

**The University of Akron**  
(a component unit of the State of Ohio)

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**Financial Report**  
**With Supplemental Information**

**June 30, 2012**





# Dave Yost • Auditor of State

Board of Directors  
The University of Akron  
302 Buchtel Common  
Akron, Ohio 44325

We have reviewed the *Independent Auditor's Report* of The University of Akron, Summit County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2011 through June 30, 2012. 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 is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

January 14, 2013

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# The University of Akron

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# The University of Akron

## Management's Discussion and Analysis

### June 30, 2012

The discussion and analysis of The University of Akron's (The University) annual financial performance provides an overall review of The University's financial activities for the fiscal year ended June 30, 2012. This discussion and analysis views The University's financial performance as a whole; readers should also review the financial statements and related notes to the financial statements to enhance their understanding of The University's financial performance.

#### Using the Annual Financial Report

The annual report consists of this Management's Discussion and Analysis, three separate but interrelated financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, and the Report of Independent Auditors. The financial statements are prepared using the accrual basis of accounting, which is similar to the accounting method used by many private sector companies. Under the accrual basis of accounting, revenues are recognized when earned while expenses are recognized when incurred.

The University's financial statements include the *Statements of Net Assets; Revenues, Expenses and Changes in Net Assets; and Cash Flows*. The financial statements focus on the financial condition, results of operations, and cash flows of The University, as a whole.

*The Statement of Net Assets* includes all assets and liabilities, with the difference between the two reported as *net assets*. The assets and liabilities are presented in the order of relative liquidity while *net assets* are categorized as *Invested in capital assets, net of related debt; Restricted; or Unrestricted*. Over time, increases or decreases in *net assets* are an indicator of the improvement or erosion of The University's financial health.

*The Statement of Revenues, Expenses, and Changes in Net Assets* presents revenues earned and expenses incurred during the year. The revenues and expenses are classified as either operating or nonoperating. The State of Ohio (State) provides significant operating and capital financial resources to The University, which are classified as Nonoperating revenues; therefore, substantial Operating losses are not uncommon for public colleges and universities. For the fiscal years ended June 30, 2012, 2011, and 2010, the State provided approximately \$105 million, \$116 million, and \$128 million, respectively, for operating and capital purposes while The University's operating losses were approximately \$140 million, \$141 million, and \$139 million for each of those years.

*The Statement of Cash Flows* presents information related to cash inflows and outflows summarized within the activities of *operating, noncapital financing, capital and related financing, and investing activities*. Cash flows from *operating* activities generally result from the provision of goods or services in the normal course of doing business and are generally the cash effects of transactions that determine *operating income*. Meanwhile, *noncapital financing activities* typically include borrowing and repaying money for purposes other than acquiring, constructing, or improving capital assets.

Conversely, *Capital and related financing activities* generally include acquiring and disposing of capital assets, borrowing and repaying money for acquiring, constructing, or improving capital assets, and paying for capital assets obtained from vendors on credit. The *investing activities* generally relate to making and collecting loans and acquiring and disposing of debt or equity instruments.

The University is considered a discretely presented component unit of the State of Ohio and as such, The University's financial activity is also included within the State of Ohio's Comprehensive Annual Financial Report.

**The University of Akron**  
**Management's Discussion and Analysis**  
June 30, 2012

The University has two discretely presented component units that are combined and reported in separate columns on The University's financial statements to emphasize that they are legally separate from The University. The University of Akron Foundation (Foundation) and The University of Akron Research Foundation (Research Foundation) are not-for-profit organizations supporting The University. Since the focus of this discussion is on The University, these component units are not included in the amounts below. These component units are described in greater detail in the financial statements and notes to the financial statements.

Table 1 summarizes The University's Statements of Net Assets at June 30, 2012, 2011, and 2010.

**Table 1**  
**Statements of Net Assets (In Thousands)**

	2012	2011	2010
Assets:			
Current assets	\$ 180,097	\$ 160,329	\$ 159,888
Restricted assets	61,250	65,123	90,457
Noncurrent assets:			
Capital	720,823	686,801	686,229
Other	67,394	113,478	64,351
Total assets	<u>1,029,564</u>	<u>1,025,731</u>	<u>1,000,925</u>
Liabilities:			
Current liabilities	79,133	75,976	112,052
Noncurrent liabilities	442,832	453,158	425,275
Total liabilities	<u>521,965</u>	<u>529,134</u>	<u>537,327</u>
Net assets:			
Invested in capital assets, net of related debt	320,624	300,224	307,344
Restricted:			
Nonexpendable	25,824	21,835	21,295
Expendable	52,122	63,748	52,514
Unrestricted	109,029	110,790	82,445
Total net assets	<u>\$ 507,599</u>	<u>\$ 496,597</u>	<u>\$ 463,598</u>



# The University of Akron

## Management's Discussion and Analysis

June 30, 2012

*Current assets* include those highly liquid assets such as cash and cash equivalents; investments; accounts, pledges, student notes, and accrued interest receivable; inventories; and prepaid expenses and deferred charges. Current assets increased \$19.8 million and \$0.5 million during 2012 and 2011, respectively. There were variations among many of the current asset categories, but the principal causes of the change are from a \$14.1 million increase within all current cash and investments during 2012 and a \$21.2 million increase within all current cash and investments during 2011 which was offset by an elimination of the deferred outflow of resources-derivatives due to the termination of the derivative swap debt agreement.

*Restricted assets* consist of cash, cash equivalents, and investments, which resulted from gifts from friends of The University or from other sources that required that the funds be used for some particular purpose. Restricted assets decreased \$3.9 million and \$25.3 million during 2012 and 2011, respectively. The changes are largely attributable to the near-term payment demands of the separately-invested bond proceeds.

*Noncurrent assets* consist of endowment and restricted other investments; pledges and student notes receivable; long-term prepaid expenses and deferred charges; and capital assets. Noncurrent assets decreased \$12.1 million during 2012 and increased \$49.7 million during 2011. While there were variations among the categories, the changes are largely attributable to \$40.9 million increase in other investments during 2011 and the subsequent use of those funds in 2012 for the South Residence Hall project.

*Current liabilities* include all items that mature within one year. The current liabilities include accounts payable; accrued liabilities; accrued interest payable; deferred revenue; deposits; and the short-term portion of long-term liabilities. Current liabilities increased \$3.2 million during 2012 and decreased \$36.1 million during 2011. There were variations among many of the current liability categories, but the principal cause of the 2012 increase was a \$10.2 million increase in accrued bond issue interest which offset reductions in other liabilities. The principal cause of the 2011 decrease was a \$16.0 million decrease in construction debt and capital lease payments required in the next year due to the termination of the derivative swap debt agreement.

*Noncurrent liabilities* consist of refundable federal student loans; long-term debt including capital leases and the sick leave and other postemployment benefit liabilities; and long-term deferred revenue. The most notable change occurred within the long-term liabilities. During 2012, the \$10.3 million decrease was due to payments made on The University's long-term debt. During 2011, the \$27.9 million increase was due primarily to an additional liability for the Wheeler/Grant student housing project partially offset by payments made on The University's long-term debt.

As reflected earlier, net assets represent the difference between assets and liabilities and over time are one indicator of improving or eroding financial health. Net assets are categorized as Invested in capital assets, net of related debt; Restricted; or Unrestricted. Restricted net assets include both expendable and nonexpendable components. During 2012 and 2011, net assets increased approximately 2.2% and 7.1%, respectively, or \$11.0 million and \$33.0 million, respectively.

**The University of Akron**  
**Management's Discussion and Analysis**  
June 30, 2012

Table 2 summarizes The University's Statements of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2012, 2011, and 2010.

**Table 2**  
**Statements of Revenues, Expenses, and Changes in Net Assets (In Thousands)**

	2012	2011	2010
Operating revenues:			
Tuition and fees	\$ 228,828	\$ 222,703	\$ 211,936
Grants and contracts	39,048	35,114	33,472
Sales and services	14,789	14,572	13,494
Auxiliary enterprises	52,983	50,435	46,147
Other operating revenues	569	816	991
Total operating revenues	<u>336,217</u>	<u>323,640</u>	<u>306,040</u>
Operating expenses:			
Educational and general:			
Instruction and departmental research	164,777	160,761	154,671
Other educational and general	205,107	201,353	198,146
Auxiliary enterprises	66,965	64,009	59,916
Depreciation	38,909	38,475	32,744
Total operating expenses	<u>475,758</u>	<u>464,598</u>	<u>445,477</u>
Operating loss	(139,541)	(140,958)	(139,437)
Nonoperating revenues (expenses):			
State appropriations	96,759	95,959	95,836
Federal fiscal stabilization funds	-	15,664	15,244
Federal grants	42,298	43,035	34,424
Gifts and distributions	19,804	23,249	20,376
Other (net)	(17,613)	(10,067)	(7,556)
Net nonoperating revenues	<u>141,248</u>	<u>167,840</u>	<u>158,324</u>
Gain before other changes	1,707	26,882	18,887
Other changes:			
Capital appropriations	8,082	4,215	17,029
Other changes (net)	1,213	1,902	2,893
Total other changes	<u>9,295</u>	<u>6,117</u>	<u>19,922</u>
Increase in net assets	11,002	32,999	38,809
Net assets:			
Net assets - beginning of year	<u>496,597</u>	<u>463,598</u>	<u>424,789</u>
Net assets - end of year	<u>\$ 507,599</u>	<u>\$ 496,597</u>	<u>\$ 463,598</u>

# The University of Akron

## Management's Discussion and Analysis

### June 30, 2012

The student tuition and fees increased \$6.1 million or 2.8% during 2012 and increased \$10.8 million or 5.1% during 2011. The increases in tuition and fees are attributed to the student headcount, student credit hours taken, and fees charged. The University's total student headcount increased approximately 1% in the Fall 2011 census and 5% in the Fall 2010 census. Along with headcount, the total student credit hours (or actual courses taken) increased 1% and 5% in 2012 and 2011, respectively. The University enacted a tuition freeze for the 2010 academic year. Tuition and general fees were increased 3.5% for both the 2011 and 2012 academic years.

In addition to the fees collected, GASB requires the portion of student aid which is provided in the form of reduced tuition to be reported as a reduction of revenue. This reduction, or scholarship allowance, increased \$0.9 million to \$42.5 million in 2012 and increased \$8.9 million to \$41.6 million in 2011.

The combined federal, state, local, and private grants and contracts revenue levels represent The University's continued pursuit of federal, state, local, and private funding for research-related activities. The largest component of these revenues was from federal sources. The largest sources of federal revenue were (in millions):

Agency	2012	2011	2010
Department of Defense	\$ 6.96	\$ 2.97	\$ 1.17
Department of Education	5.08	7.33	6.64
National Science Foundation	3.84	3.85	3.76
Department of Energy	2.46	1.65	1.23
National Aeronautics and Space Administration	1.42	1.44	1.65
Department of Health and Human Services	1.07	1.49	1.55
Others	1.25	1.19	1.00
Total federal revenues	<u>\$ 22.08</u>	<u>\$ 19.92</u>	<u>\$ 17.00</u>

Sales and services revenue are from certain operations, which provide services to both students and other departments within The University campus. The most significant of these operations was Computer Solutions, which generated sales totaling \$3.3 million for 2012 and \$4.6 million for 2011.

Auxiliary enterprises revenue is generated from operations which predominantly exist to furnish goods or services to students, faculty, staff, or the general public. These types of activities are intended to be self-supporting in that the revenues generated are intended to cover the costs of providing the services. The University's auxiliary services include the residence halls, student unions, intercollegiate athletics and athletic facilities, parking services, E.J. Thomas Performing Arts Hall, telecommunications, and dining facilities. Auxiliary enterprises revenue increased \$2.5 million and \$4.3 million during 2012 and 2011, respectively. The predominant revenues within this area are from (in millions):

Auxiliary	2012	2011	2010
Residence halls	\$ 18.90	\$ 19.10	\$ 16.20
Dining facilities	17.41	16.40	15.40
Parking and transportation services	9.50	9.60	7.80

In addition to the auxiliary enterprises revenue collected, the portion of student aid which is reported as a reduction of revenue, or scholarship allowance, decreased slightly to \$5.7 million in 2012 and increased \$1.0 million to \$5.8 million in 2011.

The educational and general expenses category is the single largest category of expenses and includes all academic and administrative support salary and benefit-related costs. Overall, these expenses increased 2.2% and 2.6% during 2012 and 2011, respectively.

# The University of Akron

## Management's Discussion and Analysis

### June 30, 2012

Auxiliary enterprises expenses result from those operations, which as previously noted, predominantly furnish goods or services to students, faculty, staff, or the general public. Auxiliary enterprise expenses increased \$3.0 million or 4.6% and \$4.1 million or 6.9% in 2012 and 2011, respectively.

Unlike many items that are expensed when purchased, The University capitalizes most long-term assets. The assets are then expensed over estimated useful lives ranging from 3 years for certain equipment to 40 years for buildings. Generally, depreciation expense is predictable from year to year, taking into account items which become fully depreciated during the prior year and capital asset additions and deletions for the current year. Depreciation expense increased \$0.5 million and \$5.7 million in 2012 and 2011, respectively, due to changing levels of capital asset purchases.

The state appropriations represent the most significant nonoperating revenue source for The University. In 2011 and 2010, state appropriations were enhanced with fiscal stabilization funding from the federal government to the State of Ohio. Together, the state appropriations, fiscal stabilization funding, and student tuition and fees are the predominant resources used to fund The University's daily operations. The state appropriations and fiscal stabilization funding combined decreased \$14.9 million in 2012 and increased \$0.5 million in 2011. The decrease in 2012 was due to the end of fiscal stabilization funding. Declining increases are part of continued shifts in higher education funding over the past few years and are largely attributable to state-level fiscal challenges.

The State of Ohio also provides capital appropriations to The University. Unlike the operating resources reflected previously, these resources are provided to help with The University's capital needs. The funding is provided through the Ohio Board of Regents (OBOR) based upon certain formulas and a capital plan provided by The University. The capital appropriations increased \$3.9 million and decreased \$12.8 million in 2012 and 2011, respectively.

The University also records Pell grant awards as nonoperating federal grant revenue. Pell grant revenue decreased \$0.7 million or 1.7% during 2012 and increased \$8.6 million or 25.0% during 2011.

The University views continued donor support as a vital ingredient to its continued success. Many student scholarships, capital construction costs, and endowed positions are a result of our very generous contributors. The University receives gifts from a wide array of friends including alumni, the business community, and foundations. Oftentimes, gifts and awards are accompanied by donor restrictions. In those cases, The University maintains a system of internal controls to ensure the gifts are used solely in accordance with the grantor's requirements. For 2012 and 2011, gifts and grants for these purposes and additions to permanent endowments totaled \$21.0 million and \$25.2 million, respectively.

Other net nonoperating revenues and expenses represent the remaining sources and uses of funds that generally do not result from providing educational and instructional services in connection with The University's principal ongoing operations.

Investment income, including the unrealized change in fair value of investments, totaled \$1.8 million and \$12.0 million during 2012 and 2011, respectively. Investment income, net of investment expenses, decreased \$4.6 million in 2012 and increased \$0.5 million in 2011. The changes are due to overall fluctuations in returns on all investments. Those investments were not redeemed; nevertheless, GASB Statement No. 31 requires those investments be reported at fair value for financial statement reporting purposes. Meanwhile, the \$5.7 million net decrease and \$3.2 million net increase in 2012 and 2011, respectively, within net unrealized appreciation on investments occurred because of market conditions as of fiscal year end and the fair value of the investments changing substantially. Once again, those investments were not redeemed, but were adjusted to fair value for financial statement reporting purposes. The University reviewed its investment policies over the past two years and modified its strategies to reduce the portfolio's vulnerability to significant market fluctuations while maintaining certain returns.

# The University of Akron

## Management's Discussion and Analysis

### June 30, 2012

Interest on debt includes the interest incurred during the fiscal year on all debt and capital leases less capitalized interest. Interest expense decreased by \$0.4 million to \$19.2 million in 2012 and increased \$4.7 million to \$19.6 million in 2011.

#### Capital Assets and Long-term Debt Activity

The University uses state capital appropriations, internal resources including the proceeds from debt issuances, and gifts and other grants for capital asset expansion throughout the campus. During 2012 and 2011, additions to capital assets approximated \$38.4 million and \$83.9 million, respectively, net of construction in progress additions. The capital asset activity is reflected in more thorough detail within Note 5 of the financial statements.

The University's long-term debt principally consists of its general receipts bonds, which totaled \$383.3 million in 2012 and \$394.2 million in 2011. During 2011, The University issued \$131.4 million of General Receipts Refunding Bonds, Series 2010A. The proceeds of the Series 2010A Bonds were used to refund \$123.1 million of The University's outstanding General Receipts Bonds, Series 2008C1 & 2008C2 and pay issuance costs. No additional long-term debt was issued during 2012. The long-term debt activity is reflected in more thorough detail within Note 6 of the financial statements.

#### Factors Impacting Future Periods

The student tuition and fees and state appropriations, along with federal fiscal stabilization funding in 2011, are the principal revenue sources which supported The University's annual operations over the last two years. For both 2012 and 2011, those revenue sources alone represented \$328.8 million and \$332.2 million, respectively, of The University's total operating and nonoperating revenues while the aggregate remaining operating and nonoperating revenues, excluding the change in the fair value of investments, totaled \$177.5 million and \$182.0 million, respectively.

The University's ability to maintain or expand existing academic programs and to pursue other initiatives will be directly impacted by these major revenue sources. In this uncertain economic climate, The University needs to pursue opportunities to diversify its revenue sources. In addition, The University's financial future will also be significantly affected by its ability to manage and control expenses proportional to revenue fluctuations.

In August 2012, The University issued \$31.8 million of General Receipts Refunding Bonds, Series 2012 to take advantage of current lower interest rates. The proceeds of the Series 2012 Bonds were used to refund \$19.0 million and \$11.6 million of The University's outstanding General Receipts Bonds, Series 2003A & 2004B, respectively, and pay issuance costs.

## Independent Auditor's Report

To the Board of Trustees  
University of Akron

We have audited the accompanying statement of net assets of the University of Akron (the "University"), a discretely presented component unit of the State of Ohio, and its component units as of June 30, 2012 and 2011 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. The University and the discretely presented component units collectively comprise the basic financial statements. These financial statements are the responsibility of the University's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Akron and its discretely presented component units as of June 30, 2012 and 2011 and the results of its operations and cash flows, if applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the June 30, 2012 financial statements have been reissued to add clarifying disclosure related to the reclassification disclosed in Note 1. The previously issued report (dated October 15, 2012) should not be relied upon as a result of change. That previously issued report is replaced by this report.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2012 on our consideration of the University of Akron'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 for the year ended June 30, 2012. 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 opinions 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* and should be considered in assessing the results of our audit.

The accompanying other supplemental information, schedule of expenditures of federal awards, is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as identified on pages 1 through 7, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

December 10, 2012  
Toledo, Ohio

# The University of Akron

## Statements of Net Assets

June 30, 2012 and 2011

ASSETS	The University of Akron		Component Units	
	2012	2011	2012	2011
<b>Current assets:</b>				
Cash and cash equivalents	\$ 11,363,493	\$ 40,481,227	\$ 1,610,531	\$ 688,527
Pooled investments	129,249,066	86,036,820	-	-
Accounts receivable, net	32,143,750	26,615,103	2,081,387	1,677,418
Pledges receivable, net	153,624	287,606	2,300,480	2,885,535
Notes receivable, net	1,773,470	1,946,289	-	5,007,617
Accrued interest receivable	631,463	641,555	-	-
Inventories	986,501	939,026	-	-
Prepaid expenses and deferred charges	3,795,902	3,381,650	36,771	17,572
<b>Total current assets</b>	<b>180,097,269</b>	<b>160,329,276</b>	<b>6,029,169</b>	<b>10,276,669</b>
<b>Restricted assets:</b>				
Cash and cash equivalents	6,210,946	9,539,404	1,734,935	2,300,697
Pooled investments	32,716,746	55,574,306	4,126,553	5,991,323
Investments held in trust by others	10,485,857	8,374	-	-
Other investments	11,836,741	-	2,681,897	4,189,558
<b>Total restricted assets</b>	<b>61,250,290</b>	<b>65,122,084</b>	<b>8,543,385</b>	<b>12,481,578</b>
<b>Noncurrent assets:</b>				
Endowment investments	53,114,856	57,164,838	135,250,994	135,987,811
Restricted other investments	-	40,873,588	380,120	292,352
Pledges receivable, net	159,458	240,782	9,634,638	9,618,904
Notes receivable, net	8,899,698	9,728,434	-	-
Prepaid expenses and deferred charges	5,218,963	5,470,891	-	-
Capital assets, net	720,823,070	686,800,628	14,203,964	12,977,649
<b>Total assets</b>	<b>1,029,563,604</b>	<b>1,025,730,521</b>	<b>174,042,270</b>	<b>181,634,963</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	4,769,893	5,120,781	2,938,025	3,277,736
Accrued liabilities	23,269,114	23,619,763	1,053,829	756,838
Accrued interest payable	10,477,469	280,095	-	-
Deferred revenue	23,743,762	25,866,764	2,302,676	4,342,663
Deposits	1,862,338	1,518,084	2,681,897	4,189,558
Current portion of long-term liabilities	15,010,414	19,570,517	56,010	5,052,547
<b>Total current liabilities</b>	<b>79,132,990</b>	<b>75,976,004</b>	<b>9,032,437</b>	<b>17,619,342</b>
<b>Noncurrent liabilities:</b>				
Refundable federal student loans	11,670,533	11,665,283	-	-
Actuarial liability for annuity/unitrust agreements	-	-	14,446,728	12,033,539
Long-term liabilities	431,161,548	441,492,390	2,763,056	2,819,066
<b>Total liabilities</b>	<b>521,965,071</b>	<b>529,133,677</b>	<b>26,242,221</b>	<b>32,471,947</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	320,624,242	300,224,476	11,440,908	10,158,583
<b>Restricted:</b>				
<b>Nonexpendable:</b>				
Endowment	25,823,630	21,834,571	95,502,067	91,004,853
<b>Expendable:</b>				
Research and gifts	31,047,860	29,912,337	-	-
Loans	756,904	727,537	-	-
Endowment	18,107,529	24,604,003	46,575,793	50,611,189
Capital projects	2,182,438	8,476,386	-	-
Debt service	27,511	27,500	-	-
Unrestricted	109,028,419	110,790,034	(5,718,719)	(2,611,609)
<b>Total net assets</b>	<b>\$ 507,598,533</b>	<b>\$ 496,596,844</b>	<b>\$ 147,800,049</b>	<b>\$ 149,163,016</b>

**The University of Akron**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**For the Years Ended June 30, 2012 and 2011**

	The University of Akron		Component Units	
	2012	2011	2012	2011
<b>REVENUES</b>				
Operating revenues:				
Student tuition and fees (net of scholarship allowance of \$42,518,816 and \$41,556,681)	\$ 228,828,084	\$ 222,703,551	\$ -	\$ -
Federal grants and contracts	22,079,230	19,924,153	139,439	132,657
State grants and contracts	6,329,138	6,959,436	-	-
Local grants and contracts	496,251	754,481	-	-
Private grants and contracts	10,143,882	7,476,191	8,394,184	4,318,433
Gifts and contributions	-	-	5,400,750	6,440,171
Sales and services	14,788,851	14,571,844	-	-
Auxiliary enterprises (net of scholarship allowance of \$5,717,769 and \$5,772,043)	52,982,703	50,435,207	-	-
Other sources	569,243	815,907	1,614,348	1,932,977
<b>Total operating revenues</b>	<b>336,217,382</b>	<b>323,640,770</b>	<b>15,548,721</b>	<b>12,824,238</b>
<b>EXPENSES</b>				
Operating expenses:				
Educational and general:				
Instruction and departmental research	164,776,618	160,760,969	-	-
Separately budgeted research	30,042,569	26,221,697	5,435,522	3,609,860
Public service	15,323,350	17,007,901	-	-
Academic support	35,118,579	36,772,174	-	-
Student services	14,491,727	14,398,505	-	-
Institutional support	53,246,405	49,118,688	740,305	809,845
Operation and maintenance of plant	25,533,253	26,075,540	-	-
Scholarships and fellowships	31,351,733	31,759,342	-	-
Auxiliary enterprises	66,964,660	64,009,034	-	-
Depreciation	38,908,921	38,475,003	382,350	277,581
<b>Total operating expenses</b>	<b>475,757,815</b>	<b>464,598,853</b>	<b>6,558,177</b>	<b>4,697,286</b>
Operating (loss) income	(139,540,433)	(140,958,083)	8,990,544	8,126,952
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	96,758,584	95,958,798	-	-
Federal fiscal stabilization funds	-	15,664,344	-	-
Federal grants	42,297,946	43,034,521	-	-
Gifts	7,869,560	7,073,246	-	-
Investment income, net	1,794,478	12,046,510	(4,482,224)	20,820,644
Interest on debt	(19,193,761)	(19,558,143)	(373,532)	(73,689)
Distributions to The University	11,934,031	16,175,583	(11,934,031)	(16,175,583)
Distributions on behalf of The University	-	-	(1,002,772)	(642,279)
Other nonoperating (expenses) revenues	(213,156)	(2,555,559)	422,378	398,202
<b>Net nonoperating revenues (expenses)</b>	<b>141,247,682</b>	<b>167,839,300</b>	<b>(17,370,181)</b>	<b>4,327,295</b>
Income (loss) before other changes	1,707,249	26,881,217	(8,379,637)	12,454,247
<b>OTHER CHANGES</b>				
State capital appropriations	8,081,596	4,215,168	-	-
Capital gifts and grants	954,400	1,478,251	-	-
Additions to permanent endowments	258,444	424,166	7,016,670	4,274,618
<b>Total other changes</b>	<b>9,294,440</b>	<b>6,117,585</b>	<b>7,016,670</b>	<b>4,274,618</b>
Increase (decrease) in net assets	11,001,689	32,998,802	(1,362,967)	16,728,865
<b>NET ASSETS</b>				
Net assets - beginning of year	496,596,844	463,598,042	149,163,016	132,434,151
Net assets - end of year	<b>\$ 507,598,533</b>	<b>\$ 496,598,844</b>	<b>\$ 147,800,049</b>	<b>\$ 149,163,016</b>



# The University of Akron

## Statements of Cash Flows

June 30, 2012 and 2011

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 228,603,352	\$ 196,463,938
Grants and contracts	32,049,957	33,757,001
Auxiliary enterprises	52,871,124	57,124,111
Sales and service of educational activities	14,788,851	14,571,844
Payments to suppliers	(99,366,198)	(110,130,567)
Payments for compensation and benefits	(301,846,763)	(262,478,931)
Payments for scholarships and fellowships	(31,754,850)	(26,236,472)
Loans issued to students	(698,466)	(1,119,364)
Collection of loans to students	1,560,455	1,816,301
Other payments	(778,343)	(7,858,615)
	(104,570,881)	(104,090,754)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	96,758,584	95,958,798
Federal fiscal stabilization funds	-	15,664,344
Gifts, grants and contracts for other than capital purposes	62,311,140	62,739,532
Private gifts for endowment purposes	258,444	437,057
Other payments	(213,156)	(2,555,559)
	159,115,012	172,244,172
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital debt	-	8,275,000
Capital appropriations	8,081,596	4,215,168
Capital grants and gifts received	1,258,926	7,074,106
Purchases of capital assets	(72,460,512)	(35,074,986)
Principal paid on capital debt and leases	(18,490,921)	(13,912,890)
Interest paid on capital debt and leases	(30,650,437)	(12,246,244)
Collection of loans issued for capital purposes	139,566	180,009
	(112,121,782)	(41,489,837)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	198,005,965	325,816,370
Interest on investments	1,846,581	6,339,710
Purchase of investments	(174,721,087)	(344,199,279)
	25,131,459	(12,043,199)
Net (decrease) increase in cash and cash equivalents	(32,446,192)	14,620,382
Cash and cash equivalents - beginning of the year	50,020,631	35,400,249
Cash and cash equivalents - end of the year	\$ 17,574,439	\$ 50,020,631

(continued)

# The University of Akron

## Statements of Cash Flows

June 30, 2012 and 2011

	2012	2011
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (139,540,433)	\$ (140,958,083)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	38,908,921	38,475,003
Changes in assets and liabilities:		
Accounts receivable, net	(5,250,910)	3,263,817
Notes receivable, net	861,989	696,937
Inventories	(47,475)	(39,025)
Prepaid expenses and deferred charges	(414,252)	101,184
Accounts payable	719,103	(7,375,830)
Accrued liabilities	(350,649)	2,337,048
Deferred revenue	(2,123,002)	(4,546,664)
Deposits held for others	344,254	(209,361)
Sick leave liability	822,193	192,529
OPEB liability	1,494,130	4,091,705
Refundable federal student loans	5,250	(120,014)
	\$ (104,570,881)	\$ (104,090,754)
Net cash used in operating activities	\$ (104,570,881)	\$ (104,090,754)

**The University of Akron**  
Notes to Financial Statements  
June 30, 2012 and 2011

## **1. Summary of Significant Accounting and Reporting Policies**

### **Organization**

The University of Akron (The University) is a coeducational, degree granting state university which was established by the General Assembly of the State of Ohio (the State) in 1967 by statutory act under Chapter 3359 of the Revised Code of the State of Ohio. The University offers degrees at the undergraduate, masters, and doctoral levels. The University is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

In addition to the main campus, The University operates one branch campus, Wayne College in Orrville, Ohio, and four educational centers, the Medina County University Center in Medina, Ohio, the Holmes County Higher Education Center in Millersburg, Ohio, UA Lakewood in Lakewood, Ohio, and the Midpoint Campus Center in Brunswick, Ohio. The Midpoint Campus Center is a partnership with Lorain County Community College (LCCC).

The University, together with Kent State University and Youngstown State University, created a consortium to establish and govern Northeastern Educational Television of Ohio, Inc. (NETO), Channels 45 and 49, Kent, Ohio. The University, along with several partners, formed the Austen BioInnovation Institute in Akron (ABIA) to develop biomaterial and medical research, education, clinical services and commercialization. The University, along with several governmental and private partners in Akron, created the University Park Alliance (UPA) to implement a comprehensive urban reinvestment development plan in the University Park neighborhood which adjoins The University. These organizations are legally separate from The University; accordingly, their financial activity is not included within the accompanying financial statements, and The University bears no financial liability for these organizations.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, as amended by Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, The University's financial statements are included as a discretely presented component unit within the State of Ohio's Consolidated Annual Financial Report. Transactions with the State relate primarily to appropriations, grants from various state agencies, and payments to the State retirement programs for certain University employees.

Furthermore, in accordance with GASB Statement No. 39, two discretely presented component units are reported in a separate column on The University's financial statements to emphasize that they are legally separate from The University. The University of Akron Foundation (Foundation) and The University of Akron Research Foundation (Research Foundation) are not-for-profit organizations supporting The University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to The University in support of its programs. The Research Foundation promotes, encourages, and provides assistance to the research activities of The University. Financial statements for the Foundation may be obtained by writing to The University of Akron Foundation, 302 Buchtel Common, Akron, Ohio 44325-6220. Financial statements for the Research Foundation may be obtained by writing to The University of Akron Research Foundation, Goodyear Polymer Center, 170 University Circle, Akron, Ohio 44325-2130. Activity of these component units is described in greater detail in Note 11.

### **Basis of Accounting**

The financial statements of The University have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, The University has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), statements and interpretations issued after November 30, 1989, which do not conflict or contradict GASB pronouncements.

**The University of Akron**  
Notes to Financial Statements  
June 30, 2012 and 2011

**1. Summary of Significant Accounting and Reporting Policies - continued**

**Measurement Focus and Financial Statement Presentation**

The financial statements of the University have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities (an amendment of GASB No. 34)*. The presentation required by GASB No. 34 and GASB No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, and changes in net assets and cash flows. It replaces fund groups with net asset groups, and requires the direct method of cash flow presentation.

Operating revenues and expenses generally result from providing educational and instructional services in connection with The University's principal ongoing operations. The principal operating revenues include student tuition. The University also recognizes as operating revenue grants classified as exchange transactions and auxiliary activities. Operating expenses include educational costs, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition, including State share of instruction, are reported as nonoperating revenues and expenses.

The Foundation and the Research Foundation are not-for-profit organizations that report under FASB reporting standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's or the Research Foundation's financial information in The University's financial report for these differences.

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as highly liquid investments with an initial maturity of three months or less when purchased.

**Investments**

Investments are stated at fair value based on quoted market prices in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The University does not invest in derivatives. Unrealized gains and losses on investments are recorded as a nonoperating revenue or expense on the Statement of Revenues, Expenses, and Changes in Net Assets. Investments for bond issue proceeds and the income earned on those investments are separately managed and recorded on the Statements of Net Assets as restricted other investments in noncurrent assets.

**Inventories**

Inventories are stated at the lower of cost or market (net realizable value) using the first-in, first-out (FIFO) method.

**Pledges Receivable**

The University records pledges and unconditional promises to give as receivables and revenue in the year the pledge is made. Those that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are made. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as revenue until the conditions are substantially met.

**Deferred Revenue**

Deferred revenue includes tuition and fees relating to summer sessions that are conducted in July and August. Deferred revenue also includes amounts received in advance from grant and contract sponsors that have yet to be earned under the terms of the agreements. The amounts which are deferred are recognized as revenue in the following fiscal year.

**The University of Akron**  
**Notes to Financial Statements**  
June 30, 2012 and 2011

**1. Summary of Significant Accounting and Reporting Policies - continued**

**Capital Assets**

Capital assets are recorded at cost or, if acquired by gift, at an appraised value at the date of gift. The University's capitalization threshold is \$75,000 for building renovations and \$5,000 for other capitalized items. Infrastructure assets are included in the financial statements and are depreciated. Expenditures for construction in progress are capitalized as incurred and depreciated when put into service. Historical collections, including assets that are held for public exhibition, education, or research in furtherance of public service, which are protected and preserved, are not depreciated. Depreciation is computed using the straight-line method, half-year convention, over the estimated useful life of the asset. When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation are removed from the asset accounts and any gain or loss on disposal is recognized. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the capital asset's life are expensed. The estimated useful lives are as follows:

Classification	Estimated Life
Land improvements	25 years
Buildings	40 years
Infrastructure	20 years
Equipment and furniture	3 to 10 years
Library books	10 years

**Capitalization of Interest**

The University capitalizes interest on construction projects until substantial completion of the project. Capitalized interest is amortized on the straight-line basis over the estimated useful lives of such assets. The University applies the Capitalization of Interest Topic of the FASB Accounting Standards Codification for its General Receipts Bonds, Series 2008 A&B. This requires capitalization of interest cost of the borrowings less interest earned on investment of the bond proceeds from the date of the borrowing until the assets constructed from the bond proceeds are ready for their intended use.

**Accounts Receivable**

Accounts receivable are for transactions relating to tuition and fees, auxiliary enterprise sales, grants and contracts, and miscellaneous sales and services. Accounts receivable are recorded net of contractual allowances and allowances for uncollectible accounts.

**Compensated Absences**

Staff employees earn vacation at rates specified under State law and upon termination are entitled to a maximum payout of the amount earned in the last three years. Full-time administrators and 12-month faculty earn vacation leave at a rate of 22 days per year, which can be carried over to a maximum accumulation of 44 days with the maximum payable upon termination of employment of 22 days. The University accrued a vacation liability equal to the number of days accrued by each eligible employee up to the maximum allowed by the respective employee group.

All University employees are entitled to a sick leave credit equal to 10 hours for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee, with 10 or more years of service upon retirement, is limited to one-quarter of the accumulated sick leave with a maximum of 240 hours.

**Service Organization**

The University processes certain Lorain County Community College (LCCC) data on equipment and applications which are owned by The University or licensed to The University. Additionally, certain LCCC data is also stored on University equipment. The data processing functions are performed and managed by University employees. As such, The University is a service organization as prescribed by Statement on Standards for Attestation Engagements (SSAE) No. 16 while LCCC is a user organization.

**The University of Akron**  
Notes to Financial Statements  
June 30, 2012 and 2011

## **1. Summary of Significant Accounting and Reporting Policies - continued**

### **Endowment and Quasi Endowments**

The University's Board of Trustees established an investment policy with the objectives of protecting principal and maximizing total investment return without assuming extraordinary risks. It is the goal of The University to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 5%, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings.

### **Scholarship Allowances and Student Aid**

Financial aid to students is reported under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method followed by The University, scholarship allowances are computed by allocating the cash payments to students, excluding payments for services, on the ratio of using aid not considered to be third-party aid to total aid.

### **Net Assets**

Net assets are classified according to external donor restrictions or availability of assets for satisfaction of University obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes. The resources are invested with only the investment income available for purposes established by the donor or, in the case of funds functioning as endowment, by The University. These purposes include loans, scholarships, and departmental support. Expendable restricted net assets represent funds that have been awarded or gifted for specific purposes, funds used for capital projects and debt service, and funds held in federal loan programs.

### **Reclassifications**

The June 30, 2012 financial statements have been changed to include additional disclosure on the reclassifications that occurred. The previous financial statements, dated October 15, 2012, should not be relied upon as a result of this change in disclosure. The additional explanation is as follows:

Certain prior year amounts have been reclassified to conform to current year presentations. The largest reclassifications are primarily related to employee and dependent fee remissions and to tuition waivers for graduate assistants who also received stipends. Historically, those two items were allocated between Scholarship allowance and Scholarship expenses. During 2012, the University reevaluated its treatment of each and deemed both to be fringe benefits. For the fiscal years ended June 30, 2012 and 2011, those two items totaling \$27.3 million and \$26.1 million, respectively were recorded within the respective functional expenses from which the fringe benefit was incurred. Previously, the University applied the Scholarship allowance solely against Student tuition and fees revenues. For June 30, 2012 and 2011, the University allocated the Scholarship allowance proportionately between Student tuition and fees revenues and Auxiliary enterprises revenues.

### **Accounting Standards**

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses issues related to service concession arrangements which are a type of public-private or public-public partnership. The requirements of this Statement are effective for fiscal years beginning after December 15, 2011.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an Amendment of GASB Statements No. 14 and No. 34*. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of this Statement are effective for fiscal years beginning after June 15, 2012.

**The University of Akron**  
Notes to Financial Statements  
June 30, 2012 and 2011

## **1. Summary of Significant Accounting and Reporting Policies - continued**

### **Accounting Standards - continued**

In November 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for fiscal years beginning after December 15, 2011.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this Statement are effective for fiscal years beginning after December 15, 2011.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for fiscal years beginning after December 15, 2012.

The University has not yet determined the impact that implementation of these GASB Statements will have on The University's financial statements.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known; however, if we approximate the liability based on the actuarial accrued liability and allocated based on covered payroll, this computes to a liability of approximately \$490 million. The requirements of this Statement are effective for fiscal years beginning after June 15, 2014.

## **2. Cash and Investments**

### **Cash**

At June 30, 2012 and 2011, the carrying amounts of The University's bank deposits and interest-bearing cash equivalents were \$17,574,439 and \$50,020,631 as compared to bank balances of \$20,053,816 and \$52,393,626, respectively. The differences between carrying amounts and bank balances were caused by items in-transit. Of the June 30, 2012 and 2011 bank balances, \$18,438,479 and \$50,809,060, respectively, was uninsured but collateralized with securities held by the depository banks in The University's name.

### **Investments**

In accordance with the *Policies of the Board of Trustees of The University*, the types of investments which may be purchased include United States government securities, federal agency securities, common and preferred stocks, obligations of commercial banks including certificates of deposit, repurchase agreements, notes, debentures, banker's acceptances and commercial paper, obligations of corporations, municipal notes and bonds, and investment programs offered by The Commonfund. University policy requires that depository banks pledge collateral for funds on deposit, including certificates of deposit, with a market value at all times at least equal to the uninsured amount of the deposit or instrument. The fair value of investments represents published market quotations.

**The University of Akron**  
Notes to Financial Statements  
June 30, 2012 and 2011

**2. Cash and Investments - continued**

**Investments - continued**

The GASB requires certain disclosures related to interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets.

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. At June 30, 2012, The University did not have more than 5% of its fixed-income investments in any single issuer. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2012, The University did not have investments that are subject to foreign currency risk.

To limit exposure to these risks, The University's investment policies set guidelines for maturities based on investment type (short-term or intermediate), limits percentage exposure to a single issuer or market, and requires that a majority of the holdings consist of domestic (U.S.) securities of investment grade (at least rated BBB or BAA) as rated by a nationally recognized statistical rating organization.

	2012	2011
	<u>Fair Value</u>	<u>Fair Value</u>
Pooled investments:		
U.S. agencies	\$ 48,683,515	\$ 45,996,102
U.S. Treasury	29,898,218	28,102,368
Corporate notes	51,859,326	52,766,613
PFM: Prime Series	31,524,753	14,746,043
Total pooled investments	<u>161,965,812</u>	<u>141,611,126</u>
Endowment investments:		
Marketable securities:		
U.S. Treasury	1,401,900	1,443,793
U.S. agencies	3,910,746	2,123,264
Common stocks	32,212,921	35,233,655
Managed Fixed Income	341,729	1,484,603
U.S. and corporate bonds	10,288,591	10,131,478
PFM: Government Series	85,145	2,092,708
PIMCO AAAA	4,856,939	4,622,449
The Commonfund: Private Equity	15,855	31,858
Cash surrender value of life insurance	1,030	1,030
Total endowment investments	<u>53,114,856</u>	<u>57,164,838</u>
Investments held in trust by others:		
U.S. agencies	10,485,857	8,374
Other restricted investments:		
U.S. Treasury	3,918,846	15,827,815
Commercial paper sweep	5,485,868	4,120,122
Commercial paper	2,432,027	20,925,651
Total other investments	<u>11,836,741</u>	<u>40,873,588</u>
Total investments	<u>\$ 237,403,266</u>	<u>\$ 239,657,926</u>



**The University of Akron**  
**Notes to Financial Statements**  
June 30, 2012 and 2011

**2. Cash and Investments - continued**

The U.S. Treasury and agencies securities and corporate bonds were invested through banks that keep the securities in their names in safekeeping accounts at the Federal Reserve Bank. The Commonfund is a nonprofit membership corporation which provides investment management services for its member colleges, universities and independent schools and offers a series of pooled investment funds.

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2012 are as follows:

Investment	Rating (S&P)	Investment maturity (in years)				Totals
		Less than 1	1 to 5	6 to 10	More than 10	
PFM Funds: Prime Series	AAA	\$ 31,609,899	\$ -	\$ -	\$ -	\$ 31,609,899
U.S. agencies	AAA	1,204,332	37,066,126	5,118,398	5,501,588	48,890,444
Commercial paper sweep	AAA	2,432,027	-	-	-	2,432,027
U.S. and corporate notes	AAA	-	3,580,585	-	-	3,580,585
	AA	2,701,122	19,234,991	-	-	21,936,113
	A	4,891,358	21,451,270	-	-	26,342,628
Total U.S. and corporate notes		7,592,480	44,266,846	-	-	51,859,326
U.S. and corporate bonds	AAA	5,037,960	-	-	-	5,037,960
	AA	650,224	-	-	-	650,224
	A	1,414,624	-	-	-	1,414,624
	BBB	1,340,790	-	-	-	1,340,790
	BB	697,995	-	-	-	697,995
	B	489,638	-	-	-	489,638
	Below B	494,834	-	-	-	494,834
Total U.S. and corporate bonds		10,126,065	-	-	-	10,126,065
Totals		\$ 52,964,803	\$ 81,332,972	\$ 5,118,398	\$ 5,501,588	\$ 144,917,761

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2011 are as follows:

Investment	Rating (S&P)	Investment maturity (in years)				Totals
		Less than 1	1 to 5	6 to 10	More than 10	
PFM Funds: Prime Series	AAA	\$ 16,794,860	\$ -	\$ -	\$ -	\$ 16,794,860
U.S. agencies	AAA	2,008,860	37,573,212	5,487,119	1,176,150	46,245,341
Commercial paper sweep	AAA	4,120,122	-	-	-	4,120,122
U.S. and corporate notes	AAA	8,142,575	3,551,562	-	-	11,694,137
	AA	-	20,330,601	-	-	20,330,601
	A	-	17,140,036	-	-	17,140,036
Total U.S. and corporate notes		8,142,575	41,022,199	-	-	49,164,774
U.S. and corporate bonds	AAA	4,222,265	-	-	-	4,222,265
	AA	716,225	-	-	-	716,225
	A	1,734,737	-	-	-	1,734,737
	BBB	1,317,721	-	-	-	1,317,721
	BB	611,736	-	-	-	611,736
	B	613,517	-	-	-	613,517
	Below B	417,102	-	-	-	417,102
Total U.S. and corporate bonds		9,633,303	-	-	-	9,633,303
Totals		\$ 40,699,720	\$ 78,595,411	\$ 5,487,119	\$ 1,176,150	\$ 125,958,400

**The University of Akron**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**3. Accounts and Notes Receivable**

Accounts and notes receivable at June 30, 2012 and 2011 consisted of the following:

	2012	2011
Accounts receivable, net:		
Federal, state, local governments, foundations, and companies	\$ 12,306,017	\$ 9,306,816
Student receivables, net of allowance for doubtful accounts of \$23,149,704 and \$21,005,717, respectively	18,583,269	16,052,767
Other, net of allowance for doubtful accounts of \$42,468 and \$39,381, respectively	1,254,464	1,255,520
Total accounts receivable, net	32,143,750	26,615,103
Notes receivable, net:		
Student notes receivables, net of allowance for doubtful notes of \$764,298 and \$764,298, respectively	10,508,626	11,370,615
Other notes receivable	164,542	304,108
Total notes receivable, net	10,673,168	11,674,723
Accounts and notes receivable, net	\$ 42,816,918	\$ 38,289,826

**4. Pledges Receivable**

Unconditional promises to give to The University recorded as pledges receivable at June 30, 2012 and 2011 were as follows:

	2012		2011	
	Pledges Receivable	Current Portion	Pledges Receivable	Current Portion
Total pledges receivable	\$ 333,953	\$ 161,990	\$ 564,668	\$ 303,194
Less: amount estimated to be uncollectible	(17,049)	(8,366)	(28,581)	(15,588)
Less: unamortized discount	(3,822)	-	(7,699)	-
Pledges receivable, net	313,082	\$ 153,624	528,388	\$ 287,606
Less: current portion	(153,624)		(287,606)	
Pledges receivable, noncurrent portion	\$ 159,458		\$ 240,782	

As of June 30, 2012 and 2011, The University has approximately \$4,848,000 and \$3,208,000, respectively, in numerous outstanding pledges, which are considered to be intentions to give and are contingent upon future events. These pledges are not recorded as pledges receivable because they do not represent unconditional promises to give.

**The University of Akron**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**5. Capital Assets**

Changes in capital assets during fiscal 2012 and 2011 were as follows:

	Balance July 1, 2011	Additions/ Transfers	Reductions/ Transfers	Balance June 30, 2012
<b>Nondepreciable capital assets:</b>				
Land	\$ 39,107,622	\$ 553,436	\$ -	\$ 39,661,058
Historical collections	4,297,013	133,582	-	4,430,595
Construction in progress	24,712,442	52,819,615	18,297,978	59,234,079
<b>Total nondepreciable capital assets</b>	<b>68,117,077</b>	<b>53,506,633</b>	<b>18,297,978</b>	<b>103,325,732</b>
<b>Depreciable capital assets:</b>				
Land improvements	46,537,198	1,759,886	205,989	48,091,095
Buildings	816,874,228	17,974,936	-	834,849,164
Infrastructure	20,695,022	1,401,841	-	22,096,863
Equipment, furniture and books	122,873,294	16,586,084	8,714,649	130,744,729
<b>Total depreciable capital assets</b>	<b>1,006,979,742</b>	<b>37,722,747</b>	<b>8,920,638</b>	<b>1,035,781,851</b>
<b>Total capital assets</b>	<b>1,075,096,819</b>	<b>91,229,380</b>	<b>27,218,616</b>	<b>1,139,107,583</b>
<b>Less accumulated depreciation:</b>				
Land improvements	25,241,335	1,876,327	205,989	26,911,673
Buildings	276,611,403	22,464,678	-	299,076,081
Infrastructure	7,480,599	1,069,797	-	8,550,396
Equipment, furniture and books	78,962,854	13,308,180	8,524,671	83,746,363
<b>Total accumulated depreciation</b>	<b>388,296,191</b>	<b>38,718,982</b>	<b>8,730,660</b>	<b>418,284,513</b>
<b>Capital assets, net</b>	<b>\$ 686,800,628</b>	<b>\$ 52,510,398</b>	<b>\$ 18,487,956</b>	<b>\$ 720,823,070</b>
	Balance July 1, 2010	Additions/ Transfers	Reductions/ Transfers	Balance June 30, 2011
<b>Nondepreciable capital assets:</b>				
Land	\$ 37,375,544	\$ 1,732,078	\$ -	\$ 39,107,622
Historical collections	4,679,963	-	382,950	4,297,013
Construction in progress	69,558,536	25,575,194	70,421,288	24,712,442
<b>Total nondepreciable capital assets</b>	<b>111,614,043</b>	<b>27,307,272</b>	<b>70,804,238</b>	<b>68,117,077</b>
<b>Depreciable capital assets:</b>				
Land improvements	46,558,009	230,600	251,411	46,537,198
Buildings	750,361,161	70,937,601	4,424,534	816,874,228
Infrastructure	19,394,089	1,300,933	-	20,695,022
Equipment, furniture and books	126,742,494	9,690,975	13,560,175	122,873,294
<b>Total depreciable capital assets</b>	<b>943,055,753</b>	<b>82,160,109</b>	<b>18,236,120</b>	<b>1,006,979,742</b>
<b>Total capital assets</b>	<b>1,054,669,796</b>	<b>109,467,381</b>	<b>89,040,358</b>	<b>1,075,096,819</b>
<b>Less accumulated depreciation:</b>				
Land improvements	23,639,990	1,852,756	251,411	25,241,335
Buildings	259,617,938	21,324,351	4,330,886	276,611,403
Infrastructure	6,478,371	1,002,228	-	7,480,599
Equipment, furniture and books	78,703,959	13,003,752	12,744,857	78,962,854
<b>Total accumulated depreciation</b>	<b>368,440,258</b>	<b>37,183,087</b>	<b>17,327,154</b>	<b>388,296,191</b>
<b>Capital assets, net</b>	<b>\$ 686,229,538</b>	<b>\$ 72,284,294</b>	<b>\$ 71,713,204</b>	<b>\$ 686,800,628</b>

**The University of Akron**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**6. Long-term Liabilities**

Changes in long-term liabilities during fiscal 2012 were as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Note payable:					
The University of Akron Foundation, 0.64%	\$ 5,000,000	\$ -	\$ 5,000,000	\$ -	\$ -
Total note payable	5,000,000	-	5,000,000	-	-
Bonds payable:					
General receipts bonds - Series 2003A, 1.5% to 5.0%, due serially through 2033	36,550,000	-	840,000	35,710,000	910,000
General receipts bonds - Series 2004B, 2.00% to 5.00%, due serially through 2035	30,355,000	-	740,000	29,615,000	765,000
General receipts refunding bonds - Series 2005, 3.50% to 5.00%, due serially through 2022	15,890,000	-	1,840,000	14,050,000	1,290,000
Deferred amount on refunding - Series 2005 refunding bonds	(564,302)	-	(53,743)	(510,559)	(53,743)
General receipts bonds - Series 2008A&B, 3.0% to 5.0%, due serially through 2038	201,290,000	-	3,920,000	197,370,000	4,055,000
Deferred amount on refunding - Series 2008A&B bonds	(3,458,941)	-	(129,711)	(3,329,230)	(129,710)
General receipts refunding bonds - Series 2010A, 2.00% to 5.00%, due serially through 2029	131,410,000	-	4,745,000	126,665,000	4,785,000
Deferred amount on refunding - Series 2010A refunding bonds	(17,249,305)	-	(971,793)	(16,277,512)	(971,792)
Total bonds payable	394,222,452	-	10,929,753	383,292,699	10,649,755
Summit County Port Authority Lease	33,770,000	-	-	33,770,000	555,000
Capitalized lease obligations	4,661,628	128,405	1,405,920	3,384,113	1,278,226
Sick leave liability	6,910,621	822,193	-	7,732,814	2,527,433
OPEB liability	16,498,206	1,494,130	-	17,992,336	-
Totals	<u>\$ 461,062,907</u>	<u>\$ 2,444,728</u>	<u>\$ 17,335,673</u>	<u>\$ 446,171,962</u>	<u>\$ 15,010,414</u>
Less: current portion				(15,010,414)	
Long-term liabilities				<u>\$ 431,161,548</u>	

The general receipts bonds and the general receipts refunding bonds are payable from and secured by a first pledge and lien on the general receipts of The University, excluding state appropriations.

**The University of Akron**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**6. Long-term Liabilities - continued**

Changes in long-term liabilities during fiscal 2011 were as follows:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Current Portion
Note payable:					
The University of Akron Foundation, 0.64%	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000	\$ 5,000,000
Total note payable	5,000,000	-	-	5,000,000	5,000,000
Bonds payable:					
General receipts bonds - Series 2003A, 1.5% to 5.0%, due serially through 2033	37,325,000	-	775,000	36,550,000	840,000
General receipts bonds - Series 2004B, 2.00% to 5.00%, due serially through 2035	31,070,000	-	715,000	30,355,000	740,000
General receipts refunding bonds - Series 2005, 3.50% to 5.00%, due serially through 2022	17,655,000	-	1,765,000	15,890,000	1,840,000
Deferred amount on refunding - Series 2005 refunding bonds	(618,045)	-	(53,743)	(564,302)	(53,743)
General receipts bonds - Series 2008A&B, 3.0% to 5.0%, due serially through 2038	205,085,000	-	3,795,000	201,290,000	3,920,000
Deferred amount on refunding - Series 2008A&B bonds	(3,588,652)	-	(129,711)	(3,458,941)	(129,710)
General receipts refunding bonds - Series 2008C1&C2, 3.45%, due serially through 2029	128,345,000	-	128,345,000	-	-
Deferred amount on refunding - Series 2008C1&C2 refunding bonds	(12,038,180)	-	(12,038,180)	-	-
Derivative instrument - Interest rate swap, Series 2008C1&C2 refunding bonds	15,357,675	4,187,119	19,544,794	-	-
General receipts refunding bonds - Series 2010A, 2.00% to 5.00%, due serially through 2029	-	131,410,000	-	131,410,000	4,745,000
Deferred amount on refunding - Series 2010A refunding bonds	-	(18,221,097)	(971,792)	(17,249,305)	(971,792)
Total bonds payable	418,592,798	117,376,022	141,746,368	394,222,452	10,929,755
Summit County Port Authority Lease	-	33,770,000	-	33,770,000	-
Capitalized lease obligations	6,314,519	-	1,652,891	4,661,628	1,383,956
Sick leave liability	6,718,092	192,529	-	6,910,621	2,256,806
OPEB liability	12,406,501	4,091,705	-	16,498,206	-
Totals	<u>\$ 449,031,910</u>	<u>\$ 155,430,256</u>	<u>\$ 143,399,259</u>	<u>\$ 461,062,907</u>	<u>\$ 19,570,517</u>
Less: current portion				(19,570,517)	
Long-term liabilities				<u>\$ 441,492,390</u>	

**The University of Akron**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**6. Long-term Liabilities - continued**

In August 2010, The University issued \$131.4 million of General Receipts Refunding Bonds, Series 2010A, with an average coupon of 4.733% and an average life of 11 years. The proceeds of the Series 2010A Bonds will be used to refund \$123.1 million of The University's outstanding General Receipts Bonds, Series 2008C1&C2, pay issuance costs, and pay termination costs of \$19.5 million related to the swap agreement on the Series 2008C1&C2 Bonds. The swap agreement was terminated as of this date with a balance of \$5.2 million on the variable debt not refunded with the Series 2010A bond issue. A final payment on the variable debt was made in January 2011.

During 2007, the Foundation obtained a \$5,000,000 revolving line of credit with PNC Bank (formerly National City Bank). Interest on the revolver is at a fluctuating rate of LIBOR plus 0.40 percent per annum. At June 30, 2011, interest on the revolver was at 0.59 percent. Borrowings outstanding under this agreement at June 30, 2011 were \$5,000,000. The Foundation is not required to pay a fee on the unused line of credit. The proceeds from the line of credit were transferred to The University during the year to provide funding for real estate acquisitions. There were no specified repayment terms for the note although The University agreed to reimburse the Foundation for any interest incurred on the revolver. The line of credit was repaid to the Foundation in March 2012. The entire amount outstanding as of June 30, 2011 was considered a current liability on The University's financial statements.

In February and March 2008, respectively, The University issued \$90.9 million of General Receipts Bonds, Series 2008A and \$114.2 million of General Receipts Bonds, Series 2008B. A portion of the proceeds was used to defease the General Receipts Rental Notes, Series 2003A and Series 2003B which guaranteed The University's obligation to pay rent under a master lease to Akron Student Housing Associates, LLC (ASHA). The University defeased the rental notes by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds issued by ASHA. Accordingly, the trust account assets and the liability for the defeased notes are not included in The University's financial statements. On June 30, 2012 and 2011, respectively, \$31.9 and \$33.5 million of outstanding ASHA bonds and the related notes are considered defeased.

Interest expense, net of interest income, related to the borrowings was capitalized as part of the cost of construction. At June 30, 2012 and 2011, interest on borrowings for the Series 2008A&B bonds was \$9,906,828 and \$10,036,662, respectively, and earnings on the proceeds were \$28,599 and \$61,749, respectively. Substantial completion on outstanding projects was determined to be 87.3% and 85.7% in 2012 and 2011, resulting in net capitalized interest of \$1,259,302 and \$1,427,061, respectively.

The aggregate annual principal maturities for the general receipt bonds, and general receipt refunding bonds for fiscal years subsequent to June 30, 2012 are as follows:

Fiscal Year:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 10,649,755	\$ 20,131,764	\$ 30,781,519
2014	10,989,755	19,709,973	30,699,728
2015	11,289,755	19,208,030	30,497,785
2016	12,829,755	18,665,635	31,495,390
2017	13,374,755	18,040,935	31,415,690
2018-2022	77,160,646	78,946,067	156,106,713
2023-2027	88,242,489	57,360,367	145,602,856
2028-2032	82,210,813	30,663,199	112,874,012
2033-2037	63,526,449	11,772,314	75,298,763
2038	13,018,527	414,098	13,432,625
	<u>\$ 383,292,699</u>	<u>\$ 274,912,382</u>	<u>\$ 658,205,081</u>

**The University of Akron**  
Notes to Financial Statements  
June 30, 2012 and 2011

**6. Long-term Liabilities - continued**

The University's bookstore facilities and operations and certain food operations are leased to outside operators. These leases provide for annual rental receipts of approximately \$584,000 and contingent rentals based upon gross sales. Contingent rentals earned in fiscal 2012 and 2011 totaled approximately \$379,000 and \$402,000, respectively. During fiscal 2012 and 2011, The University also received rental receipts approximating \$750,000 and \$816,000, respectively, from renting various other campus facilities under the terms of operating lease agreements.

In May 2011, The University entered into a Facilities Lease Agreement with The Summit County Port Authority (Port Authority) to finance and construct the South Residence Hall facility. This agreement provided for the Port Authority to issue \$33.8 million Summit County Port Authority, Lease Revenue Bonds, Series 2011 in May 2011 to finance the project and for the housing facility to be leased to The University upon completion of construction. The University is required to pay semi-annual rental payments to the Port Authority for the life of the revenue bonds. The agreement allows for The University to purchase the housing facility with a bargain purchase option at the end of the agreement.

The University's other capital leased assets consist of a chilled water tank, property, and duplicating or other equipment. Future minimum lease payments as of June 30, 2012 under all capital leases with an initial or remaining noncancelable lease term in excess of one year, along with the present value of net minimum capital lease payments, are as follows by major class:

Fiscal Year:	Port				Total
	Authority	Building	Land	Equipment	
2013	\$ 2,344,513	\$ 574,194	\$ 112,089	\$ 764,846	\$ 3,795,642
2014	2,349,712	574,194	62,481	9,108	2,995,495
2015	2,347,088	574,194	27,047	-	2,948,329
2016	2,348,937	574,194	27,047	-	2,950,178
2017	2,345,263	382,797	9,016	-	2,737,076
2018-2022	11,708,881	-	-	-	11,708,881
2023-2027	11,673,350	-	-	-	11,673,350
2028-2032	11,620,125	-	-	-	11,620,125
2033-2037	11,554,850	-	-	-	11,554,850
2038-2042	11,477,000	-	-	-	11,477,000
Total minimum lease payments	69,769,719	2,679,573	237,680	773,954	73,460,926
Less amount representing interest	(35,999,719)	(205,002)	(12,100)	(89,992)	(36,306,813)
Present value of net minimum capital lease payments	<u>\$ 33,770,000</u>	<u>\$ 2,474,571</u>	<u>\$ 225,580</u>	<u>\$ 683,962</u>	<u>\$ 37,154,113</u>

The University leases certain office facilities and equipment under operating leases. Total rental expense under operating leases during the years ended June 30, 2012 and 2011 amounted to approximately \$518,000 and \$1,898,000, respectively.

The University has entered into a six-year lease to house UA Lakewood in the Bailey Building in Lakewood, Ohio through 2018. This lease has an option to renew the lease for an additional five years near the end of the original lease agreement. Future minimum payments for this operating lease as of June 30, 2012 are as follows:

Fiscal Year	2013	\$ 159,670
	2014	164,444
	2015	169,403
	2016	174,421
	2017	175,675
	2018	43,919
		<u>\$ 887,532</u>

**The University of Akron**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**7. State Support**

The University is a State-assisted institution of higher education, which receives a student-based State share of instruction (appropriation) from the State. This State share of instruction is determined annually based upon a formula devised by the State. In addition to the State share of instruction, the State also provides certain capital funding and assistance for major academic facilities. The capital funding is provided through the Ohio Board of Regents (OBR) from revenue bond proceeds issued by the Ohio Public Facilities Commission (OPFC). The capital assets are transferred from the OBR to The University upon completion. Costs incurred during construction are included in construction in progress.

In accordance with the requirements of Ohio Revised Code Section 124.21(D) and (E), university facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of The Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

As a result of the above described financial assistance provided by the State to The University, outstanding debt issued by OPFC is not included within The University's financial statements. In addition, appropriations by the State's General Assembly to the Board of Regents for payment of debt service are not reflected as appropriation revenue received by The University, and the related debt service payments are not recorded in The University's accounts.

The Ohio Board of Regents adopts a two-year operating budget that includes line items to fund infrastructure investments for higher education. The Capital Component program is an appropriation line item in the Ohio Board of Regents operating budget. The program was designed to add flexibility to the capital funding process and to provide incentives for the efficient use of state capital funding provided to higher education institutions. The Capital Component constitutes a reform of capital funding for higher education as part of the capital funding policy adopted in 1997. This new capital funding policy provided state-assisted institutions of higher education with the annual debt service equivalent of capital appropriations that the institution otherwise could have received via the new formula-based higher education capital budget. The formula is driven by considering existing space shortages on campus, student enrollments, and other campus activities (i.e., non-credit activities, community service functions and research). Thus, if the formula allocation exceeds the amount requested, 10% of the difference is paid to the institution for 15 years in the form of Excess Capital Component Allocation (Capital Component). The University intends to use this Capital Component toward funding the debt service obligation of the Series 2003A and 2004B Bond Issues.

**8. Employee Benefit Plans**

**Retirement Plans**

Employee retirement benefits are available for substantially all employees under contributory retirement plans administered by the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), and the law enforcement division of the Ohio Public Employees Retirement System (OPERS-LE). These retirement programs are statewide, cost-sharing, multiple-employer defined benefit plans. STRS, SERS, and OPERS-LE provide retirement and disability benefits, annual cost of living adjustments, and death benefits for plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3307 of the Ohio Revised Code (ORC).

Each retirement system issues stand-alone Comprehensive Annual Financial Reports that may be obtained by contacting:

State Teachers Retirement System  
275 E. Broad Street  
Columbus, Ohio 43215-3371  
(888) 227-7877  
www.strsoh.org

School Employees Retirement System  
300 East Broad Street, Suite 100  
Columbus, Ohio 43215-3746  
(800) 878-5853  
www.ohsers.org

Ohio Public Employees Retirement System  
277 East Town Street  
Columbus, Ohio 43215-4642  
(800) 222-7377  
www.opers.org



**The University of Akron**  
Notes to Financial Statements  
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**8. Employee Benefit Plans - continued**

The ORC provides statutory authority for employee and employer contributions. The contribution rates on covered payroll and The University's contributions to each system are:

	Employee Contribution Rate	Employer Contribution Rate	The University's contributions For the years ended 6/30		
			2012	2011	2010
STRS	10.0%	14.00%	\$ 12,386,930	\$ 11,954,443	\$ 11,611,599
SERS	10.0%	14.00%	9,193,008	8,616,498	8,713,603
OPERS-LE	11.6%	18.10%	535,868	497,903	448,834
			<u>\$ 22,115,806</u>	<u>\$ 21,068,844</u>	<u>\$ 20,774,036</u>

The University's contributions are equal to the required contributions for each year.

**Other Postretirement Employee Benefits**

STRS provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to ORC, STRS Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients, for the most recent year, are required to pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year ended June 30, 2011, benefits are funded on a pay-as-you-go basis through an allocation of employer contributions equal to 1% of covered payroll to a Health Care Stabilization Fund from which health care benefits are paid. The amount of STRS employer contributions used to fund OPEB for the years ended June 30, 2012, 2011, and 2010 were \$884,781, \$853,889, and \$829,400, respectively.

The ORC gives SERS the discretionary authority to provide postretirement health care to retirees and their beneficiaries. Coverage is made available to service retirees, with ten or more years of qualifying service credit, disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2012, the allocation rate is 0.55%. The amount of the SERS employer contributions used to fund health care for the years ended June 30, 2012, 2011, and 2010 were \$492,483, \$880,115, and \$286,303, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge amount paid to SERS for the years ended June 30, 2012, 2011, and 2010 was \$914,422, \$934,081, and \$921,197, respectively. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was .75%. The amount of the SERS employer contributions used to fund Medicare B for the years ended June 30, 2012, 2011, and 2010 were \$361,154, \$467,755, and \$473,027, respectively.

**The University of Akron**  
Notes to Financial Statements  
June 30, 2012 and 2011

**8. Employee Benefit Plans - continued**

**Other Postretirement Employee Benefits - continued**

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. OPERS provides retirement, disability, and survivor benefits as well as post-retirement health care coverage. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. A portion of the employer OPERS contribution is set aside to fund the health care benefits. The portion of employer contributions for all employers allocated to health care ranged between 4.0% and 6.05% based on the type of plan. The amount of the OPERS-LE employer contributions used to fund OPEB for the years ended June 30, 2012, 2011, and 2010 were \$118,427, \$177,801, and \$160,278, respectively.

The University also provides certain health care benefits for dependents of retired employees and life insurance benefits for retired employees. Substantially all of The University's employees hired prior to 1992 may become eligible for those benefits if they reach normal retirement age while working for The University. This is a single employer defined benefit plan administered by The University.

The University has no obligation to make contributions in advance of when the premiums are due for payment, therefore this plan is financed on a "pay-as-you-go" basis. As of January 1, 2010, the plan was changed to include a 15% contribution for retiree dependent coverage. During fiscal 2012, 2011, and 2010, the cost of dependent health care and retiree life insurance benefits, recognized as expense when claims and premiums were paid, totaled approximately \$1,406,000, \$800,000 and \$1,336,000, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University has estimated the cost of providing retiree health care benefits through an actuarial valuation as of August 3, 2012. In this actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent discount rate, an annual healthcare cost trend rate of 8.0 percent initially, reduced by 0.5 percent decrements per year to an ultimate rate of 5.0 percent after FY 2018, and a 2.0 percent salary increase. The amortization of the unfunded actuarial accrued liability (UAAL) of \$77.6 million is based on a 30-year open level dollar amortization method. The remaining amortization period at June 30, 2012 was 25 years. Pursuant to this actuarial valuation, The University recorded \$17,992,336, \$16,498,206 and \$12,406,501 for future OPEB obligation as a liability due in more than one year during fiscal years 2012, 2011 and 2010, respectively.

**The University of Akron**  
**Notes to Financial Statements**  
June 30, 2012 and 2011

**8. Employee Benefit Plans - continued**

**Alternative Retirement Plan**

In 1997, the State approved an Alternative Retirement Plan (ARP) for full-time academic and administrative employees which allows new employees and those with less than five years of service to opt out of STRS and SERS and contribute to one of the ARPs formed as Section 401(a) defined contribution plans. In 2005, this legislation was amended to include all full-time college employees as of August 2005. The legislation, as amended, requires employees to contribute to the ARPs at the same rates as previously stated for STRS and SERS employee contributions. The employer contributes 3.50% of its 14.00% STRS employer contribution to STRS. For SERS, no funding is contributed to SERS if hired before August 2005, and 6.00% of their 14.00% is contributed to SERS if hired on or after August 2005. The employer contribution rate is based on independent actuarial studies. The University's contributions for ARP employees for the years ended June 30, 2012, 2011, and 2010 were \$4,814,424, \$4,488,083, and \$4,399,446, respectively, equal to the required contributions for each year. The ARPs do not provide postretirement benefits other than pension and death benefits.

**9. Litigation, Commitments, and Contingencies**

The University has been named as a defendant in a number of suits alleging various matters. It is the opinion of The University's management that disposition of the pending matters will not have a material adverse effect on the financial statements.

In addition to purchasing insurance to cover potential losses from certain litigation, The University participates in two risk pools, along with other State universities, for commercial property coverage and commercial casualty coverage. Each university contributes on a basis equal to their percentage of the total insurable value of the pool. Future contributions will be adjusted based upon each university's loss history. Each university has a base deductible of \$100,000 for each pool. For commercial property coverage, the next \$250,000 of any one claim is the responsibility of the pool, which has a total annual aggregate limit of \$700,000. The commercial property insurer is liable for the amount of any claim in excess of \$350,000, or \$100,000 in the event the pool has reached its annual aggregate. For commercial casualty coverage, the next \$900,000 of any one claim is the responsibility of the pool. The University purchases a \$4,000,000 liability insurance policy that sits over top of the pool.

The University has elected to provide employee health insurance benefits through a self-insurance program as of January 1, 2011. Two third-party administrators, Apex Benefit Services for medical insurance and Delta Dental of Ohio for dental insurance, review all claims which are then paid by The University. Full-time employees are eligible for health insurance benefits effective on the first day of the month following appointment or date of hire. Employees are offered two traditional PPO medical plans with different levels of coverage and one PPO dental plan. Employees make contributions to pay a portion of health insurance benefits based on plan selections and annual salary ranges.

A claims liability of \$2,542,000 and \$2,675,900, included with accrued liabilities as of June 30, 2012 and 2011, respectively, is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Services*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The change in the total liability for actual and estimated claims is summarized below:

	2012	2011
Liability at beginning of year	\$ 2,675,900	\$ -
Claims incurred and changes in estimates	28,067,050	10,809,257
Claim payments	(28,200,950)	(8,133,357)
Liability at end of year	\$ 2,542,000	\$ 2,675,900

To reduce potential loss exposure, The University has established a reserve for health insurance stabilization of \$8.7 million as of June 30, 2011 and 2012.

**The University of Akron**  
Notes to Financial Statements  
June 30, 2012 and 2011

**9. Litigation, Commitments, and Contingencies - continued**

The University receives grants and contracts from certain federal and state agencies to fund research and other activities. The federal grants are audited annually in accordance with Office of Management and Budget Circular A-133. Federal agencies also may conduct additional audits under federal law or regulations or may arrange for funding the cost of such additional audits by independent auditing firms. The state grants are subject to review and audit by the grantor agencies or their designee. Such federal or state audits could lead to a request for reimbursement by the grantor agency for expenditures disallowed under the terms of the grant. No significant costs have been questioned to date, and management believes that any disallowance or adjustment of such costs would not have a material adverse effect on the financial statements.

The University has been appropriated \$5.7 million from the State for buildings and renovations, of which \$2.7 million has been expended as of June 30, 2012. In addition, as of June 30, 2012, University construction projects will cost an estimated \$14.7 million to complete with 60.6%, or \$8.9 million, funded from bond proceeds.

The University, as part of its commitment to the Austen BioInnovation Institute in Akron, must make annual supporting contributions of \$800,000 through fiscal year 2013. This commitment must consist of not less than \$400,000 in cash with the balance made in in-kind capital contributions as approved by the other partners.

**10. Subsequent Event**

In August 2012, The University issued \$31.8 million of General Receipts Refunding Bonds, Series 2012 with a coupon rate of 2.4% with payments through 2027. The proceeds of the Series 2012 Bonds were used to refund \$19.0 million and \$11.6 million of The University's outstanding General Receipts Bonds, Series 2003A & 2004B, respectively, and to pay issuance costs.

**The University of Akron**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**11. Component units**

Details of the component units' net assets at June 30, 2012 and 2011 are as follows:

	2012			2011		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 1,610,531	\$ -	\$ 1,610,531	\$ 688,527	\$ -	\$ 688,527
Accounts receivable, net	928,003	1,153,384	2,081,387	467,813	1,209,605	1,677,418
Pledges receivable, net	2,300,480	-	2,300,480	2,885,535	-	2,885,535
Notes receivable	-	-	-	5,007,617	-	5,007,617
Prepaid expenses and deferred charges	-	36,771	36,771	-	17,572	17,572
<b>Total current assets</b>	<b>4,839,014</b>	<b>1,190,155</b>	<b>6,029,169</b>	<b>9,049,492</b>	<b>1,227,177</b>	<b>10,276,669</b>
<b>Restricted assets:</b>						
Cash and cash equivalents	-	1,734,935	1,734,935	-	2,300,697	2,300,697
Pooled investments	-	4,126,553	4,126,553	-	5,991,323	5,991,323
Other investments	2,681,897	-	2,681,897	4,189,558	-	4,189,558
<b>Total restricted assets</b>	<b>2,681,897</b>	<b>5,861,488</b>	<b>8,543,385</b>	<b>4,189,558</b>	<b>8,292,020</b>	<b>12,481,578</b>
<b>Noncurrent assets:</b>						
Endowment investments	135,250,994	-	135,250,994	135,987,811	-	135,987,811
Other investments	-	380,120	380,120	-	292,352	292,352
Pledges receivable, net	9,634,638	-	9,634,638	9,618,904	-	9,618,904
Capital assets, net	8,403,102	5,800,862	14,203,964	7,727,045	5,250,604	12,977,649
<b>Total assets</b>	<b>160,809,645</b>	<b>13,232,625</b>	<b>174,042,270</b>	<b>166,572,810</b>	<b>15,062,153</b>	<b>181,634,963</b>
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable	774,041	2,163,984	2,938,025	846,148	2,431,588	3,277,736
Accrued liabilities	84,942	968,887	1,053,829	88,805	668,033	756,838
Deferred revenue	34,377	2,268,299	2,302,676	30,000	4,312,663	4,342,663
Deposits	2,681,897	-	2,681,897	4,189,558	-	4,189,558
Current portion of long-term liabilities	-	56,010	56,010	5,000,000	52,547	5,052,547
<b>Total current liabilities</b>	<b>3,575,257</b>	<b>5,457,180</b>	<b>9,032,437</b>	<b>10,154,511</b>	<b>7,464,831</b>	<b>17,619,342</b>
<b>Noncurrent liabilities:</b>						
Actuarial liability for annuity/unitrust agreements	14,446,728	-	14,446,728	12,033,539	-	12,033,539
Long-term liabilities	-	2,763,056	2,763,056	-	2,819,066	2,819,066
<b>Total liabilities</b>	<b>18,021,985</b>	<b>8,220,236</b>	<b>26,242,221</b>	<b>22,188,050</b>	<b>10,283,897</b>	<b>32,471,947</b>
<b>Net assets</b>						
Invested in capital assets, net	8,403,102	3,037,806	11,440,908	7,727,045	2,431,538	10,158,583
Restricted:						
Nonexpendable	95,502,067	-	95,502,067	91,004,853	-	91,004,853
Expendable	46,575,793	-	46,575,793	50,611,189	-	50,611,189
Unrestricted	(7,693,302)	1,974,583	(5,718,719)	(4,958,327)	2,346,718	(2,611,609)
<b>Total net assets</b>	<b>\$ 142,787,660</b>	<b>\$ 5,012,389</b>	<b>\$ 147,800,049</b>	<b>\$ 144,384,760</b>	<b>\$ 4,778,256</b>	<b>\$ 149,163,016</b>

**The University of Akron**  
**Notes to Financial Statements**  
June 30, 2012 and 2011

**11. Component units - continued**

Details of the component units' revenues, expenses, and changes in net assets at June 30, 2012 and 2011 are as follows:

	2012			2011		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
<b>Revenues</b>						
Operating revenues:						
Federal grants and contracts	\$ -	\$ 139,439	\$ 139,439	\$ -	\$ 132,657	\$ 132,657
Private grants and contracts	-	8,394,184	8,394,184	-	4,318,433	4,318,433
Gifts and contributions	5,400,750	-	5,400,750	6,440,171	-	6,440,171
Other sources	-	1,614,348	1,614,348	-	1,932,977	1,932,977
<b>Total operating revenues</b>	<b>5,400,750</b>	<b>10,147,971</b>	<b>15,548,721</b>	<b>6,440,171</b>	<b>6,384,067</b>	<b>12,824,238</b>
<b>Expenses</b>						
Operating expenses:						
Educational and general:						
Separately budgeted research	-	5,435,522	5,435,522	-	3,609,860	3,609,860
Institutional support	740,305	-	740,305	809,845	-	809,845
Depreciation	-	382,350	382,350	-	277,581	277,581
<b>Total operating expenses</b>	<b>740,305</b>	<b>5,817,872</b>	<b>6,558,177</b>	<b>809,845</b>	<b>3,887,441</b>	<b>4,697,286</b>
Operating income	4,660,445	4,330,099	8,990,544	5,630,326	2,496,626	8,126,952
<b>Nonoperating revenues (expenses)</b>						
Investment (loss) income, net	(4,460,968)	(21,256)	(4,482,224)	20,351,581	469,063	20,820,644
Interest on debt	-	(373,532)	(373,532)	-	(73,689)	(73,689)
Distributions to The University	(7,894,774)	(4,039,257)	(11,934,031)	(13,414,295)	(2,761,288)	(16,175,583)
Distributions on behalf of The University	(1,002,772)	-	(1,002,772)	(642,279)	-	(642,279)
Other nonoperating revenues	84,299	338,079	422,378	103,119	295,083	398,202
<b>Net nonoperating revenues (expenses)</b>	<b>(13,274,215)</b>	<b>(4,095,966)</b>	<b>(17,370,181)</b>	<b>6,398,126</b>	<b>(2,070,831)</b>	<b>4,327,295</b>
Gain (loss) before other changes	(8,613,770)	234,133	(8,379,637)	12,028,452	425,795	12,454,247
<b>Other changes</b>						
Additions to permanent endowments						
	7,016,670	-	7,016,670	4,274,618	-	4,274,618
Increase (decrease) in net assets	(1,597,100)	234,133	(1,362,967)	16,303,070	425,795	16,728,865
Net assets - beginning of year	144,384,760	4,778,256	149,163,016	128,081,690	4,352,461	132,434,151
<b>Net assets - end of year</b>	<b>\$ 142,787,660</b>	<b>\$ 5,012,389</b>	<b>\$ 147,800,049</b>	<b>\$ 144,384,760</b>	<b>\$ 4,778,256</b>	<b>\$ 149,163,016</b>

**The University of Akron**  
**Notes to Financial Statements**  
June 30, 2012 and 2011

**11. Component units - continued**

Details of the component units' fair value of investments at June 30, 2012 and 2011 are as follows:

	2012			2011		
	Research		Totals	Research		Totals
	Foundation	Foundation		Foundation	Foundation	
<b>Assets</b>						
Restricted assets:						
Pooled investments:						
Money market funds	\$ -	\$ 451,015	\$ 451,015	\$ -	\$ 828,811	\$ 828,811
Mutual funds	-	3,675,538	3,675,538	-	5,162,512	5,162,512
Total pooled investments	-	4,126,553	4,126,553	-	5,991,323	5,991,323
Other investments:						
Mutual funds	2,681,897	-	2,681,897	4,189,558	-	4,189,558
Noncurrent assets:						
Endowment investments:						
Pooled investment funds	115,430,201	-	115,430,201	115,717,348	-	115,717,348
Bonds	6,320,529	-	6,320,529	1,790,659	-	1,790,659
Commercial paper	-	-	-	6,747,811	-	6,747,811
Common stocks	1,868,331	-	1,868,331	1,409,713	-	1,409,713
Floaters	2,045,000	-	2,045,000	1,395,000	-	1,395,000
Cash surrender value of						
insurance policies	280,453	-	280,453	268,700	-	268,700
Money market funds	4,301,443	-	4,301,443	3,976,327	-	3,976,327
Mutual funds	3,872,881	-	3,872,881	1,854,945	-	1,854,945
U.S. Treasury obligations	679,945	-	679,945	2,492,308	-	2,492,308
Direct financing lease	117,211	-	117,211	-	-	-
Beneficial interest in real estate	335,000	-	335,000	335,000	-	335,000
Total endowment investments	135,250,994	-	135,250,994	135,987,811	-	135,987,811
Other investments	-	380,120	380,120	-	292,352	292,352
<b>Total fair value of investments</b>	<b>\$ 137,932,891</b>	<b>\$ 4,506,673</b>	<b>\$ 142,439,564</b>	<b>\$ 140,177,369</b>	<b>\$ 6,283,675</b>	<b>\$ 146,461,044</b>

## SUPPLEMENTAL INFORMATION



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 the Board of Trustees  
University of Akron

We have audited the financial statements of the University of Akron (the "University") and its discretely presented component units as of and for the year ended June 30, 2012, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 10, 2012. We have 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.

**Internal Control Over Financial Reporting**

Management of University of Akron is responsible for establishing and maintaining an effective internal control over financial reporting. In planning and performing our audit, we considered University of Akron's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Trustees  
University of Akron

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether University of Akron'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*.

This report is intended solely for the information and use of management, the board of trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

December 10, 2012

Report on Compliance with Requirements That Could Have a Direct  
and Material Effect on the Major Program and on Internal Control  
Over Compliance in Accordance With OMB Circular A-133

Independent Auditor's Report

To the Board of Trustees  
University of Akron

**Compliance**

We have audited the compliance of University of Akron (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2012. The major federal program of University of Akron is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of University of Akron's management. Our responsibility is to express an opinion on University of Akron's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about University of Akron's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on University of Akron's compliance with those requirements.

This report is replacing a previously issued report in order to reflect a reissuance of the basic financial statements.

In our opinion, University of Akron complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

To the Board of Trustees  
University of Akron

### Internal Control Over Compliance

The management of University of Akron is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered University of Akron's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Alante & Moran, PLLC*

December 10, 2012

**The University of Akron**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
<b>Student Financial Aid Cluster</b>			
Department of Education:			
Direct programs:			
Federal Supplemental Educational Opportunity Grant	84.007		\$ 1,151,560
Federal Direct Student Loans	84.032		177,032,745
Federal College Work-Study	84.033		937,172
Federal Perkins Loan Program	84.038		9,304,783
Federal Pell Grant Program	84.063		42,297,946
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		299,500
Total Department of Education			231,023,706
Department of Health and Human Services:			
Direct program:			
Nursing Student Loans	93.364		941,161
Total Student Financial Aid Cluster			231,964,867
<b>Research and Development Cluster</b>			
Department of Agriculture:			
Direct program:			
Agricultural Research-Basic and Applied Research	10.001		(37)
Scientific Cooperation and Research	10.961		9,592
Total Department of Agriculture			9,555
Department of Commerce:			
Direct program:			
Center for Sponsored Coastal Ocean Research, Coastal Ocean Program	11.478		20,408
Pass-through program:			
Kent Displays Inc. - Technology Innovation Program (TIP)	11.616	70NANB11H005	60,417
Total Department of Commerce			80,825
Department of Defense:			
Direct programs:			
Office of Naval Research-Basic and Applied Scientific Research	12.300		252,101
United States Army-Basic Scientific Research	12.431		2,829,449
Basic, Applied, and Advanced Research in Science and Engineering	12.630		853,948
Air Force Defense Research Sciences Program	12.800		2,780,594
Pass-through programs:			
University of Akron Research Foundation (UARF)-Basic and Applied Scientific Research	12.300	N00014-08-M-0325	65
UARF-Basic and Applied Scientific Research	12.300	N68335-10-C-0419	4,980
University of Connecticut-Basic and Applied Scientific Research	12.300	N00014-10-0944	179,698
Babcock & Wilcox-Basic and Applied Scientific Research	12.300	N00024-07-C-2100	2,483
Materials Research & Design, Inc.	12.300	N68335-09-C-0491	31,727
UARF-Basic Scientific Research	12.431	S690000034	67,977
UARF-Air Force Defense Research Sciences Program	12.800	FA9550-10-C-0167	15,684

**The University of Akron**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Department of Defense (continued):			
Pass-through programs (continued):			
AFRL/Dayton Area Graduate Studies Institute-Air Force Defense Research Sciences Program	12.800		\$ 57,468
Mandaree Enterprise-Air Force Defense Research Sciences Program	12.800	FA8501-06-D-0001	131,071
University of Dayton-Air Force Defense Research Sciences Program	12.800	FA8650-09-D-5223/0003	20,903
Universal Energy Systems Inc-Air Force Defense Research Sciences Program	12.800	FA8650-09-D-5037 DO	73,252
Alpha Star Corporation-Air Force Defense Research Sciences Program	12.800	FA8650-10-M-5115	
Ohio Aerospace Institute-Air Force Defense Research Sciences Program	12.800	FA8650-09-D-2945	63,277
Centro de Investigacion en Materiales Avanzados, S.C.-Air Force Defense Research Sciences Program	12.800	FA9550-10-1-0236	51,319
Wright State University-Air Force Defense Research Sciences Program	12.800	FA9550-09-1-0358	31,752
SORAA Inc.-Air Force Defense Research Sciences Program	12.800	STTR FA9550-10-C-011	101,971
Case Western Reserve University-Air Force Defense Research Sciences Program	12.800	FA9550-11-1-0022	2,404
Deformation Control Technology, Inc-Air Force Defense Research Sciences Program	12.800	N68335-11-C-0420	10,634
University of Nebraska-Air Force Defense Research Sciences Program	12.800	FA9550-11-1-0204	87,433
University of Illinois-Research and Technology Development	12.910	HR0011-10-1-0077	91,001
Total Department of Defense			7,741,191
Department of Housing and Urban Development:			
Pass-through program:			
Akron Metropolitan Housing Authority-Demolition and Revitalization of Severely Distressed Public Housing	14.866		27,626
Department of the Interior:			
Direct programs:			
Cultural Resource Management	15.224		41,310
Endangered Species Conservation - Recovery Implementation Funds	15.657		68,984
Pass-through program:			
The Ohio State University-Assistance to State Water Resources Research Institutes	15.805	G11AP20099	3,163
Total Department of the Interior			113,457
Department of Justice:			
Pass-through programs:			
City of Cleveland-Drug Court Discretionary Grant Program	16.585	2010-DC-BX-0012	2,761
Northeast Ohio Medical University-Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-JG-EOR-6697	12,714
Total Department of Justice			15,475
Department of Transportation:			
Direct programs:			
University Transportation Centers Program	20.701		711,265
Pass-through programs:			
Ohio Department of Public Safety-State and Community Highway Safety	20.600		20,715
National Transportation Research Center-University Transportation Centers Program	20.701	DTRT06-G-0043	1,586
Auburn University/University of Tennessee-Biobased Transportation Research	20.761	DTOS59-07-G-00050	30,123
Total Department of Transportation			763,689

**The University of Akron**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
<b>National Aeronautics and Space Administration:</b>			
Direct programs:			
Aerospace Education Services Program	43.001		\$ 23,547
Technology transfer	43.002		1,387,314
Pass-through programs:			
Brown University-Technology Transfer	43.002	NNX07AO07A	4,213
Ohio Space Grant Consortium-Technology Transfer	43.002		13,986
Total National Aeronautics and Space Administration			1,429,060
<b>National Science Foundation:</b>			
Direct programs:			
Engineering Grants	47.041		915,942
Mathematical and Physical Sciences	47.049		1,869,398
Geosciences	47.050		131,155
Computer and Information Science and Engineering	47.070		7,459
Biological Sciences	47.074		161,398
Social, Behavioral, and Economic Sciences	47.075		74,107
Educational and Human Resources	47.076		311,216
ARRA-Trans-NSF Recovery Act Research Support	47.082		315,908
Pass-through programs:			
UARF-Engineering Grants	47.041	IIP-1010240	(901)
UARF-Engineering Grants	47.041	IIP-1113370	29,584
Tennessee Technological University-Engineering Grants	47.041	CMMI-0928539	41,969
Premix, Inc.-Engineering Grants	47.041	IIP-1142327	47,496
The Ohio State University Research Foundation-Mathematical and Physical Sciences	47.049	CHE-05322560	5,163
University of Virginia-Educational and Human Resources	47.076	DUE-0717820	7,874
University of Alabama-Educational and Human Resources	47.076	HRD-1136266	9,418
ARRA-Southern Illinois University-Trans-NSF Recovery Act Research Support	47.082	DMR-0847580	44,465
ARRA-University of Wisconsin-Trans-NSF Recovery Act Research Support	47.082	DMR-0906817	4,001
Total National Science Foundation			3,975,652
<b>Department of Energy:</b>			
Direct programs:			
Office of Science Financial Assistance Program	81.049		370,181
ARRA-Conservation Research and Development	81.086		1,227,978
Renewable Energy Research and Development	81.087		540,166
Fossil Energy Research and Development	81.089		253,754
ARRA-Geologic Sequestration Training and Research Grant Program	81.133		59,914
Pass-through programs:			
Bechtel Marine Propulsion Corp.	81.000		23,185
Aspen Aerogels Inc.-Office of Science Financial Assistance Program	81.049		5,750
Total Department of Energy			2,480,928
<b>Department of Education:</b>			
Pass-through program:			
Ohio Department of Education	84.000		38,267

**The University of Akron**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Direct programs:			
Oral Diseases and Disorders Research	93.121		\$ 6,218
ARRA-Nurse Anesthetist Traineeships	93.124		10,554
Mental Health Research Grants	93.242		63,000
Advanced Education Nursing Grant Program	93.358		45,924
Nursing Research	93.361		34,891
Academic Research Enhancement Award	93.390		121,617
Cancer Detection and Diagnosis Research	93.394		45,532
Cancer Treatment Research	93.395		54,750
ARRA-Trans-NIH Recovery Act Research Support	93.701		30,230
Cardiovascular Diseases Research	93.837		112,000
Diabetes, Endocrinology, and Metabolism Research	93.847		71,833
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		127,049
Biomedical Research and Research Training	93.859		343,154
Pass-through programs:			
Pregnancy Support Center-Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FE0055	13,672
City of Cleveland-Project of Regional and National Significance	93.243	1H79TI019946	53,634
Rutgers, The State University of New Jersey-Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	P41EB0001046-08	5,820
Rutgers, The State University of New Jersey-Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	5P41EB001046-08	23,527
Austen BioInnovation Institute in Akron-Patient Protection and Affordable Care Act of 2010	93.531	1U58DP003523-01	18,890
Summit County-Temporary Assistance for Needy Families	93.558		8,213
Ohio Department of Job and Family Services-Foster Care Title IV-E	93.658		20,631
ARRA-Indiana University-Trans -NIH Recovery Act Research Support	93.701	RO1DC0006436	14,360
Walsh University-Cardiovascular Diseases Research	93.837	1R15HL097343	3,304
Washington University in St Louis-Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	5R01DK082546	49,485
H-Cubed, Inc-Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	2R44NS052939	5,708
Austen BioInnovation Institute in Akron-Specially Selected Health Projects	93.888	1 R1CRH20682-01-00	50,000
Total Department of Health and Human Services			1,333,996
Total Research and Development Cluster			18,009,721
<b>Child Nutrition Cluster</b>			
Department of Agriculture:			
Pass-through programs:			
Ohio Department of Education-Summer Food Service Program for Children	10.559		21,176
Firestone Endowment-Summer Food Service Program for Children	10.559		3,368
Total Child Nutrition Cluster			24,544



**The University of Akron**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
<b>Highway Planning and Construction Cluster</b>			
Department of Transportation:			
Pass-through programs:			
Ohio Department of Transportation-Highway Planning and Construction	20.205		\$ 245,119
Ohio Department of Transportation-Highway Planning and Construction	20.205	E081157	58,265
Ohio Department of Transportation-Highway Planning and Construction	20.205	E110181	34,221
Ohio Department of Transportation-Highway Planning and Construction	20.205	E110431	14,424
Ohio Department of Transportation-Highway Planning and Construction	20.205	E110578	81,507
Ohio Department of Transportation-Highway Planning and Construction	20.205	E120086	29,894
Marshall University/West Virginia DOT-Highway Planning and Construction	20.205		30,219
<b>Total Highway Planning and Construction Cluster</b>			<b>493,649</b>
<b>Highway Safety Cluster</b>			
Department of Transportation:			
Pass-through program:			
Ohio Department of Public Safety-State and Community Highway Safety	20.600		22,826
<b>TRIO Cluster</b>			
Department of Education:			
Direct programs:			
TRIO Talent Search	84.044A		505,088
TRIO Upward Bound	84.047A		438,483
TRIO Upward Bound Math/Science	84.047M		261,489
TRIO McNair Post Baccalaureate Achievement	84.217A		217,008
<b>Total TRIO Cluster</b>			<b>1,422,068</b>
<b>Other Programs</b>			
<b>Instruction</b>			
Department of Defense:			
Pass-through program:			
State of Ohio Adjutant Generals Office-National Guard Military Operations and Maintenance (O&M) Projects	12.401		38,705
National Science Foundation:			
Pass-through program:			
Carleton College-Education and Human Resources	47.076		775
Department of Education:			
Direct program:			
Special Education-Personnel Development to Improve Services and Results for Children With Disabilities	84.325K		117,697
English Language Acquisition Grants	84.365		48,380
ARRA-Kent State University-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395		882
<b>Total Department of Education</b>			<b>166,959</b>

**The University of Akron**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass-through programs:			
Northeast Ohio Medical University-Model State-Supported Area Health Education Centers	93.107	U77HP03029	\$ 18,193
Northeast Ohio Medical University-Model State-Supported Area Health Education Centers	93.107	U77 HP 23072	43,535
Ohio Department of Job & Family Services-Foster Care Title IV-E	93.658		69,222
The Ohio State University-Medical Assistance Program	93.778	G-1213-07-0343	1,091
Total Department of Health and Human Services			132,041
Corporation for National and Community Service:			
Pass-through program:			
Ohio Campus Compact-Learn and Serve America Higher Education	94.005		2,000
Total Instruction			340,480
<b>Public Service</b>			
Department of Agriculture:			
Pass-through program:			
Center for Child Development-Child and Adult Care Food Program	10.558		22,862
Department of Defense:			
Direct program:			
Basic Scientific Research	12.431		5,000
Department of Justice:			
Direct program:			
Public Safety Partnership and Community Policing Grants	16.710		120,615
Pass-through program:			
City of Cleveland-Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-JG-A02-6947	4,020
Total Department of Justice			124,635
Department of State:			
Direct program:			
Academic Exchange Programs - Teachers	19.408		210,579
National Foundation of Arts and the Humanities:			
Direct program:			
Promotion of the Arts-Grants to Organizations and Individuals	45.024		10,000
Promotion of the Humanities-Division of Preservation and Access	45.149		109,084
Pass-through program:			
Arts Midwest-Promotion of the Arts Partnership Agreements	45.025		2,598
Total National Foundation of Arts and the Humanities			121,682
National Science Foundation:			
Direct program:			
Engineering Grants	47.041		26,316
Pass-through program:			
North Carolina State University-Educational and Human Resources	47.076	DUE-1022917	14,188
Total National Science Foundation			40,504

**The University of Akron**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Direct programs:			
Fund for the Improvement of Education	84.215K		\$ 14,743
Early Reading First	84.359		1,202,938
Pass-through programs:			
Ohio Department of Education-Vocational Education Basic Grants to States	84.048		11,544
Milkcreek Children's Center-Fund for the Improvement of Education	84.215		4,903
Summit Co. Educational Service Center-Fund for the Improvement of Education	84.215	U215X080287	48,436
Stark County Educational Service Center-Fund for the Improvement of Education	84.215X	U215X100034	89,295
Ohio Department of Education-Tech Prep Education	84.243A		16,965
Ohio Board Regents-Improving Teacher Quality State Grants	84.367		56,932
Akron Public Schools-School Improvement Grants	84.377A		20,299
ARRA-Ohio Department of Education-State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top Incentive Grants	84.395		56,272
Total Department of Education			<u>1,522,327</u>
Department of Health and Human Services:			
Pass-through programs:			
Summit County Public Health-Healthy Communities Access Program	93.107		1,066
Summit County Child Support Enforcement-Child Support Enforcement Demonstrations and Special Projects	93.601	90FI0109	11,362
ODADAS-Block Grants for Prevention and Treatment of Substance Abuse	93.959		15,793
Total Department of Health and Human Services			<u>28,221</u>
Corporation for National and Community Service:			
Pass-through program:			
Harrisburg Univ of Science & Technology-Learn and Serve America Higher Education	94.005	09LHAPA002	26,886
Total public service			<u>2,102,696</u>
Total other programs			<u>2,443,176</u>
Total expenditures of federal awards			<u><u>\$ 254,380,851</u></u>

**The University of Akron**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

**Note 1 - Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of The University of Akron (the "University") under programs of the federal government for the year ended June 30, 2012. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of the University. Pass-through entity identifying numbers are presented where available.

**Facilities and Administrative Costs**

The University recovers facilities and administrative costs by means of predetermined rates. The predetermined rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The predetermined rates are 50 percent for on-campus research, 35 percent for other on-campus sponsored activities, and 26 percent for off-campus research through June 30, 2012.

**Note 2 - Loans Outstanding**

The following schedule represents total loans advanced to students by The University and balances outstanding for the Perkins and Nursing Student Loan Programs for the year ended June 30, 2012:

Cluster/Program Title	CFDA Numbers	Advances	Outstanding Balances
Perkins Loan Program	84.038	\$ 599,387	\$ 9,304,783
Nursing Student Loan Program	93.364	130,983	941,161

**The University of Akron**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

**Note 3 - Subrecipient Awards**

Certain funds are passed through to subgrantee organizations by The University. Expenditures incurred by the subgrantees and reimbursed by The University are presented in the Schedule. During the year ended June 30, 2012, the funds disbursed by The University to subrecipients are as follows:

CFDA	CFDA Description	Amount
12.431	Basic Scientific Research	\$ 1,781,379
12.800	Air Force Defense Research Sciences Program	1,240,870
19.408	Academic Exchange Programs - Teachers	33,988
20.205	Highway Planning and Construction	32,806
20.701	University Transportation Centers Program	60,051
43.002	NASA Technology Transfer	500,132
47.041	Engineering Grants	97,758
47.049	Mathematical and Physical Sciences	11,375
47.050	Geosciences	38,800
47.075	Social, Behavioral, and Economic Sciences	6,000
47.076	Educational and Human Resources	6,144
81.049	Office of Science Financial Assistance Program	155,262
84.047	TRIO Upward Bound	33,195
84.217	TRIO McNair Post-Baccalaureate Achievement	15,000
84.325K	Special Education-Personnel Development to Improve Services and Results for Children With Disabilities	59,667
84.359	Early Reading first	114,883
84.367	Improving Teacher Quality State Grants	8,300
93.394	Cancer Detection and Diagnosis Research	9,579
93.701	ARRA-Trans-NIH Recovery Act Research Support	5,771
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	102,005
93.859	Biomedical Research and Research Training	54,774
94.005	Learn and Serve America Higher Education	8,418
	<b>Total subreceptents</b>	<b><u><u>\$ 4,376,157</u></u></b>

The University is also the subrecipient of federal funds which have been subject to testing and are reported as expenditures and listed separately as pass-through programs.

**The University of Akron**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

**Note 4 - Reconciliation**

The following schedule is a reconciliation of total expenditures as shown on the Schedule to the revenue shown as federal grants and contracts on the statement of revenue, expenses, and changes in net assets (the "Statement"), which is included as part of The University's financial statements:

Expenditures per the Schedule	\$ 254,380,851
Pell grants	(42,297,946)
Federal direct loans	(177,032,745)
Federal Perkins loan program	(9,304,783)
Nursing student loan program	(941,161)
Federal grants passed through state entities	(831,301)
Federal grants passed through local entities	(246,413)
Private grants	(1,723,008)
Sales	(22,862)
Federal purchased service contracts	101,480
Indirect costs excluded from federal grants on Statement	60,913
Change in deferred revenue from federal grants	(63,795)
	<hr/>
Federal grants and contracts as shown on the Statement	<u>\$ 22,079,230</u>

Current restricted funds derived from appropriations, gifts, or grants may be used only to meet current expenditures for the purposes specifically identified by sponsoring agencies. The appropriations, gifts, or grants are recognized as revenue in The University's external financial statements as expended. Therefore, expenditures per the Schedule agree with federal grants and contracts revenue on the Statement, except as noted above.

**Note 5 - Adjustments and Transfers**

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, The University transferred \$169,105 of Federal Work Study (FWS) Program (84.003) award funds to the Federal Supplemental Education Opportunity Grant (SEOG) Program (84.007). The University carried forward and spent \$10,127 of the 2010-2011 SEOG award to the 2011-2012 award year.

In addition, the University carried forward \$54,280 of the 2011-2012 FWS award to the 2012-2013 award year. The University spent \$18,165 of carried forward FWS funds from the 2010-2011 award year during the 2011-2012 award year.

**The University of Akron**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2012

**Section I - Summary of Auditor's Results**

**Financial Statements:**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal Awards:**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? \_\_\_\_\_ Yes   X   No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.268, 84.033, 84.038, 84.063, 84.379, 93.364	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$672,480

Auditee qualified as low-risk auditee?   X   Yes        No

**The University of Akron**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

**Section II - Financial Statement Findings**

Reference Number	Findings
Current Year	None



**The University of Akron**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

**Section III - Federal Program Audit Findings**

Reference Number	Findings
Current Year	None

**The University of Akron  
National Collegiate Athletics Association**

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**Agreed-upon Procedures Report  
Related to NCAA Constitution 3.2.4.16  
June 30, 2012**

# **The University of Akron National Collegiate Athletics Association**

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## Independent Accountants' Report on the Application of Agreed-upon Procedures

Dr. Luis M. Proenza  
President  
The University of Akron  
Akron, OH 44325

We have performed the procedures enumerated below, which were agreed to by you as the president of The University of Akron (the "University"), solely to assist you in evaluating whether the accompanying Intercollegiate Athletics Program statement of revenue and expenses of The University of Akron is in compliance with the (NCAA), Constitution 3.2.4.16 for the year ended June 30, 2012. The University of Akron's management is responsible for the statement of revenue and expenses (the "statement") and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### **Agreed-upon Procedures Related to the Statement of Revenue and Expenses**

The procedures that we performed and our results are as follows:

#### **Internal Control Structure**

- A. In preparation for our procedures related to the University's internal control structure, we talked to the associate athletic director and inquired about the general control environment over intercollegiate athletic finances, the level of control consciousness in the University, the competence of personnel, and the protection of records and equipment; we obtained and inspected the audited financial statements for the year ended June 30, 2012 and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the internal control structure; we obtained and inspected any documentation of the accounting systems and procedures unique to the intercollegiate athletics department. We noted the control environment and accounting systems for cash disbursements, payroll, and cash receipts are not unique to intercollegiate athletics and are addressed in connection with the audit of the University's financial statements and we did not perform additional procedures related to these areas. We then performed the following procedure:

Dr. Luis M. Proenza  
President  
The University of Akron

**Procedure:** We selected three games and traced ticket collections per the receipting process for such games to the reconciliation and documentation of the related cash deposit amount with the bank. The following games were selected: football game against Florida International University on October 8, 2011, football game against Kent State University on November 12, 2011, men's basketball game against Buffalo on February 29, 2012.

**Result:** Management indicated that ticket collection and receipting were the only systems unique to athletics; therefore, we selected two football games and one men's basketball game during the year and compared the total receipts for such events, as documented by the University's ticket reconciliation procedures, to documentation of the related cash deposit amount with the bank. We found no discrepancies between the receipts for each event and the related cash deposit amount with the bank.

### **Capital Expenditure Survey and Related Debt**

B. In preparation for our procedures related to the capital expenditure survey, we obtained the capital expenditure survey for the reporting period, prepared by management; we obtained the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets; and we obtained repayment schedules for all outstanding intercollegiate athletics debt maintained by the University during the reporting period. We then performed the following procedures:

1) **Procedure:** We agreed the data provided on the capital expenditure survey to the University's general ledger and disclosed additions, deletions, and book values as disclosed in the report.

**Result:** We noted no exceptions. Additions, deletions, and book values are herein disclosed in Note 1. No deletions were noted in current year.

2) **Procedure:** We recalculated the annual maturities (consisting of principal and interest) provided in the schedules obtained. We then agreed the total annual maturities as disclosed in the report to supporting documentation and the University's general ledger.

**Result:** We recalculated the annual maturities and agreed to repayment schedules, noting no exceptions. Annual maturities are herein disclosed in Note 2.

### **Intercollegiate Athletics Restricted and Endowment and Plant Funds**

C. **Procedure:** We obtained a summary of additions to restricted funds related to intercollegiate athletics exceeding 10 percent as well as changes exceeding 10 percent to endowment and plant funds related to intercollegiate athletics, prepared by management.

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**Result:** There were no additions exceeding 10 percent to restricted funds related to intercollegiate athletics or any changes exceeding 10 percent to endowment and plant funds related to intercollegiate athletics.

### **Statement of Revenue and Expenses**

D. **Procedure:** We obtained the intercollegiate athletics program statement of revenue and expenses for the reporting period, prepared by management and agreed all amounts to the University's general ledger.

**Result:** We noted no exceptions. We obtained the intercollegiate athletics program statement of revenue and expenses for the year ended June 30, 2012 as prepared by management. We recalculated the amounts on the statement, compared the amounts on the statement to management's worksheets supporting the preparation of the statement, and agreed the amounts on such worksheets to the University's general ledger and found them to be in agreement.

E. **Procedure:** We agreed revenue and expense amounts from the statement to prior year amounts and budget estimates. We obtained and documented any variations exceeding 10 percent and \$100,000.

**Result:** The following significant variations between actual revenue and expenses in 2012 and actual revenues and expenses in 2011 were identified:

- We noted an increase of approximately \$386,000 for football ticket sales. It was noted by management that the increase in current year revenue is attributed to the fact that the Kent State University game was at home and that more sales occurred in order to meet attendance requirements.
- We noted an increase of approximately \$169,000 and \$110,000 for soccer sports camps revenue and expenses, respectively. It was noted by management that the increases in both current year revenue and expenses is attributed to more soccer camp participants this year than in the previous year.
- We noted an increase of approximately \$143,000 for fundraising expenses, not related to a specific team. It was noted by management that the increase in current year expense was a result of an increase in advertising expenses to help sell more tickets, the purchase of promotional items, and an appreciation event sponsored by athletics during football season.
- We noted an increase of approximately \$400,000 for other operating expenses, not related to a specific team. It was noted by management that the increase in current year other operating expenses is attributed to more expenses in this year, an increase in indirect costs, paying a consultant to hire a new head football coach, and moving expenses related to temporary housing for the new football staff.

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- We noted an increase of approximately \$158,000 for NCAA/conference distributions. It was noted by management that the increase in current year revenue was a result of increased funds received from the NCAA office.
- We noted an increase of approximately \$233,000 for medical expenses. It was noted by management that the increase is attributed to the cost of insurance premium doubling as well as a poor claims history in the current year.
- We noted an increase of \$750,000 for football guarantees revenue. It was noted by management that the increase in current year revenue is attributed to playing games that provided higher guarantees.
- We noted an increase of approximately \$194,000 for direct facilities, maintenance, and rental expense for football. It was noted by management that the increase in expense was due to a higher debt service payment being made on the football stadium in the current year.
- We noted an increase of approximately \$118,000 for student aid for women's track. It was noted by management that the increase in current year expense is attributed to the fact that more scholarships were awarded and that there were more out-of-state student athletes that received awards.
- We noted an increase of approximately \$478,000, \$140,000, \$134,000, and \$110,000 for coaching and administrative salaries for football, basketball, soccer, and women's track salaries, respectively. It was noted by management that the coaching salaries for football increased as the University was paying two football coaching staffs because the head coach changed during the fiscal year. In the case for men's basketball administrative salary, there was an increase due to bonuses given for a successful season. There was also an increase in administrative salary for men's soccer as a result of the camp staff being paid through payroll and not through accounts payable as in previous year. In the case for women's track administrative salary, the increase is primarily attributable to a new director of track operations position that was created and raises given to the entire staff in the current year.

The following significant variations between actual revenue and expenses in 2012 and budgeted revenue and expenses in 2012 were identified:

- We noted an increase of approximately \$448,000 and \$227,000 for athletic administration revenue and expense, respectively. It was noted by management that the increase in the actual revenue was primarily a result of NCAA revenue being greater than expected. In the case for athletic administration expense, the increase was a result of the fees for conducting a search for a new head football coach and the purchase of new compliance software.

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- We noted an increase of approximately \$126,000 for football revenue. It was noted by management that the increase in the actual revenue was a result of receiving a game guarantee check from Notre Dame for the cancellation of a future game of \$150,000.
- We noted a decrease of approximately \$139,000 for ticket sales expense. It was noted by management that the decrease in actual expense is attributable to the fact that the internal ticket sales staff contracts were not renewed. Ticket sales are now outsourced.
- We noted an increase of approximately \$252,000 for athletic championships expense. It was noted by management that the increase in the actual expense was due to bonuses for coaches and staff for winning five team championships. This expense also included the purchase of team awards.
- We noted an increase of approximately \$278,000 for sports medicine expense. It was noted by management that the increase in actual expense is attributable to higher medical claims due to more surgeries and insurance premiums more than doubling from the previous year.
- We noted a decrease of \$102,000 for athletics concessions expense. It was noted by management that a transfer was not made to the InfoCision Stadium account as commissions from the new concessions vendor were less than expected due to lower than anticipated attendance.
- We noted an increase of approximately \$139,000 for men's basketball expense. It was noted by management that the increase in actual expense was a result of paying out more in game guarantees than in the previous season.
- We noted a decrease of approximately \$120,000, \$133,000, \$115,000, and \$159,000 for women's softball, women's volleyball, women's soccer, and women's swimming expenses, respectively. It was noted by management that the decrease in all of those actual expenses was a result of a large surplus of scholarship funds due to a higher number of in-state athletes compared to out-of state athletes.
- We noted an increase of approximately \$111,000 for administrative maintenance expense. It was noted by management that the increase in actual expense was a result of physical plant changes to maintain outdoor grass fields that were higher than expected due to poor weather.



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## **Revenue**

F. **Procedure:** We agreed each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the University.

1) Ticket Sales

**Procedure:** We agreed tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University in the statement and related attendance figures and recalculated totals for football and men's basketball. We agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We agreed a sample of three revenue receipts obtained from the above revenue supporting schedules to supporting documentation.

**Result:** We agreed the ticket reconciliation to the cash amount deposited with the bank. We compared and agreed revenue receipts to bank deposit slips. We noted no exceptions.

2) Guarantees

**Procedure:** We selected a sample of three settlement reports for away games during the reporting period and agreed each selection to the University's general ledger and/or the statement. We selected a sample of three contractual agreements pertaining to revenue derived from guaranteed contests during the reporting period and compared and agreed each selection to the University's general ledger and/or the statement. We also recalculated totals. For the two aforementioned samples, we selected the following games: football against Ohio State University on September 3, 2011, men's basketball against West Virginia on November 28, 2011, and women's basketball against Florida State University on December 10, 2011. We agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We agreed a sample of one revenue receipt, the Ohio State University football game, obtained from the above revenue supporting schedules to supporting documentation.

**Result:** We compared and agreed the revenue receipt to bank deposit slips. We noted no exceptions.

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3) Contributions

**Procedure:** We requested supporting documentation for each contribution of monies, goods, or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals that constitute 10 percent or more of all contributions received for intercollegiate athletics during the reporting periods, if any, to disclose the source and dollar value of these contributions in the report. We agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We agreed a sample of one revenue receipt obtained from the above revenue supporting schedules to supporting documentation. The revenue receipt tested was a contribution deposited on February 17, 2012 from the Cooper Family Fund.

**Result:** There were no contributions from any affiliated or outside organization, agency, or group of individuals that constituted 10 percent or more of all contributions received for intercollegiate athletics during the reporting periods. We noted no exceptions in the testing performed.

4) Other

**Procedure:** We agreed the related revenue to the University's general ledger, and/or the statement, and recalculated totals.

**Result:** We noted no exceptions.

**Expenses**

G. **Procedure:** We agreed each expense category reported in the statement during the reporting period to supporting schedules provided by the University.

We performed the following procedures for the indicated expense category:

1) Athletic Student Aid

**Procedure:** We selected a sample of 25 students from the listing of University student aid recipients during the reporting period. We obtained individual student account detail for each selection and compared total aid allocated from the related aid award letter to the student's account and recalculated totals.

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**Result:** We obtained documentation for any changes that occurred after the original award, and recalculated totals. We noted no exceptions. The students' accounts tested are summarized below:

<u>Student</u>	<u>Amount Disbursed</u>
1	\$ 12,314
2	5,042
3	23,372
4	20,765
5	28,270
6	20,301
7	24,021
8	28,332
9	22,309
10	28,967
11	28,623
12	8,870
13	4,900
14	18,944
15	6,400
16	15,329
17	2,400
18	31,155
19	22,372
20	8,067
21	15,751
22	10,689
23	12,237
24	28,153
25	20,891

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2) Guarantees

**Procedure:** We obtained and inspected three contractual agreements pertaining to expenses recorded by the University from guaranteed contests during the reporting period. We agreed related amounts expensed by the University during the reporting period to the University's general ledger and/or the statement and recalculated totals. For the two aforementioned samples, we selected the following games: football against Virginia Military Institute on September 24, 2011, men's basketball against North Carolina on December 21, 2011, and soccer against Cal Poly and New Mexico on September 16, 2011 and September 18, 2011, respectively. We agreed a sample of one expense, for Virginia Military Institute, obtained from the above expense supporting schedules to supporting documentation.

**Result:** We compared and agreed the expense to a copy of the check paid out. We noted no exceptions.

3) Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities

**Procedure:** We obtained a listing of coaches employed by the University and related entities during the reporting period. We selected a sample of 10 coaches' contracts that includes football, and men's and women's basketball from the above listing. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University and related entities in the statement during the reporting period. We obtained and inspected W-2s for each selection. We compared and agreed related W-2s to the related coaching salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period and recalculated totals.

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**Result:** We noted no exceptions. The coaches tested are summarized below:

<u>Coach</u>	<u>Salary per Contract</u>
1	\$ 320,000
2	375,000
3	60,000
4	270,000
5	67,000
6	62,288
7	37,740
8	69,360
9	130,000
10	56,324

4) Team Travel

**Procedure:** We obtained the University's team travel policies. We agreed to existing University- and NCAA-related policies.

**Result:** We obtained the University's team travel policies. We compared and agreed to existing University- and NCAA-related policies, noting no exceptions.

5) Other Operating Expenses

**Procedure:** We agreed a sample of three disbursements obtained from the above operating expense supporting schedules to supporting documentation.

**Result:** We compared three disbursements obtained from the above operating expenses to related invoices and noted no exceptions.

**Affiliated and Outside Organizations Not Under the University's Accounting Control**

H. **Procedure:** In preparation for our procedures related to the University's affiliated and outside organizations, we:

- I) Inquired of finance management as to whether they have identified any affiliated and outside organizations that meet any of the following criteria:
  - i. Booster organizations established by or on behalf of an intercollegiate athletics program

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- ii. Independent or affiliated foundations or other organizations that have as a principal purpose, generating or maintaining of grants-in-aid or scholarships funds, gifts, endowments, or other monies, goods, or services to be used entirely or in part by the intercollegiate athletics program
  - iii. Alumni organizations that have as one of its principal purposes the generating of monies, goods, or services for or on behalf of an intercollegiate athletics program and that contribute monies, goods, or services directly to an intercollegiate athletics program, booster group, or independent or affiliated foundation as previously noted
- 2) We also obtained documentation on the University's practices and procedures for monitoring the internal controls in place and financial activities of these organizations. We inquired of finance management on the procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the University's intercollegiate athletics program.
- 3) We obtained audited financial statements of the organization and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the control environment that were provided to us by management.

**Result:** Management identified Zip Athletic Club and the Varsity "A" Association as meeting the above criteria. We obtained documentation on the University's practices and procedures for monitoring the internal controls in place and financial activities of these organizations. The University of Akron Foundation confirmed that the financial activities of the affiliated and outside organizations listed above were recorded on the books of the University of Akron Foundation and are not included in either the statement of revenue and expenses for intercollegiate athletics programs or the books of the University.

We obtained audited financial statements of the organization and noted that there were no additional reports regarding internal controls.

- I. **Procedure:** We performed the following supplemental procedures:
  - 1) We obtained a summary of revenue and expenses for or on behalf of the organizations and have included it with this report.
  - 2) We agreed a sample of three operating-revenue categories reported in the organization's statement during the reporting period to supporting schedules provided by the organization.

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- 3) We agreed a sample of three operating-revenue receipts obtained from the above operating revenue schedule to supporting documentation.
- 4) We agreed a sample of three operating expense categories reported in the organization's statement during the reporting period to supporting schedules provided by the organization.
- 5) We agreed a sample of three operating expenses obtained from the above operating expense supporting schedules to supporting documentation.

**Result:** We inquired of finance management as to whether it had identified any affiliated or outside organizations that are not under the University's accounting control. They identified no affiliated or outside organizations not under the University's accounting control. No supplemental procedures were performed.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Intercollegiate Athletics Program statement of revenue and expenses. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the audit committee, the board of trustees, The University of Akron's management, and the National Collegiate Athletics Association and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Morse, PLLC*

October 30, 2012

# The University of Akron National Collegiate Athletics Association

## Intercollegiate Athletics Program Statement of Revenue and Expenses Year Ended June 30, 2012

	Men's Basketball	Men's Football	Women's Basketball	Other Sports	Nonprogram Specific	Total
<b>Operating Revenue</b>						
Ticket Sales	\$ 313,509	\$ 1,006,864	\$ 9,925	\$ 210,087	\$ 82,911	\$ 1,623,296
Student Fees	-	-	-	-	17,698,300	17,698,300
Guarantees	100,089	1,300,000	15,000	26,500	-	1,441,589
Contributions	45,780	95,117	10,267	177,561	714,569	1,043,294
Direct State or Other Governmental Support	-	-	-	-	15,988	15,988
Direct Institutional Support	-	-	-	-	1,631,677	1,631,677
NCAA/Conference Distributions Including All Tournament Revenues	-	-	-	-	1,470,334	1,470,334
Program Sales, Concessions, Novelty Sales, and Parking	-	-	-	-	114,752	114,752
Royalties, Advertisements, and Sponsorships	-	-	-	-	639,079	639,079
Sports Camp Revenue	66,398	21,395	17,392	662,992	9,646	777,823
Endowment and Investment Income	20,608	22,712	2,012	28,558	142,303	216,193
Spirit Groups	-	-	-	-	10,235	10,235
Other	14,045	(2,480)	3,700	117,682	401,966	534,913
<b>Total Operating Revenue</b>	<b>560,429</b>	<b>2,443,608</b>	<b>58,296</b>	<b>1,223,380</b>	<b>22,931,760</b>	<b>27,217,473</b>
<b>Operating Expenses</b>						
Athletic Student Aid	419,269	2,089,467	378,802	3,042,144	175,132	6,104,814
Guarantees	292,000	400,000	11,500	19,620	-	723,120
Coaching Salaries, Etc.	684,962	1,684,216	352,218	1,890,710	-	4,612,106
Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities	334,213	585,493	162,919	812,315	3,668,457	5,563,397
Recruiting	71,095	153,806	55,574	136,975	15,090	432,540
Team Travel	188,031	424,417	115,611	855,536	99,821	1,683,416
Equipment, Uniforms, and Supplies	63,638	236,782	46,377	321,663	253,184	921,644
Game Expenses	170,618	281,801	55,958	102,477	5,194	616,048
Fundraising, Marketing, and Promotion	4,838	7,916	5,138	5,962	523,643	547,497
Sports Camp Expenses	23,347	23,448	10,490	309,293	14,865	381,443
Direct Facilities, Maintenance, and Rental	4,541	500,769	9,630	28,119	1,829,064	2,372,123
Spirit Groups	-	-	-	-	89,081	89,081
Medical Expenses and Medical Insurance	5,154	192	1,588	1,411	518,333	526,678
Memberships and Dues	1,766	1,694	2,928	15,092	252,497	273,977
Other Operating Expenses	113,987	256,568	84,121	281,145	1,642,025	2,377,846
<b>Total Operating Expenses</b>	<b>2,377,459</b>	<b>6,646,569</b>	<b>1,292,854</b>	<b>7,822,462</b>	<b>9,086,386</b>	<b>27,225,730</b>
<b>(Deficiency) Excess of Revenue (Under) Over Expenses</b>	<b>\$ (1,817,030)</b>	<b>\$ (4,202,961)</b>	<b>\$ (1,234,558)</b>	<b>\$ (6,599,082)</b>	<b>\$ 13,845,374</b>	<b>\$ (8,257)</b>

See Notes to Intercollegiate Athletics Program  
Statement of Revenue and Expenses.



**The University of Akron  
National Collegiate Athletics Association**

**Notes to Intercollegiate Athletics Program  
Statement of Revenue and Expenses  
Year Ended June 30, 2012**

**Note 1 - Intercollegiate Athletics-related Assets**

Property and equipment greater than \$5,000 are recorded at cost or, if donated, the fair value at the time of donation. Expenses for maintenance and repairs are charged to current expenses as incurred. Depreciation is computed using the straight-line method, half-year convention, over the estimated useful life of the asset. No depreciation is recorded on land. Expenses for major renewals and betterments that extend the useful lives of the assets are capitalized. Estimated service lives range from 5-40 years, depending on classification.

The current year capitalized additions and deletions to facilities during the year ended June 30, 2012 are as follows:

	Current Year Additions	Current Year Deletions
Basketball athletics facilities	\$ 555,286	\$ -
Other athletics facilities	<u>94,000</u>	<u>-</u>
Total athletics facilities	<u>\$ 649,286</u>	<u>\$ -</u>
Other University facilities	\$ 18,727,491	\$ -

The total estimated book values of property, plant, and equipment, net of depreciation, of the University as of the year ended June 30, 2012 are as follows:

	Estimated Book Value
Athletically related property, plant, and equipment balance	<u>\$ 125,190,811</u>
University's total property, plant, and equipment balance	<u>\$ 720,823,070</u>

# The University of Akron National Collegiate Athletics Association

## Notes to Intercollegiate Athletics Program Statement of Revenue and Expenses Year Ended June 30, 2012

### Note 2 - Intercollegiate Athletics-related Debt

The annual debt service and debt outstanding for the University for the year ended June 30, 2012 are as follows:

	Annual Debt Service	Debt Outstanding
Athletically related facilities	\$ 5,166,146	\$ 74,967,783
University's total	31,413,075	446,171,962

The repayment schedule for all outstanding intercollegiate athletics debt maintained by the University during the year ended June 30, 2012 is as follows:

Years Ending June 30	Principal	Interest
2013	\$ 1,596,649	\$ 3,580,603
2014	1,671,546	3,523,717
2015	1,745,000	3,466,749
2016	1,823,454	3,402,806
2017	1,909,021	3,331,175
Thereafter	<u>66,222,113</u>	<u>38,809,907</u>
Total	<u>\$ 74,967,783</u>	<u>\$ 56,114,957</u>



# Dave Yost • Auditor of State

UNIVERSITY OF AKRON

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 24, 2013