

The Ohio State University Foundation

(A Component Unit of The Ohio State University)

Consolidated Financial Statements

**As of and for the Years ended June 30, 2020 and 2019
and Report of Independent Auditors on Internal
Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit Performed in
Accordance with *Government Auditing Standards***

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
The Ohio State University Foundation
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We have reviewed the *Report of Independent Auditors* of The Ohio State University Foundation, 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 Foundation is responsible for compliance with these laws and regulations. .

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

Keith Faber
Auditor of State
Columbus, Ohio

January 5, 2021

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The Ohio State University Foundation

Index

June 30, 2020 and 2019

| | Page(s) |
|---|---------|
| Report of Independent Auditors | 1-3 |
| Management's Discussion and Analysis (Unaudited)..... | 4-9 |
| Consolidated Financial Statements | |
| Consolidated Statements of Net Position | 10 |
| Consolidated Statements of Revenues, Expenses and Changes in Net Position..... | 11 |
| Consolidated Statements of Cash Flows | 12-13 |
| Notes to Consolidated Financial Statements | 14-29 |
| Other Information | |
| Other Information Combining Statement of Net Position (Audited)..... | 30 |
| Other Information Combining Statement of Revenues, Expenses and Changes in Net Position (Audited)..... | 31 |
| Other Information on The Ohio State University's Long Term Investment Pool (Unaudited)..... | 32-33 |
| 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 | 34-35 |

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Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of The Ohio State University Foundation (the "Foundation"), a component unit of The Ohio State University, which comprise the consolidated statements of net position as of June 30, 2020 and 2019, and the related consolidated statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the consolidated financial statements, which collectively comprise the Foundation's basic consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Ohio State University Foundation as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 4 through 9 is required by accounting principles generally accepted in the United States of America to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on page 30 to 31 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the Foundation's basic consolidated financial statements. The accompanying other information on the long-term investment pool on pages 32 to 33 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2020 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

November 2, 2020

The Ohio State University Foundation

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2020

The following Management's Discussion and Analysis ("MD&A") of The Ohio State University Foundation's (the "Foundation") financial performance provides an introduction to the financial statements as of and for the year ended June 30, 2020, with comparative information for the years ended June 30, 2019 and June 30, 2018. The information contained in this MD&A should be considered in conjunction with the information contained in the Foundation's financial statements.

The following sections provide additional details on the Foundation's 2020 financial results and a look ahead at significant economic conditions that are expected to affect the Foundation in the future.

About The Ohio State University Foundation

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

About the Financial Statements

The following financial statements include all balances for the Foundation and the consolidated financial results for one legally separate entity, Clifton Holdings, LLC which is subject to control by the Foundation. The Statement of Net Position is the Foundation's balance sheet. It reflects the Foundation's assets, liabilities, and net position at June 30, 2020, with comparative information as of June 30, 2019. The Statement of Revenues, Expenses and Changes in Net Position is the Foundation's income statement and reflects its various sources of revenue and categories of expense for the year ended June 30, 2020, with comparative information for Fiscal Year 2019. The Statement of Cash Flows details how cash has increased or decreased during the year ended June 30, 2020, with comparative information for Fiscal Year 2019. Pelotonia, LLC ("Pelotonia") was merged out of existence on February 3, 2020. Its assets, liabilities and activities were transferred to a new Pelotonia 501(c)(3) organization, which is a blended component unit of the University. The financial statements are presented as if the merger of old and new Pelotonia were effective at the beginning of fiscal year 2020.

The Ohio State University Foundation
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2020

Statements of Net Position

| | 2020 | 2019 | 2018 |
|---|-------------------------|-------------------------|-------------------------|
| Cash and cash equivalents | \$ 235,276 | \$ 43,635,271 | \$ 22,859,141 |
| Pledges receivable — current portion — net | 55,935,037 | 31,540,349 | 26,576,671 |
| Other current assets | 1,662,797 | 9,745,462 | 12,137,352 |
| Total current assets | <u>57,833,110</u> | <u>84,921,082</u> | <u>61,573,164</u> |
| The Ohio State University Long-Term Investment Pool | \$ 996,177,321 | \$ 969,428,976 | \$ 958,749,667 |
| Pledges receivable, net | 182,968,960 | 166,416,151 | 73,848,183 |
| Other noncurrent assets | 47,836,746 | 49,839,807 | 55,505,634 |
| Total noncurrent assets | <u>1,226,983,027</u> | <u>1,185,684,934</u> | <u>1,088,103,484</u> |
| Total assets | <u>\$ 1,284,816,137</u> | <u>\$ 1,270,606,016</u> | <u>\$ 1,149,676,648</u> |
| Irrevocable split-interest agreements—current | \$ 3,473,269 | \$ 3,120,996 | \$ 3,095,192 |
| Distribution payable to The Ohio State University | - | 40,016,949 | 19,744,393 |
| Other current liabilities | 684 | 210,135 | 2,246,192 |
| Total current liabilities | <u>3,473,953</u> | <u>43,348,080</u> | <u>25,085,777</u> |
| Irrevocable split-interest agreements—noncurrent | \$ 31,619,166 | \$ 28,605,687 | \$ 29,632,705 |
| Unearned revenue | 21,922,039 | 31,948,349 | 15,354,476 |
| Total noncurrent liabilities | <u>53,541,205</u> | <u>60,554,036</u> | <u>44,987,181</u> |
| Total liabilities | <u>\$ 57,015,158</u> | <u>\$ 103,902,116</u> | <u>\$ 70,072,958</u> |
| Deferred inflows | \$ 10,140,671 | \$ 13,795,221 | \$ 14,843,243 |
| Net investment in capital assets | 2,770,306 | 2,952,840 | 3,137,008 |
| Restricted | | | |
| Nonexpendable-Endowment | 954,856,408 | 910,295,883 | 877,276,138 |
| Expendable | 246,392,111 | 225,536,633 | 170,694,975 |
| Unrestricted | 13,641,483 | 14,123,323 | 13,652,326 |
| Total net position | <u>1,217,660,308</u> | <u>1,152,908,679</u> | <u>1,064,760,447</u> |
| Total liabilities and net position | <u>\$ 1,284,816,137</u> | <u>\$ 1,270,606,016</u> | <u>\$ 1,149,676,648</u> |

During the year ended June 30, 2020, **cash and cash equivalents** decreased \$43 million, to \$235,276, reflecting the transfer of Pelotonia LLC cash to the new Pelotonia 501(c)(3) organization. The Statement of Cash Flows, which is discussed in more detail below, provides additional information on sources and uses of Foundation cash.

The Foundation receives pledges and bequests of financial support from individuals, corporations and other foundations. For current-use and capital gifts, **pledges receivable** and gift revenue are recognized when an unconditional promise to pay is received, and all eligibility requirements have been met. Total pledges receivable increased \$41 million, to \$239 million at June 30, 2020, primarily due to increase in large individual pledges to support capital projects. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, endowment pledges are not recorded as assets until the related gift is received.

The Ohio State University Foundation

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2020

Other current assets decreased \$8 million to \$2 million at June 30, 2020, reflecting the transfer of receivables from Pelotonia riders to the new Pelotonia 501(c)(3) organization. Receivables from riders totaled \$9 million at June 30, 2019. The decrease in receivables was partially offset by a \$1.5 million increase in current investments related to irrevocable split-interest agreements.

The Foundation's 3,055 named endowment funds and 211 pending endowment funds are invested in **The Ohio State University Long-Term Investment Pool**. Each named fund is assigned a number of shares in the pool based on the value of the gifts, income-to-principal transfers or transfers of operating funds to that named fund. The fair value of Foundation investments in the Long-Term Investment Pool increased \$27 million, to \$996 million at June 30, 2020, primarily due to \$10 million of net investment income and \$64 million of net principal additions, offset by \$43 million in endowment distributions and \$4 million of LTIP expenses. Additional information on Foundation net investment income is provided below. Additional information on the University's Long-Term Investment Pool is provided on pages 31 and 32.

Other noncurrent assets consist primarily of investments held under unitrust, annuity trust and gift annuity agreements. The fair value of these investments was relatively stable in 2020, decreasing \$2 million, to \$43 million at June 30, 2020.

As part of the restructuring of Pelotonia, the Foundation and Pelotonia LLC entered into an Amended and Restated Memorandum of Understanding (MOU) related to the remittance of funds raised by Pelotonia riders. Under the Amended and Restated MOU, Pelotonia LLC "temporarily retained the gifts received directly by Pelotonia between July 1, 2017 and the closing of the Restructuring Transaction on February 3, 2020". At June 30, 2019, these retained funds totaled \$40 million and were shown as **distributions payable to The Ohio State University**. As of June 30, 2020 all retained funds have been transferred to the university.

The Foundation enters into charitable remainder trust and gift annuity agreements with donors, under which the Foundation agrees to pay periodic fixed payments to beneficiaries during their lifetimes. Accounting standards for these agreements, which are set forth in GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, generally defer the recognition of revenue and expenses until the death of the beneficiary. At June 30, 2020, **liabilities and deferred inflows related to irrevocable split-interest agreements** totaled \$35 million and \$10 million, respectively, and in 2019 totaled \$32 million and \$14 million, respectively.

Unearned revenue consists primarily of amounts received from donors that are subject to eligibility requirements. These unearned revenues had a net decrease of \$10 million, to \$22 million at June 30, 2020. These amounts will be recognized as gift revenue when the related eligibility requirements are met.

The Foundation's total **net position** increased \$65 million, to \$1.22 billion at June 30, 2020, primarily due to \$10 million in net investment income, and \$344 million of gifts in 2020, offset by \$270 million of distributions to the University and other expenses of \$6 million. Additional information on Foundation revenues and expenses is provided below.

Prior-Year Highlights

The fair value of Foundation investments in the Long-Term Investment Pool increased \$10 million, to \$969 million at June 30, 2019, primarily due to \$12 million of LTIP net investment income. Total pledges receivable increased \$98 million, to \$198 million at June 30, 2019, primarily due to a \$102 million pledge from the New Pelotonia 501(c)(3) organization. Other Foundation assets and liabilities were relatively stable in 2019.

The Ohio State University Foundation
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2020

Statements of Revenues, Expenses and Changes in Net Position

| | 2020 | 2019 | 2018 |
|---|-------------------------|-------------------------|-------------------------|
| Operating revenues | | | |
| Current use gifts | \$ 202,985,398 | \$ 262,406,297 | \$ 167,843,368 |
| Private capital gifts | 77,425,380 | 25,475,630 | 16,012,005 |
| Income from irrevocable split-interest agreements | 1,418,245 | 1,774,142 | 2,086,542 |
| Miscellaneous income | 77,157 | 1,582,799 | 1,712,993 |
| Total operating revenues | <u>281,906,180</u> | <u>291,238,868</u> | <u>187,654,908</u> |
| Operating expenses | | | |
| Distributions to OSU | | | |
| Pass through gifts | 231,219,126 | 205,429,557 | 188,559,895 |
| Endowment distributions | 43,113,477 | 40,096,137 | 37,111,218 |
| Transfers to endowment principal | (5,260,874) | (3,782,805) | (4,547,477) |
| Other distributions | 1,219,218 | 2,324,366 | 2,201,626 |
| Total distributions to OSU | <u>270,290,947</u> | <u>244,067,255</u> | <u>223,325,262</u> |
| Trust distributions outside of OSU | 838 | 216,247 | - |
| Other expenses | 5,809,046 | 14,348,623 | 9,739,723 |
| Total operating expenses | <u>276,100,831</u> | <u>258,632,125</u> | <u>233,064,985</u> |
| Net operating income (loss) | 5,805,349 | 32,606,743 | (45,410,077) |
| Nonoperating revenues | | | |
| Net Investment income | <u>10,302,391</u> | <u>10,008,357</u> | <u>67,974,034</u> |
| Income before other changes in net position | 16,107,740 | 42,615,100 | 22,563,957 |
| Other changes in net position | | | |
| Permanent endowment gifts | <u>63,695,178</u> | <u>45,533,132</u> | <u>55,578,555</u> |
| Increase in net position | 79,802,918 | 88,148,232 | 78,142,512 |
| Net Position, beginning of year | | | |
| Beginning of year, as previously reported | 1,152,908,679 | 1,064,760,447 | 986,617,935 |
| Cumulative effect of Pelotonia merger | <u>(15,051,289)</u> | | |
| Beginning of year, as restated | <u>1,137,857,390</u> | <u>1,064,760,447</u> | <u>986,617,935</u> |
| Net position - end of year | <u>\$ 1,217,660,308</u> | <u>\$ 1,152,908,679</u> | <u>\$ 1,064,760,447</u> |

Total **gift revenues** increased \$11 million, to \$344 million in 2020. Increases in capital and endowment gifts were offset by decreases in current use gifts. Several colleges and support units received gifts in excess of \$1 million in 2020, including Veterinary Medicine, the College of Food, Agricultural and Environmental Sciences, the Ross Heart Hospital, the Cancer Hospital and Research Institute, the College of Medicine, Neuroscience, the College of Arts and Sciences, the College of Engineering, WOSU Public Media, College of Dentistry, Moritz College of Law, Planning and Administration, General University Scholarships and the Department of Athletics. Support came from more than 237,000 alumni and friends.

The Ohio State University Foundation

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2020

Net investment income was relatively stable at \$10 million for 2020 and 2019. Foundation investments in the LTIP yielded \$10 million in net investment income, which includes interest, dividends, increases in fair value and investment management expenses. The LTIP returned 1.1% in 2020, down from 1.2% in 2019.

The Foundation distributes current-use and private capital gifts to the university upon receipt. These **pass-through gift distributions** increased \$26 million, to \$231 million in 2020, reflecting increases in gift revenues. The Foundation holds endowment gifts and transfers **endowment distributions** to university departments, to be spent for their restricted purposes. These endowment distributions increased \$3 million, to \$43 million in 2020. The annual distribution per share for 2020 was 4.5% of the average fair value per share of Long-Term Investment Pool over the most recent seven-year period.

Other expenses consist primarily of expenses charged to the Foundation's shares in the LTIP, salaries and benefits, professional services, audit and legal fees, and provision for uncollectible pledges. These expenses decreased \$9 million, to \$6 million in 2020, reflecting the transfer of Pelotonia activities to the new Pelotonia 501(c)(3) organization.

Prior-Year Highlights

The Foundation's total net position increased \$88 million, to \$1.15 billion at June 30, 2019, primarily due to \$10 million in net investment income. The University's Long-Term Investment Pool (LTIP) returned +1.25 in 2019, down from +7.7% in 2018. Total gift revenues increased \$94 million, to \$333 million in 2019 due to a pledge of \$102 million from the new Pelotonia 501(c)(3) organization. Over 272,000 alumni and friends made gifts to the University, up from 269,000 in 2018.

Statements of Cash Flows

| | 2020 | 2019 | 2018 |
|--|---------------------|----------------------|----------------------|
| Operating activities | \$ 17,171,186 | \$ 12,785,591 | \$ 31,618,645 |
| Investing activities | <u>(17,192,838)</u> | <u>7,990,539</u> | <u>(13,123,194)</u> |
| Net increase (decrease) in cash and cash equivalents | (21,652) | 20,776,130 | 18,495,451 |
| Cash and cash equivalents, beginning of year | | | |
| Beginning of year, as previously reported | 43,635,271 | 22,859,141 | 4,363,690 |
| Cumulative effect of Pelotonia merger | <u>(43,378,343)</u> | <u>-</u> | <u>-</u> |
| Beginning of year, as restated | <u>256,928</u> | <u>22,859,141</u> | <u>4,363,690</u> |
| Cash and cash equivalents, end of year | <u>\$ 235,276</u> | <u>\$ 43,635,271</u> | <u>\$ 22,859,141</u> |

Net cash provided by operating activities increased \$4 million to \$17 million. Gift receipts were up \$51 million, but this increase was offset by a \$58 million increase in transfers of gift receipts to the University. Payments to vendors and to employees decreased \$4 million and \$3 million, respectively, reflecting the transfer of Pelotonia activity to the new Pelotonia 501(c)(3) organization. Net cash flows from investing activities swung from a positive \$8 million to a negative \$17 million, reflecting increases in purchases of investments.

The Ohio State University Foundation

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2020

Current Environment

Note: In order to provide a comprehensive view of fundraising activity, this section includes fundraising activity and campaign totals that are based on reporting standards set forth by the Council for Advancement and Support of Education (CASE standards) and include private grant and contract (non-gift) revenue, pledges and bequests that will be realized in future years.

As widely reported, the outbreak of COVID-19, a new strain of coronavirus that can result in severe respiratory disease, was first detected in December of 2019, and has spread across six continents impacting many countries, including the United States. In response to the public health crisis, the university suspended face-to-face instruction through the summer semester, virtually all university events were canceled, and the Wexner Medical Center temporarily suspended elective procedures.

In a year marked by unprecedented challenges due to COVID-19, Buckeye Nation supported The Ohio State University with incredible generosity. Total fundraising activity reached nearly \$510 million to help support students dealing with emergency financial needs, healthcare providers on the front lines, research breakthroughs in myriad disciplines, patient care, the burgeoning Arts District, athletics and more. That support came from more than 237,000 donors. Philanthropic receipts totaled \$417 million, an increase of \$4 million over the prior year. *Time and Change: The Ohio State Campaign* surpassed \$2 billion raised toward a goal of \$4.5 billion in support of three key areas: student success, research and discovery, and healthy, vibrant communities. Several important commitments at the \$5 million-plus level were made in 2020.

The Ohio State University Foundation
Consolidated Statements of Net Position
As of June 30, 2020 and 2019

| | 2020 | 2019 |
|---|------------------|------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents <i>(Note 1)</i> | \$ 235,276 | \$ 43,635,271 |
| Pledges receivable — current portion — net <i>(Note 1)</i> | 55,935,037 | 31,540,349 |
| Accounts receivable | - | 9,482,866 |
| Accrued interest receivable | 2,377 | 2,334 |
| Marketable securities <i>(Note 2 & Note 3)</i> | 68,204 | 51,887 |
| Charitable remainder trusts <i>(Note 2 & Note 3)</i> | 1,592,216 | - |
| Other assets | - | 208,375 |
| Total current assets | 57,833,110 | 84,921,082 |
| Noncurrent Assets | | |
| The Ohio State University Long-Term Investment Pool <i>(Note 2)</i> | 996,177,321 | 969,428,976 |
| Marketable securities <i>(Note 2 & Note 3)</i> | 20,101,991 | 18,862,963 |
| Investment Partnerships | 140,396 | 140,749 |
| Charitable remainder trusts <i>(Note 2 & Note 3)</i> | 23,470,695 | 26,607,054 |
| Life insurance policies | 1,353,358 | 1,276,201 |
| Pledges receivable, net <i>(Note 1)</i> | 182,968,960 | 166,416,151 |
| Capital assets, net <i>(Note 1)</i> | 2,770,306 | 2,952,840 |
| Total noncurrent assets | 1,226,983,027 | 1,185,684,934 |
| Total assets | \$ 1,284,816,137 | \$ 1,270,606,016 |
| Liabilities, Deferred Inflows and Net Position | | |
| Current liabilities | | |
| Irrevocable split-interest agreements <i>(Note 4)</i> | \$ 3,473,269 | \$ 3,120,996 |
| Advance from The Ohio State University <i>(Note 5)</i> | 684 | 8,290 |
| Distribution payable to The Ohio State University | - | 40,016,949 |
| Accrued liabilities | - | 201,845 |
| Total current liabilities | 3,473,953 | 43,348,080 |
| Noncurrent Liabilities | | |
| Unearned revenue | 21,922,039 | 31,948,349 |
| Irrevocable split-interest agreements <i>(Note 4)</i> | 31,619,166 | 28,605,687 |
| Total noncurrent Liabilities | 53,541,205 | 60,554,036 |
| Total liabilities | 57,015,158 | 103,902,116 |
| Deferred Inflows | 10,140,671 | 13,795,221 |
| Net Position | | |
| Net investment in capital assets | 2,770,306 | 2,952,840 |
| Restricted | | |
| Nonexpendable - Endowment | 954,856,408 | 910,295,883 |
| Expendable | 246,392,111 | 225,536,633 |
| Unrestricted | 13,641,483 | 14,123,323 |
| Total net position | 1,217,660,308 | 1,152,908,679 |
| Total liabilities, deferred inflows and net position | \$ 1,284,816,137 | \$ 1,270,606,016 |

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

The Ohio State University Foundation
Consolidated Statements of Revenues, Expenses and
Changes in Net Position
For the years ended June 30, 2020 and 2019

| | 2020 | 2019 |
|--|------------------|------------------|
| Operating Revenues | | |
| Current use gifts | 202,985,398 | 262,406,297 |
| Private capital gifts | 77,425,380 | 25,475,630 |
| Income from irrevocable split-interest agreements | 1,418,245 | 1,774,142 |
| Miscellaneous income | 77,157 | 1,582,799 |
| Total operating revenues | 281,906,180 | 291,238,868 |
| Operating Expenses | | |
| Distributions to The Ohio State University | | |
| Pass through gifts | 231,219,126 | 205,429,557 |
| Endowment distributions | 43,113,477 | 40,096,137 |
| Transfers to endowment principal | (5,260,874) | (3,782,805) |
| Other distributions | 1,219,218 | 2,324,366 |
| Total Distributions to The Ohio State University | 270,290,947 | 244,067,255 |
| Trust distribution outside The Ohio State University | 838 | 216,247 |
| Salaries and benefits | 93,165 | 3,167,102 |
| Long-Term Investment Pool expense | 4,390,816 | 4,208,060 |
| Professional services, audit and legal fees | 124,118 | 1,798,210 |
| (Release)/Provision for uncollectible pledges | 1,003,241 | 2,170,486 |
| Depreciation | 182,534 | 184,168 |
| Rent and utilities expense | - | 149,936 |
| Other | 15,172 | 2,670,661 |
| Total operating expenses | 276,100,831 | 258,632,125 |
| Net operating income (loss) | 5,805,349 | 32,606,743 |
| Non-operating Revenues | | |
| Net investment income | | |
| Interest and dividends | 22,274,999 | 20,373,506 |
| Increase (decrease) in fair value of investments | (2,157,597) | (667,026) |
| Investment expenses | (9,815,011) | (9,698,123) |
| Total net investment income | 10,302,391 | 10,008,357 |
| Income before other changes in net position | 16,107,740 | 42,615,100 |
| Other Changes in Net Position | | |
| Permanent endowment gifts | 63,695,178 | 45,533,132 |
| Increase in net position | 79,802,918 | 88,148,232 |
| Net Position, beginning of year | | |
| Beginning of year, as previously reported | 1,152,908,679 | 1,064,760,447 |
| Cumulative effect of Pelotonia merger | (15,051,289) | - |
| Beginning of year, as restated | 1,137,857,390 | 1,064,760,447 |
| Net position, end of year | \$ 1,217,660,308 | \$ 1,152,908,679 |

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

The Ohio State University Foundation
Consolidated Statements of Cash Flows
For the years ended June 30, 2020 and 2019

| | 2020 | 2019 |
|--|---------------------|----------------------|
| Operating Activities | | |
| Cash received from contributors | \$ 301,611,774 | \$ 250,463,573 |
| Receipt of new gift annuity agreements | 3,584,066 | 639,945 |
| Receipt of new trust agreements | 526,164 | 29,595 |
| Distributions to The Ohio State University | (281,980,842) | (223,806,176) |
| Income distributions paid to gift annuitants | (1,796,626) | (1,735,298) |
| Trust distribution outside The Ohio State University | (838) | (216,247) |
| Payments to vendors for supplies and services | (4,880,116) | (8,850,817) |
| Payments to or on behalf of employees | (70,341) | (3,134,858) |
| University employee benefit payments | (22,824) | (32,244) |
| Advance from The Ohio State University | (7,606) | (2,155,718) |
| Other receipts | 208,375 | 1,583,836 |
| Net cash provided (used) by operating activities | <u>17,171,186</u> | <u>12,785,591</u> |
| Investing Activities | | |
| Proceeds from sales of investments | 60,702,558 | 61,133,241 |
| Purchases of investments | (91,188,619) | (65,062,835) |
| Interest and dividends received, net of expenses | 12,459,988 | 10,675,383 |
| Interest Income from irrevocable split-interest agreements | 833,235 | 1,244,750 |
| Net cash provided (used) by investing activities | <u>(17,192,838)</u> | <u>7,990,539</u> |
| Increase (decrease) in cash and cash equivalents | (21,652) | 20,776,130 |
| Cash and cash equivalents, beginning of year | | |
| Beginning of year, as previously reported | 43,635,271 | 22,859,141 |
| Cumulative effect of Pelotonia merger | <u>(43,378,343)</u> | <u>-</u> |
| Beginning of year, as restated | <u>256,928</u> | <u>22,859,141</u> |
| Cash and cash equivalents, end of year | <u>\$ 235,276</u> | <u>\$ 43,635,271</u> |

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

The Ohio State University Foundation
Consolidated Statements of Cash Flows, Cont'd
For the years ended June 30, 2020 and 2019

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Reconciliation of Net Operating Income (Loss) to Net Cash | | |
| Provided (used) by Operating Activities | | |
| Net operating income (loss) | \$ 5,805,349 | \$ 32,606,743 |
| Adjustments to reconcile net operating income (loss) to net cash provided by operating activities | | |
| Depreciation | 182,534 | 184,168 |
| Permanent endowment gifts | 63,695,178 | 45,533,132 |
| Change in fair value of irrevocable split-interest agreements | 1,869,270 | 298,894 |
| Interest income from irrevocable split-interest agreements | (833,235) | (1,244,750) |
| Change in cash surrender value of life insurance policies | (77,157) | 48,761 |
| Provision/change in pledge allowance | 1,003,241 | 2,170,486 |
| Changes in assets and liabilities | | |
| Pledges receivable | (41,950,738) | (99,702,132) |
| Accounts receivable | 9,482,866 | 2,116,773 |
| Unearned revenue | (10,026,310) | 16,593,873 |
| Accrued interest receivable | (43) | 104 |
| Other current assets | 208,375 | (47,724) |
| Real estate and partnerships | - | (1,960,000) |
| Return of Advance from The Ohio State University | (7,606) | (2,155,718) |
| Distribution payable to The Ohio State University | (11,689,895) | 20,272,556 |
| Accrued liabilities | (201,845) | 119,661 |
| Gift annuities liabilities | 4,279,033 | 33,571 |
| Gift annuity reserve | 125,535 | (53,245) |
| Charitable remainder trust liability | (1,038,816) | (981,540) |
| Deferred Inflows | (3,654,550) | (1,048,022) |
| Net cash provided (used) by operating activities | <u>\$ 17,171,186</u> | <u>\$ 12,785,591</u> |
| Non Cash Transactions | | |
| Stock Gifts | \$ 19,306,360 | \$ 12,144,222 |
| Real Estate | - | 1,960,000 |
| Increase (decrease) in fair value of investments | (4,026,867) | (965,919) |
| Change in carrying value of remainder trusts | (1,564,980) | (1,011,135) |

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

The Ohio State University Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

1. ACCOUNTING POLICIES

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

Organization

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

Basis of Presentation

The Foundation is the single member of one LLC, Clifton Holdings, LLC ("Clifton"). Clifton was created in 2007 to own and maintain the University President's residence, and is included with the Foundation's consolidated financial statements in a blended presentation.

On February 3, 2020, Pelotonia LLC, a single-member limited liability corporation of the OSU Foundation, was merged out of existence, and its assets, liabilities and activities were transferred to a new Pelotonia 501(c)(3) organization, which is a blended component unit of the university. The purpose of the Pelotonia merger is to build upon and amplify the impact of Pelotonia's fundraising for transformative advances in cancer research.

The Pelotonia merger is considered a continuing government merger under GASB guidance on government combinations. In accordance with this guidance, the combination of the old and new Pelotonia organizations is presented as if it were effective at the beginning of the fiscal year (FY2020). The following reductions in assets, liabilities and net position were recognized on July 1, 2019:

| | |
|-------------------------|--------------|
| Total assets | \$55,311,333 |
| Total liabilities | \$40,260,044 |
| Net position: | |
| Restricted - expendable | \$15,051,289 |

Basis of Accounting

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

Cash and Cash Equivalents

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

At June 30, 2020, the carrying amount of the Foundation's cash and cash equivalents with financial institutions was \$235,276 of which \$235,276 is covered by federal deposit insurance. At June 30, 2019, the carrying amount of the Foundation's cash and cash equivalents with financial institutions

The Ohio State University Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

was \$43,635,271 of which \$42,284,060 is covered by federal deposit insurance. The amount remaining of \$1,198,561 is uncollateralized.

Pledges Receivable

The Foundation receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, endowment pledges are not recorded as assets until the related gift is received. The Foundation reduces pledges receivable to estimated net realizable value by recording an allowance for uncollectible pledges. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts and includes such factors as prior collection history, type of gift and nature of fundraising. For the years ended June 30, 2020 and 2019 the Foundation recorded an allowance against pledges receivable of \$6,790,216 and \$5,786,975 respectively.

Net Position

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

- **Net investment in capital assets**

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

- **Restricted - Nonexpendable**

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

- **Restricted - Expendable**

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

- **Unrestricted**

Amounts which are not subject to externally-imposed stipulations.

Gifts

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

In accordance with GASB Statement No. 33, private donations are recognized when all eligibility requirements are met. The Foundation has recorded pledges receivable, net of allowances, of \$238,903,997 and \$197,956,500 as of June 30, 2020 and 2019, respectively.

The Ohio State University Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

In-Kind Income

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

Investments

All 3,055 Board-established named Foundation endowments and 211 Foundation pending funds are invested in The Ohio State University Long-Term Investment Pool ("University Long-Term Investment Pool"). Each named fund is assigned a number of shares in the University Long-Term Investment Pool based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Ohio, permits the University's Board of Trustees to appropriate an amount of realized and unrealized endowment appreciation as the Board deems prudent. The UPMIFA, as adopted in Ohio, establishes a 5% safe harbor of prudence for funds appropriated for expenditure. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the University Long-Term Investment Pool, and the associated net position is classified as restricted- expendable unless otherwise restricted by the donor. The depreciation on non-expendable endowment funds is recorded as a reduction to restricted non-expendable net position. Recovery on these funds is recorded as an increase in restricted non-expendable up to the historical value of each fund. Per UPMIFA (§ 1715.53(D)(C)), the reporting of such deficiencies does not create an obligation on the part of the endowment fund to restore the fair value of those funds.

Annual distributions to named funds in the University Long-Term Investment Pool are computed using the share method of accounting for pooled investments. For the years ended June 30, 2020 and 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 \$43,113,477 and \$40,096,137 in fiscal years 2020 and 2019, respectively.

At June 30, 2020, the fair value of the Foundation's gifted endowments was \$996,177,322, which is approximately \$31,845,325 below the historical dollar value of \$1,028,022,647. At June 30, 2020, there were 2,189 named funds underwater. The fair value of these underwater funds at June 30, 2020 was \$615,326,143 which was \$57,316,511 below the historical dollar value of \$672,642,654.

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

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

The Ohio State University Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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

Real estate is recorded at the appraised value at the date of the gift. During fiscal year 2020 there were no gifts of real estate with assets at \$0 at June 30, 2020 and 2019, respectively.

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

Capital Assets, Net

The University President's Residence is reported as a capital asset and is shown net of accumulated depreciation. The net book value of the residence was \$2,770,306 and \$2,952,840 at June 30, 2020 and 2019, respectively.

Reimbursement Agreement and Resolution

The Foundation and the University entered into an agreement in March 1989 to reimburse costs incurred by the University on behalf of the Foundation and to repay related advances from the University. In connection therewith, the Foundation's Board of Directors approved a resolution in April 1989, authorizing the Foundation to utilize undesignated income earned from unrestricted/restricted funds, as needed, to reimburse the University. On July 7, 2000, the University's Board of Trustees approved a resolution creating a funding plan for University development. Part of this plan includes support to reduce the Foundation's outstanding advance from the University. Funding of \$240,000 was recognized in 2020 and \$780,000 was recognized in 2019.

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).

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

The Ohio State University Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

maximum possible term of 12 months or less. This standard is effective for periods beginning after June 15, 2021 (FY2022).

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 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.

Foundation management is currently assessing the impact that implementations of GASB Statements 84, 87, 90 and 96 will have on the Foundation's financial statements.

The Ohio State University Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

2. INVESTMENTS

A substantial portion of the Foundation's investments are held by the University in the University Long-Term Investment Pool, a unitized investment pool that also includes gifted University endowments and University operating funds that are internally designated to function as endowments. The Foundation also holds certain other investments that are related to charitable arrangements. A summary of investments as of June 30, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|---|-------------------------|-------------------------|
| University Long-Term Investment Pool | \$ 996,177,321 | \$ 969,428,976 |
| Investments directly owned by Foundation: | | |
| Investments held by charitable remainder trusts | 25,062,911 | 26,607,054 |
| Marketable securities | 20,170,195 | 18,914,850 |
| Investment partnership | 140,396 | 140,749 |
| Life insurance policies | 1,353,358 | 1,276,201 |
| Real estate | - | - |
| Total investments | <u>1,042,904,181</u> | <u>1,016,367,830</u> |
| Less current portion | <u>1,660,420</u> | <u>51,887</u> |
| Total Long-Term Investments | <u>\$ 1,041,243,761</u> | <u>\$ 1,016,315,943</u> |

The Foundation's directly owned investments by investment type at June 30, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|-----------------------------|----------------------|----------------------|
| Equity mutual funds | \$ 21,525,788 | \$ 22,284,296 |
| U.S. government obligations | 509,535 | 471,002 |
| Bond mutual funds | 15,700,110 | 15,421,711 |
| Private equity | 124,536 | 124,889 |
| Real assets | 6,284,338 | 6,187,371 |
| Cash and cash equivalents | 1,229,195 | 1,173,384 |
| Other | <u>1,353,358</u> | <u>1,276,201</u> |
| Total | <u>\$ 46,726,860</u> | <u>\$ 46,938,854</u> |

The Ohio State University Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

The Ohio State University Long-Term Investment Pool

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

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

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

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

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

Information on Fair Value of Investments

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

- *Level 1* – Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Level 1 investments include directly held equity securities, registered bonds, registered equity mutual funds and money market funds.
- *Level 2* – Quoted prices in the markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all

The Ohio State University Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

significant inputs are observable, either directly or indirectly, are classified as Level 2. Level 2 investments include fixed income securities that are valued using market information.

- *Level 3* – Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment. Level 3 investments include real estate and other assets.
- *Net Asset Value (NAV)* – Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in non-governmental entities that do not have a readily determinable fair value may be valued at NAV if the NAV is determined in accordance with the fair value measurement principles provided by the FASB standards relevant to investment companies. Alternative investments with an NAV reported under an alternative basis are reflected as Level 3 investments. Investments measured at NAV included hedge funds, private equity investments.
- *Not Leveled* – Cash is not measured at fair value and, thus, is not subject to the fair value disclosure requirements.

The fair value of the Foundation’s directly owned investments by category as of June 30, 2020 were as follows:

| | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | NAV as practical expedient (NAV) | Total Fair Value |
|----------------------|---|---|---|--|----------------------|
| Equity mutual funds | \$ 21,525,788 | \$ - | \$ - | \$ - | \$ 21,525,788 |
| US Govt Agency Oblig | - | 509,535 | - | - | 509,535 |
| Bond mutual funds | 15,700,110 | - | - | - | 15,700,110 |
| Private equity | - | - | - | 124,536 | 124,536 |
| Real assets | 5,951,478 | - | 317,000 | 15,860 | 6,284,338 |
| Cash equivalents | 1,229,195 | - | - | - | 1,229,195 |
| Other | - | - | 1,353,358 | - | 1,353,358 |
| Total | <u>\$ 44,406,571</u> | <u>\$ 509,535</u> | <u>\$ 1,670,358</u> | <u>\$ 140,396</u> | <u>\$ 46,726,860</u> |

The Ohio State University Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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

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

Additional Information on Investments Measured at the NAV

Additional information on fair values, unfunded commitments, remaining life and redemption for investments measured at the NAV for the Foundation's directly owned interest-bearing investments as of June 30, 2020 is as follows:

| | Fair Value | Unfunded Commitments | Remaining Life | Redemption Notice Period | Redemption Restrictions |
|----------------|-------------------|-------------------------|-------------------|--|-------------------------|
| Private equity | \$ 124,536 | \$ - | 1-10 years | Partnerships ineligible for redemption | Not redeemable |
| Real assets | <u>15,860</u> | <u>-</u> | No limit | 30 to 90 day notice periods | |
| | <u>\$ 140,396</u> | <u>\$ -</u> | | | |

Additional Risk Disclosures for Investments

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

Custodial Credit Risk

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

Interest Rate Risk

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

The Ohio State University Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

The maturities of the Foundation's directly owned interest-bearing investments as of June 30, 2020 were as follows:

| | Investment Maturities (in Years) | | | | |
|-----------------------------|---|--------------------|---------------------|---------------------|---------------------|
| | Fair Value | Less than 1 | 1 to 5 | 6 to 10 | More than 10 |
| U.S. government obligations | \$ 509,535 | \$ - | \$ 509,535 | | \$ - |
| Bond mutual funds | 15,700,110 | 747,883 | 5,782,430 | 6,918,728 | 2,251,069 |
| Total | <u>\$ 16,209,645</u> | <u>\$ 747,883</u> | <u>\$ 6,291,965</u> | <u>\$ 6,918,728</u> | <u>\$ 2,251,069</u> |

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

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

Credit Risk

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

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

The Ohio State University Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

The credit ratings of the Foundation's directly owned interest-bearing investments as of June 30, 2020 were as follows:

| Credit Rating (S & P) | Total | U.S. | |
|--------------------------|----------------------|------------------------|----------------------|
| | | Government Obligations | Bond Mutual Funds |
| AAA | \$ 7,855,015 | \$ - | \$ 7,855,015 |
| AA | 1,586,367 | 509,535 | 1,076,832 |
| A | 1,832,617 | - | 1,832,617 |
| BBB | 3,574,352 | - | 3,574,352 |
| BB | 651,719 | - | 651,719 |
| B | 499,995 | - | 499,995 |
| CCC | 206,071 | - | 206,071 |
| Not rated | 3,509 | - | 3,509 |
| Total | <u>\$ 16,209,645</u> | <u>\$ 509,535</u> | <u>\$ 15,700,110</u> |

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

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

The Ohio State University Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Foundation's exposure to foreign currency risk for investments owned directly by the Foundation as of June 30, 2020 was as follows:

| | Equity Mutual Funds | Bond Mutual Funds |
|------------------------------|------------------------------------|----------------------------------|
| Argentine Peso | \$ - | \$ 1,834 |
| Australian Dollar | 317,912 | 32,147 |
| Brazilian Real | 108,741 | 20,044 |
| Canadian Dollar | 256,171 | 140,681 |
| Chilean Peso | 14,571 | 24 |
| Chinese Yuan | 708,553 | 720 |
| Colombia Peso | 5,367 | - |
| Czech Koruna | 5 | 239 |
| Danish Krone | 136,387 | 1,794 |
| Egyptian Pound | 6 | - |
| EURO | 2,230,235 | 47,073 |
| Great Britain Pound Sterling | 1,336,669 | 5,817 |
| Hong Kong Dollar | 460,185 | (240) |
| Hungarian Forint | 6,899 | 156 |
| Iceland Krona | - | 33,421 |
| Indian Rupee | 225,404 | 377 |
| Indonesian Rupiah | 42,036 | 373 |
| Israeli Shekel | 23,935 | 669 |
| Japanese Yen | 1,698,616 | 826 |
| Kuwaiti Dinar | 29 | - |
| Malaysian Ringgit | 46,630 | 179 |
| Mexican Peso | 49,839 | 157,403 |
| New Taiwan Dollar | 354,371 | (16,998) |
| New Turkish Lira | 13,617 | 159 |
| New Zealand Dollar | 4,902 | 39,103 |
| Norwegian Krone | 94,562 | 30,246 |
| Pakistan Rupee | 3 | - |
| Peruvian Nuevosol | 2,871 | 5,513 |
| Philippine Peso | 21,257 | - |
| Polish Zloty | 18,787 | 478 |
| Qatar Rial | 37 | - |
| Romanian New Leu | - | (76) |
| Russian Rouble | 29,971 | 1,155 |
| Saudi Riyal | 12,555 | - |
| Singapore Dollar | 249,954 | 379 |
| South Africa Rand | 97,001 | 103 |
| South Korean Won | 343,615 | (802) |
| Swedish Krona | 267,360 | 2,852 |
| Swiss Franc | 361,406 | (5,291) |
| Thai Baht | 56,969 | (779) |
| UAE Dirham | 26 | - |
| | <u>\$ 9,597,454</u> | <u>\$ 499,579</u> |

The Ohio State University Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

The Foundation's exposure to foreign currency risk for investments owned directly by the Foundation as of June 30, 2019 was as follows:

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

The Ohio State University Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

3. Irrevocable Split-Interest Agreements

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

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

The Foundation accounts for gift annuity and trust agreements by recording the fair market value of assets donated as of the date of the gift, a liability for the present value of amount payable to beneficiaries and a deferred inflow of resources. The present value calculation is based on a combination of the agreed-upon payout rate, actuarial assumptions on mortality rates and a discount rate. The discount rates were .6% and 2.8% at June 30, 2020 and 2019, respectively. Revenue from gift annuity and trust agreements is recognized upon termination of the agreements.

Assets, liabilities and deferred inflows associated with irrevocable split-interest agreements as of June 30, 2020 are as follows:

| | <u>Gift Annuities</u> | <u>Trusts</u> | <u>Total</u> |
|---|-----------------------|----------------------|----------------------|
| Assets: | | | |
| Investments held in charitable remainder trusts -- current | \$ - | \$ 1,592,216 | \$ 1,592,216 |
| Marketable securities -- current | 68,204 | | 68,204 |
| Investments held in charitable remainder trusts -- noncurrent | | 23,470,695 | 23,470,695 |
| Marketable securities -- noncurrent | 20,101,991 | | 20,101,991 |
| Total assets | <u>20,170,195</u> | <u>25,062,911</u> | <u>45,233,106</u> |
| Liabilities: | | | |
| Irrevocable split-interest agreements -- current | 1,976,611 | 1,496,658 | 3,473,269 |
| Irrevocable split-interest agreements -- noncurrent | 18,863,376 | 12,755,790 | 31,619,166 |
| Total liabilities | <u>20,839,987</u> | <u>14,252,448</u> | <u>35,092,435</u> |
| Deferred Inflows | <u>\$ (669,792)</u> | <u>\$ 10,810,463</u> | <u>\$ 10,140,671</u> |

The noncurrent portion of irrevocable split-interest agreements for gift annuities at June 30, 2020 includes a reserve of \$2,017,019. For the year ended June 30, 2020, the Foundation recognized \$1,417,407 of revenues associated with terminations of irrevocable split-interest agreements.

The Ohio State University Foundation
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

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

| | 2019 | | |
|---|-----------------------|----------------------|----------------------|
| | <u>Gift Annuities</u> | <u>Trusts</u> | <u>Total</u> |
| Assets: | | | |
| Investments held in charitable remainder trusts -- current | \$ - | \$ - | \$ - |
| Marketable securities -- current | 51,887 | - | 51,887 |
| Investments held in charitable remainder trusts -- noncurrent | - | 26,607,054 | 26,607,054 |
| Marketable securities -- noncurrent | <u>18,862,963</u> | <u>-</u> | <u>18,862,963</u> |
| Total assets | <u>18,914,850</u> | <u>26,607,054</u> | <u>45,521,904</u> |
| Liabilities: | | | |
| Irrevocable split-interest agreements -- current | 1,521,410 | 1,599,586 | 3,120,996 |
| Irrevocable split-interest agreements -- noncurrent | <u>14,914,009</u> | <u>13,691,678</u> | <u>28,605,687</u> |
| Total liabilities | <u>16,435,419</u> | <u>15,291,264</u> | <u>31,726,683</u> |
| Deferred Inflows | <u>\$ 2,479,431</u> | <u>\$ 11,315,790</u> | <u>\$ 13,795,221</u> |

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

4. OTHER LIABILITIES

Other liability activity for the year ended June 30, 2020 is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|--|----------------------|----------------------|----------------------|----------------------|---------------------|
| Unearned revenue, beginning of year as previously reported | \$ 31,948,350 | \$ - | \$ - | \$ - | \$ - |
| Cumulative effect of Pelotonia merger | <u>\$ (41,250)</u> | | | | |
| Unearned revenue, beginning year as restated | \$ 31,907,100 | 6,007,439 | 15,992,500 | 21,922,039 | \$ - |
| Irrevocable split-interest agreements: | | | | | |
| Charitable remainder trust liability | 15,291,264 | 273,487 | 1,312,303 | 14,252,448 | 1,496,658 |
| Gift annuity liabilities | 14,543,934 | 4,880,481 | 601,447 | 18,822,968 | 1,976,611 |
| Gift annuity reserve | <u>1,891,485</u> | <u>4,742,639</u> | <u>4,617,105</u> | <u>2,017,019</u> | <u>-</u> |
| | <u>\$ 63,633,783</u> | <u>\$ 15,904,046</u> | <u>\$ 22,523,355</u> | <u>\$ 57,014,474</u> | <u>\$ 3,473,269</u> |

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

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

The Ohio State University Foundation

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

5. RELATED-PARTY TRANSACTIONS

The University had cumulative net advances to the Foundation of \$684 and \$8,290 as of June 30, 2020 and 2019, respectively. The Foundation distributed \$270,290,947 and \$244,067,255, in fiscal years 2020 and 2019, respectively, to the University as directed by donors. The Foundation had no receivables from the University as of June 30, 2020 and June 30, 2019.

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

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

6. CONTINGENCIES AND RISK MANAGEMENT

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.

In response to the public health crisis, the university suspended face-to-face instruction through the summer semester, virtually all university events were canceled, and the Wexner Medical Center temporarily suspended elective procedures. Despite these operational challenges, the impacts on university fundraising to date have been relatively limited.

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 may materially impact the Foundation's financial position and its results of operations. While the impacts of COVID-19 may materially affect financial results for 2021 and potentially beyond, Foundation management believes that the Foundation has sufficient liquidity to meet its operating and financial needs in fiscal year 2021. However, given the difficulty in predicting the duration and severity of the COVID-19 pandemic and its effects on the Foundation, the economy and financial markets, the ultimate impact is unknown. Foundation management continues to monitor the course of the pandemic and is prepared to take additional measures to promote the continuity of the Foundation's fundraising mission.

The Ohio State University Foundation
Other Information Combining Statement of Net Position (Audited)
Year Ended June 30, 2020

| | 2020 Foundation Only | 2020 Clifton Holdings | 2020 Total |
|---|----------------------------|--------------------------|-------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 230,589 | \$ 4,687 | \$ 235,276 |
| Pledges receivable — current portion — net | 55,935,037 | - | 55,935,037 |
| Accrued interest receivable | 2,377 | - | 2,377 |
| Marketable securities | 68,204 | - | 68,204 |
| Charitable remainder trusts | 1,592,216 | - | 1,592,216 |
| Total current assets | <u>57,828,423</u> | <u>4,687</u> | <u>57,833,110</u> |
| Noncurrent Assets | | | |
| The Ohio State University Long-Term Investment Pool | 996,177,321 | - | 996,177,321 |
| Marketable securities | 20,101,991 | - | 20,101,991 |
| Investment Partnerships | 140,396 | - | 140,396 |
| Charitable remainder trusts | 23,470,695 | - | 23,470,695 |
| Life insurance policies | 1,353,358 | - | 1,353,358 |
| Pledges receivable, net | 182,968,960 | - | 182,968,960 |
| Capital assets, net | - | 2,770,306 | 2,770,306 |
| Total noncurrent assets | <u>1,224,212,721</u> | <u>2,770,306</u> | <u>1,226,983,027</u> |
| Total assets | <u>\$ 1,282,041,144</u> | <u>\$ 2,774,993</u> | <u>\$ 1,284,816,137</u> |
| Liabilities, Deferred Inflows and Net Position | | | |
| Current liabilities | | | |
| Irrevocable split-interest agreements | \$ 3,473,269 | \$ - | \$ 3,473,269 |
| Advance from The Ohio State University | 684 | - | 684 |
| Total current liabilities | <u>3,473,953</u> | <u>-</u> | <u>3,473,953</u> |
| Noncurrent Liabilities | | | |
| Unearned revenue | 21,922,039 | - | 21,922,039 |
| Irrevocable split-interest agreements | 31,619,166 | - | 31,619,166 |
| Total noncurrent Liabilities | <u>53,541,205</u> | <u>-</u> | <u>53,541,205</u> |
| Total liabilities | <u>57,015,158</u> | <u>-</u> | <u>57,015,158</u> |
| Deferred Inflows | 10,140,671 | - | 10,140,671 |
| Net Position | | | |
| Net investment in capital assets | - | 2,770,306 | 2,770,306 |
| Restricted | | | |
| Nonexpendable - Endowment | 954,856,408 | - | 954,856,408 |
| Expendable | 246,392,111 | - | 246,392,111 |
| Unrestricted | 13,636,796 | 4,687 | 13,641,483 |
| Total net position | <u>1,214,885,315</u> | <u>2,774,993</u> | <u>1,217,660,308</u> |
| Total liabilities, deferred inflows and net position | <u>\$ 1,282,041,144</u> | <u>\$ 2,774,993</u> | <u>\$ 1,284,816,137</u> |

The Ohio State University Foundation
Other Information Combining Statement of Revenues, Expenses and Changes in
Net Position (Audited)
Year Ended June 30, 2020

| | 2020 | 2020 | 2020 | 2020 |
|--|-------------------------|---------------------|--------------|-------------------------|
| | Foundation Only | Clifton Holdings | Pelotonia | Total |
| Operating Revenues | | | | |
| Current use gifts | 202,985,398 | - | | 202,985,398 |
| Private capital gifts | 77,425,380 | - | - | 77,425,380 |
| Income from irrevocable split-interest agreements | 1,418,245 | - | - | 1,418,245 |
| Miscellaneous income | 77,157 | - | | 77,157 |
| Total operating revenues | <u>281,906,180</u> | - | - | <u>281,906,180</u> |
| Operating Expenses | | | | |
| Distributions to The Ohio State University | | | | |
| Pass through gifts | 231,219,126 | - | | 231,219,126 |
| Endowment distributions | 43,113,477 | - | - | 43,113,477 |
| Transfers to endowment principal | (5,260,874) | - | - | (5,260,874) |
| Other distributions | 1,219,218 | - | - | 1,219,218 |
| Total Distributions to The Ohio State University | <u>270,290,947</u> | - | - | <u>270,290,947</u> |
| Trust distribution outside The Ohio State University | 838 | - | - | 838 |
| Salaries and benefits | 93,165 | - | | 93,165 |
| Long-Term Investment Pool expense | 4,390,816 | - | - | 4,390,816 |
| Professional services, audit and legal fees | 124,118 | - | | 124,118 |
| (Release)/Provision for uncollectible pledges | 1,003,241 | - | - | 1,003,241 |
| Depreciation | - | 182,534 | - | 182,534 |
| Other | 15,172 | - | | 15,172 |
| Total operating expenses | <u>275,918,297</u> | <u>182,534</u> | - | <u>276,100,831</u> |
| Net operating income (loss) | 5,987,883 | (182,534) | - | 5,805,349 |
| Non-operating Revenues | | | | |
| Net investment income | | | | |
| Interest and dividends, net of expenses | 22,274,999 | - | | 22,274,999 |
| Increase in fair value of investments | (2,157,597) | - | - | (2,157,597) |
| Investment expenses | (9,815,011) | - | - | (9,815,011) |
| Total net investment income | <u>10,302,391</u> | - | - | <u>10,302,391</u> |
| Income before other changes in net position | 16,290,274 | (182,534) | - | 16,107,740 |
| Other Changes in Net Position | | | | |
| Permanent endowment gifts | 63,695,178 | - | - | 63,695,178 |
| Increase in net position | 79,985,452 | (182,534) | - | 79,802,918 |
| Net Position, beginning of year | | | | |
| Beginning of year, as previously reported | 1,134,899,802 | 2,957,588 | 15,051,289 | 1,152,908,679 |
| Cumulative effect of Pelotonia merger | - | | (15,051,289) | (15,051,289) |
| Beginning of year, as restated | <u>1,134,899,802</u> | <u>2,957,588</u> | - | <u>1,137,857,390</u> |
| Net position, end of year | <u>\$ 1,214,885,254</u> | <u>\$ 2,775,054</u> | <u>\$ -</u> | <u>\$ 1,217,660,308</u> |

The Ohio State University Foundation

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

Year Ended June 30, 2020

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

In 2020, the market value of the university's Long-Term Investment Pool – which includes gifted endowments, long-term investments of university operating funds and other funds internally designated to function as endowments – increased \$30 million, to \$5.29 billion at June 30, 2020. The Long-Term Investment Pool activity for 2020 is summarized below:

Long-Term Investment Pool Activity (in thousands)

| | Gifted Endowments | | Quasi-Endowments | | Total |
|---------------------------------------|---------------------|-------------------|---------------------|---------------------|---------------------|
| | University | Foundation | Operating | Designated | |
| Balance at June 30, 2019 | \$ 1,070,008 | \$ 969,429 | \$ 1,289,534 | \$ 1,927,788 | \$ 5,256,759 |
| Net Principal Additions (Withdrawals) | 7,809 | 63,970 | 123,485 | 30,451 | 225,715 |
| Change in Fair Value | (1,924) | (2,178) | (2,888) | (3,933) | (10,923) |
| Income Earned | 23,932 | 22,275 | 29,865 | 43,199 | 119,271 |
| Distributions | (46,449) | (43,113) | (57,746) | (83,796) | (231,104) |
| Expenses | (15,263) | (14,206) | (19,046) | (24,072) | (72,587) |
| Balance at June 30, 2020 | \$ 1,038,113 | \$ 996,177 | \$ 1,363,204 | \$ 1,889,637 | \$ 5,287,131 |

Net principal additions (withdrawals) for gifted endowments include new endowment gifts and reinvestment of unused endowment distributions. **Change in fair value** includes realized gains and losses for assets sold during the year and unrealized gains and losses for assets held in the pool at June 30, 2020. **Income earned** includes interest and dividends and is used primarily to fund **distributions**. **Expenses** include investment management expenses (\$53 million), University Development related expenses (\$19 million) and other investment related expenses (\$1 million).

Investment Returns and Expenses

The investment return for the Long-Term Investment Pool was 1.1% for fiscal year 2020. The annualized investment returns for the three-year and five-year periods were 3.3% and 4.0%, respectively. These returns -- which are net of investment management expenses as defined by Cambridge Associates for its annual survey -- are used for comparison purposes with other endowments and various benchmarks. In addition to the \$53 million of investment management expenses, which reduced the pool by 1.0% in fiscal year 2020, the \$19 million of University Development expenses and \$1 million of other investment related expenses further reduced the pool by 0.4%.

The Ohio State University Foundation
Other Information on the Long-Term Investment Pool (Unaudited)
Year Ended June 30, 2020

Additional Information

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

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

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



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

To the Board of Directors of
The Ohio State University Foundation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of The Ohio State University Foundation (the "Foundation"), a component unit of The Ohio State University, which comprise the consolidated statement of net position as of June 30, 2020, and the related consolidated statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to consolidated financial statements, and have issued our report thereon dated November 2, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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

November 2, 2020

OHIO AUDITOR OF STATE KEITH FABER



THE OHIO STATE UNIVERSITY FOUNDATION

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 1/19/2021

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