The University of Akron

(a component unit of the State of Ohio)

Financial Report
With Supplemental Information

June 30, 2014

Dave Yost • Auditor of State

Board of Trustees
The University of Akron
302 Butchel Common
Akron, Ohio 44325

We have reviewed the *Independent Auditor's Report* of The University of Akron, Summit County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

December 23, 2014

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The University of Akron

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The University of Akron

Management's Discussion and Analysis

June 30, 2014

The discussion and analysis of The University of Akron's (The University) annual financial performance provides an overall review of The University's financial activities for the fiscal year ended June 30, 2014. This discussion and analysis views The University's financial performance as a whole; readers should also review the financial statements and related notes to the financial statements to enhance their understanding of The University's financial performance.

Using the Annual Financial Report

The annual report is prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities, and consists of this Management's Discussion and Analysis, three separate but interrelated financial statements and the Report of Independent Auditors. The financial statements are prepared using the accrual basis of accounting, which is similar to the accounting method used by many private sector companies. Under the accrual basis of accounting, revenues are recognized when earned while expenses are recognized when incurred.

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

The Statement of Net Position includes all assets and liabilities, as well as deferred outflows and deferred inflows of resources, with the residual balance reported as *net position*. The assets and liabilities are presented in the order of relative liquidity while *net position* is categorized as *Net investment in capital assets*; *Restricted*; or *Unrestricted*. Over time, increases or decreases in *net position* are an indicator of the improvement or erosion of The University's financial health.

The Statement of Revenues, Expenses, and Changes in Net Position presents revenues earned and expenses incurred during the year. The revenues and expenses are classified as either operating or nonoperating. The State of Ohio (State) provides significant operating and capital financial resources to The University, which are classified as nonoperating revenues; therefore, substantial Operating losses are not uncommon for public colleges and universities. For the fiscal years ended June 30, 2014, 2013, and 2012, the State provided approximately $101 million, $100 million, and $105 million, respectively, for operating and capital purposes while The University's operating losses were approximately $146 million, $160 million, and $140 million, respectively, for each of those years.

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

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

The University is considered a discretely presented component unit of the State of Ohio and as such, The University's financial activity is also included within the State of Ohio's Comprehensive Annual Financial Report. The University has two discretely presented component units that are combined and reported in separate columns on The University's financial statements to emphasize that they are legally separate from The University. The University of Akron Foundation (Foundation) and The University of Akron Research Foundation (Research Foundation) are not-for-profit organizations supporting The University. Since the focus of this discussion is on The University, these component units are not included in the amounts below. These component units are described in greater detail in the financial statements and notes to the financial statements.

Statements of Net Position

This table summarizes The University's Statements of Net Position for the last three fiscal years (in millions):

	2012 as restated	2013 as restated	2014
Assets:			
Current assets	$ 209.2	$ 200.6	$ 201.9
Noncurrent assets:			
Capital	720.8	710.0	727.5
Other	94.2	91.1	135.8
Total assets	1,024.2	1,001.7	1,065.2
Deferred outflow of resources	20.1	20.1	18.9
Liabilities:			
Current liabilities	80.2	82.3	81.4
Noncurrent liabilities	461.8	451.3	506.8
Total liabilities	542.0	533.6	588.2
Net position:			
Net investment in capital assets	315.4	303.1	295.0
Restricted:			
Nonexpendable	23.2	23.6	24.1
Expendable	54.7	64.6	74.2
Unrestricted	109.0	96.9	102.6
Total net position	$ 502.3	$ 488.2	$ 495.9

Prior years have been adjusted in accordance with GASB Statement No. 65. See footnote 1.

Assets and deferred outflow of resources

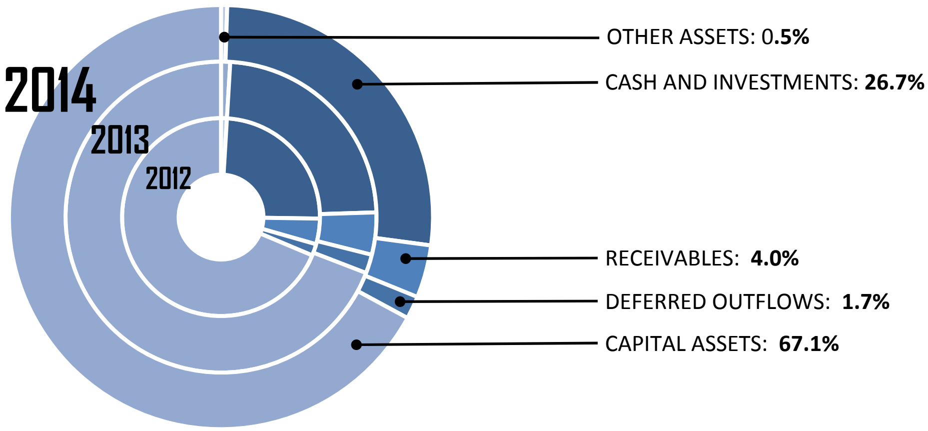
Current assets include those highly liquid assets that are used for current operations such as cash and cash equivalents; investments; accounts, pledges, student notes, and accrued interest receivable; inventories; and prepaid expenses. Current assets increased $1.3 million for 2014 and decreased $8.6 million for 2013. There were variations among many of the current asset categories, but the principal cause of the change are from a $3.1 million increase in 2014 and a $10.3 million decrease in 2013 within all current cash and investments.

Noncurrent assets consist of endowment and restricted investments; pledges and student notes receivable; long-term prepaid expenses and deferred charges; and capital assets. Noncurrent assets increased $62.2 million for 2014 and decreased $13.9 million for 2013. The 2014 changes are largely from additional restricted investments for the Campus-Wide Energy Efficiency and Conservation project. The 2013 changes are largely attributable to $5.6 million increase in endowment investment market value which was offset by a $10.8 million net decrease in capital asset values.

Deferred outflow of resources is defined as the consumption of net assets applicable to a future reporting period. The deferred outflow of resources has a positive effect on net position similar to assets and consists of deferred amounts on The University's bond refunding transactions. Since no new refunding debt was issued during 2014, the $1.2 million decrease is due to the amortization of existing deferred amounts. In 2013, amortization on previous amounts was offset by additional amounts added for the Series 2012A refunding bond issue.

Assets and deferred outflow of resources (continued)

Below is the composition of assets and deferred outflows for each year (with 2014 percentages):

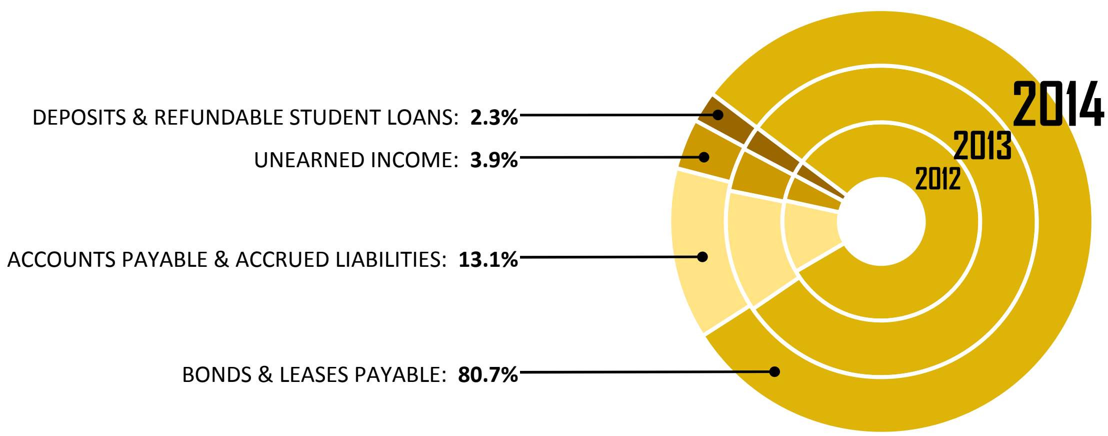


Liabilities

Current liabilities include all items that mature within one year. The current liabilities include accounts payable; accrued liabilities; accrued interest payable; unearned income; deposits; and the short-term portion of long-term liabilities. Current liabilities decreased $0.9 million and increased $2.1 million for 2014 and 2013, respectively. There were variations among many of the current liability categories, but the principal cause of the changes were a $3.5 million 2014 decrease and a $3.1 million 2013 increase in accounts payable which offset changes in other liabilities.

Noncurrent liabilities consist of refundable federal student loans; long-term debt including capital leases and the sick leave and other postemployment benefit liabilities; and long-term unearned income. The most notable change occurred within the long-term debt. For 2014, the $55.5 million increase was primarily from the additional debt for the Campus-Wide Energy Efficiency and Conservation project. For 2013, the $10.5 million decrease was due primarily to payments made on The University's long-term debt.

Below is the composition of liabilities for each year (with 2014 percentages):



Net position

As reflected earlier, *net position* represents the residual balance and over time is one indicator of improving or eroding financial health. Net position represents the difference between all other elements in the statements of net position and is displayed in three components: Net investment in capital assets; Restricted; or Unrestricted. Restricted net position includes both expendable and nonexpendable components. Net position increased 1.6%, or $7.7 million, for 2014 and decreased approximately 2.8%, or $14.1 million, for 2013.

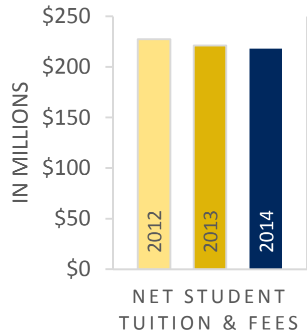
Statements of Revenues, Expenses, and Changes in Net Position

This table summarizes The University's Statements of Revenues, Expenses, and Changes in Net Position for the last three fiscal years (in millions):

	2012	2013	2014
Operating revenues:			
Tuition and fees (net)	$ 227.4	$ 221.2	$ 218.4
Grants and contracts	39.0	38.2	39.1
Sales and services	14.8	13.6	9.9
Auxiliary enterprises	52.8	51.3	53.5
Other operating revenues	0.6	0.5	1.3
Total operating revenues	334.6	324.8	322.2
Operating expenses:			
Educational and general:			
Instruction and departmental research	164.8	167.5	166.6
Other educational and general	203.6	207.3	196.0
Auxiliary enterprises	66.9	67.9	66.4
Depreciation	38.9	41.6	39.3
Total operating expenses	474.2	484.3	468.3
Operating loss	(139.6)	(159.5)	(146.1)
Nonoperating revenues (expenses):			
State appropriations	96.8	97.0	97.9
Federal grants	42.3	38.9	34.5
Gifts and distributions	19.8	19.6	19.7
Other nonoperating (net)	(17.7)	(13.0)	(2.0)
Net nonoperating revenues	141.2	142.5	150.1
(Loss) gain before other changes	1.6	(17.0)	4.0
Other changes:			
Capital appropriations	8.1	2.5	3.2
Other changes (net)	1.2	0.4	0.5
Total other changes	9.3	2.9	3.7
(Decrease) increase in net position	10.9	(14.1)	7.7
Net position:			
Net position - as restated	491.4	502.3	488.2
Net position - end of year	$ 502.3	$ 488.2	$ 495.9

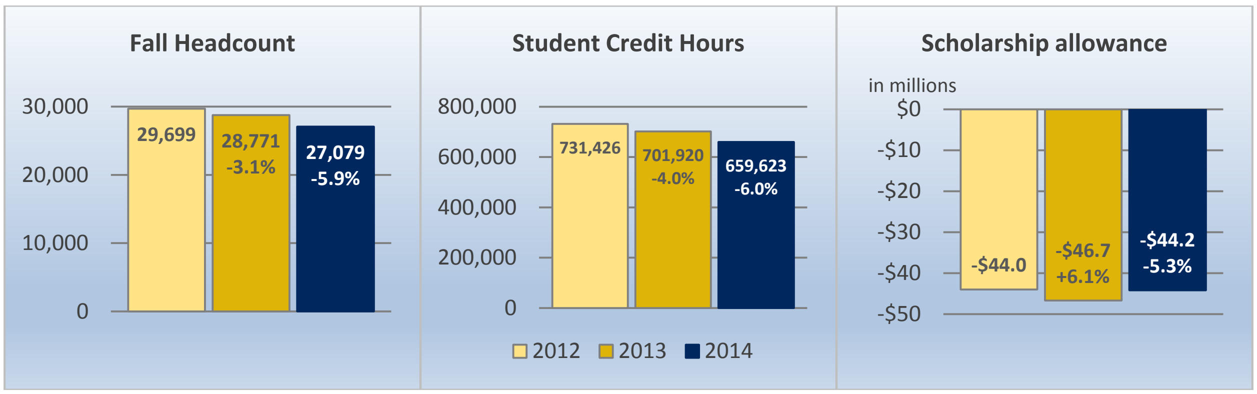
Prior years have been adjusted in accordance with GASB Statement No. 65. See footnote 1.

Operating revenues



Student tuition and fees include all tuition and fees assessed for educational purposes, net of refunds and any discounts recognized. Net tuition and fees decreased 1.3% in 2014 and 2.7% in 2013. Changes in net tuition and fees are attributed to the student headcount, student credit hours taken and fees charged. Tuition and general fees were increased 2.0% for the 2014 academic year and 3.5% for the 2013 academic year. In addition, GASB requires the portion of student aid which is provided in the form of reduced tuition to be reported as a reduction of this revenue, or scholarship allowance.

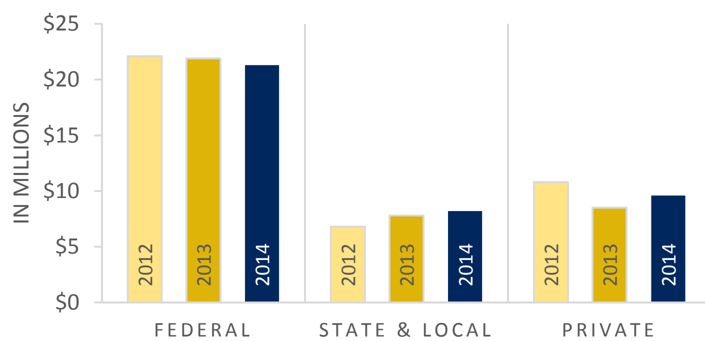
The following charts show changes that would have an effect on the net student tuition and fee revenue:



Grants and contracts include the combined federal, state, local, and private grants and contracts revenue. This represent The University's continued pursuit of federal, state, local, and private funding for research-related activities.

The largest component of these revenues was from federal sources.

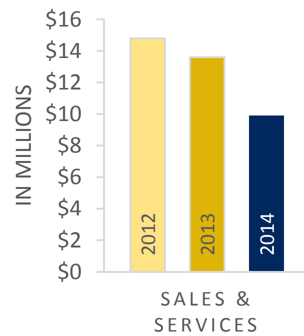
The largest sources of federal revenue were (in millions):

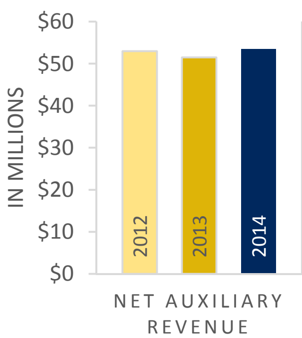


Agency	2012	2013	2014
Department of Defense	$ 7.0	$ 6.4	$ 7.2
National Science Foundation	3.8	4.5	5.1
Department of Education	5.1	4.3	4.2
Department of Health and Human Services	1.1	1.6	1.7
National Aeronautics and Space Administration	1.4	1.8	0.9
Department of Energy	2.4	1.1	0.5
Other agencies	1.3	2.3	1.7
Total federal revenues	$ 22.1	$ 22.0	$ 21.3

Operating revenues (continued)

Sales and services revenue is from certain operations, which provide services to both students and other departments within The University campus. The decrease in revenues during 2014 was due to the closing of The Computer Store. During 2014, the most significant of these operations was the English Language Institute which generated sales totaling $1.7 million. The Computer Store was the most significant source in the prior two years generating $2.7 million during 2013 and $3.3 million during 2012.

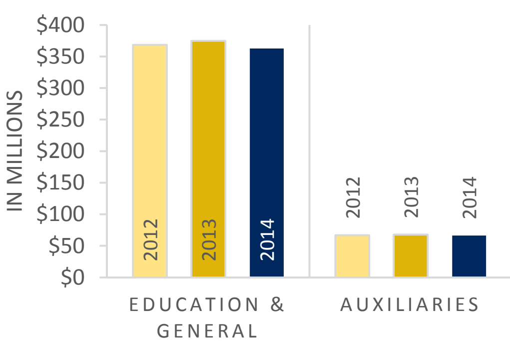




Auxiliary enterprises revenue is generated from operations which predominantly exist to furnish goods or services to students, faculty, staff, or the general public. These types of activities are intended to be self-supporting in that the revenues generated are intended to cover the costs of providing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

Auxiliary	2012	2013	2014
Residence halls	$ 18.9	$ 19.4	$ 20.0
Dining facilities	17.4	16.5	16.3
Parking and transportation services	9.5	9.3	9.0
Other auxiliaries	12.9	12.4	14.2
Scholarship allowance	(5.9)	(6.3)	(6.0)
Total net auxiliary revenue	$ 52.8	$ 51.3	$ 53.5

Operating expenses



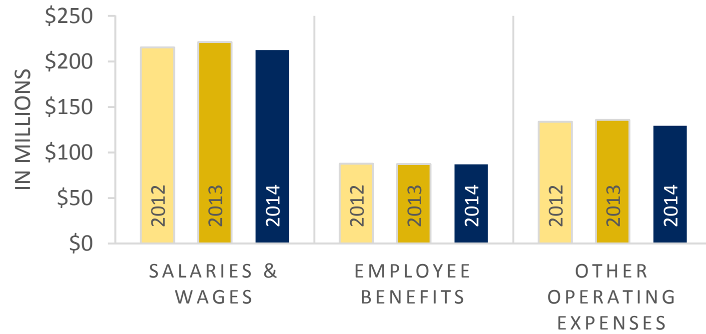
One way to analyze expense is according to the purpose for which the costs are incurred, or their *functional* classification. These classifications tell why an expense was incurred rather than what was purchased.

The educational and general expenses category is the single largest category of operating expenses and includes all academic and administrative support costs. Overall, these expenses decreased 3.3% during 2014 and increased 1.7% during 2013.

Auxiliary enterprises expenses result from those operations, which as previously noted, predominantly furnish goods or services to students, faculty, staff, or the general public. Auxiliary enterprise expenses decreased 2.2% during 2014 and increased 1.5% during 2013.

Operating expenses (continued)

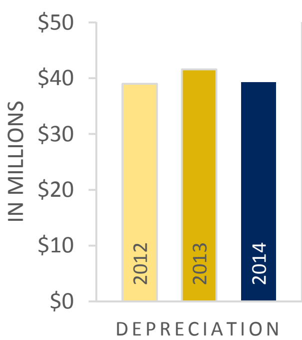
Another way to review expenses is according to the type of costs that are incurred, or their *natural* classification. These classifications tell what was purchased rather than why an expense was incurred.



Salaries and wages include expenses for amounts paid and owed to faculty, staff, and students including full-time and part-time employees. These expenses decreased 4.0% during 2014 and increased 2.7% during 2013 due to contractual wage increases which were offset by a decline in the total number of employees.

Employee benefits include expenses for all benefits paid to or on behalf of faculty, staff, and student employees. It includes amounts required by law, contractual agreement, or institutional practice. These benefits include The University's portion of payroll taxes, pension, health care and other employee-related benefit programs. These expenses have slightly decreased from 2012 through 2014.

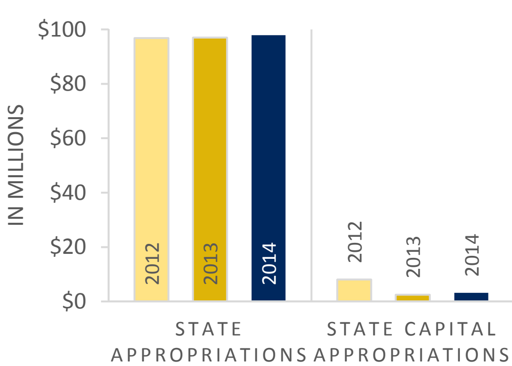
Other operating expenses include items such as supplies, utilities, scholarships and fellowships, travel and other contractual services. These expenses decreased 4.8% during 2014 and increased 1.7% during 2013 due to changing levels of spending in supplies and scholarships.



Generally, *depreciation* expense is predictable from year to year, taking into account items which become fully depreciated during the prior year and capital asset additions and deletions for the current year. Unlike many items that are expensed when purchased, The University capitalizes most long-term assets. The assets are then expensed over estimated useful lives ranging from 3 years for certain equipment to 40 years for buildings.

Depreciation expense decreased $2.3 million during 2014 and increased $2.7 million during 2013, due to changing levels of capital asset purchases and losses from the disposal of obsolete capital assets.

Nonoperating revenues and expenses

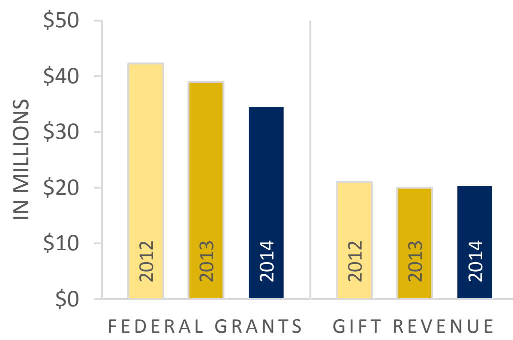


State appropriations represent the most significant nonoperating revenue source for The University. State appropriations funding remained fairly stable during 2013 and 2014.

The State of Ohio also provides *capital appropriations* to The University. Unlike the operating resources reflected previously, these resources are provided to help with The University's capital needs. The funding is provided through the Ohio Board of Regents (OBR) based upon certain formulas and a capital plan provided by The University. Capital appropriation revenues vary from year to year based on spending on the approved capital projects.

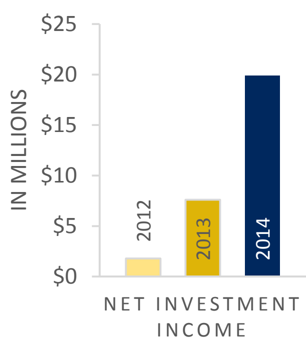
Nonoperating revenues and expenses (continued)

The University records Pell grant awards as nonoperating *federal grant* revenue. Pell grant revenue decreased 11.5% and 7.9% during 2014 and 2013, respectively, due to the decreasing number of awards to students.



The University receives *gifts and distributions* from a wide array of friends including alumni, the business community, and foundations. The University views continued donor support as a vital ingredient to its continued success. Many student scholarships, capital construction costs, and endowed positions are a result of our very generous contributors. Oftentimes, gifts and awards are accompanied by donor restrictions. In those cases, The University maintains a system of internal controls to ensure the gifts are used solely in accordance with the grantor's requirements. Gift revenues have remained constant during 2013 and 2014.

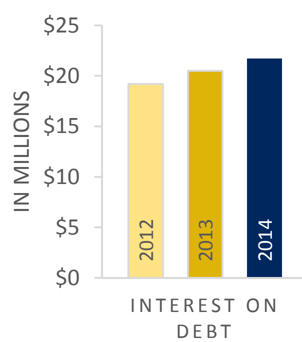
Other net nonoperating revenues and expenses represent the remaining sources and uses of funds that generally do not result from providing educational and instructional services in connection with The University's principal ongoing operations including investment income and interest payments on debt.



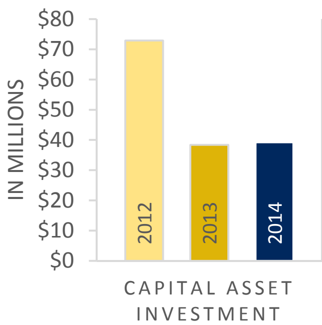
Investment income, net of investment expenses, increased $12.2 million and $4.9 million in 2014 and 2013, respectively. The changes are due to overall fluctuations in returns on all investments and realized gains when investments were transferred to a new investment manager in spring 2014.

GASB requires investments be reported at fair value for financial statement reporting purposes. Included in the change in net investment income was a $0.9 million net increase for both 2013 and 2014, within net unrealized appreciation on investments because of market conditions as of fiscal year end. These changes in investments were not redeemed, but were recorded as adjustment to the fair value of the investments.

Interest on debt includes the interest incurred during the fiscal year on all debt and capital leases less capitalized interest. Interest expense increased $1.2 million to $21.7 million in 2014 and increased $1.3 million to $20.5 million in 2013 due to new bond payments.

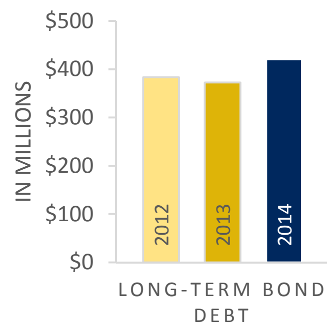


Capital Assets and Long-term Debt Activity



The University uses state capital appropriations, internal resources including the proceeds from debt issuances, and gifts and other grants for capital asset expansion throughout the campus. The capital asset activity is reflected in more thorough detail within Note 5 of the financial statements.

The University's long-term debt principally consists of its general receipts bonds, which totaled $383.3 million, $372.6 million, and $421 million in 2012, 2013 and 2014, respectively. During 2014, The University increased its long-term debt by $59.6 million for the Campus-Wide Energy Efficiency and Conservation Project. During 2013, The University issued $31.8 million of refunding bonds to refinance portions of the Series 2003A & 2004B bonds and receive lower interest rates. The University's bond rating was unchanged with these issues and remains at A1 with a stable outlook. The long-term debt activity is reflected in more thorough detail within Note 6 of the financial statements.



Factors Impacting Future Periods

of every revenue dollar comes from tuition or state support

Student tuition and fees and state appropriations are the principal revenue sources which supported The University's annual operations. For both 2014 and 2013, those revenue sources alone represented $316.3 million and $319.8 million, respectively, of The University's total operating and nonoperating revenues. The aggregate remaining operating and nonoperating revenues, excluding the change in the fair value of investments, totaled $180.7 million and $172.0 million, respectively.

The University's ability to maintain or expand existing academic programs and to pursue other initiatives will be directly impacted by these major revenue sources. To reverse the enrollment decline experienced from 2012 to 2014, the University has begun strategic initiatives to improve retention and stabilize enrollment. The University is also pursuing opportunities to diversify its revenue sources. In addition, the University is budgeting to better align with its revenue fluctuations and to control expenses.

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Independent Auditor's Report

To the Board of Trustees
The University of Akron

Report on the Financial Statements

We have audited the accompanying financial statements of The University of Akron (the "University") and its aggregate discretely presented component units as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise The University of Akron's basic financial statements as listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

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 and in accordance with the standards applicable to financial audits contained in *Governmental 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 opinions.

To the Board of Trustees
The University of Akron

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of Akron and its discretely presented component units as of June 30, 2014 and 2013 and the changes in its financial position and, where applicable, cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, effective July 1, 2013, the University adopted new accounting guidance under GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The University of Akron's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Board of Trustees
The University of Akron

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2014 on our consideration of The University of Akron's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. 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 The University of Akron's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 13, 2014

The University of Akron

Statements of Net Position

June 30, 2014 and 2013

	The University of Akron		Component Units	
		as restated		
ASSETS	2014	2013	2014	2013
Current assets:				
Cash and cash equivalents	$ 11,800,875	$ 11,744,089	$ 4,952,422	$ 3,029,538
Pooled investments	150,651,605	147,639,332	7,693,607	7,354,818
Accounts receivable, net	32,318,391	34,085,363	2,756,020	2,587,870
Pledges receivable, net	161,374	92,460	1,675,058	1,780,493
Notes receivable, net	1,564,191	1,566,450	-	-
Accrued interest receivable	401,736	755,174	-	-
Inventories	786,714	767,941	-	-
Prepaid expenses	4,251,782	3,929,644	52,851	69,500
Total current assets	201,936,668	200,580,453	17,129,958	14,822,219
Noncurrent assets:				
Restricted cash and cash equivalents	2,752,845	3,103,323	-	-
Restricted investments	46,485,933	11,170,272	220,766	250,735
Endowment investments	68,158,027	58,691,663	170,633,498	148,230,306
Investments held in trust by others	9,320,145	9,572,805	-	-
Pledges receivable, net	194,971	86,117	6,807,009	7,810,938
Notes receivable, net	8,884,739	8,426,000	-	-
Capital assets, net	727,460,694	710,001,884	19,836,715	20,325,602
Total assets	1,065,194,022	1,001,632,517	214,627,946	191,439,800
DEFERRED OUTFLOW OF RESOURCES				
Deferred amount on bond refundings	18,861,358	20,097,722	-	-
LIABILITIES				
Current liabilities:				
Accounts payable	4,368,637	7,854,169	3,553,851	3,051,695
Accrued liabilities	22,022,521	22,613,202	830,151	713,181
Accrued interest payable	9,311,722	9,564,406	-	-
Unearned income	22,728,924	24,161,266	3,017,578	2,714,637
Deposits	2,113,687	1,811,260	1,954,194	2,479,641
Current portion of long-term liabilities	20,880,711	16,322,426	5,074,636	5,250,702
Total current liabilities	81,426,202	82,326,729	14,430,410	14,209,856
Noncurrent liabilities:				
Refundable federal student loans	11,771,832	11,755,896	-	-
Actuarial liability for annuity/unitrust agreements	-	-	11,999,996	14,251,586
Long-term liabilities	494,966,018	439,482,463	2,639,718	2,703,660
Total liabilities	588,164,052	533,565,088	29,070,124	31,165,102
NET POSITION				
Net investment in capital assets	295,032,434	303,084,240	17,196,997	17,621,942
Restricted:				
Nonexpendable:				
Endowment	24,092,810	23,582,714	99,230,932	97,968,190
Expendable:				
Research and gifts	32,316,294	30,624,469	-	-
Loans	817,532	788,844	-	-
Endowment	32,314,498	24,910,551	65,622,448	51,132,358
Capital projects	8,741,177	8,205,075	-	-
Debt service	36,744	27,572	-	-
Unrestricted (deficit)	102,539,839	96,941,686	3,507,445	(6,447,792)
Total net position	$ 495,891,328	$ 488,165,151	$ 185,557,822	$ 160,274,698

See accompanying notes to financial statements

The University of Akron

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30, 2014 and 2013

	The University of Akron		Component Units	
REVENUES	2014	2013	2014	2013
Operating revenues:				
Student tuition and fees	$ 262,638,813	$ 267,969,738	$ -	$ -
Scholarship allowance	(44,215,295)	(46,750,276)	-	-
Net student tuition and fees	218,423,518	221,219,462	-	-
Federal grants and contracts	21,274,696	21,960,318	159,311	232,353
State grants and contracts	7,893,162	7,105,409	-	-
Local grants and contracts	338,420	655,639	-	-
Private grants and contracts	9,690,836	8,508,472	8,609,804	8,221,649
Gifts and contributions	-	-	7,659,191	6,776,971
Sales and services	9,868,035	13,583,252	-	-
Auxiliary enterprises	59,556,025	57,536,566	-	-
Scholarship allowance	(6,021,505)	(6,299,076)	-	-
Net auxiliary enterprises	53,534,520	51,237,490	-	-
Other sources	1,319,523	519,021	2,528,074	2,200,021
Total operating revenues	322,342,710	324,789,063	18,956,380	17,430,994
EXPENSES				
Operating expenses:				
Educational and general:				
Instruction and departmental research	166,552,612	167,580,730	-	-
Separately budgeted research	34,135,223	35,129,349	6,472,697	5,413,290
Public service	9,478,054	13,909,012	-	-
Academic support	35,058,248	38,646,772	-	-
Student services	13,920,530	14,506,361	-	-
Institutional support	54,589,864	52,998,905	954,441	793,551
Operation and maintenance of plant	23,574,269	25,639,046	-	-
Scholarships and fellowships	25,279,399	26,469,061	-	-
Auxiliary enterprises	66,366,758	67,884,557	-	-
Depreciation	39,281,873	41,572,495	600,550	452,962
Total operating expenses	468,236,830	484,336,288	8,027,688	6,659,803
Operating (loss) income	(145,894,120)	(159,547,225)	10,928,692	10,771,191
NONOPERATING REVENUES (EXPENSES)				
State appropriations	97,877,162	97,019,826	-	-
Federal grants	34,474,524	38,945,268	-	-
Gifts	6,719,566	6,355,327	-	-
Investment income, net	19,895,811	7,628,241	25,187,299	13,046,919
Interest on debt	(21,727,292)	(20,487,785)	(100,562)	47,356
Distributions to The University	12,872,529	13,210,172	(12,872,529)	(13,210,172)
Distributions on behalf of The University	-	-	(556,103)	(645,062)
Other nonoperating (expenses) revenues	(236,618)	(105,621)	551,603	520,482
Net nonoperating revenues (expenses)	149,875,682	142,565,428	12,209,708	(240,477)
(Loss) income before other changes	3,981,562	(16,981,797)	23,138,400	10,530,714
OTHER CHANGES				
State capital appropriations	3,180,390	2,477,674	-	-
Capital gifts and grants	281,360	207,705	-	-
Additions to permanent endowments	282,865	139,016	2,144,724	1,943,935
Total other changes	3,744,615	2,824,395	2,144,724	1,943,935
(Decrease) increase in net position	7,726,177	(14,157,402)	25,283,124	12,474,649
NET POSITION				
Net position - as restated	488,165,151	502,322,553	160,274,698	147,800,049
Net position - end of year	$ 495,891,328	$ 488,165,151	$ 185,557,822	$ 160,274,698

See accompanying notes to financial statements

The University of Akron

Statements of Cash Flows

June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 216,336,353	$ 224,221,253
Grants and contracts	40,821,643	36,891,104
Auxiliary enterprises	53,523,548	50,036,787
Sales and service of educational activities	9,868,035	13,583,252
Payments to suppliers	(103,263,393)	(105,821,109)
Payments for compensation and benefits	(299,549,068)	(306,530,384)
Payments for scholarships and fellowships	(25,739,464)	(29,020,919)
Loans issued to students	(2,188,456)	(1,011,912)
Collection of loans to students	1,731,976	1,528,088
Other payments	(246,239)	(531,282)
Net cash used in operating activities	(108,705,065)	(116,655,122)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	97,877,162	97,019,826
Gifts, grants and contracts for other than capital purposes	53,904,364	58,654,841
Private gifts for endowment purposes	282,865	139,016
Other payments	(236,618)	(105,621)
Net cash provided by noncapital financing activites	151,827,773	155,708,062
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	59,571,171	31,815,000
Repayment of capital debt	(13,707,476)	(30,510,000)
Capital appropriations	3,180,390	2,477,674
Capital grants and gifts received	5,441,827	893,048
Purchases of capital assets	(41,862,216)	(34,107,998)
Principal paid on capital debt and leases	(13,707,476)	(13,840,476)
Interest paid on capital debt and leases	(22,120,525)	(20,518,216)
Collection of loans issued for capital purposes	-	164,542
Net cash used in capital financing activites	(23,204,305)	(63,626,426)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	257,967,742	257,541,515
Interest on investments	18,658,709	6,937,002
Purchase of investments	(296,838,546)	(242,632,058)
Net cash (used in) provided by investing activities	(20,212,095)	21,846,459
Net decrease in cash and cash equivalents	(293,692)	(2,727,027)
Cash and cash equivalents - beginning of the year	14,847,412	17,574,439
Cash and cash equivalents - end of the year	$ 14,553,720	$ 14,847,412

(continued)

The University of Akron

Statements of Cash Flows

June 30, 2014 and 2013

	2014	2013
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (145,894,120)	$ (159,547,225)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	39,281,873	41,572,495
Changes in assets and liabilities:		
Accounts receivable, net	850,527	(1,781,151)
Notes receivable, net	(456,480)	516,176
Inventories	(18,773)	218,560
Prepaid expenses and deferred charges	(473,806)	(241,753)
Accounts payable	(1,250,561)	753,047
Accrued liabilities	(590,681)	(655,912)
Unearned income	(1,432,342)	417,504
Deposits held for others	302,427	(51,078)
Sick leave liability	620,100	363,168
OPEB liability	340,835	1,695,684
Refundable federal student loans	15,936	85,363
Net cash used in operating activities	$ (108,705,065)	$ (116,655,122)

See accompanying notes to financial statements

1. Summary of Significant Accounting and Reporting Policies

Organization

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

In addition to the main campus, The University operates one branch campus, Wayne College in Orrville, Ohio; and at additional locations: the Medina County University Center in Medina, Ohio, the Holmes Campus of Wayne College in Millersburg, Ohio, UA Lakewood in Lakewood, Ohio, and the Midpoint Campus Center in Brunswick, Ohio. The Midpoint Campus Center is a partnership with Lorain County Community College (LCCC).

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

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an Amendment of GASB Statements No. 14 and No. 34*, The University's financial statements are included as a discretely presented component unit within the State of Ohio's Comprehensive Annual Financial Report. Transactions with the State relate primarily to appropriations, grants from various state agencies, and payments to the State retirement programs for certain University employees.

Furthermore, in accordance with GASB Statement No. 61, two discretely presented component units are reported in a separate column on The University's financial statements to emphasize that they are legally separate from The University. The University of Akron Foundation (Foundation) and The University of Akron Research Foundation (Research Foundation) are not-for-profit organizations supporting The University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to The University in support of its programs. The Research Foundation promotes, encourages, and provides assistance to the research activities of The University. Financial statements for the Foundation may be obtained by writing to The University of Akron Foundation, 302 Buchtel Common, Akron, Ohio 44325-6220. Financial statements for the Research Foundation may be obtained by writing to The University of Akron Research Foundation, Goodyear Polymer Center, 170 University Circle, Akron, Ohio 44325-2130. Activity of these component units is described in greater detail in Note 11.

Basis of Accounting

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

Measurement Focus and Financial Statement Presentation

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

1. Summary of Significant Accounting and Reporting Policies – continued

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

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

Cash and Cash Equivalents

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

Investments

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

Accounts Receivable

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

Pledges Receivable

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

Inventories

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

Capitalization of Interest

The University capitalizes interest on construction projects until substantial completion of the project. Capitalized interest is amortized on the straight-line basis over the estimated useful lives of such assets. Capitalization of interest cost of the borrowings is reduced by interest earned on investment of the bond proceeds from the date of the borrowing until the assets constructed from the bond proceeds are ready for their intended use.

1. Summary of Significant Accounting and Reporting Policies – continued

Capital Assets

Capital assets are recorded at cost or, if acquired by gift, at an appraised value at the date of gift. The University's capitalization threshold is $100,000 for building renovations and $5,000 for other capitalized items. Infrastructure assets are included in the financial statements and are depreciated. Expenditures for construction in progress are capitalized as incurred and depreciated when put into service. Historical collections, including assets that are held for public exhibition, education, or research in furtherance of public service, which are protected and preserved, are not depreciated. Depreciation is computed using the straight-line method, half-year convention, over the estimated useful life of the asset. When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation are removed from the asset accounts and any gain or loss on disposal is recognized. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the capital asset's life are expensed. The estimated useful lives are as follows:

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

Unearned Income

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

Compensated Absences

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

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

Deferred Outflow of Resources

Deferred outflow of resources is the consumption of net assets applicable to a future reporting period. Deferred outflow of resources has a positive effect on net position similar to assets.

Net Position

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

1. Summary of Significant Accounting and Reporting Policies – continued

Scholarship Allowances and Student Aid

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

Endowment and Quasi Endowments

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

Service Organization

The University processes certain Lorain County Community College (LCCC) data on equipment and applications which are owned by The University or licensed to The University. Additionally, certain LCCC data is also stored on University equipment. The data processing functions are performed and managed by University employees. As such, The University is a service organization as prescribed by Statement on Standards for Attestation Engagements (SSAE) No. 16 while LCCC is a user organization. Revenue from this agreement is recorded as sales and services revenue on the Statements of Revenues, Expenses, and Changes in Net Position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

Effective with the fiscal year ended June 30, 2014, The University adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities.

The effect of the changes from the implementation of GASB 65 on The University's Statements of Net Position for the year ended June 30, 2013, was as follows:

	6/30/2013 as reported	Reclassification	6/30/2013 as reclassified
Deferred outflow of resources	$ -	$ 20,097,722	$ 20,097,722
Current liabilities:			
Current portion of long-term liabilities	15,086,062	1,236,364	16,322,426
Noncurrent liabilities:			
Long-term liabilities	420,621,105	18,861,358	439,482,463

Bond issuance costs, except portions related to prepaid insurance, are no longer capitalized. In accordance with GASB Statement No. 65, the costs are now expensed as nonoperating expenses, which resulted in a restatement of fiscal year 2013 beginning net position of $5.3 million.

1. Summary of Significant Accounting and Reporting Policies - continued

Reclassifications

Certain components of net position have been reclassified for June 30, 2013 to correct the classification of expendable endowment net position previously reported as nonexpendable. Details of the reclassification are as follows:

		6/30/2013 as reported	Reclassification	6/30/2013 as reclassified
Restricted:				
Nonexpendable:	Endowment	26,855,695	(3,272,981)	23,582,714
Expendable:	Endowment	21,637,570	3,272,981	24,910,551

Certain components of current and noncurrent assets have been reclassified for June 30, 2013 to conform to current year presentations. There was no change to net position or changes in net position as a result of these reclassifications. Details of the reclassification are as follows:

	6/30/2013 as reported	Reclassification	6/30/2013 as reclassified
Current assets:			
Pooled investments	$ 119,689,350	$ 27,949,982	$ 147,639,332
Restricted assets:			
Cash and cash equivalents	3,103,323	(3,103,323)	-
Pooled investments	37,621,130	(37,621,130)	-
Investments held in trust by others	9,572,805	(9,572,805)	-
Noncurrent assets:			
Restricted cash and cash equivalents	-	3,103,323	3,103,323
Restricted investments	1,499,124	9,671,148	11,170,272
Investments held in trust by others	-	9,572,805	9,572,805

Certain components of operating revenues and expenses have been reclassified for June 30, 2013 to correct the amount reported for scholarship allowance. There was no change to net position or changes in net position as a result of these reclassifications. Details of the reclassification are as follows:

	6/30/2013 as reported	Reclassification	6/30/2013 as reclassified
Operating revenues:			
Student tuition and fees:			
Scholarship allowance	$ (45,159,084)	$ (1,591,192)	$ (46,750,276)
Auxiliary enterprises:			
Scholarship allowance	(6,084,681)	(214,395)	(6,299,076)
Operating expenses:			
Instruction and departmental research	167,594,873	(14,143)	167,580,730
Separately budgeted research	35,131,969	(2,620)	35,129,349
Public service	13,911,269	(2,257)	13,909,012
Academic support	38,665,056	(18,284)	38,646,772
Student services	14,506,496	(135)	14,506,361
Institutional support	53,002,898	(3,993)	52,998,905
Scholarships and fellowships	28,081,294	(1,612,233)	26,469,061
Auxiliary enterprises	68,036,479	(151,922)	67,884,557

1. Summary of Significant Accounting and Reporting Policies - continued

Accounting Standards

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known; however, if we approximate the liability based on the actuarial accrued liability and allocate based on contributions to the plans, this computes to a liability of approximately $550-600 million. The requirements of this Statement are effective for fiscal year 2015.

2. Cash and Investments

Cash

At June 30, 2014 and 2013, the carrying amounts of The University's bank deposits and interest-bearing cash equivalents were $14,553,720 and $14,847,412 as compared to bank balances of $14,073,022 and $19,583,593, respectively. The differences between carrying amounts and bank balances were caused by items in-transit. Of the June 30, 2014 and 2013 bank balances, $13,510,724 and $18,990,216, respectively, was uninsured but collateralized with securities held by the depository banks in The University's name.

Investments

In accordance with the *Policies of the Board of Trustees of The University*, the types of investments which may be purchased include United States government securities, federal agency securities, common and preferred stocks, obligations of commercial banks including certificates of deposit, repurchase agreements, notes, debentures, banker's acceptances and commercial paper, obligations of corporations, municipal notes and bonds, and investment programs offered by The Commonfund.

University policy requires that depository banks pledge collateral for funds on deposit, including certificates of deposit, with a market value at all times at least equal to the uninsured amount of the deposit or instrument. The fair value of investments represents published market quotations.

The University's investments, at fair value, at June 30, 2014 and 2013 are summarized as follows:

	2014 Fair Value	2013 Fair Value
Pooled investments:		
Money Market	$ 661,720	$ -
U.S. agencies	13,848,248	40,906,954
U.S. Treasury	18,724,119	26,899,808
U.S. and corporate bonds	10,923,820	-
Corporate notes	43,413,257	60,690,710
Municipal issues	503,190	1,809,525
Equities	30,925,479	-
Managed fixed income	2,982,940	-
PIMCO AAAA	3,745,293	-
Negotiable certificates of deposit	8,501,416	-
Commerical paper	1,099,164	-
PFM: Prime Series	15,322,959	17,332,335
Total pooled investments	150,651,605	147,639,332

continued

2. Cash and Investments - continued

Investments - continued

	2014 Fair Value	2013 Fair Value
Endowment investments:		
Marketable securities:		
Money Market	2,708,758	-
U.S. agencies	162,773	3,285,272
U.S. Treasury	821,340	985,733
Equities	42,738,902	36,558,455
Managed Fixed Income	13,301,714	1,569,432
U.S. and corporate bonds	1,829,843	10,316,628
Corporate notes	559,625	-
PFM: Government Series	-	346,452
PIMCO AAAA	6,023,953	5,618,427
The Commonfund: Private Equity	10,515	10,660
Cash surrender value of life insurance	604	604
Total endowment investments	68,158,027	58,691,663
Investments held in trust by others:		
U.S. agencies	8,439,589	9,572,805
Commercial paper sweep	880,556	-
Total investments held in trust by others	9,320,145	9,572,805
Restricted investments:		
U.S. agencies	35,208,238	-
U.S. Treasury	11,277,695	9,671,148
Commercial paper sweep	-	24
Commercial paper	-	1,499,100
Total restricted investments	46,485,933	11,170,272
Total investments	$ 274,615,710	$ 227,074,072

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

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. At June 30, 2014, The University did not have more than 5% of its fixed-income investments in any single issuer. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2014, The University did not have investments that are subject to foreign currency risk. To limit exposure to these risks, The University's investment policies set guidelines for maturities based on investment type (short-term, intermediate or long-term), limits percentage exposure to a single issuer or market, and requires that a majority of the holdings consist of domestic (U.S.) securities of investment grade (at least rated BBB or BAA) as rated by a nationally recognized statistical rating organization.

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

2. Cash and Investments - continued

Investments - continued

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2014 are as follows:

Investment	Rating (S&P)	Investment maturity (in years) Less than 1	1 to 5	6 to 10	More than 10	Totals
PFM: Prime/Government Series	AAA	$ 15,322,959	$ -	$ -	$ -	$ 15,322,959
U.S. agencies	AAA	20,763,362	15,215,176	9,339	-	35,987,877
U.S. Treasury	AA	425,630	26,739,951	3,629,839	27,734	30,823,154
Municipal issues	AAA	-	503,190	-	-	503,190
Commercial paper	A	1,099,164	-	-	-	1,099,164
Negotiable CDs	AA	-	2,071,622	-	-	2,071,622
	A	3,403,638	-	-	-	3,403,638
Total negotiable CDs		3,403,638	2,071,622	-	-	5,475,260
Corporate notes	AAA	-	985,018	-	-	985,018
	AA	-	15,858,735	2,963,878	-	18,822,613
	A	491,945	23,422,047	134,714	36,946	24,085,652
	BBB	-	36,093	43,506	-	79,599
Total corporate notes		491,945	40,301,893	3,142,098	36,946	43,972,882
U.S. and corporate bonds	AAA	2,236,466	-	-	-	2,236,466
	AA	526,118	-	-	-	526,118
	A	848,710	-	-	-	848,710
	BBB	1,050,289	-	-	-	1,050,289
	BB	642,120	-	-	-	642,120
	B	432,679	-	-	-	432,679
	Below B	337,047	-	-	-	337,047
Total U.S. and corporate bonds		6,073,429	-	-	-	6,073,429
Totals		$ 47,580,127	$ 84,831,832	$ 6,781,276	$ 64,680	$ 139,257,915

2. Cash and Investments - continued

Investments - continued

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2013 are as follows:

Investment	Rating (S&P)	Investment maturity (in years) Less than 1	1 to 5	6 to 10	More than 10	Totals
PFM: Prime/Government Series	AAA	$ 17,678,787	$ -	$ -	$ -	$ 17,678,787
U.S. agencies	AA	380,253	26,569,235	4,275,760	9,908,159	41,133,407
Commercial paper sweep	AAA	24	-	-	-	24
Municipal issues	AA	-	1,809,525	-	-	1,809,525
U.S. and corporate notes	AAA	-	1,844,599	-	-	1,844,599
	AA	1,600,000	27,306,369	-	-	28,906,369
	A	2,949,583	26,990,159	-	-	29,939,742
Total U.S. and corporate notes		4,549,583	56,141,127	-	-	60,690,710
U.S. and corporate bonds	AAA	2,355,325	-	-	-	2,355,325
	AA	3,705,435	-	-	-	3,705,435
	A	1,034,232	-	-	-	1,034,232
	BBB	1,207,534	-	-	-	1,207,534
	BB	527,908	-	-	-	527,908
	B	440,602	-	-	-	440,602
	Below B	336,388	-	-	-	336,388
Total U.S. and corporate bonds		9,607,424	-	-	-	9,607,424
Totals		$ 32,216,071	$ 84,519,887	$ 4,275,760	$ 9,908,159	$ 130,919,877

3. Accounts and Notes Receivable

Accounts and notes receivable at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Accounts receivable, net:		
Federal, state, local governments, foundations, and companies, net of allowance for doubtful accounts of $1,415,972 and $0, respectively	$ 14,703,505	$ 12,681,353
Student receivables, net of allowance for doubtful accounts of $29,893,763 and $25,973,878, respectively	16,071,211	19,743,331
Other, net of allowance for doubtful accounts of $46,292 and $44,859, respectively	1,543,675	1,660,679
Total accounts receivable, net	32,318,391	34,085,363
Notes receivable, net:		
Student notes receivables, net of allowance for doubtful notes of $1,258,119 and $1,245,675, respectively	10,448,930	9,992,450
Accounts and notes receivable, net	$ 42,767,321	$ 44,077,813

4. Pledges Receivable

Unconditional promises to give to The University recorded as pledges receivable at June 30, 2014 and 2013 were as follows:

	2014		2013	
	Pledges Receivable	Current Portion	Pledges Receivable	Current Portion
Total pledges receivable	$ 450,511	$ 168,888	$ 234,312	$ 97,059
Less: amount estimated to be uncollectible	(16,593)	(7,514)	(8,883)	(4,599)
Less: unamortized discount	(77,573)	-	(46,852)	-
Pledges receivable, net	356,345	$ 161,374	178,577	$ 92,460
Less: current portion	(161,374)		(92,460)	
Pledges receivable, noncurrent portion	$ 194,971		$ 86,117	

As of June 30, 2014 and 2013, The University has approximately $4,233,000 and $4,933,000, respectively, in numerous outstanding pledges, which are considered to be intentions to give and are contingent upon future events. These pledges are not recorded as pledges receivable because they do not represent unconditional promises to give.

5. Capital Assets

Changes in capital assets during fiscal 2014 and 2013 were as follows:

	Balance July 1, 2013	Additions	Reductions	Transfers	Balance June 30, 2014
Nondepreciable capital assets:					
Land	$ 39,661,058	$ -	$ -	$ -	$ 39,661,058
Historical collections	4,558,045	148,372	(8,500)	(111,400)	4,586,517
Construction in progress	5,771,032	36,639,138	-	(38,826,129)	3,584,041
Total nondepreciable capital assets	49,990,135	36,787,510	(8,500)	(38,937,529)	47,831,616
Depreciable capital assets:					
Land improvements	48,448,524	-	(728,956)	1,760,588	49,480,156
Buildings	902,958,582	13,500,000	(908,390)	12,435,121	927,985,313
Infrastructure	23,228,249	-	(1,443,700)	24,630,420	46,414,969
Equipment, furniture and books	125,309,625	6,453,173	(12,893,534)	111,400	118,980,664
Total depreciable capital assets	1,099,944,980	19,953,173	(15,974,580)	38,937,529	1,142,861,102
Total capital assets	1,149,935,115	56,740,683	(15,983,080)	-	1,190,692,718
Less accumulated depreciation:					
Land improvements	28,204,211	1,905,769	(728,956)	-	29,381,024
Buildings	318,593,910	25,382,289	(908,390)	-	343,067,809
Infrastructure	9,637,069	1,912,241	(1,443,700)	-	10,105,610
Equipment, furniture and books	83,498,041	9,979,584	(12,800,044)	-	80,677,581
Total accumulated depreciation	439,933,231	39,179,883	(15,881,090)	-	463,232,024
Capital assets, net	$ 710,001,884	$ 17,560,800	$ (101,990)	$ -	$ 727,460,694

	Balance July 1, 2012	Additions	Reductions	Transfers	Balance June 30, 2013
Nondepreciable capital assets:					
Land	$ 39,661,058	$ -	$ -	$ -	$ 39,661,058
Historical collections	4,430,595	127,450	-	-	4,558,045
Construction in progress	59,234,079	21,305,709	-	(74,768,756)	5,771,032
Total nondepreciable capital assets	103,325,732	21,433,159	-	(74,768,756)	49,990,135
Depreciable capital assets:					
Land improvements	48,091,095	-	(605,938)	963,367	48,448,524
Buildings	834,849,164	-	(4,564,585)	72,674,003	902,958,582
Infrastructure	22,096,863	-	-	1,131,386	23,228,249
Equipment, furniture and books	130,744,729	9,318,149	(14,753,253)	-	125,309,625
Total depreciable capital assets	1,035,781,851	9,318,149	(19,923,776)	74,768,756	1,099,944,980
Total capital assets	1,139,107,583	30,751,308	(19,923,776)	-	1,149,935,115
Less accumulated depreciation:					
Land improvements	26,911,673	1,898,476	(605,938)	-	28,204,211
Buildings	299,076,081	24,082,414	(4,564,585)	-	318,593,910
Infrastructure	8,550,396	1,086,673	-	-	9,637,069
Equipment, furniture and books	83,746,363	11,298,716	(11,547,038)	-	83,498,041
Total accumulated depreciation	418,284,513	38,366,279	(16,717,561)	-	439,933,231
Capital assets, net	$ 720,823,070	$ (7,614,971)	$ (3,206,215)	$ -	$ 710,001,884

For the years ended June 30, 2014 and 2013, respectively, included in depreciation expense of $39,281,873 and $41,572,495 is a loss of $101,990 and $3,206,216 from the disposal of obsolete capital assets.

6. Long-term Liabilities

Changes in long-term liabilities during fiscal 2014 were as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Bonds payable:					
General receipts bonds - Series 2003A, 1.5% to 5.0%, due serially through 2033	$ 15,850,000	$ -	$ 975,000	$ 14,875,000	$ 1,045,000
General receipts bonds - Series 2004B, 2.00% to 5.00%, due serially through 2035	17,290,000	-	795,000	16,495,000	830,000
General receipts refunding bonds - Series 2005, 3.50% to 5.00%, due serially through 2022	12,760,000	-	1,340,000	11,420,000	1,220,000
General receipts bonds - Series 2008A&B, 3.0% to 5.0%, due serially through 2038	193,315,000	-	4,195,000	189,120,000	4,345,000
General receipts refunding bonds - Series 2010A, 2.00% to 5.00%, due serially through 2029	121,880,000	-	4,840,000	117,040,000	5,005,000
General receipts refunding bonds - Series 2012A, 2.4%, due serially through 2027	31,605,000	-	285,000	31,320,000	850,000
Ohio Air Quality Development Authority:					
Tax exempt revenue bonds - Series 2013A, 2.48% due serially through 2026	-	44,571,171	-	44,571,171	3,234,490
Tax credit revenue bonds - Series 2013B, 4.99%, due 2029	-	15,000,000	-	15,000,000	-
Total bonds payable	392,700,000	59,571,171	12,430,000	439,841,171	16,529,490
Development Finance Authority lease	33,215,000	-	580,000	32,635,000	595,000
Innovation Generation Scholarships	-	13,500,000	397,790	13,102,210	450,000
Capitalized lease obligations	2,105,887	-	582,476	1,523,411	558,767
Sick leave liability	8,095,982	1,542,101	922,001	8,716,082	2,747,454
Other postemployment benefits	19,688,020	340,835	-	20,028,855	-
Totals	$ 455,804,889	$ 74,954,107	$ 14,912,267	$ 515,846,729	$ 20,880,711
Less: current portion				(20,880,711)	
Long-term liabilities				$ 494,966,018	

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

In September 2013, The University entered into a loan agreement with the Ohio Air Quality Development Authority (OAQDA) to fund the Campus-Wide Energy Efficiency and Conservation Project which will perform conservation measures on many of The University's buildings. OAQDA issued $44.6 million of Tax Exempt Revenue Bonds, Series 2013A and $15.0 million of federally taxable Tax Credit Revenue Bonds, Series 2013B. The Series 2013A bonds will have annual principal payments until final maturity on January 1, 2026, with an interest rate of 2.48%. The Series 2013B bonds will have semi-annual interest payments, with an interest rate of 4.99%, and the principal will be due at maturity on January 1, 2029.

6. Long-term Liabilities - continued

Changes in long-term liabilities during fiscal 2013 were as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Bonds payable:					
General receipts bonds - Series 2003A, 1.5% to 5.0%, due serially through 2033	$ 35,710,000	$ -	$ 19,860,000	$ 15,850,000	$ 975,000
General receipts bonds - Series 2004B, 2.00% to 5.00%, due serially through 2035	29,615,000	-	12,325,000	17,290,000	795,000
General receipts refunding bonds - Series 2005, 3.50% to 5.00%, due serially through 2022	14,050,000	-	1,290,000	12,760,000	1,340,000
General receipts bonds - Series 2008A&B, 3.0% to 5.0%, due serially through 2038	197,370,000	-	4,055,000	193,315,000	4,195,000
General receipts refunding bonds - Series 2010A, 2.00% to 5.00%, due serially through 2029	126,665,000	-	4,785,000	121,880,000	4,840,000
General receipts refunding bonds - Series 2012A, 2.4%, due serially through 2027	-	31,815,000	210,000	31,605,000	285,000
Total bonds payable	403,410,000	31,815,000	42,525,000	392,700,000	12,430,000
Development Finance Authority lease	33,770,000	-	555,000	33,215,000	580,000
Capitalized lease obligations	3,384,113	-	1,278,226	2,105,887	582,476
Sick leave liability	7,732,814	363,168	-	8,095,982	2,729,950
Other postemployment benefits	17,992,336	1,695,684	-	19,688,020	-
Totals	$ 466,289,263	$ 33,873,852	$ 44,358,226	$ 455,804,889	$ 16,322,426
Less: current portion				(16,322,426)	
Long-term liabilities				$ 439,482,463	

In August 2012, The University issued $31.8 million of General Receipts Refunding Bonds, Series 2012A with a coupon rate of 2.4% with payments through 2027. The proceeds of the Series 2012 Bonds were used to refund $19.0 million and $11.6 million of The University's outstanding General Receipts Bonds, Series 2003A & 2004B, respectively, to pay issuance costs, and generate interest savings of $6.6 million over the life of the bonds.

In February and March 2008, respectively, The University issued $90.9 million of General Receipts Bonds, Series 2008A and $114.2 million of General Receipts Bonds, Series 2008B. A portion of the proceeds was used to defease the General Receipts Rental Notes, Series 2003A and Series 2003B which guaranteed The University's obligation to pay rent under a master lease to Akron Student Housing Associates, LLC (ASHA). The University defeased the rental notes by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds issued by ASHA. Accordingly, the trust account assets and the liability for the defeased notes are not included in The University's financial statements. On June 30, 2014 and 2013, respectively, $26.5 and $30.2 million of outstanding ASHA bonds and the related notes are considered defeased.

6. Long-term Liabilities - continued

The aggregate annual principal maturities for the debt agreements for fiscal years subsequent to June 30, 2014 are as follows:

Fiscal Year:	Principal	Interest	Total
2015	$ 16,529,490	$ 19,168,229	$ 35,697,719
2016	17,629,706	18,545,320	36,175,026
2017	18,706,910	17,860,361	36,567,271
2018	18,941,154	17,102,883	36,044,037
2019	19,657,486	16,305,988	35,963,474
2020-2024	106,574,244	68,908,639	175,482,883
2025-2029	123,907,181	45,219,306	169,126,487
2030-2034	67,075,000	20,929,556	88,004,556
2035-2038	50,820,000	5,078,250	55,898,250
	$ 439,841,171	$ 229,118,532	$ 668,959,703

The Series 2013B Bonds are Qualified Energy Conservation Bonds eligible for a 70 percent federal rebate based on the Qualified Tax Credit Rate as of the bond sale date (4.99 percent). The benefit of the rebate has been assigned to The University. The rebates received for the year ended June 30, 2014 were $391,693. The rebates were reported as other nonoperating revenues and do not reduce the amount reported as interest expense for the year.

Interest expense, net of interest income, related to the borrowings was capitalized as part of the cost of construction. At June 30, 2014 and 2013, interest on borrowings for the Series 2008A&B bonds was $9,618,623 and $9,765,814, respectively, and earnings on the proceeds were $1,724 and $10,592, respectively. Substantial completion on outstanding projects was determined to be 98.0% and 90.3% in 2014 and 2013, resulting in net capitalized interest of $190,312 and $943,494, respectively. At June 30, 2014, interest on borrowings for the Series 2013A&B bonds was $843,492, and earnings on the proceeds were $85,865. Substantial completion on outstanding projects was determined to be 39.9% in 2014 resulting in net capitalized interest of $455,605.

In September 2013, The University finalized an agreement with Akron Public Schools (APS) to transfer a decommissioned high school to The University in return for the equivalent in-kind services to the district in accordance with state law. The fair market value of the high school, known as Central Hower High School, was determined to be $13.5 million. The University agreed to provide annual, renewable APS Innovation Generation Scholarships to qualified current and future APS students up to the fair market value of Central Hower.

The University's bookstore facilities and operations and certain food operations are leased to outside operators. These leases provide for annual rental receipts of approximately $438,000 and contingent rentals based upon gross sales. Contingent rentals earned in fiscal 2014 and 2013 totaled approximately $345,000 and $354,000, respectively. During fiscal 2014 and 2013, The University also received rental receipts approximating $582,000 and $601,000, respectively, from renting various other campus facilities under the terms of operating lease agreements.

The University leases certain office facilities and equipment under operating leases. Total rental expense under operating leases during the years ended June 30, 2014 and 2013 amounted to approximately $687,000 and $455,000, respectively.

6. Long-term Liabilities - continued

The University has entered into a six-year lease to house UA Lakewood in the Bailey Building in Lakewood, Ohio through 2018. This lease has an option to renew the lease for an additional five years near the end of the original lease agreement. Future minimum payments for this operating lease as of June 30, 2014 are as follows:

Fiscal Year	2015	$ 169,403
	2016	174,421
	2017	175,675
	2018	43,919
		$ 563,418

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

The University's other capital leased assets consist of a chilled water tank and property. Future minimum lease payments as of June 30, 2014 under all capital leases with an initial or remaining noncancelable lease term in excess of one year, along with the present value of net minimum capital lease payments, are as follows by major class:

Fiscal Year:	DFA	Building	Land	Total
2015	$ 2,347,088	$ 574,194	$ 27,047	$ 2,948,329
2016	2,348,937	574,194	27,047	2,950,178
2017	2,345,263	382,796	9,016	2,737,075
2018	2,345,250	-	-	2,345,250
2019	2,342,962	-	-	2,342,962
2020-2024	11,690,669	-	-	11,690,669
2025-2029	11,659,000	-	-	11,659,000
2030-2034	11,594,475	-	-	11,594,475
2035-2039	11,525,900	-	-	11,525,900
2040-2042	6,875,950	-	-	6,875,950
Total minimum lease payments	65,075,494	1,531,184	63,110	66,669,788
Less amount representing interest	(32,440,494)	(69,340)	(1,543)	(32,511,377)
Present value of net minimum capital lease payments	$ 32,635,000	$ 1,461,844	$ 61,567	$ 34,158,411

7. State Support

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

7. State Support - continued

In accordance with the requirements of Ohio Revised Code Section 124.21(D) and (E), university facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of The Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State. As a result of the above described financial assistance provided by the State to The University, outstanding debt issued by OPFC is not included within The University's financial statements. In addition, appropriations by the State's General Assembly to the Board of Regents for payment of debt service are not reflected as appropriation revenue received by The University, and the related debt service payments are not recorded in The University's accounts.

The Capital Component program is an appropriation line item in the Ohio Board of Regents operating budget to fund infrastructure investments for higher education. This program was designed to add flexibility to the capital funding process and to provide incentives for the efficient use of state capital funding provided to higher education institutions. This capital funding policy provided state-assisted institutions of higher education with the annual debt service equivalent of capital appropriations that the institution otherwise could have received via the new formula-based higher education capital budget. The University intends to use this Capital Component toward funding the debt service obligation of the Series 2003A and 2004B Bond Issues.

8. Employee Benefit Plans

Retirement Plans

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

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

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

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

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

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

	Employee Contribution Rate	Employer Contribution Rate	The University's contributions For the years ended 6/30 2014	2013	2012
STRS	11.0%	14.00%	$ 12,322,156	$ 12,827,555	$ 12,386,930
SERS	10.0%	14.00%	8,495,147	8,986,356	9,193,008
OPERS-LE	13.0%	18.10%	549,163	554,734	535,868
			$ 21,366,466	$ 22,368,645	$ 22,115,806

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

8. Employee Benefit Plans – continued

Alternative Retirement Plan

In 1997, the State approved an Alternative Retirement Plan (ARP) for full-time academic and administrative employees which allows new employees to opt out of STRS and SERS and contribute to one of the ARPs formed as Section 401(a) defined contribution plans. In 2005, this legislation was amended to include all full-time college employees as of August 2005. The legislation, as amended, requires employees to contribute to the ARPs at the same rates as previously stated for STRS and SERS employee contributions. For STRS, the employer contributes 4.50% of its 14.00% STRS employer contribution in 2014 (up from 3.50% in 2013 and 2012) to STRS. For SERS, no funding is contributed to SERS if hired before August 2005, and 6.00% of their 14.00% is contributed to SERS if hired on or after August 2005. The employer contribution rate is based on independent actuarial studies. The University's contributions for ARP employees for the years ended June 30, 2014, 2013, and 2012 were $5,061,708, $5,110,742, and $4,814,424, respectively, equal to the required contributions for each year. The ARPs do not provide postretirement benefits other than pension and death benefits.

Other Postretirement Employee Benefits (OPEB)

State Teachers Retirement System

Plan description – STRS administers a pension plan that is comprised of: a Defined Benefit, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined contribution Plan.

Ohio law authorized STRS to offer a cost-sharing, multiple-employer health care plan. STRS provides access to health care coverage to eligible retirees who participate in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physician fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to ORC, STRS Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All health care plan enrollees, for the most recent year, are required to pay a portion of the health care cost in the form of a monthly premium.

Funding policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014. The amount of STRS employer contributions used to fund OPEB for the years ended June 30, 2014, 2013, and 2012 were $880,154, $916,254, and $884,781, respectively.

School Employees Retirement System

Plan description - SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans:

Medicare Part B Plan - The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium.

Health Care Plan - SERS offers health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

8. Employee Benefit Plans – continued

Other Postretirement Employee Benefits - continued

Funding policy – The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .76%. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. The amount of the SERS employer contributions used to fund the Medicare B fund for the years ended June 30, 2014, 2013, and 2012 was $461,165, $474,993, and $499,052, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14%. The amount of the SERS employer contributions used to fund health care for the years ended June 30, 2014, 2013, and 2012 was $84,951, $102,701, and $939,001, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at $20,250. The surcharge amount paid to SERS for the years ended June 30, 2014, 2013, and 2012 was $1,104,507, $973,856, and $914,422, respectively.

Ohio Public Employees Retirement System

Plan description - OPERS administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

Funding policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care coverage.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1 percent during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

8. Employee Benefit Plans – continued

Other Postretirement Employee Benefits - continued

OPERS provides retirement, disability, and survivor benefits as well as post-retirement health care coverage. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. A portion of the employer OPERS contribution is set aside to fund the health care benefits. The portion of employer contributions for all employers allocated to health care ranged between 4.0% and 6.05% based on the type of plan. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary.

The amount of the OPERS-LE employer contributions used to fund OPEB for the years ended June 30, 2014, 2013, and 2012 were $30,314, $122,496, and $118,427, respectively.

University-provided benefits

The University has a single-employer defined benefit plan that provides certain healthcare and life insurance benefits for retired employees. Participant data as of the last census date is summarized below:

Census Date	1/1/2014
Participating Employees:	
Employees eligible for dependent medical coverage	396
Employees also eligible for retiree life insurance	28
Average age	59.35
Average credited service	28.14
Retirees:	
Retirees with life insurance coverage	1,065
Average age for retirees	73.79
Dependents with medical coverage	496
Average age for dependents	71.42

Plan description - The University provides health care benefits for dependents of retired employees. Substantially all of The University's employees hired prior to 1992 may become eligible for those benefits if they reach normal retirement age while working for The University. In addition, The University provides life insurance benefits for all retired employees hired prior to August 31, 1977 or to other retired employees who were hired after that date but retired prior to January 1, 2011. For both benefits, the eligible employee must elect a pension plan upon retirement to be eligible for the additional postemployment benefit.

Funding policy - The University has no obligation to make contributions in advance of when the premiums are due for payment, therefore this plan is financed on a "pay-as-you-go" basis. Active members are not required to contribute to the plan. The plan charges retirees a 15% contribution for retiree dependent health coverage.

8. Employee Benefit Plans – continued

Other Postretirement Employee Benefits - continued

Annual OPEB cost and net OPEB obligation - The University's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of The University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in The University's OPEB obligation:

	2014	2013	2012
Annual required contribution	$ 3,475,853	$ 4,576,677	$ 4,555,274
Interest on net OPEB obligation	762,486	719,693	659,928
Adjustment to annual required contribution	(1,060,186)	(1,000,686)	(917,587)
Annual OPEB cost (expense)	3,178,153	4,295,684	4,297,615
Employer contributions	(2,837,318)	(2,600,000)	(2,803,485)
Increase in net OPEB obligation	340,835	1,695,684	1,494,130
Net OPEB obligation - beginning of year	19,688,020	17,992,336	16,498,206
Net OPEB obligation - end of year	$ 20,028,855	$ 19,688,020	$ 17,992,336

Funded status and funding progress – The University has estimated the cost of providing retiree health care benefits through an actuarial valuation as of July 15, 2014. As of actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability (AAL) for benefits was $60.1 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $60.1 million. The covered payroll (annual payroll of active employees covered by the plan) was $32.6 million and the ratio of all UAAL to covered payroll was 54.2 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial methods and assumptions **-** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 15, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent discount rate, an annual healthcare cost trend rate of 7.5 percent through 2016, then reduced by 0.5 percent decrements per year to an ultimate rate of 5.0 percent in 2021, and a 2.0 percent salary increase. The amortization of the UAAL is based on a 30-year open level dollar amortization method. The remaining amortization period at June 30, 2014 was 23 years.

9. Litigation, Commitments, and Contingencies

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

In addition to purchasing insurance to cover potential losses from certain litigation, The University participates in two risk pools, along with other State universities, for commercial property coverage and commercial casualty coverage. Each university contributes on a basis equal to their percentage of the total insurable value of the pool. Future contributions will be adjusted based upon each university's loss history. Each university has a base deductible of $100,000 for each pool. For commercial property coverage, the next $250,000 of any one claim is the responsibility of the pool, which has a total annual aggregate limit of $700,000. The commercial property insurer is liable for the amount of any claim in excess of $350,000, or $100,000 in the event the pool has reached its annual aggregate. For commercial casualty coverage, the next $900,000 of any one claim is the responsibility of the pool. The University, through the Inter-University Council Insurance Consortium (IUC-IC), purchases $49,000,000 in liability insurance limits that sits over top of the casualty pool.

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

A claims liability of $2,775,000 and $2,608,950, included with accrued liabilities as of June 30, 2014 and 2013, respectively, is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Services*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The change in the total liability for actual and estimated claims is summarized below:

	2014	2013	2012
Liability at beginning of year	$ 2,608,950	$ 2,542,000	$ 2,675,900
Claims incurred and changes in estimates	29,437,565	27,992,071	28,067,050
Claim payments	(29,271,515)	(27,925,121)	(28,200,950)
Liability at end of year	$ 2,775,000	$ 2,608,950	$ 2,542,000

To reduce potential loss exposure, The University has established a reserve for health insurance stabilization of $3.7 million as of June 30, 2014 and 2013.

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

The University has been appropriated $17.7 million from the State for buildings and renovations, of which $1.1 million has been expended as of June 30, 2014. In addition, as of June 30, 2014, University construction projects will cost an estimated $7.0 million to complete with 24.8%, or $1.7 million, funded from bond proceeds.

9. Litigation, Commitments, and Contingencies - continued

In May 2012, the Foundation obtained a $10.0 million revolving line of credit with Fifth Third Bank. Interest on the revolver is at a fluctuating rate of the one-month LIBOR plus 0.65 percent per annum. At June 30, 2014 and 2013, the interest rate on the revolver was 0.90 percent. Certain proceeds from the line of credit were used to purchase real estate adjacent to The University during fiscal year 2013. The University has made a commitment to reimburse The Foundation for payments of principal, interest, loan fees and any other costs associated with the line of credit as long as the property acquired with these proceeds is owned by the Foundation or the University and not leased by the Foundation to a private person. The outstanding amount of this commitment as of June 30, 2014 and 2013, which includes the amount of the transfer plus accrued interest due to the bank, is $5.0 and $4.9 million, respectively.

10. Subsequent Events

In August 2014, The University issued $29.6 million of General Receipts Refunding Bonds, Series 2014A with a coupon rate of 2.0-5.0% with payments through 2035. The proceeds of the Series 2014A Bonds were used to refund $14.9 million and $16.5 million of The University's outstanding General Receipts Bonds, Series 2003A & 2004B, respectively, and to pay issuance costs.

11. Component units

Details of the component units' net position at June 30, 2014 and 2013 are as follows:

	2014			2013		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Assets						
Current assets:						
Cash and cash equivalents	$ 2,115,351	$ 2,837,071	$ 4,952,422	$ 1,578,634	$ 1,450,904	$ 3,029,538
Pooled investments	1,954,194	5,739,413	7,693,607	2,479,641	4,875,177	7,354,818
Accounts receivable, net	792,282	1,963,738	2,756,020	321,048	2,266,822	2,587,870
Pledges receivable, net	1,675,058	-	1,675,058	1,780,493	-	1,780,493
Prepaid expenses	-	52,851	52,851	-	69,500	69,500
Total current assets	6,536,885	10,593,073	17,129,958	6,159,816	8,662,403	14,822,219
Noncurrent assets:						
Restricted investments	-	220,766	220,766	-	250,735	250,735
Endowment investments	170,633,498	-	170,633,498	148,230,306	-	148,230,306
Pledges receivable, net	6,807,009	-	6,807,009	7,810,938	-	7,810,938
Capital assets, net	13,916,760	5,919,955	19,836,715	13,869,606	6,455,996	20,325,602
Total assets	197,894,152	16,733,794	214,627,946	176,070,666	15,369,134	191,439,800
Liabilities						
Current liabilities:						
Accounts payable	317,963	3,235,888	3,553,851	200,138	2,851,557	3,051,695
Accrued liabilities	-	830,151	830,151	-	713,181	713,181
Unearned income	31,152	2,986,426	3,017,578	31,595	2,683,042	2,714,637
Deposits	1,954,194	-	1,954,194	2,479,641	-	2,479,641
Current portion of long-term liabilities	5,011,000	63,636	5,074,636	5,191,000	59,702	5,250,702
Total current liabilities	7,314,309	7,116,101	14,430,410	7,902,374	6,307,482	14,209,856
Noncurrent liabilities:						
Actuarial liability for annuity/unitrust agreements	11,999,996	-	11,999,996	14,251,586	-	14,251,586
Long-term liabilities	-	2,639,718	2,639,718	-	2,703,660	2,703,660
Total liabilities	19,314,305	9,755,819	29,070,124	22,153,960	9,011,142	31,165,102
Net position						
Net investment in capital assets	13,916,760	3,280,237	17,196,997	13,869,606	3,752,336	17,621,942
Restricted:						
Nonexpendable	99,230,932	-	99,230,932	97,968,190	-	97,968,190
Expendable	65,622,448	-	65,622,448	51,132,358	-	51,132,358
Unrestricted (deficit)	(190,293)	3,697,738	3,507,445	(9,053,448)	2,605,656	(6,447,792)
Total net position	$ 178,579,847	$ 6,977,975	$ 185,557,822	$ 153,916,706	$ 6,357,992	$ 160,274,698

11. Component units - continued

Details of the component units' revenues, expenses, and changes in net position at June 30, 2014 and 2013 are as follows:

	2014			2013		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Revenues						
Operating revenues:						
Federal grants and contracts	$ -	$ 159,311	$ 159,311	$ -	$ 232,353	$ 232,353
Private grants and contracts	-	8,609,804	8,609,804	-	8,221,649	8,221,649
Gifts and contributions	7,659,191	-	7,659,191	6,776,971	-	6,776,971
Other sources	-	2,528,074	2,528,074	-	2,200,021	2,200,021
Total operating revenues	7,659,191	11,297,189	18,956,380	6,776,971	10,654,023	17,430,994
Expenses						
Operating expenses:						
Educational and general:						
Separately budgeted research	-	6,472,697	6,472,697	-	5,413,290	5,413,290
Institutional support	954,441	-	954,441	793,551	-	793,551
Depreciation	-	600,550	600,550	-	452,962	452,962
Total operating expenses	954,441	7,073,247	8,027,688	793,551	5,866,252	6,659,803
Operating income	6,704,750	4,223,942	10,928,692	5,983,420	4,787,771	10,771,191
Nonoperating revenues (expenses)						
Investment income (loss), net	24,526,920	660,379	25,187,299	12,723,315	323,604	13,046,919
Interest on debt	-	(100,562)	(100,562)	-	47,356	47,356
Distributions to The University	(8,280,447)	(4,592,082)	(12,872,529)	(9,110,937)	(4,099,235)	(13,210,172)
Distributions on behalf of The University	(556,103)	-	(556,103)	(645,062)	-	(645,062)
Other nonoperating revenues	123,297	428,306	551,603	234,375	286,107	520,482
Net nonoperating revenues (expenses)	15,813,667	(3,603,959)	12,209,708	3,201,691	(3,442,168)	(240,477)
Gain (loss) before other changes	22,518,417	619,983	23,138,400	9,185,111	1,345,603	10,530,714
Other changes						
Additions to permanent endowments	2,144,724	-	2,144,724	1,943,935	-	1,943,935
Increase (decrease) in net position	24,663,141	619,983	25,283,124	11,129,046	1,345,603	12,474,649
Net position – beginning of year	153,916,706	6,357,992	160,274,698	142,787,660	5,012,389	147,800,049
Net position – end of year	$ 178,579,847	$ 6,977,975	$ 185,557,822	$ 153,916,706	$ 6,357,992	$ 160,274,698

11. Component units - continued

Details of the component units' fair value of investments at June 30, 2014 and 2013 are as follows:

	2014			2013		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Assets						
Current assets:						
Pooled investments:						
Money market funds	$ 1,954,194	$ -	$ 1,954,194	$ -	$ -	$ -
Mutual funds	-	5,739,413	5,739,413	2,479,641	4,875,177	7,354,818
Total pooled investments	1,954,194	5,739,413	7,693,607	2,479,641	4,875,177	7,354,818
Noncurrent assets:						
Endowment investments:						
Pooled investment funds	129,768,204	-	129,768,204	125,690,340	-	125,690,340
Bonds	10,121,531	-	10,121,531	8,685,347	-	8,685,347
Commercial paper	2,300,000	-	2,300,000	-	-	-
Common stocks	2,109,704	-	2,109,704	1,906,616	-	1,906,616
Floaters	2,900,955	-	2,900,955	3,007,500	-	3,007,500
Cash surrender value of insurance policies	112,467	-	112,467	280,453	-	280,453
Money market funds	260,265	-	260,265	2,899,707	-	2,899,707
Mutual funds	22,213,195	-	22,213,195	4,811,937	-	4,811,937
U.S. Treasury obligations	254,408	-	254,408	505,375	-	505,375
Exchange traded funds	93,668	-	93,668	17,867	-	17,867
Preferred stocks	81,317	-	81,317	-	-	-
Private equities	17,413	-	17,413	-	-	-
Direct financing lease	65,371	-	65,371	90,164	-	90,164
Beneficial interest in real estate	335,000	-	335,000	335,000	-	335,000
Total endowment investments	170,633,498	-	170,633,498	148,230,306	-	148,230,306
Restricted investments	-	220,766	220,766	-	250,735	250,735
Total fair value of investments	$ 172,587,692	$ 5,960,179	$ 178,547,871	$ 150,709,947	$ 5,125,912	$ 155,835,859

Details of the component units' capital assets at June 30, 2014 and 2013 are as follows:

	2014			2013		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Capital assets:						
Land	$ 12,055,539	$ 406,925	$ 12,462,464	$ 13,788,717	$ 406,925	$ 14,195,642
Buildings	1,862,872	5,147,391	7,010,263	82,540	5,099,361	5,181,901
Equipment	-	2,636,716	2,636,716	-	2,629,800	2,629,800
Total capital assets	13,918,411	8,191,032	22,109,443	13,871,257	8,136,086	22,007,343
Less: accumulated depreciation	(1,651)	(2,271,077)	(2,272,728)	(1,651)	(1,680,090)	(1,681,741)
Capital assets, net	$ 13,916,760	$ 5,919,955	$ 19,836,715	$ 13,869,606	$ 6,455,996	$ 20,325,602

Supplemental Information

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

Independent Auditor's Report

To Management and the Board of Trustees
The University of Akron

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 The University of Akron (the "University"), a component unit of the State of Ohio, and its discretely presented component units as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The University of Akron'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 University'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.

To Management and the Board of Trustees
The University of Akron

Compliance and Other Matters

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

Plante & Moran, PLLC

October 13, 2014

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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees
The University of Akron

Report on Compliance for Each Major Federal Program

We have audited The University of Akron's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2014. The University of Akron's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The University of Akron's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The University of Akron's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The University of Akron's compliance.

To the Board of Trustees
The University of Akron

Opinion on Each Major Federal Program

In our opinion, The University of Akron complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of The University of Akron is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The University of Akron's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

Columbus, Ohio
October 13, 2014

The University of Akron

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Student Financial Aid Cluster			
Department of Education:			
Direct programs:			
Federal Supplemental Educational Opportunity Grant	84.007		$ 1,181,485
Federal College Work-Study	84.033		883,656
Federal Perkins Loan Program	84.038		9,209,187
Federal Pell Grant Program	84.063		34,474,524
Federal Direct Student Loans	84.268		145,248,590
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		33
Total Department of Education			190,997,475
Department of Health and Human Services:			
Direct program:			
Nursing Student Loans	93.364		1,025,077
Total Student Financial Aid Cluster			**192,022,552**
Research and Development Cluster			
Department of Agriculture:			
Pass-through program:			
Ohio Department of Education-Team Nutrition Grants	10.574		133
Department of Commerce:			
Pass-through program:			
Kent Displays Inc. - Technology Innovation Program (TIP)	11.616	70NANB11H005	83,212
Department of Defense:			
Direct programs:			
Office of Naval Research-Basic and Applied Scientific Research	12.300		377,625
United States Army-Basic Scientific Research	12.431		5,057,788
Basic, Applied, and Advanced Research in Science and Engineering	12.630		1,304,560
Air Force Defense Research Sciences Program	12.800		430,730
Pass-through programs:			
HRL Laboratories LLC	12.000		80,187
Babcock & Wilcox-Basic and Applied Scientific Research	12.300		352
Mainstream Engineering Corporation-Basic and Applied Scientific Research	12.300	N00014-08-M-0325	9,569
Materials Research & Design, Inc.-Basic and Applied Scientific Research	12.300	N68335-09-C-0491	(64)
University of Connecticut-Basic and Applied Scientific Research	12.300	N00014-10-1-0944	163,959
University of Akron Research Foundation (UARF)-Basic Scientific Research	12.431	S690000034	9,650
Dayton Area Graduate Studies Institute-Basic, Applied, and Advanced Research in Science and Engineering	12.630		1,053
Case Western Reserve University-Air Force Defense Research Sciences Prog	12.800	FA9550-11-1-0022	20,365
Centro de Investigacion en Materiales Avanzados, S.C.-Air Force Defense Research Sciences Program	12.800	FA9550-10-1-0236	34,509

The University of Akron

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Research and Development Cluster (continued)			
Department of Defense (continued):			
Pass-through programs (continued):			
Dayton Area Graduate Studies Institute - Air Force Defense Research Sciences Program	12.800		1,800
Dayton Area Graduate Studies Institute - Air Force Defense Research Sciences Program	12.800	FA8650-12-2-7248	11,514
Deformation Control Technology, Inc-Air Force Defense Research Sciences Program	12.800	N68335-11-C-0420	1,200
Howard University-Air Force Defense Research Sciences Program	12.800	FA9550-12-01-0306	43,375
SORAA Inc.-Air Force Defense Research Sciences Program	12.800	FA8650-11-M-1164	19,852
SORAA Inc.-Air Force Defense Research Sciences Program	12.800	STTR FA9550-10-C-011	12,330
Universal Energy Systems Inc-Air Force Defense Research Sciences Program	12.800		4,133
Universal Energy Systems Inc-Air Force Defense Research Sciences Program	12.800	FA8650-09-D-5037 DO	11,736
University of Nebraska-Air Force Defense Research Sciences Program	12.800	FA9550-11-1-0204	140,995
Total Department of Defense			7,737,218
Department of the Interior:			
Direct program:			
Endangered Species Conservation - Recovery Implementation Funds	15.657		62,343
Pass-through program:			
The Ohio State University - Assistance to State Water Resources Research Institutes	15.805	G11AP20099	2,594
Total Department of the Interior			64,937
Department of State:			
Direct program:			
Public Diplomacy Programs for Afghanistan and Pakistan	19.501		244,814
National Aeronautics and Space Administration:			
Direct programs:			
Aerospace Education Services Program	43.001		35,597
Technology Transfer	43.002		863,096
Pass-through program:			
Universities Space Research Association-Technology Transfer	43.002		412,167
Total National Aeronautics and Space Administration			1,310,860
National Endowment for the Arts:			
Direct program:			
Promotion of the Arts-Grants to Organizations and Individuals	45.024		4,700
National Science Foundation:			
Direct programs:			
Engineering Grants	47.041		1,743,449
Mathematical and Physical Sciences	47.049		2,005,062

The University of Akron

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Research and Development Cluster (continued)			
National Science Foundation (continued):			
Direct programs (continued):			
Geosciences	47.050		408,106
Computer and Information Science and Engineering	47.070		365,229
Biological Sciences	47.074		324,330
Educational and Human Resources	47.076		133,653
ARRA-Trans-NSF Recovery Act Research Support	47.082		89,978
Pass-through programs:			
Akron Ascent Innovations, LLC-Engineering Grants	47.041		31,119
Kent Displays Inc.-Engineering Grants	47.041		69,842
Premix, Inc.-Engineering Grants	47.041	IIP-1256123	137,235
Tennessee Technological University-Engineering Grants	47.041		14,665
Louisiana State University-Mathematical and Physical Sciences	47.049		8,566
New Jersey Institute of Technology-Mathematical and Physical Sciences	47.049	DMS-1119724	21,365
University of Southern California-Geosciences	47.050	OCE-0939564	24,534
Georgia State University-Computer and Information Science and Engineering	47.070		912
Carleton College-Educational and Human Resources	47.076		29,121
Duquesne University-Educational and Human Resources	47.076	DUE-1226175	7,034
Illinois State University-Educational and Human Resources	47.076		9,989
University of Alabama-Educational and Human Resources	47.076	HRD-1136266	22,341
ARRA-Southern Illinois University-Trans-NSF Recovery Act Research Support	47.082	DMR-0847580	68,761
ARRA-University of Wisconsin-Trans-NSF Recovery Act Research Support	47.082	DMR-0906817	3,510
Total National Science Foundation			5,518,801
Department of Veterans Affairs:			
Pass-through program:			
Ohio Willow Wood Company-Veterans Prosthetic Appliances	64.013		109,701
Department of Energy:			
Direct programs:			
Office of Science Financial Assistance Program	81.049		260,567
Renewable Energy Research and Development	81.087		(76)
Fossil Energy Research and Development	81.089		338,918
ARRA-Geologic Sequestration Training and Research Grant Program	81.133		63,706
Pass-through programs:			
Bechtel Marine Propulsion Corp.	81.000		1,864
Case Western Reserve University	81.000		52,362
North Carolina State University	81.000	DE-EE0005573	10,500
Aspen Aerogels Inc.-Office of Science Financial Assistance Program	81.049		53,018
Aspen Aerogels Inc.-Fossil Energy Research and Development	81.089		146,536
Battelle Memorial Institute-Advanced Research and Projects Agency - Energy Financial Assistance Program	81.135		73,176
Total Department of Energy			1,000,571

The University of Akron

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Research and Development Cluster (continued)			
Department of Health and Human Services:			
Direct programs:			
Oral Diseases and Disorders Research	93.121		131,204
Mental Health Research Grants	93.242		422,498
Discovery and Applied Research for Technological Innovations to Improve Human	93.286		223,302
Nursing Research	93.361		188,780
Academic Research Enhancement Award	93.390		71,401
Cancer Detection and Diagnosis Research	93.394		54,364
Cardiovascular Diseases Research	93.837		69,403
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		89,735
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		90,852
Biomedical Research and Research Training	93.859		308,970
Pass-through programs:			
University of California San Francisco-Oral Diseases and Disorders Research	93.121	R01DE022032	28,628
University of Texas at Arlington-Occupational Safety and Health Program	93.262	R03OH010112	38,097
Michigan State University-Drug Abuse and Addiction Research Programs	93.279	5R25DA030310-03	6,715
Rutgers, The State University of New Jersey-Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	P41EB001046	42,535
Ohio Department of Job and Family Services-Foster Care Title IV-E	93.658		10,246
Requisite Biomedical, LLC-Cardiovascular Diseases Research	93.837		53
Walsh University-Cardiovascular Diseases Research	93.837	1R15HL097343	30,073
SUNY at Stony Brook-Arthritis, Musculoskeletal and Skin Diseases Research	93.846	R21AR0163279	26,997
Bertec-Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	5R44DK084844	76,553
Washington University in St Louis-Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	5R01DK082546	58,804
Miami University-Child Health and Human Development Extramural Research	93.865		498
Total Department of Health and Human Services			1,969,708
Total Research and Development Cluster			**18,044,655**
Child Nutrition Cluster			
Department of Agriculture:			
Pass-through programs:			
Ohio Department of Education-Summer Food Service Program for Children	10.559		14,717
Firestone Endowment-Summer Food Service Program for Children	10.559		4,470
Total Child Nutrition Cluster			**19,187**

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Highway Planning and Construction Cluster			
Department of Transportation:			
Pass-through programs:			
Montana State University-Highway Planning and Construction	20.205		5,972
Ohio Department of Transportation-Highway Planning and Construction	20.205		1,281,834
Ohio Department of Transportation-Highway Planning and Construction	20.205	E081157	43,005
Ohio Department of Transportation-Highway Planning and Construction	20.205	E120086	689,726
Ohio University-Highway Planning and Construction	20.205		37,155
Wayne State University-Highway Planning and Construction	20.205		3,406
Total Highway Planning and Construction Cluster			**2,061,098**
Highway Safety Cluster			
Department of Transportation:			
Pass-through program:			
Ohio Department of Public Safety-State and Community Highway Safety	20.600		**14,749**
TRIO Cluster			
Department of Education:			
Direct programs:			
TRIO Talent Search	84.044A		433,984
TRIO Upward Bound	84.047A		474,340
TRIO Upward Bound Math/Science	84.047M		272,898
TRIO McNair Post Baccalaureate Achievement	84.217A		1,418
Total TRIO Cluster			**1,182,640**
Special Education Cluster (IDEA)			
Department of Education:			
Pass-through program:			
University of Dayton Research Institute-Special Education Grants to States	84.027		**122,989**
TANF Cluster			
Department of Health and Human Services:			
Pass-through program:			
Summit County Dept of Job and Family Services-Temporary Assistance for Needy Families	93.558		**3,594**
Medicaid Cluster			
Department of Health and Human Services:			
Pass-through programs:			
NEOMED-Medical Assistance Program	93.778		102,401
Ohio State University-Medical Assistance Program	93.778		44,885
Total Medicaid Cluster			**147,286**

The University of Akron

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Other Programs			
Instruction			
Department of Defense:			
Direct program:			
Air Force Defense Research Sciences Program	12.800		233,645
Department of Labor:			
Pass-through program:			
Ohio Board of Regents - H-1B Job Training Grants	17.268		27,321
Department of Education:			
Direct programs:			
Special Education-Personnel Development to Improve Services and Results for Children With Disabilities	84.325K		292,710
English Language Acquisition Grants	84.365		364,699
Pass-through program:			
Ohio Board of Regents-Improving Teacher Quality State Grants	84.367		7,984
College Now Greater Cleveland-College Access Challenge Grant Program	84.378A		482
Total Department of Education			665,875
Department of Health and Human Services:			
Direct program:			
Nurse Anesthetist Traineeships	93.124		27,513
Pass-through programs:			
Northeast Ohio Medical University-Model State-Supported Area Health Education Centers	93.107		58,182
Northeast Ohio Medical University-Model State-Supported Area Health Education Centers	93.107	U77HP23072	24,673
Ohio Department of Job & Family Services-Foster Care Title IV-E	93.658		65,363
Total Department of Health and Human Services			175,731
Total Instruction			**1,102,572**
Public Service			
Department of Agriculture:			
Pass-through program:			
Center for Child Development-Child and Adult Care Food Program	10.558		28,522
Department of Justice:			
Direct program:			
Public Safety Partnership and Community Policing Grants	16.710		66,817
Department of State:			
Direct program:			
Academic Exchange Programs - Teachers	19.408		5,538

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Other Programs (continued)			
Public Service (continued)			
National Endowment for the Arts			
Direct program:			
Promotion of the Humanities-Division of Preservation and Access	45.149		5,550
Museums for America	45.301		18,092
Total National Foundation of Arts and the Humanities			23,642
Department of Education:			
Direct programs:			
Early Reading First	84.359		32,968
Pass-through programs:			
Ohio Department of Education-Vocational Education Basic Grants to States	84.048		(467)
Stark County Educational Service Center-Fund for the Improvement of Education	84.215X	U215X100034	100,297
Ohio Board Regents-Improving Teacher Quality State Grants	84.367		402
Northeast Ohio Council on Higher Ed-College Access Challenge Grant Program	84.378A		5,000
ARRA-Kent State University-State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top Incentive Grants	84.395		226
ARRA-Ohio Department of Education-State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top Incentive Grants	84.395		91,877
Total Department of Education			230,303
Department of Health and Human Services:			
Direct program:			
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		1,150
Pass-through programs:			
NEOMED-Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243		13,239
Austen BioInnovation Institute in Akron-Patient Protection and Affordable Care Act of 2010 (Affordable Care Act)	93.531	5U58DP003523-02	11,602
Summit County Child Support Enforcement-Child Support Enforcement Demonstrations and Special Projects	93.601	90FI0109	(386)
Summit County Dept of Job and Family Services-Social Services Block Grant	93.667		11,612
Total Department of Health and Human Services			37,217
Total Public Service			**392,039**
Total Other Programs			**1,494,611**
Total Expenditures of Federal Awards			**$ 215,113,361**

The University of Akron

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of The University of Akron (the “University”) under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Facilities and Administrative Costs

The University recovers facilities and administrative costs by means of predetermined rates. The predetermined rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The predetermined rates are 50% for on-campus research, 35% for other on-campus sponsored activities and 26% for off-campus research through June 30, 2015.

Note 2 – Loans Outstanding

The following schedule represents total loans advanced to students by The University and balances outstanding for the Perkins and Nursing Student Loan Programs for the year ended June 30, 2014:

Cluster/Program Title	CFDA Numbers	Advances	Outstanding Balances
Perkins Loan Program	84.038	$ 1,905,351	$ 9,209,187
Nursing Student Loan Program	93.364	302,620	1,025,077

The University of Akron

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Note 3 – Subrecipient Awards

Certain funds are passed through to subgrantee organizations by The University. Expenditures incurred by the subgrantees and reimbursed by The University are presented in the Schedule. During the year ended June 30, 2014, the funds disbursed by The University to subrecipients are as follows:

CFDA	CFDA Description	Amount
12.431	Basic Scientific Research	$ 4,069,123
12.800	Air Force Defense Research Sciences Program	12,411
20.205	Highway Planning and Construction	62,540
43.002	NASA Technology Transfer	245,839
45.024	Promotion of the Arts - Grants to Organizations and Individuals	2,543
45.149	Promotion of the Humanities - Division of Preservation and Access	5,424
47.041	Engineering Grants	9,117
47.050	Geosciences	12,321
47.070	Computer and Information Science and Engineering	34,312
81.049	Office of Science Financial Assistance Program	73,556
84.325K	Special Education-Personnel Development to Improve Services and Results for Children With Disabilities	149,123
84.359	Early Reading First	3,500
84.365	English Language Acquisition Grants	23,130
93.121	Oral Diseases and Disorders Research	24,717
93.242	Mental Health Research Grants	183,921
93.361	Nursing Research	46,145
93.394	Cancer Detection and Diagnosis Research	31,099
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	45,633
93.859	Biomedical Research and Research Training	33,229
	Total paid to subrecipients	**$ 5,067,683**

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

Note 4 - Reconciliation

The following schedule is a reconciliation of total expenditures as shown on the Schedule to the revenue shown as federal grants and contracts on the Statement of Revenues, Expenses and Changes in Position (the Statement), which is included as part of The University's financial statements:

Expenditures per the Schedule	$ 215,113,361
Pell grants	(34,474,524)
Federal direct loans	(145,248,590)
Federal Perkins loan program	(9,209,187)
Nursing student loan program	(1,025,077)
Federal grants passed through state entities	(2,209,278)
Federal grants passed through local entities	(115,118)
Private grants	(2,727,167)
Sales	(28,522)
Federal purchased service contracts	181,598
Indirect costs excluded from federal grants on Statement	257,846
Change in deferred revenue from federal grants	759,354
Federal grants and contracts as shown on the Statement	$ 21,274,696

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

Note 5 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, The University transferred $265,900 of Federal Work Study (FWS) Program (84.033) award funds to the Federal Supplemental Education Opportunity Grant (SEOG) Program (84.007). The University carried forward and spent $98,500 of the 2012-2013 SEOG award to the 2013-2014 award year.

In addition, the University carried forward $24,395 and $85,113 of the 2013-2014 FWS and SEOG awards, respectively, to the 2014-2015 award year. The University spent $110,228 of carried forward FWS funds from the 2012-2013 award year during the 2013-2014 award year.

The University of Akron

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards:

Internal control over major programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	____ Yes	X No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	$692,724	
Auditee qualified as low-risk auditee?	X Yes	____ No

The University of Akron

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

Section II - Financial Statement Findings

Reference Number	Findings
Current Year	None

Section III - Federal Program Audit Findings

Reference Number	Findings
Current Year	None

The University of Akron
National Collegiate Athletics Association

Agreed-upon Procedures Report

Related to NCAA Constitution 3.2.4.16

June 30, 2014

The University of Akron
National Collegiate Athletics Association

Contents

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Independent Accountant's Report on the Application of Agreed-upon Procedures

Dr. Scott Scarborough, President
Mr. Nathan Mortimer, Associate Chief Financial Officer
The University of Akron
Akron, Ohio 44325

We have performed the procedures enumerated below, which were agreed to by The University of Akron (the "University"), solely to assist you in evaluating whether the accompanying intercollegiate athletics program statement of revenues and expenses is in compliance with the National Collegiate Athletics Association (NCAA), Constitution 3.2.4.16 for the year ended June 30, 2014. The University of Akron's management is responsible for the statement of revenues and expenses (the "statement") and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-upon Procedures Related to the Statement of Revenues and Expenses

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

<u>Internal Control Structure</u>

A. In preparation for our procedures related to the University's internal control structure, we spoke with the associate athletic director and inquired about the general control environment over intercollegiate athletic finances, the level of control consciousness in the University, the competence of personnel, and the protection of records and equipment; we obtained the audited financial statements for the year ended June 30, 2014 and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the internal control structure; and we obtained and inspected any documentation of the accounting systems and procedures unique to the intercollegiate athletics department. We noted the control environment and accounting systems for cash disbursements, payroll, and general cash receipts are not unique to intercollegiate athletics and are addressed in connection with the audit of the University's financial statements and we did not perform additional procedures related to these areas. We then performed the following procedure:

Dr. Scott Scarborough, President
Mr. Nathan Mortimer, Associate Chief Financial Officer
The University of Akron

Procedure: We selected three games and traced ticket collections per the receipting process for such games to the reconciliation and documentation of the related cash deposit amount with the bank. The following games were selected: football game against University of Louisiana-Lafayette on September 21, 2013, football game against Ohio University on October 5, 2013, and men's basketball game against Malone University on November 27, 2013.

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

EADA Reporting

B. **Procedure:** We obtained the financial data detailing operating revenues, expenses and capital related to the University's intercollegiate athletics program that was submitted to the NCAA, referred to as "EADA reporting" and agreed the amounts to the Intercollegiate Athletics Program statement of revenues and expenses for the reporting period.

Result: We noted differences in the total revenue and total expense amounts from the EADA data provided compared to the total revenues and total expenses reported in the statement of revenues and expenses included in this report as follows. The Department of Education requires that total revenues must equal total expenses for EADA reporting purposes; therefore, modifications were made to revenue and expense amounts to meet those requirements.

	Statement of Revenues and Expenses	EADA Reporting	Difference
Total revenue	$27,718,824	$25,846,963	$ 1,871,861
Total expenses	27,667,364	25,846,963	1,820,401

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Capital Expenditure Survey and Related Debt

C. As of August 15, 2013, the Capital Expenditure Survey has been removed from the submission to the NCAA, and instead fields for athletics and institutional debt service and debt balance have been added to the miscellaneous information screen. We obtained the University's supporting schedules for the reporting period, prepared by management for capital assets and related debt, along with the policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets. We have also obtained repayment schedules for all outstanding intercollegiate athletics debt maintained by the University during the reporting period and performed the following:

1) **Procedure:** We agreed the capitalized athletics-related assets to the University's general ledger and disclosed additions, deletions, and book values in the report.

   Result: We noted no exceptions. Additions, deletions, and book values are herein disclosed in Note 1.

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

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

Intercollegiate Athletics Restricted and Endowment and Plant Funds

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

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

Statement of Revenues and Expenses

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

Result: We noted no exceptions. We obtained the intercollegiate athletics program statement of revenues and expenses for the year ended June 30, 2014 as prepared by management. We recalculated the amounts on the statement, compared the amounts on the statement to management's worksheets supporting the preparation of the statement, and agreed the amounts on such worksheets to the University's general ledger without exception.

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

Result: The following variations between actual revenues and expenses in 2014 and actual revenues and expenses in 2013 were identified by the associate athletics director:

- We noted an increase of approximately $160,000 for contributions revenue not related to a specific team for the year ended June 30, 2014. It was noted by management that the changes were due to large individual gifts that were received in 2014 that were not received in 2013.

- We noted an increase of approximately $504,000 for football ticket sales. It was noted by management that the changes in the current year revenue was attributed to the University purchasing tickets in 2014 to meet the NCAA paid attendance requirement.

- We noted an increase of approximately $206,000 for royalties, advertising, and sponsorship revenue. It was noted by management that the increase was attributed to more royalty payments relating to an existing contract.

- We noted an increase of approximately $138,000 for other operating expense related to football. It was noted by management that the increase in expense was attributed to multiple major expenses increase during 2014, including increases of indirect costs, moving expenses, and software.

- We noted an increase of approximately $107,000 for team travel related to men's basketball. It was noted by management that the increase in expense was due to away games that required more air travel as compared to prior year.

- We noted a decrease of approximately $178,000 for soccer camp revenue and a decrease in the soccer coach's salary of approximately $244,000. It was noted by management that both of these decreases are due to their previous head coach leaving after the 2012 season. The related decrease in soccer camp revenue was due to less attendance. The decrease in salary was due to a new coach being hired at a lower salary.

- We noted a decrease in student fees, not related to a specific team, of approximately $2,224,000. It was noted by management the change was caused by overall budget cuts in 2014, which reduced the amount of student fee revenue transferred to the athletics department.

- We noted an increase in NCAA/Conference distributions of approximately $1,067,000, not related to a specific team. It was noted by management that this increase was attributed to the fact that conference revenues were significantly higher in 2014 due to the Orange Bowl payout, a Mid-American Conference surplus payment, and men's basketball incentive pool funds.

- We noted a decrease of approximately $224,000 for equipment, uniforms, and supplies expense related to football. It was noted by management that this was due to the fact that new uniforms that were purchased for the fall 2013 football season were received before June 30, 2013; therefore, the purchase was charged to 2013 and there was no expense incurred in fiscal year 2014 for new uniforms.

- We noted an increase of $150,000 for game guarantee revenue related to football. It was noted by management that the increase in guarantee contract amounts was due to different football opponents for 2014, specifically the University of Michigan in 2014, creating larger guarantees than other non-conference opponents. Related to guarantees revenue, we also noted an increase in basketball guarantee revenue of $140,000. It was noted by management that the increase is due to more guarantee games being played in 2014 than were played in 2013.

The following variations between actual revenues and expenses in 2014 and budgeted revenues and expenses in 2014 were identified:

- We noted an increase in athletic administrative revenue of approximately $272,000. It was noted by management that there were additional NCAA supplemental payments received that were not included in the budget.

- We noted an increase in marketing and promotion revenue of approximately $260,000. It was noted by management that there was an additional sponsorship payment received from Coca-Cola that was not included in the budget.

- We noted an increase in football revenue of approximately $510,000. It was noted by management that the increase is due to the University purchasing tickets to assist with the football attendance.

- We noted a decrease in athletic administrative expense of approximately $419,000. It was noted by management that the decrease is mainly attributed to summer school being budgeted in this line item, but was instead charged to individual sports' line items.

- We noted a decrease in ticket sales expense of approximately $100,000. It was noted by management that IMG ticket sales revenue was less than budgeted, which resulted in the University paying a lower commission to IMG.

- We noted an increase in post-season expense of approximately $222,000. It was noted by management that the increase was due to coaches and staff bonuses being paid out for winning championships and attaining annual percentage rate marks.

- We noted an increase in football expense of approximately $735,000. It was noted by management that the increase was due to summer school charges and indirect costs being charged to this account that were included in athletic administration in the budget. Additionally, there were other expenses that were not budgeted for relating to gift in-kind donations of vehicles and an unexpected increase in travel costs.

- We noted an increase in men's basketball expense of approximately $205,000. It was noted by management that the increase was a result of multiple amounts being charged to this account that were budgeted elsewhere. Some of these items include summer school charges and indirect costs. Additionally, expenses related to game guarantees paid out and travel costs were higher than expected.

- We noted a decrease in women's volleyball expense of approximately $113,000. It was noted by management that the decrease is due to not using all of the allowable scholarships and using more in-state scholarships than budgeted, which resulted in substantial savings.

- We noted a decrease in athletic administrative maintenance of approximately $112,000. It was noted by management that Physical Facilities Operation Center charges were much lower than budgeted.

Revenues

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

1) Ticket Sales

Procedure: We agreed tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University in the statement and related attendance figures and recalculated totals for football and men's basketball. We agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We agreed three revenue receipts obtained from the above revenue supporting schedules to supporting documentation. The following deposit dates were selected related to the games listed: football game against University of Louisiana-Lafayette on September 25, 2013, football game against Ohio University on October 9, 2013, and men's basketball game against Malone University on December 4, 2013.

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

2) Guarantees

Procedure: We selected three settlement reports for away games during the reporting period and agreed each selection to the University's general ledger. We selected three contractual agreements pertaining to revenue derived from guaranteed contests during the reporting period and compared and agreed each selection to the University's general ledger. We also recalculated totals. For the two aforementioned selections, we selected the following games: football against the University of Michigan on September 14, 2013, baseball against the University of Cincinnati on March 14 through March 16, 2014, and men's basketball against Saint Mary's College on November 11, 2013. We agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We agreed one revenue receipt, the University of Michigan football game, obtained from the above revenue supporting schedules to supporting documentation.

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

3) Contributions

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

Result: There were no contributions from any affiliated or outside organization, agency, or group of individuals that constituted 10 percent or more of all contributions received for intercollegiate athletics during the reporting period. The revenue receipt tested was endowment income transferred in March 2014 related to the Pepsi Beverage Agreement. We agreed the revenue amount recorded to the calculation of the annual contribution amount based on current market value of the endowment. We noted no exceptions in the testing performed.

4) Other

Procedure: We agreed the related revenue to the University's general ledger and recalculated totals.

Result: We noted no exceptions.

Expenses

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

We performed the following procedures for the indicated expense category:

1) Athletic Student Aid

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

Result: We obtained documentation for any changes that occurred after the original award and recalculated totals. We noted no exceptions.

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The students' accounts tested are summarized below:

Student Tested	Amount Disbursed
1	$ 10,000
2	5,401
3	11,785
4	37,270
5	15,980
6	4,731
7	24,722
8	9,604
9	21,688
10	22,168
11	10,337
12	7,350
13	5,300
14	6,700
15	10,854
16	11,822
17	28,806
18	5,120
19	4,104
20	24,469
21	800
22	9,800
23	30,466
24	7,765
25	15,110

2) <u>Guarantees</u>

Procedure: We selected three settlement reports for home games during the reporting period and agreed each selection to the University's general ledger. We selected three contractual agreements pertaining to expenses recorded by the University related to guaranteed contests during the reporting period and compared and agreed each selection to the University's general ledger and recalculated totals. For the two aforementioned selections, we selected the following games: football against James Madison University on September 7, 2013, men's basketball against Coppin State University on December 31, 2013, and men's soccer against San Diego State University on September 15, 2013. We agreed one expense, for James Madison University, obtained from the above expense supporting schedules to supporting documentation.

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

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

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

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

Coach	Sport Selected
1	Men's basketball
2	Football
3	Women's basketball
4	Volleyball
5	Men's golf
6	Men's soccer
7	Men's & women's track
8	Football
9	Swimming
10	Men's soccer

4) Team Travel

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

Result: We compared and agreed to existing University- and NCAA-related policies. We noted no exceptions.

5) Other Operating Expenses

Procedure: We agreed three disbursements obtained from the above operating expense supporting schedules to supporting documentation. For this testing we selected the following disbursements: dated August 29, 2013 for $2,537, dated October 31, 2013 for $3,362, and dated January 31, 2014 for $19,600.

Result: We compared three disbursements listed above to the related invoices. We noted no exceptions.

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

I. In preparation for our procedures related to the University's affiliated and outside organizations, we performed the following:

1) **Procedure:** We inquired of management as to whether they have identified any affiliated and outside organizations that meet any of the following criteria:

i. Booster organizations established by or on behalf of an intercollegiate athletics program.

ii. Independent or affiliated foundations or other organizations that have as a principal purpose, generating or maintaining of grants-in-aid or scholarship funds, gifts, endowments or other monies, goods or services to be used entirely or in part by the intercollegiate athletics program.

iii. Alumni organizations that have as one of its principal purposes the generating of monies, goods or services for or on behalf of an intercollegiate athletics programs and that contribute monies, goods or services directly to an intercollegiate athletics program, booster group, or independent or affiliated foundation as previously noted.

Results: Based on inquiries with management, management identified Zip Athletic Club and the Varsity "A" Association as meeting the above criteria. The accounting for these organizations is performed by The University of Akron Foundation.

2) **Procedure:** We obtained documentation on the University's practices and procedures for monitoring the internal controls and financial activities of these organizations. We inquired of finance management on the procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the University's intercollegiate athletics program.

Result: We obtained documentation on the University's practices and procedures for monitoring the internal controls and financial activities of these organizations. The University of Akron Foundation confirmed that the financial activities of the affiliated and outside organizations listed above were recorded on the books of The University of Akron Foundation and the University confirmed that these activities are not included in either the statement of revenues and expenses for intercollegiate athletics programs or the books of the University.

3) **Procedure:** We obtained audited financial statements of the organization and additional reports regarding internal controls and corrective action taken in response to comments concerning the control environment that were provided to us by management, if applicable.

Result: We obtained audited financial statements of The University of Akron Foundation and noted that there were no additional reports regarding internal controls.

J. **Procedure:** If there were expenses on or on behalf of the intercollegiate athletics program by affiliated and outside organizations not under the University's accounting control, we would obtain those organizations' statements for the reporting period and compare the amounts reported to the organization's general ledger or confirm the revenues and expenses directly with the responsible official of the organization.

Result: As noted in procedure H, management identified no affiliated or outside organizations that are not under the University's accounting control. No supplemental procedures were performed.

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

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

Plante & Moran, PLLC

November 7, 2014

Intercollegiate Athletics Program Statement of Revenues and Expenses
Year Ended June 30, 2014

	Men's Basketball	Men's Football	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating Revenues						
Ticket sales	$ 405,790	$ 1,029,547	$ 13,969	$ 145,686	$ 73,873	$ 1,668,865
Student fees	-	-	-	-	16,885,055	16,885,055
Guarantees	190,000	1,100,000	1,000	19,500	-	1,310,500
Contributions	100,164	123,639	21,723	110,643	854,977	1,211,146
Direct institutional support	-	12,000	-	10,072	1,654,832	1,676,904
NCAA/Conference distributions including all tournament revenues	-	-	-	-	2,538,667	2,538,667
Program sales, concessions, novelty sales, and parking	-	-	-	232	144,376	144,608
Royalties, advertisements, and sponsorships	-	-	-	-	971,746	971,746
Sports camp	56,793	21,145	17,905	522,008	24,275	642,126
Endowment and investment income	20,079	39,285	2,882	37,702	96,905	196,853
Spirit groups	-	-	-	-	3,237	3,237
Other	732	4,809	635	93,321	369,620	469,117
Total operating revenue	773,558	2,330,425	58,114	939,164	23,617,563	27,718,824
Operating Expenses						-
Athletic student aid	423,827	2,635,672	412,538	3,206,909	161,912	6,840,858
Guarantees	216,000	425,000	4,000	15,500	-	660,500
Coaches salaries	1,067,781	1,750,515	595,408	2,212,272	-	5,625,976
Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	163,140	293,598	57,960	395,952	3,786,669	4,697,319
Recruiting	78,636	152,866	50,416	144,977	4,392	431,287
Team travel	284,020	661,544	123,537	808,475	102,546	1,980,122
Equipment, uniforms, and supplies	56,992	180,049	34,114	299,735	214,518	785,408
Game expenses	210,854	228,136	78,893	139,932	-	657,815
Fund raising, marketing, and promotion	1,762	2,869	5,109	2,630	523,657	536,027
Sports camp	15,197	11,206	12,030	278,907	21,167	338,507
Direct facilities, maintenance, and rental	10,438	391,750	6,555	62,126	1,871,275	2,342,144
Spirit groups	-	-	-	-	71,406	71,406
Medical expenses and medical insurance	1,117	121	882	714	366,211	369,045
Memberships and dues	1,139	2,920	1,520	8,455	259,543	273,577
Other operating expenses	117,116	402,701	61,960	224,956	1,250,640	2,057,373
Total operating expenses	2,648,019	7,138,947	1,444,922	7,801,540	8,633,936	27,667,364
Excess of Revenues (Under) Over Expenses	**$ (1,874,461)**	**$ (4,808,522)**	**$ (1,386,808)**	**$ (6,862,376)**	**$ 14,983,627**	**$ 51,460**

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

Note 1 - Intercollegiate Athletics-related Assets

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

The current year capitalized additions and deletions to facilities during the year ended June 30, 2014 are as follows:

	Current Year Additions	Current Year Deletions
Football athletics facilities	$ -	$ -
Basketball athletics facilities	136,466	-
Other athletics facilities	135,142	-
Total athletics facilities	$ 271,608	$ -
Other University facilities	$ 52,054,522	$ 3,081,046

The total estimated book values of property, plant, and equipment, net of depreciation, of the University as of the year ended June 30, 2014 are as follows:

	Book Value
Athletics-related property, plant, and equipment balance	$ 129,110,551
University's total property, plant, and equipment balances	$ 727,460,694

Note 2 - Intercollegiate Athletics-related Debt

The annual debt service and debt outstanding for the University as of the year ended June 30, 2014 is as follows:

	Annual Debt Service	Debt Outstanding
Athletics-related facilities	$ 5,195,264	$ 71,699,588
University's total	$ 32,925,002	$ 473,999,582

The repayment schedule for all outstanding intercollegiate athletics debt maintained by the University during the year ended June 30, 2014 is as follows:

Years Ending June 30		Principal	Interest
2015		$ 1,745,000	$ 3,466,749
2016		1,823,454	3,402,806
2017		1,909,021	3,331,174
2018		1,980,361	3,248,605
2019		2,071,701	3,152,674
Thereafter		62,170,051	32,408,628
	Total	$ 71,699,588	$ 49,010,636

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THE UNIVERSITY OF AKRON

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 31, 2014