

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES
ATHENS COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED JUNE 20, 2021 AND 2020

The Ohio University Foundation and Subsidiaries

**Consolidated Financial Statements as of and
for the Years Ended June 30, 2021 and 2020
with Supplementary Schedules as of and
for the Year Ended June 30, 2021 and
Independent Auditor's Report**

The Ohio University Foundation and Subsidiaries

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Ohio University Foundation and Subsidiaries, a discretely presented component unit of Ohio University, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Ohio University Foundation and Subsidiaries as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2021 on our consideration of The Ohio University Foundation and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Ohio University Foundation and Subsidiaries' internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Columbus, Ohio
October 15, 2021

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Financial Position June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 26,970,334	\$ 11,228,543
Accounts receivable - net	139,108	245,720
Receivable from Ohio University - net	3,769,541	-
Pledges receivable - net	8,860,923	7,799,460
Bequests receivable	10,715,463	2,142,197
Interest and dividends receivable	760,740	1,073,326
Prepaid expenses	490,310	232,117
Investments	639,657,233	514,942,048
Life insurance cash surrender value	1,232,908	1,206,424
Charitable gift annuities	3,012,461	2,614,257
Charitable trusts	18,765,129	16,660,343
Beneficial interest in assets held by others	779,413	-
Property and equipment - net	12,506,034	11,816,723
Other assets	133,863	129,939
Total assets	<u>\$ 727,793,460</u>	<u>\$ 570,091,097</u>
Liabilities and net assets		
Liabilities		
Accounts payable:		
Ohio University	\$ 904	\$ 949,116
Trade and other	969,448	615,842
Deposits held in custody for others	398,340	440,632
Annuities payable	1,672,734	1,754,709
Charitable trusts obligations	3,091,457	2,642,943
Notes payable:		
Ohio University	1,320,559	1,469,752
Other	-	394,003
Other liabilities	2,399,507	1,245,518
Total liabilities	<u>9,852,949</u>	<u>9,512,515</u>
Net assets		
Without donor restrictions	156,422,727	107,891,345
With donor restrictions	561,517,784	452,687,237
Total net assets	<u>717,940,511</u>	<u>560,578,582</u>
Total liabilities and net assets	<u>\$ 727,793,460</u>	<u>\$ 570,091,097</u>

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Activities Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Gifts and contributions	\$ 1,740,824	\$ 41,851,598	\$ 43,592,422
University support	3,460,441	-	3,460,441
Income from investments:			
Interest and dividends	2,162,012	3,915,906	6,077,918
Realized gain (loss)	3,774,452	7,152,371	10,926,823
Unrealized gain (loss)	45,801,942	87,372,504	133,174,446
Revenues from sales and events	4,387,403	955	4,388,358
Gain (loss) on split-interest agreements	-	2,060,170	2,060,170
Other	65,164	40,628	105,792
Related entity revenues	58,175	(58,175)	-
Net assets released from restrictions	33,505,410	(33,505,410)	-
Total revenues and other support	94,955,823	108,830,547	203,786,370
Expenses			
Program services:			
Academic support	940,330	-	940,330
Alumni relations	3,287,341	-	3,287,341
Institutional support	375,066	-	375,066
Instruction	10,637,263	-	10,637,263
Intercollegiate athletics	2,060,559	-	2,060,559
Public service	732,321	-	732,321
Research	4,084,224	-	4,084,224
Student aid	8,623,782	-	8,623,782
Student services	614,108	-	614,108
Support services:			
Fundraising and development	7,548,917	-	7,548,917
Management and general	2,074,716	-	2,074,716
Related entity operations	5,445,814	-	5,445,814
Total expenses	46,424,441	-	46,424,441
Changes in net assets	48,531,382	108,830,547	157,361,929
Net assets - beginning of year	107,891,345	452,687,237	560,578,582
Net assets - end of year	\$ 156,422,727	\$ 561,517,784	\$ 717,940,511

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Activities (Continued)

Year Ended June 30, 2020

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

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Cash Flows Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Changes in net assets	\$ 157,361,929	\$ (2,314,681)
Adjustments to reconcile changes in net assets to net cash from operating activities		
Realized investment (gains) losses - net	(10,926,823)	4,599,001
Noncash items:		
Depreciation and amortization	1,196,502	1,180,763
Gain on disposition of property	-	(20,895)
Unrealized investment gains - net	(133,174,446)	(7,770,332)
(Increase) decrease in cash surrender value of life insurance policies	(26,484)	41,074
Increase in investments subject to annuity agreements	(656,707)	(121,154)
Increase in charitable remainder trust assets	(2,709,406)	(269,423)
Increase in beneficial interest in assets held by others	(87,127)	-
Increase (decrease) in annuity obligations	(81,975)	142,912
Increase (decrease) in trust obligations	448,514	(251,006)
Contributions of securities	(1,266,415)	(973,000)
Contributions of property and equipment	(470,000)	(1,080,000)
Contributions restricted for endowment investments	(16,541,037)	(7,453,095)
Changes in current assets and liabilities:		
(Increase) decrease in accounts receivable	(3,662,929)	16,669
(Increase) decrease in contributions receivable	(1,061,463)	1,705,743
(Increase) decrease in bequests receivable	(8,573,266)	475,899
Decrease in interest and dividends receivable	312,586	30,106
(Increase) decrease in prepaid expenses	(258,193)	67,761
(Increase) decrease in other assets	(3,924)	25,338
Decrease in accounts payable	(594,606)	(126,217)
Increase in other liabilities	1,153,989	861,887
Decrease in deposits held in custody for others	(42,292)	(68,057)
Net cash provided by (used in) operating activities	<u>(19,663,573)</u>	<u>(11,300,707)</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,415,813)	(1,607,089)
Proceeds from sales of property and equipment	-	105,895
Purchases of investments	(428,334,061)	(266,512,719)
Proceeds from sales of investments	448,986,560	259,943,315
Contributions to new charitable gift annuities	(40,000)	(385,000)
Distributions from charitable gift annuities	298,503	268,642
Contributions to new charitable remainder trusts	(248,049)	(65,553)
Distributions from charitable remainder trusts	852,669	784,974
Transfers to The Columbus Foundation	(711,386)	-
Distributions from The Columbus Foundation	19,100	-
Net cash provided by (used in) investing activities	<u>19,407,523</u>	<u>(7,467,535)</u>
Cash Flows from Financing Activities		
Contributions restricted for endowment investment	16,541,037	7,453,095
Payments on notes and bonds payable	(543,196)	(513,214)
Net cash provided by (used in) financing activities	<u>15,997,841</u>	<u>6,939,881</u>
Net Increase (Decrease) in Cash and Cash Equivalents	15,741,791	(11,828,361)
Cash and Cash Equivalents - Beginning of year	11,228,543	23,056,904
Cash and Cash Equivalents - End of year	<u>\$ 26,970,334</u>	<u>\$ 11,228,543</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 73,864	\$ 89,082
Cash paid during the year for income taxes	(64,084)	124,347
Supplemental Disclosure of Non-Cash Activities		
Contributions of securities	\$ 1,266,415	\$ 973,000
Contributions of property and equipment	470,000	1,080,000

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

Note 1 - Organization and Operation

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

The Foundation's wholly owned subsidiary, Inn-Ohio of Athens, Inc. (the "Inn"), owns and operates a 139-room hotel and restaurant facility in Athens, Ohio known as The Ohio University Inn (see Note 13).

The Sugar Bush Foundation (Sugar Bush) is an Ohio not-for-profit corporation, and is a supporting organization as defined in Code Section 509(a)(3). Sugar Bush has pledged to commit all of its charitable distributions to The Foundation. Upon dissolution of Sugar Bush and payment of all Sugar Bush liabilities, all of its assets shall be transferred to the Foundation, provided the Foundation is then recognized as a nonprofit Ohio corporation and as a tax-exempt organization under Section 501(c)(3) of the Code. The Foundation consolidates this supporting organization that is deemed to be financially interrelated (see Note 14).

The Russ LLCs are four limited liability companies (Fritz J. and Dolores H. Russ Holdings LLC, Russ North Valley Road LLC, Russ Research Center LLC, Russ Center North LLC) created to receive and hold property distributions from The Dolores H. Russ Trust for the benefit of the Russ College of Engineering. The limited liability companies are treated as disregarded entities for federal income tax purposes. The Foundation is the sole member of Fritz J. and Dolores H. Russ Holdings LLC. Fritz J. and Dolores H. Russ Holdings LLC is the sole member of Russ North Valley Road LLC, Russ Research Center LLC, and Russ Center North LLC (see Note 15).

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting and Presentation- The consolidated financial statements of the Foundation have been prepared in conformance with accounting principles generally accepted in the United States of America. The accompanying consolidated financial statements present the financial position and results of activities of the Foundation and its wholly owned subsidiary and other related entities - the Inn, one supporting organization, and four limited liability companies. All intercompany transactions have been eliminated.

Note 2 - Summary of Significant Accounting Policies (Continued)

Financial statements of not-for-profit organizations measure aggregate net assets and net asset activity based on the absence or existence of donor-imposed restrictions. Brief definitions of the two net asset classes are presented below:

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

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

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

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

	2021	2020
Total assets, at year end	\$ 727,793,460	\$ 570,091,097
Less nonfinancial assets:		
Prepaid Expenses	490,310	232,117
Property and equipment, net of depreciation	12,506,034	11,816,723
Other Assets	133,863	129,939
Financial assets, at year end	714,663,253	557,912,318
Less those unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	69,105,786	53,518,497
Donor-restricted permanent endowments subject to appropriation and satisfaction of donor restrictions	415,895,435	320,545,291
Board-designated (quasi) endowments created with donor-restricted funds	45,859,463	52,478,054
Life insurance cash surrender value	1,232,908	1,206,424
Investments held in annuities and trusts	21,777,590	19,274,600
Beneficial interest in assets held by others	779,413	-
Financial assets held by Foundation subsidiaries	9,966,937	8,799,709
Board designations:		
Quasi-endowment funds without donor restrictions	135,518,485	95,152,150
Quasi-endowment spending account balances without donor restrictions	739,701	507,926
Subtotal of amounts unavailable for general expenditure within one year	700,875,718	551,482,651
Plus endowment distributions made available for general expenditure within one year due to:		
Endowment distributions without purpose restrictions	43,680	43,556
Endowment management fee	7,821,337	8,066,878
Subtotal of endowment distributions without donor restrictions or board designations	7,865,017	8,110,434
Financial assets available to meet cash needs for general expenditures	\$ 21,652,552	\$ 14,540,101

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Additionally, the Foundation had board-designated (quasi) endowment funds created with donor-restricted funds, with accumulated earnings of \$135,518,485 and \$95,152,150 for the years ended June 30, 2021 and 2020, respectively. Although the Foundation does not intend to spend from this endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment funds could be made available if and when necessary. Note 9 further describes spending from endowments.

Reserve funds in the amount of \$7,853,792 and \$259,651 were accumulated for the years ended June 30, 2021 and 2020, respectively, in accordance with the Foundation's Contingency and Operating Reserves Policy, as adopted in February 2014. The reserve is intended to stabilize the Foundation's finances and may be used for significant legal settlements, a large unanticipated loss in funding, or one-time, nonrecurring expenses that will build long-term capacity, such as projects addressing critical needs or unique opportunities deemed to be consistent with the mission of the University. The Foundation also realizes that there could be unanticipated liquidity needs.

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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 company that operates the Inn is responsible for collection of receivables and it provides a reserve for any estimated uncollectible balances, as appropriate. The property management staff that operates the Russ Research Center LLC is responsible for collection of receivables and provides a reserve for any estimated uncollectible balances, as appropriate.

Cash - The Foundation's cash and cash equivalents were \$26,970,334 and \$11,228,543 at June 30, 2021 and 2020, respectively, the majority of which are bank balances. Of the bank balances, \$25,949,042 and \$9,891,953 at June 30, 2021 and 2020, respectively, was uninsured by the Federal Deposit Insurance Corporation (FDIC) but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments - Investments in securities are recorded at fair value based on quoted market values, with changes in market value during the year reflected in the consolidated statements of activities. Investments not publicly traded are either stated at cost, which approximates market, or at appraised market values when applicable. Alternatives are recorded at their most recent available valuation as provided by the investment custodian. Purchases and sales of investments are accounted for as of the trade date. See Note 4 for the valuation policy for alternative investments.

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

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

Depreciation of buildings is recorded over periods ranging from 20 to 40 years using the straight-line method. Depreciation and amortization of other property, equipment, and improvements are recorded over periods ranging from 2 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, 2021 and 2020.

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

Contributed property is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as donor-restricted support. In the absence of such stipulations, contributions of property are recorded as support without donor restrictions.

Contributions of charitable gift annuities are reduced by the actuarially determined liability resulting from acceptance of the gift. Contributions are held in charitable trusts at the present value of their estimated future benefits to be received when the trust assets are distributed upon notification of the donor's death (see Note 5).

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Revenues from Sales and Events - Revenues from merchandise sales and event registration fees are recognized as earned. Revenue is recognized from the Inn's room, restaurant, and beverage facilities and services as earned on the close of business each day. Rental income is recognized when rent becomes due over the terms of the Russ Research Center LLC's tenant leases. Rental payments received in advance of the rental income recognition are recorded as deferred income in the accompanying statements of financial position.

Functional Allocation of Expenses - The costs of providing the various programs and support services have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the programs and support services benefited. Salaries and benefits are allocated based on the functions of the employees being paid. Supplies, services, and travel expenses are allocated on the basis of the program or support service incurring those costs. Occupancy, maintenance and repairs expense is allocated on the basis of the program or support service which uses the space being maintained. Depreciation is allocated on the basis of the program or support service which uses the fixed asset. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts. See Note 12 for additional details describing the how costs are distributed by both function and natural expense.

Income Taxes - The Internal Revenue Service has determined that the Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated income. The provision for income taxes for the Inn, a for-profit corporation, including deferred tax expense (recovery), totaled \$(66,583) and \$(46,462) for the years ended June 30, 2021 and 2020, respectively. The provision is primarily comprised of federal and city taxes. Of these amounts, \$24,172 and \$(7,362) represent current tax expense for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, 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

Note 2 - Summary of Significant Accounting Policies (Continued)

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, 2018.

Recently Adopted Accounting Pronouncements – In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which superseded the former 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 judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance was effective for the Foundation's year ending June 30, 2021. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. There was no material impact to the financial statements as a result of adoption. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

Upcoming Accounting Pronouncements – The FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will supersede the current lease requirements in ASC 840. This guidance is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures surrounding the amount, timing and uncertainty of cash flows arising from leases. Application of the new lease standard is not expected to have a significant effect on the Foundation's financial statements. The new lease guidance will be effective for the Foundation's year ending June 30, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including October 15, 2021, which is the date the consolidated financial statements were available to be issued.

Note 3 - Pledges Receivable

Pledges receivable consist of the following unconditional promises to give as of June 30, 2021 and 2020:

	2021	2020
Purpose:		
Endowment	\$ 3,805,161	\$ 5,201,321
Capital purposes	5,103,108	4,583,641
Operating programs	4,339,525	1,989,502
Pledges receivable, gross	<u>13,247,794</u>	<u>11,774,464</u>
Less: Discount to present value	(495,315)	(297,870)
Less: Allowance for uncollectible accounts	<u>(3,891,556)</u>	<u>(3,677,134)</u>
Pledges receivable, net	<u>\$ 8,860,923</u>	<u>\$ 7,799,460</u>
Amounts due in:		
Less than one year	\$ 5,298,087	\$ 4,346,910
One to five years	3,320,481	3,162,885
More than five years	242,355	289,665
	<u>\$ 8,860,923</u>	<u>\$ 7,799,460</u>

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 2.27 for pledges made during the year ended June 30, 2021 and 2.16 percent for the year ended June 30, 2020. Amortization of the discounts is included in contribution revenue. Unconditional promises to give, which are silent as to the due date, are presumed to be time restricted by the donor until received and are reported as net assets with donor restrictions. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

The allowance for uncollectible pledges 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, unless the general allowance is insufficient to absorb the write-off. In that case, specific write-offs are reported as a fundraising expense in the statements of activities.

As of June 30, 2021, the Foundation has approximately \$126.8 million in numerous outstanding commitments that are considered to be intentions to give and are contingent upon future events. These commitments are not accrued as pledges receivable or recognized as revenue because they do not represent unconditional promises to give.

Note 4 - Fair Value Measurements

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

The Foundation reports investments, split-interest agreements and beneficial interest in assets held by others 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 bonds and bond mutual funds.

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.

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

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the least observable input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The Foundation's fair value assets, by level, at June 30, 2021 and 2020 are summarized in the following tables:

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Assets Measured at Fair Value on a Recurring Basis at June 30, 2021

	Fair Value at Reporting Date Using				June 30, 2021 Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	
Investments					
Fixed-income investments:					
Money market mutual funds	\$ 27,787,772	\$ -	\$ -	\$ -	\$ 27,787,772
Bonds and bond mutual funds	101,498,255	-	-	-	101,498,255
Subtotal fixed income	129,286,027	-	-	-	129,286,027
Public equity investments:					
Domestic large-cap equity (1)	196,877,879	-	-	25,817,810	222,695,689
Domestic small-cap equity	23,089,420	-	-	-	23,089,420
REITs	12,746,006	-	-	-	12,746,006
Developed international equity (2)	65,693,750	-	-	35,625,421	101,319,171
Emerging markets international equity (3)	31,055,480	-	-	19,292,352	50,347,832
Subtotal public equity	329,462,535	-	-	80,735,583	410,198,118
Alternative investments:					
Hedge funds (4)	-	-	-	31,541,390	31,541,390
Private capital funds (5)	-	-	-	68,503,822	68,503,822
Private real estate funds	-	-	127,880	-	127,880
Subtotal alternative investments	-	-	127,880	100,045,212	100,173,092
Total investments by fair value level	\$ 458,748,562	\$ -	\$ 127,880	\$ 180,780,795	\$ 639,657,237
Split-Interest Agreements					
Charitable gift annuity assets:					
Money market mutual funds	\$ 16,949	\$ -	\$ -	\$ -	\$ 16,949
Bonds and bond mutual funds	983,954	268,169	-	-	1,252,123
Domestic equity	786,548	-	-	-	786,548
International equity	502,609	-	-	-	502,609
REITs	454,232	-	-	-	454,232
Total charitable gift annuity assets	\$ 2,744,292	\$ 268,169	\$ -	\$ -	\$ 3,012,461
Charitable trust assets:					
Money market mutual funds	529,223	-	-	-	529,223
Bonds and bond mutual funds	10,084,992	38,062	-	-	10,123,054
Domestic equity	2,966,042	-	-	-	2,966,042
International equity	1,988,031	-	-	-	1,988,031
REITs	2,730,557	-	-	-	2,730,557
Private real estate (6)	-	-	208,000	-	208,000
Other (6)	-	-	220,222	-	220,222
Total charitable trust assets	\$ 18,298,845	\$ 38,062	\$ 428,222	\$ -	\$ 18,765,129
Total split-interest agreements	\$ 21,043,137	\$ 306,231	\$ 428,222	\$ -	\$ 21,777,590
Beneficial interest in assets held by others					
Assets held at The Columbus Foundation (7)	\$ -	\$ -	\$ 779,413	\$ -	\$ 779,413
Total fair value measurements	\$ 479,791,699	\$ 306,231	\$ 1,335,515	\$ 180,780,795	\$ 662,214,240

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2021 and 2020

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

	Fair Value at Reporting Date Using				June 30, 2020 Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	
Investments					
Fixed-income investments:					
Money market mutual funds	\$ 42,730,559	\$ -	\$ -	\$ -	\$ 42,730,559
Bonds and bond mutual funds	72,945,004	20,403,011	-	-	93,348,015
TIPS mutual funds	18,813,140	-	-	-	18,813,140
Subtotal fixed income	<u>134,488,703</u>	<u>20,403,011</u>	<u>-</u>	<u>-</u>	<u>154,891,714</u>
Public equity investments:					
Domestic large-cap equity (1)	164,075,898	-	-	-	164,075,898
Domestic small-cap equity	15,634,239	-	-	-	15,634,239
REITs	10,114,835	-	-	-	10,114,835
Developed international equity (2)	50,987,017	-	-	27,200,133	78,187,150
Emerging markets international equity (3)	22,957,828	-	-	13,028,298	35,986,126
Subtotal public equity	<u>263,769,817</u>	<u>-</u>	<u>-</u>	<u>40,228,431</u>	<u>303,998,248</u>
Alternative investments:					
Hedge funds (4)	-	-	-	15,109,332	15,109,332
Private capital funds (5)	-	-	-	40,814,874	40,814,874
Private real estate funds (6)	-	-	127,880	-	127,880
Subtotal alternative investments	<u>-</u>	<u>-</u>	<u>127,880</u>	<u>55,924,206</u>	<u>56,052,086</u>
Total investments by fair value level	<u>\$ 398,258,520</u>	<u>\$ 20,403,011</u>	<u>\$ 127,880</u>	<u>\$ 96,152,637</u>	<u>\$ 514,942,048</u>
Split-Interest Agreements					
Charitable gift annuity assets:					
Money market mutual funds	\$ 47,735	\$ -	\$ -	\$ -	\$ 47,735
Bonds and bond mutual funds	821,276	267,986	-	-	1,089,262
Domestic equity	660,087	-	-	-	660,087
International equity	433,260	-	-	-	433,260
REITs	383,913	-	-	-	383,913
Total charitable gift annuity assets	<u>\$ 2,346,271</u>	<u>\$ 267,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,614,257</u>
Charitable trust assets:					
Money market mutual funds	556,327	-	-	-	556,327
Bonds and bond mutual funds	9,299,225	31,438	-	-	9,330,663
Domestic equity	2,501,662	-	-	-	2,501,662
International equity	1,736,052	-	-	-	1,736,052
REITs	2,281,171	-	-	-	2,281,171
Other (6)	-	-	254,468	-	254,468
Total charitable trust assets	<u>\$ 16,374,437</u>	<u>\$ 31,438</u>	<u>\$ 254,468</u>	<u>\$ -</u>	<u>\$ 16,660,343</u>
Total split-interest agreements	<u>\$ 18,720,708</u>	<u>\$ 299,424</u>	<u>\$ 254,468</u>	<u>\$ -</u>	<u>\$ 19,274,600</u>
Total fair value measurements	<u>\$ 416,979,228</u>	<u>\$ 20,702,435</u>	<u>\$ 382,348</u>	<u>\$ 96,152,637</u>	<u>\$ 534,216,648</u>

Note 4 - Fair Value Measurements (Continued)

- (1) Domestic large cap equity funds include a commingled fund which invests in U.S. stocks with the objective of achieving over time a total return that exceeds that of the S&P 500 Composite Index. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- (2) Developed international equity mutual funds include an international large cap fund which uses a bottom up, research driven value strategy that focuses on maximizing intrinsic value. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- (3) Emerging markets international equity mutual funds include a fund which seeks to achieve total return in excess of the MSCI Emerging Markets Index through investing in the world's emerging stock markets. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- (4) Hedge funds include both absolute and total return funds that are broadly diversified across managers, investment strategies, and investment venues. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- (5) Private capital funds are broadly diversified across managers, investment stages, geography, industry sectors, and company size. This asset category includes private equity, private debt, private real estate and venture capital funds. It 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 Organization's ownership interest in partners' capital. The investments in the private capital asset class 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 eleven years.
- (6) Level 3 assets represent real estate assets held in trust, as well as the present value of the revenue expected to be received from charitable trusts where the Foundation does not serve as trustee. The Foundation estimates the fair value of these assets based upon the present value of the expected future cash flows using management's best estimates of key assumptions including life expectancies of beneficiaries, payment periods, and a discount rate commensurate with market conditions and other risks involved. Significant changes in these key assumptions would result in a significantly lower or higher fair value measurement.
- (7) The beneficial interest in assets held at The Columbus Foundation has been valued, as a practical expedient, at the fair value of The Ohio University Foundation's share of The Columbus Foundation's investment pool as of the measurement date. The Columbus Foundation values securities and other financial instruments on a fair value basis of accounting. The Ohio University Foundation's share of The Columbus Foundation's investments are composed entirely of mutual fund investments that offer approximately 67 percent exposure to public equities and 33 percent exposure to bonds, with broad diversification across economic sectors. The beneficial interest in assets held at The Columbus Foundation is not redeemable by The Ohio University Foundation as described in Note 6.

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, 2021 and June 30, 2020, there were no transfers between levels of the fair value hierarchy.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2021 and 2020

Additional information on the changes in Level 3 assets is summarized in the tables below as of June 30, 2021 and 2020:

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Year Ended June 30, 2021

	Fair Value Measurements Using Significant Unobservable Inputs			
	Investments - Private Real Estate Funds	Charitable Trust Assets - Private Real Estate	Charitable Trust Assets - Other	Beneficial Interest in Assets Held by Others
Beginning balance	\$ 127,880	\$ -	\$ 254,468	\$ -
Gains (losses) included in changes in net assets				
Total gains (losses)	-	-	-	-
Change in value of split-interest agreements included in changes in net assets:				
Contributions of new split-interest agreements	-	208,000	-	-
Payments to beneficiaries	-	-	(33,000)	-
Change in actuarial estimate	-	-	(1,246)	-
Total change in value	-	208,000	(34,246)	-
Change in value of beneficial interest in assets held by others included in changes in net assets				
Additional amounts invested	-	-	-	711,386
Investment income	-	-	-	19,100
Gains (losses) on beneficial interest in assets held at The Columbus Foundation, net of investment income recorded	-	-	-	48,927
Total change in value	-	-	-	779,413
Ending balance	\$ 127,880	\$ 208,000	\$ 220,222	\$ 779,413

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

	Fair Value Measurements Using Significant Unobservable Inputs			
	Investments - Private Real Estate Funds	Charitable Trust Assets - Private Real Estate	Charitable Trust Assets - Other	Beneficial Interest in Assets Held by Others
Beginning balance	\$ 109,891	\$ 542,448	\$ 175,678	\$ -
Gains (losses) included in changes in net assets				
Unrealized gains (losses)	17,989	-	-	-
Total gains (losses)	17,989	-	-	-
Contributions of new split-interest agreements	-	-	-	-
Payments to beneficiaries	-	(11,907)	(33,000)	-
Sale of trust investments	-	(480,000)	-	-
Realized gain (loss) on sale of trust investments	-	(2,566)	-	-
Change in actuarial estimate	-	(47,975)	111,790	-
Total change in value	-	(542,448)	78,790	-
Ending balance	\$ 127,880	\$ -	\$ 254,468	\$ -

Note 4 - Fair Value Measurements (Continued)

Investments in Entities that Calculate Net Asset Value per Share

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

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

	Investments Reported at Net Asset Value				
	June 30, 2021	June 30, 2020		June 30, 2021	
	Fair Value	Fair Value	Unfunded Commitment	Redemption Frequency, if Eligible	Redemption Notice Period
Domestic large cap equity	\$ 25,817,810	\$ -	\$ -	Monthly	30 days
Developed international equity	35,625,421	27,200,133	-	Monthly	1 day
Emerging markets equity	19,292,352	13,028,298	-	Monthly	30 days
Hedge funds	31,541,390	15,109,332	-	Quarterly or Annually	45-90 days
Private capital funds	68,503,822	40,814,874	52,832,428	None	None
Total	<u>\$ 180,780,795</u>	<u>\$ 96,152,637</u>	<u>\$ 52,832,428</u>		

Note 5 - Split-interest Agreements

Charitable Gift Annuities - Under charitable gift annuity agreements, all assets are held by the Foundation. Therefore, the Foundation has recorded the donated assets at fair value and the liabilities to the donor or his/her beneficiaries discounted to the present value of the estimated future payments to be distributed by the Foundation to such individuals. The amount of the contribution is the difference between the asset and liability and is recorded as contribution revenue. The Foundation uses the Internal Revenue Service (IRS) discount rate, or Applicable Federal Rate, to determine net present value of the liability. This rate is published monthly and represents the annual rate of return that the IRS assumes the gift assets will earn during the gift term. The discount rate for each charitable gift annuity is established at the beginning of the agreement. The discount rate applied to gift annuities held at June 30, 2021 and 2020 ranged from 0.04 to 8.2 percent.

Note 5 - Split-interest Agreements (Continued)

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

In instances where the donor has not specifically reserved the right to change the remainderman, and all assets of the charitable remainder trust are maintained by a third-party trustee in an irrevocable trust for the benefit of the Foundation, the Foundation recognizes as contribution revenue the present value of the estimated future benefits to be received when the trust assets are distributed. The Foundation also recognizes a charitable trust asset at fair value, using as inputs the trust's investment market values, as well as the present value of the estimated future benefits to be received from the trust. The fair values of these trusts are disclosed as Level 3 assets in Note 4. The trustee disburses income earned on the assets of the charitable remainder trust to the donor or donor-designated beneficiaries.

In instances where the donor has not specifically reserved the right to change the remainderman, and the Foundation serves as the trustee, the Foundation will recognize the fair market value of the assets of the trust, as well as a liability for the net present value of future payments to be distributed by the Foundation to the donor or his/her designated beneficiaries. The amount of the contribution is the difference between the asset and liability at the inception of the trust. The Foundation uses the IRS discount rate, or Applicable Federal Rate, to determine net present value of the liability. This rate is published monthly and represents the annual rate of return that the IRS assumes the gift assets will earn during the gift term. The discount rate for each charitable remainder trust is established at the beginning of the agreement. The discount rate applied to charitable remainder trusts held at June 30, 2021 and 2020 ranged from 1.2 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.

Note 5 - Split-interest Agreements (Continued)

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, 2021 and 2020 was 1.07 percent.

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

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

Note 6 – Beneficial Interest in Assets Held by Others

During fiscal year 2021, the Foundation irrevocably transferred \$1,394,874 to The Columbus Foundation. This gift created a fund (the Fund) as provided for in the Amended Articles of Incorporation of The Columbus Foundation and any amendments or additions thereto at any time made. The variance power set forth in the Amended Articles of Incorporation shall apply if the purpose of the fund becomes unnecessary, undesirable, impractical or impossible to fulfill.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Note 6 – Beneficial Interest in Assets Held by Others (Continued)

The Fund established is known as The Gates Foundation – Ross County Scholars’ Fund of The Ohio University Foundation of The Columbus Foundation. At least 51% of the net income and/or principal from this Fund shall be distributable for the benefit of Ohio University students, while the remaining 49% of such net income and/or principal may be distributable to other U.S. higher education institutions, for scholarships to deserving Ross County, Ohio students in either case.

The Foundation records the fair value of the Fund as Beneficial interest in assets held by others in the Statement of Financial Position and reports distributions received as investment income. Changes in the Fund for the year ended June 30, 2021 are as follows:

	2021
Valuations at 100%	
Balance at beginning of year	\$ -
Transfers to The Columbus Foundation	1,394,874
Share of appreciation of fund	152,487
Distributions	(19,100)
Balance at end of year	<u>1,528,261</u>
Foundation benefit (51%)	<u>779,413</u>

Note 7 - Property and Equipment

As of June 30, 2021 and 2020, property and equipment are as follows:

	2021	2020	Depreciable Life - Years
Land	\$ 3,293,174	\$ 3,293,174	
Land improvements	978,480	967,476	5-15
Building and building improvements	15,461,433	14,016,044	20-40
Furnishings, fixtures, and equipment	6,291,751	6,211,256	3-10
Depreciable gifted collections	1,550,000	1,080,000	30
Tenant improvements	541,709	531,227	2-5
Construction in progress	551,906	683,464	
Subtotal	<u>28,668,455</u>	<u>26,782,642</u>	
Less accumulated depreciation	<u>(16,162,421)</u>	<u>(14,965,919)</u>	
Property and equipment - Net	<u>\$ 12,506,034</u>	<u>\$ 11,816,723</u>	

Total depreciation expense of \$1,196,502 and \$1,180,763 was recorded in fiscal years 2021 and 2020, respectively.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2021 and 2020

Note 8 - Related-Party Debt

In March 2019, the Foundation entered into an internal loan agreement for \$1,712,750 with Ohio University to fund the renovation of the Konneker Alumni Center, which is owned by the Foundation. Both the University and Foundation Boards of Trustees approved the project and funding it through an internal loan. The loan is to be repaid over a period of no more than 10 years, and the interest rate at June 30, 2020 is 4.75 percent, compounded quarterly, and is variable, based on the blended cost of the University's outstanding debt, plus an administrative fee.

Maturities of this loan as of June 30, 2021 are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2022	\$ 156,407
2023	163,970
2024	171,898
2025	180,210
2026	188,923
Due thereafter	459,151
Total	<u>\$ 1,320,559</u>

Note 9 - Net Assets

The Foundation's net assets, by restriction, as of June 30, 2021 and 2020, include:

	<u>2021</u>	<u>2020</u>
With Donor Restrictions:		
Donor-restricted endowments, perpetual in nature	\$ 415,895,435	\$ 320,545,291
Beneficial interest in assets held by others	779,413	-
Board-designated (quasi) endowments created with donor-restricted funds	45,859,463	52,478,054
Property, plant and equipment	1,506,167	1,346,875
Planned gift expectancies	34,110,003	24,499,317
Unexpended gift balances	56,500,114	48,153,330
Sugar Bush Foundation	6,867,189	5,664,370
Net assets with donor restrictions	<u>561,517,784</u>	<u>452,687,237</u>
Without Donor Restrictions:		
Earnings on board-designated (quasi) endowments	135,518,485	95,152,150
Property, plant and equipment	2,699,668	1,781,300
Equity in the OU Inn	5,233,756	5,555,237
Russ LLCs - unrestricted	4,377,325	4,635,081
Unspent board-designated endowment distributions	739,701	507,926
Undesignated	7,853,792	259,651
Net assets without donor restrictions	<u>156,422,727</u>	<u>107,891,345</u>
Total net assets	<u>\$ 717,940,511</u>	<u>\$ 560,578,582</u>

Note 9 - Net Assets (Continued)

The Foundation's net assets, by purpose, as of June 30, 2021 and 2020, include:

	2021	2020
Net assets with donor restrictions:		
Discretionary/General Support	\$ 113,530,284	\$ 106,332,250
Chairs and Professorships	72,169,860	57,455,574
Research	23,326,523	19,295,796
Scholarships, Fellowships and Awards	224,083,805	174,493,328
Capital Improvements and Renovation	3,577,731	3,681,207
Other	124,829,581	91,429,082
Total net assets with donor restrictions	<u>561,517,784</u>	<u>452,687,237</u>
Net assets without donor restrictions	<u>156,422,727</u>	<u>107,891,345</u>
Total net assets	<u>\$ 717,940,511</u>	<u>\$ 560,578,582</u>

Note 10 - Donor-restricted and Board-designated Endowments

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

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

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2021 and 2020

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	\$ -	\$ 415,895,435	\$ 415,895,435
Board-designated (quasi) endowment created with donor-restricted funds	135,518,485	45,859,463	181,377,948
Total funds	<u>\$ 135,518,485</u>	<u>\$ 461,754,898</u>	<u>\$ 597,273,383</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets - Beginning of the year	\$ 95,152,150	\$ 373,023,345	\$ 468,175,495
Net realized and unrealized gains and losses and investment income	43,566,160	97,080,767	140,646,927
Contributions	-	16,541,037	16,541,037
Spending policy transfer	(407,851)	(17,113,215)	(17,521,066)
Transfers to (from) board-designated (quasi) endowments	-	(1,117,758)	(1,117,758)
Transfers to other foundations	-	(1,375,735)	(1,375,735)
Endowment management fee	(2,791,974)	(5,283,543)	(8,075,517)
Net Assets - End of the year	<u>\$ 135,518,485</u>	<u>\$ 461,754,898</u>	<u>\$ 597,273,383</u>

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2021 and 2020

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2020

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

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

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

Accumulated Investment Income – The endowment tables above include both original investment, as well as accumulated investment income. For the fiscal year ended June 30, 2021, the \$415.9 million reported as donor-restricted endowments with donor restrictions includes donor-restricted endowment corpus of \$253.7 million and accumulated investment income of \$162.2 million. The \$181.4 million reported as board-designated (quasi) endowment created with donor restricted funds includes donor-restricted original investment of \$45.9 million and accumulated investment income without donor restrictions of \$135.5 million. For the fiscal year ended June 30, 2020, the \$320.5 million reported as donor-restricted endowments with donor restrictions includes donor-restricted endowment corpus of \$229.6 million and accumulated investment income of \$91.9 million. The \$147.6 million reported as board-designated (quasi) endowment created with donor restricted funds includes donor-restricted original investment of \$52.5 million and accumulated investment income without donor restrictions of \$95.1 million. As of the fiscal years ended June 30, 2021 and 2020, the Foundation did not have any board-designated (quasi) endowment funds that were created with funds without donor restrictions.

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the contributed value that the donor or UPMIFA requires the Foundation to retain as the corpus. These funds are known as “underwater accounts.” These deficiencies resulted from unfavorable market fluctuations and allowable distributions made over time. The Foundation held 3 and 52 underwater endowment funds at June 30, 2021 and 2020, respectively. The detail of the underwater accounts’ deficiency at June 30, 2021 and 2020 is as follows:

	2021	2020
Fair value of underwater endowment funds	\$ 8,915	\$ 1,622,534
Contributed value of gifts of underwater endowment funds	28,430	1,684,301
Deficiency	<u>\$ (19,515)</u>	<u>\$ (61,767)</u>

Return Objectives and Risk Parameters - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the long-term purchasing power of the endowment assets. Endowment assets include donor-restricted funds that are held in perpetuity or for donor-specified periods, as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to outperform, over rolling 36-month periods, a composite benchmark of appropriately weighted indices, while maintaining acceptable risk levels. The Foundation anticipates that the endowment funds will provide average annual rates of return of approximately 6.8 percent in the long-term and 5.9 percent in the intermediate-term, net of investment management fees approximately 0.6 percent. Actual returns in any given year may vary from this amount.

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

Spending Policy - For the fiscal year ended June 30, 2021, the Foundation’s spending policy stipulated that 5.9 percent of a three-year moving average of the market value of the endowment was available to spend, with 1.9 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

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow the endowment to grow at an average of 0.9 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through investment returns and new gifts.

Note 11 - Support from Related Organizations

During 2021 and 2020, the University paid certain payroll costs amounting to \$3,430,755 and \$4,837,807 and additional costs of \$29,686 and \$283,685, 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 University processes expenses on behalf of the Foundation during the year for operations including scholarship awards, professional fees, travel costs and office supplies. The Foundation reimburses the University for these expenses. The Foundation had a payable of \$904 and \$949,116 outstanding, respectively, as of June 30, 2021 and 2020.

The Foundation manages an investment portfolio on behalf of itself and the University. Certain University investments, including endowment investments and long-term working capital investments, are pooled with the Foundation's investments, and held in the Foundation's name. The receivable from Ohio University in the amount of \$3,769,541 and \$0, respectively, as of June 30, 2021 and 2020, reflects the movement of investments between the University's and the Foundation's respective shares of the long-term investment pool near the end of the fiscal year.

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. SEED did not make any distributions to the Foundation during 2021 or 2020.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 12 – Functional and Natural Classification of Expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions such as Instruction, Research and Fundraising. The following table provides further detail of these expenses, by showing both the functional and natural classification (Salaries, Maintenance, etc.) of each category of expenses for the years ended June 30, 2021 and June 30, 2020, respectively:

Year Ended June 30, 2021		Occupancy, Maintenance, Travel & Entertainment						Total
Expenses by function:	Salaries & Benefits	Student Aid	Supplies & Services	& Repairs	Entertainment	Other		
Program services:								
Academic support	\$ 550,498	\$ 33,052	\$ 324,623	\$ 21,487	\$ 10,396	\$ 274	\$ 940,330	
Alumni relations	2,372,472	-	712,912	160,230	(43,663)	85,390	3,287,341	
Institutional support	145,505	4,094	1,558	179,662	47,847	(3,600)	375,066	
Instruction	1,711,968	2,418	8,873,270	43,462	5,714	431	10,637,263	
Intercollegiate athletics	19,923	4,368	39,595	1,992,814	3,859	-	2,060,559	
Public service	332,354	116	340,701	55,597	2,671	882	732,321	
Research	893,669	2,327	756,284	2,417,282	14,509	153	4,084,224	
Student aid	853,488	7,748,141	1,831	-	(1,587)	21,909	8,623,782	
Student services	389,733	11,325	173,870	(11,106)	50,285	1	614,108	
Total program services	7,269,610	7,805,841	11,224,644	4,859,428	90,031	105,440	31,354,994	
Support services:								
Fundraising and development	6,088,866	-	1,239,609	59,784	153,356	7,302	7,548,917	
Management and General	1,754,574	-	261,210	58,035	897	-	2,074,716	
Total support services	7,843,440	-	1,500,819	117,819	154,253	7,302	9,623,633	
Related entity operations	2,145,639	-	756,715	2,095,395	46,511	401,554	5,445,814	
Total expenses	\$ 17,258,689	\$ 7,805,841	\$ 13,482,178	\$ 7,072,642	\$ 290,795	\$ 514,296	\$ 46,424,441	
Year Ended June 30, 2020		Occupancy, Maintenance, Travel & Entertainment						Total
Expenses by function:	Salaries & Benefits	Student Aid	Supplies & Services	& Repairs	Entertainment	Other		
Program services:								
Academic support	\$ 596,550	\$ -	\$ 252,214	\$ 68,210	\$ 211,877	\$ 659	\$ 1,129,510	
Alumni relations	1,153,338	-	777,269	99,755	383,314	114,464	2,528,140	
Institutional support	4,101	-	5,766	156,373	99,633	600	266,473	
Instruction	2,246,673	-	452,316	138,999	187,010	429	3,025,427	
Intercollegiate athletics	19,231	-	27,998	2,084,500	11,601	-	2,143,330	
Public service	511,766	-	409,837	113,047	18,809	1,506	1,054,965	
Research	1,353,673	-	689,117	1,393,584	195,263	468	3,632,105	
Student aid	281,774	7,556,325	1,504	102	(16,225)	-	7,823,480	
Student services	74,051	-	137,932	102,909	196,997	-	511,889	
Total program services	6,241,157	7,556,325	2,753,953	4,157,479	1,288,279	118,126	22,115,319	
Support services:								
Fundraising and development	8,534,267	-	1,650,010	117,325	714,893	2,787,030	13,803,525	
Fund administration	945,457	-	206,397	7,330	(249)	120	1,159,055	
Total support services	9,479,724	-	1,856,407	124,655	714,644	2,787,150	14,962,580	
Related entity operations	1,689,916	-	758,677	1,931,755	20,613	1,447,243	5,848,204	
Total expenses	\$ 17,410,797	\$ 7,556,325	\$ 5,369,037	\$ 6,213,889	\$ 2,023,536	\$ 4,352,519	\$ 42,926,103	

Note 13 - 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, 2021 and 2020 are summarized below:

	2021	2020
	<u> </u>	<u> </u>
Revenues:	\$ 3,844,332	\$ 4,579,490
Expenses:		
Operating and general expenses	3,483,977	3,941,611
Interest expense	12,895	16,703
Depreciation	735,524	788,072
Provision for income taxes	<u>(66,583)</u>	<u>(46,462)</u>
Total expenses	<u>4,165,813</u>	<u>4,699,924</u>
Net income	<u>\$ (321,481)</u>	<u>\$ (120,434)</u>

For fiscal years ended June 30, 2021 and 2020, the Inn did not make any distributions to the Foundation.

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 2021 and 2020, base management fees incurred by the Inn with respect to the manager were \$100,000 per year and incentive fees were \$0 and \$24,075, respectively.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2021 and 2020

Note 13 - Inn-Ohio of Athens, Inc. (Continued)

Property and Equipment - Property and equipment of the Inn as of June 30, 2021 and June 30, 2020 consist of the following:

	2021	2020	Depreciable Life - Years
Land	\$ 323,978	\$ 323,978	
Land improvements	978,480	967,476	5-15
Buildings	7,897,029	7,865,444	30-40
Furnishings, fixtures, and equipment	6,031,266	5,956,132	3-10
Construction in progress	551,906	16,599	
Total property and equipment	15,782,659	15,129,629	
Less accumulated depreciation	(11,567,139)	(10,831,616)	
Net property and equipment	<u>\$ 4,215,520</u>	<u>\$ 4,298,013</u>	

Debt Obligations - Long-term debt of the Inn as of June 30, 2021 and June 30, 2020 consists of the following:

	2021	2020
Term loan	\$ -	\$ 396,800
Less current portion	-	(394,003)
Less unamortized loan costs	-	(2,797)
Total long-term debt	<u>\$ -</u>	<u>\$ -</u>

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

A significant portion of the property and equipment was pledged as collateral for the term loan. Principal payments on the term loan ranging from \$32,100 to \$34,100 were due in monthly installments through June 2021. The interest rate on the term loan was fixed at 6.20 percent through June 2011 and was adjusted to 3.31 percent as of July 1, 2011. The interest rate was adjusted to the index rate as defined in the agreement plus 1.40 percent in June 2016, effectively, 2.50 percent.

The term loan, which was guaranteed by the Foundation, was paid off in June, 2021.

Note 14 - Sugar Bush Foundation

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

Operations - Sugar Bush’s operations for the years ended June 30, 2021 and 2020 are summarized below:

	2021	2020
Revenue:		
Contributions	\$ -	\$ 152,671
Interest and dividends	54,651	79,563
Realized gain (loss)	259,444	106,953
Unrealized gain (loss)	1,237,778	1,085
Total income	1,551,873	340,272
Expenses:		
Distribution to Foundation	349,054	349,669
Change in net assets	\$ 1,202,819	\$ (9,397)

Note 15 - Russ LLCs

During fiscal year 2009, the Foundation created three limited liability companies to receive property distributions from The Dolores H. Russ Trust (the “Trust”) for the benefit of the Russ College of Engineering. A fourth limited liability company was established during fiscal year 2016. The four limited liability companies are the Fritz J. and Dolores H. Russ Holdings LLC, which is the sole member of the other LLCs; the Russ Research Center LLC, which operates a research park in Beavercreek, Ohio; the Russ North Valley Road LLC, which received and subsequently liquidated a real estate gift received from the Trust; and the Russ Center North LLC, which was established for the purpose of purchasing and holding property adjacent to the Russ Research Center LLC. As discussed in Note 2, the four LLCs were converted from for-profit LLCs to not-for-profit LLCs on April 20, 2020.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2021 and 2020

Note 15 - Russ LLCs (Continued)

Operations – Russ LLCs’ operations for the years ended June 30, 2021 and 2020 are summarized below:

	2021	2020
Revenue:		
Rental income	\$ 695,821	\$ 543,592
Donated Services	326,424	304,255
Total revenues and other support	<u>1,022,245</u>	<u>847,847</u>
Expenses:		
Operating and general expenses	784,573	629,163
Depreciation and amortization	360,415	378,211
Real estate taxes	135,013	140,906
Total expenses	<u>1,280,001</u>	<u>1,148,280</u>
Change in net assets	<u>\$ (257,756)</u>	<u>\$ (300,433)</u>

During 2021 and 2020, 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, 2021 and 2020. Management is collaborating with various professional organizations in and around the Dayton/Beavercreek area to forge new and expanded research partnerships. However, these efforts have not yet resulted in a significant increase in occupancy at the Center, and the Foundation is analyzing various options for the Center’s future.

Property and Equipment - Property and equipment of the Russ LLCs as of June 30, 2021 and June 30, 2020 consist of the following:

	2021	2020	Depreciable Life - Years
Land	\$ 1,707,792	\$ 1,707,792	
Tenant improvements	541,709	531,227	2-5
Buildings	5,515,574	5,476,857	20
Machinery and equipment	260,486	786,353	5-10
Total property and equipment	<u>8,025,561</u>	<u>7,971,002</u>	
Less accumulated depreciation	<u>(3,940,882)</u>	<u>(3,580,467)</u>	
Net property and equipment	<u>\$ 4,084,679</u>	<u>\$ 4,390,535</u>	

Supplementary Information

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Financial Position

As of June 30, 2021

	The Foundation	Inn-Ohio of Athens, Inc.	Russ LLCs	Sugar Bush Foundation	Eliminations	Total
Assets						
Cash and cash equivalents	\$ 25,094,999	\$ 1,301,795	\$ 573,540	\$ -	\$ -	\$ 26,970,334
Accounts receivable - net	5,645	67,333	66,130	-	-	139,108
Receivable from Ohio University - net	3,769,541	-	-	-	-	3,769,541
Pledges receivable - net	8,860,923	-	-	-	-	8,860,923
Bequests receivable	10,715,463	-	-	-	-	10,715,463
Interest and dividends receivable	760,740	-	-	-	-	760,740
Prepaid expenses	423,434	49,664	17,212	-	-	490,310
Investments	632,790,044	1,090,950	-	6,867,189	(1,090,950)	639,657,233
Investment in Inn-Ohio of Athens, Inc.	5,233,756	-	-	-	(5,233,756)	-
Life insurance cash surrender value	1,232,908	-	-	-	-	1,232,908
Charitable gift annuities	3,012,461	-	-	-	-	3,012,461
Charitable trusts	18,765,129	-	-	-	-	18,765,129
Beneficial interest in assets held by others	779,413	-	-	-	-	779,413
Property and equipment - net	4,205,835	4,215,520	4,084,679	-	-	12,506,034
Other assets	70,329	63,534	-	-	-	133,863
Total assets	<u>\$715,720,620</u>	<u>\$ 6,788,796</u>	<u>\$ 4,741,561</u>	<u>\$ 6,867,189</u>	<u>\$ (6,324,706)</u>	<u>\$727,793,460</u>
Liabilities						
Accounts payable:						
Ohio University	\$ -	\$ -	\$ 904	\$ -	\$ -	\$ 904
Trade and other	745,746	127,841	95,861	-	-	969,448
Deposits held in custody for others	1,459,956	-	29,334	-	(1,090,950)	398,340
Annuities payable	1,672,734	-	-	-	-	1,672,734
Charitable trusts obligations	3,091,457	-	-	-	-	3,091,457
Notes payable:						
Ohio University	1,320,559	-	-	-	-	1,320,559
Other	-	-	-	-	-	-
Other liabilities	734,171	1,427,199	238,137	-	-	2,399,507
Total liabilities	<u>9,024,623</u>	<u>1,555,040</u>	<u>364,236</u>	<u>-</u>	<u>(1,090,950)</u>	<u>9,852,949</u>
Net assets						
Without donor restrictions	152,045,402	-	4,377,325	-	-	156,422,727
With donor restrictions	554,650,595	-	-	6,867,189	-	561,517,784
Total net assets	<u>706,695,997</u>	<u>-</u>	<u>4,377,325</u>	<u>6,867,189</u>	<u>-</u>	<u>717,940,511</u>
Stockholders' equity						
Common stock	-	3,429,192	-	-	(3,429,192)	-
Additional paid-in capital	-	4,266,632	-	-	(4,266,632)	-
Retained earnings	-	(2,462,068)	-	-	2,462,068	-
Total stockholders' equity	<u>-</u>	<u>5,233,756</u>	<u>-</u>	<u>-</u>	<u>(5,233,756)</u>	<u>-</u>
Total liabilities and net assets	<u>\$715,720,620</u>	<u>\$ 6,788,796</u>	<u>\$ 4,741,561</u>	<u>\$ 6,867,189</u>	<u>\$ (6,324,706)</u>	<u>\$727,793,460</u>

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Activities Year Ended June 30, 2021

	Without Donor Restrictions					Total Without Donor Restrictions	With Donor Restrictions					Total With Donor Restrictions	Total
	The Foundation	Inn-Ohio of Athens, Inc.	Russ LLCs	Sugar Bush Foundation	Eliminations		The Foundation	Russ LLCs	Sugar Bush Foundation	Eliminations			
Revenues and other support													
Gifts and contributions	\$ 1,227,924	\$ 512,900	\$ -	\$ -	\$ -	\$ 1,740,824	\$ 41,851,598	\$ -	\$ -	\$ -	\$ 41,851,598	\$ -	\$ 43,592,422
University support	3,267,794	-	326,424	-	(133,777)	3,460,441	-	-	-	-	-	-	3,460,441
Income from investments:													
Interest and dividends	2,131,571	30,441	-	-	-	2,162,012	3,861,255	-	54,651	-	3,915,906	-	6,077,918
Realized gain (loss)	3,722,737	51,715	-	-	-	3,774,452	6,892,927	-	259,444	-	7,152,371	-	10,926,823
Unrealized gain (loss)	45,861,531	(59,589)	-	-	-	45,801,942	86,134,726	-	1,237,778	-	87,372,504	-	133,174,446
Revenues from sales and events	494,034	3,253,973	695,821	-	(56,425)	4,387,403	955	-	-	-	955	-	4,388,358
Gain (loss) on split-interest agreements	-	-	-	-	-	-	2,060,170	-	-	-	2,060,170	-	2,060,170
Other	10,272	54,892	-	-	-	65,164	40,628	-	-	-	40,628	-	105,792
Related entity revenues	(263,306)	-	-	-	321,481	58,175	290,879	-	-	(349,054)	(58,175)	-	-
Net assets released from restrictions	33,505,410	-	-	349,054	(349,054)	33,505,410	(33,505,410)	-	(349,054)	349,054	(33,505,410)	-	-
Total revenues and other support	89,957,967	3,844,332	1,022,245	349,054	(217,775)	94,955,823	107,627,728	-	1,202,819	-	108,830,547	-	203,786,370
Expenses													
Program services:													
Academic support	941,527	-	-	-	(1,197)	940,330	-	-	-	-	-	-	940,330
Alumni relations	3,331,074	-	-	-	(43,733)	3,287,341	-	-	-	-	-	-	3,287,341
Institutional support	497,153	-	-	-	(122,087)	375,066	-	-	-	-	-	-	375,066
Instruction	10,637,263	-	-	-	-	10,637,263	-	-	-	-	-	-	10,637,263
Intercollegiate athletics	2,060,559	-	-	-	-	2,060,559	-	-	-	-	-	-	2,060,559
Public service	732,321	-	-	-	-	732,321	-	-	-	-	-	-	732,321
Research	4,085,013	-	-	-	(789)	4,084,224	-	-	-	-	-	-	4,084,224
Student aid	8,623,782	-	-	-	-	8,623,782	-	-	-	-	-	-	8,623,782
Student services	614,108	-	-	-	-	614,108	-	-	-	-	-	-	614,108
Support services:													
Fundraising and development	7,550,480	-	-	-	(1,563)	7,548,917	-	-	-	-	-	-	7,548,917
Management and general	2,095,549	-	-	-	(20,833)	2,074,716	-	-	-	-	-	-	2,074,716
Related entity operations	-	4,165,813	1,280,001	349,054	(349,054)	5,445,814	-	-	-	-	-	-	5,445,814
Total expenses	41,168,829	4,165,813	1,280,001	349,054	(539,256)	46,424,441	-	-	-	-	-	-	46,424,441
Changes in net assets	48,789,138	(321,481)	(257,756)	-	321,481	48,531,382	107,627,728	-	1,202,819	-	108,830,547	-	157,361,929
Net assets - beginning of year	103,256,264	5,555,237	4,635,081	-	(5,555,237)	107,891,345	447,022,867	-	5,664,370	-	452,687,237	-	560,578,582
Net assets - end of year	\$ 152,045,402	\$ 5,233,756	\$ 4,377,325	\$ -	\$ (5,233,756)	\$ 156,422,727	\$ 554,650,595	\$ -	\$ 6,867,189	\$ -	\$ 561,517,784	\$ -	\$ 717,940,511

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Cash Flows Year Ended June 30, 2021

	The Ohio University Foundation	Inn-Ohio of Athens, Inc.	Russ LLCs	Sugar Bush Foundation	Eliminations	Total
Cash Flows from Operating Activities						
Changes in net assets	\$ 156,416,866	\$ (321,481)	\$ (257,756)	\$ 1,202,819	321,481	\$ 157,361,929
Adjustments to reconcile changes in net assets to net cash from operating activities						
Realized investment gains - net	(10,615,664)	(51,715)	-	(259,444)	-	(10,926,823)
Noncash items:						
Depreciation and amortization	100,563	735,524	360,415	-	-	1,196,502
Unrealized investment (gains) losses - net	(131,996,257)	59,589	-	(1,237,778)	-	(133,174,446)
Increase in cash surrender value of life insurance policies	(26,484)	-	-	-	-	(26,484)
Increase in investments subject to annuity agreements	(656,707)	-	-	-	-	(656,707)
Increase in charitable remainder trust assets	(2,709,406)	-	-	-	-	(2,709,406)
Increase in beneficial interest in assets held by others	(87,127)	-	-	-	-	(87,127)
Decrease in annuity obligations	(81,975)	-	-	-	-	(81,975)
Increase in trust obligations	448,514	-	-	-	-	448,514
Contributions of securities	(1,266,415)	-	-	-	-	(1,266,415)
Contributions of property and equipment	(470,000)	-	-	-	-	(470,000)
Contributions restricted for endowment investments	(16,541,037)	-	-	-	-	(16,541,037)
Changes in current assets and liabilities:						
Increase in accounts receivable	(3,774,388)	154,789	(43,330)	-	-	(3,662,929)
Increase in contributions receivable	(1,061,463)	-	-	-	-	(1,061,463)
Increase in bequests receivable	(8,573,266)	-	-	-	-	(8,573,266)
Decrease in interest and dividends receivable	312,586	-	-	-	-	312,586
Increase in prepaid expenses	(278,209)	1,622	18,394	-	-	(258,193)
Decrease in other assets	11,752	(15,676)	-	-	-	(3,924)
Decrease in accounts payable	(654,404)	60,295	(497)	-	-	(594,606)
Increase in other liabilities	688,875	431,634	33,480	-	-	1,153,989
Decrease in deposits held in custody for others	(705,996)	-	20,048	-	643,656	(42,292)
Net cash provided by (used in) operating activities	<u>(21,519,642)</u>	<u>1,054,581</u>	<u>130,754</u>	<u>(294,403)</u>	<u>965,137</u>	<u>(19,663,573)</u>
Cash Flows from Investing Activities						
Purchases of property and equipment	(708,223)	(653,031)	(54,559)	-	-	(1,415,813)
Proceeds from sales of property and equipment	-	-	-	-	-	-
Purchases of investments	(428,190,878)	(30,441)	-	(112,742)	-	(428,334,061)
Proceeds from sales of investments	448,878,329	666,223	-	407,145	(965,137)	448,986,560
Contributions to new charitable gift annuities	(40,000)	-	-	-	-	(40,000)
Distributions from charitable gift annuities	298,503	-	-	-	-	298,503
Contributions to new charitable remainder trusts	(248,049)	-	-	-	-	(248,049)
Distributions from charitable remainder trusts	852,669	-	-	-	-	852,669
Transfers to The Columbus Foundation	(711,386)	-	-	-	-	(711,386)
Distributions from The Columbus Foundation	19,100	-	-	-	-	19,100
Net cash provided by (used in) investing activities	<u>20,150,065</u>	<u>(17,249)</u>	<u>(54,559)</u>	<u>294,403</u>	<u>(965,137)</u>	<u>19,407,523</u>
Cash Flows from Financing Activities						
Contributions restricted for endowment investment	16,541,037	-	-	-	-	16,541,037
Payments on notes and bonds payable	(149,193)	(394,003)	-	-	-	(543,196)
Issuance of long-term debt	-	-	-	-	-	-
Net cash provided by (used in) financing activities	<u>16,391,844</u>	<u>(394,003)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,997,841</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>15,022,267</u>	<u>643,329</u>	<u>76,195</u>	<u>-</u>	<u>-</u>	<u>15,741,791</u>
Cash and Cash Equivalents - Beginning of year	<u>10,072,732</u>	<u>658,466</u>	<u>497,345</u>	<u>-</u>	<u>-</u>	<u>11,228,543</u>
Cash and Cash Equivalents - End of year	<u>\$ 25,094,999</u>	<u>\$ 1,301,795</u>	<u>\$ 573,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,970,334</u>
Supplemental Disclosure of Cash Flow Information						
Cash paid during the year for interest	\$ 67,182	\$ 6,682	\$ -	\$ -	\$ -	\$ 73,864
Cash paid during the year for income taxes	-	(64,084)	-	-	-	(64,084)
Supplemental Disclosure of Non-Cash Activities						
Contributions of securities	\$ 1,266,415	\$ -	\$ -	\$ -	\$ -	\$ 1,266,415
Contributions of property and equipment	470,000	-	-	-	-	470,000

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Ohio University Foundation and Subsidiaries, a component unit of Ohio University, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 15, 2021.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP

Crowe LLP

Columbus, Ohio
October 15, 2021