

The Ohio State University Foundation

Consolidated Financial Statements

**As of and for the years ended June 30, 2014 and
2013 and Independent Auditor's Reports**



Dave Yost • Auditor of State

Board of Directors
The Ohio State University Foundation
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, OH 43210-4016

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, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

November 14, 2014

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The Ohio State University Foundation

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June 30, 2014 and 2013

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

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, 2014 and June 30, 2013, 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 financial statements, which collectively comprise the Foundation's basic 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.

Auditor's 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 consolidated financial position of the Foundation as of June 30, 2014 and June 30, 2013, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

The accompanying management's discussion and analysis on pages 3 through 7 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014 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, 2014. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foundation's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

October 17, 2014

The Ohio State University Foundation

Management's Discussion and Analysis (Unaudited)

As of and for the Year Ended June 30, 2014

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, 2014. 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 2014 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's students, faculty, patients, research, programs, and facilities.

Buckeye alumni and friends have a generous history, from the first focused campaign at Ohio State that raised approximately \$1 million to help build Ohio Stadium in 1922, to the \$1.23 billion Affirm Thy Friendship campaign that raised more in just five years (1995-2000) than the University had over its previous 123 years. This overwhelming "pay forward" attitude held by alumni and friends helps the Foundation direct critical dollars to the many important causes within the University.

On October 4, 2012, the University officially launched the But for Ohio State Campaign, a \$2.5 billion fundraising endeavor that is the largest campaign in the University's history. As of June 2014, more than 570,000 alumni and friends have contributed more than \$1.9 billion to the campaign. The campaign will allow the University to implement visionary new ideas for the student experience and to use its breadth of disciplines to tackle complex global problems related to food production and security, health and wellness, and energy and the environment.

The Foundation is the recipient of all initial gifts in order to streamline the accounting process, with certain gifts immediately transferred to the University and those intended for endowments remaining in Foundation.

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, LCC ("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, 2014, with comparative information as of June 30, 2013. The Statement of Revenue, 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, 2014, with comparative information for Fiscal Year 2013. The Statement of Cash Flows details how cash has increased or decreased during the year ended June 30, 2014, with comparative information for Fiscal Year 2013.

The Ohio State University Foundation
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2014

Statements of Net Position

	2014	2013	2012
Cash and cash equivalents	\$ 3,684,676	\$ 2,548,374	\$ 2,562,370
Pledges receivable - current portion - net	24,931,814	26,860,589	20,319,344
Other current assets	14,479,847	7,099,997	6,093,558
Total current assets	<u>43,096,337</u>	<u>36,508,960</u>	<u>28,975,272</u>
The Ohio State University Long-Term Investment Pool	\$ 710,961,474	\$ 589,702,215	\$ 500,824,488
Pledges receivable, net	69,575,800	70,814,690	44,306,992
Other noncurrent assets	52,644,101	54,708,326	60,046,989
Total noncurrent assets	<u>833,181,375</u>	<u>715,225,231</u>	<u>605,178,469</u>
Total assets	<u>\$ 876,277,712</u>	<u>\$ 751,734,191</u>	<u>\$ 634,153,741</u>
Current liabilities	\$ 3,702,950	\$ 3,871,177	\$ 3,789,952
Noncurrent liabilities	38,396,872	36,298,232	35,447,064
Total liabilities	<u>42,099,822</u>	<u>40,169,409</u>	<u>39,237,016</u>
Invested in capital assets, net of related debt	3,784,071	3,853,283	4,080,800
Restricted			
Nonexpendable-Endowment	662,093,740	573,449,530	502,416,672
Expendable	156,931,244	124,177,634	79,186,303
Unrestricted	11,368,835	10,084,335	9,232,650
Total net position	<u>834,177,890</u>	<u>711,564,782</u>	<u>594,916,425</u>
Total liabilities and net position	<u>\$ 876,277,712</u>	<u>\$ 751,734,191</u>	<u>\$ 634,153,441</u>

Assets

Total current assets increased from \$37 million at June 30, 2013, to \$43 million at June 30, 2014, primarily due to a \$7 million increase in current charitable remainder trusts offset by \$2 million decrease in pledges receivables.

Total noncurrent assets increased \$118 million, to \$833 million at June 30, 2014. Foundation investments in the University's Long-Term Investment Pool accounted for \$121 million of this increase, primarily due to \$110 million of net investment income and \$52 million of net principal additions. In addition, noncurrent charitable remainder trusts decreased \$5 million.

Liabilities

The Foundation's liabilities consist primarily of charitable remainder trusts, gift annuity liabilities and gift annuity reserves. Under these gift arrangements, the Foundation agrees to pay periodic fixed payments to beneficiaries during their lifetimes. The balances associated with these arrangements totaled \$36 million at June 30, 2014 and \$37 million at June 30, 2013.

Net Position

Net position increased \$123 million, to \$834 million at June 30, 2014, primarily due to \$116 million in net investment income in 2014.

The Ohio State University Foundation

Management's Discussion and Analysis (Unaudited)

As of and for the Year Ended June 30, 2014

During 2014, the Foundation identified the misclassification of accumulated appreciation on donor restricted endowment funds, between restricted-nonexpendable net position and restricted – expendable net position, and a misclassification of unrestricted endowment funds as restricted-expendable. As a result, the June 30, 2013 and June 30, 2012 restricted-nonexpendable, restricted-expendable and unrestricted subcategories within net position have been revised to correct for the misclassification of these amounts.

Prior-Year Highlights

Total current assets increased from \$29 million at June 30, 2012, to \$37 million at June 30, 2013, primarily due to a \$7 million increase of pledges receivable and an increase of accounts receivable by \$1 million. Total noncurrent assets increased from \$605 million at June 30, 2012, to \$715 million at June 30, 2013, due primarily to the overall financial market performance of investments and new endowment gifts in the University's Long-Term Pool of \$89 million and an increase of \$27 million for pledges receivable. Net position increased from \$595 million at June 30, 2012 to \$712 million at June 30, 2013 as a result of revenue exceeding operating expenses.

Statements of Revenues, Expenses and Changes in Net Position

	2014	2013	2012
Operating revenues			
Gifts	\$ 192,266,129	\$ 218,861,008	\$ 199,861,519
Net investment income	119,451,381	71,419,835	10,661,699
Other revenue	1,477,843	(2,741,416)	943,931
Total operating revenues	<u>313,195,353</u>	<u>287,539,427</u>	<u>211,467,149</u>
Operating expenses			
Distributions to OSU	171,201,022	151,399,002	160,414,556
Distributions to gift annuitants	1,588,785	1,585,766	1,577,520
Gift annuity remainder distributions	581,256	657,378	694,603
Other expenses	17,211,182	17,248,924	12,279,682
Total operating expenses	<u>190,582,245</u>	<u>170,891,070</u>	<u>174,966,361</u>
Increase (decrease) in net position	<u>\$ 122,613,108</u>	<u>\$ 116,648,357</u>	<u>\$ 36,500,788</u>

Operating Revenues

Overall, operating revenues increased \$26 million, to \$313 million in 2014, primarily due to a combination of strong net investment income offset by decreased in gift revenues. Additional details are provided below:

- Total gifts decreased \$27 million, to \$192 million in 2014. The decrease relates primarily to private capital gifts; three major capital pledges, totaling \$28 million, were recognized in 2013. During 2014, over 233,000 alumni and friends made gifts to the University, up from 228,000 in 2013.

The Ohio State University Foundation

Management's Discussion and Analysis (Unaudited)

As of and for the Year Ended June 30, 2014

- Net investment income increased \$48 million in 2014 to \$120 million. This includes \$16 million of interest and dividend income and \$100 million net increase in the fair value of investments, which includes both realized and unrealized gains and losses. The Long-Term Investment Pool's net investment return for fiscal year ended June 30, 2014 was 14.4% versus the Policy (internal benchmark) return of 12.1%. Top contributions to the increase in fair value, came from equity oriented strategies of all types (private, public and hedged) as well as credit and natural resource managers. Fixed income, relative value funds and infrastructure managers were positive with respect to change in fair value, but lower relative to other strategies.
- Market volatility continued to drop across asset classes but the University's Investment Office continues to evaluate diversifying strategies to position the portfolio for uncertainties in the market such as: U.S. Federal Reserve and Bank of England rate increases, European Central Bank and Bank of Japan monetary easing, Chinese economic growth, and geopolitical events across the globe. The Investment Office will continue to strive for the best possible risk-adjusted investment returns to grow the purchasing power of the Long Term Investment Pool.
- Other revenues increased \$4 million, primarily due to a one-time \$5 million reduction in the valuation of insurance policies which was recognized in 2013.

Operating Expenses

Overall operating expenses increased \$20 million, to \$191 million in 2014. Additional details are provided below:

- Distributions to the University increased \$20 million, to \$171 million in 2014, reflecting increases in total receipts for current-use and capital gifts. Non-endowment gifts are transferred to the University upon receipt; new endowment gifts remain in the Foundation.
- Distributions to gift annuitants and gift annuity remainder distributions to the University totaled \$2 million and were stable compared with 2013.
- Other expenses were stable at \$17 million, with increases in investment management expenses offsetting a reduction in provisions for uncollectible pledges.

Prior-Year Highlights

The increase in net position from \$37 million in 2012 to \$117 million in 2013 is primarily the result of increased operating revenues and decreased operating expenses. Operating revenues increased from \$211 million in 2012 to \$287 million in 2013 due to increase in gifts of \$19 million and a gain of \$62 million due to investment performance. Operating expenses decreased from \$175 million in 2012 to \$171 million in 2013 due to decrease in gifts passed on to the University from the Foundation.

**The Ohio State University Foundation
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2014**

Statements of Cash Flows

	2014	2013	2012
Operating activities	\$ 27,612,542	\$ 30,780,772	\$ 17,628,127
Investing activities	(26,476,240)	(30,794,768)	(18,030,128)
Financing activities	-	-	-
Net increase in cash and cash equivalents	1,136,302	(13,996)	(402,001)
Cash and cash equivalents, beginning of year	2,548,374	2,562,370	2,964,371
Cash and cash equivalents, end of year	<u>\$ 3,684,676</u>	<u>\$ 2,548,374</u>	<u>\$ 2,562,370</u>

Total Foundation cash and cash equivalents increased \$1 million in 2014. Net cash provided by operating activities decreased \$3 million, to \$28 million, reflecting the \$20 million increase in distributions to the University offset by increases in total gift receipts of \$14 million and interest and dividend income of \$2 million. Offsetting the decrease in cash provided by operating activities was a \$4 million decrease in net purchases of investments.

Current Environment

As The Ohio State University enters the final 2 years of the *But for Ohio State* campaign, the Foundation board is actively engaged with the University leadership and the Development staff in promoting philanthropy and advocating for Ohio State to accelerate the pace and level of giving to the institution. Philanthropic support will be increased by improving donor retention through focused donor relations and stewardship strategies; increasing the quantity of principal, major, annual, and first-time gifts by employing innovative fundraising strategies; improving giving rates among key constituent groups, including alumni, parents, corporations, and foundations, through particular attention to their unique characteristics; and elevating fundraising in major philanthropic areas where there is interest and untapped potential, especially health sciences and medicine.

The Ohio State University Foundation
Consolidated Statements of Net Position
As of June 30, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	\$ 3,684,676	\$ 2,548,374
Pledges receivable — current portion — net	24,931,814	26,860,589
Accounts receivable	7,450,209	6,905,216
Accrued interest receivable	22,570	33,179
Marketable securities	58,382	139,756
Charitable remainder trusts	6,903,022	-
Other assets	45,664	21,846
	<u>43,096,337</u>	<u>36,508,960</u>
Noncurrent Assets		
The Ohio State University Long-Term Investment Pool	710,961,474	589,702,215
Marketable securities	18,397,662	15,897,008
Investment Partnerships	281,276	341,910
Charitable remainder trusts	27,978,890	32,512,411
Life insurance policies	1,185,601	1,095,093
Real estate	1,016,601	1,008,621
Pledges receivable, net	69,575,800	70,814,690
Capital assets, net	3,784,071	3,853,283
	<u>833,181,375</u>	<u>715,225,231</u>
Total Assets	<u>\$ 876,277,712</u>	<u>\$ 751,734,191</u>
Liabilities and Net Position		
Current liabilities		
Charitable remainder trust liability	\$ 2,181,688	\$ 2,060,486
Gift annuity liabilities	1,169,021	1,198,939
Gift annuity reserve	-	389,009
Advance from The Ohio State University	157,980	137,229
Accrued liabilities	194,261	85,514
	<u>3,702,950</u>	<u>3,871,177</u>
Noncurrent Liabilities		
Unearned revenue	6,130,186	3,026,165
Charitable remainder trust liability	19,808,578	18,790,698
Gift annuity liabilities	10,614,090	10,933,780
Gift annuity reserve	1,844,018	3,547,589
	<u>38,396,872</u>	<u>36,298,232</u>
Total liabilities	<u>42,099,822</u>	<u>40,169,409</u>
Net Position		
Invested in capital assets, net of related debt	3,784,071	3,853,283
Restricted		
Nonexpendable - Endowment	662,093,740	573,449,530
Expendable	156,931,244	124,177,634
Unrestricted	11,368,835	10,084,335
	<u>834,177,890</u>	<u>711,564,782</u>
Total net position	<u>834,177,890</u>	<u>711,564,782</u>
Total liabilities and net position	<u>\$ 876,277,712</u>	<u>\$ 751,734,191</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, 2014 and 2013

	2014	2013
Operating Revenues		
Gifts	\$ 192,266,129	\$ 218,861,008
Net investment income		
Interest and dividends	16,278,015	12,310,793
Increase (decrease) in fair value of investments	99,669,471	57,781,451
Gift annuity reserve adjustment	4,619,191	1,122,125
Change in carrying value of remainder trusts	<u>(1,115,296)</u>	<u>205,466</u>
Total net investment income	<u>119,451,381</u>	<u>71,419,835</u>
Miscellaneous income (expense)	<u>1,477,843</u>	<u>(2,741,416)</u>
Total operating revenues	<u>313,195,353</u>	<u>287,539,427</u>
Operating Expenses		
Distributions to The Ohio State University	171,201,022	151,399,002
Distributions to gift annuitants	1,588,785	1,585,766
Gift annuity remainder distributions	581,256	657,378
Salaries and benefits	1,507,591	1,431,580
Long-Term Investment Pool expense	14,026,364	12,327,483
Profession services, audit and legal fees	361,300	259,729
Provision for uncollectible pledges	(1,035,414)	1,251,942
Depreciation	227,517	227,517
Rent and utilities expense	203,656	185,483
Other	<u>1,920,168</u>	<u>1,565,190</u>
Total operating expenses	<u>190,582,245</u>	<u>170,891,070</u>
Increase in net position	122,613,108	116,648,357
Net position, beginning of year	<u>711,564,782</u>	<u>594,916,425</u>
Net position, end of year	<u>\$ 834,177,890</u>	<u>\$ 711,564,782</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, 2014 and 2013

	2014	2013
Operating Activities		
Cash received from contributors	\$ 199,020,256	\$ 184,641,321
Interest and dividends received	14,633,514	12,446,911
Funding from The Ohio State University	305,495	1,136,970
Receipt of new gift annuity agreements	2,161,550	1,038,844
Receipt of new trust agreements	23,786	36,380
Investment income received on gift annuities	1,655,110	662,312
Distributions to The Ohio State University	(171,164,818)	(151,377,559)
Income distributions paid to gift annuitants	(1,588,785)	(1,585,766)
Distributions to gift annuity remainderman	(581,256)	(657,378)
Payments to vendors for supplies and services	(16,402,741)	(14,400,789)
Payments to or on behalf of employees	(1,448,284)	(1,370,436)
University employee benefit payments	(59,307)	(61,144)
Other Receipts	1,058,022	271,106
	<u>27,612,542</u>	<u>30,780,772</u>
Net cash provided by operating activities		
Investing Activities		
Proceeds from sales of investments	43,887,615	41,449,594
Purchases of investments	(70,205,550)	(72,244,362)
	(158,305)	-
	<u>(26,476,240)</u>	<u>(30,794,768)</u>
Net cash used in investing activities		
Increase (decrease) in cash and cash equivalents	1,136,302	(13,996)
Cash and cash equivalents, beginning of year	2,548,374	2,562,370
	<u>\$ 3,684,676</u>	<u>\$ 2,548,374</u>
Reconciliation of Increase in Net Position to Net Cash Provided by Operating Activities		
Increase in net position	\$ 122,613,108	\$ 116,648,357
Adjustments to reconcile increase (decrease) in net position to net cash provided by operating activities		
Depreciation	227,517	227,517
Increase (decrease) in fair value of investments	(99,669,471)	(57,781,451)
Change in cash surrender value of life insurance policies	(90,508)	4,153,338
Total gifts received in real estate & partnerships	(7,980)	-
Changes in assets and liabilities		
Pledges receivable	3,167,665	(33,048,943)
Accounts receivable	(544,993)	(1,130,468)
Unearned revenue	3,104,021	1,403,942
Accrued interest receivable	10,609	(19,778)
Other current assets	(23,818)	(3,846)
Receivable from The Ohio State University	-	803,653
Advance from The Ohio State University	20,751	(164,631)
Accrued liabilities	108,747	(62,904)
Gift annuities liabilities	(349,608)	(1,431,213)
Gift annuity reserve	(2,092,580)	1,356,285
Charitable remainder trust liability	1,139,082	(169,086)
	<u>\$ 27,612,542</u>	<u>\$ 30,780,772</u>
Net cash provided by operating activities		

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

The Ohio State University Foundation

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

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 (formerly known as NetJames Holdings 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 on 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, except for the money market funds held as part of the gift annuities and charitable remainder trusts agreements, at the date of purchase to be cash equivalents. All cash is principally on deposit with three banks.

At June 30, 2014 the carrying amount of the Foundation's cash and cash equivalents with financial institutions was \$3,684,676 of which \$638,741 is covered by federal deposit insurance. The amount remaining of \$3,045,935 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 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. A general allowance is estimated using a four-year rolling average of canceled pledges divided by net pledges receivable. In addition, a specific allowance may be calculated on pledges with past due balances that meet specified criteria. For the years ended June 30, 2014 and 2013 the Foundation recorded an allowance against pledges receivable of \$3,983,360 and \$5,018,774, respectively.

The Ohio State University Foundation

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

Fund Accounting

To ensure the observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. The Foundation's financial resources are classified for accounting and reporting purposes into the following four net position categories:

- Invested in capital assets, net of related debt
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 market value as of the date received. This includes gifts of real estate for which fair market 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 \$94,507,614 and \$97,675,279, in pledges receivable, net of allowance for uncollectible pledges, as of June 30, 2014 and 2013, 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 that is not material to the financial statement disclosure.

The Ohio State University Foundation

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

Investments

All 2,211 Board-established named Foundation endowments are invested in The Ohio State University Long-Term Investment Pool ("University Long-Term Investment Pool"). Each fund is assigned a number of shares in the 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 Long-Term Investment Pool, and the associated net position is classified as restricted- expendable.

Annual distributions to named funds in the University Long-Term Investment Pool are computed using the share method of accounting for pooled investments. The annual distribution per share is 4.25% of the average market value per share of the Long-Term Investment Pool over the most recent seven year period. The annual distributions were transferred from the University Long-Term Investment Pool to current funds. These transfer totals were \$26,851,227 and \$25,942,143 in fiscal years 2014 and 2013, respectively.

At June 30, 2014, the market value of the Foundation's gifted endowments was \$710,961,474, which is approximately \$15,849,707 above the historical dollar value of \$695,111,767. At June 30, 2013, the market value of the Foundation's gifted endowments was \$589,702,215, which was approximately \$53,674,436 below the historical dollar value of \$643,376,651. Although the market value of the Foundation's gifted endowments in total exceeds the historical cost at June 30, 2014, there are 929 named funds that remain underwater. The market value of these underwater funds at June 30, 2014 is \$267,304,815, which is \$30,752,571 below the historical dollar value of \$298,057,386. 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.

The interests in unitrust, annuity trust, and pooled income agreements (marketable securities and charitable remainder trusts) are carried at market 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 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.

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 at \$3,784,071 in 2014 and \$3,853,283 in 2013.

The Ohio State University Foundation

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

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 liability to the University. A reduction of \$305,495 was recognized in 2014 and 2013.

Newly Issued Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability, which is the difference between the total pension liability and the assets set aside to pay pension benefits. Statement No. 68 also requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. It is effective for periods beginning after June 15, 2014.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. Statement No. 69 requires mergers, which do not involve an exchange of consideration, to be accounted for using the carrying values of assets. Acquisitions are accounted for using acquisition values. The standard also provides guidance on reporting of disposals of government operations. It is effective for periods beginning after December 15, 2013.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

Foundation management is currently assessing the impact that implementation of GASB Statements No. 68, 69 and 71 will have on the Foundation's financial statements.

The Ohio State University Foundation
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

Correction of Prior-Period Error

During 2014, the Foundation identified the misclassification of accumulated appreciation on donor restricted endowment funds, between restricted-nonexpendable net position and restricted – expendable net position, and a misclassification of unrestricted endowment funds as restricted-expendable. As a result, the June 30, 2013 restricted-nonexpendable, restricted-expendable and unrestricted subcategories within net position have been revised to correct for the misclassification of these amounts. The following table summarizes the effect of these revisions:

Statement of Net Position	As of June 30, 2013		
	As Originally Reported	Adjustment	As Adjusted
Restricted			
Nonexpendable	\$ 587,507,713	\$ (14,058,183)	\$ 573,449,530
Expendable	120,328,550	3,849,084	124,177,634
Unrestricted	(124,764)	10,209,099	10,084,335

There was no impact on total net position as originally reported.

2. INVESTMENTS

A substantial portion of the Foundation’s investments are held by the University in the 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, 2014 and 2013 are as follows:

	2014	2013
University Long-Term Investment Pool	\$ 710,961,474	\$ 589,702,215
Investments directly owned by Foundation:		
Investments held by charitable remainder trusts	34,881,912	32,512,411
Marketable securities	18,456,044	16,036,764
Investment partnership	281,276	341,910
Life insurance policies	1,185,601	1,095,093
Real estate	1,016,601	1,008,621
Total investments	766,782,908	640,697,014
Less current portion	6,961,404	139,756
Total Long-Term Investments	<u>\$ 759,821,504</u>	<u>\$ 640,557,258</u>

The Foundation’s directly owned investments consist primarily of various mutual fund investments.

The Ohio State University Foundation
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

Total Foundation investments by investment type at June 30, 2014 and 2013 are as follows:

	2014	2013
Common stock	\$ 79,612,358	\$ 69,237,140
Equity mutual funds	62,966,669	51,694,378
U.S. Government obligations	3,992,968	7,820,267
U.S. Government agency obligations	1,814,878	12,439,427
Repurchase agreements	-	1,797,662
Corporate bonds and notes	6,170,856	14,940,430
Bond mutual funds	30,113,576	19,497,062
International bonds	83,978	2,781,767
Partnership and hedge funds	558,273,266	429,335,243
Real estate	2,277,592	1,994,713
Cash and cash equivalents	20,103,574	27,577,370
Other	<u>1,373,193</u>	<u>1,581,555</u>
Total	<u>\$766,782,908</u>	<u>\$640,697,014</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 operating 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 Long-Term Investment Pool:

Asset Class	Range	Benchmark
Global Equity	10-50%	50% (ACW) + 50% (50% ACWI + 4%)
Global Credit	10-50%	90 Day T-Bill + 4%
Private Capital	10-25%	100% (Cambridge Associates Private Equity Medians)
Real Assets	10-25%	75% (CPI + 4%) + 25% (NACREIF Real Estate Index)

The Long Term Investment Pool is a diversified investment pool 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 Equity category includes domestic equity, international equity, emerging market equity and long biased long/short managers. The Global Credit category includes fixed income and relative value/macro and credit oriented managers. The Private Capital category includes private equity and venture capital funds. The Real Assets category includes real estate, natural resources, commodity and infrastructure funds.

The Ohio State University Foundation
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

Mutual funds held by the University include a wide range of investments, including hedge funds. These hedge funds may include, but are not limited to, investments in equity securities, mutual funds, limited and general partnerships, foreign securities, short sales positions, distressed securities, fixed income securities, options, currencies, commodities, futures, and derivatives. The University's objective for investing in these hedge funds is to provide stable, absolute returns that are uncorrelated to fluctuations in the stock and bond markets.

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 maturities of the Foundation's directly owned interest-bearing investments as of June 30, 2014, were as follows:

	Investment Maturities (in Years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. Government Obligations	\$ 1,890,669	\$ -	\$ 1,890,669	\$ -	\$ -
Corporate Bond	246,576	-	246,576	-	-
Bond Mutual Funds	<u>20,026,907</u>	<u>1,820,593</u>	<u>10,284,742</u>	<u>5,502,343</u>	<u>2,419,229</u>
Total	<u>\$ 22,164,152</u>	<u>\$ 1,820,593</u>	<u>\$ 12,421,987</u>	<u>\$ 5,502,343</u>	<u>\$ 2,419,229</u>

The maturities of the Foundation's directly owned interest-bearing investments as of June 30, 2013, were as follows:

	Investment Maturities (in Years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. Government Obligations	\$ 3,147,119	\$ 1,267,289	\$ 1,879,830	\$ -	\$ -
Corporate Bond	261,358	-	261,358	-	-
Bond Mutual Funds	<u>19,497,062</u>	<u>587,741</u>	<u>12,925,871</u>	<u>5,390,717</u>	<u>2,733,921</u>
Total	<u>\$ 22,905,539</u>	<u>\$ 1,855,030</u>	<u>\$ 15,067,059</u>	<u>\$ 5,390,717</u>	<u>\$ 2,733,921</u>

The Ohio State University Foundation
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

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 credit ratings of the Foundation's directly owned interest-bearing investments as of June 30, 2014, were as follows:

Credit Rating (S & P)	Total	U.S.		
		Government and Agency Obligations	Corporate Bonds	Bond Mutual Funds
AAA	\$ 11,218,038	\$ -	\$ 246,576	\$ 10,971,462
AA	3,242,900	1,890,669	-	1,352,231
A	4,564,974	-	-	4,564,974
BBB	2,901,757	-	-	2,901,757
BBB	57,523	-	-	57,523
CC	6,391	-	-	6,391
Not rated	172,569	-	-	173,569
Total	<u>\$ 22,164,152</u>	<u>\$ 1,890,669</u>	<u>\$ 246,576</u>	<u>\$ 20,027,907</u>

The credit ratings of the Foundation's directly owned interest-bearing investments as of June 30, 2013, were as follows:

Credit Rating (S & P)	Total	U.S.		
		Government and Agency Obligations	Corporate Bonds	Bond Mutual Funds
AAA	\$ 12,475,492	\$ -	\$ 261,358	\$ 12,214,134
AA	4,237,398	3,147,119	-	1,090,279
A	3,887,456	-	-	3,887,456
BBB	2,193,805	-	-	2,193,805
BB	111,388	-	-	111,388
Total	<u>\$ 22,905,539</u>	<u>\$ 3,147,119</u>	<u>\$ 261,358</u>	<u>\$ 19,497,062</u>

The Ohio State University Foundation
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

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, 2014, was as follows:

	Equity Mutual Funds	Bond Mutual Funds
Australian Dollar	\$ 389,381	\$ 58,723
Brazilian Real	162,832	11,075
Canadian Dollar	530,975	59,671
Chilean Peso	21,239	-
Chinese Yuan	254,868	524
Colombia Peso	14,159	-
Danish Krone	77,876	59
EURO	1,500,888	54,310
Great Britain Pound Sterling	1,083,188	92,490
Hong Kong Dollar	169,912	-
Indian Rupee	134,514	38,181
Indonesian Rupiah	35,398	-
Israeli Shekel	28,319	-
Japanese Yen	1,076,108	24,234
Malaysian Ringgit	63,717	-
Mexican Peso	70,797	176
New Taiwan Dollar	212,390	(231)
New Zealand Dollar	14,159	29,599
Norwegian Krone	49,558	27,663
Peruvian Nuevosol	7,080	-
Philippine Peso	21,239	-
Polish Zloty	21,239	-
Russian Rouble	70,797	-
Singapore Dollar	77,876	30,364
South Africa Rand	113,275	(14,226)
South Korean Won	226,549	30,188
Swedish Krona	155,753	27,898
Swiss Franc	424,780	17,305
Thai Baht	35,398	-
Turkish Lira	28,319	(113)
UAE Dirham	7,080	-
	<u>\$ 7,079,663</u>	<u>\$ 487,890</u>

The Ohio State University Foundation
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

The Foundation's exposure to foreign currency risk for investments owned directly by the Foundation as of June 30, 2013 was as follows:

	Equity Mutual Funds	Bond Mutual Funds
Australian Dollar	\$ 325,769	\$ 13,367
Brazilian Real	151,250	3,732
Pound Sterling	884,230	86,886
Canadian Dollar	424,663	21,873
Chilean Peso	23,269	694
Chinese Yuan	215,240	87
Colombia Peso	5,817	-
Danish Crone	52,356	9,027
EURO	1,111,105	370,631
Hong Kong Dollar	145,433	-
Hungarian Forint	5,817	-
Indian Rupee	98,894	260
Indonesian Rupiah	40,721	2,257
Israeli Shekel	23,269	-
Japanese Yen	959,855	369,155
Malaysian Ringgit	58,173	-
Mexican Peso	63,990	6,857
New Taiwan Dollar	168,702	-
New Zealand Dollar	5,817	(608)
Norwegian Kroner	40,721	-
Peruvian Nuevosol	5,817	-
Philippine Peso	17,452	-
Polish Zloty	17,452	-
Russian Rouble	69,808	-
Singapore Dollar	75,625	-
South Africa Rand	93,077	608
South Korean Won	180,336	-
Swedish Krona	127,981	5,816
Swiss Franc	349,038	-
Thai Baht	40,721	-
Turkish Lira	23,269	-
UAE Dirham	5,817	-
Other	5,817	-
	<u>\$ 5,817,301</u>	<u>\$ 890,642</u>

The Ohio State University Foundation

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

3. GIFT ANNUITIES

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.

The Foundation accounts for such agreements by recording the fair market value of assets donated as of the date of the gift, and by recording the present value of the annuities payable, based on the term of the agreement, as a liability. This calculation includes the payout rate and interest discount rate. The balance of the gift is recorded as a reserve for future payments.

As of June 30, 2014 and 2013 the assets related to these investments had a fair market value of \$18,440,184 and \$16,020,904 respectively, a present value of annuities payable of \$11,783,111 and \$12,132,719 respectively and reserves of \$1,844,018 and \$3,936,598 respectively. The assets are recorded as Marketable Securities on the Consolidated Statement of Net Position.

4. UNITRUST, ANNUITY TRUST, AND POOLED INCOME AGREEMENTS

An officer of the Foundation, acting as trustee, enters into unitrust, annuity trust, and pooled income 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 or pooled income fund will be transferred to the Foundation in accordance with the agreements.

The Foundation accounts for such agreements by recording the fair market value of assets donated and by recording the present value of the annuity payable, based on the agreement, as a liability. The Foundation had charitable remainder trusts of \$34,881,912 and \$32,512,411 as of June 30, 2014 and June 30, 2013, respectively.

The Ohio State University Foundation
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

5. OTHER LIABILITIES

Other liability activity for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Unearned revenue	\$ 3,026,165	\$ 4,501,550	\$ 1,397,529	\$ 6,130,186	\$ -
Charitable remainder trust liability	20,851,184	1,148,397	9,315	21,990,266	2,181,688
Gift annuity liabilities	12,132,719	1,200,972	1,550,580	11,783,111	1,169,021
Gift annuity reserve	3,936,598	3,049,546	5,142,126	1,844,018	-
	<u>\$ 39,946,666</u>	<u>\$ 9,900,465</u>	<u>\$ 8,099,550</u>	<u>\$ 41,747,581</u>	<u>\$ 3,350,709</u>

Other liability activity for the year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Unearned revenue	\$ 1,622,223	\$ 1,650,522	\$ 246,580	\$ 3,026,165	\$ -
Charitable remainder trust liability	21,020,270	124,430	293,516	20,851,184	2,060,486
Gift annuity liabilities	13,563,932	600,406	2,031,619	12,132,719	1,198,939
Gift annuity reserve	2,580,312	2,178,297	822,011	3,936,598	389,009
	<u>\$ 38,786,737</u>	<u>\$ 4,553,655</u>	<u>\$ 3,393,726</u>	<u>\$ 39,946,666</u>	<u>\$ 3,648,434</u>

6. RELATED-PARTY TRANSACTIONS

The University made net advances to the Foundation of \$157,980 and \$137,229 as of June 30, 2014 and 2013, respectively. The Foundation distributed \$171,201,022 and \$151,399,002, in fiscal years 2014 and 2013, respectively, to the University as directed by donors. The Foundation had no receivables from the University as of June 30, 2014 and June 30, 2013.

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 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.



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

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 accompanying consolidated financial statements of The Ohio State University Foundation (the "Foundation"), a component unit of The Ohio State University, which comprise the consolidated statement of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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 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.

PricewaterhouseCoopers LLP

October 17, 2014

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Dave Yost • Auditor of State

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 2, 2014**