The University of Akron Foundation

Financial Statements
with Additional Information
June 30, 2017 and 2016

Dave Yost · Auditor of State

Board of Directors
The University of Akron Foundation
302 Butchel Common
Akron, Ohio 44325

We have reviewed the *Independent Auditor's Report* of The University of Akron Foundation, Summit County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

December 13, 2017

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To Management and the Board of Directors
The University of Akron Foundation

This report is subject to review and acceptance by the Auditor of State's office, and the requirements of Ohio Revised Code § 117.25 are not met until the Auditor of State certifies this report. This process will be completed by the Auditor of State in a reasonable timeframe and reports are subject to change if the Auditor of State determines that modification of a report is necessary to comply with required accounting or auditing standards or Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Plante & Moran, PLLC

September 29, 2017

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The University of Akron Foundation

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Independent Auditor's Report

To the Board of Directors
The University of Akron Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of The University of Akron Foundation (the "Foundation"), a discretely presented component unit of The University of Akron, which comprise the statement of financial position as of June 30, 2017 and 2016 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of Akron Foundation as of June 30, 2017 and 2016 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.

To the Board of Directors
The University of Akron Foundation

Emphasis of Matter

As described in Note 12, the financial statements included investments valued at approximately $125,377,000 (68 percent of net assets) at June 30, 2017 and $114,520,000 (66 percent of net assets) at June 30, 2016 whose fair values have been estimated by management in the absense of readily determinable market values. Management's estimates are based on information provided by the investment fund managers. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017 on our consideration of The University of Akron Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The University of Akron Foundation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 29, 2017

The University of Akron Foundation

Statement of Financial Position

	June 30 2017	June 30 2016
Assets		
Cash	$ 582,234	$ 587,651
Accounts and notes receivable	205,396	370,881
Pledges receivable - Net of allowance and discount (Note 3)	19,933,941	16,395,412
Related party land note receivable (Note 8)	4,904,714	-
Investments - At fair value (Note 4)	171,120,028	160,853,249
Property - Net (Note 5)	5,967,898	12,157,242
Beneficial interest in real estate (Note 6)	335,000	335,000
Total assets	**$ 203,049,211**	**$ 190,699,435**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 959,163	$ 446,932
Amounts payable to the University (Note 7)	91,453	91,900
Deferred revenue	28,500	28,627
Term loan (Note 8)	4,784,000	4,861,000
Annuity/Unitrust agreements and refundable advances (Notes 6 and 9)	12,702,901	12,094,922
Total liabilities	18,566,017	17,523,381
Net Assets		
Unrestricted (Note 10)	9,701,635	6,721,575
Temporarily restricted (Note 10)	58,527,001	51,787,759
Permanently restricted (Note 10)	116,254,558	114,666,720
Total net assets	184,483,194	173,176,054
Total liabilities and net assets	**$ 203,049,211**	**$ 190,699,435**

The University of Akron Foundation

Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Additions (Reductions)				
Contributions	$ 2,307,112	$ 9,495,698	$ 2,613,643	$ 14,416,453
Net change in the fair value of investments	3,312,014	8,908,298	188,403	12,408,715
Change in fair value of annuity/unitrust agreements	32,583	(1,105)	(198,921)	(167,443)
Impairment loss	-	-	(750,000)	(750,000)
Loss on sale of property	-	-	(91,678)	(91,678)
Dividend and net investment income (loss)	2,045,011	(222,197)	66,347	1,889,161
Other income	65,822	22,330	5,600	93,752
Total revenue and other additions - Net	7,762,542	18,203,024	1,833,394	27,798,960
Release of Restrictions	11,709,338	(11,444,782)	(264,556)	-
Total revenue and other additions and release of restrictions	19,471,880	6,758,242	1,568,838	27,798,960
Expenses				
Distributions to or for The University of Akron:				
Direct distributions to the University (Note 11)	13,939,493	-	-	13,939,493
Distributions on behalf of the University	904,973	-	-	904,973
Administration of the Foundation:				
Services performed by University personnel (Note 11)	1,203,392	-	-	1,203,392
Professional fees	75,832	-	-	75,832
Office expenses	22,429	-	-	22,429
Other expenses	345,701	-	-	345,701
Total expenses	16,491,820	-	-	16,491,820
Change in Donor Designation	-	(19,000)	19,000	-
Change in Net Assets	2,980,060	6,739,242	1,587,838	11,307,140
Net Assets - Beginning of year	6,721,575	51,787,759	114,666,720	173,176,054
Net Assets - End of year	**$ 9,701,635**	**$ 58,527,001**	**$ 116,254,558**	**$ 184,483,194**

The University of Akron Foundation

Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Additions (Reductions)				
Contributions	$ 3,398,228	$ 2,522,847	$ 9,665,480	$ 15,586,555
Net change in the fair value of investments	(3,273,096)	(2,672,948)	(511,565)	(6,457,609)
Change in fair value of annuity/unitrust agreements	(58,997)	36	(151,931)	(210,892)
Loss on sale of property related to annuity	-	-	(30,000)	(30,000)
Dividend and net investment income	1,950,701	615,746	49,558	2,616,005
Other income	13,434	15,840	476,122	505,396
Total revenue and other additions - Net	2,030,270	481,521	9,497,664	12,009,455
Release of Restrictions	9,292,662	(8,909,952)	(382,710)	-
Total revenue and other additions (reductions) and release of restrictions	11,322,932	(8,428,431)	9,114,954	12,009,455
Expenses				
Distributions to or for The University of Akron:				
Direct distributions to the University (Note 11)	11,370,127	-	-	11,370,127
Distributions on behalf of the University	610,200	-	-	610,200
Administration of the Foundation:				-
Services performed by University personnel (Note 11)	486,883	-	-	486,883
Professional fees	192,165	-	-	192,165
Office expenses	23,174	-	-	23,174
Other expenses	156,547	-	-	156,547
Total expenses	12,839,096	-	-	12,839,096
Change in Donor Designation	-	114,987	(114,987)	-
Change in Net Assets	(1,516,164)	(8,313,444)	8,999,967	(829,641)
Net Assets - Beginning of year	8,237,739	60,101,203	105,666,753	174,005,695
Net Assets - End of year	**$ 6,721,575**	**$ 51,787,759**	**$ 114,666,720**	**$ 173,176,054**

The University of Akron Foundation

Statement of Cash Flows

	Year Ended June 30 2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ 11,307,140	$ (829,641)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net change in the fair value of investments	(12,408,715)	6,457,609
Contributions restricted for long-term investment	(2,613,643)	(9,665,480)
Change in fair value of annuity/unitrust agreements	167,443	210,892
Change in fair value of refundable advances	7,172	(4,019)
Loss on impairment of property	750,000	-
Loss on sale of property	91,678	30,000
Depreciation expense	(17,168)	3,283
Change in allowance for doubtful accounts	(236,903)	358,307
Change in pledge discount	65,712	1,725,864
Changes in operating assets and liabilities:		
Accounts and notes receivable	154,215	(173,213)
Pledges receivable	(3,367,338)	(7,280,605)
Accounts payable and other liabilities	511,784	(223,802)
Net cash used in operating activities	(5,588,623)	(9,390,805)
Cash Flows from Investing Activities		
Change in related party promissory note receivable	(4,904,714)	-
Proceeds from sale of investments	36,976,595	42,000,358
Purchase of investments	(34,840,353)	(41,773,721)
Proceeds from the sale of properties	157,160	145,000
Property transferred to related party	5,207,675	-
Net cash provided by investing activities	2,596,363	371,637
Cash Flows from Financing Activities		
Proceeds from contributions restricted for:		
Investment in endowment	2,613,643	9,665,480
Investment subject to annuity agreements	51,498	75,000
Other financing activities:		
Net payments on term loan	(77,000)	(40,000)
Interest and dividends restricted for annuity agreements	123,236	158,951
Net change in restricted annuity agreements	1,598,218	(175,034)
Payments of annuity obligations	(1,322,752)	(1,396,244)
Net cash provided by financing activities	2,986,843	8,288,153
Net Change in Cash	(5,417)	(731,015)
Cash - Beginning of year	587,651	1,318,666
Cash - End of year	**$ 582,234**	**$ 587,651**
Supplemental Cash Flow Information - Cash paid for interest	**$ 64,695**	**$ 52,016**

Note 1 - Organization

The University of Akron Foundation (the "Foundation"), a discretely presented component unit of the University of Akron, is a not-for-profit organization. The Foundation's mission is to provide financial assistance to the University of Akron (the "University") by encouraging and administering gifts and bequests.

The Foundation receives contributions from the following support groups of the University:

John R. Buchtel Society (the "Society")

The Society includes seven gift clubs, ranging from the Loyalty Club for annual donors of up to $99 to the 1870 Benefactors Club for lifetime contributions of $1 million or more.

Partners in Excellence (the "Group")

The Group constitutes an array of companies, foundations, and business organizations providing financial, technical, and material assistance to the University through the Foundation, including the following:

- Unrestricted and restricted support
- Support for the Crusade for Scholars Program
- Support for the Center for Economic Education
- Support for the Intercollegiate Athletic Program

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - The accounts of the Foundation are maintained in accordance with the principles of not-for-profit accounting. The statements have been prepared on an accrual basis.

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation - The Foundation reports net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations. This category includes quasi-endowment principal and earnings designated by the board of directors to function as endowments.

- **Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time, including quasi-endowments which are purpose-restricted donor contributions designated to function as endowments. This category includes true endowment earnings, a property annuity, and property assets.

- **Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations to be maintained permanently by the Foundation. The donors of these assets permit the Foundation to use the appreciation earned on related investments for general or specific purposes. This category includes annuity funds and true endowment principal.

Revenue - Revenue is reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as the release of restrictions in the accompanying statement of activities.

Cash - The Foundation maintains its cash in bank deposits which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash.

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. The fair values of investments are based on quoted market prices. 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. Donated investments including donated property are recorded as contributions at fair value on the date received. Realized gains (losses) on investments are the difference between the proceeds received and the fair market value of investments sold. Net appreciation in the fair value of investments (including realized and unrealized gains and losses) is included in revenue, gains, and other income of unrestricted net assets, unless the net appreciation or investment income is restricted by the donor or by law. Dividend and interest income is presented net of investment fees of approximately $787,000 and $738,000 for the years ended June 30, 2017 and 2016, respectively, on the statement of activities.

During the year ended June 30, 2014, the Foundation purchased an interest in The University of Akron Foundation Fund, LP (the “Foundation Fund”) (see Note 4). The Foundation Fund is a single investor fund (SIF) with Cambridge Associates Resources, LLC serving as the general partner. The investment committee of the Foundation has retained authority for setting investment policy guidelines and philosophy and approving asset allocation targets and benchmarks. The investment committee of the Foundation has delegated to the general partner authority for manager selection and termination, management of cash flows to and from investments of the partnership, due diligence on underlying managers and investments, and performance reporting.

Underwater Endowments - In Ohio, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) governs the investment of and spending from true endowments. As reported in Note 13, the Foundation has interpreted this act as requiring the preservation of the historical value of the original gift as of the gift date of the donor-restricted endowment fund. Under this interpretation, if the market value of an endowment drops below the historic gift value, the endowment is considered to be underwater. The net depreciation of an underwater endowment will reduce unrestricted net assets. Any future gains will be used to restore the cumulative deficiency within unrestricted net assets. Once unrestricted net assets have been fully restored, net appreciation will be recorded within either temporarily or permanently restricted net assets, as required by the donor’s restriction.

Note 2 - Summary of Significant Accounting Policies (Continued)

Property - Property is held for investment purposes and recorded at cost at the date of acquisition or estimated fair value at the date of donation. Depreciation is recorded if property is rented and is computed over the estimated useful life of the asset, 40 years, using the straight-line method.

Impairment - The Foundation annually reviews the recoverability of long-lived assets, including property, for events or changes in circumstances that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

During the year ended June 30, 2017, a property was deemed to be impaired and written down to its fair value. The carrying value of the asset exceeded the fair value, which was determined by a pending sales agreement, by $750,000. An impairment loss of that amount has been charged to operations for the year ended June 30, 2017. There were no impairment losses for the year ended June 30, 2016.

Pledges Receivable - The Foundation records pledges and unconditional promises to give as receivables and revenue in the year the pledge is made. Those 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 discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as revenue until the conditions are substantially met.

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments - The estimated fair value amounts have been determined by the Foundation using available market information and appropriate valuation methodologies. These estimates are subjective in nature and involve uncertainties and matters of considerable judgment. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Foundation could realize in a current market exchange. The use of different assumptions, judgments, and/or estimation methodologies may have a material effect on the estimated fair value amounts. All investment securities are carried at fair value in the financial statements. The fair values of short-term financial instruments, including cash equivalents, accounts receivable and payable, and term loan, approximate the carrying amounts in the accompanying financial statements due to the short maturity of such instruments. The inputs are based upon terms in contractual agreements. The fair values of these financial instruments are determined using Level 2 inputs.

Credit Risk Concentrations - Financial instruments which potentially expose the Foundation to concentrations of credit risk include investments in marketable securities and pledges receivable. As a matter of policy, the Foundation only maintains balances with financial institutions having a high credit quality. Concentration of credit risk for investments in marketable securities is mitigated by both the distribution of investment funds among asset managers and the overall diversification of managed investment portfolios. Concentration of credit risk for pledges receivable is generally limited due to the dispersion of these balances over a wide base of donors.

Fundraising - Fundraising costs are charged to expense as incurred. During the years ended June 30, 2017 and 2016, total fundraising costs were approximately $249,000 and $209,000, respectively.

Expenses - The Foundation’s expenses are classified into two categories: (1) distributions to or for the University of Akron and (2) administration of the Foundation. The expenses relating to the administration of the Foundation include both fundraising and management and general activities. Total expenses consisted of expenses related to program services, management and general, and fundraising. Costs are allocated between the various programs and support services on an actual basis, where available, or based upon reasonable methods. Although methods of allocation used are considered appropriate, other methods could be used that would produce different results.

Income Taxes - The Foundation is an Ohio nonprofit organization, tax-exempt under Section 501(c)(3) of the Internal Revenue Code, and exempt from federal, state, and local income tax on related income.

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Fair Value Option - The fair value option for financial assets and financial liabilities permits entities to choose to measure many financial instruments and certain other items at fair value. The fair value option may be applied instrument by instrument, is irrevocable, and is applied only to entire instruments and not to portions of instruments. Management made the election for the fair value option to provide an accurate portrayal of these balances by discounting the annuity pool given the length of time involved with some of the annuities and by adjusting the refundable advances to their underlying investment's market value.

The fair value of the annuity pool, which relates to the annuity and unitrust agreements, and the fair value of refundable advances, which relates to a revocable trust, are estimated by discounting expected cash inflows and outflows to their present value using appropriate rates with the risk of realizing such cash inflows and outflows. The fair value of the liability of the annuity pool and refundable advances at June 30, 2017 and 2016 is $12,702,901 and $12,094,922, respectively.

Risks and Uncertainties - The Foundation invests in various investment securities. 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 reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including September 29, 2017, which is the date the financial statements were available to be issued.

Note 3 - Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable. Pledges are recorded at their approximate present value, discounted using the U.S. Treasury note rate in effect the year the pledge is received. For pledges made during the years ended June 30, 2017 and 2016, the future expected cash flows from pledges receivable have been discounted using a discount rate of 1.89 and 1.01 percent, respectively.

Pledges receivable at June 30, 2017 and 2016 are expected to be realized in the following periods:

	2017	2016
Less than one year	$ 7,402,273	$ 2,421,793
One to five years	7,618,483	7,676,264
More than five years	10,307,250	11,520,229
Total	25,328,006	21,618,286
Less amount estimated to be uncollectible	(1,590,248)	(1,353,345)
Less unamortized discount	(3,803,817)	(3,869,529)
Total pledges receivable - Net	$ 19,933,941	$ 16,395,412

Note 3 - Pledges Receivable (Continued)

The allowance for uncollectible contributions is a general valuation based on the percentage of prior year 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 reductions in total revenue in the statement of activities.

As of June 30, 2017, the Foundation has $17,070,437 in numerous outstanding pledges which are considered to be intentions to give and are contingent upon future events. These pledges are not accrued as contributions receivable or recognized as revenue because they do not represent unconditional promises to give. It is not practicable to estimate the ultimate realizable value of these commitments or the period over which they might be collected.

Note 4 - Investments

Investments are stated at fair value. Fluctuations in fair value, as well as gains or losses on sales of securities, are recognized in the statement of activities. The pooled investment funds are invested in diverse portfolios. Limitations have been placed on the trust fund managers to stay within specified parameters in managing the portfolios. Investments as of June 30, 2017 and 2016 were as follows:

	2017	2016
Pooled investment funds managed for the Foundation - The University of Akron Foundation Fund, LP	$ 125,377,469	$ 114,519,667
Bonds	9,627,982	12,309,749
Commercial paper	2,499,925	2,500,000
Common stocks	2,094,160	1,760,723
Exchange traded funds	82,876	134,173
Floaters	3,920,000	2,030,000
Insurance policies - Cash surrender value	40,161	42,102
Money market funds	2,029,234	4,433,097
Mutual funds	23,370,147	21,799,985
Preferred stocks	83,126	68,530
U.S. Treasury obligations	1,994,948	1,255,223
Total fair value	$ 171,120,028	$ 160,853,249
Total cost	$ 160,849,010	$ 163,445,370

Note 5 - Property

Property consists of the following at June 30, 2017 and 2016:

			Total	
	Nondepreciable	Depreciable	2017	2016
Avery Place Property	$ 12,017	$ -	$ 12,017	$ 12,017
Brown Street Property	81,000	-	81,000	81,000
Dale Street Property	-	-	-	110,000
East Exchange Street Property Lot A	401,385	-	401,385	401,385
East Exchange Street Property Lot B	675,196	-	675,196	675,195
East Exchange Street Property Lot C	1,800,000	-	1,800,000	1,800,000
Fir Hill Street Property	418,833	-	418,833	418,833
Harvey Court Property	47,182	-	47,182	47,182
Heritage Centre	2,250,000	-	2,250,000	3,000,000
Miller Parkway Land	155,825	-	155,825	155,825
N Pershing Avenue Property	-	-	-	91,985
Treeside Drive Property	-	-	-	65,000
Union Street Property	126,460	-	126,460	126,460
University Village Property	-	-	-	4,922,887
Wheeler Street Property A	-	-	-	176,045
Wheeler Street Property B	-	-	-	108,743
Less accumulated depreciation	-	-	-	(35,315)
Total	$ 5,967,898	$ -	$ 5,967,898	$ 12,157,242

During the year ended June 30, 2017, property valued at $266,985 was sold for $157,160, resulting in a loss on sale of property in the amount of $91,678 and a depreciation adjustment of $18,147. During the year ended June 30, 2016, property valued at $175,000 was sold for $145,000, resulting in a loss on sale of property in the amount of $30,000.

During the year ended June 30, 2017, another property was deemed to be impaired and written down to its fair value. The carrying value of the asset exceeded fair value, which was determined by a pending sales agreement by $750,000. The impairment event is the result of a sales contract entered into during fiscal year 2017. An impairment loss of that amount has been charged to operations for the year ended June 30, 2017. There were no impairment losses for the year ended June 30, 2016.

Note 6 - Beneficial Interest in Real Estate

The Foundation has the irrevocable right to receive ownership of certain real estate. The donor has retained the right to use the real estate for the donor's lifetime. The carrying value of the real estate (based upon an independent appraisal) is reported as a beneficial interest in real estate and as temporarily restricted net assets. Based on the agreement, the Foundation is also required to pay periodic fixed payments to the donor during his or her lifetime. The Foundation recorded the present value of this annuity payable using the applicable American Council on Gift Annuities (ACGA) tables (discount rates used at June 30, 2017 and 2016 were 2.40 and 1.80 percent, respectively), based on the term of the agreement, as a liability of $100,323 and $109,518 at June 30, 2017 and 2016, respectively.

Note 7 - Amounts Payable to the University

The Foundation may at times receive gifts on behalf of the University. At June 30, 2017 and 2016, the Foundation owed the University $91,453 and $91,900, respectively, for such gifts received. During the years ended June 30, 2017 and 2016, the Foundation recorded $2,285,678 and $1,820,861, respectively, of contribution revenue for amounts received on behalf of the University.

Note 8 - Term Loan

In May 2012, the Foundation obtained a $10,000,000 revolving line of credit with Fifth Third Bank. In May 2017, when the line of credit termed out, the Foundation obtained a $4,800,000 term loan with PNC to cover the loan balance. The term loan agreement calls for monthly principal and interest payments. The term loan calls for monthly principal payments of $16,000 plus interest at a fluctuating rate of the one-month LIBOR plus 0.90 percent. At June 30, 2017 and 2016, the effective interest rate on the outstanding debt was 2.12 and 1.15 percent, respectively. At June 30, 2017 and 2016, there was $4,784,000 and $4,861,000 outstanding, respectively.

The proceeds from the line of credit were used to purchase real estate adjacent to the University during fiscal year 2013. The University's commitment to reimburse the Foundation for payments of principal, interest, loan fees, and any other costs associated with the term loan resulted in total principal payments made by the University of $302,961 during the year ended June 30, 2017 to the Foundation. The Foundation did not charge the University any additional interest on the note. In May 2017, the real estate was transferred to the University in the amount of $5,207,675. The balance of $4,904,714 is recorded as a related party land note receivable on the statement of financial position.

Note 9 - Annuity and Unitrust Agreements

The Foundation has entered into charitable gift annuity agreements which include provisions requiring the Foundation to pay periodic fixed payments to beneficiaries during their lifetimes. Charitable gift annuities differ from other charitable giving options in that the annuity is a general obligation of the Foundation. Accordingly, if the assets of the gift are exhausted as a result of required payments to beneficiaries, then the unrestricted assets of the Foundation will be utilized to fund future payments.

The Foundation has also entered into unitrust, annuity trust, and pooled income agreements, which include provisions for the Foundation to pay beneficiaries' periodic payments until either the assets of the trust have been exhausted or until death of the beneficiaries. Upon the death of the beneficiaries, any remaining property in the trust or pooled income will be available to the Foundation in accordance with the agreements.

The Foundation accounts for such agreements by recording the fair market value of assets donated as of the date of the gift and by recording the actuarial present value of the annuities payable using the applicable ACGA tables (discount rates used at June 30, 2017 and 2016 were 2.40 and 1.80 percent, respectively) based on the term of the agreement, as a liability. The balance of the gift is recorded as unrestricted, temporarily restricted, or permanently restricted contributions, as appropriate.

The Foundation's payments to beneficiaries under the annuity and unitrust agreements reduce the annuity liability. Adjustments to the annuity liability are made to report amortization of the discount and record changes in the life expectancy of the beneficiary. These adjustments, as well as the return on the underlying investment assets (fair value of $18,236,113 and $17,930,864 at June 30, 2017 and 2016, respectively), are recognized in the statement of activities as changes in the value of annuity and unitrust agreements.

Note 10 - Net Assets

Unrestricted net assets at June 30, 2017 and 2016 are as follows:

	2017	2016
Current operations	$ 5,420,041	$ 5,339,628
Board designated	6,252,164	6,370,596
Underwater endowment adjustment (Note 13)	(1,970,570)	(4,988,649)
Total	$ 9,701,635	$ 6,721,575

Temporarily restricted net assets, principally related to scholarships, specific colleges and departments within the University, department chairs, and various other purposes related to support of the University, at June 30, 2017 and 2016 are as follows:

	2017	2016
Accumulated appreciation on true endowments	$ 32,849,240	$ 26,165,461
Specific purpose funds	21,487,929	24,129,398
Accumulated depreciation on specific purpose funds	(8,088,953)	(7,058,201)
Annuity and unitrust agreements	7,868	13,456
Pledges receivable	12,270,917	8,537,645
Total	$ 58,527,001	$ 51,787,759

Permanently restricted net assets, principally related to scholarships, specific schools within the University, department chairs, and various other purposes related to support of the University, at June 30, 2017 and 2016 are as follows:

	2017	2016
Endowment funds (Note 13)	$ 102,841,189	$ 100,731,251
Annuity and unitrust agreements	5,750,345	6,077,702
Pledges receivable	7,663,024	7,857,767
Total	$ 116,254,558	$ 114,666,720

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of scholarships and development of the University in the amount of $11,470,872 and $9,292,662 during fiscal years 2017 and 2016, respectively.

During the year ended June 30, 2017, donors agreed to permanently restrict $19,000 in temporarily restricted net assets for the purpose of creating endowments. During the year ended June 30, 2016, donors agreed to release $114,987 in permanently restricted net assets for the purpose of paying back deficiencies resulting from unfavorable market fluctuations. See Note 13 for additional information.

Note 11 - Transactions with the University

The Foundation and the University regularly transfer funds between one another. The net amount of these transfers is recorded as "direct distributions to the University" in the statement of activities. For the years ended June 30, 2017 and 2016, distributions transferred to the University of $14,327,283 and $11,600,308, respectively, are gross of amounts received from the University of $387,790 and $230,181, respectively.

The University allocated certain overhead expenses to the Foundation totaling $1,203,392 and $486,883 in fiscal years 2017 and 2016, respectively. The Foundation reimburses the University for these amounts, which are recorded as "services performed by University personnel" in the statement of activities.

Note 12 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the valuation techniques and inputs used to measure fair value.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs 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.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using fund statements, pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The 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.

Note 12 - Fair Value Measurements (Continued)

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended June 30, 2017 and 2016, there were no transfers between levels of the fair value hierarchy.

As of July 1, 2015, the Foundation implemented new guidance that changes the required disclosures for investments valued at net asset value (NAV) per share (or its equivalent) as a practical expedient. Previously, investments measured at fair value using the NAV practical expedient were classified in the fair value hierarchy based on the redemption features associated with the investment. Under the new guidance, investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient are no longer classified in the fair value hierarchy described above and the information for 2015 has been adjusted to conform to the new disclosure requirements.

The following tables present information about the Foundation's assets and liabilities measured at fair value on a recurring basis at June 30, 2017 and 2016 and the valuation techniques used by the Foundation to determine those fair values.

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

	Balance at June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Assets - Investments					
Pooled investment funds managed for the Foundation	$ 125,377,469	$ -	$ -	$ -	$ 125,377,469
Bonds	9,627,982	-	9,627,982	-	-
Commercial paper	2,499,925	-	2,499,925	-	-
Common stocks	2,094,160	2,094,160	-	-	-
Exchange traded funds	82,876	82,876	-	-	-
Floaters	3,920,000	-	3,920,000	-	-
Money market mutual funds	2,029,234	2,029,234	-	-	-
Mutual funds	23,370,147	23,370,147	-	-	-
Preferred stocks	83,126	83,126	-	-	-
U.S. Treasury obligations	1,994,948	-	1,994,948	-	-
Beneficial interest in real estate	335,000	-	-	335,000	-
Liabilities					
Annuity/unitrust agreements and refundable advances	(12,702,901)	-	-	(12,702,901)	-

Note 12 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2016

	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Assets - Investments					
Pooled investment funds managed for the Foundation	$ 114,519,667	$ -	$ -	$ -	$ 114,519,667
Bonds	12,309,749	-	12,309,749	-	-
Commercial paper	2,500,000	-	2,500,000	-	-
Common stocks	1,760,723	1,760,723	-	-	-
Exchange traded funds	134,173	134,173	-	-	-
Floaters	2,030,000	-	2,030,000	-	-
Money market mutual funds	4,433,097	4,433,097	-	-	-
Mutual funds	21,799,985	21,799,985	-	-	-
Preferred stocks	68,530	68,530	-	-	-
U.S. Treasury obligations	1,255,223	-	1,255,223	-	-
Beneficial interest in real estate	335,000	-	-	335,000	-
Liabilities					
Annuity/unitrust agreements and refundable advances	(12,094,922)	-	-	(12,094,922)	-

Included in the Level 1 money market and mutual funds above is approximately $1,000,000 and $3,500,000 invested in a Fidelity Government Money Market Fund and PNC Fidelity Prime Money Market Fund as of June 30, 2017 and 2016, respectively. All investment allocations are in accordance with the Foundation's investment policy as described on page 22. No other significant concentrations of investments exist as of June 30, 2017 or 2016.

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2017

	Beneficial Interest in Real Estate	Annuity/Unitrust Agreements and Refundable Advances
Balance at June 30, 2016	$ 335,000	$ (12,094,922)
Total losses included in changes in net assets:		
Unrealized	-	(1,639,768)
Realized	-	(161,041)
Purchases	-	(132,463)
Sales		1,325,293
Transfers within Level 3	-	-
Balance at June 30, 2017	$ 335,000	$ (12,702,901)

Note 12 - Fair Value Measurements (Continued)

Changes in Level 3 Assets and Liabilities
Measured at Fair Value on a Recurring Basis at June 30, 2016

	Beneficial Interest in Real Estate	Annuity/Unitrust Agreements and Refundable Advances
Balance at June 30, 2015	$ 335,000	$ (13,252,020)
Total losses included in changes in net assets:		
Unrealized	-	(42,680)
Realized	-	(23,813)
Purchases	-	(225,814)
Sales	-	1,449,405
Transfers within Level 3	-	-
Balance at June 30, 2016	$ 335,000	$ (12,094,922)

Investment Policies

The Foundation has adopted investment policies in accordance with the objectives of its investment committee. The strategic allocation policy for all investments is as follows:

	Target	Allowable Range
Global public equity	45%	35% - 65%
Hedged equity	10%	0% - 15%
Absolute return	15%	0% - 20%
Public real assets	10%	5% - 15%
Bonds and cash	13%	10% - 35%
Total marketable portfolio	**93%**	**90% - 100%**
Private equity	5%	0% - 10%
Private real assets	2%	0% - 5%
Total private investments	**7%**	**0% - 10%**

Note 12 - Fair Value Measurements (Continued)

Measurement of Level 3 Assets and Liabilities

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets and liabilities presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Unobservable Inputs Used to Measure Level 3 Assets and Liabilities

	Fair Value at			Significant Unobservable	Range
	June 30, 2017	June 30, 2016	Valuation Technique	Inputs Used	(Weighted Average)
Assets - Beneficial interest in real estate	$ 335,000	$ 335,000	Market comparables	Third-party appraisal	100%
Liabilities - Annuity/unitrust agreements and refundable advances	$ (12,702,901)	$ (12,094,922)	IRS Pub 590 actuarial tables Discounted cash flow	Life expectancy of beneficiaries Risk-free rate of return	2.6 - 60.1 years 1 - 2.5%

Annuity and unitrust agreement liabilities characterized as Level 3 liabilities consist primarily of charitable gift annuity agreements. Refundable advances characterized as Level 3 liabilities consist of revocable trusts. The Foundation estimates the fair value of these liabilities based upon the present value of the expected future cash flows using management's best estimates of key assumptions including life expectancies of annuitants, payment periods, and a discount rate commensurate with the current market and other risks involved. Significant changes in these key assumptions would result in a significantly lower or higher fair value measurement.

The Foundation measures property on a nonrecurring basis and records an impairment charge to the extent the carrying value of the asset is greater than fair value. The fair value of the property is based primarily on Level 3 inputs including a sales comparison method using the property's competitive market area. As of June 30, 2017, property was valued at $2,250,000 using this method, and is included in Property - Net on the statement of financial position (see Note 5 for further information).

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies whereby the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

Note 12 - Fair Value Measurements (Continued)

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

	June 30, 2017		June 30, 2016			
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
The University of Akron Foundation Fund, LP	$ 125,377,469	$ -	$ 114,519,667	$ -	Quarterly	At least 45 days

The University of Akron Foundation Fund, LP (the "Foundation Fund") seeks to achieve long-term equity-like returns through broadly diversifying by asset class, investment manager, geography, economic sector, and security. The Foundation Fund seeks to achieve its objective by allocating its assets among unaffiliated private equity and/or venture capital funds, including offshore funds, other investment entities, and/or separate accounts managed pursuant to investment management agreements, as well as publicly traded stocks, exchange traded funds, mutual funds, future contracts, forward contracts, options, swaps, and other derivative-type instruments.

Note 13 - Donor-restricted and Board-designated Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

Note 13 - Donor-restricted and Board-designated Endowments (Continued)

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

(1) The duration and preservation of the fund
(2) The purposes of the Foundation 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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ (1,867,685)	$ 17,648,644	$ 102,841,189	$ 118,622,148
Board designated (quasi-endowment)	3,720,166	-	-	3,720,166
Total funds	$ 1,852,481	$ 17,648,644	$ 102,841,189	$ 122,342,314

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of the year	$ (1,339,210)	$ 13,201,939	$ 100,731,251	$ 112,593,980
Investment return:				
Investment loss	(15,548)	(295,943)	(682,176)	(993,667)
Net appreciation	3,379,143	8,908,297	123,224	12,410,664
Total investment return	3,363,595	8,612,354	(558,952)	11,416,997
Contributions	-	158,186	2,844,619	3,002,805
Appropriation of endowment assets for expenditure	(148,526)	(4,214,640)	(307,548)	(4,670,714)
Other changes:				
Change in donor designations	(23,378)	(109,195)	126,219	(6,354)
Rental income	-	-	5,600	5,600
Endowment net assets - End of the year	$ 1,852,481	$ 17,648,644	$ 102,841,189	$ 122,342,314

Note 13 - Donor-restricted and Board-designated Endowments (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ (4,907,384)	$ 13,201,939	$ 100,731,251	$ 109,025,806
Board designated (quasi-endowment)	3,568,174	-	-	3,568,174
Total funds	$ (1,339,210)	$ 13,201,939	$ 100,731,251	$ 112,593,980

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of the year	$ 2,136,450	$ 18,769,637	$ 97,749,457	$ 118,655,544
Investment return:				
Investment income	9,810	556,106	54,212	620,128
Net depreciation	(3,309,022)	(2,672,948)	(514,850)	(6,496,820)
Total investment return	(3,299,212)	(2,116,842)	(460,638)	(5,876,692)
Contributions	-	369,796	3,219,166	3,588,962
Appropriation of endowment assets for expenditure	(152,392)	(5,898,718)	(394,423)	(6,445,533)
Other changes:				
Change in donor designations	(24,056)	2,078,066	141,567	2,195,577
Other income	-	-	455,147	455,147
Rental income	-	-	20,975	20,975
Endowment net assets -				
End of the year	$ (1,339,210)	$ 13,201,939	$ 100,731,251	$ 112,593,980

Note 13 - 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 level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in unrestricted net assets were $1,970,570 and $4,988,649 as of June 30, 2017 and 2016, respectively (see Note 10). These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that were deemed prudent by the board of directors.

The Foundation has certain endowment agreements where a portion of accumulated appreciation is to remain in permanently restricted with the original corpus. In addition, the Foundation has interpreted the language in some of these agreements where if at any time current income is not sufficient to cover distributions from these agreements, then a portion of the accumulated appreciation in permanently restricted is released. During the years ended June 30, 2017 and 2016, the Foundation released $264,556 and $382,710, respectively, in accordance with this policy.

During the year ended June 30, 2017, donors increased the permanently restricted endowment fund by $19,000, which is shown on the statement of activities as changes in donor designation. During the year ended June 30, 2016, donors released a portion of a permanently restricted endowment fund. The release of $114,987 is shown on the statement of activities as changes in donor designation.

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 purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods, as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner intended to produce results that are generally consistent with returns in the global equity markets while assuming a moderate level of investment risk. Actual returns in any given year may vary.

Note 13 - Donor-restricted and Board-designated Endowments (Continued)

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 emphasizes equity investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and Investment Objectives Related to Spending Policy

The Foundation's investment and spending policy stipulates that 4.5 percent of a three-year rolling average of the market value of the endowment is available to spend, 1.5 percent of the market value of the endowment is available for support of the Foundation's administrative expenses, and the remaining income is to be reinvested. If an investment loss is incurred, the loss is allocated in the current period. Over the long term, the Foundation expects the current spending policy to allow its endowment to keep pace with inflation. 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 new gifts.

Note 14 - Subsequent Events

During August 2017, the Foundation learned that it will receive a bequest from a long-time University benefactor approximating $23,000,000. The endowed gift is expected to materialize during the fiscal year ended June 30, 2018 and will be used to support scholarships within certain colleges and the University of Akron's Hower House.

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

Independent Auditor's Report

To Management and the Board of Directors
The University of Akron Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The University of Akron Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2017 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2017.

Internal Control Over Financial Reporting

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

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

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

To Management and the Board of Directors
The University of Akron Foundation

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Plante & Moran, PLLC

September 29, 2017

Dave Yost • Auditor of State

UNIVERSITY OF AKRON FOUNDATION

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 26, 2017

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