KENT STATE UNIVERSITY FOUNDATION, INC.
Kent, Ohio

FINANCIAL STATEMENTS
June 30, 2019 and 2018

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Board of Directors
Kent State University Foundation
P.O. Box 5190
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We have reviewed the *Independent Auditor's Report* of the Kent State University Foundation, Portage County, prepared by Plante & Moran, PLLC, 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 Kent State University Foundation is responsible for compliance with these laws and regulations.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

October 18, 2019

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Independent Auditor's Report

To the Board of Directors
Kent State University Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Kent State University Foundation (the "Foundation"), which comprise the statement 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 audit. We conducted our audit 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kent State University Foundation as of June 30, 2019 and 2018 and the changes in net assets and 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 basic financial statements, the Foundation adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

To the Board of Directors
Kent State University Foundation

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019 on our consideration of Kent State University 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 Kent State University Foundation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 25, 2019

KENT STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 2,910,082	$ 2,749,506
Receivables:		
Pledges	19,117,135	20,443,860
Interest on notes receivable	1,048,243	744,510
	20,165,378	21,188,370
Investments:		
Long-term pool	183,432,100	174,648,555
Charitable remainder trusts	6,135,610	6,218,597
Short-term pool	2,601,319	3,858,310
	192,169,029	184,725,462
Beneficial interest in trusts held by others	4,802,296	4,396,763
Notes receivable - Hotel and Conference Center	14,426,108	14,426,108
Property, net of depreciation	11,466,735	11,683,124
	$ 245,939,628	$ 239,169,333
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 478,794	$ 359,459
Funds held for others	10,829,843	10,585,475
Capital lease liability	9,733,652	9,733,652
Actuarial liabilities		
Annuities	2,104,994	2,127,660
Charitable remainder trusts	1,913,761	2,151,281
	25,061,044	24,957,527
NET ASSETS		
Without donor restrictions	17,655,615	15,946,480
With donor restrictions	203,222,969	198,265,326
	220,878,584	214,211,806
	$ 245,939,628	$ 239,169,333

See accompanying notes to financial statements.

KENT STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2019

	Without donor restrictions	With donor restrictions	Total
REVENUE AND SUPPORT			
Gifts:			
Cash and securities	$ 47,880	$ 18,516,313	$ 18,564,193
Net change in pledges receivable	-	(430,145)	(430,145)
	47,880	18,086,168	18,134,048
Losses on pledges receivable	-	(896,579)	(896,579)
	47,880	17,189,589	17,237,469
Net investment income:			
Securities	891,104	4,847,340	5,738,444
Investment pool operator fee	1,805,213	(1,805,213)	-
Service fee	479,526		479,526
Investment in Hotel and Conference Center	868,113	-	868,113
	4,043,956	3,042,127	7,086,083
Sales, services, events, and other	13,918	140,289	154,207
Changes in designation of prior contributions	(166,684)	166,684	-
Change in actuarial liabilities		(34,188)	(34,188)
Release of restrictions	15,546,859	(15,546,859)	-
	19,485,929	4,957,642	24,443,571
EXPENSES			
Grants for Kent State University	16,739,025	-	16,739,025
Administration	1,037,768	-	1,037,768
	17,776,793	-	17,776,793
Change in net assets	1,709,136	4,957,642	6,666,778
Net assets at beginning of year	15,946,480	198,265,326	214,211,806
Net assets at end of year	$17,655,616	$ 203,222,968	$ 220,878,584

See accompanying notes to financial statements.

KENT STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2018

	Without donor restrictions	With donor restrictions	Total
REVENUE AND SUPPORT			
Gifts:			
Cash and securities	$ 168,212	$ 16,954,382	$ 17,122,594
Net change in pledges receivable	-	11,563,822	11,563,822
	168,212	28,518,204	28,686,416
Losses on pledges receivable	-	(3,121,213)	(3,121,213)
	168,212	25,396,991	25,565,203
Net investment income:			
Securities	2,319,845	11,846,571	14,166,416
Investment pool operator fee	1,773,516	(1,773,516)	-
Service fee	604,088		604,088
Investment in Hotel and Conference Center	675,309	-	675,309
	5,372,758	10,073,055	15,445,813
Sales, services, events, and other	14,000	51,400	65,400
Changes in designation of prior contributions	(199,950)	199,950	(0)
Change in actuarial liabilities		318,024	318,024
Release of restrictions	13,868,527	(13,868,527)	-
	19,223,547	22,170,893	41,394,440
EXPENSES			
Grants for Kent State University	15,836,771	-	15,836,771
Administration	1,108,479	-	1,108,479
	16,945,250	-	16,945,250
Change in net assets	2,278,297	22,170,893	24,449,190
Net assets at beginning of year	13,668,183	176,094,433	189,762,616
Net assets at end of year	$15,946,480	$ 198,265,326	$ 214,211,806

See accompanying notes to financial statements.

KENT STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
Year ended June 30, 2018

	2019	2018
Cash flows from operating activities		
Increase in net assets	$ 6,666,778	$ 24,449,190
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net gains on investments	(3,085,310)	(8,105,804)
Contributions with donor restrictions	(4,619,256)	(2,931,454)
Change in actuarial obligations	34,188	(318,024)
Gifts of stock	(12,425)	(22,815)
Losses on pledges receivable	896,579	3,121,211
Depreciation and amortization	254,388	254,388
Changes in operating assets and liabilities:		
Pledges receivable	430,145	(11,563,822)
Other receivable	(303,733)	(303,734)
Beneficial interest in outside trusts	(405,533)	(52,794)
Accounts payable	119,335	175,170
Funds held for others	244,368	820,375
Actuarial liability for annuity and unitrust agreements	290,191	1,236,288
Net cash provided in operating activities	509,715	6,758,175
Cash flows from investing activities		
Purchases of investments	(91,432,181)	(59,831,002)
Proceeds from sales of investments	88,181,068	50,801,309
Gifts of stock and property	(451,345)	(1,747,643)
Net cash used in investing activities	(3,702,458)	(10,777,336)
Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowment and trust	4,619,256	2,931,454
Gifts of stock	(681,372)	(268,000)
Payments to annuitants	(584,565)	(587,544)
Net cash (used) provided by financing activities	3,353,319	2,075,910
Net change in cash and cash equivalents	160,576	(1,943,251)
Cash and cash equivalents, beginning of year	2,749,506	4,692,757
Cash and cash equivalents, end of year	2,910,082	$ 2,749,506

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION

Kent State University Foundation, Inc. (the "Foundation") was incorporated as a non-profit organization on December 27, 1965 as an independent self-governing body under the laws of the State of Ohio for the purpose of aiding, supporting, advancing, augmenting, and assisting in the development of Kent State University (the "University"). The Foundation is governed by a self-appointing Board of Directors composed of campus and community members. The Board of Directors has adopted a Code of Regulations for purposes of governance.

The Foundation has an operating agreement with the University dated October 10, 2016. The provisions of that agreement require the Foundation to reimburse the University for direct expenses related to Foundation administration. The Foundation has no employees of its own.

The Foundation is a not-for-profit corporation as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from paying federal income taxes pursuant to Section 501(a) of the Internal Revenue Code. Additionally, the Foundation is defined as a public charity pursuant to 509(a) (2).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation: The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to not-for-profit organizations and utilize the accrual basis of accounting.

The financial statement presentation follows applicable Financial Accounting Standards Board ("FASB") guidance, wherein, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

The preparation of financial statements in conformity with U.S. GAAP 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

Change in Accounting Principle: For the year-ended June 30, 2019, the Foundation adopted Accounting Standards Update No. 2016-14, Not-for-Profit Entities. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the previous three classifications. This standard requires changes in the way certain information is aggregated and reported by the Foundation, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. The standard was retroactively applied by the Foundation. As a result of the adoption of this standard, the financial information for the year ended June 30, 2018 has been restated to reclassify net assets of $138,615,403 and $59,649,923 previously reported as temporarily and permanently restricted net assets, respectively, to $198,265,326 of net assets with donor restrictions. Additionally, management and general have increased by $125,970, fundraising expenses have increased by $619,420, and academic support has decreased by $745,390 from the amounts previously reported.

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: Pursuant to determination by the Internal Revenue Service, the Foundation is exempt from federal income tax under section 501(c) (3) of the Internal Revenue Code.

The Foundation recognizes a benefit only if it is “more-likely-than-not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more-likely-than-not” test, no tax benefit is recorded. Management has concluded that they are unaware of any uncertain tax benefits or liabilities to be recognized at June 30, 2019 or 2018.

The Foundation would recognize interest and penalties related to unrecognized tax benefits in interest and income tax, respectively. The Foundation has no amounts accrued for interest or penalties at June 30, 2019 or 2018. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months.

Gifts: Gift revenue is recognized on the date of receipt. Gifts of securities are recorded at fair value. Gift revenue from gifts requiring future payment obligations are recorded as the difference between the assets received and the future payment obligation. Gifts-in-kind are recorded at a substantiated amount which reflects the useful value for its intended purpose. All gifts are considered to be available for use unless specifically restricted by the donor. Gifts that are designated for future periods or restricted by the donor are reported as with donor restrictions support.

Functional Allocation of Expenses: The financial statements report certain categories of expenses that are attributed to one or more program or supporting functions of the Foundation. Those expenses include depreciation and interest expense related to the office building and capital lease. These expenses are allocated based on square footage. The administration consists of areas related to the Foundation operations and shared expenses while fundraising consists of remaining square footage. All other expenses are direct expenses and fall specifically into administrative, fundraising and program.

The grants made to Kent State University are summarized on a functional basis in footnote 13.

Fair Value of Assets and Liabilities: FASB Accounting Standards Codification (“ASC”) 820 defines fair value, provides enhanced guidance for using fair value to measure assets and liabilities and expands the disclosure of the methods used and the effect of fair value measurements on earnings. The Foundation uses fair value accounting for Investments, pledge receivables, beneficial interests in lead and perpetual trusts, and actuarial liabilities.

Cash and Cash Equivalents: Cash and cash equivalents as presented in the financial statements are for operating purposes and include highly liquid investments with original maturities of three months or less that are not included in investments. At various times throughout the fiscal year, the Foundation had in excess of $250,000 on deposit with a financial institution whose deposits are federally insured up to $250,000.

Investments: Fluctuations in fair value of investments, as well as gains or losses on sales of securities, are recognized in the statements of activities. Investments are presented in the statements of financial position according to their intended purpose. The Foundation maintains a long-term pool and a short-term pool of investments. Trust investments are segregated into individual funds. All income from the

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

short-term pool is without donor restrictions. The long-term pool is operated using a unitized share method and is the primary investment vehicle for endowed funds and annuities. Trust investment income is assigned to the segregated fund which generated the income.

Pledges Receivable: Unconditional pledges are recorded in the period that the pledges are received. Conditional pledges are recorded in the period in which the conditions have been met. Funds from pledges to be collected in future years are presented at net present value. Pledges receivable are reviewed annually to determine the allowance for uncollectible contributions. Based upon management's judgment, considering such factors as prior collection history, type of contribution and nature of fund-raising activity, an allowance for uncollectible contributions receivable has been provided. Management has elected the fair value option for pledges receivable. Management believes that the use of fair value option for pledge receivables better reflects the value of the assets based on the anticipated investment return when the assets are realized in cash. Unrealized gains or losses on assets or liabilities for which the fair value option has been elected are reported in the statement of activities.

Beneficial Interest in Trusts Held By Others: Non-custodial, non-revocable trusts which will benefit the Foundation are recognized as gift revenue and as an asset in an amount equal to the fair value of the trusts. Changes in the asset value are recognized as market gains and losses.

Funds Held for Others: The Foundation maintains and invests funds for the alumni association.

Property: Property consists of real estate acquired through purchase, gifts, or capital lease. All property is recognized at the acquisition cost or the fair value of the gift when received. For assets under capital lease, if the present value of the minimum lease payments exceeds the fair value of the leased property at lease inception, the asset is recorded at fair value. Buildings included in real estate are depreciated on a straight-line basis over a forty-year period. Total cost of these assets is $12,849,716 and $12,811,716 as of June 30, 2019 and 2018, respectively. Accumulated depreciation is $1,382,981 and $1,128,592 as of June 30, 2019 and 2018, respectively.

Impairment of Long-Lived Assets: The Foundation continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision. In evaluating whether these long-lived assets are recoverable, the Foundation estimates the sum of the expected future cash flows, undiscounted and without interest charge derived from such assets over their remaining useful life. The Foundation has determined that no impairment of long-lived assets exists at June 30, 2019 or 2018.

Collections: Purchases of collection items are expensed as incurred. Items contributed to collections during the year are not reflected in the Foundation's financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. The Foundation received proceeds of $383 from deaccessions during the year ended June 30, 2019 and $6,733 during the year ended June 30, 2018.

Actuarial Liabilities: Obligations to pay stipulated amounts periodically to donors and/or other designated individuals under split interest and annuity agreements are accounted for at fair value using an income approach.

Management has elected the fair value option for actuarial liabilities. Management believes that the use of fair value option for actuarial liabilities better reflects the value of the split interest and annuity agreements.

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets: Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net Assets with donor restrictions: Restricted net assets include gifts and pledges receivable for which donor-imposed restrictions have not been met. The income from these assets is included in donor restricted funds until appropriated for expenditure in the accompanying statement of activities and changes in net assets.

Endowments: The Foundation accounts for endowment funds in accordance with FASB guidance pertaining to the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). The Foundation interprets UPMIFA as requiring only those gifts and accumulations explicitly directed by the donor to be preserved to be classified as net assets with donor restrictions.

As a result of market declines, the fair value of certain permanently restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related with donor restricted amounts are reported in without donor restricted net assets. Such amounts totaled $ 0 for June 30, 2019 and 2018.

Life Insurance Policies: The Foundation has been named as the beneficiary of several life insurance policies. The Foundation’s accounting policy is to record the insurance proceeds as other revenue when received. The total face value of the policies that name the Foundation as beneficiary is approximately $1,964,000 and $763,000 at June 30, 2019 and 2018, respectively.

Subsequent Events: The Foundation has evaluated events and transactions occurring subsequent to the financial statements date of June 30, 2019, for items that should be recognized or disclosed in these financial statements. This evaluation was conducted through September 25, 2019, the date these financial statements were available to be issued.

Upcoming Pronouncements:

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

(Continued)

The Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases, which will supersede the current lease requirements in ASC 840. The ASU did not significantly change the accounting requirements for lessors and, accordingly, application of the new lease standard is not expected to have a significant effect on the Foundation's financial statements. The new lease guidance will be effective for the Foundations year ending June 30, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented.

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

NOTE 3 – INVESTMENTS

Investments are managed by the Board of Directors of the Foundation based upon the recommendations of a board directed investment committee and in accordance with a defined investment policy. The policy contains objectives, guidelines, and restrictions regarding investing. The board employs an investment consultant to assist in matters of asset allocation, investment manager selection, and performance measurement.

The Foundation's investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. With respect to the investments in corporate stocks, the Foundation maintains a diverse investment portfolio, without any concentration of risk in any particular industry sector. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Foundation.

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

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The 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 following tables present information about the investments measured at fair value on a recurring basis as of June 30, 2019 and 2018:

(Continued)

NOTE 3 – INVESTMENTS (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
	Balance at June 30, 2019	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Corporate stocks	$ 5,628,511	$ 5,628,511		$ -
ETFs	30,580,142	30,580,142		
Mutual funds	-			
Large capitalization equity funds	50,554,266	50,554,266		
Small / middle capitalization equity funds	4,864,220	4,864,220		
International equity funds	29,229,011	29,229,011		
Multi-asset funds	530,634	530,634		
Fixed income funds	29,131,521	29,131,521		
Total investments by fair value level	$ 150,518,305	$ 150,518,305	$ -	$ -
Investments measured at net asset value (NAV)				
Private equity	8,631,849			
Hedge funds	22,134,410			
Real assets	10,884,465			
Total investments measured at NAV	$ 41,650,724			
Total investments measured at fair value	$ 192,169,029			

(Continued)

NOTE 3 – INVESTMENTS (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
	Balance at June 30, 2018	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Corporate stocks	$ 5,798,497	$ 5,798,497	$ -	$ -
ETFs	19,225,240	19,225,240		
Mutual funds	-			
Large capitalization equity funds	49,181,287	49,181,287		
Small / middle capitalization equity funds	5,129,145	5,129,145		
International equity funds	39,755,693	39,755,693		
Multi-asset funds	497,416	497,416		
Fixed income funds	21,838,127	21,838,127		
Bonds	94,496		94,496	
Total investments by fair value level	$ 141,519,901	$ 141,425,405	$ 94,496	$ -
Investments measured at net asset value (NAV)				
Private equity	5,336,649			
Hedge funds	15,327,394			
Real assets	10,997,802			
Bond trust	11,543,716			
Total investments measured at NAV	$ 43,205,561			
Total investments measured at fair value	$ 184,725,462			

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

(Continued)

NOTE 3 – INVESTMENTS (Continued)

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.

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

	June 30, 2019 Fair Value	June 30, 2018 Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private equity	$ 8,631,849	$ 5,336,649	$ 8,376,934	Not eligible	Not eligible
Hedge funds	22,134,410	15,327,394	-	Quarterly/ Semi-annually	75-90 days
Real assets	10,884,465	10,997,802	-	Monthly	30 days
Bond Trust	-	11,543,716		Weekly	None
Total	$ 41,650,724	$ 43,205,561	$ 8,376,934		

The private equity class is made up of fund-of-funds managers who allocate to a specific sector or investment stage, including venture and growth capital, buyout, private credit/debt, real estate, and natural resources. An initial commitment is made by the investor, and capital is called over several years (3-5). As underlying companies are sold, issue an initial public offering, or are otherwise recapitalized, managers distribute the realized proceeds to limited partner investors.

The hedge fund class consists of fund-of-fund managers who allocate funds to underlying hedge funds which invest both long and short positions in various asset classes globally. Investments may include public equities, fixed income, credit instruments, commodities, currencies, and other securities based on economic trends or index hedging. While underlying investments are generally very liquid, the manager offers only periodic redemptions and subscriptions in order to better align with a longer investment time horizon.

The real assets class is comprised of investments in equity securities and derivative instruments with primary exposure to tangible assets including commodities, energy, infrastructure, real estate securities, and inflation-protected Treasuries. Investments are primarily liquid, though the managers may only allow periodic redemptions in order to better align with a longer investment time horizon.

The bond trust class is a private placement fund investing in high and medium grade fixed income securities with intermediate maturities.

NOTE 4 – HOTEL AND CONFERENCE CENTER

On February 23, 2012, the Foundation entered into a Construction Loan Agreement with the party (Downtown Kent Hotel, LLC, the "Borrower") developing a hotel and conference center located in Kent, Ohio (the "Hotel and Conference Center"). The Construction Loan Agreement allowed for the Borrower to borrow up to $15,400,000 under the Construction Loan Agreement for purposes of developing the Hotel and Conference Center. The Construction Loan Agreement included terms for interest at 8.00% per annum. In October 2012, the outstanding borrowings under the Construction Loan Agreement were repaid in full.

The Foundation then made loans of $11,061,000 and $3,015,614 under new loan agreements with parties involved in the development of the Hotel and Conference Center. The Foundation funded these loans with proceeds from the Line of Credit as well as operating funds.

The $3,015,614 note is with the developer. The note agreement states that the loan principal and interest will be paid with the net cash flow generated by the Hotel and Conference Center when available. Interest will be paid at a fixed rate of 2.20%.

The $11,061,000 note is with an LLC investment fund and calls for quarterly interest only payments beginning December 31, 2012 through September 30, 2019 at a fixed rate of 7.27%. Principal and interest payments of $172,828 will be made quarterly beginning October 1, 2019 through September 2035. All final amounts are due September 21, 2035.

During fiscal year 2014, the Foundation advanced $349,494 through additional note agreements for quarterly interest payments. The notes are collateralized by a security interest in the hotel and conference center. The Foundation has the credit risk that the developer, the investment fund or both will not have sufficient liquidity to repay the receivables in the agreed upon manner and the security interest in the property will not be sufficient to fund any shortfall.

The Foundation has also entered into a ground lease agreement with the Downtown Kent Hotel, LLC for occupancy by the Hotel and Conference Center on land owned by the Foundation. Lease payments are due to the Foundation based upon revenues generated by the Hotel and Conference Center and commenced in June 2013, the date the Hotel and Conference Center opened for business. The ground lease agreement matures in June 2033.

(Continued)

NOTE 5 – PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable. Pledges are recorded at fair value using an income approach. The use of an income approach in determining fair value requires the Foundation to estimate the expected timing of future cash flows from pledges receivable. The future expected cash flows from pledges receivable are discounted to their net present value using discount rates representing the daily Treasury Bill rates as of each balance sheet date (Level 3) (weighted average discount rate of 1.79% and 2.61% at June 30, 2019 and 2018, respectively). Pledges receivable at June 30, 2019 and 2018 have the following restrictions:

	Total	Without Donor Restrictions	With Donor Restrictions
June 30, 2019			
Pledges receivable	$ 27,449,763	$ -	$ 27,449,763
Less: Reserve for uncollectible pledges	7,548,563		7,548,563
Less: Present value discount	784,065	-	784,065
	$ 19,117,135	$ -	$ 19,117,135

	Total	Without Donor Restrictions	With Donor Restrictions
June 30, 2018			
Pledges receivable	$ 28,512,192	$ -	$ 28,512,192
Less: Reserve for uncollectible pledges	6,841,283		6,841,283
Less: Present value discount	1,227,049	-	1,227,049
	$ 20,443,860	$ -	$ 20,443,860

Pledges receivable at June 30, 2019 and 2018 are expected to be realized in the following periods:

	2019	2018
Less than one year	$ 13,734,093	$ 13,257,076
One to five years	12,495,670	14,885,116
More than five years	1,220,000	370,000
	$ 27,449,763	$ 28,512,192

(Continued)

NOTE 5 – PLEDGES RECEIVABLE (Continued)

As of June 30, 2019 the Foundation has approximately $100,815,000 in numerous outstanding pledges which are considered to be intentions to give and are contingent upon future events. Substantially all of the Foundation’s contingent pledges are bequests. These pledges are not recorded as receivables or recognized as revenue because they do not represent unconditional promises to give.

The table below presents a reconciliation of the fair value of pledge receivables for the years ended June 30, 2019 and 2018:

	2019	2018
Balance at beginning of year	$ 20,443,860	$ 12,001,250
Additional pledges	6,680,946	19,084,000
Collections on pledges	(7,554,075)	(6,614,220)
Provision for doubtful pledges	(896,579)	(3,121,214)
Present value change	442,983	(905,956)
Balance at end of year	$ 19,117,135	$ 20,443,860

NOTE 6 – CAPITAL LEASE OBLIGATION

On January 1, 2016, the Foundation entered into a sublease agreement for building office space with Kent State University. This lease meets the lease capitalization criteria and is recorded as an asset and liability at fair value. The interest rate used in computing the net present value of the lease payments was based on the Foundation's incremental borrowing rate at the inception of the lease and is 4.97%. Amortization of the building under capital lease is included with depreciation expense.

The aggregate minimum lease payments under capital lease obligations are as follows:

Year ending June, 30	
2020	$ 375,000
2021	462,500
2022	550,000
2023	575,000
2024	600,000
Thereafter	19,921,809
Total lease payments	22,484,309
Interest	12,750,657
Total Principal balance	$ 9,733,652

The cost and accumulated amortization of the building under the capital lease are as follows at June 30:

	2019	2018
Building	$ 9,921,152	$ 9,921,152
Less: Accumulated amortization	890,360	635,971
	$ 9,030,792	$ 9,285,181

(Continued)

NOTE 7 – BENEFICIAL INTEREST IN TRUSTS HELD BY OTHERS

The Foundation has beneficial interests in various perpetual trusts. The fair value of the beneficial interest is based on quoted prices for similar assets or liabilities that are observable or can be corroborated by observable market data (Level 2 inputs). However, in accordance with FASB guidance, the beneficial interests in perpetual trusts are classified as a Level 3 investment, as the Foundation does not have the ability to redeem the beneficial interest in these perpetual trusts. At June 30, 2019 and 2018, the fair value of the Foundation's interests in these perpetual trusts was $4,802,296 and $4,396,763 respectively.

Asset	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Beneficial interest in perpetual trust	Percent of total trust	Market value of trust assets	FY 19 - $4,802,296 FY 18 - $4,396,763

The table below presents a reconciliation of the fair value of the beneficial interest in perpetual trusts for the year ended June 30, 2019 and 2018:

	2019	2018
Balance at the beginning of year	$ 4,396,763	$ 4,343,969
Contributions	447,885	-
Change in fair value	(42,352)	52,794
Balace at the end of year	$ 4,802,296	$ 4,396,763

NOTE 8 – SPLIT INTEREST TRUSTS

The Foundation has entered into split interest trust agreements whereby it receives assets from donors on the condition that it binds itself to pay stipulated amounts periodically to the donor and/or other designated individuals. Assets received in a split interest trust transaction are maintained in segregated custodial investment accounts. The Foundation's payment liability is limited to the amount of the trust assets. For periods subsequent to the effective date of the agreements, investment income from the segregated assets increases the actuarial liability account. Stipulated payments, administrative expenses, and investment losses from the segregated assets decrease the actuarial liability account. At year-end, an adjustment is made to the actuarial liability to record the net change in the actuarial obligation between years.

At the date the agreements are made effective, the difference between the assets received and the fair value of the future obligation to the donor, the net asset, is recorded as gift revenue. Upon termination of each agreement's stipulated payout period, the remaining assets are distributed for the purpose designated by the donor.

(Continued)

NOTE 8 – SPLIT INTEREST TRUSTS (Continued)

The obligation for future stipulated payments to donors and other designated individuals is accounted for at fair value using an income approach. Using an income approach to measure these obligations requires the Foundation to estimate the expected timing of payments associated with these obligations. These obligations are discounted to fair value using a discount rate consistent with Internal Revenue Service publications (Level 3 inputs) as of each balance sheet date (2.8%and 3.4% for the years ended June 30, 2019 and 2018, respectively). Under this method, the change in the fair value of the future amounts payable is credited to the actuarial liability account.

Presented below is a roll forward of the fair value of the liability at June 30, 2019 and 2018:

	2019	2018
Balance at beginning of year	$ 2,151,281	$ 2,242,635
Investment income	412,083	496,120
Annuity/trust payments	(316,871)	(328,731)
Expenses	(13,867)	(15,909)
Maturities	(160,989)	-
Net change in actuarial liability	(157,876)	(242,834)
	(237,520)	(91,354)
Balance at end of year	$ 1,913,761	$ 2,151,281

NOTE 9 – GIFT ANNUITY FUNDS

The Foundation has entered into annuity agreements whereby the Foundation receives assets from donors on the condition that it binds itself to pay stipulated amounts periodically to the donor and/or other designated individuals. The Foundation's payment liability is the fair value of the future obligation to the donor regardless of the amount in the investment account.

At the date the agreements are made effective, the difference between the assets received and the fair value of the future obligation to the donor, the net asset, is recorded as gift revenue. Upon termination of each agreement's stipulated payout period, the remaining assets are distributed for the purpose designated by the donor.

Assets received in an annuity agreement transaction are placed in a reserve. Investment income, stipulated payments, and administrative expenses are recorded as temporarily restricted in the statement of activity.

(Continued)

NOTE 9 – GIFT ANNUITY FUNDS (Continued)

The future obligation to donors and other designated individuals is accounted for at fair value using an income approach. Using an income approach to measure these obligations requires the Foundation to estimate the expected timing of payments associated with these obligations. These obligations are discounted to fair value using a discount rate consistent with Internal Revenue Service publications (Level 3 inputs) as of each balance sheet date (2.8% and 3.4% for the years ended June 30, 2019 and 2018, respectively). Under this method, the fair value of the future amounts payable is credited to the liability account. At year-end, an adjustment is made to the liability to record the change in the fair value of the obligation between years. The change is recorded in the statement of activity.

Presented below is a roll forward of the fair value of the liability for the annuity assets at June 30, 2019 and 2018:

	2019	2018
Balance at beginning of year	$ 2,127,660	$ 1,705,586
New gifts	52,964	756,077
Annuity payments	(267,694)	(258,813)
Net change in actuarial liability	192,064	(75,190)
	(22,666)	422,074
Balance at end of year	$ 2,104,994	$ 2,127,660

(Continued)

NOTE 10 – NET ASSETS

Donor restricted net assets are principally related to scholarships, specific schools within the University, department chairs, and various other purposes.

As of June 30, 2019 and 2018 net assets are as follows:

	Without donor restrictions	With donor restrictions
June 30, 2019		
Available for expenditure:		
Current operations	$ 14,768,986	$ 38,941,890
Term endowments	2,339,221	57,297,484
Earnings on endowments	(1,713)	21,897,139
Beneficial interest in perpetual trusts		4,802,296
Real estate	549,121	1,886,822
	17,655,615	124,825,631
Unavailable for expenditure:		
Endowments		55,068,172
Trusts		4,212,031
Uncollected pledges, net	-	19,117,135
	-	78,397,338
	$ 17,655,615	$ 203,222,969

	Without donor restrictions	With donor restrictions
June 30, 2018		
Available for expenditure:		
Current operations	$ 12,987,047	$ 36,209,434
Term endowments	2,410,312	56,974,114
Earnings on endowments	-	24,799,420
Beneficial interest in perpetual trusts		4,396,763
Real estate	549,121	1,848,823
	15,946,480	124,228,554
Unavailable for expenditure:		
Endowments		49,536,901
Trusts		4,056,012
Uncollected pledges, net	-	20,443,859
	-	74,036,772
	$ 15,946,480	$ 198,265,326

Included in the accompanying statements of activities are changes in the net asset designation of prior contributions. Donors may elect to change the designation of prior contributions. There were transfers of prior contributions from without donor restricted net assets to with donor restricted net assets in the amounts of were $166,684 for the year ended June 30, 2019 and $199,950 for the year ended June 30, 2018.

(Continued)

NOTE 11 – ENDOWMENTS

The Foundation's endowment consists of over 1,000 funds. It's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. In addition, the endowment also includes beneficial interests in two perpetual trusts that are administered by outside parties. As required by applicable standards, 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.

Endowment funds are invested with the overall objective of preservation of principal, competitive investment returns, and moderate investment risk resulting in a real (inflation-adjusted) annualized rate of return greater than the spending rate and investment-related expenses. The Foundation considers the expected annual return on its endowment investments when developing its spending policy. As a result, the Foundation expects that its current spending policy will allow the endowment funds to maintain real value while also experiencing growth through additional gifts and accumulated earnings.

The Foundation has a 5% spending policy whereby a portion of the accumulated investment return for endowment assets is distributed on May 31st and November 30th each year to funds which may be expended for current operations in accordance with any restrictions of the endowment fund. The amount of endowment assets distributed during fiscal years 2019 and 2018 are disclosed below. The distribution is calculated using a 2.5% semi-annual equivalent of the rate, applied against the average of the preceding month-end investment balances. The average preceding month end investment balance is calculated as the lesser of thirty-six months or the number of months the fund has been in existence. Certain endowment funds do not permit a spending distribution below the historic gift value or other donor designated amount.

(Continued)

NOTE 11 – ENDOWMENTS (Continued)

Endowment net asset composition by type as of June 30, 2019 and 2018 are as follows:

	Without donor restrictions	With donor restrictions	Total
June 30, 2019			
Board designated endowment funds	$ 2,337,508	$ -	$ 2,337,508
Beneficial interests in perpetual trusts	-	4,802,296	4,802,296
Donor restricted endowment funds			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	-	55,068,172	55,068,172
Term endowment	-	57,297,484	57,297,484
Accumulated investment gains(losses)	-	21,897,139	21,897,139
Total donor-restricted endowment funds		134,262,795	134,262,795
Total	$ 2,337,508	$ 139,065,091	$ 141,402,599

	Without donor restrictions	With donor restrictions	Total
June 30, 2018			
Board designated endowment funds	$ 2,410,312		$ 2,410,312
Beneficial interests in perpetual trusts	-	4,396,763	4,396,763
Donor restricted endowment funds			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	-	49,536,902	49,536,902
Term endowment	-	56,974,113	56,974,113
Accumulated investment gains(losses)	-	24,799,420	24,799,420
Total donor-restricted endowment funds		131,310,435	131,310,435
Total	$ 2,410,312	$ 135,707,198	$ 138,117,510

(Continued)

NOTE 11 – ENDOWMENTS (Continued)

Change in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	Without donor restrictions	With donor restrictions	Totals
Year ended June 30, 2019			
At beginning of year	$ 2,410,312	$ 135,707,198	$ 138,117,510
Investment return			
Investment income, net	39,016	2,383,639	2,422,655
Investment administrative fees	(26,807)	(1,643,260)	(1,670,067)
Investment consultant fees	(2,306)	(136,901)	(139,207)
Net appreciation (realized and			-
unrealized gains and losses)	35,948	2,189,173	2,225,121
Underwater endowments (change)	(1,713)	1,713	-
Total investment return	44,138	2,794,364	2,838,502
Gifts	-	7,128,643	7,128,643
Change in designation of prior gifts		(794,573)	(794,573)
Endowment spending transfers	(116,942)	(5,770,541)	(5,887,483)
			-
At end of year	$ 2,337,508	$ 139,065,091	$ 141,402,599

	Without donor restrictions	With donor restrictions	Totals
Year ended June 30, 2018			
At beginning of year	$ 2,249,007	$ 126,820,229	$ 129,069,236
Investment return			
Investment income, net	101,569	5,378,106	5,479,675
Investment administrative fees	(30,193)	(1,599,056)	(1,629,249)
Investment consultant fees	(2,484)	(131,552)	(134,036)
Net appreciation (realized and			-
unrealized gains and losses)	111,041	5,882,185	5,993,226
Underwater endowments (change)	-	-	
Total investment return	179,933	9,529,683	9,709,616
Gifts	100,000	4,782,191	4,882,191
Change in designation of prior gifts	-	412,855	412,855
Endowment spending transfers	(118,628)	(5,837,760)	(5,956,388)
At end of year	$ 2,410,312	$ 135,707,198	$ 138,117,510

(Continued)

NOTE 12 – TRANSACTIONS WITH KENT STATE UNIVERSITY

The Foundation made grants to the University in furtherance of the Foundation's mission and in compliance with donor restrictions. Additionally, grants were made to the University from unrestricted net assets at the direction of the Foundation's Board of Directors.

The Foundation made payments to the University in accordance with an operating agreement between the parties. Payments made under the agreement were $837,102 and $871,483 for the years ended June 30, 2019 and 2018 respectively. The payments were primarily for staffing used in the execution of Foundation operations. The amount payable to the University at June 30, 2019 and 2018 is $75,989 and $75,356, respectively. In addition, the Foundation rents certain facilities and information technology support from the University for nominal amounts as consideration in the operating agreement.

As discussed in footnote 6, the Foundation is party to a lease for rental of its building office space with the University.

NOTE 13 – STATEMENT OF FUNCTIONAL EXPENSES BY PROGRAM

For the twelve months ending June 30, 2019.

	KSU Programs	Management and General	Fundraising	Total
Operating Expenses				
Salaries & wages		525,018		525,018
Fringe Benefits/PR Taxes		192,450		192,450
Contracted Services		44,229		44,229
Supplies		7,438		7,438
Travel/Transportation		1,550		1,550
Other		8,684		8,684
Insurance		13,106		13,106
Interest	-	83,966	412,877	496,843
Credit Card Fees		65,320		65,320
Meeting Expense		53,015		53,015
Grants to KSU	16,094,494		20,257	16,114,751
Depreciation/Amortization	-	42,992	211,397	254,389
Total operating expenses	$ 16,094,494	$ 1,037,768	$ 644,531	$ 17,776,793

NOTE 13 – STATEMENT OF FUNCTIONAL EXPENSES BY PROGRAM (Continued)

For the twelve months ending June 30, 2018:

	KSU Programs	Management and General	Fundraising	Total
Operating Expenses				
Salaries & wages		582,783		582,783
Fringe Benefits/PR Taxes		236,781		236,781
Contracted Services		37,847		37,847
Supplies		4,168		4,168
Travel/Transportation		-		-
Other		3,301		3,301
Insurance		12,961		12,961
Interest	-	82,979	408,023	491,002
Credit Card Fees		50,708		50,708
Meeting Expense		53,959		53,959
Grants to KSU	13,889,338		1,328,013	15,217,351
Depreciation/Amortization	-	42,992	211,397	254,389
Total operating expenses	$ 13,889,338	$ 1,108,479	$ 1,947,433	$ 16,945,250

NOTE 14 – GRANTS TO KENT STATE UNIVERSITY

The grants made to Kent State University by the Foundation shown in note 13 are summarized below for the years ended June 30, 2019 and 2018, based on the program or supporting service. All grants are made to, or for the benefit of, Kent State University.

	2019	2018
Academic programs	$ 5,620,354	$ 4,936,021
Scholarships	5,350,109	4,872,098
Cosntruction projects	2,550,498	1,405,019
WKSU	2,270,506	1,821,708
Fundraising	20,257	1,328,013
Athletics	216,662	768,068
Entrepreneurship initiatives	86,365	86,424
	$ 16,114,751	$ 15,217,351

NOTE 15 – INVESTMENT POOL OPERATOR FEE

Endowment funds, annuity funds, and Kent State University Alumni Association funds invested in investment pools are assessed a pool operator fee from the unrestricted fund. The 1.25% annual fee is used to offset unrestricted fund costs for administrative, clerical and fiduciary services. The monthly equivalent of the rate is applied against the preceding month-end investment balances in the calculation of the fee.

NOTE 16 – CREDIT RISK CONCENTRATIONS

Financial instruments which potentially expose the Foundation to concentrations of credit risk include cash and cash equivalents, investments in marketable securities and pledges receivable. As a matter of policy, the Foundation only maintains cash 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.

NOTE 17- LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	2019	2018
Cash and equivalents	$ 2,910,082	$ 2,749,506
Receivables	20,165,378	21,188,370
Investments	192,169,029	184,725,462
Notes receivable	14,426,108	14,426,108
Financial assets, at year-end	$ 229,670,597	$ 223,089,446
Less those unavailable for general expenditures within one year, due to:		
Long-term financial assets		
Receivables	$ 20,165,378	$ 21,188,370
Long-term investments	$ 192,169,029	$ 184,725,462
Long-term portion of notes receivable and interest receivable	$ 14,426,108	$ 14,426,108
Financial assets available to meet cash needs for general expenditures within one year:	$ 2,910,082	$ 2,749,506

None of these remaining financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 45 days of normal operating expenses, which are on average, approximately $2,222,099 and $2,118,156 at June 30, 2019 and 2018, respectively. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

Additionally, the Foundation has a quasi-endowment of $2,337,508 and $2,410,312 as of June 30, 2019 and 2018, respectively. Although the Foundation does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

The Foundation's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes, and, therefore, is not available for general expenditure. As described in Note 11, the endowment has a spending rate of 5 percent.

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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
Kent State University Foundation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kent State University Foundation (the "Foundation"), an Ohio not-for-profit corporation, which comprise the basic statements of financial position as of June 30, 2019 and 2018 and the related basic statements of activities and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated September 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 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.

Compliance and Other Matters

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

To Management and the Board of Directors
Kent State University Foundation

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 25, 2019

OHIO AUDITOR OF STATE
KEITH FABER

KENT STATE UNIVERSITY FOUNDATION

PORTAGE 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
NOVEMBER 7, 2019

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