THE UNIVERSITY OF AKRON FOUNDATION
Akron, Ohio

FINANCIAL STATEMENTS
June 30, 2019 and 2018

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
The University of Akron Foundation
302 Buchtel Common
Akron, Ohio 44325

We have reviewed the *Independent Auditor's Report* of The University of Akron Foundation, Summit County, prepared by Crowe LLP, for the audit period July 1, 2018 through June 30, 2019. 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 is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

December 16, 2019

This page intentionally left blank.

THE UNIVERSITY OF AKRON FOUNDATION
Akron, Ohio

FINANCIAL STATEMENTS
June 30, 2019 and 2018

CONTENTS

This page intentionally left blank.

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 statements of financial position as of June 30, 2019 and 2018, 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 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 opinion.

(Continued)

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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation has adopted Accounting Standards Update 2016-14 - *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities* for the year ended June 30, 2019. As a result, net position was restated as of July 1, 2018 by $1,492,493, for the cumulative effect of the application of this pronouncement. 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 October 10, 2019 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, 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 University of Akron Foundation's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Columbus, Ohio
October 10, 2019

THE UNIVERSITY OF AKRON FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash	$ 336,307	$ 70,565
Accounts receivable	316,136	382,708
Pledges receivable - Net of allowances and discounts	14,538,801	27,203,636
Note receivable, land	256,344	5,492,000
Investments - At fair value	194,690,084	185,336,384
Property - Net	1,276,900	2,282,777
Beneficial interest in real estate	335,000	335,000
Total assets	211,749,572	221,103,070
LIABILITIES		
Accounts payable	733,923	966,153
Contributions payable to the University	188,571	39,790
Funds held for others	5,000	143,533
Deferred revenue	28,500	28,500
Term loan	-	4,592,000
Annuity/Unitrust agreements and refundable advance	11,398,193	11,751,945
Total liabilities	12,354,187	17,521,921
NET ASSETS		
Without donor restrictions	8,856,116	9,689,755
With donor restrictions	190,539,269	193,891,394
Total net assets	199,395,385	203,581,149
Total liabilities and net assets	$ 211,749,572	$ 221,103,070

See accompanying notes to financial statements.

THE UNIVERSITY OF AKRON FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other additions (reductions)			
Contributions	$ 3,892,177	$ 7,598,592	$ 11,490,769
Net change in the fair value of investments	126,360	1,703,034	1,829,394
Change in fair value of annuity/unitrust agreements	(91,061)	133,314	42,253
Dividend and net investment income	1,844,570	1,149,396	2,993,966
Other income	53,035	26,223	79,258
Total revenues and other additions - Net	5,825,081	10,610,559	16,435,640
Release of Restrictions	13,962,684	(13,962,684)	-
Total revenue and other additions (reductions) and release of restrictions	19,787,765	(3,352,125)	16,435,640
Expenses			
Distributions to or for The University of Akron:			
Direct distributions to the University	18,518,928	-	18,518,928
Distributions on behalf of the University	775,489	-	775,489
Administration of the Foundation:			
Services performed by University personnel	704,404	-	704,404
Property expenses	300,827	-	300,827
Professional fees	135,899	-	135,899
Travel and cultivation	53,181	-	53,181
Office expenses	26,050	-	26,050
Other expenses	106,626	-	106,626
Total expenses	20,621,404	-	20,621,404
Change in Net Assets	(833,639)	(3,352,125)	(4,185,764)
Net Assets - Beginning of year (restated)	9,689,755	193,891,394	203,581,149
Net Assets - End of year	$ 8,856,116	$ 190,539,269	$ 199,395,385

See accompanying notes to financial statements

THE UNIVERSITY OF AKRON FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other additions (reductions)			
Contributions	$ 2,648,588	$ 23,549,337	$ 26,197,925
Net change in the fair value of investments	2,135,056	4,496,125	6,631,181
Change in fair value of annuity/unitrust agreements	(965,922)	1,026,718	60,796
Impairment loss on property	(435,120)	(25,484)	(460,604)
Dividend and net investment income	1,661,756	1,188,281	2,850,037
Other income	112,847	41,657	154,504
Total revenues and other additions - Net	5,157,205	30,276,634	35,433,839
Release of Restrictions	11,166,799	(11,166,799)	-
Total revenue and other additions (reductions) and release of restrictions	16,324,004	19,109,835	35,433,839
Expenses			
Distributions to or for The University of Akron:			
Direct distributions to the University	14,573,661	-	14,573,661
Distributions on behalf of the University	498,830	-	498,830
Administration of the Foundation:			
Services performed by University personnel	749,075	-	749,075
Property expenses	312,421	-	312,421
Professional fees	72,573	-	72,573
Travel and cultivation	35,455	-	35,455
Office expenses	23,795	-	23,795
Other expenses	70,074	-	70,074
Total expenses	16,335,884	-	16,335,884
Change in Net Assets	(11,880)	19,109,835	19,097,955
Net Assets - Beginning of year	9,701,635	174,781,559	184,483,194
Net Assets - End of year	$ 9,689,755	$ 193,891,394	$ 203,581,149

See accompanying notes to financial statements

THE UNIVERSITY OF AKRON FOUNDATION
STATEMENTS OF CASH FLOWS
Years ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ (4,185,764)	$ 19,097,955
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net change in the fair value of investments	(1,829,394)	(6,631,181)
Contributions restricted for long-term investment	(16,310,182)	(10,098,451)
Change in fair value of annuity/unitrust agreements	(42,253)	(60,796)
Change in fair value of refundable advances	1,073	4,468
Loss on impairment of property	-	1,435,121
Change in allowance for doubtful accounts	775,378	81,039
Change in pledge discount	588,438	180,846
Property transferred to related party	1,005,877	-
Changes in operating assets and liabilities:		
Accounts receivable	66,572	(177,312)
Pledges receivable	11,301,019	(7,531,580)
Accounts payable and other liabilities	(83,449)	(44,673)
Funds held for others	(138,533)	143,533
Net cash used in operating activities	(8,851,218)	(3,601,031)
Cash Flows from Investing Activities		
Changes in note receivable, land	5,235,656	(587,286)
Proceeds from sale of investments	24,801,183	28,401,074
Purchase of investments	(32,325,488)	(35,986,250)
Proceeds from the sale of properties	-	1,350,000
Issuance of note receivable	-	900,000
Net cash used in investing activities	(2,288,649)	(5,922,462)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for:		
Investment in endowment	16,310,182	10,098,451
Investment subject to annuity agreements	-	54,391
Other financing activities:		
Net payments on term loan	(4,592,000)	(192,000)
Interest and dividends restricted for annuity agreements	178,462	(849,580)
Net change in restricted annuity agreements	517,942	955,601
Payments of annuity obligations	(1,008,977)	(1,055,039)
Net cash provided by financing activities	11,405,609	9,011,824
Net Change in Cash	265,742	(511,669)
Cash - Beginning of year	70,565	582,234
Cash - End of year	$ 336,307	$ 70,565
Supplemental Cash Flow Information - Cash paid for interest	$ 28,020	$ 112,847

See accompanying notes to financial statements

NOTE 1 - ORGANIZATION

The University of Akron Foundation (the "Foundation"), a discretely presented component unit of The University of Akron (the "University"), is a not-for-profit organization. The Foundation's mission is to provide financial assistance to the University by encouraging, investing and administering gifts and bequests on behalf of alumni, friends, corporations, organizations and foundations who have a deep and abiding interest in supporting the University.

Through the generosity of University benefactors, the Foundation provides University students and faculty with resources to grow and excel; meaningful and experiential learning and teaching opportunities; as well as pathways for University students to succeed and graduate.

Bestowing scholarships, lectureships, professorships, chairs, instructional grants, equipment funds, building and landscape improvements, and many other important programs, the Foundation is a vital part of supporting the University's mission and goals.

University benefactors are recognized by the Foundation as members of the John R. Buchtel Society, which includes seven gift clubs, ranging from the Loyalty Club for annual donors of up to $99 to the Leadership Club for lifetime contributions of $5 million or more.

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.

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:

- *Net Assets Without Donor Restrictions* - Net assets that are not subject to donor-imposed stipulations. This category includes quasi-endowment principal, annuity funds, and earnings designated by the board of directors to function as endowments.

- *Net Assets With Donor Restrictions*- 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 endowment earnings as well as 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 endowment principal.

Revenues: Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless its 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 statements 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 of loss.

(Continued)

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 stated either at cost or at appraised market values when applicable. Alternatives, for which there is no ready market, are recorded at their net asset value according to the 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 net assets without donor restrictions, 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 $912,000 and $840,000 for the years ended June 30, 2019 and 2018, respectively, on the statement of activities.

During the fiscal year ended June 30, 2014, the Foundation purchased an interest in The University of Akron Foundation Fund, LP (the “Foundation Fund”). 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 setting 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 endowments. 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 underwater.

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.

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.

There were no impairment losses for the year ended June 30, 2019. During the year ended June 30, 2018, three properties were deemed impaired, a portion of which is reflected in both impairment loss and change in fair value of annuity/unitrust agreements on the statements of activities. The carrying value of the assets exceeded fair value, which was determined by updated appraisals by approximately $1,400,000.

Pledges Receivable: The Foundation records pledges including 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.

(Continued)

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, 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, 2019 and 2018, total fundraising costs were approximately $290,000 and $247,000, 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 administrative support, facilities operation and maintenance, and fundraising. Costs are allocated between the various programs and support activities on an actual basis, where available, or based upon the functional expense area most related to their purpose. 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.

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.

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 those such changes could materially affect the amounts reported in the statement of financial position.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 advance, which relates to a revocable trust, is estimated by discounting expected cash inflows and outflows to 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 advance at June 30, 2019 and 2018 is $11,398,193 and $11,751,945, respectively.

Recent Accounting Pronouncement: In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities (Topic 958) (ASU 2016-14)* which revises the not-for-profit reporting model. ASU 2016-14 provides for additional disclosure requirements and modifies net asset reporting. The standard requires the Foundation to reclassify its net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor-imposed restrictions and net assets with donor-imposed restrictions, among other requirements. It requires the Foundation to provide qualitative and quantitative information that communicates how the Foundation manages liquid resources available to meet cash needs within one year of the statement of net position date. It also requires the Foundation to disclose expenses by both natural and functional classification as well as methods used to allocate between program and support functions. ASU 2016-14 is effective for financial statements issued for fiscal years beginning after December 15, 2017. The Foundation adopted ASU 2016-14 for the fiscal year ended June 30, 2019 and has adjusted the presentation of the financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except for the presentation of natural and functional expense classifications, as permitted.

A result of the adoption of ASU 2016-14, net assets as of June 30, 2018 were reclassified as follows:

Net Assets Classifications	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:			
Unrestricted	$ 8,197,262	$ -	$ 8,197,262
Temporarily Restricted	-	57,664,610	57,664,610
Permanently Restricted	-	137,719,277	137,719,277
Net assets as previously presented	8,197,262	195,383,887	203,581,149
Reclassifications to implement ASU 2016-14:			
Underwater endowments	1,492,493	(1,492,493)	-
Net assets, as reclassified	$ 9,689,755	$ 193,891,394	$ 203,581,149

The reclassification is reflected within the net change in the fair value of investments of the June 30, 2018 Statement of Activities.

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.

(Continued)

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, 2019 and 2018, the future expected cash flows from pledges receivable have been discounted using a discount rate of 1.75% and 2.63%, respectively.

Pledges receivable at June 30, 2019 and 2018 are expected to be realized as follows:

	2019	2018
Less than one year	$ 4,466,555	$ 16,354,192
One to five years	4,340,610	5,437,624
More than five years	9,500,000	10,544,000
Total	18,307,165	32,335,816
Less amount estimated to be uncollectible	(733,831)	(1,509,209)
Less unamortized discount	(3,034,533)	(3,622,971)
Total pledges receivable - Net	$ 14,538,801	$ 27,203,636

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 revenues in the statement of activities.

As of June 30, 2019 and 2018, the Foundation has $23,085,689 and $17,861,883 in numerous outstanding pledges, which are considered intentions to give and are contingent upon future events. These pledges are not recognized as contributions receivable or revenues 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, 2019 and 2018 were as follows:

	2019	2018
Pooled investment funds managed for the Foundation:		
The University of Akron Foundation Fund, LP	$ 153,633,459	$ 139,778,048
Bonds	7,839,055	8,411,254
Commercial paper	2,499,191	-
Common stocks	2,559,908	2,411,471
Exchange traded funds	183,581	215,746
Floaters	2,695,000	3,920,000
Insurance policies - Cash surrender value	14,430	14,585
Money market funds	1,301,182	6,120,510
Mutual funds	21,357,678	21,909,121
Preferred stocks	45,921	61,538
U.S. Treasury obligations	2,560,679	2,494,111
Total fair value	$ 194,690,084	$ 185,336,384
Total cost	$ 177,873,057	$ 169,890,961

(Continued)

NOTE 5 - PROPERTY

Property consists of the following at June 30, 2019 and 2018:

Non-depreciable	2019	2018
Avery Place Property	$ -	$ 12,017
Brown Street Property	81,000	81,000
East Exchange Street Property Lot A	-	401,385
East Exchange Street Property Lot B	370,000	370,000
East Exchange Street Property Lot C	800,000	800,000
Fir Hill Street Property	-	418,833
Harvey Court Property	-	47,182
Miller Parkway Land	25,900	25,900
Union Street Property	-	126,460
Total	$ 1,276,900	$ 2,282,777

During the year ended June 30, 2019, property valued at $1,005,877 was transferred to the University of Akron. During the year ended June 30, 2018, property valued at $2,250,000 was sold for cash of $1,350,000 and a 6% interest only note receivable of $900,000 payable in full on December 21, 2019.

During the year ended June 30, 2019, no impairment adjustments were realized. During the year ended June 30, 2018, three properties were deemed impaired and were adjusted to fair value. The carrying value of the assets exceeded fair value, which was determined by updated appraisals by approximately $1,400,000.

NOTE 6 - BENEFICIAL INTEREST IN REAL ESTATE

The Foundation has the irrevocable right to receive ownership of certain real estate. The donors have retained the right to use the real estate for the donors' lifetime. The carrying value of the real estate (based upon an independent appraisal) is reported as a beneficial interest in real estate and as net assets with donor restrictions. Based on the agreement, the Foundation is required to pay periodic fixed payments to the donors during their 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, 2019 and 2018 were 2.80% and 3.40%, respectively), based on the term of the agreement, as a liability of $99,690 and $89,751 at June 30, 2019 and 2018, respectively.

NOTE 7 - CONTRIBUTIONS PAYABLE TO THE UNIVERSITY

The Foundation at times receives gifts on behalf of the University. At June 30, 2019 and 2018, the Foundation owed the University $188,571 and $39,790, respectively, for such gifts received. During the years ended June 30, 2019 and 2018, the Foundation recorded $3,866,858 and $2,572,183, respectively, of contribution revenues for amounts received on behalf of the University.

NOTE 8 - TERM LOAN

On August 14, 2018, the University of Akron fully settled its $4,592,000 obligation to the Foundation. The Foundation subsequently fully settled its term loan with PNC Bank in the amount of $4,592,000. At June 30, 2018, the Foundation receivable from the University and its term loan liability were $4,592,000.

(Continued)

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 other Foundation assets without donor restrictions will be utilized to fund the remaining future payments.

The Foundation has also entered into unitrust, annuity trust, and pooled income agreements, which include provisions either for the Foundation to pay beneficiaries' periodic payments until the assets of the trust have been exhausted or until death of the beneficiaries. Upon the death of the beneficiaries, any remaining investments 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, 2019 and 2018 were 2.80% and 3.40%, respectively) based on the term of the agreement, as a liability. The balance of the gift is recorded as contributions without donor restrictions or with donor restrictions, 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 $14,750,215 and $15,281,236 at June 30, 2019 and 2018, respectively), are recognized in the statements of activities as changes in the value of annuity and unitrust agreements.

NOTE 10 - NET ASSETS

Net assets without donor restrictions at June 30, 2019 and 2018 are as follows:

	2019	2018
Current operations	$ 4,101,951	$ 3,561,571
Board-designated		
Academic and student support	3,005,428	3,095,865
Facilities and operation maintenance	1,120,864	2,391,288
Administrative support	627,873	641,031
Total	$ 8,856,116	$ 9,689,755

Net assets with donor restrictions, 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, 2019 and 2018 are as follows:

	2019	2018
Accumulated appreciation on endowments	$ 11,151,463	$ 13,238,605
Accumulated appreciation on specific purpose funds	4,112,614	2,419,312
Specific purpose funds	20,665,601	25,732,579
Permanent endowment funds	135,465,226	120,590,594
Annuity and unitrust agreements	4,605,564	4,706,669
Pledges receivable	14,538,801	27,203,635
Total	$ 190,539,269	$ 193,891,394

(Continued)

NOTE 10 - NET ASSETS (Continued)

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 $13,962,684 and $11,166,799 during fiscal years 2019 and 2018, respectively.

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, 2019 and 2018, distributions transferred to the University of $18,669,142 and $15,060,073, respectively, are gross of amounts received from the University of $150,214 and $486,412, respectively.

The University allocated certain overhead expenses to the Foundation totaling $704,404 and $749,075 in fiscal years 2019 and 2018, 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.

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.

The Foundation’s policy is to recognize transfers between levels of the fair value hierarchy as of the end of the fiscal year. For the years ended June 30, 2019 and 2018, there were no transfers between levels of the fair value hierarchy.

The following tables present information about the Foundation’s assets and liabilities measured at fair value on a recurring basis at June 30, 2019 and 2018 and the valuation techniques used by the Foundation to determine those fair values.

(Continued)

NOTE 12 - FAIR VALUE MEASUREMENTS (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2019

	Balance June 30, 2019	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	$ 153,633,459	$ -	$ -	$ -	$ 153,633,459
Bonds	7,839,055	-	7,839,055	-	-
Commercial paper	2,499,191	-	2,499,191	-	-
Common stocks	2,559,908	2,559,908	-	-	-
Exchange traded funds	183,581	183,581	-	-	-
Floaters	2,695,000	-	2,695,000	-	-
Money market mutual funds	1,301,182	1,301,182	-	-	-
Mutual funds	21,357,678	21,357,678	-	-	-
Preferred stocks	45,921	45,921	-	-	
U.S. Treasury obligations	2,560,679	-	2,560,679	-	-
Beneficial interest in real estate	335,000	-	-	335,000	-
Liabilities					
Annuity/unitrust agreements and refundable advances	(11,398,193)	-	-	(11,398,193)	-

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

	Balance June 30, 2018	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	$ 139,778,048	$ -	$ -	$ -	$ 139,778,048
Bonds	8,411,254	-	8,411,254	-	-
Common stocks	2,411,471	2,411,471	-	-	-
Exchange traded funds	215,746	215,746	-	-	-
Floaters	3,920,000	-	3,920,000	-	-
Money market mutual funds	6,120,510	6,120,510	-	-	-
Mutual funds	21,909,121	21,909,121	-	-	-
Preferred stocks	61,538	61,538	-	-	-
U.S. Treasury obligations	2,494,111	-	2,494,111	-	-
Beneficial interest in real estate	335,000	-	-	335,000	-
Liabilities					
Annuity/unitrust agreements and refundable advances	(11,751,945)	-	-	(11,751,945)	-

Included in the Level 1 money market and mutual funds above is approximately $500,000 and $5,500,000 invested in a Fidelity Government Money Market Fund as of June 30, 2019 and 2018, respectively. All investment allocations are in accordance with the Foundation's investment policy. No other significant concentrations of investments exist as of June 30, 2019 or 2018.

NOTE 12 - FAIR VALUE MEASUREMENTS (Continued)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2019:

	Beneficial Interest in Real Estate	Annuity/Unitrust Agreements and Refundable Advance
Balance at June 30, 2018	$ 335,000	$ (11,751,945)
Total (losses) gains included in changes in net assets:		
Unrealized	-	238,000
Realized	-	(714,426)
Purchases	-	(178,462)
Sales	-	1,008,640
Balance at June 30, 2019	$ 335,000	$ (11,398,193)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2018:

	Beneficial Interest in Real Estate	Annuity/Unitrust Agreements and Refundable Advance
Balance at June 30, 2017	$ 335,000	$ (12,702,901)
Total (losses) gains included in changes in net assets:		
Unrealized	-	(471,154)
Realized	-	(428,119)
Purchases	-	(204,811)
Sales	-	2,055,040
Balance at June 30, 2018	$ 335,000	$ (11,751,945)

Investment Policies: The Investment Policy is designed to achieve the Foundation's desired objectives. The Investment Policy asset allocation targets and ranges follow:

	Target	Allowable Range
Global public equity	42%	30%-60%
Hedged equity	10%	0%-15%
Absolute return	15%	0%-20%
Public real assets	13%	8%-18%
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%

(Continued)

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.

	Fair Value at June 30, 2019	Fair Value at June 30, 2018	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Assets - beneficial interest in real estate	$ 335,000	$ 335,000	Market comparables	Third-party appraisal	100%
Liabilities - Annuity/unitrust agreements and refundable advance	$ (11,398,193)	$ (11,751,945)	IRS Pub 590 actuarial tables Discounted cash flow appraisal	Life expectancy of beneficiaries risk-free rate of return	2.4-53.9 years 1-2.5%

Annuity and unitrust agreement liabilities characterized as Level 3 liabilities consist primarily of charitable gift annuity agreements. Refundable advance characterized as Level 3 liability consist of a revocable trust. 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 impairment charges 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. Using this method, no properties were impaired during the fiscal year ended June 30, 2019. However, three properties were deemed impaired and adjusted to a total fair value of $1,195,900 for the fiscal year ended June 30, 2018. (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 where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

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

	June 30, 2019		June 30, 2018			
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
The University of Akron Foundation Fund, LP	$ 153,633,459	$ -	$ 139,778,048	$ -	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 net assets with donor restrictions to be kept in perpetuity (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.

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, 2019, and 2018, was:

2019	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	$ -	$ 146,616,690	$ 146,616,690
Board-designated (quasi-endowment)	3,766,570	-	3,766,570
Total funds	$ 3,766,570	$ 146,616,690	$ 150,383,260

2018	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	$ -	$ 132,336,705	$ 132,336,705
Board-designated (quasi-endowment)	3,875,438	-	3,875,438
Total funds	$ 3,875,438	$ 132,336,705	$ 136,212,143

(Continued)

NOTE 13 - DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS (Continued)

Changes in endowment net assets for the fiscal years ended June 30, 2019, and 2018:

2019	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	$ 3,875,438	$ 132,336,705	$ 136,212,143
Net investment return	43,575	2,775,121	2,818,696
Contributions	-	16,314,957	16,314,957
Appropriation of endowment assets for expenditure	(123,063)	(4,957,904)	(5,080,967)
Change in donor designations	(29,380)	147,811	118,431
Endowment net assets – end of the year	$ 3,766,570	$ 146,616,690	$ 150,383,260

2018	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	$ 1,852,481	$ 120,489,831	$ 122,342,312
Net investment return	2,177,750	5,594,867	7,772,617
Contributions	-	10,101,015	10,101,015
Appropriation of endowment assets for expenditure	(124,967)	(4,190,505)	(4,315,472)
Change in donor designations	(29,826)	341,497	311,671
Endowment net assets – end of the year	$ 3,875,438	$ 132,336,705	$ 136,212,143

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 exist in 201 donor-restricted endowment funds, which together have a modified gift value of $22,028,932, and a current fair market value of $20,002,499, and a deficiency of $2,026,433 as of June 30, 2019. Deficiencies of this nature existed in 177 donor-restricted endowment funds, which together have a modified gift value of $20,209,848, and a current fair market value of $18,714,204, and a deficiency of $1,495,644 as of June 30, 2018. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that were deemed prudent by the board of directors.

In accordance with the terms of donor gift instruments, the Foundation is permitted to reduce the balance of restricted endowments below the original corpus. Subsequent investment gains are then used to restore the balance up to the fair market value of the original amount of the gift. Both fund deficiencies and subsequent gains above that amount are recorded in net assets with donor restrictions.

In certain instances, the Foundation provided funding of approximately $17,000 and $62,000 for fiscal years ended June 30, 2019 and June 30, 2018, respectively, so the activities supported by the endowments would continue despite being underwater.

(Continued)

NOTE 13 - DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS (Continued)

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.

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: The Foundation investment and spending policy stipulates that 4.25% of a three-year rolling average of the market value of the endowment is available for expenditure, 1.0% 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 spending policy to allow its endowment to maintain purchasing power.

NOTE 14 - EXPENSES BY NATURE

The statement of activities reflects certain categories of expenses attributable to the programs and supporting functions of the Foundation. Program Activities include academic and student support and auxiliaries. Supporting Activities include administrative support, facilities operation and maintenance, and fundraising. The table below presents these functional expenses by their natural classification for the year ended June 30, 2019.

	Program Activities		Supporting Activities			
	Academic and Student Support	Auxiliaries	Administrative Support	Facilities Operation and Maintenance	Fundraising	Total
Direct distributions to the University	$ 3,670,167	$ 123,131	$ 5,551,309	$ 9,174,321	$ -	$ 18,518,928
Distributions on behalf of the University	174	468,760	242,556	32,120	31,879	775,489
Services performed by University personnel	-	-	301,029	195,000	208,375	704,404
Property expenses	-	-	-	300,827	-	300,827
Professional fees	-	-	135,399	-	500	135,899
Travel and cultivation	-	-	8,885	-	44,296	53,181
Office expenses	-	-	21,130	-	4,920	26,050
Other expenses	-	-	106,626	-	-	106,626
Total expenses	$ 3,670,341	$ 591,891	$ 6,366,934	$ 9,702,268	$ 289,970	$ 20,621,404

(Continued)

NOTE 15 - LIQUIDITY AND AVAILABILITY

The Foundation's financial assets and liquid resources available within one year of the statement of financial position date for general expense are as follows:

	2019	2018
Cash and cash equivalents	$ 3,462,151	$ 9,916,037
Investments, short term	8,650,954	6,871,596
Expected endowment appropriations	3,207,000	4,957,904
Board-designated endowments	3,766,570	3,875,438
Pledges receivable	1,426,669	3,115,747
Accounts receivable	146,756	82,058
	$ 20,660,100	$ 28,818,780

As part of the Foundation's liquidity management, the Foundation invests its financial assets to be available as its general expenses, liabilities, and other obligations come due. As part of its liquidity management, the Foundation invests cash in excess of daily requirements in various short and intermediate-term investments, including money market, commercial paper, floaters, corporate bonds, and short-term treasury instruments. The amount of these investments included within the balances above represent holdings that are able to be liquidated and spent on general expenses after considering the impact of donor-imposed restrictions on the investment balance. Similarly, pledges receivable and accounts receivable balances represent funds due within one year that are not subject to purpose restrictions outside of the general expenses of the Foundation.

Expected appropriations from donor-restricted endowments and the total market value of board-designated endowments are also included as financial assets available for expense within one year. Draws from donor-restricted and board-designated endowments are made in accordance with the Foundation's spending policies and used to support the general expenses of the Foundation for the following fiscal year, as restricted by the donor(s). Although not intended, the balance of board-designated endowment funds could be made available to meet cash needs if necessary.

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 10, 2019, the date the financial statements were available to be issued, and determined that there were no subsequent events requiring adjustment or disclosure in the financial statements.

This page intentionally left blank.

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*

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, which comprise the statement of financial position as of June 30, 2019, 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 October 10, 2019.

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 University of Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of The University of Akron 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The University of Akron Foundation's financial statements are free of 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*.

(Continued)

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Columbus, Ohio
October 10, 2019

OHIO AUDITOR OF STATE
KEITH FABER

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
JANUARY 2, 2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370
www.ohioauditor.gov