHIO DEPARTMENT OF TRANSPORTATION	20.205	30791	2,650	86,275
OHIO DEPARTMENT OF TRANSPORTATION	20.205	27939	45,688	102,110
OHIO DEPARTMENT OF TRANSPORTATION	20.205	30418	35,326	80,268
OHIO DEPARTMENT OF TRANSPORTATION	20.205	27960	6,117	61,185
OHIO DEPARTMENT OF TRANSPORTATION	20.205	30266	-	21,540
OHIO DEPARTMENT OF TRANSPORTATION	20.205	30218	-	33,058
IOWA STATE UNIVERSITY	20.205	26586	-	35,148
OHIO DEPARTMENT OF TRANSPORTATION	20.205	26656	-	54
OHIO DEPARTMENT OF TRANSPORTATION	20.205	26608	10,617	49,742
OHIO DEPARTMENT OF TRANSPORTATION	20.205	26595	6,278	33,667
OHIO DEPARTMENT OF TRANSPORTATION	20.205	30581	5,346	23,250
OHIO DEPARTMENT OF TRANSPORTATION	20.205	30649	2,016	165,260
OHIO DEPARTMENT OF TRANSPORTATION	20.205	30584	13,341	31,900
OHIO DEPARTMENT OF TRANSPORTATION	20.205	30720	23,211	84,329
OHIO DEPARTMENT OF TRANSPORTATION	20.205	30725	-	16,987
OHIO DEPARTMENT OF TRANSPORTATION	20.205	31795	-	2,535
OHIO DEPARTMENT OF TRANSPORTATION	20.205	30496	-	55,971
OHIO DEPARTMENT OF TRANSPORTATION	20.205	30409	20,506	106,151
TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			250,435	1,201,992
SPECIAL EDUCATION (IDEA) CLUSTER				
DEPARTMENT OF EDUCATION				
Pass-Through Programs From:				
UNIVERSITY OF CINCINNATI	84.027A	011010-002	-	33,429
UNIVERSITY OF DAYTON RESEARCH INSTITUTES	84.027	RSC16016	-	1,002
TOTAL SPECIAL EDUCATION (IDEA) CLUSTER			-	34,431
TRIO CLUSTER				
DEPARTMENT OF EDUCATION				
Direct Programs:				
U S DEPARTMENT OF EDUCATION	84.042A	P042A150073	-	309,377
U S DEPARTMENT OF EDUCATION	84.047A	P047A121446-16	-	(292)
TOTAL TRIO CLUSTER			-	309,085
MEDICAID CLUSTER				
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass-Through Programs From:				
OHIO STATE UNIVERSITY	93.778	60055249	-	(958)
OHIO STATE UNIVERSITY	93.778	60055249	-	(1,694)

See Notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2018

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Pass-Through Subrecipients	Expenditures
MEDICAID CLUSTER (cont.)				
DEPARTMENT OF HEALTH AND HUMAN SERVICES (cont.)				
Pass-Through Programs From (cont.):				
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.778	G1617-06-0273	$ -	$ (45)
OHIO STATE UNIVERSITY	93.778	60055249	-	1,199
NORTHEAST OHIO MEDICAL UNIVERSITY	93.778	60051005	-	552
CASE WESTERN RESERVE UNIVERSITY	93.778	G-1819-05-0094	-	92,409
OHIO STATE UNIVERSITY	93.778	60060959	-	92,030
TOTAL MEDICAID CLUSTER			-	183,493
OTHER PROGRAMS				
APPALACHIAN REGIONAL COMMISSION				
Direct Programs:				
APPALACHIAN REGIONAL COMMISSION	23.001	PW-18610-IM-16	241,835	667,250
Total Appalachian Regional Commission			241,835	667,250
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Pass-Through Programs From:				
OHIO COMMISSION ON SERVICE AND VOLUNTEERISM	94.006	15ACH-1502-18-OC068	-	278,178
OHIO COMMISSION ON SERVICE AND VOLUNTEERISM	94.006	15ACH-1502-17-OC068	-	13,203
Total Corporation for National and Community Service			-	291,381
DEPARTMENT OF AGRICULTURE				
Direct Programs:				
U S DEPARTMENT OF AGRICULTURE	10.351	41-005-260238852	-	28,502
Total Department of Agriculture			-	28,502
DEPARTMENT OF COMMERCE				
Pass-Through Programs From:				
BOWLING GREEN STATE UNIVERSITY	11.303	10008059-OU	-	44,044
Total Department of Commerce			-	44,044
DEPARTMENT OF DEFENSE				
Direct Programs:				
NATIONAL SECURITY AGENCY	12.900	H98230-18-1-0193	-	7,439
NATIONAL SECURITY AGENCY	12.900	H98230-17-1-0039	-	67,744
			-	75,183
Pass-Through Programs From:				
OHIO DEVELOPMENT SERVICES AGENCY	12.002	SBEG18001	-	263,709
Total Department of Defense			-	338,892

See Notes to Schedule of Expenditures
of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2018

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Pass-Through Subrecipients	Expenditures
OTHER PROGRAMS (cont.)				
DEPARTMENT OF EDUCATION				
Pass Through Programs:				
GALLIA-VINTON EDUCATIONAL SERVICE CENTER	84.366B	UNKNOWN	$ -	$ 18,210
FEDERAL HOCKING LOCAL SCHOOL DISTRICT	84.287	UT17842	-	(5)
TRIMBLE LOCAL SCHOOL DISTRICT	84.287	UT18277	-	75,014
SOUTHERN LOCAL SCHOOL DISTRICT (PERRY COUNTY)	84.287	UT18697	-	218
SOUTHERN LOCAL SCHOOL DISTRICT (PERRY COUNTY)	84.287	UT19134	-	160,840
ALEXANDER LOCAL SCHOOL DISTRICT	84.287	UT19136	-	176,931
FEDERAL HOCKING LOCAL SCHOOL DISTRICT	84.287	UT19139	-	182,663
OHIO DEPARTMENT OF HIGHER EDUCATION	83.367	15-39	-	2,160
OHIO DEPARTMENT OF HIGHER EDUCATION	84.367B	15-38	-	(72)
FEDERAL HOCKING LOCAL SCHOOL DISTRICT	84.287	UT19612	-	182,133
TRIMBLE LOCAL SCHOOL DISTRICT	84.287	UT19618	-	186,487
OHIO DEPARTMENT OF HIGHER EDUCATION	84.367	16-30	92	136,874
OHIO DEPARTMENT OF HIGHER EDUCATION	84.334	UNKNOWN	-	53,175
ATHENS CITY SCHOOL DISTRICT	84.287	UT18278	-	86,791
SOUTHERN LOCAL SCHOOL DISTRICT (PERRY COUNTY)	84.287	UT20213	-	114,583
Total Department of Education			92	1,376,002
DEPARTMENT OF ENERGY				
Direct Programs:				
U S DEPARTMENT OF ENERGY	81.214	DE-EM0004147	-	358,591
Total Department of Energy			-	358,591
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs:				
Centers for Disease Control				
CENTERS FOR DISEASE CONTROL AND PREVENTION	93.262	2T03OH009841-04	-	127,201
Health Resources and Services Administration				
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.243	G02HP27951	14,000	102,009
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.847	D04RH31792	-	573
			14,000	102,582
Subtotal Direct Programs			14,000	229,783
Pass-Through Programs:				
TRINITY HOSPITAL TWIN CITY	93.912	UNKNOWN	-	4,063
NATIONAL AHEC ORGANIZATION	93.185	UNKNOWN	-	3,972
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.086	C-1617-17-0531	-	68,933
THE UNIVERSITY OF TOLEDO	93.107	F2016-88	-	102,793
OHIO DEPARTMENT OF MENTAL HEALTH	93.243	99-13510-SPFPFS-P-15-15151	141,717	446,283
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.590	G-1819-22-0394	-	1,389
OHIO DEPARTMENT OF HEALTH	93.283	UNKNOWN	-	3,257
OHIO DEPARTMENT OF HEALTH	93.994	UNKNOWN	1,379	29,514
OHIO DEPARTMENT OF MENTAL HEALTH	93.243	99-60205-SSHS-P-15-1470/1547	-	22,346

See Notes to Schedule of Expenditures of Federal Awards.

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Pass-Through Subrecipients	Expenditures
OTHER PROGRAMS (cont.)				
DEPARTMENT HEALTH AND HUMAN SERVICES (cont.)				
Pass Through Programs (cont.):				
OHIO DEPARTMENT OF HEALTH	93.092	DOH01-0000040214	$ -	$ 23,128
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.645	G-1819-06-0341	-	5,248
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.658	G-1819-06-0341	-	26,085
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.659	G-1819-06-0341	-	24,654
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.645	G1617-06-0273	-	(875)
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.658	G1617-06-0273	-	(955)
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.659	G1617-06-0273	-	(1,399)
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.667	G1617-06-0273	-	(5)
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.590	G-1819-22-0463	-	147
OHIO DEPARTMENT OF YOUTH SERVICES	93.092	8AS4010	-	51,916
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.590	JFS01-0000022233	-	(2,353)
NATIONAL RURAL HEALTH ASSOCIATION	93.155	UNKNOWN	-	11,107
OHIO DEPARTMENT OF MENTAL HEALTH & ADDICTION SERVICES	93.788	1900359	7,112	29,886
OHIO DEPARTMENT OF MENTAL HEALTH & ADDICTION SERVICES	93.788	1800552	94,856	428,621
OHIO DEPARTMENT OF MENTAL HEALTH & ADDICTION SERVICES	93.958	1800274	16,500	74,089
OHIO DEPARTMENT OF MENTAL HEALTH & ADDICTION SERVICES	93.788	1900462	-	30,000
TRINITY HOSPITAL TWIN CITY	93.912	UNKNOWN	-	583
PORTSMOUTH CITY HEALTH DEPT	93.912	UNKNOWN	-	3,326
OHIO DEPARTMENT OF HEALTH	93.913	DOH01-0000051964	-	44,182
Subtotal Pass-Through Programs			261,564	1,429,935
Total Department of Health and Human Services			275,564	1,659,718
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Pass-Through Programs From:				
ATHENS COUNTY COMMISSIONERS	14.228	UNKNOWN	-	41,772
Total Department of Housing and Urban Development			-	41,772
DEPARTMENT OF THE INTERIOR				
Pass-Through Programs From:				
RACCOON CREEK PARTNERSHIP	15.253	UNKNOWN	-	4,876
OHIO DEPARTMENT OF NATURAL RESOURCES	15.916	DNR01-0000035470	-	5,438
Total Department of the Interior			-	10,314
DEPARTMENT OF JUSTICE				
Pass-Through Programs From:				
OHIO ATTORNEY GENERAL'S OFFICE	16.575	2018-VOCA-109854198	-	13,143
Total Department of Justice			-	13,143
DEPARTMENT OF LABOR				
Pass-Through Programs From:				
COLUMBUS STATE COMMUNITY COLLEGE	17.282	UNKNOWN	-	22,595
Total Department of Labor			-	22,595

See Notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2018

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Pass-Through Subrecipients	Expenditures
OTHER PROGRAMS (cont.)				
DEPARTMENT OF STATE				
Direct Programs:				
U S DEPARTMENT OF STATE	19.451	S-ECAGD-14-CA-1116	$ -	$ 130,256
Pass-Through Programs From:				
INSTITUTES OF INTERNATIONAL EDUCATION	19.400	0136 OU 3.15.2017	-	154,906
INSTITUTES OF INTERNATIONAL EDUCATION	19.401	UNKNOWN	-	900
			-	155,806
Total Department of State			-	286,062
DEPARTMENT OF TRANSPORTATION				
Direct Programs:				
FEDERAL AVIATION ADMINISTRATION	20.106	3-39-0006-020-2015	-	135,073
Total Department of Transportation			-	135,073
ENVIRONMENTAL PROTECTION AGENCY				
Pass-Through Programs From:				
OHIO ENVIRONMENTAL PROTECTION AGENCY	66.460	14(h)EPA-32	21,890	64,330
OHIO ENVIRONMENTAL PROTECTION AGENCY	66.460	15(h)EPA-35	-	239
OHIO ENVIRONMENTAL PROTECTION AGENCY	66.460	17(h)EPA-08	-	3,729
OHIO DEPARTMENT OF NATURAL RESOURCES	66.460	UNKNOWN	-	110,891
Total Environmental Protection Agency			21,890	179,189
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
Pass-Through Programs From:				
OHIO AEROSPACE INSTITUTES	43.008	UNKNOWN	-	7,000
Total National Aeronautics and Space Administration			-	7,000
NATIONAL ENDOWMENT FOR THE ARTS				
Pass-Through Programs From:				
ARTS MIDWEST TOURING FUND	45.025	20229	-	2,800
STATE LIBRARY OF OHIO	45.310	II-1-17	-	46,208
Total National Endowment for the Arts			-	49,008
SMALL BUSINESS ADMINISTRATION				
Pass-Through Programs From:				
OHIO DEVELOPMENT SERVICES AGENCY	59.037	OSBG-16-324	-	296,439
APPALACHIAN PARTNERSHIP FOR ECONOMIC GROWTH	59.037	UNKNOWN	-	49,664
Total Small Business Administration			-	346,103
TOTAL OTHER PROGRAMS			**539,381**	**5,854,639**
GRAND TOTAL FEDERAL AWARDS			**$ 1,645,662**	**$ 299,512,137**

See Notes to Schedule of Expenditures of Federal Awards.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Ohio University (the "University") under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). 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 in 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.

The University has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Note 3 - Noncash Assistance

During the year ended June 30, 2018, Ohio University did not receive any nonmonetary assistance.

Note 4 - 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 5 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, in the year ended June 30, 2018, the University expended $45,224 of the 2018-2019 Federal Work Study (FWS) Program (84.033) in 2017-2018.

During the year ended June 30, 2018, the University transferred $282,157 of the 2017-2018 FWS Program (84.033) award to the Supplemental Educational Opportunity Grant (SEOG) Program (84.007).

Note 6 - Loans Balances

Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule of expenditures of federal awards. The balances of loans outstanding at June 30, 2018 consist of the following:

Cluster/Program Title	CFDA Number	Loan Balances
Federal Perkins Loans Outstanding	84.038	$ 9,448,611
Primary Care Loans (HPSL) Outstanding	93.342	1,556,201
Disadvantaged Student Loans Outstanding	93.342	2,236,037
	Total	$ 13,240,849

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	None reported

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?	X	Yes		None reported
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	X	Yes		No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, and 93.342	Student Financial Assistance Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	X	Yes		No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Finding
2018-001	**CFDA Number, Federal Agency, and Program Name** - Ohio University: CFDA Nos. 84.063 and 84.268, Department of Education, Federal Pell Grant Program and Federal Direct Student Loans

Federal Award Identification Number and Year - P063P160345/170345/180345 and P268K170345/180345/190345/P268K176641/186641/196641, 2017-2018

Pass-through Entity - None

Finding Type - Significant deficiency and material noncompliance with laws and regulations

Repeat Finding - No

Criteria - Federal Pell Grant Program: An institution shall submit, in accordance with deadline dates established by the secretary, through publication in the Federal Register, other reports and information the secretary requires and shall comply with the procedures the secretary finds necessary to ensure that the reports are correct (34 CFR Section 690.83(b)(2)).

Federal Direct Student Loans: Changes in student status are required to be reported to the National Student Loan Data System (NSLDS) within 30 days of the change or included in a Student Status Confirmation Report (SSCR) sent to the NSLDS within 60 days of the status change (34 CFR Section 685.309(b)).

Condition - Ohio University did not report the proper student status change for certain students that graduated or withdrew.

Questioned Costs - None

Identification of How Questioned Costs Were Computed - N/A

Context - Of the 25 students tested for student status changes, two students were not properly reported as graduated and one student was not reported timely.

Cause and Effect - The spring 2018 term graduation file submitted for Ohio University to the National Student Clearinghouse was not properly processed leading to students being reported as withdrawals instead of graduations. Ohio University did not have a process in place to review submitted files for proper updating in NSLDS records.

For the fall 2017 term, the students who enrolled after the census date of the semester were not properly reported to the National Student Clearinghouse. This caused the update of the withdrawal at the end of the semester to not be properly recorded and required a manual update.

Recommendation - Ohio University should implement controls and processes to ensure that graduation files submitted are complete and are properly reported to NSLDS.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2018-001 (Con't)	**Views of Responsible Officials and Corrective Action Plan** - Ohio University is responsible for ensuring that graduation files submitted are complete and properly reported to NSLDS in a timely manner. Ohio University has relied on our vendor's "G from DV Process" (Graduated from DegreeVerify process) to update NSLDS with the appropriate graduated statuses. Ohio University submits a file of all graduated students to our vendor, which is then processed using the "G from DV Process" to update the NSLDS with graduated statuses. The "G from DV Process" was changed, and the impact of those changes were not communicated to Ohio University. After learning about the change in process, we are providing an additional file of graduated students to our vendor. After providing the data files to our vendor we are reviewing student statuses with NSLDS to ensure that the appropriate statuses have been updated. The spring graduates have all been reviewed and updated appropriately. Summer graduates have also been reviewed and updated to ensure the "G" (graduated) status has been recorded correctly with NSLDS.

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OHIO AUDITOR OF STATE
KEITH FABER

OHIO UNIVERSITY

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 26, 2019