

The Ohio State University Foundation

**A Component Unit of The Ohio State University
Consolidated Financial Statements
Years ended June 30, 2015 and 2014 and Independent
Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit Performed in Accordance with
*Government Auditing Standards***



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of The Ohio State University Foundation, Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2014 through June 30, 2015. 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 "Dave Yost".

Dave Yost
Auditor of State

December 11, 2015

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The Ohio State University Foundation

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June 30, 2015 and 2014

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of The Ohio State University Foundation (the "Foundation"), a component unit of The Ohio State University, appearing on pages 8 to 22, which consist of the consolidated statements of net position as of June 30, 2015 and June 30, 2014, the related consolidated statements of revenues, expenses and other changes in net position and of cash flows for the years then ended, which collectively comprise the Foundation's basic financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2015 and June 30, 2014, and the changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015 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, 2015. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foundation's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

October 16, 2015

The Ohio State University Foundation

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2015

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, 2015, with comparative information for the years ended June 30, 2014 and June 30, 2013. 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 2015 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.

In 2012, the University officially launched the *But for Ohio State Campaign*, a \$2.5 billion fundraising endeavor that is the largest campaign in Ohio State's history. As of June 2015, nearly 650,000 alumni and friends have contributed more than \$2.3 billion to the campaign. The *But for Ohio State* campaign supports the academic mission and vision of the University under several priority areas: placing students first, driving research and innovation, elevating faculty and the academic enterprise, and creating modern learning environments.

About the Financial Statements

The following financial statements include all balances for the Foundation and the consolidated financial results for two legally separate entities, Clifton Holdings, LLC and Pelotonia, LLC ("Pelotonia"), which are subject to control by the Foundation. The Statement of Net Position is the Foundation's balance sheet. It reflects the Foundation's assets, liabilities, and net position at June 30, 2015, with comparative information as of June 30, 2014. The Statement of Revenue, Expenses, and Other 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, 2015, with comparative information for Fiscal Year 2014. The Statement of Cash Flows details how cash has increased or decreased during the year ended June 30, 2015, with comparative information for Fiscal Year 2014.

The Ohio State University Foundation
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2015

Statements of Net Position

	2015	2014	2013
Cash and cash equivalents	\$ 3,277,377	\$ 3,684,676	\$ 2,548,374
Pledges receivable — current portion — net	29,479,469	24,931,814	26,860,589
Other current assets	<u>8,696,181</u>	<u>14,479,847</u>	<u>7,099,997</u>
Total current assets	41,453,027	43,096,337	36,508,960
The Ohio State University Long-Term Investment Pool	\$ 757,158,186	\$ 710,961,474	\$ 589,702,215
Pledges receivable, net	72,550,008	69,575,800	70,814,690
Other noncurrent assets	<u>51,106,697</u>	<u>52,644,101</u>	<u>54,708,326</u>
Total noncurrent assets	880,814,891	833,181,375	715,225,231
Total assets	\$ 922,267,918	\$ 876,277,712	\$ 751,734,191
Current liabilities	\$ 2,522,526	\$ 3,702,950	\$ 3,871,177
Noncurrent liabilities	<u>41,465,251</u>	<u>38,396,872</u>	<u>36,298,232</u>
Total liabilities	43,987,777	42,099,822	40,169,409
Net investment in capital assets	3,765,591	3,784,071	3,853,283
Restricted			
Nonexpendable-Endowment	714,656,747	662,093,740	573,449,530
Expendable	148,446,965	156,931,244	124,177,634
Unrestricted	<u>11,410,838</u>	<u>11,368,835</u>	<u>10,084,335</u>
Total net position	878,280,141	834,177,890	711,564,782
Total liabilities and net position	\$ 922,267,918	\$ 876,277,712	\$ 751,734,191

Assets

Total current assets decreased from \$43 million at June 30, 2014, to \$42 million at June 30, 2015, primarily due to a \$7 million decrease in current charitable remainder trusts offset by a \$5 million increase in pledges receivable.

Total noncurrent assets increased \$48 million, to \$881 million at June 30, 2015. Foundation investments in the University's Long-Term Investment Pool accounted for \$46 million of this increase, primarily due to \$32 million of net investment income and \$59 million of net principal additions, offset by \$29 million of distributions and \$15 million in expenses for the Pool. In addition, noncurrent pledges receivable increased \$3 million.

Liabilities

The Foundation's liabilities consist primarily of charitable remainder trusts, gift annuity liabilities and gift annuity reserves. Under these gift arrangements, the Foundation agrees to pay periodic fixed payments to beneficiaries during their lifetimes. The balances associated with these arrangements totaled \$29 million at June 30, 2015 and \$36 million at June 30, 2014. The \$7 million decrease is primarily due to distribution of a large charitable remainder trust.

Net Position

Net position increased \$44 million, to \$878 million at June 30, 2015, primarily due to \$38 million in net investment income in 2015.

The Ohio State University Foundation
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2015

Prior-Year Highlights

Total current assets increased from \$37 million at June 30, 2013, to \$43 million at June 30, 2014, primarily due to a \$7 million increase in current charitable remainder trusts offset by \$2 million decrease in pledges receivable. Total noncurrent assets increased from \$715 million at June 30, 2013, to \$833 million at June 30, 2014, due primarily to strong investment returns and new endowment gifts. Net position increased from \$712 million at June 30, 2013 to \$834 million at June 30, 2014, primarily due to increases in the fair value of endowment investments.

Statements of Revenues, Expenses and Other Changes in Net Position

	2015	2014	2013
Operating revenues			
Gifts	\$ 222,223,332	\$ 192,266,129	\$ 218,861,008
Net Investment income	38,486,945	119,451,381	71,419,835
Other revenue	<u>1,633,215</u>	<u>1,477,843</u>	<u>(2,741,416)</u>
Total operating revenues	262,343,492	313,195,353	287,539,427
Operating expenses			
Distributions to OSU	189,684,215	171,201,022	151,399,002
Distributions to gift annuitants	1,631,768	1,588,785	1,585,766
Gift annuity remainder distributions	162,316	581,256	657,378
Trust distributions Outside OSU	6,017,811	-	-
Other Expenses	<u>20,745,131</u>	<u>17,211,182</u>	<u>17,248,924</u>
Total operating expenses	218,241,241	190,582,245	170,891,070
Increase in net position	<u>\$ 44,102,251</u>	<u>\$ 122,613,108</u>	<u>\$ 116,648,357</u>

Operating Revenues

Overall, operating revenues decreased \$51 million, to \$262 million in 2015, primarily due to a combination of weak net investment income offset by an increase in gift revenues. Additional details are provided below:

- Total gifts increased \$30 million, to \$222 million in 2015. The increase relates to the second largest fundraising year at Ohio State. During 2015, over 237,000 alumni and friends made gifts to the University, up from 233,000 in 2014.

Net investment income decreased \$81 million in 2015 to \$38 million. This includes \$2 million interest and dividend income with an \$88 million net decrease in the fair value of investments, which includes both realized and unrealized gains and losses. The Long-Term Investment Pool's net investment return for fiscal year ended June 30, 2015 was 3.8% versus the Policy (internal benchmark) return of 1.9%. Top contributions to investment return came from U.S. equity-oriented funds, private equity partnerships, and real asset partnerships. Natural Resource funds and credit-oriented hedge funds were negative for the year. Although global market uncertainties continue into Fiscal 2016, the University's Investment Office will continue to focus on its highest conviction managers and the most compelling investment opportunities

The Ohio State University Foundation

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2015

across asset classes and geographies. The University is well positioned to take advantage of opportunities and/or market corrections. The LTIP is a well-diversified portfolio and the university's Investment Office is dedicated to focus on producing strong risk-adjusted rates of returns over time.

- Other revenues were comparable for 2015 and 2014.

Operating Expenses

Overall operating expenses increased \$28 million, to \$218 million in 2015. Additional details are provided below:

- Distributions to the University increased \$18 million, to \$190 million in 2015, reflecting increases in total receipts for current-use and capital gifts. Non-endowment gifts are transferred to the University upon receipt; new endowment gifts remain in the Foundation.
- Distributions to gift annuitants and gift annuity remainder distributions to the University totaled \$2 million and were stable compared with 2014.
- The Foundation made a \$6 million charitable remainder trust distribution to beneficiaries outside the university in 2015. 12% of the charitable remainder trusts held by the Foundation have remainder interest outside the university.
- Other expenses increased \$4 million, to \$21 million in 2015, reflecting increases in investment management expenses of \$2 million and provisions for uncollectible pledges of \$2 million.

Prior-Year Highlights

Foundation net position increased \$123 million in 2014. Operating revenues increased \$26 million, to \$313 million with decreases in gift revenues partially offsetting a \$48 million increase in net investment income. Operating expenses increased \$20 million, to \$191 million, reflecting increases in gift distributions to the university.

Statements of Cash Flows

	2015	2014	2013
Operating activities	\$ 24,976,097	\$ 27,612,542	\$ 30,780,772
Investing activities	(25,383,396)	(26,476,240)	(30,794,768)
Financing activities	-	-	-
Increase (decrease) in cash and cash equivalents	(407,299)	1,136,302	(13,996)
Cash and cash equivalents, beginning of year	<u>3,684,676</u>	<u>2,548,374</u>	<u>2,562,370</u>
Cash and cash equivalents, end of year	<u>\$ 3,277,377</u>	<u>\$ 3,684,676</u>	<u>\$ 2,548,374</u>

Total Foundation cash and cash equivalents were stable in 2015. Net cash provided by operating activities decreased \$3 million to \$25 million, reflecting the \$19 million increase in distributions to the University along with a \$6 million distribution outside the University. This was offset by increases in total gift receipts of \$22 million and interest and dividend income of \$1 million.

The Ohio State University Foundation

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2015

Current Environment

In FY15, a record 237,340 donors supported the University providing over \$360 million in annual support, an increase of 8% over the previous year. The University's long term investment pool distributed \$142 million in support of university priorities, including \$24 million for student scholarships, \$37 million to educational programming and a combined \$26 million to faculty and research.

As the University enters the final year of the *But for Ohio State* campaign, the Foundation board is actively engaged with the University leadership and the Development staff in promoting philanthropy, celebrating the impact of donors' gifts to the institution and using the momentum created by the campaign to help the University implement visionary new ideas including increasing student support as part of President Michael V. Drake's 2020 Vision for the university.

The Ohio State University Foundation
Consolidated Statements of Net Position
As of June 30, 2015 and 2014

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 3,277,377	\$ 3,684,676
Pledges receivable — current portion — net	29,479,469	24,931,814
Accounts receivable	8,368,834	7,450,209
Accrued interest receivable	22,372	22,570
Marketable securities	254,417	58,382
Charitable remainder trusts	-	6,903,022
Other assets	50,558	45,664
Total current assets	<u>41,453,027</u>	<u>43,096,337</u>
Noncurrent Assets		
The Ohio State University Long-Term Investment Pool	757,158,186	710,961,474
Marketable securities	17,277,115	18,397,662
Investment Partnerships	264,679	281,276
Charitable remainder trusts	27,321,808	27,978,890
Life insurance policies	1,285,904	1,185,601
Real estate	1,191,601	1,016,601
Pledges receivable, net	72,550,008	69,575,800
Capital assets, net	<u>3,765,590</u>	<u>3,784,071</u>
Total noncurrent assets	<u>880,814,891</u>	<u>833,181,375</u>
Total Assets	<u>\$ 922,267,918</u>	<u>\$ 876,277,712</u>
Liabilities and Net Position		
Current liabilities		
Charitable remainder trust liability	\$ 1,273,015	\$ 2,181,688
Gift annuity liabilities	964,903	1,169,021
Advance from The Ohio State University	155,509	157,980
Accrued liabilities	<u>129,099</u>	<u>194,261</u>
Total current liabilities	2,522,526	3,702,950
Noncurrent Liabilities		
Unearned revenue	15,176,602	6,130,186
Charitable remainder trust liability	13,956,745	19,808,578
Gift annuity liabilities	10,578,751	10,614,090
Gift annuity reserve	<u>1,753,153</u>	<u>1,844,018</u>
Total noncurrent Liabilities	<u>41,465,251</u>	<u>38,396,872</u>
Total liabilities	<u>43,987,777</u>	<u>42,099,822</u>
Net Position		
Net investment in capital assets	3,765,591	3,784,071
Restricted		
Nonexpendable - Endowment	714,656,747	662,093,740
Expendable	148,446,965	156,931,244
Unrestricted	<u>11,410,838</u>	<u>11,368,835</u>
Total net position	<u>878,280,141</u>	<u>834,177,890</u>
Total liabilities and net position	<u>\$ 922,267,918</u>	<u>\$ 876,277,712</u>

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

The Ohio State University Foundation
Consolidated Statements of Revenues, Expenses and Other Changes in Net
Position
For the years ended June 30, 2015 and 2014

	2015	2014
Operating Revenues		
Gifts	<u>\$ 222,223,332</u>	<u>\$ 192,266,129</u>
Net investment income		
Interest and dividends	18,489,558	16,278,015
Increase in fair value of investments	12,045,909	99,669,471
Gift annuity reserve adjustment	850,893	4,619,191
Change in carrying value of remainder trusts	<u>7,100,585</u>	<u>(1,115,296)</u>
Total net investment income	<u>38,486,945</u>	<u>119,451,381</u>
Miscellaneous income	<u>1,633,215</u>	<u>1,477,843</u>
Total operating revenues	<u>262,343,492</u>	<u>313,195,353</u>
Operating Expenses		
Distributions to The Ohio State University	189,684,215	171,201,022
Distributions to gift annuitants	1,631,768	1,588,785
Gift annuity remainder distributions	162,316	581,256
Trust distribution outside The Ohio State University	6,017,811	-
Salaries and benefits	1,380,935	1,507,591
Long-Term Investment Pool expense	15,260,272	14,026,364
Profession services, audit and legal fees	428,008	361,300
Provision for uncollectible pledges	1,270,398	(1,035,414)
Depreciation	242,287	227,517
Rent and utilities expense	236,974	203,656
Other	<u>1,926,257</u>	<u>1,920,168</u>
Total operating expenses	<u>218,241,241</u>	<u>190,582,245</u>
Increase in net position	44,102,251	122,613,108
Net position, beginning of year	<u>834,177,890</u>	<u>711,564,782</u>
Net position, end of year	<u>\$ 878,280,141</u>	<u>\$ 834,177,890</u>

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

The Ohio State University Foundation
Consolidated Statements of Cash Flows
For the years ended June 30, 2015 and 2014

	2015	2014
Operating Activities		
Cash received from contributors	\$ 220,893,862	\$ 199,020,256
Interest and dividends received	15,680,157	14,633,514
Funding from The Ohio State University	320,000	305,495
Receipt of new gift annuity agreements	525,520	2,161,550
Receipt of new trust agreements	340,079	23,786
Investment income received on gift annuities	2,809,599	1,655,110
Distributions to The Ohio State University	(189,691,635)	(171,164,818)
Income distributions paid to gift annuitants	(1,631,768)	(1,588,785)
Distributions to gift annuity remainderman	(162,316)	(581,256)
Trust distribution outside The Ohio State University	(6,017,811)	-
Payments to vendors for supplies and services	(17,916,673)	(16,402,741)
Payments to or on behalf of employees	(1,323,308)	(1,448,284)
University employee benefit payments	(57,627)	(59,307)
Other receipts	1,208,018	1,058,022
Net cash provided by operating activities	<u>24,976,097</u>	<u>27,612,542</u>
Investing Activities		
Proceeds from sales of investments	52,945,415	43,887,615
Purchases of investments	(78,105,005)	(70,205,550)
Payment for capital assets	(223,806)	(158,305)
Net cash used in investing activities	<u>(25,383,396)</u>	<u>(26,476,240)</u>
Increase (decrease) in cash and cash equivalents	(407,299)	1,136,302
Cash and cash equivalents, beginning of year	3,684,676	2,548,374
Cash and cash equivalents, end of year	<u>\$ 3,277,377</u>	<u>\$ 3,684,676</u>
Reconciliation of Increase in Net Position to Net Cash		
Provided by Operating Activities		
Increase in net position	\$ 44,102,251	\$ 122,613,108
Adjustments to reconcile increase (decrease) in net position to net cash provided by operating activities		
Depreciation	242,287	227,517
Decrease (Increase) in fair value of investments	(12,045,909)	(99,669,471)
Change in cash surrender value of life insurance policies	(100,303)	(90,508)
Total gifts received in real estate	(665,000)	(7,980)
Changes in assets and liabilities		
Pledges receivable	(7,521,863)	3,167,665
Accounts receivable	(918,625)	(544,993)
Unearned revenue	9,046,416	3,104,021
Accrued interest receivable	198	10,609
Other current assets	(4,894)	(23,818)
Advance from The Ohio State University	(2,471)	20,751
Accrued liabilities	(65,162)	108,747
Gift annuities liabilities	(239,457)	(349,608)
Gift annuity reserve	(90,865)	(2,092,580)
Charitable remainder trust liability	(6,760,506)	1,139,082
Net cash provided by operating activities	<u>\$ 24,976,097</u>	<u>\$ 27,612,542</u>

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

The Ohio State University Foundation

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

1. ACCOUNTING POLICIES

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

Organization

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

Basis of Presentation

The Foundation is the single member of two LLC's, Clifton Holdings, LLC ("Clifton"), and Pelotonia LLC (formerly known as NetJames Holdings LLC) ("Pelotonia"). Clifton was created in 2007 to own and maintain the University President's residence. Pelotonia, which was created in 2008, organizes annual bicycle tours to raise funds to support cancer research. These LLC's are included with the Foundation's consolidated financial statements in a blended presentation.

The Foundation, as a component unit of the University, is included in the University's consolidated financial statements in a blended presentation.

Basis of Accounting

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

Cash and Cash Equivalents

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

At June 30, 2015, the carrying amount of the Foundation's cash and cash equivalents with financial institutions was \$3,277,377, of which \$504,847 is covered by federal deposit insurance. The amount remaining of \$2,772,530 is uncollateralized.

Pledges Receivable

The Foundation receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, endowment pledges are not recorded as assets until the related gift is received. The Foundation reduces pledges receivable to estimated net realizable value by recording an allowance for uncollectible pledges. A general allowance is estimated using a four-year rolling average of canceled pledges divided by net pledges receivable. In addition, a specific allowance may be calculated on pledges with past due balances that meet specified criteria. For the years ended June 30, 2015 and 2014 the Foundation recorded an allowance against pledges receivable of \$5,253,759 and \$3,983,360, respectively.

The Ohio State University Foundation

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

Fund Accounting

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

- **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 market value as of the date received. This includes gifts of real estate for which fair market value is obtained by an independent appraisal.

In accordance with GASB Statement No. 33, private donations are recognized when all eligibility requirements are met. The Foundation has recorded pledges receivable, net of allowances, of \$102,029,477 and \$94,507,614 as of June 30, 2015 and 2014, respectively.

In-Kind Income

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

The Ohio State University Foundation

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

Investments

All 2,326 Board-established named Foundation endowments are invested in The Ohio State University Long-Term Investment Pool ("University Long-Term Investment Pool"). Each fund is assigned a number of shares in the Long-Term Investment Pool based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Ohio, permits the University's Board of Trustees to appropriate an amount of realized and unrealized endowment appreciation as the Board deems prudent. The UPMIFA, as adopted in Ohio, establishes a 5% safe harbor of prudence for funds appropriated for expenditure. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the Long-Term Investment Pool, and the associated net position is classified as restricted- expendable. 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. The annual distribution per share is 4.25% of the average market value per share of the Long-Term Investment Pool over the most recent seven year period. The annual distributions were transferred from the University Long-Term Investment Pool to current restricted endowment distribution funds. These transfer totals were \$28,705,174 and \$26,851,227 in fiscal years 2015 and 2014, respectively.

At June 30, 2015, the market value of the Foundation's gifted endowments was \$757,158,186, which is approximately \$3,275,322 above the historical dollar value of \$753,882,865. Although the market value of the Foundation's gifted endowments in total exceeds the historical cost at June 30, 2015, there were 1,125 named funds underwater. The market value of these underwater funds at June 30, 2015 was \$316,606,863, which was \$35,918,796 below the historical dollar value of \$352,525,659. At June 30, 2014, the market value of the Foundation's gifted endowments was \$710,961,474, which was approximately \$15,849,707 above the historical dollar value of \$695,111,767. Although the market value of the Foundation's gifted endowments in total exceeds the historical cost at June 30, 2014, there were 929 named funds that were underwater. The market value of these underwater funds at June 30, 2014 was \$267,304,815, which was \$30,752,571 below the historical dollar value of \$298,057,386. Per UPMIFA (§ 1715.53(D)(C)), the reporting of such deficiencies does not create an obligation on the part of the endowment fund to restore the fair value of those funds.

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

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

Real estate is recorded at the appraised value at the date of the gift. These assets totaled \$1,191,601 and \$1,016,601 at June 30, 2015 and 2014, respectively.

The Ohio State University Foundation

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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 \$3,765,590, and \$3,784,071 at June 30, 2015 and 2014, 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 liability to the University. A reduction of \$320,000 was recognized in 2015 and \$305,495 in 2014.

Newly Issued Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. Statement 72 expands the guidance on valuation of university investments, particularly alternative investments. It closely follows FASB's valuation approach and disclosure requirements, including the categorization of investment fair value measurements into Levels 1, 2 and 3. Statement 72 will require additional disclosures, including a schedule of investments by type and level and additional details on investments that calculate Net Asset Value (NAV) per share. It is effective for periods beginning after June 15, 2015 (FY2016).

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 (FY2016)—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016 (FY2017).

In June 2015, the GASB issued Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statements 74 and 75 establish new accounting and reporting standards for other postemployment benefits (OPEB), such as health insurance provided to retirees. Under the new standards, governments that participate in OPEB plans will be required to report in their statement of net position a net OPEB liability, which is the difference between the total OPEB liability and the assets set aside to pay OPEB. Statement 74, which applies to plans (such as OPERS and STRS-Ohio), is effective for periods beginning after June 15, 2016 (FY2017). Statement 75, which applies to plan participants (including the university), is effective for periods beginning after June 15, 2017 (FY2018).

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In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement 76 reduces the GAAP hierarchy for state and local governments to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category consists of GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is specifically cleared by the GASB. The new standard is effective for periods beginning after June 15, 2015 (FY2016).

Foundation management is currently assessing the impact that implementation of GASB Statements No. 72, 73, 74, 75 and 76 will have on the Foundation's financial statements.

2. INVESTMENTS

A substantial portion of the Foundation's investments are held by the University in the 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, 2015 and 2014 are as follows:

	2015	2014
University Long-Term Investment Pool	\$ 757,158,186	\$ 710,961,474
Investments directly owned by Foundation:		
Investments held by charitable remainder trusts	27,321,808	34,881,912
Marketable securities	17,531,532	18,456,044
Investment partnership	264,679	281,276
Life insurance policies	1,285,904	1,185,601
Real estate	1,191,601	1,016,601
Total investments	<u>804,753,710</u>	<u>766,782,908</u>
Less current portion	<u>254,417</u>	<u>6,961,404</u>
Total Long-Term Investments	<u>\$ 804,499,293</u>	<u>\$ 759,821,504</u>

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

Total Foundation investments by investment type at June 30, 2015 and 2014 are as follows:

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	2015	2014
Common stock	\$ 98,980,712	\$ 79,612,358
Equity mutual funds	55,516,782	62,966,669
U.S. government obligations	41,880,619	3,992,968
U.S. government agency obligations	-	1,814,878
Corporate bonds and notes	231,306	6,170,856
Bond mutual funds	15,856,582	30,113,576
International bonds	-	83,978
Partnership and hedge funds	576,768,594	558,273,266
Real estate	2,692,120	2,277,592
Cash and cash equivalents	11,541,091	20,103,574
Other	<u>1,285,904</u>	<u>1,373,193</u>
Total	<u>\$804,753,710</u>	<u>\$766,782,908</u>

The Ohio State University Long-Term Investment Pool

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

Asset Class	Range	Benchmark
Global 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 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 invests in a wide range of investment funds, including hedge funds. Hedge funds may include, but are not limited to, investments in equity securities, mutual funds, partnerships, foreign securities, short sales positions, distressed securities, fixed income securities, options, currencies, futures, and other derivatives. The University's objective for investing in absolute return hedge funds is to provide stable, absolute returns that are uncorrelated to equity and fixed income markets. The University also invests in long-short hedge funds which are correlated to equity markets, but provide downside protection when equity markets decline.

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Additional Risk Disclosures for Investments

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

Custodial credit risk

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

Interest Rate Risk

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

The maturities of the Foundation's directly owned interest-bearing investments as of June 30, 2015, were as follows:

	Investment Maturities (in Years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	\$ 1,811,580	\$ -	\$ 1,811,580	\$ -	\$ -
Corporate bonds	231,306	-	231,306	-	-
Bond mutual funds	15,856,582	1,969,474	7,091,105	4,819,745	1,976,258
Total	<u>\$ 17,899,468</u>	<u>\$ 1,969,474</u>	<u>\$ 9,133,991</u>	<u>\$ 4,819,745</u>	<u>\$ 1,976,258</u>

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

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

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,

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Standard & Poor's, or Fitch Ratings — provides a current depiction of potential variable cash flows and credit risk.

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

The credit ratings of the Foundation's directly owned interest-bearing investments as of June 30, 2015, were as follows:

Credit Rating (S & P)	Total	U.S. Government and Agency Obligations		
		Corporate Bonds	Bond Mutual Funds	
AAA	\$ 8,559,082	\$ -	\$ 231,306	\$ 8,327,776
AA	2,858,059	1,811,580	-	1,046,479
A	4,240,868	-	-	4,240,868
BBB	2,125,704			2,125,704
BB	50,328			50,328
Not rated	65,427	-	-	65,427
Total	<u>\$ 17,899,468</u>	<u>\$ 1,811,580</u>	<u>\$ 231,306</u>	<u>\$ 15,856,582</u>

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

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

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Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Foundation's exposure to foreign currency risk for investments owned directly by the Foundation as of June 30, 2015, was as follows:

	Equity Mutual Funds	Bond Mutual Funds
Australian Dollar	\$ 272,628	\$ (17,602)
Brazilian Real	90,876	(15,749)
Canadian Dollar	374,863	309
Chilean Peso	17,039	-
Chinese Yuan	295,347	(1,081)
Colombia Peso	5,680	-
Danish Krone	68,157	(309)
Egyptian Pound	5,680	-
EURO	1,158,668	(18,374)
Great Britain Pound Sterling	834,923	2,625
Hong Kong Dollar	153,353	926
Indian Rupee	124,954	16,830
Indonesian Rupiah	28,399	-
Israeli Shekel	28,399	-
Japanese Yen	982,596	3,860
Malaysian Ringgit	45,438	463
Mexican Peso	51,118	309
New Taiwan Dollar	170,392	(309)
New Zealand Dollar	11,359	(11,889)
Norwegian Kroner	28,399	-
Philippine Peso	22,719	-
Polish Zloty	17,039	(1,390)
Russian Rouble	45,438	(154)
Singapore Dollar	62,477	(8,492)
South Africa Rand	90,876	(618)
South Korean Won	176,072	154
Swedish Krona	119,275	463
Swiss Franc	340,785	(463)
Thai Baht	28,399	-
Turkish Lira	17,039	309
UAE Dirham	11,359	-
	<u>\$ 5,679,746</u>	<u>\$ (50,182)</u>

The Ohio State University Foundation
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The Foundation's exposure to foreign currency risk for investments owned directly by the Foundation as of June 30, 2014 was as follows:

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

The Ohio State University Foundation
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3. GIFT ANNUITIES

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

The Foundation accounts for such agreements by recording the fair market value of assets donated as of the date of the gift, and by recording the present value of the annuities payable, based on the term of the agreement, as a liability. The present value calculation is based on a combination of the agreed-upon payout rate, actuarial assumptions on mortality rates with a 2% discount rate as of June 30, 2015. The balance of the gift is recorded as a reserve for future payments.

As of June 30, 2015 and 2014 the assets related to these investments had a fair market value of \$17,515,672 and \$18,440,184 respectively, a present value of annuities payable of \$11,543,654 and \$11,783,111 respectively and reserves of \$1,753,153 and \$1,844,018 respectively. The assets are recorded as Marketable Securities on the Consolidated Statements of Net Position.

4. UNITRUST, ANNUITY TRUST, AND POOLED INCOME AGREEMENTS

An officer of the Foundation, acting as trustee, enters into unitrust, annuity trust, and pooled income agreements ("charitable remainder trusts"), which provide, among other matters, that the trustee shall pay beneficiaries periodic payments until either the assets of the trust have been exhausted or until the death of the beneficiaries.

Upon death of the beneficiaries, any remaining property in the trust or pooled income fund will be transferred to the Foundation in accordance with the agreements.

The Foundation accounts for such agreements by recording the fair market value of assets donated and by recording the present value of the annuity payable, based on the agreement, as a liability. The Foundation had fair market value for charitable remainder trusts of \$27,321,808 and \$34,881,912 as of June 30, 2015 and June 30, 2014, respectively and a present value of annuities payable of \$15,229,760 and \$21,990,266 respectively.

5. OTHER LIABILITIES

Other liability activity for the year ended June 30, 2015 is as follows:

	2015				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Unearned revenue	\$ 6,130,186	\$ 10,549,202	\$ 1,502,786	\$ 15,176,602	\$ -
Charitable remainder trust liability	21,990,266	194,889	6,955,395	15,229,760	1,273,015
Gift annuity liabilities	11,783,111	295,100	534,557	11,543,654	964,903
Gift annuity reserve	1,844,018	671,632	762,497	1,753,153	-
	<u>\$ 41,747,581</u>	<u>\$ 11,710,822</u>	<u>\$ 9,755,235</u>	<u>\$ 43,703,169</u>	<u>\$ 2,237,918</u>

The Ohio State University Foundation
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Other liability activity for the year ended June 30, 2014 is as follows:

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

6. RELATED-PARTY TRANSACTIONS

The University made net advances to the Foundation of \$155,509 and \$157,980 as of June 30, 2015 and 2014, respectively. The Foundation distributed \$189,684,215 and \$171,201,022, in fiscal years 2015 and 2014, respectively, to the University as directed by donors. The Foundation had no receivables from the University as of June 30, 2015 and June 30, 2014.

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 to each fund which participates in the pool.

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Ohio State University Foundation (the "Foundation"), a component unit of The Ohio State University, appearing on pages 8 to 22, which consist of the consolidated statement of net position as of June 30, 2015, and the related statements of revenues, expenses and other changes in net position and of cash flows for the year then ended, which collectively comprise the Foundation's basic financial statements and have issued our report thereon dated October 16, 2015.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation’s basic consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PricewaterhouseCoopers LLP

October 16, 2015



Dave Yost • Auditor of State

THE OHIO STATE UNIVERSITY FOUNDATION

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 24, 2015