Old Dominion University
Research Foundation

Report to the Board of Trustees and Management

June 30, 2014
September 10, 2014

To the Board of Trustees and Management
Old Dominion University Research Foundation

We are pleased to present this report related to our audit of the financial statements of Old Dominion University Research Foundation (the Foundation) for the year ended June 30, 2014. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Old Dominion University Research Foundation's financial reporting process.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to Old Dominion University Research Foundation.

PBMares, LLP

PBMares, LLP
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Written Communications on Accounting, Auditing or Operational Matters (Management Letter)
## Required Communications

Generally accepted auditing standards require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

<table>
<thead>
<tr>
<th>Area</th>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td><strong>Our Responsibilities With Regard to the Financial Statement Audit</strong></td>
<td>Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated July 15, 2014.</td>
</tr>
<tr>
<td><strong>Overview of the Planned Scope and Timing of the Financial Statement Audit</strong></td>
<td>We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.</td>
</tr>
</tbody>
</table>
| **Accounting Policies and Practices** | Preferability of Accounting Policies and Practices  
Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.  

**Adoption of, or Change in, Accounting Policies**  
Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Foundation. The Foundation did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.  

**Significant or Unusual Transactions**  
We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.  

**Management’s Judgments and Accounting Estimates**  
Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates. |
<p>| <strong>Audit Adjustments</strong> | There were no audit adjustments made to the original trial balance presented to us to begin our audit. |
| <strong>Uncorrected Misstatements</strong> | We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial. |
| <strong>Disagreements With Management</strong> | We encountered no disagreements with management over the application of significant accounting principles, the basis for management’s judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements. |</p>
<table>
<thead>
<tr>
<th>Area</th>
<th>Comments</th>
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<tbody>
<tr>
<td>Consultations With Other Accountants</td>
<td>We are not aware of any consultations management had with other accountants about accounting or auditing matters.</td>
</tr>
<tr>
<td>Significant Issues Discussed With Management</td>
<td>No significant issues arising from the audit were discussed with or the subject of correspondence with management.</td>
</tr>
<tr>
<td>Significant Difficulties Encountered in Performing the Audit</td>
<td>We did not encounter any significant difficulties in dealing with management during the audit.</td>
</tr>
<tr>
<td>Letters Communicating Significant Deficiencies and Material Weaknesses in Internal Control Over Financial Reporting</td>
<td>We have separately communicated any significant deficiencies and material weaknesses in internal control over financial reporting identified during our audit of the financial statements, and this communication is included in the financial report.</td>
</tr>
<tr>
<td>Significant Written Communications Between Management and Our Firm</td>
<td>Copies of significant written communications between our firm and the management of the Foundation, including the representation letter provided to us by management, are attached as Exhibit A.</td>
</tr>
</tbody>
</table>
Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Foundation’s June 30, 2014, financial statements.

<table>
<thead>
<tr>
<th>Estimate</th>
<th>Accounting Policy</th>
<th>Management’s Estimation Process</th>
<th>Basis for Our Conclusions on Reasonableness of Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance for doubtful accounts</td>
<td>Management’s estimate of the allowance for doubtful accounts is based on past collection experience and an analysis of the specific balances due.</td>
<td>Management evaluates each specific account, past collection history, and collections after year end to arrive at a reasonable allowance.</td>
<td>We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.</td>
</tr>
</tbody>
</table>
Exhibit A—Significant Written Communications between Management and Our Firm
This representation letter is provided in connection with your audits of the financial statements of Old Dominion University Research Foundation (the “Foundation”), which comprise the statements of financial position as of June 30, 2014 and 2013 the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 10, 2014, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 15, 2014, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

2) We acknowledge our responsibility for 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.

3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.

5) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7) The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

8) We have no knowledge of any uncorrected misstatements in the financial statements.

**Information Provided**

9) We have provided you with:
   
a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.
   
b) Additional information that you have requested from us for the purpose of the audit.
   
c) Unrestricted access to persons within the Foundation from whom you determined it necessary to obtain audit evidence.
   
d) Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

10) All transactions have been recorded in the accounting records and are reflected in the financial statements.

11) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

12) We have no knowledge of any fraud or suspected fraud that affects the Foundation and involves:
   
a) Management,
   
b) Employees who have significant roles in internal control, or
   
c) Others where the fraud could have a material effect on the financial statements.

13) We have no knowledge of any allegations of fraud or suspected fraud affecting the Foundation’s financial statements communicated by employees, former employees, grantors, regulators, or others.

14) We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse whose effects should be considered when preparing financial statements.

15) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.

16) We have disclosed to you the identity of the Foundation’s related parties and all the related party relationships and transactions of which we are aware.

17) We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Foundation’s ability to record, process, summarize, and report financial data.

18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

**Supplementary Information**

19) With respect to supplementary information presented in relation to the financial statements as a whole:
   
a. We acknowledge our responsibility for the presentation of such information.
b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.

c. The methods of measurement or presentation have not changed from those used in the prior period.

d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor’s report thereon.

20) During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

**Compliance Considerations**

In connection with your audit, conducted in accordance with Government Auditing Standards, we confirm that management:

1. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.

2. Has identified and disclosed to the auditor all instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

3. Has identified and disclosed to the auditor all instances, that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

4. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

5. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts, and grant agreements; or abuse that the auditor reports.

6. Has a process to track the status of audit findings and recommendations.

7. Has identified for the auditor previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

8. Has provided views on the auditor’s reported findings, conclusions, and recommendations, as well as management’s planned corrective actions, for the report.

9. Acknowledges its responsibilities as it relates to nonaudit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we confirm:
1. Management is responsible for complying, and has complied, with the requirements of Circular A-133.

2. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.

3. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs.

4. Management has prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and has included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.

5. Management has identified and disclosed to the auditor the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.

6. Management has made available all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.

7. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.

8. Management believes that the auditee has complied with the direct and material compliance requirements (except for any noncompliance it has disclosed to the auditor).

9. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

10. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.

11. Management has disclosed to the auditor any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor’s report.

12. Management has disclosed to the auditor any findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor’s report.

13. Management is responsible for taking corrective action on any audit findings of the compliance audit.

14. Management has provided the auditor with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
15. Management has disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

16. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stating that there were no such known instances.

17. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the date as of which compliance is audited.

18. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

19. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

20. If applicable, management has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of Circular A-133.

21. If applicable, management has issued management decisions timely after their receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and has ensured that subrecipients have taken the appropriate and timely corrective action on findings.

22. If applicable, management has considered the results of subrecipient audits and has made any necessary adjustments to the auditee's own books and records.

23. Management has charged costs to federal awards in accordance with applicable cost principles.

24. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.

25. Management has accurately completed the appropriate sections of the data collection form.

26. If applicable, management has disclosed all contracts or other agreements with service organizations.

27. If applicable, management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

Signed: [Signatures]
Title: [Titles]
ACCOUNTING POLICIES AND PROCEDURES DOCUMENTATION

Internal control is defined as …“a process – affected by an entity’s Board of Directors, Management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.”…

Prevention is the key word when assessing the effectiveness of internal control. A good system that may detect an error or even fraud, but the truly effective system is preventive rather than detective. This basic tenet should be held paramount in the design of internal control. “Segregation of duties” remains as important in today’s technology age as it always has, as is limiting the number of individuals with access to the Foundation’s assets by separating authorization, recording and custodian responsibilities. Building on these foundations, the Foundation can continue to further develop their procedures and controls to strengthen internal controls to fully meet the definition above. Monitoring and updating internal controls is an ongoing process that must keep pace with the ever changing business world and the Foundation’s operations.

RECOMMENDATIONS

As part of our audit, we made inquiries of management and the accounting staff and performed other procedures related to current controls in place at the Foundation. Based on observations during our audit, we offer the following recommendation. This recommendation is currently under review by management. We would be pleased to assist management in further evaluating this recommendation and/or implementing our suggestion.

Investment Policy

We noted that the Foundation’s investment policies were last updated in April 2009. As of June 30, 2014, investments totaled approximately $7.7 million, with over 90% consisting of investments in bond funds and certificates of deposit. We recommend that the investment policy be reviewed and updated as deemed appropriate on a more regular basis.