

Inn-Ohio of Athens, Inc.
(a wholly owned subsidiary of
The Ohio University Foundation)

Financial Report
July 3, 2015 and July 4, 2014



Dave Yost • Auditor of State

Board of Trustees
The Inn-Ohio of Athens, Inc.
West Union Street Office Center, Suite 275
1 Ohio University
Athens, OH 45701-2979

We have reviewed the *Independent Auditor's Report* of The Inn-Ohio of Athens, Inc., Athens County, prepared by Plante & Moran, PLLC, for the audit period July 5, 2014 through July 3, 2015. 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 Inn-Ohio of Athens, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 16, 2015

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Inn-Ohio of Athens, Inc.

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Independent Auditor's Report

To the Board of Trustees
Inn-Ohio of Athens, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Inn-Ohio of Athens, Inc. (the "Company"), a wholly owned subsidiary of The Ohio University Foundation, which comprise the balance sheet as of July 3, 2015 and July 4, 2014 and the related statements of operations and comprehensive income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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 audits 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.

To the Board of Trustees
Inn-Ohio of Athens, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inn-Ohio of Athens, Inc. as of July 3, 2015 and July 4, 2014 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2015 on our consideration of the Inn-Ohio of Athens, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Inn-Ohio of Athens, Inc.'s internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 25, 2015

Inn-Ohio of Athens, Inc.

Balance Sheet

	<u>July 3, 2015</u>	<u>July 4, 2014</u>
Assets		
Current Assets		
Cash	\$ 969,129	\$ 1,065,054
Investments (Note 3)	1,063,765	2,152,738
Accounts receivable - Net of allowance for doubtful accounts of \$6,000 as of July 3, 2015 and July 4, 2014	131,831	13,893
Inventories	41,785	38,842
Prepaid expenses and other assets	16,148	17,539
Refundable income taxes	138,999	-
Deferred income tax asset (Note 7)	<u>55,000</u>	<u>28,700</u>
Total current assets	2,416,657	3,316,766
Property and Equipment - At cost		
Land	197,300	197,300
Land improvements	880,910	800,628
Buildings	7,237,852	6,879,593
Furnishings, fixtures, and equipment	4,358,956	4,027,661
Construction in progress	<u>80,943</u>	<u>5,090</u>
Total property and equipment	12,755,961	11,910,272
Less accumulated depreciation and amortization	<u>(7,369,634)</u>	<u>(7,653,816)</u>
Net property and equipment	5,386,327	4,256,456
Other Assets - Bond issuance costs - Net of accumulated amortization	<u>13,288</u>	<u>15,386</u>
Total assets	<u>\$ 7,816,272</u>	<u>\$ 7,588,608</u>

Inn-Ohio of Athens, Inc.

Balance Sheet (Continued)

	<u>July 3, 2015</u>	<u>July 4, 2014</u>
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 698,721	\$ 687,354
Current portion of long-term debt (Note 4)	<u>291,300</u>	<u>273,800</u>
Total current liabilities	990,021	961,154
Deferred Income Tax Liability (Note 7)	422,000	319,400
Long-term Debt - Net of current portion (Note 4)	<u>1,759,900</u>	<u>2,051,200</u>
Total liabilities	3,171,921	3,331,754
Stockholder's Equity		
Common stock, no par value, stated value \$10,000 per share, authorized 750 shares, 342.9192 shares issued and outstanding	3,429,192	3,429,182
Contributed capital	4,139,955	4,140,455
Accumulated other comprehensive income	15,221	62,760
Accumulated deficit	<u>(2,940,017)</u>	<u>(3,375,543)</u>
Total stockholder's equity	<u>4,644,351</u>	<u>4,256,854</u>
Total liabilities and stockholder's equity	<u>\$ 7,816,272</u>	<u>\$ 7,588,608</u>

Inn-Ohio of Athens, Inc.

Statement of Operations and Comprehensive Income

	Year Ended	
	July 3, 2015	July 4, 2014
Revenue		
Room	\$ 3,335,484	\$ 3,543,698
Restaurant	1,599,773	1,586,748
Beverage	339,780	346,315
Telephone	912	2,327
Total revenue	5,275,949	5,479,088
Operating Expenses		
Room	660,619	661,440
Restaurant	1,262,833	1,254,478
Beverage	119,981	126,468
Telephone	38,550	36,847
Total operating expenses	2,081,983	2,079,233
Income Before General and Unapportioned Expenses	3,193,966	3,399,855
General and Unapportioned Expenses		
Administrative and general	579,040	521,642
Repair and maintenance	456,709	474,476
Taxes, insurance, and other	243,550	237,708
Marketing	232,795	235,247
Management fees (Note 6)	270,964	293,174
Utilities	183,271	198,746
Total general and unapportioned expenses	1,966,329	1,960,993
Capital Expenses		
Interest - Net of other income of \$69,760 and \$63,063 during 2015 and 2014, respectively	7,469	19,266
Realized gains on investments	(43,869)	-
Depreciation and amortization	672,005	540,184
Total capital expenses	635,605	559,450
Income Before Provision for Income Taxes	592,032	879,412
Provision for Income Taxes (Note 7)	156,506	308,849
Net Income	435,526	570,563
Other Comprehensive (Loss) Income - Unrealized (losses) gains on investments	(47,539)	12,342
Comprehensive Income	\$ 387,987	\$ 582,905

The Notes to the Financial Statements are
an Integral Part of this Statement.

Inn-Ohio of Athens, Inc.

Statement of Stockholder's Equity

	Common Stock	Contributed Capital	Accumulated Comprehensive Gain	Accumulated Deficit	Total Stockholder's Equity
Balance - June 28, 2013	\$ 3,429,182	\$ 4,140,455	\$ 50,418	\$ (3,946,106)	\$ 3,673,949
Net income	-	-	-	570,563	570,563
Other comprehensive income	-	-	12,342	-	12,342
Balance - July 4, 2014	3,429,182	4,140,455	62,760	(3,375,543)	4,256,854
Net income	-	-	-	435,526	435,526
Issuance of common stock	10	-	-	-	10
Redemption of contributed capital	-	(500)	-	-	(500)
Other comprehensive income	-	-	(47,539)	-	(47,539)
Balance - July 3, 2015	<u>\$ 3,429,192</u>	<u>\$ 4,139,955</u>	<u>\$ 15,221</u>	<u>\$ (2,940,017)</u>	<u>\$ 4,644,351</u>

The Notes to the Financial Statements are
an Integral Part of this Statement.

Inn-Ohio of Athens, Inc.

Statement of Cash Flows

	Year Ended	
	July 3, 2015	July 4, 2014
Cash Flows from Operating Activities		
Net income	\$ 435,526	\$ 570,563
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	672,005	540,184
Deferred income tax expense	76,300	98,262
Loss on disposal of assets	57,341	3,413
Realized gains on investments	(43,869)	-
Changes in assets and liabilities:		
Accounts receivable	(117,938)	65,433
Inventories	(2,943)	(851)
Prepaid expenses and other assets	(137,608)	4,630
Accounts payable and accrued liabilities	11,367	146,007
Net cash provided by operating activities	950,181	1,427,641
Cash Flows from Investing Activities		
Acquisition of property and equipment	(1,857,119)	(684,517)
Purchases of investments	(164,697)	(463,055)
Proceeds from sale of investments	1,250,000	-
Net cash used in investing activities	(771,816)	(1,147,572)
Cash Flows from Financing Activities		
Payments on long-term debt	(273,800)	(257,400)
Issuance of common stock	10	-
Redemption of contributed capital	(500)	-
Net cash used in financing activities	(274,290)	(257,400)
Net (Decrease) Increase in Cash	(95,925)	22,669
Cash - Beginning of year	1,065,054	1,042,385
Cash - End of year	\$ 969,129	\$ 1,065,054
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 72,850	\$ 81,615
Income taxes paid	81,700	123,100

Inn-Ohio of Athens, Inc.

Notes to Financial Statements July 3, 2015 and July 4, 2014

Note 1 - Organization

Inn-Ohio of Athens, Inc. (the "Company") was incorporated in Ohio on September 10, 1986 to acquire and operate an 87-room hotel and restaurant facility in Athens, Ohio known as The Ohio University Inn (the "Inn"). An additional wing with 61 rooms was added to the hotel and placed in service in October 1989. The Inn currently has 139 rooms in service. The Company is a wholly owned subsidiary of The Ohio University Foundation (the "Stockholder").

Note 2 - Summary of Significant Accounting Policies

Method of Accounting - The Company maintains its books and records in accordance with accounting principles generally accepted in the United States of America.

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

Cash - At times, cash may exceed federally insured amounts. At July 3, 2015, the Company held \$542,706 in cash that was uninsured by the FDIC.

Advertising Costs - Advertising costs are included in marketing expenses on the statement of operations and are expensed as incurred. These costs for the years ended July 3, 2015 and July 4, 2014 were approximately \$92,000 and \$83,000, respectively.

Investments - Investments consist of fixed-income mutual funds. These securities are valued at market and are classified as available for sale as they are to be held for an indefinite period of time. Unrealized holding losses of approximately \$48,000 for the year ended July 3, 2015 and unrealized holding gains of approximately \$12,000 for the year ended July 4, 2014 are reported in other comprehensive income and are included as a component of stockholder's equity. There were realized holding gains of approximately \$44,000 for the year ended July 3, 2015. Realized holdings gains for year ended July 4, 2014 were nominal.

Inn-Ohio of Athens, Inc.

Notes to Financial Statements July 3, 2015 and July 4, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable - Accounts receivable consists of balances due from customers or businesses who have incurred charges at the facility. These customers' accounts have been preapproved for a direct billing from the facility based on a complete credit application. Collection of the accounts receivable balances is performed at the facility and all amounts are deposited daily. In the normal course of business, the Company leases facilities to Ohio University, a related party, and its affiliates.

Accounts receivable include amounts due from Ohio University and its related programs, departments, and affiliates of approximately \$49,000 and \$13,000 as of July 3, 2015 and July 4, 2014, respectively. As the University is the sole beneficiary of the Ohio University Foundation and the Ohio University Foundation has sole ownership rights in the Inn, Ohio University is considered a related party. Accounts receivable are stated at invoiced amounts.

An allowance for doubtful accounts is recognized based on a specific assessment of all invoices that remain unpaid. The allowance is determined based on management's estimate of the amounts recoverable from each customer.

Inventories - Inventories consist of food and beverage products and gift shop items, which are valued at the lower of cost (first-in, first-out method) or market.

Property and Equipment - Property and equipment are stated at cost less accumulated depreciation and amortization. Costs of normal repairs and maintenance and minor renewals are charged to expense. Major expenditures, which extend the useful lives of assets, are capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment. The estimated useful lives are as follows:

Land improvements	5-15 years
Buildings	30-40 years
Furnishings, fixtures, and equipment	3-10 years

Depreciation expense for the years ended July 3, 2015 and July 4, 2014 totaled \$669,907 and \$538,086, respectively. The Company periodically reviews the carrying value of its property and equipment and determines whether any impairment needs to be recorded. As of July 3, 2015 and July 4, 2014, the Company is of the opinion that there is no impairment of property and equipment.

Note 2 - Summary of Significant Accounting Policies (Continued)

Bond Issuance Costs - Bond issuance costs are amortized using the straight-line method (which approximates the effective-interest method) over the life of the related debt. Amortization expense was approximately \$2,100 for each of the years ended July 3, 2015 and July 4, 2014.

Recognition of Revenue - Revenue is recognized from its room, restaurant, beverage, and telephone facilities and services as earned on the close of business each day. The majority of the Company's business is derived from Ohio University and its related programs, departments, and affiliates.

Income Taxes - A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the year. Deferred tax liabilities or assets are recognized for the estimated future tax effects of temporary differences between financial reporting and tax accounting.

As of July 3, 2015 and July 4, 2014, the Company's unrecognized tax benefits were not significant. There were no significant penalties or interest recognized during the year or accrued at year end. The Company files income tax returns in U.S. federal and various state jurisdictions and, at year end, tax returns were open for examination for years 2012-2014.

Other Comprehensive Income - Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, however, such as unrealized gains and losses on available-for-sale securities, are reported as a direct adjustment to the equity section of the balance sheet. Such items, along with net income, are considered components of comprehensive income.

Fiscal Year - The Company's fiscal year included 52 weeks for 2015 and 53 weeks for 2014.

Upcoming Accounting Pronouncement - During May 2014, the Financial Accounting Standards Board released Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in the ASU clarify the principles for recognizing revenue and develop a common revenue standard for U.S. GAAP that removes inconsistencies and weaknesses in revenue requirements, provides a more robust framework for addressing revenue issues, improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, provides more useful information to users of financial statements through improved disclosure requirements, and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer.

Note 2 - Summary of Significant Accounting Policies (Continued)

The Company will be required to adopt and implement this accounting update as of and for the year ending June 30, 2020. Management has not yet assessed the effect of this accounting standards update on the financial statements.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including September 25, 2015, which is the date that the financial statements were available to be issued.

Note 3 - Fair Value Measurements

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

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

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

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

In instances whereby inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company'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 Company measures investments at fair value on a recurring basis. The fair value of the Company's investments at July 3, 2015 and July 4, 2014 total \$1,063,765 and \$2,152,738, respectively, and are based primarily on Level 2 inputs as described above.

The Company's policy is to recognize transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused that transfer. There were no such transfers in the current year.

Note 3 - Fair Value Measurements (Continued)

Investments in Entities that Calculate Net Asset Value per Share

The Company holds shares or interests in JPMorgan Core Bond Trust, an investment company, at year end. The fair value of the investment was \$1,063,765 and \$2,152,738 at July 3, 2015 and July 4, 2014, respectively. The fair value was estimated based on the net asset value per share of \$10.51 and \$10.62 times the number of shares owned by the Company at July 3, 2015 and July 4, 2014, respectively. The investment in the JPMorgan Core Bond Trust is redeemable daily with a notice period of one day. The trust has no unfunded commitments as of July 3, 2015.

Investee management pursues multiple strategies to diversify risks and reduce volatility. The investment company's composite portfolio for this includes investments in approximately 40 percent mortgage-backed securities, 25 percent U.S. Treasury obligations, 19 percent corporate bonds, and 16 percent other.

Note 4 - Debt Obligation

At July 3, 2015 and July 4, 2014, debt obligations consisted of the following:

	2015	2014
Term loan	\$ 2,051,200	\$ 2,325,000
Less current portion of long-term debt	<u>291,300</u>	<u>273,800</u>
Total long-term debt	<u>\$ 1,759,900</u>	<u>\$ 2,051,200</u>

In June 2006, the Company obtained a secured \$4,000,000 term loan (the "Term Loan"), the proceeds of which were used to pay a dividend of \$3,000,000 in June 2006 and \$1,000,000 of which was placed in the bond fund to retire the 1996 Serial and Term Project Bonds in November 2006. The Term Loan is guaranteed by the Stockholder.

Substantially all of the property and equipment are pledged as collateral for the Term Loan. Principal payments on the Term Loan ranging from \$21,000 to \$34,100 are due in monthly installments through June 2021. The interest rate on the new Term Loan was fixed at 6.20 percent through June 2011 and was adjusted to 3.31 percent as of July 1, 2011. The interest rate will be adjusted to the index rate as defined in the agreement plus 1.40 percent in June 2016.

Inn-Ohio of Athens, Inc.

Notes to Financial Statements July 3, 2015 and July 4, 2014

Note 4 - Debt Obligation (Continued)

Maturities of long-term debt are as follows at July 3, 2015:

<u>Years Ending</u>	<u>Amount</u>
2016	\$ 291,300
2017	309,900
2018	329,600
2019	350,500
2020	373,000
Due thereafter	<u>396,900</u>
Total	<u>\$ 2,051,200</u>

Note 5 - Working Capital Loans Payable to Stockholder

The Stockholder made available to the Company working capital loans, with interest at the prime rate, of up to \$450,000 at July 3, 2015 and July 4, 2014. There were no outstanding borrowings on these working capital loans at July 3, 2015 and July 4, 2014. The interest rate, which is stated at the prime rate, was 3.25 percent as of both July 3, 2015 and July 4, 2014.

Note 6 - Management Fees

The property manager's compensation is based on a base fee plus a percentage of the Inn's net available operating profit, as defined in the management agreement. Management fees earned by the manager were \$270,964 and \$293,174 in fiscal years 2015 and 2014, respectively.

Note 7 - Income Taxes

The provision for income taxes for the years ended July 3, 2015 and July 4, 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Current tax expense	\$ 80,206	\$ 210,587
Deferred tax expense	<u>76,300</u>	<u>98,262</u>
Provision for income taxes	<u>\$ 156,506</u>	<u>\$ 308,849</u>

Inn-Ohio of Athens, Inc.

Notes to Financial Statements July 3, 2015 and July 4, 2014

Note 7 - Income Taxes (Continued)

The components of the deferred income tax asset and liability as of July 3, 2015 and July 4, 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Current deferred tax asset - Accrued liabilities and reserves	\$ 55,000	\$ 28,700
Noncurrent deferred tax liabilities - Depreciation and amortization	<u>(422,000)</u>	<u>(319,400)</u>
Net deferred tax liability	<u>\$ (367,000)</u>	<u>\$ (290,700)</u>

The difference between the federal statutory tax rate and the Company's provision for income taxes relate primarily to state income taxes.

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

Independent Auditor's Report

To Management and the Board of Trustees
Inn-Ohio of Athens, Inc.

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 Inn-Ohio of Athens, Inc. (the "Company"), which comprise the balance sheet as of July 3, 2015 and the related statements of operations and comprehensive income, stockholder's equity, and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated September 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Inn-Ohio of Athens, 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 the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 Company'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency. See Finding 2015-001.

To Management and the Board of Trustees
Inn-Ohio of Athens, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Inn-Ohio of Athens, 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*.

Inn-Ohio of Athens, Inc.'s Response to Findings

Inn-Ohio of Athens, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Inn-Ohio of Athens, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Company'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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

September 25, 2015

Inn-Ohio of Athens, Inc.

Schedule of Findings and Responses Year Ended July 3, 2015

Reference Number	Finding
2015-001	<p>Finding Type - Significant Deficiency</p> <p>Criteria - Generally accepted accounting principles require that goods received and services performed on an ongoing construction project in the fiscal year ended July 3, 2015 should be accrued for as of July 3, 2015.</p> <p>Condition - The Company did not accrue for certain construction services performed in the fiscal year ended July 3, 2015 and not paid as of July 3, 2015, which affected construction in progress and accrued liabilities.</p> <p>Context - Out of 34 invoices tested for proper cutoff, six invoices were not properly accrued for at year end. The amount of the unrecorded liability totaled approximately \$85,000, of which \$30,750 relates to construction retainage for painting services. The Company opted to record the audit adjustment as of July 3, 2015. There was no impact to net income as a result of the adjustment.</p> <p>Cause - The Company did not perform a comprehensive analysis of its outstanding purchase orders or review its accruals at year end to ensure that construction services performed in the fiscal year ended July 3, 2015 were properly recorded as liabilities.</p> <p>Effect - As a result of not performing the analysis, construction in progress and its corresponding liabilities could be reported in the wrong period.</p> <p>Recommendation - We suggest that management perform a thorough review of any outstanding purchase orders at year end, as well as any invoices not yet received for services performed in the current fiscal year, to verify that all liabilities and construction in progress are properly recorded.</p> <p>Views of Responsible Officials and Planned Corrective Actions - One invoice with related retainage amounted to over \$69,000. The construction project was an ongoing project that was only approximately two-thirds complete at year end. Management reviewed the invoices and noted that there was no impact on the statement of operations and comprehensive income as a result of the adjustment. However, the Company will work to ensure that accounts payable cutoff procedures are thoroughly performed at year-end.</p>



Dave Yost • Auditor of State

INN OHIO OF ATHENS, INC

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 29, 2015**