

The Ohio State University Department of Athletics

(A Department of The Ohio State University)

Financial Statements

**As of and for the Years Ended June 30, 2020 and 2019
And Report of Independent Auditors**

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPARepor**t**@ohioauditor.gov
(800) 282-0370

Board of Trustees
The Ohio State University
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210

We have reviewed the *Report of Independent Auditors* of The Ohio State University Department of Athletics, Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

February 09, 2021

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The Ohio State University Department of Athletics

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Report of Independent Auditors

To the Board of Trustees of The Ohio State University:

We have audited the accompanying financial statements of The Ohio State University Department of Athletics (“Athletics”), a department of The Ohio State University, appearing on pages 10 to 38, which comprise the statements of net position as of June 30, 2020 and June 30, 2019 and the related statements of revenues, expenses, and other changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Athletics’ basic financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ohio State University Department of Athletics as of June 30, 2020 and June 30, 2019, and the respective 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 Matter

Required Supplementary Information

The accompanying management's discussion and analysis on pages 3 through 9, the Required Supplementary Information on GASB 68 Pension Liabilities on page 40, and the Required Supplementary Information on GASB 75 Other Post Employment Benefit Liabilities on page 41 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 an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 January 14, 2021 on our consideration of Athletics' 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, 2020. 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 the entity's 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 Athletics' internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

January 14, 2021

The Ohio State University Department of Athletics

Management Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of The Ohio State University Department of Athletics ("Athletics") for the year ended June 30, 2020, with comparative information for the years ended June 30, 2019 and June 30, 2018. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About the Department of Athletics:

The Ohio State University Department of Athletics is recognized as one of the most comprehensive intercollegiate athletics programs in the nation, with over 1,000 student-athletes competing in 36 sports. Athletics operates under the governance of The Ohio State University Board of Trustees and is included in the financial statements of The Ohio State University ("the university"). All organizations controlled by Athletics, consisting of its various departments, are included in the financial statements; organizations not controlled by Athletics, such as certain booster and alumni organizations, are not included in the financial statements.

About the Financial Statements:

Athletics presents its financial statements in a "business type activity" format, in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* and GASB Statement No. 35, *Basic - and Management's Discussion and Analysis - for Public Colleges and Universities - an amendment of GASB Statement No. 34*. In addition to this MD&A section, the financial report includes a Statement of Net Position, a Statement of Revenues, Expenses and Other Changes in Net Position, a Statement of Cash Flows and Notes to the Financial Statements as of and for the years ended June 30, 2020 and June 30, 2019.

Financial Highlights:

Athletics net position decreased \$2 million, to \$188 million at June 30, 2020. Operating revenues increased \$7 million, to \$167 million in 2020, primarily due to increases in revenues from ticket sales, television, broadcast rights and sponsorships. Operating expenses decreased \$13 million, to \$214 million, primarily due to decreases in employee benefit expenses for pensions and other postemployment benefits and reductions in supplies and services expenses resulting from the cancellation of spring sports in 2020 due to the COVID-19 pandemic.

**The Ohio State University Department of Athletics
Management Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2020 and June 30, 2019**

(In thousands)

Summary Statement of Net Position

	2020	2019	2018
Cash and cash equivalents	\$ 43,289	\$ 56,718	\$ 79,865
Other current assets	20,545	33,784	32,088
Total current assets	63,834	90,502	111,953
Endowment Investments	98,683	100,660	100,889
Capital assets, net of accumulated depreciation	352,531	345,405	290,012
Other noncurrent assets	39,880	39,452	48,530
Total noncurrent assets	491,094	485,517	439,431
Total assets	554,928	576,019	551,384
Deferred outflows	7,815	14,865	6,357
Total Assets and Deferred Outflows	\$ 562,743	\$ 590,884	\$ 557,741
Unearned revenue for advance sales of game tickets	\$ 30,316	\$ 45,418	\$ 44,608
Current portion of notes payable to university	104	11,452	8,725
Other current liabilities	14,789	23,966	26,352
Total current liabilities	45,209	80,836	79,685
Notes payable to university	250,747	239,249	195,920
Accrued compensated absences	4,128	3,633	3,430
Other unearned revenue and deposits	6,326	5,890	7,083
Net pension liability	33,571	47,613	26,209
Net other post employment benefits liability	24,302	23,336	18,852
Total noncurrent liabilities	319,074	319,721	251,494
Total liabilities	364,283	400,557	331,179
Deferred inflows	10,761	796	7,967
Total liabilities and deferred inflows	375,044	401,353	339,146
Net investment in capital assets	\$ 95,970	\$ 86,385	\$ 71,046
Restricted - nonexpendable	79,750	79,645	77,200
Restricted - expendable	90,953	89,949	109,312
Unrestricted	(78,974)	(66,448)	(38,963)
Total net position	187,699	189,531	218,595
Total Liabilities, Deferred Inflows and Net Position	\$ 562,743	\$ 590,884	\$ 557,741

Cash and cash equivalents decreased \$13 million to \$43 million at June 30, 2020. The Statement of Cash Flows provides additional details on sources and uses of Athletics cash.

Other current assets decreased \$13 million due to a decrease in contributions receivable. Prior to 2020, the university's Office of Advancement held gifts centrally for 180 days before transferring them to the departments. At year end, these centrally held gifts were reported as contributions receivable. The university ended this practice in 2020, and all gifts received by the Office of Advancement had been transferred to Athletics' operating accounts at June 30, 2020.

The Ohio State University Department of Athletics

Management Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

Endowment investments in the university's long-term investment pool decreased \$2 million, to \$99 million at June 30, 2020, reflecting endowment distributions and lower 2020 investment returns. The long-term investment pool is invested in a diversified portfolio of equities, fixed income, real estate, hedge funds, private equity, venture capital and natural resources that is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support the university's mission.

Capital assets increased \$8 million, to \$353 million, reflecting additional construction costs of new buildings. Capital assets reported on Athletics' Statement of Net Position include Ohio Stadium, Woody Hayes Athletic Center, McCorkle Aquatic Pavilion, Jesse Owens Memorial Stadium, Buckeye Field (Women's Softball), Bill Davis Baseball Stadium, St. John Arena and other facilities to support its 36 sports programs. New additions to the asset base include the Covelli-Jennings Center and the Schumaker Student-Athlete Development Center. Also reported are various land and land improvement assets, including the Scarlet and Gray golf courses, capitalized equipment and construction in progress. With the exception of the new basketball practice facility, which was funded by Athletics and completed in summer 2013, the Schottenstein Center is not reported as a capital asset of the department because it is used for a wide range of university purposes. In exchange for the use of the facility, Athletics provides marketing, ticket sales and information technology services and an annual payment to the university.

Major construction projects currently underway include:

Campus Wifi System – The roughly \$20 million project, approximately \$10 million of which will be funded by Athletics, will consist of installing indoor/outdoor wireless access points across campus, including at the Ohio Stadium to improve fan's game day experience.

Ty Tucker Tennis Center – The \$22 million project will provide the men's and women's tennis teams with state-of-the-art, indoor practice and competition venues, offices and other spaces that will enhance the student-athlete experience. The project is estimated to be completed in the fall of 2020.

Current liabilities decreased \$36 million, to \$45 million at June 30, 2020, primarily due to a decrease in the advance sales of game tickets of \$15 million, a \$7 million decrease in accounts payable, and an \$11 million decrease in the current portion of notes payable to the university. The decrease in advance sales of game tickets is due to uncertainty surrounding the upcoming 2020 fall season related to COVID-19. The decrease in accounts payable primarily reflects lower levels of spending on capital projects and supplies and services near the end of fiscal year 2020, relative to fiscal year 2019. The reduction in the current portion of notes payable to the university reflects negotiated changes in the maturity dates of certain loans.

Noncurrent liabilities decreased \$1 million to \$319 million as of June 30, 2020, reflecting a \$14 million decrease in net pension liability, which was offset by an \$11 million increase in the noncurrent portion of notes payable to the University and a \$1 million increase in other post-employment benefits liability.

GASB Statement No. 68 requires governmental employers participating in defined benefit pension plans to recognize liabilities for plans whose actuarial liabilities exceed the plan's net assets. These liabilities are referred to as net pension liabilities. In FY2018, the university implemented a related accounting standard, GASB Statement No. 75, which requires employers participating in other post-employment benefit (OPEB) plans to recognize liabilities for plans whose actuarial liabilities exceed the plan's net assets. OPEB benefits consist primarily of post-retirement healthcare. The university

The Ohio State University Department of Athletics

Management Discussion and Analysis (Unaudited)

For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

participates in two multiemployer cost-sharing retirement systems, OPERS and STRS-Ohio, and is required to record a liability for its proportionate share of the net pension and OPEB liabilities of the retirement systems.

Athletics' share of these **net pension liabilities** was \$34 million and \$48 million at June 30, 2020 and 2019, respectively. The decrease in net pension liability is primarily due to strong OPERS investment returns. In calendar year 2019, OPERS realized a 17.23% return on defined benefit plan investments. From fiscal year 2019 to 2020, deferred outflows related to pensions decreased from \$13 million to \$4 million, and deferred inflows related to pensions increased from \$1 million to \$7 million. This swing in deferrals relates primarily to projected versus actual investments returns. These deferrals will be recognized as pension expense in future periods. Athletics recognized total pension expense of \$5 million in 2020. Total pension expense includes \$4 million of employer contributions and \$1 million in GASB 68 accruals.

Athletics' share of the **net OPEB liabilities** was \$24 million at June 30, 2020, up from \$23 million at June 30, 2019. OPEB-related deferred outflows at June 30, 2020 and 2019 totaled \$4 million and \$2 million, respectively. OPEB-related deferred inflows at June 30, 2020 and 2019 totaled \$3 million and \$63,000, respectively. Athletics recognized total OPEB expense of \$2 million in 2020. Total OPEB expense includes \$0 of employer contributions and \$2 million in GASB 75 accruals.

It should be noted that, in Ohio, employer contributions to the state's cost-sharing multi-employer retirement systems are established by statute. These contributions, which are payable to the retirement systems one month in arrears, constitute the full legal claim on Athletics for pension and OPEB funding. Although the liabilities recognized under GASB Statement Nos. 68 and 75 meet the GASB's definition of a liability in its conceptual framework for accounting standards, they do not represent legal claims on Athletics' resources, and there are no cash flows associated with the recognition of net pension and OPEB liabilities, deferrals and expense.

Athletics enters into internal loan agreements with the university to finance the construction and renovation of athletic facilities. Total **notes payable to the university** was stable at \$251 million at June 30, 2020. In 2020, receipts from new loans totaled \$15 million. The loans have maturities ranging from 2020 to 2047 and bear interest rates ranging from 2.25% to 5.25%. Principal repayments in 2020 totaled \$15 million.

**The Ohio State University Department of Athletics
Management Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2020 and June 30, 2019**

(In thousands)

Statement of Revenues, Expenses and Other Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues:			
Ticket sales	\$ 64,022	\$ 58,018	\$ 65,975
Television, broadcast rights and sponsorships	63,088	53,918	51,689
Royalty and affinity revenue	5,947	5,342	4,727
Bowl and NCAA tournament distributions	13,538	16,369	17,331
Sports camp entry fee	1,438	2,106	2,236
Golf course revenues	4,070	4,449	4,420
Other operating revenues	14,488	18,936	12,184
Total operating revenues	<u>166,591</u>	<u>159,138</u>	<u>158,562</u>
Operating Expenses			
Salaries and wages	63,064	61,274	55,664
Employee benefits	19,668	27,815	24,877
Supplies and services	84,361	92,589	76,998
Scholarships	26,560	27,277	25,101
Depreciation	20,726	18,082	15,853
Total operating expense	<u>214,379</u>	<u>227,037</u>	<u>198,493</u>
Net operating loss	(47,788)	(67,899)	(39,931)
Nonoperating Revenues (Expenses)			
Current-use gifts	29,643	31,843	33,530
University distribution	9,293	9,799	7,289
Interest expense	(11,179)	(7,723)	(7,708)
Net investment income	714	1,033	7,055
Contributions related to capital assets	4,925	1,175	73
Net non operating revenue	<u>33,396</u>	<u>36,127</u>	<u>40,239</u>
Income (loss) before other changes in net position	(14,392)	(31,772)	308
Capital gifts	14,354	2,849	16,747
Additions to permanent endowments	1,620	3,015	4,197
Equity transfers to the university, net	(3,414)	(3,156)	(1,243)
Increase (decrease) in Net Position	(1,832)	(29,064)	20,009
Net Position - Beginning of Year			
Beginning of the year previously recorded	189,531	218,595	214,588
Cumulative effect of accounting changes	-	-	(16,002)
Net Position - End of Year	<u>\$ 187,699</u>	<u>\$ 189,531</u>	<u>\$ 218,595</u>

Athletics had a \$2 million decrease in net position in 2020. Current operating revenues increased \$7 million, to \$167 million in 2020. Ticket sales increased \$6 million to \$64 million, due to the strength of the 2019 home football schedule. Revenue from television, broadcast rights and sponsorships increased \$9 million to \$63 million. These increases were partially offset by a \$3 million reduction in Bowl and NCAA tournament distributions, which were impacted by the cancellation of the NCAA basketball championships due to COVID-19, and a \$4 million decrease in other operating revenues. Current operating expenses decreased \$13 million, to \$214 million in 2020, primarily due to a combination of decreases in employee benefit expenses related to pensions and other postemployment benefits and reductions in supplies and services expenses resulting from the cancellation of spring sports due to COVID-19.

**The Ohio State University Department of Athletics
Management Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2020 and June 30, 2019**

(In thousands)

Gifts to Athletics represent a key source of financial support for the department's operating and capital needs. **Current use gifts** decreased \$2 million to \$30 million, at June 30, 2020. These gifts are used primarily to fund scholarships for student-athletes. **Capital gifts** increased \$12 million to \$14 million, partially due to the Ty Tucker Tennis Center's capital campaign. **Additions to permanent endowments** decreased \$1.4 million to \$1.6 million.

Statement of Cash Flows

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net cash flows used in operating activities	\$ (41,996)	\$ (36,329)	\$ (24,872)
Net cash flows from noncapital financing activities	50,145	39,440	42,127
Payments for purchase or construction of capital assets	(24,848)	(74,337)	(53,673)
Principal and interest payments on notes payable to the university	(26,364)	(22,053)	(17,112)
Other cash flows from capital financing activities	27,026	68,817	44,336
Net cash flows provided (used) by investing activities	<u>2,608</u>	<u>1,315</u>	<u>(146)</u>
Net increase (decrease) in cash	<u>\$ (13,429)</u>	<u>\$ (23,147)</u>	<u>\$ (9,340)</u>

Total Athletics cash decreased \$13 million, to \$43 million at June 30, 2020. Net cash flows used in operating activities were relatively stable at \$42 million in 2020, compared to \$36 million used in 2019. Decreases in receipts for ticket sales and other revenues were partially offset by reductions in payments for supplies and services. Net cash flows provided by noncapital financing activities increased \$11 million, primarily due to an \$13 million increase in current-use gift receipts. Net cash used by capital financing activities was also relatively stable at \$24 million in 2020, compared to \$28 million in 2019. Reductions in receipts of loan proceeds offset reductions in capital expenditures. Net cash provided by investing activities increased \$1 million, reflecting a reduction in purchases of investments.

Economic Factors That Will Affect the Future:

The COVID-19 pandemic has and continues to present significant budgetary challenges for the Department of Athletics; and it has had a significant impact on all financial areas. Some of the major effects include:

- The elimination of approximately \$63 million of ticket sales for all sporting events due to limiting attendance to only the family members of student athletes, and coaches of the home and visiting teams.
- A significant reduction in Media Rights revenue due to the delayed and reduced football and basketball seasons.
- Reduced revenues from sponsorships, royalties, suite rentals, sports camps, event facility rentals, game guarantees, and gifts to the foundation.

**The Ohio State University Department of Athletics
Management Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2020 and June 30, 2019**

(In thousands)

- Increase in supplies and services expense of \$3.5 million for COVID-19 testing and Personal Protective Equipment (PPE) purchases.

To remain true to the Resource Stewardship pillar of the university's strategic plan, the department has implemented a comprehensive program to recover from what could be a net deficit. The plan, which is in process, includes reductions and furloughs of personnel and limits other expenditures to items deemed essential to our sports, support units and facilities operations. In addition, Athletics has launched "A Higher Purpose" fundraising campaign to offset revenue losses associated with the COVID-19 pandemic. Athletics is consulting with university leadership regarding the restructuring of its debt portfolio and financing options to repay the anticipated deficit over a multi-year period. We will continue to monitor the pandemic and take additional measures to protect the health of our student athletes, coaches, faculty and staff, and the central Ohio community.

The Ohio State University Department of Athletics
Statements of Net Position
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

Assets and Deferred outflows	2020	2019
Current assets		
Cash and cash equivalents	\$ 43,289	\$ 56,718
Accounts receivable, net	6,009	6,816
Inventories	283	257
Contributions receivable	-	13,564
Current portion of pledges receivable, net	12,699	10,568
Current portion of prepaid expenses	1,554	2,579
Total current assets	<u>63,834</u>	<u>90,502</u>
Noncurrent assets		
Assets Whose Use Is Limited	83	-
Endowment investments	98,683	100,660
Pledges receivable, net	35,783	35,294
Prepaid expenses	4,014	4,158
Capital assets, net	352,531	345,405
Total noncurrent assets	<u>491,094</u>	<u>485,517</u>
Total assets	<u>554,928</u>	<u>576,019</u>
Deferred outflows-pension	3,912	12,969
Deferred outflows-other post employment benefits	3,903	1,896
Total deferred outflows	<u>7,815</u>	<u>14,865</u>
Total assets and deferred outflows	<u>\$ 562,743</u>	<u>\$ 590,884</u>
Liabilities, Deferred inflows and Net Position		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,385	\$ 6,158
Accounts payable related to capital assets	5,793	8,318
Current portion of accrued compensated absences	389	395
Unearned revenue for advance sales of game tickets	30,316	45,418
Current portion of other unearned revenues and deposits	7,222	9,095
Current portion of notes payable to the university	104	11,452
Total current liabilities	<u>45,209</u>	<u>80,836</u>
Noncurrent liabilities		
Notes payable to the university	250,747	239,249
Accrued compensated absences	4,128	3,633
Other unearned revenues and deposits	6,326	5,890
Net pension liability	33,571	47,613
Net other post employment benefits liability	24,302	23,336
Total noncurrent liabilities	<u>319,074</u>	<u>319,721</u>
Total Liabilities	<u>364,283</u>	<u>400,557</u>
Deferred inflows-pension	7,307	733
Deferred inflows-other post employment benefits	3,454	63
Total deferred inflows	<u>10,761</u>	<u>796</u>
Total liabilities and deferred inflows	<u>375,044</u>	<u>401,353</u>
Net Position		
Net investment in capital assets	95,970	86,385
Restricted		
Nonexpendable	79,750	79,645
Expendable	90,953	89,949
Unrestricted	(78,974)	(66,448)
Total net position	<u>187,699</u>	<u>189,531</u>
Total liabilities, deferred inflows and net position	<u>\$ 562,743</u>	<u>\$ 590,884</u>

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics
Statements of Revenues, Expenses and Other Changes in Net Position
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

	2020	2019
Operating Revenues		
Ticket sales	\$ 64,022	\$ 58,018
Television, broadcast rights and sponsorships	63,088	53,918
Royalty and affinity revenue	5,947	5,342
Bowl and NCAA tournament distributions	13,538	16,369
Parking	3,078	3,044
Sports camp entry fees	1,438	2,106
Golf course revenues	4,070	4,449
Private grants and contracts	41	59
In-kind revenues	4,094	3,892
Other operating revenues	7,275	11,941
Total Operating Revenue	<u>166,591</u>	<u>159,138</u>
Operating Expenses		
Salaries and wages	63,064	61,274
Employee benefits	19,668	27,815
Supplies and services	80,691	89,121
Scholarships	26,560	27,277
In-kind supplies and services	3,670	3,468
Depreciation	20,726	18,082
Total Operating Expense	<u>214,379</u>	<u>227,037</u>
Operating Loss	(47,788)	(67,899)
Non-operating Revenues (Expense)		
Current-use gifts	29,643	31,843
University distribution	9,293	9,799
Contributions related to capital assets	4,925	1,175
Investment income	4,508	4,483
Net unrealized loss on investments	(3,794)	(3,450)
Interest expense on plant debt	(11,179)	(7,723)
Net Non-operating Revenue	<u>33,396</u>	<u>36,127</u>
Loss before Other Revenues and Transfers	(14,392)	(31,772)
Other Revenues		
Capital gifts	14,354	2,849
Additions to permanent endowments	1,620	3,015
Net Income (Loss) before Transfers	1,582	(25,908)
Equity transfers to the university, net	(3,414)	(3,156)
Decrease in Net Position	(1,832)	(29,064)
Net Position, Beginning of Year	<u>189,531</u>	<u>218,595</u>
Net Position, End of Year	<u>\$ 187,699</u>	<u>\$ 189,531</u>

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics
Statements of Cash Flows
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

Cash Flows from Operating Activities	2020	2019
Ticket sales	\$ 49,733	\$ 58,556
Television, broadcast rights and sponsorships	60,355	54,756
Royalty and affinity revenue	6,233	5,279
Bowl and NCAA tournament distributions	15,334	14,787
Parking	2,713	3,044
Sports camp entry fees	499	2,602
Golf course revenues	4,131	4,412
Private grants and contracts	41	59
Payments to or on behalf of employees	(64,339)	(61,109)
University employee benefit payments	(15,731)	(17,605)
Payments to vendors for supplies and services	(82,632)	(87,247)
Payments for student financial aid	(26,485)	(27,224)
Other receipts	8,152	13,361
Net cash used by operating activities	<u>(41,996)</u>	<u>(36,329)</u>
Cash Flows from Noncapital Financing Activities		
Current-use gifts	42,646	29,783
Additions to permanent endowments	1,620	3,015
Equity transfers to the University	(3,414)	(3,157)
University distribution	9,293	9,799
Net cash provided by noncapital financing activities	<u>50,145</u>	<u>39,440</u>
Cash Flows from Capital Financing Activities		
Proceeds from capital debt	14,730	56,366
Capital gifts	12,296	12,451
Payments for purchase or construction of capital assets	(24,848)	(74,337)
Principal payments on capital debt and leases	(14,580)	(10,310)
Interest payments on capital debt and leases	(11,784)	(11,743)
Net cash used by capital financing activities	<u>(24,186)</u>	<u>(27,573)</u>
Cash Flows from Investing Activities		
Investment income	4,508	4,483
Purchases of Investments	(1,817)	(3,221)
Assets whose use is limited	(83)	53
Net cash provided by investing activities	<u>2,608</u>	<u>1,315</u>
Net decrease in cash	<u>(13,429)</u>	<u>(23,147)</u>
Cash and cash equivalents - Beginning of Year	56,718	79,865
Cash and cash equivalents - End of Year	<u>\$ 43,289</u>	<u>\$ 56,718</u>

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics
Statements of Cash Flows - continued
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities	2020	2019
Operating loss	(47,788)	\$ (67,899)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense	20,726	18,082
Non cash activity related to unearned revenues:		
Net in kind revenue related to capital assets	(424)	(424)
Changes in assets and liabilities:		
Accounts receivable, net	807	(865)
Inventories and prepaid expenses	1,143	651
Accounts payable and accrued liabilities	(4,773)	1,275
Current portion of other unearned revenues and deposits	(16,551)	3,671
Other long term liabilities	436	(1,193)
Compensated absences	489	164
Net pension liability	(14,042)	21,404
Net other post employment benefits liability	966	4,484
Deferred outflows-pensions	9,057	(7,999)
Deferred outflows-other post employment benefits	(2,007)	(509)
Deferred inflows-pensions	6,574	(5,830)
Deferred inflows-other post employment benefits	3,391	(1,341)
Net cash used by operating activities	<u>\$ (41,996)</u>	<u>\$ (36,329)</u>
Non cash activity and other supplementary disclosure:		
Capitalized Interest	\$ 605	\$ 4,020
Change in accounts payable related to construction	(2,525)	(6,056)
Unrealized loss on investments	(3,794)	(3,450)
Assets financed by seller	424	424
Contributions related to capital assets	4,925	1,175

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

1. ORGANIZATION

The Ohio State University Department of Athletics ("Athletics") operates under the governance of The Ohio State University Board of Trustees and is included in the financial statements of The Ohio State University ("the university"). As a department of the university, Athletics is exempt from income taxes under Internal Revenue Code Section 115. All organizations controlled by Athletics, consisting of its various departments, are included in the financial statements; organizations not controlled by Athletics, such as certain booster and alumni organizations, are not included in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of Athletics 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). Athletics reports as a special purpose government engaged solely in "business type activities" under GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

Athletics' 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 (i.e., Assets Whose Use is Limited), accounts payable for construction 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. These assets primarily consist of permanent endowments.
- Restricted - expendable: Amounts whose use is subject to externally-imposed stipulations that can be fulfilled by actions of Athletics pursuant to those stipulations or that expire by the passage of time.
- Unrestricted: Amounts which are not subject to externally-imposed stipulations. Substantially all unrestricted balances are internally designated for the operating needs of Athletics in order to support the student athletes and the teams they represent and to provide for unanticipated shortfalls in revenues.

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

Basis of Accounting

The financial statements of Athletics have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they are considered to be a legal or contractual obligation to pay. Athletics' practice is to first apply restricted resources when an expense is incurred for purposes in which both restricted and unrestricted funds are available.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of petty cash, demand deposit accounts, money market accounts, savings accounts and investments with original maturities of ninety days or less at the time of purchase. Athletics' cash is maintained by the Office of Financial Services of the university through pooled funds.

Contributions Receivable

Contributions receivable consist of gifts received by the university's Office of Advancement, which were subject to a 180-day hold before transfer to the operating accounts of Athletics. Amounts are deemed fully collectible. The university ended this practice in 2020, and all gifts received by the Office of Advancement had been transferred to Athletics' operating accounts at June 30, 2020.

Pledges Receivable

Athletics 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. Athletics reduces pledges receivable to estimated net realizable value by recording an allowance for uncollectible pledges based on management's judgement of potential uncollectible amounts and includes such factors as prior collection history and type of gift. For the years ended June 30, 2020 and 2019, Athletics recorded allowances against pledges receivable of \$1,445 and \$1,615 respectively.

Prepaid Expenses

Prepaid expenses consist primarily of amounts paid by Athletics to construct a boathouse on City of Columbus property. In exchange for these payments, Athletics received the right to use the boathouse for a 40-year period. Prepaid expense associated with the boathouse lease is being amortized to expense over the 40-year term of the agreement. In addition to the expenses associated with the boathouse, the current portion of prepaid expenses includes deposits on travel arrangements for the next fiscal year as well as paid summer tuition deferred to the next fiscal year.

Endowment Investments

All investments consist of amounts invested in The Ohio State University Long Term Investment Pool and are recorded at fair value. Endowment funds are managed by the Office of Financial Services of the university, which commingles the funds with other university-related organizations. Earned investment income by a fund is based on the moving average of its monthly market value percentage to the overall pool. Investments are carried at fair value in accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools* as amended by GASB Statement 72, *Fair value Measurement and Application*.

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

The net changes in the value of investments during the years ended June 30, 2020 and 2019 are a decrease \$1,977 and a decrease of \$229 respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during each respective year. The calculation of unrealized gain or loss is independent of the calculation of the net increase in fair value of investments. As of June 30, 2020, there is a cumulative unrealized gain on investments of \$114.

As of June 30, 2019, there was a cumulative unrealized gain on investments of \$3,908. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the Long Term Investment Pool. The associated net position is classified as restricted-expendable, unless otherwise restricted by the donor.

At June 30, 2020, the fair value of Athletics gifted endowments is \$83,774 which is \$403 below the historical dollar value of \$84,177. Although the fair value of certain gifted endowments exceeded the historical cost at June 30, 2020, there were 223 named funds that were underwater. The fair value of these underwater funds at June 30, 2020 is \$49,292, which is \$4,427 below the historical dollar value of \$53,719.

At June 30, 2019, the fair value of Athletics gifted endowments is \$85,290 which is \$2,824 above the historical dollar value of \$82,466. Although the fair value of certain gifted endowments exceeded the historical cost at June 30, 2019, there were 161 named funds that were underwater. The fair value of these underwater funds at June 30, 2019 is \$34,942, which is \$2,821 below the historical dollar value of \$37,763.

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.

Assets Whose Use is Limited

Assets whose use is limited represent cash and cash equivalents for capital projects funded by loans from the university.

Capital Assets

Capital asset acquisitions are recorded at cost on the date of acquisition, or, if donated, at fair market value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Estimated useful lives are 10-100 years for buildings, 20 years for improvements and 5-15 years for moveable equipment. Expenditures for construction in progress are capitalized as incurred. Routine maintenance and repairs are charged to expenses as incurred.

Unearned Revenues

Unearned revenues primarily consist of receipts related to athletic events, golf course memberships, and sports camp entry fees received in advance of the services to be provided. Athletics will recognize revenue to the extent these services are provided over the coming fiscal year. Certain unearned revenues related to sponsorship agreements are longer in term and will be recognized ratably over the life of the agreements.

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

Operating and Non-Operating Activities

Athletics defines operating activities, for purposes of reporting on the Statement of Revenues, Expenses, and Other Changes in Net Position, as those activities that generally result from exchange transactions, such as payments received for providing services and payments made for goods or services received. With the exception of interest expense on long-term indebtedness, substantially all Athletics expenses are considered to be operating expenses. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including university distributions to support operations, current-use gifts, and net investment income.

Equity transfers to the university

Transfers to the university represent non exchange transactions whereby Athletics generated revenues or reserves are contributed to the university in support of institutional initiatives. Current year transfers include funds to support a university wide cost containment program, support for the marching and athletic bands, and support for the campus police department.

Sponsorship Agreement

Athletics has various sponsorship agreements that provide for in-kind contributions of apparel, footwear, sports equipment, and the use of certain athletic related equipment. For the years ended June 30, 2020 and 2019, in-kind revenues were \$4,094 and \$3,892 respectively. Athletics recognizes expense for the use of contributed apparel, footwear and equipment as it is incurred as in-kind supplies and services.

Management Estimates

The preparation of financial statements in conformity with accounting principles, generally accepted in the United States of America, requires the use of management estimates, primarily related to collectability of accounts and pledges receivable and to the valuation of compensated absences. Actual results could differ from those estimates.

Newly Issued Accounting Pronouncements

In order to provide temporary relief to governments in light of the COVID-19 pandemic, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement – which was issued in May 2020 and is effective immediately – extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The effective dates of the accounting pronouncements listed below have been updated in accordance with Statement No. 95.

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, 2019 (FY2021).

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

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 June 15, 2021 (FY2022).

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, 2020 (FY2022) and will be applied on a prospective basis.

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, 2019 (FY2021).

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This standard addresses P3s and APAs and amends current guidance in GASB 60, Accounting and Financial Reporting for Service Concession Arrangements. In general, the standard applies the right-of-use model set forth in GASB 87 to P3 arrangements and provides accounting and disclosure guidance for both transferors and operators of governmental assets. The standard is effective for periods beginning after June 15, 2022 (FY2023).

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement requires recognition of a right-to-use subscription asset, initially measured as the sum of the initial subscription liability amount, payments made to the vendor before commencement of the subscription term, and capitalizable implementation costs. The subscription asset is then amortized over the subscription term. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (FY2023), and all reporting periods thereafter.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This Statement clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. It also establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans. The provisions that limit the applicability of the "absence of a governing board" and "financial burden" criteria to arrangements other than defined contribution plans would

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

be effective immediately; other provisions would be effective for reporting periods beginning after June 15, 2021.

University management is currently assessing the impact that implementation of GASB Statements No. 84, 87, 89, 90, 94, 96 and 97 will have on the university's financial statements.

Other

As a Department of the university, Athletics is exempt from income taxes as an instrumentality of the State of Ohio under Internal Revenue Code §115 and Internal Revenue Service regulations. Any unrelated business income is taxable.

3. INVESTMENTS

Athletics endowments are invested in the University Long-Term Investment Pool, and as such, all endowment investments are held by the university. The pool consists of more than 5,892 authorized funds and 219 pending funds. Each named fund in the University Long-Term Investment Pool is assigned a number of shares, 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 pool is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support Athletics' mission.

The university holds certain types of alternative investment funds, including limited partnerships and private equity, which are carried at the net asset values provided by the management of these funds. The purpose of this alternative investment fund class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes. Management of the alternative investment funds, namely the general partner, use methods such as discounted cash flows, recent transactions, and other model-based calculations, to estimate the fair value of the investment held by the fund.

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, 2020 and June 30, 2019, 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 \$4,508 and \$4,483 in fiscal years 2020 and 2019, respectively.

At June 30, 2020, the original cost and fair value of Athletics' endowment investments were \$98,570 and \$98,683 respectively. At June 30, 2019, the original cost and fair value of Athletics' endowment investments were \$96,752 and \$100,660 respectively.

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Improvements	\$ 55,054	\$ 289	\$ -	\$ 55,343
Buildings	515,364	10,800	-	526,164
Moveable equipment	11,719	2,400	(904)	13,215
Construction in progress	6,273	25,166	(10,803)	20,636
	<u>588,410</u>	<u>38,655</u>	<u>(11,707)</u>	<u>615,358</u>
Less: accumulated depreciation				
Improvements	28,382	2,564	-	30,946
Buildings	208,505	17,083	-	225,588
Moveable equipment	6,118	1,079	(904)	6,293
	<u>243,005</u>	<u>20,726</u>	<u>(904)</u>	<u>262,827</u>
Capital assets, net	<u>\$ 345,405</u>	<u>\$ 17,929</u>	<u>\$ (10,803)</u>	<u>\$ 352,531</u>

Capital asset activity for the year ended June 30, 2019 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Improvements	\$ 45,525	\$ 9,529	\$ -	\$ 55,054
Buildings	379,400	135,964	-	515,364
Moveable equipment	10,536	1,677	(494)	11,719
Construction in progress	79,969	71,798	(145,494)	6,273
	<u>515,430</u>	<u>218,968</u>	<u>(145,988)</u>	<u>588,410</u>
Less: accumulated depreciation				
Improvements	25,945	2,437	-	28,382
Buildings	193,866	14,639	-	208,505
Moveable equipment	5,607	1,005	(494)	6,118
	<u>225,418</u>	<u>18,081</u>	<u>(494)</u>	<u>243,005</u>
Capital assets, net	<u>\$ 290,012</u>	<u>\$ 200,887</u>	<u>\$ (145,494)</u>	<u>\$ 345,405</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

5. LONG-TERM DEBT

University Notes Payable

The university has issued notes payable to Athletics through Memorandums of Understanding ("MOUs") which document the principal, interest charges and repayment terms as well as any other conditions or covenants. The notes payable have been issued at fixed interest rates with no premium or discount on the debt. The schedule of future principal and interest payments presented in this note reflects amendments to certain debt MOUs in fiscal year 2020 to adjust principal maturities and defer payments, including the deferral of all principal payments for fiscal years 2021 and 2022 and all interest payments for fiscal year 2021.

Long-term debt activity for the year ended June 30, 2020 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable to the university					
2002, 4.74% through 2031	\$ 4,442	\$ -	\$ 267	\$ 4,175	\$ -
2002, 4.74% through 2047	105,086	-	1,841	103,245	-
2006, 4.14% through 2030	10,189	-	734	9,455	-
2014, 4.50% through 2023	2,017	-	2,017	-	-
2014, 4.50% through 2021	956	-	956	-	-
2014, 4.50% through 2024	6,010	-	1,184	4,826	-
2014, 4.50% through 2024	4,528	-	935	3,593	-
2015, 2.25% through 2020	10	-	10	-	-
2015, 4.50% through 2025	2,802	-	430	2,372	-
2016, 4.75% through 2047	27,657	7,986	-	35,643	-
2017, 5.14% through 2046	23,710	-	443	23,267	-
2018, 2.75% through 2023	149	-	36	113	47
2018, 5.25% through 2028	6,506	-	639	5,867	-
2018, 4.75% through 2032	31,125	-	1,658	29,467	-
2019, 2.75% through 2023	88	-	20	68	37
2019, 5.25% through 2039	3,158	-	98	3,060	-
2019, 4.75% through 2033	22,268	6,500	3,280	25,488	-
2020, 2.75% through 2025	-	244	32	212	20
	<u>\$ 250,701</u>	<u>\$ 14,730</u>	<u>\$ 14,580</u>	<u>\$ 250,851</u>	<u>\$ 104</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

Long-term debt activity for the year ended June 30, 2019 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable to the university					
2002, 4.74% through 2032	\$ 4,696	\$ -	\$ 254	\$ 4,442	\$ 267
2002, 4.74% through 2047	106,842	-	1,756	105,086	1,841
2006, 4.14% through 2031	10,892	-	703	10,189	733
2014, 4.50% through 2024	2,438	-	421	2,017	441
2014, 2.25% through 2019	29	-	29	-	-
2015, 2.25% through 2020	28	-	18	10	9
2014, 4.00% through 2019	363	-	363	-	-
2014, 4.50% through 2021	1,496	-	540	956	565
2014, 4.50% through 2024	5,422	-	894	4,528	935
2014, 4.50% through 2024	7,142	-	1,132	6,010	1,184
2015, 4.50% through 2025	3,213	-	411	2,802	430
2016, 4.75% through 2046	17,214	10,443	-	27,657	1,024
2017, 4.75% through 2046	24,133	-	423	23,710	443
2018, 2.75% through 2023	184	-	35	149	36
2018, 5.25% through 2028	4,823	2,290	607	6,506	639
2018, 4.75% through 2033	15,730	16,977	1,582	31,125	1,658
2019, 2.75% through 2023	-	103	15	88	20
2019, 5.25% through 2039	-	3,236	78	3,158	98
2019, 4.75% through 2033	-	23,317	1,049	22,268	1,129
	<u>\$ 204,645</u>	<u>\$ 56,366</u>	<u>\$ 10,310</u>	<u>\$ 250,701</u>	<u>\$ 11,452</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

Principal maturities and interest on long-term debt for the next five years and in subsequent five-year periods are as follows:

	Principal	Interest	Total
Year Ending June 30			
2021	\$ 104	\$ 10	\$ 114
2022	107	11,860	11,967
2023	10,996	11,629	22,625
2024	11,463	11,105	22,568
2025	11,965	10,559	22,524
FY 2026-FY 2030	53,959	44,954	98,913
FY 2031-FY 2035	50,610	32,193	82,803
FY 2036-FY 2040	31,192	23,037	54,229
FY 2041-FY 2045	38,135	14,829	52,964
FY 2046 and Thereafter	42,320	5,149	47,469
	<u>\$ 250,851</u>	<u>\$ 165,325</u>	<u>\$ 416,176</u>

6. OPERATING LEASES

Athletics leases various buildings and office space under operating lease agreements. These facilities are not recorded as assets on the Statements of Net Position. The total rental expense under these agreements for the years ended June 30, 2020 and 2019 were \$5,026 and \$4,946, respectively. Total rental expense is reported in supplies and services on the Statements of Revenues, Expenses and Other Changes in Net Position.

Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year are as follows:

Year ending June 30	
2021	\$ 5,291
2022	4,961
2023	4,858
2024	4,919
2025	5,023
Total	<u>\$25,052</u>

7. COMPENSATED ABSENCES

Athletics' employees earn vacation and sick leave on a monthly basis. Classified civil service employees may accrue vacation benefits up to a maximum of three years credit. Administrative and professional staff and faculty may accrue vacation benefits up to a maximum of 240 hours. For all classes of employees, any earned but unused vacation benefit is payable upon termination.

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

Certain employees of Athletics receive compensation time in lieu of overtime pay. Any unused compensation time must be paid to the employee at the time of termination or retirement.

Sick leave may be accrued without limit. However, earned but unused sick leave benefits are payable only upon retirement from the university with ten or more years of state service. The amount of sick leave benefit payable at retirement is one fourth of the value of the accrued but unused sick leave up to a maximum of 240 hours.

Athletics follows the university's policy for accruing sick leave liability. Athletics accrues sick leave liability for those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments. This liability is calculated using the "termination payment method" which is set forth in Appendix C, Example 4 of the GASB Statement No. 16, *Accounting for Compensated Absences*. Under the termination method, Athletics uses a university-calculated ratio, Sick Leave Termination Cost per Year Worked, which is based on the university's actual historical experience of sick leave payouts to terminated employees. This ratio is then applied to the total years-of-service for current Athletics employees.

The following schedule summarizes compensated absence activity for the year ended June 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 4,028	\$ 878	\$ 389	\$ 4,517
Less: current portion	395			389
	<u>\$ 3,633</u>			<u>\$ 4,128</u>

The following schedule summarizes compensated absence activity for the year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 3,864	\$ 559	\$ 395	\$ 4,028
Less: current portion	434			395
	<u>\$ 3,430</u>			<u>\$ 3,633</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

8. RELATED PARTY TRANSACTIONS

The university charges Athletics for allocated overhead costs related to financial, student and development department costs and certain other expenses incurred by the university on behalf of Athletics. Overhead charged to supplies and services expense for the years ended June 30, 2020 and 2019 was \$7,705 and \$7,174 respectively.

Athletics rents office space from the university in the Fawcett Center for Tomorrow located on Olentangy River Road. Lease payments reported in supplies and services for the years ended June 30, 2020 and 2019 were \$1,250 and \$1,221 respectively.

The Jerome Schottenstein Center is a 770,000 square foot multipurpose venue opened in 1998. The capital asset is not included on Athletics' financial statement as the facility is used for a wide range of university purposes. In exchange for the use of the Value City Arena, practice facilities, and office space, Athletics provides services in the areas of marketing, ticket sales, and information technology. Athletics also makes an annual rental payment under the agreement to the university which is reported in supplies and services. The amounts paid under this agreement for the years ended June 30, 2020 and 2019 were \$2,626 and \$2,575 respectively. In addition, Athletics has an agreement to transfer a portion of the revenue received from a Sponsorship Rights contract with IMG to The Jerome Schottenstein Center. The amounts paid for the years ended June 30, 2020 and 2019 were \$3,561 and \$3,547 respectively and reduced television, broadcast rights, and sponsorship revenues.

The Younkin Success center is a university wide collaboration to provide a variety of services supporting student success to faculty, staff and students. The Student-Athlete Support Services Office (SASSO) within Younkin provides access to service and programs that promote academic, personal and career development and facilitate graduation for over 1,000 student athletes. Athletics payments in support of SASSO for the years ended June 30, 2020 and 2019 were \$3,648 and \$3,456, respectively. The payments are reported in supplies and services.

Recognizing that the national reputation of the Athletics department brings exposure to the university and helps drive the market for licensed products, the university includes Athletics in the distribution of licensing revenue each year based on a formula driven allocation of net proceeds. For the years ended June 30, 2020 and 2019 the allocations to Athletics were \$6,926 and \$6,042, respectively. Athletics records this revenue related to the university's royalty and affinity revenue in University distribution on the Statements of Revenues, Expenses and Other Changes in Net Position.

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

9. RETIREMENT PLANS

University employees are covered by one of three retirement systems. The university faculty is covered by the State Teachers Retirement System of Ohio (STRS Ohio). Substantially all other employees are covered by the Public Employees Retirement System of Ohio (OPERS). Employees may opt out of STRS Ohio and OPERS and participate in the Alternative Retirement Plan (ARP) if they meet certain eligibility requirements.

STRS Ohio and OPERS offer statewide cost-sharing multiple-employer defined benefit pension plans. STRS Ohio and OPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. In addition, the retirement systems provide other post-employment benefits (OPEB), consisting primarily of healthcare. Benefits are established by state statute and are calculated using formulas that include years of service and final average salary as factors.

In accordance with GASB Statements Nos. 68 and 75, employers participating in cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective net pension and OPEB liabilities of the plans. Although changes in the net pension and OPEB liabilities generally are recognized as expense in the current period, certain items are deferred and recognized as expense in future periods. Deferrals for differences between projected and actual investment returns are amortized to pension expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 3 to 10 years).

The collective net pension liabilities of the retirement systems and the Athletics' proportionate share of these net pension liabilities as of June 30, 2020 are as follows:

	<u>OPERS</u>
Net pension liability - all employers	\$ 19,553,374
Proportion of the net pension liability - Athletics	0.172%
Proportionate share of net pension liability	\$ 33,571

The collective net OPEB liabilities of the retirement systems and the Athletics' proportionate share of these liabilities as of June 30, 2020 are as follows:

	<u>OPERS</u>
Net OPEB liability - all employers	\$ 13,812,598
Proportion of the net OPEB liability - Athletics	0.176%
Proportionate share of net OPEB liability	\$ 24,302

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

The collective net pension liabilities of the retirement systems and the Athletics' proportionate share of these net pension liabilities as of June 30, 2019 are as follows:

	<u>OPERS</u>
Net pension liability - all employers	\$ 27,273,872
Proportion of the net pension liability - Athletics	0.175%
Proportionate share of net pension liability	\$ 47,613

The collective net OPEB liabilities of the retirement systems and the Athletics' proportionate share of these net pension liabilities as of June 30, 2019 are as follows:

	<u>OPERS</u>
Net OPEB liability - all employers	\$ 13,037,639
Proportion of the net OPEB liability - Athletics	0.179%
Proportionate share of net OPEB liability	\$ 23,336

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2020:

	<u>OPERS</u>
Deferred Outflows of Resources:	
Differences between expected and actual experience	\$ 27
Changes in assumptions	1,820
Net difference between projected and actual earnings on pension plan investments	-
Changes in proportion of university contributions	101
Employer contributions subsequent to the measurement date	1,964
Total	<u>\$ 3,912</u>
Deferred Inflows of Resources:	
Differences between expected and actual experience	\$ 543
Net difference between projected and actual earnings on pension plan investments	6,763
Changes in proportion of university contributions	1
Total	<u>\$ 7,307</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

Deferred outflows of resources and deferred inflows of resources for OPEB were related to the following sources as of June 30, 2020:

	<u>OPERS</u>
Deferred Outflows of Resources:	
Differences between expected and actual experience	\$ 1
Changes in assumptions	3,843
Net difference between projected and actual earnings on OPEB plan investments	-
Changes in proportion of university contributions	59
Total	<u>\$ 3,903</u>
Deferred Inflows of Resources:	
Differences between expected and actual experience	\$ 2,222
Net difference between projected and actual earnings on OPEB plan investments	1,232
Changes in proportion of university contributions	-
Total	<u>\$ 3,454</u>

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2019:

	<u>OPERS</u>
Deferred Outflows of Resources:	
Differences between expected and actual experience	\$ 22
Changes in assumptions	4,211
Net difference between projected and actual earnings on pension plan investments	6,726
Changes in proportion of university contributions	115
Employer contributions subsequent to the measurement date	1,895
Total	<u>\$ 12,969</u>
Deferred Inflows of Resources:	
Differences between expected and actual experience	\$ 731
Net difference between projected and actual earnings on pension plan investments	-
Changes in proportion of university contributions	2
Total	<u>\$ 733</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

Deferred outflows of resources and deferred inflows of resources for OPEB were related to the following sources as of June 30, 2019:

	<u>OPERS</u>
Deferred Outflows of Resources:	
Differences between expected and actual experience	\$ 8
Changes in assumptions	722
Net difference between projected and actual earnings on OPEB plan investments	1,114
Changes in proportion of university contributions	52
Total	<u>\$ 1,896</u>
Deferred Inflows of Resources:	
Differences between expected and actual experience	\$ 63
Total	<u>\$ 63</u>

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ending June 30 as follows:

	<u>OPERS</u>
2021	1,273
2022	(2,117)
2023	187
2024	(2,732)
2025	(3)
2026 and Thereafter	(3)
Total	<u>\$ (3,395)</u>

Net deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense during the years ending June 30 as follows:

	<u>OPERS</u>
2021	674
2022	317
2023	(13)
2024	(529)
2025	-
2026 and Thereafter	-
Total	<u>\$ 449</u>

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

The following table provides additional details on the benefit formulas, contribution requirements and significant assumptions used in the measurement of total pension and OPEB liabilities for the retirement systems (information below applies to both pensions and OPEB unless otherwise indicated).

	OPERS
Statutory Authority	Ohio Revised Code Chapter 145
Benefit Formula	<p>Pensions -- Benefits are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with five years of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with five years of service. For Groups A and B, the annual benefit is based on 2.2% of FAS multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.</p> <p>OPEB – The Ohio Revised Code permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and Combined Plan is comparable, as the same coverage options are provided to participants in both plans. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the Connector, and may be eligible for monthly allowances deposited to an HRA to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses and prescription drugs. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System and attempts to control costs by using managed care, case management, and other programs.</p> <p>Additional details on health care coverage can be found in the Plan Statement in the OPERS 2019 CAFR.</p> <p>OPERS no longer participates in the Medicare Part D program as of December 31, 2016.</p>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

	OPERS
Cost-of-Living Adjustments (COLAs)	Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, current law provides for an annual COLA. The COLA is calculated on the member's base pension benefit at the date of retirement and is not compounded. Members retiring under the Combined Plan receive a COLA on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, current law provides for a 3% COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.
Contribution Rates	Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 2019, employer rates for the State and Local Divisions were 14% of covered payroll (and 18.1% for the Law Enforcement and Public Safety Divisions). Member rates for the State and Local Divisions were 10% of covered payroll (13% for Law Enforcement and 12% for Public Safety).

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

	OPERS
Measurement Date	December 31, 2019 (OPEB is rolled forward from December 31, 2018 actuarial valuation date)
Actuarial Assumptions	<p>Valuation Date: December 31, 2019 for pensions; December 31, 2017 for OPEB</p> <p>Actuarial Cost Method: Individual entry age</p> <p>Investment Rate of Return: 7.2% for pensions; 6.0% for OPEB</p> <p>Inflation: 3.25%</p> <p>Projected Salary Increases: 3.25% - 10.75%</p> <p>Cost-of-Living Adjustments:</p> <p>Pre-1/7/2013 Retirees: 3.00% Simple</p> <p>Post-1/7/2013 Retirees: 1.40%</p> <p>Simple through 2020, then 2.15% Simple</p> <p>Health Care Cost Trends: 10.5% initial; 3.50% ultimate</p>
Mortality Rates	<p>Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.</p>
Date of Last Experience Study	December 31, 2015

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

	OPERS																																													
Investment Return Assumptions	<p>The long term expected rates of return on defined benefit pension and health care investment assets were determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.</p> <p>The following table displays the Board-approved asset allocation policy for defined benefit pension assets for 2019 and the long-term expected real rates of return:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;"><u>Asset Class</u></th> <th style="text-align: center;"><u>Target Allocation</u></th> <th style="text-align: center;"><u>Long Term Expected Return*</u></th> </tr> </thead> <tbody> <tr> <td>Fixed Income</td> <td style="text-align: center;">25.0%</td> <td style="text-align: center;">1.83%</td> </tr> <tr> <td>Domestic Equity</td> <td style="text-align: center;">19.0%</td> <td style="text-align: center;">5.75%</td> </tr> <tr> <td>Real Estate</td> <td style="text-align: center;">10.0%</td> <td style="text-align: center;">5.20%</td> </tr> <tr> <td>Private Equity</td> <td style="text-align: center;">12.0%</td> <td style="text-align: center;">10.70%</td> </tr> <tr> <td>International Equity</td> <td style="text-align: center;">21.0%</td> <td style="text-align: center;">7.66%</td> </tr> <tr> <td>Other Investments</td> <td style="text-align: center;">13.0%</td> <td style="text-align: center;">4.98%</td> </tr> <tr> <td>Total</td> <td style="text-align: center; border-top: 1px solid black;">100.0%</td> <td></td> </tr> </tbody> </table> <p style="text-align: center;">* Returns presented as arithmetic means</p> <p>The following table displays the Board-approved asset allocation policy for health care assets for 2019 and the long-term expected real rates of return:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;"><u>Asset Class</u></th> <th style="text-align: center;"><u>Target Allocation</u></th> <th style="text-align: center;"><u>Long Term Expected Return*</u></th> </tr> </thead> <tbody> <tr> <td>Fixed Income</td> <td style="text-align: center;">36.0%</td> <td style="text-align: center;">1.53%</td> </tr> <tr> <td>Domestic Equities</td> <td style="text-align: center;">21.0%</td> <td style="text-align: center;">5.75%</td> </tr> <tr> <td>REITs</td> <td style="text-align: center;">6.0%</td> <td style="text-align: center;">5.69%</td> </tr> <tr> <td>International Equities</td> <td style="text-align: center;">23.0%</td> <td style="text-align: center;">7.66%</td> </tr> <tr> <td>Other Investments</td> <td style="text-align: center;">14.0%</td> <td style="text-align: center;">4.90%</td> </tr> <tr> <td>Total</td> <td style="text-align: center; border-top: 1px solid black;">100.0%</td> <td></td> </tr> </tbody> </table> <p style="text-align: center;">* Returns presented as arithmetic means</p>	<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Return*</u>	Fixed Income	25.0%	1.83%	Domestic Equity	19.0%	5.75%	Real Estate	10.0%	5.20%	Private Equity	12.0%	10.70%	International Equity	21.0%	7.66%	Other Investments	13.0%	4.98%	Total	100.0%		<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Return*</u>	Fixed Income	36.0%	1.53%	Domestic Equities	21.0%	5.75%	REITs	6.0%	5.69%	International Equities	23.0%	7.66%	Other Investments	14.0%	4.90%	Total	100.0%	
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The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

	OPERS
Discount Rate	<p>Pensions -- The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan, the Combined Plan and the Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.</p> <p>OPEB -- A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.</p>
Changes in Assumptions Since the Prior Measurement Date	<p>Pensions -- There were no changes in assumptions since the prior measurement date of December 31, 2018.</p> <p>OPEB -- The discount rate was reduced from 3.96% to 3.16% based on the methodology defined under GASB Statement No. 74, <i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)</i>.</p>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

	OPERS						
Benefit Term Changes Since the Prior Measurement Date	<p>Pensions -- For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.</p> <p>OPEB – On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan.</p> <p>These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees.</p>						
Sensitivity of Net Pension Liability to Changes in Discount Rate	<table border="1"> <thead> <tr> <th>1% Decrease (6.2%)</th> <th>Current Rate (7.2%)</th> <th>1% Increase (8.2%)</th> </tr> </thead> <tbody> <tr> <td>\$ 55,751</td> <td>\$ 33,571</td> <td>\$ 13,658</td> </tr> </tbody> </table>	1% Decrease (6.2%)	Current Rate (7.2%)	1% Increase (8.2%)	\$ 55,751	\$ 33,571	\$ 13,658
1% Decrease (6.2%)	Current Rate (7.2%)	1% Increase (8.2%)					
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Sensitivity of Net OPEB Liability to Changes in Discount Rate	<table border="1"> <thead> <tr> <th>1% Decrease (2.16%)</th> <th>Current Rate (3.16%)</th> <th>1% Increase (4.16%)</th> </tr> </thead> <tbody> <tr> <td>\$ 31,802</td> <td>\$ 24,302</td> <td>\$ 18,296</td> </tr> </tbody> </table>	1% Decrease (2.16%)	Current Rate (3.16%)	1% Increase (4.16%)	\$ 31,802	\$ 24,302	\$ 18,296
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Sensitivity of Net OPEB Liability to Changes in Medical Trend Rate	<table border="1"> <thead> <tr> <th>1% Decrease in Trend Rate</th> <th>Current Trend Rate</th> <th>1% Increase in Trend Rate</th> </tr> </thead> <tbody> <tr> <td>\$ 23,584</td> <td>\$ 24,302</td> <td>\$ 25,010</td> </tr> </tbody> </table>	1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate	\$ 23,584	\$ 24,302	\$ 25,010
1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate					
\$ 23,584	\$ 24,302	\$ 25,010					

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

Defined Contribution Plans

ARP is a defined contribution pension plan. Full-time administrative and professional staff and faculty may choose enrollment in ARP in lieu of OPERS or STRS Ohio. Classified civil service employees hired on or after August 1, 2005 are also eligible to participate in ARP. ARP does not provide disability benefits, annual cost-of-living adjustments, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

STRS Ohio also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 9.5% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no post-retirement health care benefits.

Combined Plans

STRS Ohio offers a combined plan with features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive post-retirement health care benefits.

OPERS also offers a combined plan. This is a cost-sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive post-retirement health care benefits. OPERS provides retirement, disability, survivor and post-retirement health benefits to qualifying members of the combined plan.

Summary of Employer Pension Expense

Total pension and OPEB expense for the year ended June 30, 2020, including employer contributions and accruals associated with recognition of net pension liabilities, net OPEB liabilities and related deferrals, is presented below.

	OPERS	ARP	Total
Employer Contributions	\$ 3,854	\$ 1,754	\$ 5,608
GASB 68 Pension Accruals	1,588		1,588
GASB 75 OPEB Accruals	2,349	-	2,349
Total Pension and OPEB Expense	\$ 7,791	\$ 1,754	\$ 9,545

The Ohio State University Department of Athletics
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For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

Total pension expense for the year ended June 30, 2019, including employer contributions and accruals associated with recognition of net pension liabilities and related deferrals, is presented below.

	<u>OPERS</u>	<u>ARP</u>	<u>Total</u>
Employer Contributions	\$ 4,040	\$ 1,478	\$ 5,518
GASB 68 Pension Accruals	7,576		7,576
GASB 75 OPEB Accruals	2,634	-	2,634
Total Pension and OPEB Expense	<u>\$ 14,250</u>	<u>\$ 1,478</u>	<u>\$ 15,728</u>

Pension and OPEB expenses are included in employee benefits on the Statement of Revenues, Expenses and Other Changes in Net Position.

Both STRS Ohio and OPERS issue separate, publicly available financial reports that include financial statements and required supplemental information. These reports may be obtained by contacting the two organizations.

STRS Ohio

275 East Broad Street
 Columbus, OH 43215-3371
 (614) 227-4090
 (888) 227-7877
www.strsoh.org

OPERS

277 East Town Street
 Columbus, OH 43215-4642
 (614) 222-5601
 (800) 222-7377
www.opers.org/investments/cafr.shtml

10. CONTINGENCIES AND RISK MANAGEMENT

The university is a party in a number of legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material adverse effect on the Athletics' financial position.

The global outbreak of COVID-19, a new strain of coronavirus that can result in severe respiratory disease, was declared a pandemic by the World Health Organization on March 11, 2020 and a national emergency by the President of the United States on March 13, 2020. The outbreak of the disease has affected travel, commerce, economies, and financial markets globally, including in the United States. In response to the public health crisis, the Governor of Ohio and the Director of the Ohio Department of Health took certain actions to limit the spread of the virus and its impact on the State's local communities and health care services, including the declaration of a state of emergency in the State and the closure of all non-essential businesses commencing on March 23, 2020. On May 1, 2020, the State began a phased-in process of reopening certain businesses.

The COVID-19 pandemic had a direct impact on Athletics in terms of fundraising, earned revenue and Athletics' operations and programming. On March 13, 2020, the University announced all

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2020 and June 30, 2019

(In thousands)

University events, including Athletics' scheduled programs, were canceled. During this time, all Athletics employees who could do so were required to work from home. These changes led to significant budget cuts and a realignment of priorities in support of Athletics' overarching guiding principles and mission. In conjunction with the State's phased in process of reopening businesses, Athletics maintained a phased in process for re-opening its facilities, including practices for student-athletes of fall sports which began in June 2020. The process took three weeks per sport, reporting was done in a cascaded manner that began with football and adding a new team every week. The first week was the return of the coaches to their respective facilities for planning and preparation. The second week was the return of student-athletes for testing and physical exams. The third week was the beginning of voluntary workouts with a maximum of ten athletes per session.

The COVID-19 pandemic has negatively affected national, state, and local economies and global financial markets. The outbreak and related actions taken by federal and state governments have and may continue to materially impact Athletics' financial position and its results of operations. While the impacts of COVID-19 may materially affect financial results for 2021 and potentially beyond, Athletics management believes that the Athletics has sufficient liquidity to meet its operating and financial needs through June 30, 2021. However, given the difficulty in predicting the duration and severity of the COVID-19 pandemic and its effects on Athletics, the economy and financial markets, the ultimate impact is unknown. Athletics management continues to monitor the course of the pandemic and is taking additional measures to protect the health of its student-athletes while continually supporting their development and success in academics and competition.

11. SUBSEQUENT EVENTS

On August 11, 2020, the Big Ten Conference announced the postponement of the 2020-21 fall sports season, including all regular-season contests and Big Ten Championships and Tournaments, due to ongoing health and safety concerns related to the COVID-19 pandemic. The fall sports included in this announcement were men's and women's cross country, field hockey, football, men's and women's soccer, and women's volleyball. On September 16, 2020, the Big Ten Council of Presidents and Chancellors voted unanimously to adopt significant medical protocols, including daily antigen testing, and to resume the football season starting the weekend of October 23-24, 2020. Attendance at the football games will be limited to families, staff and the media under strict safety protocols. Similar testing protocols are being established to allow the resumption of other fall sports. The attendance limitations for football are expected to significantly reduce auxiliary revenues in fiscal year 2021.

REQUIRED SUPPLEMENTARY INFORMATION

The Ohio State University Department of Athletics

Required Supplementary Information on GASB 68 Pension Liabilities

(Unaudited)

(In Thousands)

Schedules of Athletics' proportionate shares of OPERS net pension liabilities and required contributions are presented below:

Schedule of Proportionate Share of the Net Pension Liability

<i>(dollars in thousands)</i>	2015	2016	2017	2018	2019	2020
OPERS:						
Athletics proportion of the collective net pension liability	0.137%	0.142%	0.148%	0.169%	0.175%	0.172%
Athletics proportionate share of the net pension liability	\$ 16,441	\$ 24,610	\$ 33,496	\$ 26,208	\$ 47,613	\$ 33,571
Athletics covered payroll	\$ 18,471	\$ 19,585	\$ 21,046	\$ 24,703	\$ 26,907	\$ 26,661
Athletics proportionate share of the net pension liability as a percentage of its covered payroll	89%	126%	159%	106%	177%	126%
Plan fiduciary net position as a percentage of the total pension liability	86.5%	81.1%	77.4%	84.9%	74.9%	82.4%

Schedule of University Contributions

<i>(dollars in thousands)</i>	2015	2016	2017	2018	2019	2020
OPERS:						
Contractually required contribution	\$ 2,769	\$ 2,883	\$ 3,346	\$ 3,662	\$ 4,040	\$ 3,854
Contributions in relation to the contractually required contribution	\$ 2,769	\$ 2,883	\$ 3,346	\$ 3,662	\$ 4,040	\$ 3,854
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Athletics covered payroll	\$ 19,283	\$ 20,055	\$ 23,344	\$ 25,542	\$ 26,630	\$ 24,884
Contributions as a percentage of covered payroll	14.4%	14.4%	14.3%	14.3%	15.2%	15.5%

**The Ohio State University Department of Athletics
 Required Supplementary Information on GASB 75 Other Post
 Employment Benefit Liabilities (Unaudited)**

(In Thousands)

The schedule of Athletics' proportionate shares of OPERS net OPEB liabilities are presented below:

Schedule of Proportionate Share of the Net OPEB Liability

<i>(dollars in thousands)</i>	2018	2019	2020
OPERS:			
Athletics proportion of the collective net OPEB liability	0.174%	0.179%	0.176%
Athletics proportionate share of the net OPEB liability	\$ 18,852	\$ 23,336	\$ 24,302
Athletics covered payroll	\$ 24,703	\$ 26,907	\$ 26,661
Athletics proportionate share of the net OPEB liability as a percentage of its covered payroll	76%	87%	91%
Plan fiduciary net position as a percentage of the total OPEB liability	54.1%	46.3%	47.8%

The Ohio State University Department of Athletics
Notes to Required Supplementary Information
Year Ended June 30, 2020

OPERS – Pensions:

Changes of assumptions. Amounts reported in 2019 reflect an adjustment of the discount rate from 7.50% to 7.20%. Amounts reported in 2017 reflect an adjustment of the discount rate from 8.00% to 7.50%. Amounts reported in 2017 also reflect an updated healthy and disabled mortality assumptions, based on the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

OPERS – OPEB:

Changes of assumptions. Amounts reported in 2020 reflect an adjustment of the discount rate from 3.96% to 3.16%. Amounts reported in 2019 reflect an adjustment of the discount rate from 3.85% to 3.96%.

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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 Trustees of The Ohio State University:

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 financial statements of The Ohio State University Department of Athletics (“Athletics”), a department of The Ohio State University, as of and for the year ended June 30, 2020, appearing on pages 10 to 38, which comprise the statement of net position, and the related statements of revenues, expenses and other changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Athletics’ internal control over financial reporting (“internal control”) as a basis for designing 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 Athletics’ internal control. Accordingly, we do not express an opinion on the effectiveness of Athletics’ internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Athletics' 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

January 14, 2021

OHIO AUDITOR OF STATE KEITH FABER



**THE OHIO STATE UNIVERSITY DEPARTMENT OF ATHLETICS
FRANKLIN COUNTY**

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/23/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov