

Kent State University Foundation

Financial Report
June 30, 2020



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

Board of Directors
Kent State University Foundation
P.O. Box 5190
350 South Lincoln Street
Kent, Ohio 44242

We have reviewed the *Independent Auditor's Report* of the Kent State University Foundation, Portage County, prepared by RSM US LLP, for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

November 13, 2020

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RSM US LLP

Independent Auditor's Report

Board of Directors
Kent State University Foundation and
Mr. Keith Faber
Auditor of the State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Kent State University Foundation, which comprise the statement of financial position as of June 30, 2020, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kent State University Foundation as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Kent State University Foundation, as of and for the year ended June 30, 2019, were audited by other auditors, whose report, dated September 25, 2019, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of Kent State University Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kent State University Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kent State University Foundation's internal control over financial reporting and compliance.

RSM US LLP

Cleveland, Ohio
September 30, 2020

Kent State University Foundation, Inc.

**Statements of Financial Position
June 30, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents	\$ 2,672,203	\$ 2,910,082
Receivables:		
Pledges, net	16,924,460	19,117,135
Interest on notes receivable	1,955,359	1,048,243
	<u>18,879,819</u>	<u>20,165,378</u>
Investments:		
Short-term pool	4,432,821	2,601,319
Charitable remainder trusts	4,723,970	6,135,610
Long-term pool	185,541,127	183,432,100
	<u>194,697,918</u>	<u>192,169,029</u>
Beneficial interest in trusts held by others	5,073,766	4,802,296
Notes receivable - Hotel and Conference Center	14,426,108	14,426,108
Property, net	<u>11,212,347</u>	<u>11,466,735</u>
	<u><u>\$ 246,962,161</u></u>	<u><u>\$ 245,939,628</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 559,901	\$ 478,794
Funds held for others	10,712,959	10,829,843
Capital lease liability	9,733,652	9,733,652
Charitable remainder trusts	1,561,706	1,913,761
Charitable gift annuities	2,346,193	2,104,994
	<u>24,914,411</u>	<u>25,061,044</u>
Net assets:		
Without donor restrictions	18,630,737	17,655,615
With donor restrictions	203,417,013	203,222,969
	<u>222,047,750</u>	<u>220,878,584</u>
	<u><u>\$ 246,962,161</u></u>	<u><u>\$ 245,939,628</u></u>

See notes to financial statements.

Kent State University Foundation, Inc.

**Statement of Activities
Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 35,343	\$ 15,583,538	\$ 15,618,881
Net investment income:			
Securities	225,555	1,952,846	2,178,401
Investment pool operator fee	1,880,529	(1,880,529)	-
Service fee	397,893	-	397,893
Investment in Hotel and Conference Center	922,639	-	922,639
	<u>3,426,616</u>	<u>72,317</u>	<u>3,498,933</u>
Sales, services, events, and other	13,235	-	13,235
Changes in designation of prior contributions	(175,000)	175,000	-
Change in value of charitable remainder trusts and gift annuities	-	(1,508,056)	(1,508,056)
Net assets released from restrictions	14,128,755	(14,128,755)	-
Total revenue and support	<u>17,428,949</u>	<u>194,044</u>	<u>17,622,993</u>
Expenses:			
Kent State University programs	13,880,274	-	13,880,274
Management and general	1,129,595	-	1,129,595
Fundraising	1,443,958	-	1,443,958
	<u>16,453,827</u>	<u>-</u>	<u>16,453,827</u>
Change in net assets	975,122	194,044	1,169,166
Net assets at beginning of year	<u>17,655,615</u>	<u>203,222,969</u>	<u>220,878,584</u>
Net assets at end of year	<u>\$ 18,630,737</u>	<u>\$ 203,417,013</u>	<u>\$ 222,047,750</u>

See notes to financial statements.

Kent State University Foundation, Inc.

**Statement of Activities
Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 47,880	\$ 17,189,589	\$ 17,237,469
Net investment income:			
Securities	891,104	4,847,340	5,738,444
Investment pool operator fee	1,805,213	(1,805,213)	-
Service fee	479,526	-	479,526
Investment in Hotel and Conference Center	868,113	-	868,113
	<u>4,043,956</u>	<u>3,042,127</u>	<u>7,086,083</u>
Sales, services, events, and other	13,917	140,290	154,207
Changes in designation of prior contributions	(166,684)	166,684	-
Change in value of charitable remainder trusts and gift annuities	-	(34,188)	(34,188)
Net assets released from restrictions	15,546,859	(15,546,859)	-
Total revenue and support	<u>19,485,928</u>	<u>4,957,643</u>	<u>24,443,571</u>
Expenses:			
Kent State University programs	16,094,494	-	16,094,494
Management and general	1,037,768	-	1,037,768
Fundraising	644,531	-	644,531
	<u>17,776,793</u>	<u>-</u>	<u>17,776,793</u>
Change in net assets	1,709,135	4,957,643	6,666,778
Net assets at beginning of year	15,946,480	198,265,326	214,211,806
Net assets at end of year	<u>\$ 17,655,615</u>	<u>\$ 203,222,969</u>	<u>\$ 220,878,584</u>

See notes to financial statements.

Kent State University Foundation, Inc.

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 1,169,166	\$ 6,666,778
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net gains on investments	(3,480,971)	(3,085,310)
Contributions restricted for investment in endowment and trusts	(4,651,263)	(4,619,256)
Change in allowance for doubtful pledges	2,158,597	707,280
Change in value of charitable remainder trusts and gift annuities	1,508,056	34,188
Net change in value of beneficial interest in trusts held by others	(271,470)	(405,533)
Gifts of stock and property	(1,089,867)	(1,145,142)
Depreciation and amortization	254,388	254,388
Changes in operating assets and liabilities:		
Pledges receivable	34,078	619,444
Interest on notes receivable	(907,116)	(303,733)
Accounts payable	81,107	119,335
Funds held for others	(116,884)	244,368
Charitable remainder trusts and gift annuities	(1,064,258)	290,191
Net cash used in operating activities	(6,376,437)	(623,002)
Cash flows from investing activities		
Purchases of investments	(326,232,019)	(91,432,181)
Proceeds from sales of investments	328,273,968	88,181,068
Net cash provided by (used in) investing activities	2,041,949	(3,251,113)
Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowment and trusts	4,651,263	4,619,256
Payments on charitable remainder trusts and gift annuities	(554,654)	(584,565)
Net cash provided by financing activities	4,096,609	4,034,691
Net change in cash and cash equivalents	(237,879)	160,576
Cash and cash equivalents		
Beginning	2,910,082	2,749,506
Ending	\$ 2,672,203	\$ 2,910,082

See notes to financial statements.

Kent State University Foundation, Inc.

Notes to Financial Statements

Note 1. Organization

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

The Foundation has a services agreement with the University dated October 10, 2016. The provisions of that agreement require the Foundation to reimburse the University for direct expenses related to Foundation administration. The Foundation has no employees of its own. Reference Note 10 for further discussion of transactions with the University.

Note 2. Summary of Significant Accounting Policies

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

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

Net asset classification: Net assets comprise resources over which the Foundation has discretionary control for use in carrying out the financial and operational objectives of the Foundation and for purposes specified by donors. Activities of the Foundation are accounting for in the following net asset types:

Net assets without donor restrictions: Net assets whose use has not been limited by donors for any period of time or specified purpose.

Net assets with donor restrictions: Net assets with donor restrictions include gifts and grants for which donor imposed restrictions have not been met (primarily future capital projects or gifts for educational purposes), earnings from long term investments which are donor restricted, or any time restricted trust activity. Net assets with donor restrictions also include gifts which generally require, by donor restriction, that the corpus be invested in perpetuity. The donors generally permit the use of a portion of the income earned to be utilized for specific purposes based on their restrictions.

Accounting estimates: In preparing the financial statements in conformity with U.S. GAAP, management has made, where necessary, estimates and judgments based on currently available information that affect certain amounts reflected in the financial statements. Actual results could differ from those estimates.

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

Kent State University Foundation, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Fair value of assets and liabilities: FASB Accounting Standards Codification (ASC) 820 defines fair value, provides enhanced guidance for using fair value to measure assets and liabilities and expands the disclosure of the methods used and the effect of fair value measurements on earnings. The Foundation uses fair value accounting for investments, beneficial interests in trusts, charitable remainder trusts and charitable gift annuities.

Pledges receivable: Unconditional pledges are recorded in the period that the pledges are received. Conditional pledges are recorded in the period in which the conditions have been met. Funds from pledges to be collected in future years are presented at net present value using a risk-free rate of return. Pledges receivable are reviewed annually to determine the allowance for uncollectible contributions. Based upon management's judgment, considering such factors as prior collection history, type of contribution and nature of fund-raising activity, an allowance for uncollectible contributions receivable has been provided.

Investments: Fluctuations in fair value of investments, as well as gains or losses on sales of securities, are recognized in the statements of activities. Investments are presented in the statements of financial position according to their intended purpose. The Foundation maintains a long-term pool and a short-term pool of investments. Trust investments are segregated into individual funds. All income from the short-term pool is without donor restrictions. The long-term pool is operated using a unitized share method and is the primary investment vehicle for endowed funds and annuities. Trust investment income is assigned to the segregated fund which generated the income.

Beneficial interest in trusts held by others: Non-custodial, non-revocable trusts which will benefit the Foundation are recognized as gift revenue and as an asset in an amount equal to the fair value of the trusts. Changes in the asset value are recognized in net investment income – securities in the statements of activities.

Funds held for others: The Foundation maintains and invests funds for the alumni association.

Property: Property consists of real estate acquired through purchase, gifts, or capital lease. All property is recognized at the acquisition cost or the fair value of the gift when received. For assets under capital lease, if the present value of the minimum lease payments exceeds the fair value of the leased property at lease inception, the asset is recorded at fair value. Buildings included in real estate are depreciated on a straight-line basis over a forty-year period. Historical cost of these assets was \$12,849,716 at June 30, 2020 and 2019. Accumulated depreciation was \$1,637,369 and \$1,382,981 as of June 30, 2020 and 2019, respectively.

Impairment of long-lived assets: Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. The Foundation has determined that no impairment of long-lived assets exists at June 30, 2020 or 2019.

Kent State University Foundation, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Charitable remainder trusts: The Foundation has entered into charitable remainder trust agreements whereby it receives assets from donors on the condition that it binds itself to pay stipulated amounts periodically to the donor and/or other designated individuals. Assets received in a charitable remainder trust transaction are maintained in segregated custodial investment accounts. The Foundation's payment liability is limited to the amount of the trust assets. At year-end, an adjustment is made to the actuarial liability to record the net change in the actuarial obligation between years.

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

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

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

Assets received in an annuity agreement transaction are placed in a reserve. Investment income, stipulated payments, and administrative expenses are recorded as with donor restriction in the statement of activities.

Endowments: The Foundation accounts for endowment funds in accordance with FASB guidance pertaining to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation interprets UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Endowment funds not classified as net assets with donor restrictions are classified as net assets without donor restrictions until utilized by the Foundation.

Life insurance policies: The Foundation has been named as the beneficiary of several life insurance policies. The Foundation's accounting policy is to record the insurance proceeds as other revenue when received.

Contributions: Contribution revenue is recognized on the date of receipt. Gifts of securities are recorded at fair value. Gift revenue from gifts requiring future payment obligations are recorded as the difference between the assets received and the future payment obligation. Gifts-in-kind are recorded at estimated fair value. All gifts are considered to be available for general use unless specifically restricted by the donor. Gifts that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restricted support.

Other revenue: Other revenue consists of sales, services, and event revenue. The revenue for each of these is recognized when the performance obligations are satisfied and occurs when control of the service is transferred to the customer and when the customer obtains substantial benefit from the services.

Kent State University Foundation, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Related entities: On September 24, 2019, the unwinding of the new market tax credit structure occurred relating to the Kent State Hotel and Conference Center. As a result of the unwinding, the Foundation acquired 100% of the Kent State Investment Fund LLC (Fund) for no consideration. The only asset that the Fund had was a note receivable in the amount of \$5,349,000 which was owed to them by the Downtown Kent Hotel LLC, a separate legal entity. Subsequent to year end, the Fund was dissolved and the note receivable was forgiven, consequently, there was no economic impact to the Foundation.

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

Income taxes: The Foundation is exempt from federal income tax under section 501(c) (3) of the Internal Revenue Code (the Code) and is generally exempt from paying federal income taxes pursuant to Section 501(a) of the Code, except on unrelated business income. Additionally, the Foundation is defined as a public charity pursuant to 509(a) (2). The Foundation has evaluated its tax positions at June 30 with respect to accounting for uncertainties in income taxes and has determined that there was no material impact to the Foundation's financial statements. The ASC provides related guidance on measurement, classification, interest and penalties and disclosure as well as prescribing a threshold of more-likely-than-not for recognition of tax positions taken or expected to be taken in a tax return. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. As of June 30, 2020 and 2019, the Foundation has no uncertain tax positions.

Reclassifications: Certain amounts included in the 2019 financial statements have been reclassified to conform to the 2020 presentation. These reclassifications had no impact on total net assets or changes in net assets.

Subsequent events: The Foundation has evaluated events and transactions for potential recognition and/or disclosure through September 30, 2020, the date the financial statements were available to be issued.

Recent accounting pronouncements adopted: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU provides a more robust framework for addressing revenue recognition issues and, upon its effective date, replaces existing revenue recognition guidance including industry specific guidance in current U.S. GAAP. The Foundation adopted ASU 2014-09, on July 1, 2019 using the modified retrospective method of transition. The effect on the Foundation's financial statements of adopting ASU 2014-09 is considered immaterial as revenue recognition under the new standard is not materially different compared to the Foundation's previous practice.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The objective of this statement is to assist entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance and determining whether a contribution is conditional. For transactions in which an entity is the resource recipient, the statement was effective for fiscal years beginning after December 15, 2018. For transactions in which the entity serves as a resource provider, the statement is effective for fiscal years beginning after December 15, 2019. The Foundation adopted the portion of this standard applicable to transactions where they are the resource recipient effective July 1, 2019, which did not have a significant impact on the financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Recent accounting pronouncements not yet adopted: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will supersede the current lease requirements in ASC Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the statements of activities. This standard was initially due to be implemented in fiscal years beginning after December 15, 2020. In response to the Coronavirus Disease 2019 (COVID-19) pandemic which is adversely affecting the global economy, and causing significant widespread business and capital disruptions, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) – Effective Dates for Certain Entities*, in June 2020. The amendments in this updated standard defer the effective date of the lease standard for private entities with fiscal years beginning after December 15, 2021, and interim period within fiscal years beginning after December 15, 2020. Early application continues to be permitted.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 removes, modifies and adds certain disclosures requirements on fair value required by Topic 820. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019.

Management is currently evaluating the impact of these new standards on their financial statements.

Note 3. Investments and Fair Value Measurements and Disclosures

Investments are managed by the Board of Directors of the Foundation based upon the recommendations of a board directed investment committee and in accordance with a defined investment policy. The policy contains objectives, guidelines, and restrictions regarding investing. In July 2019, the Board replaced the previous consultant with an outsourced chief investment officer (OCIO). The OCIO has full discretion of the Foundation's investment portfolio, including but not limited to: buying and selling of assets, movement of cash in and out of accounts, asset allocation and performance measurement as long as within the approved defined investment policy.

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

The Foundation uses fair value measurements to record the fair value of certain assets and liabilities and to determine fair value disclosures.

Level 1 – Quoted prices that are available in active markets as of the report date. The quoted market prices are from those securities traded on an active exchange such as the New York Stock Exchange, NASDAQ or an active over-the-counter markets.

Level 2 – Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the report date.

Level 3 – Inputs that are unobservable including the Foundation's own assumptions in determining the fair value of investments or liabilities.

Kent State University Foundation, Inc.

Notes to Financial Statements

Note 3. Investments and Fair Value Measurements and Disclosures (Continued)

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. Liabilities associated with the charitable remainder trusts and gift annuities represent the estimated fair value of the expected payments to the beneficiaries over the terms of the agreements.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The following tables present information about the investments measured at fair value on a recurring basis as of June 30, 2020 and 2019:

	2020			
	Total	Level 1	Level 2	Level 3
Investments by fair value level:				
Exchange traded funds	\$ 4,723,970	\$ 4,723,970	\$ -	\$ -
Mutual funds:				
Multi-asset funds	556,292	556,292		
International equity funds	5,287,163	5,287,163		
Fixed income funds	5,062,125	5,062,125		
Total investments by fair value level	15,629,550	\$ 15,629,550	\$ -	\$ -
Investments measured at fair value based on net asset value: ^(a)				
Private equity	18,189,917			
Hedge funds	6,930,012			
Commingled asset funds	141,117,117			
Real assets	12,831,322			
Total investments measured at NAV	179,068,368			
Total investment assets	\$ 194,697,918			
Investment liabilities:				
Charitable remainder trusts	\$ 1,561,706	\$ -	\$ -	\$ 1,561,706
Charitable gift annuities	2,346,193	-	-	2,346,193
Total investment liabilities	\$ 3,907,899	\$ -	\$ -	\$ 3,907,899

Kent State University Foundation, Inc.

Notes to Financial Statements

Note 3. Investments in Fair Value Measurements and Disclosures (Continued)

	2019			
	Total	Level 1	Level 2	Level 3
Investments by fair value level:				
Corporate stocks	\$ 5,628,511	\$ 5,628,511	\$ -	\$ -
Exchange traded funds	30,580,142	30,580,142		
Mutual funds:				
Large capitalization equity funds	50,554,266	50,554,266		
Small / middle capitalization equity funds	4,864,220	4,864,220		
International equity funds	29,229,011	29,229,011		
Multi-asset funds	530,634	530,634		
Fixed income funds	29,131,521	29,131,521		
Total investments by fair value level	150,518,305	\$ 150,518,305	\$ -	\$ -
Investments measured at fair value based on net asset value: ^(a)				
Private equity	8,631,849			
Hedge funds	22,134,410			
Real assets	10,884,465			
Total investments measured at NAV	41,650,724			
Total investment assets	\$ 192,169,029			
Investment liabilities:				
Charitable remainder trusts	\$ 1,913,761	\$ -	\$ -	\$ 1,913,761
Charitable gift annuities	2,104,994	-	-	2,104,994
Total investment liabilities	\$ 4,018,755	\$ -	\$ -	\$ 4,018,755

^(a) In accordance with ASC Subtopic 820-10, certain investments that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Financial.

The following table is a reconciliation of all liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year end June 30:

	Charitable remainder trusts	Charitable gift annuities
Balances as of July 1, 2019	\$ 1,913,761	\$ 2,104,994
Investment income, net	287,880	-
New gifts	-	54,771
Maturities	(1,406,909)	-
Payments to annuitants	(293,898)	(260,756)
Net change in fair value of trusts	1,060,872	447,184
Balances as of June 30, 2020	\$ 1,561,706	\$ 2,346,193

Kent State University Foundation, Inc.

Notes to Financial Statements

Note 3. Investments in Fair Value Measurements and Disclosures (Continued)

The following table sets forth the significant terms of the agreements with non-publically traded funds reported at fair value based on net asset value at June 30:

	Fair Value		Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
	2020	2019			
Private equity	\$ 18,189,917	\$ 8,631,849	\$ 20,883,473	5+ years	not applicable
Hedge funds	6,930,012	22,134,410	-	quarterly	90 days
Commingled asset funds	141,117,117	-	-	quarterly	90 days
Real assets	12,341,280	10,884,465	-	quarterly	90 days
Real assets (private)	490,042	-	-	5+ years	not applicable
Total	<u>\$ 179,068,368</u>	<u>\$ 41,650,724</u>	<u>\$ 20,883,473</u>		

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

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

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

The private real asset class is similar to the real asset class described above; however, it has a significantly longer lock-up period.

Note 4. Hotel and Conference Center

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

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

Kent State University Foundation, Inc.

Notes to Financial Statements

Note 4. Hotel and Conference Center (Continued)

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

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

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

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

Effective July 1, 2020, the Downtown Kent Hotel, LLC was transferred to the Foundation. The Foundation now owns 100% of the Downtown Kent Hotel, LLC. As of that date, the outstanding loans with Downtown Kent Hotel, LLC were converted into equity of the wholly owned entity, which includes the \$11,061,000 note with the LLC investment fund noted above. The financials of Downtown Kent Hotel, LLC will be consolidated into the Foundation's financial statements commencing with the June 30, 2021 financial statements.

Note 5. Pledges Receivable, Net

Unconditional promises to give are included in the financial statements as pledges receivable and total \$26,747,188 and \$27,449,763 at June 30, 2020 and 2019, respectively. The future expected cash flows from pledges receivable are discounted to their net present value using discount rates representing the daily Treasury Bill rates as of each statement of financial position date (weighted average discount rate of .30% and 1.79% at June 30, 2020 and 2019, respectively). Pledges receivable at June 30 are as follows:

	2020	2019
Unconditional pledges expected to be collected:		
Less than one year	\$ 13,088,026	\$ 13,734,093
One to five years	11,671,781	12,495,670
More than five years	1,987,381	1,220,000
Pledges receivable	26,747,188	27,449,763
Less allowance for uncollectible pledges	(9,707,160)	(7,548,563)
Less present value discount	(115,568)	(784,065)
	<u>\$ 16,924,460</u>	<u>\$ 19,117,135</u>

As of June 30, 2020 the Foundation has approximately \$108,296,000 in numerous outstanding pledges which are considered to be intentions to give and are contingent upon future events. Substantially all of the Foundation's contingent pledges are bequests. These pledges are not recorded as receivables or recognized as revenue because they do not represent unconditional promises to give.

Kent State University Foundation, Inc.

Notes to Financial Statements

Note 6. Capital Lease Obligation

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

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

Year ending June 30,	
2021	\$ 462,500
2022	550,000
2023	575,000
2024	600,000
2025	600,000
Thereafter	<u>19,321,809</u>
Total lease payments	<u>22,109,309</u>
Interest	<u>12,375,657</u>
Total principal balance	<u><u>\$ 9,733,652</u></u>

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

	<u>2020</u>	<u>2019</u>
Building	\$ 9,921,152	\$ 9,921,152
Less: accumulated amortization	<u>(1,144,748)</u>	<u>(890,360)</u>
	<u><u>\$ 8,776,404</u></u>	<u><u>\$ 9,030,792</u></u>

Note 7. Beneficial Interest in Trusts Held by Others

The Foundation has beneficial interests in various perpetual trusts. Accordingly, the Foundation does not have the ability to redeem the beneficial interest in these perpetual trusts but will benefit from the income generated by the trusts. The beneficial interest in perpetual trusts is recorded at the estimated fair value of the Foundation's proportionate interest in the fair value of the assets held by the trusts. The following presents a reconciliation of the fair value of the beneficial interest in perpetual trusts for the year ended June 30:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year, July 1	\$ 4,802,296	\$ 4,396,763
Contributions	328,500	447,885
Change in fair value	<u>(57,030)</u>	<u>(42,352)</u>
Balance at end of year, June 30	<u><u>\$ 5,073,766</u></u>	<u><u>\$ 4,802,296</u></u>

Kent State University Foundation, Inc.

Notes to Financial Statements

Note 8. Net Assets

Donor restricted net assets are principally related to scholarships, specific schools within the University, department chairs, and various other purposes. As of June 30, net assets are as follows:

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Available for expenditure:				
Current operations	\$ 15,958,899	\$ 40,390,390	\$ 14,768,986	\$ 38,941,890
Term endowments	2,122,717	57,531,172	2,337,508	57,297,484
Accumulated earnings on endowments	-	17,535,382	-	21,897,139
Real estate	549,121	1,886,822	549,121	1,886,822
	<u>18,630,737</u>	<u>117,343,766</u>	<u>17,655,615</u>	<u>120,023,335</u>
Unavailable for expenditure:				
Endowments	-	60,923,861	-	55,068,172
Trusts	-	3,151,160	-	4,212,031
Beneficial interest in perpetual trusts	-	5,073,766	-	4,802,296
Uncollected pledges, net	-	16,924,460	-	19,117,135
	<u>-</u>	<u>86,073,247</u>	<u>-</u>	<u>83,199,634</u>
	<u>\$ 18,630,737</u>	<u>\$ 203,417,013</u>	<u>\$ 17,655,615</u>	<u>\$ 203,222,969</u>

Included in the accompanying statements of activities are changes in the net asset designation of prior contributions as donors may elect to change the designation of prior contributions. There were transfers of prior contributions from without donor restriction to with donor restricted net assets in the amounts of \$175,000 and \$166,684 for the years ended June 30, 2020 and 2019.

Note 9. Endowments

The Foundation's endowment consists of over 1,000 funds. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

Kent State University Foundation, Inc.

Notes to Financial Statements

Note 9. Endowments (Continued)

As a result of market declines, the fair value of certain donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related donor restricted amounts are reported in with donor restricted net assets. Such amounts totaled \$100,855 and \$1,713 for June 30, 2020 and 2019, respectively.

Endowment net asset composition by type as of June 30 are as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 2,122,717	\$ -	\$ 2,122,717
Donor restricted endowment funds:			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	-	60,923,861	60,923,861
Term endowments	-	57,531,172	57,531,172
Accumulated investment gains	-	17,535,382	17,535,382
Total donor-restricted endowment funds	-	135,990,415	135,990,415
 Total	 \$ 2,122,717	 \$ 135,990,415	 \$ 138,113,132

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 2,337,508	\$ -	\$ 2,337,508
Donor restricted endowment funds:			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	-	55,068,172	55,068,172
Term endowments	-	57,297,484	57,297,484
Accumulated investment gains	-	21,897,139	21,897,139
Total donor-restricted endowment funds	-	134,262,795	134,262,795
 Total	 \$ 2,337,508	 \$ 134,262,795	 \$ 136,600,303

Kent State University Foundation, Inc.

Notes to Financial Statements

Note 9. Endowments (Continued)

Change in endowment net assets for the years June 30 are as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1,	\$ 2,337,508	\$ 134,262,795	\$ 136,600,303
Investment loss:			
Dividend and interest income, net of fees of \$3,235,803	(32,402)	(2,754,688)	(2,787,090)
Net appreciation (realized and unrealized (loss) gains)	(67,131)	2,676,275	2,609,144
Total investment loss	(99,533)	(78,413)	(177,946)
Gifts	-	7,572,728	7,572,728
Change in designation of prior gifts	-	198,971	198,971
Endowment spending transfers	(115,258)	(5,965,666)	(6,080,924)
Endowment net assets, June 30,	<u>\$ 2,122,717</u>	<u>\$ 135,990,415</u>	<u>\$ 138,113,132</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1,	\$ 2,410,312	\$ 131,310,435	\$ 133,720,747
Investment return:			
Dividend and interest income, net of fees of \$2,128,540	9,903	603,475	613,378
Net appreciation (realized and unrealized gains)	34,235	2,190,889	2,225,124
Total investment return	44,138	2,794,364	2,838,502
Gifts	-	6,723,110	6,723,110
Change in designation of prior gifts	-	(794,573)	(794,573)
Endowment spending transfers	(116,942)	(5,770,541)	(5,887,483)
Endowment net assets, June 30,	<u>\$ 2,337,508</u>	<u>\$ 134,262,795</u>	<u>\$ 136,600,303</u>

Note 10. Transactions with Kent State University

The Foundation made grants to the University in furtherance of the Foundation's mission and in compliance with donor restrictions. Additionally, grants were made to the University from net assets without donor restriction at the direction of the Foundation's Board of Directors.

Additionally, the Foundation made payments to the University in accordance with a services agreement between the parties. Payments made under the agreement were \$879,700 and \$837,102 for the years ended June 30, 2020 and 2019 respectively. The payments were primarily for staffing used in the execution of Foundation operations. The amount payable to the University at June 30, 2020 and 2019 is \$85,292 and \$75,989, respectively, and is recorded in accounts payable in the statements of financial position. In addition, the Foundation rents certain facilities and information technology support from the University for nominal amounts as consideration in the operating agreement.

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

Kent State University Foundation, Inc.

Notes to Financial Statements

Note 11. Functional Expenses

Expenses classified by natural classification for the years ended June 30, are as follows:

	2020			
	KSU Programs	Management and General	Fundraising	Total
Operating expenses:				
Salaries and wages	\$ -	\$ 542,391	\$ -	\$ 542,391
Benefits and related taxes	-	212,512	-	212,512
Contracted services	-	56,889	-	56,889
Supplies	-	4,305	-	4,305
Travel	-	2,965	-	2,965
Other	-	14,197	-	14,197
Insurance	-	13,146	-	13,146
Interest	-	85,003	417,975	502,978
Credit card fees	-	60,253	-	60,253
Meeting expense	-	94,942	-	94,942
Grants to KSU	13,880,274	-	814,587	14,694,861
Depreciation and amortization	-	42,992	211,396	254,388
	<u>\$ 13,880,274</u>	<u>\$ 1,129,595</u>	<u>\$ 1,443,958</u>	<u>\$ 16,453,827</u>
	2019			
	KSU Programs	Management and General	Fundraising	Total
Operating expenses:				
Salaries and wages	\$ -	\$ 525,018	\$ -	\$ 525,018
Benefits and related taxes	-	192,450	-	192,450
Contracted services	-	44,229	-	44,229
Supplies	-	7,438	-	7,438
Travel	-	1,550	-	1,550
Other	-	8,684	-	8,684
Insurance	-	13,106	-	13,106
Interest	-	83,966	412,878	496,844
Credit card fees	-	65,320	-	65,320
Meeting expense	-	53,015	-	53,015
Grants to KSU	16,094,494	-	20,257	16,114,751
Depreciation and amortization	-	42,992	211,396	254,388
	<u>\$ 16,094,494</u>	<u>\$ 1,037,768</u>	<u>\$ 644,531</u>	<u>\$ 17,776,793</u>

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

Kent State University Foundation, Inc.

Notes to Financial Statements

Note 12. Grants to Kent State University

The grants made to Kent State University by the Foundation shown in Note 11 are summarized below for the years ended June 30, 2020 and 2019, based on the program or supporting service. All grants are made to, or for the benefit of, Kent State University.

	2020	2019
Academic programs	\$ 4,756,973	\$ 5,620,354
Scholarships	6,398,467	5,350,109
Construction projects	139,930	2,550,498
WKSU	1,993,465	2,270,506
Fundraising	814,587	20,257
Athletics	559,050	216,662
Entrepreneurship initiatives	32,389	86,365
	<u>\$ 14,694,861</u>	<u>\$ 16,114,751</u>

Note 13. Investment Pool Operator Fee

Endowment funds, annuity funds, and Kent State University Alumni Association funds invested in investment pools are assessed a pool operator fee. The 1.25% annual fee is used to offset the without donor restricted fund costs for administrative, clerical and fiduciary services. The monthly equivalent of the rate is applied against the preceding month-end investment balances in the calculation of the fee.

Note 14. Liquidity

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

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	\$ 2,672,203	\$ 2,910,082
Receivables	18,879,819	20,165,378
Investments	194,697,918	192,169,029
Total financial assets	216,249,940	215,244,489
Less amounts not available to be used within one year:		
Donor restricted by time or purpose	(67,426,598)	(68,960,174)
Board designated endowment	(2,122,717)	(2,337,508)
Donor restricted endowment	(135,990,415)	(134,262,795)
Financial assets not available to be used within one year	<u>(205,539,730)</u>	<u>(205,560,477)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 10,710,210</u>	<u>\$ 9,684,012</u>

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 45 days of normal operating expenses, which are on average, approximately \$2,056,728 and \$2,222,099 at June 30, 2020 and 2019, respectively. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

Kent State University Foundation, Inc.

Notes to Financial Statements

Note 15. Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries. The extent to which the coronavirus impacts the Foundation’s financial condition, results of operations, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others. To date, the Foundation is experiencing significant fluctuations in the fair value of its investment portfolio. The concentration due to revenue from investments being a significant source of support for the Foundation’s activities make it reasonably possible that the Foundation is vulnerable to the risk of a near-term impact to the investment portfolio. The Foundation works closely with its Outside Chief Investment Officer to develop an investment strategy that is positioned to provide a ballast during any storm in the market. The pandemic has also impacted the Foundation with a reduction of gifts during this time. Donors are not able to be called upon in the manner that is typical for this industry so other strategies have had to be implemented. Although the Foundation has seen a reduction of gifts overall due to the uncertainty of the times, the Foundation has seen an increase in donors responding with special emergency funding to help students and their families who find themselves in need during these unprecedented times.



RSM US LLP

**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

Board of Directors
Kent State University Foundation and
Mr. Keith Faber
Auditor of the State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Kent State University Foundation, Inc., which comprise the statement of financial position as of June 30, 2020, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

RSM US LLP

Cleveland, Ohio
September 30, 2020

OHIO AUDITOR OF STATE KEITH FABER



KENT STATE UNIVERSITY FOUNDATION

PORTAGE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/1/2020

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

This report is a matter of public record and is available online at
www.ohioauditor.gov