

# **The Ohio State University Foundation**

**(A Component Unit of The Ohio State University)**

**Consolidated Financial Statements**

**As of and for the Years ended June 30, 2019 and 2018**

**and Report of Independent Auditors on Internal**

**Control over Financial Reporting and on Compliance**

**and Other Matters Based on an Audit Performed in**

**Accordance with *Government Auditing Standards***



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Directors  
The Ohio State University Foundation  
901 Woody Hayes Drive  
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We have reviewed the *Independent Auditor's Report* of the Ohio State University Foundation, Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2018 through June 30, 2019. 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 Ohio State University Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

November 22, 2019

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# The Ohio State University Foundation

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June 30, 2019 and 2018

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## **Report of Independent Auditors**

To the Board of Directors of  
The Ohio State University Foundation:

We have audited the accompanying consolidated financial statements of the Ohio State University Foundation (the "Foundation"), a component unit of the Ohio State University, which comprise the consolidated statements of net position as of June 30, 2019 and June 30, 2018, and the related consolidated statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the consolidated financial statements, which collectively comprise the Foundation's basic consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Foundation's preparation and fair presentation of the consolidated 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 Foundation'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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2019 and June 30, 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

The accompanying management's discussion and analysis on pages 4 through 9 is required by accounting principles generally accepted in the United States of America to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated 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 consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated 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 an opinion on the consolidated financial statements taken as a whole. The consolidating information on page 29 to 30 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the Foundation's basic consolidated financial statements. The accompanying other information on the long-term investment pool on pages 31 to 32 is presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2019 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2019. The purpose of that report is solely to describe the scope of our



testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of 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 Foundation's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

November 13, 2019

# **The Ohio State University Foundation**

## **Management's Discussion and Analysis (Unaudited)**

### **Year Ended June 30, 2019**

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The following Management's Discussion and Analysis ("MD&A") of The Ohio State University Foundation's (the "Foundation") financial performance provides an introduction to the financial statements as of and for the year ended June 30, 2019, with comparative information for the years ended June 30, 2018 and June 30, 2017. The information contained in this MD&A should be considered in conjunction with the information contained in the Foundation's financial statements.

The following sections provide additional details on the Foundation's 2019 financial results and a look ahead at significant economic conditions that are expected to affect the Foundation in the future.

#### **About The Ohio State University Foundation**

The Foundation is The Ohio State University's (the "University") fundraising and gift-receiving organization. It was founded in 1985 as a non-profit, tax-exempt organization that advances the mission of the University by pursuing and securing private support to benefit the University students, faculty, patients, research, programs, and facilities.

#### **About the Financial Statements**

The following financial statements include all balances for the Foundation and the consolidated financial results for two legally separate entities, Clifton Holdings, LLC and Pelotonia, LLC ("Pelotonia"), which are subject to control by the Foundation. The Statement of Net Position is the Foundation's balance sheet. It reflects the Foundation's assets, liabilities, and net position at June 30, 2019, with comparative information as of June 30, 2018. The Statement of Revenues, Expenses and Changes in Net Position is the Foundation's income statement and reflects its various sources of revenue and categories of expense for the year ended June 30, 2019, with comparative information for Fiscal Year 2018. The Statement of Cash Flows details how cash has increased or decreased during the year ended June 30, 2019, with comparative information for Fiscal Year 2018. University leadership is restructuring Pelotonia, LLC into a new 501(c)(3) organization. On December 31, 2019, all Pelotonia LLC assets, liabilities and activities will be transferred to the new Pelotonia 501(c)(3) organization. Under the Code of Regulations for the new Pelotonia 501(c)(3) organization, university-appointed directors have the ability to veto certain actions, including the determination of the allocation of Pelotonia funds to be used for university research, activities at other institutions and corporate operating expenses. In accordance with related GASB guidance, the new Pelotonia organization is considered to be "fiscally dependent" on the university and is consolidated in the university's financial reports.

**The Ohio State University Foundation**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended June 30, 2019**

**Statements of Net Position**

	2019	2018	2017
Cash and cash equivalents	\$ 43,635,271	\$ 22,859,141	\$ 4,363,690
Pledges receivable — current portion — net	31,540,349	26,576,671	31,930,280
Other current assets	<u>9,745,462</u>	<u>12,137,352</u>	<u>10,942,421</u>
<b>Total current assets</b>	<b>84,921,082</b>	<b>61,573,164</b>	<b>47,236,391</b>
The Ohio State University Long-Term Investment Pool	\$ 969,428,976	\$ 958,749,667	\$ 877,261,330
Pledges receivable, net	166,416,151	73,848,183	74,082,540
Other noncurrent assets	<u>49,839,807</u>	<u>55,505,634</u>	<u>54,383,055</u>
<b>Total noncurrent assets</b>	<b><u>1,185,684,934</u></b>	<b><u>1,088,103,484</u></b>	<b><u>1,005,726,925</u></b>
<b>Total assets</b>	<b><u>\$ 1,270,606,016</u></b>	<b><u>\$ 1,149,676,648</u></b>	<b><u>\$ 1,052,963,316</u></b>
Irrevocable split-interest agreements—current	\$ 3,120,996	\$ 3,095,192	\$ 3,360,531
Distribution payable to The Ohio State University	40,016,949	19,744,393	-
Other current liabilities	<u>210,135</u>	<u>2,246,192</u>	<u>2,240,680</u>
<b>Total current liabilities</b>	<b>43,348,080</b>	<b>25,085,777</b>	<b>5,601,211</b>
Irrevocable split-interest agreements—noncurrent	\$ 28,605,687	\$ 29,632,705	\$ 30,688,767
Unearned revenue	<u>31,948,349</u>	<u>15,354,476</u>	<u>17,336,076</u>
<b>Total noncurrent liabilities</b>	<b><u>60,554,036</u></b>	<b><u>44,987,181</u></b>	<b><u>48,024,843</u></b>
<b>Total liabilities</b>	<b><u>\$ 103,902,116</u></b>	<b><u>\$ 70,072,958</u></b>	<b><u>\$ 53,626,054</u></b>
Deferred inflows	\$ 13,795,221	\$ 14,843,243	\$ 12,719,327
Net investment in capital assets	2,952,840	3,137,008	3,271,170
Restricted			
Nonexpendable-Endowment	910,295,883	877,276,138	817,017,485
Expendable	225,536,633	170,694,975	153,379,369
Unrestricted	<u>14,123,323</u>	<u>13,652,326</u>	<u>12,949,911</u>
<b>Total net position</b>	<b><u>1,152,908,679</u></b>	<b><u>1,064,760,447</u></b>	<b><u>986,617,935</u></b>
<b>Total liabilities and net position</b>	<b><u>\$ 1,270,606,016</u></b>	<b><u>\$ 1,149,676,648</u></b>	<b><u>\$ 1,052,963,316</u></b>

During the year ended June 30, 2019, **cash and cash equivalents** increased \$21 million, to \$44 million, primarily due to a change in the timing of transfers of gift funds by Pelotonia. The Statement of Cash Flows, which is discussed in more detail below, provides additional information on sources and uses of Foundation cash.

The Foundation receives pledges and bequests of financial support from individuals, corporations and other foundations. For current-use and capital gifts, **pledges receivable** and gift revenue are recognized when an unconditional promise to pay is received and all eligibility requirements have been met. Total pledges receivable increased \$98 million, to \$198 million at June 30, 2019, primarily due to a \$102 million pledge from the new Pelotonia 501(c)(3) organization. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, endowment pledges are not recorded as assets until the related gift is received.

# The Ohio State University Foundation

## Management's Discussion and Analysis (Unaudited)

### Year Ended June 30, 2019

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**Other current assets** consist primarily of receivables due from Pelotonia riders for the annual bicycle tour. These receivables decreased \$3 million, to \$9 million at June 30, 2019.

The Foundation's 2,932 named endowment funds and 263 pending endowment funds are invested in **The Ohio State University Long-Term Investment Pool**. Each named fund is assigned a number of shares in the pool based on the value of the gifts, income-to-principal transfers or transfers of operating funds to that named fund. The fair value of Foundation investments in the Long-Term Investment Pool increased \$10 million, to \$969 million at June 30, 2019, primarily due to \$12 million of net investment income and \$43 million of net principal additions, offset by \$41 million in endowment distributions and \$4 million of LTIP expenses. Additional information on Foundation net investment income is provided below. Additional information on the University's Long-Term Investment Pool is provided on pages 31 and 32.

**Other noncurrent assets** consist primarily of investments held under unitrust, annuity trust and gift annuity agreements. The fair value of these investments was relatively stable in 2019, decreasing \$2 million, to \$45 million at June 30, 2019.

As part of the restructuring of Pelotonia, the Foundation and Pelotonia LLC entered into an Amended and Restated Memorandum of Understanding (MOU) related to the remittance of funds raised by Pelotonia riders. Under the Amended and Restated MOU, Pelotonia LLC will "temporarily retain those gifts received directly by Pelotonia between July 1, 2017 and the closing of the Restructuring Transaction on December 31, 2019. On this date, all Pelotonia LLC assets, liabilities and activities will be transferred to the new Pelotonia 501(c)(3) organization. All "Retained Funds" remain exclusively restricted to supporting cancer research at the university and are to be transferred to the university upon its request. No later than two years from the closing date of the Restructuring Transaction, the new Pelotonia organization will transfer all "Retained Funds" to the Foundation, which will remit the funds to the university. These balances are shown as distributions payable to The Ohio State University.

The Foundation enters into charitable remainder trust and gift annuity agreements with donors, under which the Foundation agrees to pay periodic fixed payments to beneficiaries during their lifetimes. In fiscal year 2018, the Foundation implemented a new accounting standard related to these agreements (GASB Statement No. 81, *Irrevocable Split-Interest Agreements*) that generally defers the recognition of revenue and expenses until the death of the beneficiary. At June 30, 2019, **liabilities and deferred inflows related to irrevocable split-interest agreements** totaled \$32 million and \$14 million, respectively, and in 2018 totaled \$33 million and \$15 million, respectively.

**Unearned revenue** consists primarily of amounts received from donors that are subject to eligibility requirements. These unearned revenues had a net increase of \$17 million, to \$32 million at June 30, 2019. These amounts will be recognized as gift revenue when the related eligibility requirements are met.

The Foundation's total **net position** increased \$88 million, to \$1.15 billion at June 30, 2019, primarily due to \$10 million in net investment income, and \$333 million of gifts in 2019, offset by \$244 million of distributions to the University and other expenses of \$15 million. Additional information on Foundation revenues and expenses is provided below.

#### **Prior-Year Highlights**

The fair value of Foundation investments in the Long-Term Investment Pool increased \$82 million, to \$959 million at June 30, 2018, primarily due to \$68 million of LTIP net investment income. Total pledges

**The Ohio State University Foundation**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended June 30, 2019**

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receivable decreased \$6 million, to \$100 million at June 30, 2018, reflecting decreases in overall fundraising activity. Other Foundation assets and liabilities were relatively stable in 2018.

**Statements of Revenues, Expenses and Changes in Net Position**

	2019	2018	2017
Operating revenues			
Current use gifts	\$ 262,406,297	\$ 167,843,368	\$ 179,912,140
Private capital gifts	25,475,630	16,012,005	26,771,098
Income from irrevocable split-interest agreements	1,774,142	2,086,542	722,292
Miscellaneous income	<u>1,582,799</u>	<u>1,712,993</u>	<u>1,885,054</u>
Total operating revenues	291,238,868	187,654,908	209,290,584
Operating expenses			
Distributions to OSU			
Pass through gifts	205,429,557	188,559,895	205,061,468
Endowment distributions	40,096,137	37,111,218	34,315,899
Transfers to endowment principal	(3,782,805)	(4,547,477)	(5,480,586)
Other distributions	<u>2,324,366</u>	<u>2,201,626</u>	<u>1,550,778</u>
Total distributions to OSU	244,067,255	223,325,262	235,447,559
Trust distributions outside of OSU	216,247	-	-
Other expenses	<u>14,348,623</u>	<u>9,739,723</u>	<u>9,519,843</u>
Total operating expenses	258,632,125	233,064,985	244,967,402
Net operating income (loss)	32,606,743	(45,410,077)	(35,676,818)
Nonoperating revenues			
Net Investment income	<u>10,008,357</u>	<u>67,974,034</u>	<u>102,296,914</u>
Income before other changes in net position	42,615,100	22,563,957	66,620,096
Other changes in net position			
Permanent endowment gifts	<u>45,533,132</u>	<u>55,578,555</u>	<u>52,458,078</u>
Increase in net position	88,148,232	78,142,512	119,078,174
Net position - beginning of year	1,064,760,447	986,617,935	867,539,761
Net position - end of year	<u>\$ 1,152,908,679</u>	<u>\$ 1,064,760,447</u>	<u>\$ 986,617,935</u>

Total **gift revenues** increased \$94 million, to \$333 million in 2019 due to a pledge of \$102 million from the new Pelotonia 501(c)(3) organization. The pledge is designated to support The Ohio State University Comprehensive Cancer Center-Arthur G. James Cancer Hospital and Richard J. Solove Research Institute (OSUCCC-James). Increases in current use and capital gifts were partially offset by a \$10 million decrease in endowment gifts. Several colleges and support units received gifts in excess of \$1 million in 2019, including Veterinary Medicine, the Cancer Hospital and Research Institute, the College of Medicine, Neuroscience, the College of Arts and Sciences, the College of Engineering, the College of Food, Agricultural and Environmental Sciences, WOSU Public Media, Fisher College of

# The Ohio State University Foundation

## Management's Discussion and Analysis (Unaudited)

### Year Ended June 30, 2019

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Business, General University Scholarship Funds and the Department of Athletics. Over 272,000 alumni and friends made gifts to the University, up from 269,000 in 2018.

**Net investment income** decreased \$58 million, to \$10 million in 2019, primarily due to lower investment returns in the University's Long-Term Investment Pool (LTIP). Foundation investments in the LTIP yielded \$10 million in net investment income, which includes interest, dividends, increases in fair value and investment management expenses. The LTIP returned 1.2% in 2019, down from 7.7% in 2018. The decrease in LTIP returns was primarily due to a combination of below-benchmark returns across asset classes and a \$101 million reduction in the fair value of certain natural resources and oil and gas investments.

The Foundation distributes current-use and private capital gifts to the university upon receipt. These **pass-through gift distributions** increased \$16 million, to \$205 million in 2019, reflecting increases in gift revenues. The Foundation holds endowment gifts and transfers **endowment distributions** to university departments, to be spent for their restricted purposes. These endowment distributions increased \$3 million, to \$40 million in 2019. The annual distribution per share for 2019 was 4.5% of the average fair value per share of Long-Term Investment Pool over the most recent seven-year period.

**Other expenses** consist primarily of expenses charged to the Foundation's shares in the LTIP, salaries and benefits, professional services, audit and legal fees, and provision for uncollectible pledges. These expenses increased \$4 million, to \$14 million in 2019, mainly due to a \$3 million increase in provisions for uncollectible pledges.

#### Prior-Year Highlights

The Foundation's total net position increased \$78 million, to \$1,065 billion at June 30, 2018, primarily due to \$68 million in net investment income. The University's Long-Term Investment Pool (LTIP) returned +7.7% for the fiscal year ending June 30, 2018. Total gift revenues decreased \$20 million, to \$239 million in 2018, reflecting the end of the *But for Ohio State* fundraising campaign in fiscal year 2017. Over 269,000 alumni and friends made gifts to the University, up from 267,000 in 2017.

#### Statements of Cash Flows

	2019	2018	2017
Operating activities	\$ 12,785,591	\$ 31,618,645	\$ 11,697,562
Investing activities	<u>7,990,539</u>	<u>(13,123,194)</u>	<u>(9,828,413)</u>
Net increase in cash and cash equivalents	20,776,130	18,495,451	1,869,149
Cash and cash equivalents, beginning of year	<u>22,859,141</u>	<u>4,363,690</u>	<u>2,494,541</u>
Cash and cash equivalents, end of year	<u>\$ 43,635,271</u>	<u>\$ 22,859,141</u>	<u>\$ 4,363,690</u>

Total Foundation cash and cash equivalents increased \$21 million in 2019. Net cash provided by operating activities decreased \$19 million to \$13 million. Gift receipts were up \$8 million, but this increase was offset by a \$20 million increase in distributions to the University. Net cash used for investing activities increased \$21 million resulting in a positive \$8 million of activity, reflecting interest and dividends received.

#### Current Environment

Buckeye Nation supported The Ohio State University with record-setting generosity in FY19, the fourth consecutive year that a new high was reached in fundraising activity. Total fundraising activity of \$623 million helped advance student success, research, patient care, athletics and more, and marked the second straight year above the \$600 million threshold. That support came from more than 272,000

**The Ohio State University Foundation  
Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2019**

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donors. Total fundraising was up 3 percent from FY18. Cash receipts totaled \$413 million, the second-highest total in our university's history.

The University's *Time and Change* campaign publicly launched on October 3 with three key areas of focus – student success, research and discovery, and healthy, vibrant communities – and ambitious goals, including being the first higher education institution ever to attract one million supporters in such an effort. Planning for a new campaign began years earlier and involved partnerships between deans and directors of academic programs, volunteer and university leaders, and staff. To date, over \$1.7 billion has been raised toward a goal of \$4.5 billion.

The fundraising activity and campaign totals noted above are based on reporting standards set forth by the Council for Advancement and Support of Education (CASE standards) and include private grant and contract (non-gift) revenue, pledges and bequests that will be realized in future years.

**The Ohio State University Foundation**  
**Consolidated Statements of Net Position**  
**As of June 30, 2019 and 2018**

	2019	2018
<b>Assets</b>		
Current assets		
Cash and cash equivalents <i>(Note 1)</i>	\$ 43,635,271	\$ 22,859,141
Pledges receivable — current portion — net <i>(Note 1)</i>	31,540,349	26,576,671
Accounts receivable	9,482,866	11,599,639
Accrued interest receivable	2,334	2,438
Marketable securities <i>(Note 2 &amp; Note 3)</i>	51,887	3,544
Charitable remainder trusts <i>(Note 2 &amp; Note 3)</i>	-	371,080
Other assets	208,375	160,651
Total current assets	<u>84,921,082</u>	<u>61,573,164</u>
Noncurrent Assets		
The Ohio State University Long-Term Investment Pool <i>(Note 2)</i>	969,428,976	958,749,667
Marketable securities <i>(Note 2 &amp; Note 3)</i>	18,862,963	19,443,758
Investment Partnerships	140,749	138,527
Charitable remainder trusts <i>(Note 2 &amp; Note 3)</i>	26,607,054	27,752,758
Life insurance policies	1,276,201	1,324,962
Real estate	-	3,708,621
Pledges receivable, net <i>(Note 1)</i>	166,416,151	73,848,183
Capital assets, net <i>(Note 1)</i>	2,952,840	3,137,008
Total noncurrent assets	<u>1,185,684,934</u>	<u>1,088,103,484</u>
Total assets	<u>\$ 1,270,606,016</u>	<u>\$ 1,149,676,648</u>
<b>Liabilities, Deferred Inflows and Net Position</b>		
Current liabilities		
Irrevocable split-interest agreements <i>(Note 4)</i>	\$ 3,120,996	\$ 3,095,192
Advance from The Ohio State University <i>(Note 5)</i>	8,290	2,164,008
Distribution payable to The Ohio State University	40,016,949	19,744,393
Accrued liabilities	201,845	82,184
Total current liabilities	<u>43,348,080</u>	<u>25,085,777</u>
Noncurrent Liabilities		
Unearned revenue	31,948,349	15,354,476
Irrevocable split-interest agreements <i>(Note 4)</i>	28,605,687	29,632,705
Total noncurrent Liabilities	<u>60,554,036</u>	<u>44,987,181</u>
Total liabilities	<u>103,902,116</u>	<u>70,072,958</u>
Deferred Inflows	13,795,221	14,843,243
<b>Net Position</b>		
Net investment in capital assets	2,952,840	3,137,008
Restricted		
Nonexpendable - Endowment	910,295,883	877,276,138
Expendable	225,536,633	170,694,975
Unrestricted	14,123,323	13,652,326
Total net position	<u>1,152,908,679</u>	<u>1,064,760,447</u>
Total liabilities, deferred inflows and net position	<u>\$ 1,270,606,016</u>	<u>\$ 1,149,676,648</u>

The accompanying notes are an integral part of these consolidated financial statements.



**The Ohio State University Foundation**  
**Consolidated Statements of Revenues, Expenses and**  
**Changes in Net Position**  
**For the years ended June 30, 2019 and 2018**

	2019	2018
<b>Operating Revenues</b>		
Current use gifts	262,406,297	167,843,368
Private capital gifts	25,475,630	16,012,005
Income from irrevocable split-interest agreements	1,774,142	2,086,542
Miscellaneous income	1,582,799	1,712,993
Total operating revenues	<u>291,238,868</u>	<u>187,654,908</u>
<b>Operating Expenses</b>		
Distributions to The Ohio State University		
Pass through gifts	205,429,557	188,559,895
Endowment distributions	40,096,137	37,111,218
Transfers to endowment principal	(3,782,805)	(4,547,477)
Other distributions	2,324,366	2,201,626
Total Distributions to The Ohio State University	<u>244,067,255</u>	<u>223,325,262</u>
Trust distribution outside The Ohio State University	216,247	-
Salaries and benefits	3,167,102	2,633,108
Long-Term Investment Pool expense	4,208,060	3,397,319
Professional services, audit and legal fees	1,798,210	2,091,394
(Release)/Provision for uncollectible pledges	2,170,486	(1,150,931)
Depreciation	184,168	241,922
Rent and utilities expense	149,936	111,601
Other	2,670,661	2,415,310
Total operating expenses	<u>258,632,125</u>	<u>233,064,985</u>
Net operating income (loss)	32,606,743	(45,410,077)
<b>Non-operating Revenues</b>		
Net investment income		
Interest and dividends	20,373,506	18,185,209
Increase (decrease) in fair value of investments	(667,026)	61,624,055
Investment expenses	(9,698,123)	(11,835,230)
Total net investment income	<u>10,008,357</u>	<u>67,974,034</u>
Income before other changes in net position	42,615,100	22,563,957
<b>Other Changes in Net Position</b>		
Permanent endowment gifts	45,533,132	55,578,555
Increase in net position	88,148,232	78,142,512
Net Position, beginning of year	1,064,760,447	986,617,935
Net position, end of year	<u>\$ 1,152,908,679</u>	<u>\$ 1,064,760,447</u>

The accompanying notes are an integral part of these consolidated financial statements.

**The Ohio State University Foundation**  
**Consolidated Statements of Cash Flows**  
**For the years ended June 30, 2019 and 2018**

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	2019	2018
<b>Operating Activities</b>		
Cash received from contributors	\$ 250,463,573	\$ 242,463,706
Receipt of new gift annuity agreements	639,945	2,451,418
Receipt of new trust agreements	29,595	1,089,702
Distributions to The Ohio State University	(223,806,176)	(203,580,869)
Income distributions paid to gift annuitants	(1,735,298)	(1,732,612)
Trust distribution outside The Ohio State University	(216,247)	-
Payments to vendors for supplies and services	(8,850,817)	(8,468,360)
Payments to or on behalf of employees	(3,134,858)	(2,598,091)
University employee benefit payments	(32,244)	(35,017)
Advance from The Ohio State University	(2,155,718)	311,132
Other receipts	1,583,836	1,717,636
Net cash provided by operating activities	<u>12,785,591</u>	<u>31,618,645</u>
<b>Investing Activities</b>		
Proceeds from sales of investments	61,133,241	56,370,490
Purchases of investments	(65,062,835)	(76,666,850)
Interest and dividends received, net of expenses	10,675,383	6,349,979
Interest Income from irrevocable split-interest agreements	1,244,750	930,947
Payment for capital assets	-	(107,760)
Net cash provided (used) by investing activities	<u>7,990,539</u>	<u>(13,123,194)</u>
Increase (decrease) in cash and cash equivalents	20,776,130	18,495,451
Cash and cash equivalents, beginning of year	22,859,141	4,363,690
Cash and cash equivalents, end of year	<u>\$ 43,635,271</u>	<u>\$ 22,859,141</u>

The accompanying notes are an integral part of these consolidated financial statements.

**The Ohio State University Foundation**  
**Consolidated Statements of Cash Flows, Cont'd**  
**For the years ended June 30, 2019 and 2018**

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	2019	2018
<b>Reconciliation of Net Operating Income (Loss) to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Net operating income (loss)	\$ 32,606,743	\$ (45,410,077)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities		
Depreciation	184,168	241,922
Permanent endowment gifts	45,533,132	55,578,555
Change in fair value of irrevocable split-interest agreements	298,894	(296,352)
Interest income from irrevocable split-interest agreements	(1,244,750)	(930,947)
Change in cash surrender value of life insurance policies	48,761	20,497
Pledge allowance	2,170,486	(1,150,931)
Changes in assets and liabilities		
Pledges receivable	(99,702,132)	6,738,897
Accounts receivable	2,116,773	(1,727,519)
Unearned revenue	16,593,873	(1,981,600)
Accrued interest receivable	104	(366)
Other current assets	(47,724)	(15,854)
Real estate and partnerships	(1,960,000)	-
Advance from The Ohio State University	-	311,132
Return of Advance from The Ohio State University	(2,155,718)	-
Distribution payable to The Ohio State University	20,272,556	19,744,393
Accrued liabilities	119,661	(305,620)
Gift annuities liabilities	33,571	(751,658)
Gift annuity reserve	(53,245)	43,556
Charitable remainder trust liability	(981,540)	(613,299)
Deferred Inflows	(1,048,022)	2,123,916
Net cash provided by operating activities	<u>\$ 12,785,591</u>	<u>\$ 31,618,645</u>
<b>Non Cash Transactions</b>		
Stock Gifts	\$ 12,144,222	\$ 18,238,461
Real Estate	1,960,000	\$ -
Increase (decrease) in fair value of investments	(965,919)	61,920,407
Change in carrying value of remainder trusts	(1,011,135)	(1,703,001)

The accompanying notes are an integral part of these consolidated financial statements.

# The Ohio State University Foundation

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

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#### 1. ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in preparing the financial statements:

##### **Organization**

The Ohio State University Foundation (the "Foundation") was incorporated as a not-for-profit organization in the State of Ohio on April 19, 1985, and operates for the benefit of and is a component unit of The Ohio State University (the "University"). The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

##### **Basis of Presentation**

The Foundation is the single member of two LLC's, Clifton Holdings, LLC ("Clifton"), and Pelotonia LLC ("Pelotonia"). Clifton was created in 2007 to own and maintain the University President's residence. Pelotonia, which was created in 2008, organizes annual bicycle tours to raise funds to support cancer research. These LLC's are included with the Foundation's consolidated financial statements in a blended presentation. University leadership is restructuring Pelotonia, LLC into a new 501(c)(3) organization. On December 31, 2019, all Pelotonia LLC assets, liabilities and activities will be transferred to the new Pelotonia 501(c)(3) organization. The new Pelotonia organization is considered to be "fiscally dependent" on the university under related GASB guidance and is consolidated in the university's financial reports. The Foundation, as a component unit of the University, is included in the University's consolidated financial statements in a blended presentation.

##### **Basis of Accounting**

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB"). The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

##### **Cash and Cash Equivalents**

The Foundation considers all demand deposit accounts and money market funds with a maturity of three months or less to be cash equivalents except for the money market funds held as part of the gift annuities and charitable remainder trusts agreements at the date of purchase. All cash is principally on deposit with two banks.

At June 30, 2019, the carrying amount of the Foundation's cash and cash equivalents with financial institutions was \$43,635,271 of which \$42,284,060 is covered by federal deposit insurance. The amount remaining of \$1,198,561 is uncollateralized. At June 30, 2018, the carrying amount of the Foundation's cash and cash equivalents with financial institutions was \$22,859,141 of which \$20,625,161 is covered by federal deposit insurance. The amount remaining of \$2,233,980 is uncollateralized.

##### **Pledges Receivable**

The Foundation receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, endowment pledges are not

# The Ohio State University Foundation

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

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recorded as assets until the related gift is received. The Foundation reduces pledges receivable to estimated net realizable value by recording an allowance for uncollectible pledges. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts and includes such factors as prior collection history, type of gift and nature of fundraising. For the years ended June 30, 2019 and 2018 the Foundation recorded an allowance against pledges receivable of \$5,786,975 and \$3,616,489 respectively.

#### **Net Position**

The Foundation's financial resources are classified for accounting and reporting purposes into the following four net position categories:

- **Net investment in capital assets**

Capital assets, net of accumulated depreciation, cash restricted for capital projects and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets

- **Restricted - Nonexpendable**

Amounts subject to externally-imposed stipulations that they be maintained in perpetuity and invested for the purpose of generating present and future income, which may either be expended or added to the principal by the University. These assets primarily consist of the Foundation's permanent endowments.

- **Restricted - Expendable**

Amounts whose use is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

- **Unrestricted**

Amounts which are not subject to externally-imposed stipulations.

#### **Gifts**

Gifts are recorded at their fair value as of the date received. This includes gifts of real estate for which fair value is obtained by an independent appraisal.

In accordance with GASB Statement No. 33, private donations are recognized when all eligibility requirements are met. The Foundation has recorded pledges receivable, net of allowances, of \$197,956,500 and \$100,424,854 as of June 30, 2019 and 2018, respectively.

#### **In-Kind Income**

The facilities occupied by the Foundation are provided by the University. In addition, the University's Office of University Development and the Office of Business and Finance assist the Foundation in fund-raising, gift processing, and accounting. The value of the office space and services provided constitutes additional in-kind income to the Foundation, but is not reported in the Foundation's financial statements.

# The Ohio State University Foundation

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

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#### Investments

All 2,932 Board-established named Foundation endowments and 263 Foundation pending funds are invested in The Ohio State University Long-Term Investment Pool ("University Long-Term Investment Pool"). Each named fund is assigned a number of shares in the University Long-Term Investment Pool based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Ohio, permits the University's Board of Trustees to appropriate an amount of realized and unrealized endowment appreciation as the Board deems prudent. The UPMIFA, as adopted in Ohio, establishes a 5% safe harbor of prudence for funds appropriated for expenditure. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the University Long-Term Investment Pool, and the associated net position is classified as restricted- expendable unless otherwise restricted by the donor. The depreciation on non-expendable endowment funds is recorded as a reduction to restricted non-expendable net position. Recovery on these funds is recorded as an increase in restricted non-expendable up to the historical value of each fund. Per UPMIFA (§ 1715.53(D)(C)), the reporting of such deficiencies does not create an obligation on the part of the endowment fund to restore the fair value of those funds.

Annual distributions to named funds in the University Long-Term Investment Pool are computed using the share method of accounting for pooled investments. For the years ended June 30, 2019 and 2018, the annual distribution per share was 4.5% of the average fair value per share of the University Long-Term Investment Pool over the most recent seven-year period. These distributions, which were transferred from the University Long-Term Investment Pool to current restricted endowment distribution funds, totaled \$40,096,137 and \$37,111,218 in fiscal years 2019 and 2018, respectively.

At June 30, 2019, the fair value of the Foundation's gifted endowments was \$969,428,976, which is approximately \$5,376,337 above the historical dollar value of \$964,052,639. Although the fair value of the Foundation's gifted endowments in total exceeds the historical cost at June 30, 2019, there were 1,346 named funds underwater. The fair value of these underwater funds at June 30, 2019 was \$379,576,243, which was \$37,713,465 below the historical dollar value of \$417,289,709.

At June 30, 2018, the fair value of the Foundation's gifted endowments was \$958,749,667, which is approximately \$38,125,188 above the historical dollar value of \$920,624,479. At June 30, 2018, there were 894 named funds underwater. The fair value of these underwater funds at June 30, 2018 was \$269,155,845 which was \$26,839,309 below the historical dollar value of \$295,995,154.

The interests in unitrust, annuity trust, and gift annuity agreements (charitable remainder trusts and marketable securities) are carried at fair value. Mutual funds are recorded at share values reported by investment managers. Bonds and notes are recorded at values determined by market quotations. Realized gains or losses from sale or redemption of investments are calculated based upon the cost of the specific investment sold or redeemed. Purchases and sales of investments are reflected on a trade-date basis.

# The Ohio State University Foundation

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

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The Foundation is the owner and beneficiary of certain restricted life insurance policies, including paid up single premium whole life policies and annual premium whole life policies for which the donors are paying the premiums. These policies are reported at their cash surrender values. Changes in cash surrender value are reported as miscellaneous income.

Real estate is recorded at the appraised value at the date of the gift. During fiscal year 2019 all assets were sold and are \$0 at June 30, 2019. These assets were \$3,708,621 at June 30, 2018.

Investment income is recorded on the accrual basis in the fund in which the income was earned, except for income derived from endowments. Investment income on endowment fund assets is recorded in the fund to which the income was designated by the donor.

#### **Capital Assets, Net**

The University President's Residence is reported as a capital asset and is shown net of accumulated depreciation. The net book value of the residence was \$2,952,840 and \$3,137,008 at June 30, 2019 and 2018, respectively.

#### **Reimbursement Agreement and Resolution**

The Foundation and the University entered into an agreement in March 1989 to reimburse costs incurred by the University on behalf of the Foundation and to repay related advances from the University. In connection therewith, the Foundation's Board of Directors approved a resolution in April 1989, authorizing the Foundation to utilize undesignated income earned from unrestricted/restricted funds, as needed, to reimburse the University. On July 7, 2000, the University's Board of Trustees approved a resolution creating a funding plan for University development. Part of this plan includes support to reduce the Foundation's outstanding advance from the University. Funding of \$780,000 was recognized in 2019 with no funding in 2018.

#### **Newly Issued Accounting Pronouncements**

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This standard establishes criteria for identifying and reporting fiduciary activities of all state and local governments. The focus of the criteria generally is whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria are required to present these activities in a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to this requirement is provided for a business-type activity that expects to hold assets in a custodial fund for three months or less. This standard is effective for periods beginning after December 15, 2018 (FY2020).

In June 2017, the GASB issued Statement No. 87, *Leases*. This standard establishes accounting and reporting for leases, based on the foundational principle that all leases are financings of the right to use an underlying asset for a period of time. Lessees will record an intangible right-of-use asset and corresponding lease liability. Lessors will record a lease receivable and a corresponding deferred inflow of resources. The standard provides an exception for short-term leases with a maximum possible term of 12 months or less. This standard is effective for periods beginning after December 15, 2019 (FY2021).

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This standard requires that interest cost incurred during the period of construction be recognized as an expense in the period in which the cost is incurred. These costs will no longer be included in the historical costs of capital assets. The standard is effective for periods beginning after December 15, 2019 (FY2021) and will be applied on a prospective basis.

**The Ohio State University Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

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In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. This standard establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The standard is effective for periods beginning after December 15, 2018 (FY2020).

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard clarifies the definition of a conduit debt obligation, establishes the third-party obligor's responsibility for the liability and modifies disclosure requirements for these arrangements. The standard is effective for periods beginning after December 15, 2020 (FY2022).

Foundation management is currently assessing the impact that implementations of GASB Statements 84, 87, 89, 90 and 91 will have on the Foundation's financial statements.

**2. INVESTMENTS**

A substantial portion of the Foundation's investments are held by the University in the University Long-Term Investment Pool, a unitized investment pool that also includes gifted University endowments and University operating funds that are internally designated to function as endowments. The Foundation also holds certain other investments that are related to charitable arrangements. A summary of investments as of June 30, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
University Long-Term Investment Pool	\$ 969,428,976	\$ 958,749,667
Investments directly owned by Foundation:		
Investments held by charitable remainder trusts	26,607,054	28,123,838
Marketable securities	18,914,850	19,447,302
Investment partnership	140,749	138,527
Life insurance policies	1,276,201	1,324,962
Real estate	-	3,708,621
Total investments	<u>1,016,367,830</u>	<u>1,011,492,917</u>
Less current portion	<u>51,887</u>	<u>374,624</u>
Total Long-Term Investments	<u>\$ 1,016,315,943</u>	<u>\$ 1,011,118,293</u>

The Foundation's directly owned investments by investment type at June 30, 2019 and 2018 are as follows:



**The Ohio State University Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

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	<b>2019</b>	<b>2018</b>
Equity mutual funds	\$ 22,284,296	\$ 23,817,519
U.S. government obligations	471,002	467,867
Bond mutual funds	15,421,711	16,399,553
Private equity	124,889	122,667
Real assets	6,187,371	9,774,876
Cash and cash equivalents	1,173,384	835,806
Other	<u>1,276,201</u>	<u>1,324,962</u>
Total	<u>\$ 46,938,854</u>	<u>\$ 52,743,250</u>

**The Ohio State University Long-Term Investment Pool**

The University Long-Term Investment Pool is a unitized investment pool consisting of gifted endowment funds of the University, gifted endowment funds of the Foundation, and quasi endowment funds which have been internally designated to function as endowments. The University Long-Term Investment Pool operates with a long-term investment goal of preserving and maintaining the real purchasing power of the principal while allowing for an annual distribution. The University's Board of Trustees approved the following thematic asset classes, allocation ranges, and benchmarks for the University Long-Term Investment Pool:

<b>Asset Class</b>	<b>Range</b>	<b>Benchmark</b>
Global Equities	40-80%	MSCI All Country World Index (ACWI)
Global Credit	10-50%	Barclays U.S. Aggregate Bond Index
Real Assets	5-20%	U.S. Consumer Price Index (CPI) +5%

The University Long Term Investment Pool is designed to produce competitive risk-adjusted returns that will provide real growth over time. Benchmarks are selected to measure the performance of the investments in each asset class considering the goals and expectations for each asset class.

The Global Equities category includes domestic equity, international equity, emerging market equity, hedged funds and private equity. The Global Credit category includes global fixed income and relative value/macro, credit oriented managers and private credit. The Real Assets category includes real estate, and infrastructure funds.

The University's Chief Financial Officer, in consultation with The Ohio State University Board of Trustees, reviews the thematic asset classes, allocation ranges and benchmarks for the Long-Term Investment Pool on a periodic basis.

**Information on Fair Value of Investments**

Fair value is defined in the accounting standards as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities reported at fair value are organized into a hierarchy based on the levels of inputs observable in the marketplace that are used to measure fair value. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument

# The Ohio State University Foundation

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- *Level 1* – Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Level 1 investments include directly held equity securities, registered bonds, registered equity mutual funds and money market funds.
- *Level 2* – Quoted prices in the markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly, are classified as Level 2. Level 2 investments include fixed income securities that are valued using market information.
- *Level 3* – Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment. Level 3 investments include real estate and other assets.
- *Net Asset Value (NAV)* – Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in non-governmental entities that do not have a readily determinable fair value may be valued at NAV if the NAV is determined in accordance with the fair value measurement principles provided by the FASB standards relevant to investment companies. Alternative investments with an NAV reported under an alternative basis are reflected as Level 3 investments. Investments measured at NAV included hedge funds, private equity investments.
- *Not Leveled* – Cash is not measured at fair value and, thus, is not subject to the fair value disclosure requirements.

The fair value of the Foundation's directly owned investments by category as of June 30, 2019 were as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as practical expedient (NAV)	Total Fair Value
Equity mutual funds	\$ 22,284,296	\$ -	\$ -	\$ -	\$ 22,284,296
US government obligations	-	471,002	-	-	471,002
Bond mutual funds	15,421,711	-	-	-	15,421,711
Private equity	-	-	-	124,889	124,889
Real assets	6,171,511	-	-	15,860	6,187,371
Cash equivalents	1,173,384	-	-	-	1,173,384
Other	-	-	1,276,201	-	1,276,201
Total	<u>\$ 45,050,902</u>	<u>\$ 471,002</u>	<u>\$ 1,276,201</u>	<u>\$ 140,749</u>	<u>\$ 46,938,854</u>

# The Ohio State University Foundation

## Notes to Consolidated Financial Statements

### June 30, 2019 and 2018

The fair value of the Foundation's directly owned investments by category as of June 30, 2018 were as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as practical expedient (NAV)	Total Fair Value
Equity mutual funds	\$ 23,817,519	\$ -	\$ -	\$ -	\$ 23,817,519
US government obligations	\$ -	467,867	-	-	467,867
Bond mutual funds	16,399,553	-	-	-	16,399,553
Private equity	-	-	-	122,667	122,667
Real assets	6,050,395	-	3,708,621	15,860	9,774,876
Cash equivalents	835,806	-	-	-	835,806
Other	-	-	1,324,962	-	1,324,962
Total	<u>\$ 47,103,273</u>	<u>\$ 467,867</u>	<u>\$ 5,033,583</u>	<u>\$ 138,527</u>	<u>\$ 52,743,250</u>

#### Additional Information on Investments Measured at the NAV

Additional information on fair values, unfunded commitments, remaining life and redemption for investments measured at the NAV for the Foundation's directly owned interest-bearing investments as of June 30, 2019 is as follows:

	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Private equity	\$ 124,889	\$ -	1-10 years	Partnerships ineligible for redemption	Not redeemable
Real assets	15,860	-	No limit	30 to 90 day notice periods	
	<u>\$ 140,749</u>	<u>\$ -</u>			

#### Additional Risk Disclosures for Investments

Statements Nos. 3 and 40 of the Governmental Accounting Standards Board require certain additional disclosures related to the custodial, interest-rate, credit and foreign currency risks associated with deposits and investments.

#### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the custodian, University or Foundation investments may not be recovered. It is the policy of the University and the Foundation to hold investments in custodial accounts, and the securities are registered solely in the name of the University or the Foundation, as applicable. All investments are transacted with nationally reputable brokerage firms, offering protection by the Securities Investor Protection Corporation.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

**The Ohio State University Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

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The maturities of the Foundation's directly owned interest-bearing investments as of June 30, 2019 were as follows:

	<b>Investment Maturities (in Years)</b>				
	<b>Fair Value</b>	<b>Less than 1</b>	<b>1 to 5</b>	<b>6 to 10</b>	<b>More than 10</b>
U.S. government obligations	\$ 471,002		\$ 338,056	\$ 132,946	\$ -
Bond mutual funds	15,421,711	867,438	6,763,266	5,320,196	2,470,811
<b>Total</b>	<b>\$ 15,892,713</b>	<b>\$ 867,438</b>	<b>\$ 7,101,322</b>	<b>\$ 5,453,142</b>	<b>\$ 2,470,811</b>

The maturities of the Foundation's directly owned interest-bearing investments as of June 30, 2018 were as follows:

	<b>Investment Maturities (in Years)</b>				
	<b>Fair Value</b>	<b>Less than 1</b>	<b>1 to 5</b>	<b>6 to 10</b>	<b>More than 10</b>
U.S. government obligations	\$ 467,867	\$ -	\$ 193,437	\$ 274,430	\$ -
Bond mutual funds	16,399,553	1,945,583	7,322,026	5,013,471	2,118,473
<b>Total</b>	<b>\$ 16,867,420</b>	<b>\$ 1,945,583</b>	<b>\$ 7,515,463</b>	<b>\$ 5,287,901</b>	<b>\$ 2,118,473</b>

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information — as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings — provides a current depiction of potential variable cash flows and credit risk.

Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3* ("GASB 40"), unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment, are disclosed using the rating indicative of the greatest degree of risk.

**The Ohio State University Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

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The credit ratings of the Foundation's directly owned interest-bearing investments as of June 30, 2019 were as follows:

<b>Credit Rating (S &amp; P)</b>	<b>Total</b>	<b>U.S. Government Obligations</b>	<b>Bond Mutual Funds</b>
AAA	\$ 7,953,476	\$ -	\$ 7,953,476
AA	1,374,254	471,002	903,252
A	1,514,428	-	1,514,428
BBB	3,437,640	-	3,437,640
BB	912,745	-	912,745
B	493,038	-	493,038
CCC	204,126	-	204,126
Not rated	3,006	-	3,006
<b>Total</b>	<b>\$ 15,892,713</b>	<b>\$ 471,002</b>	<b>\$ 15,421,711</b>

The credit ratings of the Foundation's directly owned interest-bearing investments as of June 30, 2018 were as follows:

<b>Credit Rating (S &amp; P)</b>	<b>Total</b>	<b>U.S. Government Obligations</b>	<b>Bond Mutual Funds</b>
AAA	\$ 8,257,252	\$ -	\$ 8,257,252
AA	1,274,982	467,867	807,115
A	4,678,138	-	4,678,138
BBB	952,179	-	952,179
BB	898,501	-	898,501
B	533,553	-	533,553
CCC	271,085	-	271,085
Not rated	1,730	-	1,730
<b>Total</b>	<b>\$ 16,867,420</b>	<b>\$ 467,867</b>	<b>\$ 16,399,553</b>

**The Ohio State University Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

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**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Foundation's exposure to foreign currency risk for investments owned directly by the Foundation as of June 30, 2019 was as follows:

	<b>Equity Mutual Funds</b>	<b>Bond Mutual Funds</b>
Argentine Peso	\$ -	\$ 4,264
Australian Dollar	397,964	46,716
Brazilian Real	168,303	36,778
Canadian Dollar	291,487	132,504
Chilean Peso	23,869	6,421
Chinese Yuan	422,802	673
Colombia Peso	10,450	10,799
Czech Koruna	3,355	-
Danish Krone	126,297	684
Egyptian Pound	9	-
EURO	2,272,918	(101,683)
Great Britain Pound Sterling	1,466,533	26,467
Hong Kong Dollar	632,657	(38,228)
Hungarian Forint	8,874	-
Iceland Krona	-	35,581
Indian Rupee	287,684	(170)
Indonesian Rupiah	56,242	22,235
Israeli Shekel	8,117	403
Japanese Yen	1,749,017	175,592
Kuwait Dinar	35	-
Malaysian Ringgit	59,393	(193)
Mexican Peso	82,044	152,936
New Taiwan Dollar	333,384	(319)
New Turkish Lira	17,358	176
New Zealand Dollar	6,724	43,505
Norwegian Krone	97,268	28,060
Pakistan Rupee	5	-
Peruvian Nuevosol	6,104	19,585
Philippine Peso	30,555	-
Polish Zloty	32,147	14,593
Qatari RIAL	57	-
Russian Rouble	39,926	30,262
Saudi Riyal	68	-
Singapore Dollar	146,778	12
South Africa Rand	153,423	10,282
South Korean Won	378,969	(15,498)
Swedish Krona	242,791	14,033
Swiss Franc	322,736	(13,096)
Thai Baht	76,358	(864)
UAE Dirham	37	-
	<u>\$ 9,952,738</u>	<u>\$ 642,510</u>

**The Ohio State University Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

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The Foundation's exposure to foreign currency risk for investments owned directly by the Foundation as of June 30, 2018 was as follows:

	<b>Equity Mutual Funds</b>	<b>Bond Mutual Funds</b>
Argentine Peso	\$ -	\$ 36,546
Australian Dollar	383,997	54,583
Brazilian Real	150,388	22,287
Canadian Dollar	237,461	181,276
Chilean Peso	25,738	-
Chinese Yuan	388,991	77,632
Colombia Peso	76,591	7,200
Czech Koruna	3,328	-
Danish Krone	88,955	1,094
EURO	2,668,373	(83,712)
Great Britain Pound Sterling	1,380,089	45,732
Hong Kong Dollar	583,509	-
Hungarian Forint	7,778	-
Iceland Krona	-	32,183
Indian Rupee	241,571	24,416
Indonesian Rupiah	46,827	468
Israeli Shekel	9,400	(468)
Japanese Yen	1,706,699	(97,555)
Malaysian Ringgit	57,402	-
Mexican Peso	99,136	209,953
New Taiwan Dollar	293,261	(39,129)
New Zealand Dollar	3,443	73,350
Norwegian Krone	123,430	53,638
Peruvian Nuevosol	6,285	-
Philippine Peso	23,520	-
Polish Zloty	29,066	-
Qatar Rial	28	-
Romanian New Leu	-	(15,339)
Russian Rouble	32,621	49,327
Singapore Dollar	62,542	(38,816)
South Africa Rand	148,287	781
South Korean Won	375,286	(31,616)
Swedish Krona	208,666	74,137
Swiss Franc	295,676	468
Thai Baht	55,188	(935)
Turkish Lira	19,254	-
UAE Dirham	28	-
	<u>\$ 9,832,814</u>	<u>\$ 637,501</u>

**The Ohio State University Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

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**3. Irrevocable Split-Interest Agreements**

The Foundation has entered into charitable gift annuity agreements, which provide, among other matters, that the Foundation shall pay periodic fixed payments to beneficiaries during their lifetimes. Charitable gift annuities differ from other charitable giving options in that the annuity is a general obligation of the Foundation. Accordingly, if the assets of the gift are exhausted as a result of required payments to beneficiaries, then the unrestricted assets of the Foundation will be utilized to fund future payments.

An officer of the Foundation, acting as trustee, enters into unitrust and annuity trust agreements (“charitable remainder trusts”), which provide, among other matters, that the trustee shall pay beneficiaries periodic payments until either the assets of the trust have been exhausted or until the death of the beneficiaries. Upon death of the beneficiaries, any remaining property in the trust will be transferred to the Foundation in accordance with the agreements.

The Foundation accounts for gift annuity and trust agreements by recording the fair market value of assets donated as of the date of the gift, a liability for the present value of amount payable to beneficiaries and a deferred inflow of resources. The present value calculation is based on a combination of the agreed-upon payout rate, actuarial assumptions on mortality rates and a discount rate. The discount rates were 2.8% and 3.4% at June 30, 2019 and 2018, respectively. Revenue from gift annuity and trust agreements is recognized upon termination of the agreements.

Assets, liabilities and deferred inflows associated with irrevocable split-interest agreements as of June 30, 2019 are as follows:

	<u>Gift Annuities</u>	<u>Trusts</u>	<u>Total</u>
<b>Assets:</b>			
Investments held in charitable remainder trusts -- current	\$ -	\$ -	\$ -
Marketable securities -- current	51,887	-	51,887
Investments held in charitable remainder trusts -- noncurrent	-	26,607,054	26,607,054
Marketable securities -- noncurrent	18,862,963	-	18,862,963
Total assets	<u>18,914,850</u>	<u>26,607,054</u>	<u>45,521,904</u>
<b>Liabilities:</b>			
Irrevocable split-interest agreements -- current	1,521,410	1,599,586	3,120,996
Irrevocable split-interest agreements -- noncurrent	14,914,009	13,691,678	28,605,687
Total liabilities	<u>16,435,419</u>	<u>15,291,264</u>	<u>31,726,683</u>
Deferred Inflows	<u>\$ 2,479,431</u>	<u>\$ 11,315,790</u>	<u>\$ 13,795,221</u>

The noncurrent portion of irrevocable split-interest agreements for gift annuities at June 30, 2019 includes a reserve of \$1,891,485. For the year ended June 30, 2019, the Foundation recognized \$1,557,895 of revenues associated with terminations of irrevocable split-interest agreements.



**The Ohio State University Foundation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**

Assets, liabilities and deferred inflows associated with irrevocable split-interest agreements as of June 30, 2018 are as follows:

	<u>Gift Annuities</u>	<u>Trusts</u>	<u>Total</u>
Assets:			
Investments held in charitable remainder trusts -- current	\$ -	\$ 371,080	\$ 371,080
Marketable securities -- current	3,544	-	3,544
Investments held in charitable remainder trusts -- noncurrent	-	27,752,758	27,752,758
Marketable securities -- noncurrent	19,443,758	-	19,443,758
Total assets	<u>19,447,302</u>	<u>28,123,838</u>	<u>47,571,140</u>
Liabilities:			
Irrevocable split-interest agreements -- current	1,458,991	1,636,201	3,095,192
Irrevocable split-interest agreements -- noncurrent	14,996,102	14,636,603	29,632,705
Total liabilities	<u>16,455,093</u>	<u>16,272,804</u>	<u>32,727,897</u>
Deferred Inflows	<u>\$ 2,992,209</u>	<u>\$ 11,851,034</u>	<u>\$ 14,843,243</u>

The noncurrent portion of irrevocable split-interest agreements for gift annuities at June 30, 2018 includes a reserve of \$1,944,730. For the year ended June 30, 2018, the Foundation recognized \$2,086,176 of revenues associated with terminations of irrevocable split-interest agreements.

**4. OTHER LIABILITIES**

Other liability activity for the year ended June 30, 2019 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Unearned revenue	\$ 15,354,476	\$ 22,794,850	\$ 6,200,976	\$ 31,948,350	\$ -
Irrevocable split-interest agreements:					
Charitable remainder trust liability	16,272,804	19,472	1,001,012	15,291,264	1,599,586
Gift annuity liabilities	14,510,363	478,369	444,798	14,543,934	1,521,410
Gift annuity reserve	1,944,730	642,142	695,387	1,891,485	-
	<u>\$ 48,082,373</u>	<u>\$ 23,934,833</u>	<u>\$ 8,342,173</u>	<u>\$ 63,675,033</u>	<u>\$ 3,120,996</u>

Other liability activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Unearned revenue	\$ 17,336,076	\$ 1,505,724	\$ 3,487,324	\$ 15,354,476	\$ -
Irrevocable split-interest agreements:					
Charitable remainder trust liability	16,886,103	517,165	1,130,464	16,272,804	1,636,201
Gift annuity liabilities	15,262,021	1,312,151	2,063,809	14,510,363	1,458,991
Gift annuity reserve	1,901,174	2,488,308	2,444,752	1,944,730	-
	<u>\$ 51,385,374</u>	<u>\$ 5,823,348</u>	<u>\$ 9,126,349</u>	<u>\$ 48,082,373</u>	<u>\$ 3,095,192</u>

**5. RELATED-PARTY TRANSACTIONS**

The University had cumulative net advances to the Foundation of \$8,290 and \$2,164,008 as of June 30, 2019 and 2018, respectively. The Foundation distributed \$244,067,255 and

# **The Ohio State University Foundation**

## **Notes to Consolidated Financial Statements**

### **June 30, 2019 and 2018**

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\$223,325,262, in fiscal years 2019 and 2018, respectively, to the University as directed by donors. The Foundation had no receivables from the University as of June 30, 2019 and June 30, 2018.

As noted previously, the Foundation invests its gifted endowment funds in the University Long-Term Investment Pool. The University employs the share method of accounting for pooled investments and for proportionate distribution of income as well as allocation of expenses to each fund which participates in the pool.

Clifton entered into an agreement on May 1, 2008, to lease the President's house to the University for \$1 a year.

University leadership is restructuring Pelotonia, LLC into a new 501(c)(3) organization. On December 31, 2019, all Pelotonia LLC assets, liabilities and activities will be transferred to the new Pelotonia 501(c)(3) organization. On June 28, 2019, the new Pelotonia 501(c)(3) organization and the Foundation entered into a five-year \$102,265,000 pledge agreement for the benefit of The Ohio State University Comprehensive Cancer Center – Arthur G. James Cancer Hospital and Richard J. Solove Research Institute (OSUCCC-James). This pledge is recognized as pledges receivable and current-use gift revenue in the June 30, 2019 Foundation financial statements.

**The Ohio State University Foundation**  
**Other Information Combining Statement of Net Position (Audited)**  
**Year Ended June 30, 2019**

	2019 Foundation Only	2019 Clifton Holdings	2019 Pelotonia	2019 Total
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 252,180	\$ 4,748	\$ 43,378,343	\$ 43,635,271
Pledges receivable — current portion — net	29,803,599	-	1,736,750	31,540,349
Accounts receivable	-	-	9,482,866	9,482,866
Accrued interest receivable	2,334	-	-	2,334
Marketable securities	51,887	-	-	51,887
Other assets	-	-	208,375	208,375
Total current assets	<u>30,110,000</u>	<u>4,748</u>	<u>54,806,333</u>	<u>84,921,082</u>
Noncurrent Assets				
The Ohio State University Long-Term Investment Pool	969,428,976	-	-	969,428,976
Marketable securities	18,862,963	-	-	18,862,963
Investment Partnerships	140,749	-	-	140,749
Charitable remainder trusts	26,607,054	-	-	26,607,054
Life insurance policies	1,276,201	-	-	1,276,201
Pledges receivable, net	165,911,151	-	505,000	166,416,151
Capital assets, net	-	2,952,840	-	2,952,840
Total noncurrent assets	<u>1,182,227,094</u>	<u>2,952,840</u>	<u>505,000</u>	<u>1,185,684,934</u>
Total assets	<u>\$ 1,212,337,094</u>	<u>\$ 2,957,588</u>	<u>\$ 55,311,333</u>	<u>\$ 1,270,606,016</u>
<b>Liabilities, Deferred Inflows and Net Position</b>				
Current liabilities				
Irrevocable split-interest agreements	\$ 3,120,996	\$ -	\$ -	\$ 3,120,996
Advance from The Ohio State University	8,290	-	-	8,290
Distribution payable to The Ohio State University	-	-	40,016,949	40,016,949
Accrued liabilities	-	-	201,845	201,845
Total current liabilities	<u>3,129,286</u>	<u>-</u>	<u>40,218,794</u>	<u>43,348,080</u>
Noncurrent Liabilities				
Unearned revenue	31,907,099	-	41,250	31,948,349
Irrevocable split-interest agreements	28,605,687	-	-	28,605,687
Total noncurrent Liabilities	<u>60,512,786</u>	<u>-</u>	<u>41,250</u>	<u>60,554,036</u>
Total liabilities	<u>63,642,072</u>	<u>-</u>	<u>40,260,044</u>	<u>103,902,116</u>
Deferred Inflows	13,795,221	-	-	13,795,221
<b>Net Position</b>				
Net investment in capital assets	-	2,952,840	-	2,952,840
Restricted				
Nonexpendable - Endowment	910,295,883	-	-	910,295,883
Expendable	210,485,344	-	15,051,289	225,536,633
Unrestricted	14,118,575	4,748	-	14,123,323
Total net position	<u>1,134,899,802</u>	<u>2,957,588</u>	<u>15,051,289</u>	<u>1,152,908,679</u>
Total liabilities, deferred inflows and net position	<u>\$ 1,212,337,095</u>	<u>\$ 2,957,588</u>	<u>\$ 55,311,333</u>	<u>\$ 1,270,606,016</u>

**The Ohio State University Foundation**  
**Other Information Combining Statement of Revenues, Expenses and Changes in**  
**Net Position (Audited)**  
**Year Ended June 30, 2019**

	2019	2019	2019	2019
	Foundation Only	Clifton Holdings	Pelotonia	Total
<b>Operating Revenues</b>				
Current use gifts	242,959,294	-	19,447,003	262,406,297
Private capital gifts	25,475,630	-	-	25,475,630
Income from irrevocable split-interest agreements	1,774,142	-	-	1,774,142
Miscellaneous income	(48,031)	-	1,630,830	1,582,799
Total operating revenues	<u>270,161,035</u>	<u>-</u>	<u>21,077,833</u>	<u>291,238,868</u>
<b>Operating Expenses</b>				
Distributions to The Ohio State University				
Pass through gifts	187,487,026	-	17,942,531	205,429,557
Endowment distributions	40,096,137	-	-	40,096,137
Transfers to endowment principal	(3,782,805)	-	-	(3,782,805)
Other distributions	2,324,366	-	-	2,324,366
Total Distributions to The Ohio State University	<u>226,124,724</u>	<u>-</u>	<u>17,942,531</u>	<u>244,067,255</u>
Trust distribution outside The Ohio State University	216,247	-	-	216,247
Salaries and benefits	128,414	-	3,038,688	3,167,102
Long-Term Investment Pool expense	4,208,060	-	-	4,208,060
Professional services, audit and legal fees	115,661	-	1,682,549	1,798,210
(Release)/Provision for uncollectible pledges	2,170,486	-	-	2,170,486
Depreciation	-	184,168	-	184,168
Rent and utilities expense	-	-	149,936	149,936
Other	48,778	-	2,621,883	2,670,661
Total operating expenses	<u>233,012,370</u>	<u>184,168</u>	<u>25,435,587</u>	<u>258,632,125</u>
Net operating income (loss)	37,148,665	(184,168)	(4,357,754)	32,606,743
<b>Non-operating Revenues</b>				
Net investment income				
Interest and dividends, net of expenses	19,705,378	-	668,128	20,373,506
Increase in fair value of investments	(667,026)	-	-	(667,026)
Investment expenses	(9,698,123)	-	-	(9,698,123)
Total net investment income	<u>9,340,229</u>	<u>-</u>	<u>668,128</u>	<u>10,008,357</u>
Income before other changes in net position	46,488,894	(184,168)	(3,689,626)	42,615,100
<b>Other Changes in Net Position</b>				
Permanent endowment gifts	45,533,132	-	-	45,533,132
Increase in net position	92,022,026	(184,168)	(3,689,626)	88,148,232
Net Position - Beginning of year:	<u>1,042,877,776</u>	<u>3,141,756</u>	<u>18,740,915</u>	<u>1,064,760,447</u>
Net position, end of year	<u>\$ 1,134,899,802</u>	<u>\$ 2,957,588</u>	<u>\$ 15,051,289</u>	<u>\$ 1,152,908,679</u>

# The Ohio State University Foundation

## Other Information on the Long-Term Investment Pool (Unaudited)

### Year Ended June 30, 2019

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The following section of the financial report provides additional information on the university's Long-Term Investment Pool, including a summary of changes in market value, investment returns and related expenses. Additional details on university investments, including asset allocations, endowment distribution policies, investment by type and risk disclosures, are provided in Notes 1 and 3 to the Financial Statements.

In 2019, the market value of the university's Long-Term Investment Pool – which includes gifted endowments, long-term investments of university operating funds and other funds internally designated to function as endowments – increased \$45 million, to \$5.26 billion at June 30, 2019. The Long-Term Investment Pool activity for 2019 is summarized below:

#### Long-Term Investment Pool Activity (in thousands)

	Gifted Endowments		Quasi-Endowments		Total
	University	Foundation	Operating	Designated	
<b>Balance at June 30, 2018</b>	<b>\$ 1,104,236</b>	<b>\$ 958,750</b>	<b>\$ 1,208,769</b>	<b>\$ 1,939,679</b>	<b>\$ 5,211,434</b>
Net Principal Additions (Withdrawals)	3,367	43,443	121,770	54,768	223,348
Change in Fair Value	1,218	1,533	2,781	1,530	7,062
Income Earned	22,239	19,705	25,237	39,454	106,635
Distributions	(46,093)	(40,747)	(52,062)	(81,114)	(220,016)
Expenses	(14,959)	(13,255)	(16,961)	(26,529)	(71,704)
<b>Balance at June 30, 2019</b>	<b>\$ 1,070,008</b>	<b>\$ 969,429</b>	<b>\$ 1,289,534</b>	<b>\$ 1,927,788</b>	<b>\$ 5,256,759</b>

**Net principal additions (withdrawals)** for gifted endowments include new endowment gifts and reinvestment of unused endowment distributions. **Change in fair value** includes realized gains and losses for assets sold during the year and unrealized gains and losses for assets held in the pool at June 30, 2019. **Income earned** includes interest and dividends and is used primarily to fund **distributions**. **Expenses** include investment management expenses (\$52 million), University Development related expenses (\$19 million) and other investment related expenses (\$1 million).

#### Investment Returns and Expenses

The investment return for the Long-Term Investment Pool was 1.2% for fiscal year 2019. The annualized investment returns for the three-year and five-year periods were 7.7% and 4.6%, respectively. These returns -- which are net of investment management expenses as defined by Cambridge Associates for its annual survey -- are used for comparison purposes with other endowments and various benchmarks. In addition to the \$52 million of investment management expenses, which reduced the pool by 1.0% in fiscal year 2019, the \$19 million of University Development expenses and \$1 million of other investment related expenses further reduced the pool by 0.4%.

**The Ohio State University Foundation**  
**Other Information on the Long-Term Investment Pool (Unaudited)**  
**Year Ended June 30, 2019**

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**Additional Information**

For more information on how the Long-Term Investment Pool is invested, please visit the Office of Investments website at: [investments.osu.edu](http://investments.osu.edu).

Additional details on university and foundation endowments, including balances for individual funds, are available on the Office of the Controller's website at:

[go.osu.edu/EndowAdmin](http://go.osu.edu/EndowAdmin) (click on the "Endowment Descriptions and Balances" link).

**Report of Independent Auditors 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***

To the Board of Directors of  
The Ohio State University Foundation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of The Ohio State University Foundation (the “Foundation”), which comprise the consolidated statements of net position as of June 30, 2019, and the related consolidated statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to consolidated financial statements, and have issued our report thereon dated November 13, 2019.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the consolidated financial statements, we considered the Foundation’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Foundation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

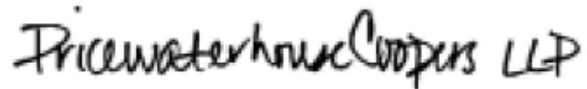
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Foundation’s consolidated 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 consolidated 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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, slightly slanted style.

November 13, 2019



# OHIO AUDITOR OF STATE KEITH FABER



**THE OHIO STATE UNIVERSITY FOUNDATION**

**FRANKLIN 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 5, 2019**