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# **Inn-Ohio of Athens, Inc.**

(a wholly owned subsidiary of The Ohio University Foundation)

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Annual Financial Report

June 30, 2020



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Trustees  
Inn-Ohio of Athens, Inc.  
West Union Street Office Center  
1 Ohio University  
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of the Inn-Ohio of Athens, Inc., Athens County, prepared by Crowe 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 Inn-Ohio of Athens, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

November 17, 2020

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## INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Inn-Ohio of Athens, Inc., a wholly-owned subsidiary of The Ohio University Foundation, which comprise the balance sheet as of June 30, 2020, and the related statements of operations and comprehensive income (loss), stockholders' equity, 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.

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(Continued)

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Inn-Ohio of Athens, Inc. as of June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As more fully described Note 2, the Inn-Ohio of Athens, Inc. adopted Accounting Standard Update 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* effective July 1, 2019. ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. It also removes "available-for-sale" classification of equity securities. The application of the amendments in the Update were applied by means of a cumulative-effect adjustment to the balance sheet as of July 1, 2019, the fiscal year of adoption. As a result of this adoption, the Company was required to record a transition adjustment as of July 1, 2019, which reclassified the cumulative impacts of unrealized gains and losses, net of tax, from accumulated other comprehensive loss to retained earnings, in the amount of \$(8,599).

## **Other Matter**

The financial statements of The Inn-Ohio of Athens, Inc. as of June 30, 2019, were audited by other auditors whose report dated September 3, 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 October 15, 2020 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Inn-Ohio of Athens, Inc.'s internal control over financial reporting and compliance.



Crowe LLP

Columbus, Ohio  
October 15, 2020



**Balance Sheets**  
June 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 658,466	\$ 953,108
Investments	1,734,606	1,603,115
Accounts receivable - net	222,122	222,344
Inventories	47,858	56,807
Prepaid expenses and other assets	51,286	45,522
Total current assets	2,714,338	2,880,896
<b>Property and Equipment - net</b>	4,298,013	4,499,023
Total assets	\$ 7,012,351	\$ 7,379,919
<b>Liabilities and Stockholder's Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 67,546	\$ 69,785
Refundable advance	512,900	-
Current portion of long-term debt	394,003	373,000
Accrued and other current liabilities:		
Taxes payable	49,816	253,174
Accrued compensation	113,291	197,729
Other accrued liabilities	128,659	188,656
Total current liabilities	1,266,215	1,082,344
<b>Long-term Debt - net of current portion</b> and unamortized loan issuance costs	-	391,905
<b>Deferred Income Tax Liability</b>	190,900	230,000
Total liabilities	1,457,115	1,704,249
<b>Stockholder's Equity</b>		
Common stock	3,429,192	3,429,192
Contributed capital	4,266,632	4,266,632
Accumulated deficit	(2,140,588)	(2,011,555)
Accumulated other comprehensive income (loss)	-	(8,599)
Total stockholder's equity	5,555,236	5,675,670
Total liabilities and net assets	\$ 7,012,351	\$ 7,379,919

See notes to financial statements.

## Statements of Operations & Comprehensive Income (Loss)

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Revenue</b>		
Room	\$ 2,856,845	\$ 3,737,193
Restaurant	1,279,298	1,764,284
Beverage	313,749	434,666
Telephone	56	268
Interest and dividends on investments	41,349	46,974
Total revenue	<u>4,491,297</u>	<u>5,983,385</u>
<b>Operating Expenses</b>		
Room	754,942	881,720
Restaurant	1,165,864	1,489,229
Beverage	130,444	162,251
Telephone	38,846	39,741
Total operating expenses	<u>2,090,096</u>	<u>2,572,941</u>
<b>Income before General and Unapportioned Expenses</b>	2,401,201	3,410,444
<b>General and Unapportioned Expenses</b>		
Administrative and general	646,492	691,300
Repairs and maintenance	413,935	453,928
Taxes, insurance and other	267,256	227,322
Marketing	242,487	295,936
Management fees	124,075	264,208
Utilities	157,270	182,898
Total general and unapportioned expenses	<u>1,851,515</u>	<u>2,115,592</u>
<b>Other Income</b>		
Realized gains on investments	7,752	-
Unrealized gains on investments	80,441	-
Total other income	<u>88,193</u>	<u>-</u>
<b>Capital Expenses</b>		
Interest expense	16,703	25,035
Depreciation	788,072	767,573
Total capital expenses	<u>804,775</u>	<u>792,608</u>
<b>Income (Loss) before Provision for Income Taxes</b>	(166,896)	502,244
<b>Income Tax Expense (Recovery)</b>	<u>(46,462)</u>	<u>118,968</u>
<b>Net Income (Loss)</b>	(120,434)	383,276
<b>Other Comprehensive Income -</b>		
Unrealized gains on investments	<u>-</u>	<u>70,462</u>
<b>Comprehensive Income (Loss)</b>	<u>\$ (120,434)</u>	<u>\$ 453,738</u>

See notes to financial statements.

## Statements of Stockholder's Equity

Years Ended June 30, 2020 and 2019

	Common Stock	Contributed Capital	Accumulated Deficit	Accumulated Comprehensive Loss	Total Stockholder's Equity
<b>Balance - July 1, 2018</b>	\$ 3,429,192	\$ 4,266,632	\$ (2,144,831)	\$ (79,061)	\$ 5,471,932
Net income	-	-	383,276	-	383,276
Other comprehensive income	-	-	-	70,462	70,462
Distribution to stockholder	-	-	(250,000)	-	(250,000)
<b>Balance - June 30, 2019</b>	3,429,192	4,266,632	(2,011,555)	(8,599)	5,675,670
Balance - July 1, 2019	3,429,192	4,266,632	(2,011,555)	(8,599)	5,675,670
Impact for the adoption of ASU 2016-01	-	-	(8,599)	8,599	-
Balance - July 1, 2019, restated	3,429,192	4,266,632	(2,020,154)	-	5,675,670
Net loss	-	-	(120,434)	-	(120,434)
<b>Balance - June 30, 2020</b>	<u>\$ 3,429,192</u>	<u>\$ 4,266,632</u>	<u>\$ (2,140,588)</u>	<u>\$ -</u>	<u>\$ 5,555,236</u>

See notes to financial statements.

## Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Net income (loss)	\$ (120,434)	\$ 383,276
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	788,072	767,573
Deferred income tax recovery	(39,100)	(46,000)
Loss on disposal of property and equipment	-	3,700
Realized gains on sale of investments	(7,752)	-
Unrealized gains on investments	(80,441)	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	222	(99,357)
(Increase) decrease in inventories	8,949	(12,974)
(Increase) decrease in prepaid expenses and other assets	(5,764)	7,328
Increase (decrease) in accounts payable	(2,239)	13,390
Increase in refundable advance	512,900	-
Increase (decrease) in accrued and other liabilities	(347,793)	169,529
Net cash provided by operating activities	<u>706,620</u>	<u>1,186,465</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property and equipment	(587,062)	(429,603)
Purchases of investments	(43,298)	(44,843)
Net cash used in investing activities	<u>(630,360)</u>	<u>(474,446)</u>
<b>Cash Flows from Financing Activities</b>		
Payments on long-term debt	(370,902)	(348,502)
Distributions to stockholder	-	(250,000)
Net cash used in financing activities	<u>(370,902)</u>	<u>(598,502)</u>
<b>Net Increase (Decrease) in Cash</b>	(294,642)	113,517
<b>Cash - Beginning of year</b>	<u>953,108</u>	<u>839,591</u>
<b>Cash - End of year</b>	<u>\$ 658,466</u>	<u>\$ 953,108</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	\$ 15,019	\$ 20,130
Income taxes paid	124,347	1,800

See notes to financial statements.

## Notes to Financial Statements

June 30, 2020 and 2019

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### **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 – 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.

#### *Reclassifications*

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported net income or total stockholder's equity.

#### *Cash*

At times, cash may exceed federally insured amounts. As of June 30, 2020 and 2019, the company held \$405,540 and \$552,072, respectively, in cash that was uninsured by the FDIC.

#### *Advertising Expense*

Advertising costs are included in marketing expenses on the statement of operations and comprehensive income and expensed as incurred. Advertising expense for the years ended June 30, 2020 and 2019 was approximately \$69,000 and \$88,000, respectively.

## Notes to Financial Statements

June 30, 2020 and 2019

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### Note 2 – Significant Accounting Policies (Continued)

#### *Investments*

Investments consist of a fixed-income mutual fund valued at market value. Realized gains (losses) of \$7,752 and \$0 are reported in net income for the years ended June 30, 2020 and 2019, respectively. Unrealized holding gains of \$80,441 are reported in net income for the year ended June 30, 2020. Unrealized holding gains of \$70,462 are reported in other comprehensive income (loss) and are included as a component of stockholder's equity for the year ended June 30, 2019 as the investments were classified as available for sale, a designation that no longer applies upon the adoption of ASU 2016-01, as referenced below.

#### *Trade Accounts Receivable*

Accounts receivable consist of balances due from customers or businesses that 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 rents 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 \$203,000 and \$167,000 as of June 30, 2020 and 2019, respectively. As Ohio 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 invoice 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. The allowance for doubtful accounts on accounts receivable balances was \$6,000 as of June 30, 2020 and 2019.

#### *Inventories*

Inventories consist of food and beverage products and gift shop items, which are valued at the lower of cost or net realizable value (NRV), with cost determined on the first-in, first-out (FIFO) method.

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## Notes to Financial Statements

June 30, 2020 and 2019

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### Note 2 – Significant Accounting Policies (Continued)

#### *Property and Equipment*

Property and equipment are recorded at cost less accumulated depreciation. Cost of normal repairs and maintenance and minor renewals are charged to expense. Major expenditures, with a minimum value of \$2,000 and 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.

As of June 30, 2020 and 2019, the Company is of the opinion that there is no impairment of property and equipment

#### *Loan Issuance Costs*

Loan 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 both of the years ended June 30, 2020 and 2019.

#### *Revenue and Cost Recognition*

Revenue is recognized from 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.

During the fiscal year ended June 30, 2020, the Company applied for and received a Paycheck Protection Program (PPP) loan from the U.S. Small Business Administration (SBA) in the amount of \$512,900. The loan is designed to provide a direct incentive for small businesses affected by COVID-19 to keep their workers on the payroll. SBA will forgive the loan if all employee retention criteria are met and the funds are used for eligible expenses, including payroll costs, interest on mortgages, rent and utilities. The Company anticipates that it will meet the all program requirements, and the PPP loan will be forgiven, during the fiscal year that will end on June 30, 2021. As such, the entire PPP loan balance is recorded as a refundable advance on the accompanying Balance Sheet.

## Notes to Financial Statements

June 30, 2020 and 2019

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### Note 2 – Significant Accounting Policies (Continued)

#### *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.

#### *Other Comprehensive Income (Loss)*

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. As of June 30, 2019, the Company reported unrealized gains and losses on available-for-sale securities as a direct adjustment to the equity section of the balance sheet. This item, along with net income, are considered components of comprehensive income. During the fiscal year ended June 30, 2020, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10)*, the Company reclassified the accumulated unrealized gains and losses on available-for-sale securities from accumulated comprehensive loss to accumulated deficit on the accompanying Statement of Stockholder's Equity. As a result, the Company has no other comprehensive income (loss) as of June 30, 2020.

#### *Recently Adopted Accounting Guidance*

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10)*. ASU 2016-01 is effective for non-public business entities for annual periods beginning after December 15, 2018. The Company adopted ASU 2016-01 effective July 1, 2019. Adoption of this standard requires a modified retrospective transition adjustment as of the beginning of the period of adoption related to equity instruments with readily determinable fair values, not accounted for under other FASB guidance. As a result of this adoption, the Company was required to record a transition adjustment as of July 1, 2019 which reclassified the cumulative impacts of unrealized gains and losses from accumulated other comprehensive income (AOCI) to retained earnings in the amount of (\$8,599). Further, beginning on July 1, 2019, the gross change in unrealized investment holding gains and losses on equity securities was recorded as income from operations, and is no longer included in AOCI on the balance sheet, as of June 30, 2020.



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## Notes to Financial Statements

June 30, 2020 and 2019

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### Note 2 – Significant Accounting Policies (Continued)

#### *Upcoming Accounting Pronouncements*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Company's year ending June 30, 2021. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Company has not yet determined which application method it will use. The Company's primary revenue sources are not expected to be significantly impacted by the standard. In addition, management is currently analyzing the disclosures that will be required with this pronouncement.

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. Application of the new lease standard is not expected to have a significant effect on the Company's financial statements. The new lease guidance will be effective for the Company's year ending June 30, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented.

#### *Subsequent Events*

The financial statements and related disclosures include evaluation of events up through and including October 15, 2020, which is the date the financial statements were available to be issued.

During December 2019, the Novel Coronavirus (COVID-19) was discovered in the country of China and has since spread to other countries, including the U.S. The COVID-19 was subsequently declared a world-wide pandemic by the World Health Organization. On March 13, 2020, the President declared a National Emergency Concerning the COVID-19 outbreak. The Company anticipates an economic impact resulting from the effects of the COVID-19 outbreak on the national, state, and local economies. The Company has currently not determined what material impact this outbreak could potentially have on revenues such as rental income revenues related to economic conditions.

## Notes to Financial Statements

June 30, 2020 and 2019

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### **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 inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets 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 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 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 Company's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Company's investment in fixed-income mutual funds totaling \$1,734,606 and \$1,603,115 as of June 30, 2020 and 2019, respectively, is valued using Level 1 inputs.

Notes to Financial Statements

June 30, 2020 and 2019

**Note 4 – Property and Equipment**

Property and equipment are summarized as follows:

	2020	2019	Depreciable Life - Years
Land	\$ 323,978	\$ 323,978	
Land improvements	967,476	936,115	5-15
Buildings	7,865,444	7,765,480	30-40
Furniture and fixtures	5,956,132	5,492,752	3-10
Construction in progress	16,599	24,243	
Total cost	15,129,629	14,542,568	
Accumulated depreciation	10,831,616	10,043,545	
Net property and equipment	<u>\$ 4,298,013</u>	<u>\$ 4,499,023</u>	

Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$788,072 and \$767,573, respectively.

**Note 5 – Long-Term Debt**

As of June 30, 2020 and 2019, debt obligations consisted of the following:

	2020	2019
Term Loan	\$ 396,800	\$ 769,800
Less current portion of long-term debt	(394,003)	(373,000)
Less unamortized loan costs	(2,797)	(4,895)
Total long-term portion	<u>\$ -</u>	<u>\$ 391,905</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.

## Notes to Financial Statements

June 30, 2020 and 2019

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### **Note 5 – Long-Term Debt (Continued)**

Substantially all of the property and equipment are pledged as collateral for the Term Loan. Principal payments on the Term Loan ranging from \$32,100 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 was adjusted to the index rate, as defined in the agreement, plus 1.40 percent in June 2016, effectively 2.50 percent.

### **Note 6 – 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 June 30, 2020 and 2019. There were no outstanding borrowings on these working capital loans at June 30, 2020 and 2019. The interest rate, which is stated at the prime rate, was 3.25 and 5.50 percent as of June 30, 2020 and 2019, respectively.

### **Note 7 – Stockholder's Equity**

As of June 30, 2020 and 2019, the authorized capital stock of the Company was 750 shares of common stock with no par value, and 250 shares of redeemable preferred stock with a stated value of \$10,000 to be cumulative for payment of dividends with an interest rate of the United States Federal Discount Rate.

As of June 30, 2020 and 2019, there were 342.9192 shares of voting common stock, and no shares of preferred stock, issued and outstanding.

### **Note 8 – 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 \$124,075 and \$264,208 for the fiscal years ended June 30, 2020 and 2019, respectively.

Notes to Financial Statements

June 30, 2020 and 2019

**Note 9 – Income Taxes**

The provision for income taxes for the years ended June 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Current income tax expense	\$ (7,362)	\$ 164,968
Deferred income tax recovery	(39,100)	(46,000)
Total income tax expense (recovery)	<u>\$ (46,462)</u>	<u>\$ 118,968</u>

The components of the deferred income tax asset and liability as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Current deferred tax - accrued liabilities and reserve	\$ 53,200	\$ 33,000
Noncurrent deferred tax liabilities - depreciation and amortization	(244,100)	(263,000)
Total	<u>\$ (190,900)</u>	<u>\$ (230,000)</u>

For 2020 and 2019, the difference between the federal statutory tax rate and the Company's provision for income taxes relates primarily to state income taxes.

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Crowe LLP  
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Inn-Ohio of Athens, Inc.  
Athens, 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 Inn-Ohio of Athens, Inc. (the "Company"), a wholly-owned subsidiary of The Ohio University Foundation, which comprise the balance sheet as of June 30, 2020, and the related statements of operations and comprehensive income (loss), stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2020.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Inn-Ohio of Athens, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Inn-Ohio of Athens, 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, 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. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses as Finding 2020-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Inn-Ohio of Athens, Inc. financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

## **Company's Response to Finding**

The Company's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Company'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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid.

Crowe LLP

Columbus, Ohio  
October 15, 2020



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## Schedule of Findings and Responses

Year ended June 30, 2020

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### **FINDING 2020-001 – INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Criteria:	The Inn's property management should have internal controls over the financial reporting process, inclusive of all journal entries posted, designed to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America. In addition, the Inn should maintain support and records of all manually posted journal entries recorded in the year.
Condition:	The Inn's property management was unable to provide supporting documentation for a sample of manual journal entries posted during the year.
Context:	From 32 selected journal entries, 12 entries were found to have insufficient or no documentation maintained.
Effect:	The condition noted above has the potential to lead to incorrect journal entries and misstated financial statement information.
Cause:	The Inn's property management did not maintain journal entry documentation for all manual entries posted during the year.
Repeat Finding:	No
Recommendation:	We recommend that documentation is maintained by Inn property management for all manual journal entries posted throughout the year.
Response:	During the fiscal year ended June 30, 2020, the Inn's accounting services were provided by Atrium Accounting, a third-party entity. This entity ceased providing services to Pyramid Hotel Group, the Inn's property manager, on July 31, 2020. As of September 30, Atrium Accounting is no longer operating, and their offices have closed. Pyramid Hotel Group was unsuccessful in sourcing the backup for journal entries from Atrium Accounting contacts. Going forward, the Inn's property manager will maintain all manual journal postings and will maintain all substantiation for those entries throughout the fiscal year.

## Schedule of Prior Year Findings

Year ended June 30, 2020

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### **Finding 2019-001**

Criteria: Generally accepted accounting principles (GAAP) require that the Company's obligations for goods or services performed or received in the fiscal year ended June 30, 2019 be recorded as accounts payable or accrued for as of June 30, 2019.

Condition: The Company did not record in accounts payable or accrued for certain goods received or services performed in the fiscal year ended June 30, 2019 and not paid as of June 30, 2019.

Status: Corrected.

# OHIO AUDITOR OF STATE KEITH FABER



**INN-OHIO OF ATHENS, INC.**

**ATHENS 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](http://www.ohioauditor.gov)