

# **OSU Global Gateways, LLC**

**Financial Statements**

**As of and for the Years Ended December 31, 2019 and 2018  
and Report of Independent Auditors**



OHIO AUDITOR OF STATE  
KEITH FABER



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OSU Global Gateways, LLC  
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We have reviewed the *Report of Independent Auditors* of the OSU Global Gateways, LLC, Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

September 28, 2020

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**OSU Global Gateways, LLC**  
**Index**  
**December 31, 2019 and 2018**

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	<b>Page(s)</b>
<b>Report of Independent Auditors</b> .....	1-2
Management's Discussion and Analysis (Unaudited) .....	3-8
<b>Financial Statements</b>	
Statements of Net Position .....	9
Statements of Revenues, Expenses and Other Changes in Net Position... ..	10
Statements of Cash Flows.....	11
Notes to Financial Statements.....	12-14
<b>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</b> .....	15-16

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## **Report of Independent Auditors**

To the management of OSU Global Gateways, LLC:

We have audited the accompanying financial statements of the business-type activities of OSU Global Gateways, LLC (the “Global Gateways”), a component unit of The Ohio State University, appearing on pages 9-14, which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and other changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Global Gateways’ basic financial statements as listed in the table of contents.

### ***Management’s Responsibility for the Financial Statements***

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

### ***Auditors’ Responsibility***

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

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



### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of OSU Global Gateways, LLC as of December 31, 2019 and 2018, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

The accompanying *management's discussion and analysis* on pages 3 through 8 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit 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 August 14, 2020 on our consideration of Global Gateways' 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 December 31, 2019. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Global Gateways' internal control over financial reporting and compliance.

*PricewaterhouseCoopers LLP*

August 14, 2020



# **OSU Global Gateways, LLC**

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

### **For the Year Ending December 31, 2019**

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The following Management’s Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of OSU Global Gateways, LLC (“Global Gateways”) for the year ended December 31, 2019, with comparative information for the years ended December 31, 2018 and 2017. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

#### **About Global Gateways**

The OSU Global Gateways represents an initiative to establish a physical presence for The Ohio State University (the “university”) in strategic locations around the globe. These offices integrate the international dimensions within every facet of the institution, and each location capitalizes on the strengths of Ohio State's connections across the globe through study abroad programs, international students, faculty teaching and research, university partnerships, alumni and Ohio businesses. The Global Gateways entity acts as the pass-through to fund the Gateway offices’ operations established through this initiative.

The first Global Gateway opened in February 2010 in Shanghai, China, and the second Global Gateway opened in March 2012 in Mumbai, India. A third Global Gateway opened in September 2014 in São Paulo, Brazil.

iAGRI – Tanzania, LLC (iAGRI) was established in 2011 as a separate entity affiliated with OSU Global Gateways, LLC. iAGRI engages in sponsored research activities in Tanzania. Its funding is in the form of research grants managed by the Office of Sponsored Programs, a unit of the university’s Office of Research.

Ohio State Global One Health Initiative, LLC (GOHI) was established in 2017 as a separate entity affiliated with OSU Global Gateways, LLC. GOHI has a physical presence in Ethiopia and engages primarily in sponsored research activities throughout eastern Africa. The majority of funding for GOHI is in the form of research grants managed by the Office of Sponsored Programs, a unit of the university’s Office of Research.

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

Global Gateways presents its financial reports in a “business type activity” format, in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*.

# OSU Global Gateways, LLC

## Management's Discussion and Analysis (Unaudited)

### For the Year Ending December 31, 2019

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In addition to this MD&A section, the financial report includes Statements of Net Position, Statements of Revenues, Expenses and Other Changes in Net Position, Statements of Cash Flows and Notes to the Financial Statements.

#### Financial Highlights

Calendar year 2019 represents the tenth year of operations for Global Gateways. The financial activity during the year consists of funds transferred from the University to Global Gateways to cover expenses associated with the continuing operations of the Shanghai, Mumbai and São Paulo Gateway offices.

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

#### Statements of Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
Current Assets			
Cash	\$ 9,393	\$ 9,763	\$ 8,899
Accounts receivable - university	-	9,798	2,591
	<hr/>	<hr/>	<hr/>
Total current assets	9,393	19,561	11,490
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<u>\$ 9,393</u>	<u>\$ 19,561</u>	<u>\$ 11,490</u>
<b>LIABILITIES AND NET POSITION</b>			
Current Liabilities			
Accrued expenses	\$ -	\$ 9,798	\$ 2,591
	<hr/>	<hr/>	<hr/>
Total current liabilities	-	9,798	2,591
	<hr/>	<hr/>	<hr/>
Unrestricted	9,393	9,763	8,899
	<hr/>	<hr/>	<hr/>
Total net position	9,393	9,763	8,899
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 9,393</u>	<u>\$ 19,561</u>	<u>\$ 11,490</u>

Total **current assets** decreased \$10,168, to \$9,393 at December 31, 2019. This decrease results from the decrease of accounts receivable from the university as of December 31, 2019 that are related to the formation of Ohio State Global One Health Initiative, LLC. The Statements of Cash Flows, which are discussed in more detail below, provide additional details on sources and uses of Global Gateways cash.

**OSU Global Gateways, LLC**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ending December 31, 2019**

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Total **current liabilities** decreased \$9,798, to \$0 at December 31, 2019. This decrease results from the decrease in the accrual of outstanding invoices paid from the bank account of Ohio State Global One Health Initiative, LLC.

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:	\$ -	\$ -	\$ -
Total operating revenues	-	-	-
OPERATING EXPENSES:			
Operating expenses of Chinese affiliate	655,578	427,752	436,660
Operating expenses of Indian affiliate	227,335	301,640	255,559
Operating expenses of Brazilian affiliate	212,908	138,785	309,776
Setup expenses of Ohio State Global One Health Initiative, LLC	(9,798)	7,207	2,591
Total operating expenses	1,086,023	875,384	1,004,586
OPERATING LOSS	(1,086,023)	(875,384)	(1,004,586)
NON-OPERATING REVENUES AND EXPENSES:			
Subsidy from The Ohio State University	1,085,653	876,248	1,004,945
<b>INCREASE (DECREASE) IN NET POSITION</b>	(370)	864	359
<b>NET POSITION -- Beginning of Year</b>	<u>9,763</u>	<u>8,899</u>	<u>8,540</u>
<b>NET POSITION -- End of Year</b>	<u>\$ 9,393</u>	<u>\$ 9,763</u>	<u>\$ 8,899</u>

**Total operating expenses** of Global Gateways increased \$210,639, to \$1,086,023 at December 31, 2019. Operating expenses include, but are not limited to, insurance, rental of office space, utilities, supplies, purchased services, equipment and personnel expenses for employees assigned to the gateway offices.

The operating expenses of the China Gateway increased \$227,826, to \$655,578. This is primarily due to the China Gateway office paying for expenses related to the Pre-Departure Orientation program in summer 2019. These expenses included hotel venue and catering arrangements for two one-day events held in two cities in China for over 200+ attendees at each event.

The operating expenses of the India Gateway decreased \$74,305, to \$227,335. The decrease is because in 2018, there was a payout to the prior director vacating his role in the India office

**OSU Global Gateways, LLC**  
**Management’s Discussion and Analysis (Unaudited)**  
**For the Year Ending December 31, 2019**

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The operating expenses of the Brazil Gateway increased \$74,123, to \$212,908. This is primarily due to the Brazil Gateway receiving the 2018 university subsidy in 2019, and the reimbursements included funding for office operations at full capacity with two full-time staff members and continuous activities.

The operating expenses of the Ohio State Global One Health Initiative, LLC decreased \$17,005, to \$(9,798), due to payment of legal expenses by Ohio State Global One Health Initiative, LLC related to the formation of the new entity.

**Total non-operating revenues** of Global Gateways increased \$209,405, to \$1,085,653 at December 31, 2019. Non-operating revenues consist of support from the university through its Office of International Affairs.

**Total net position** (equity) of Global Gateways decreased \$370, to \$9,393 at December 31, 2019. It should be noted that the required subtotal for net operating income or loss will generally reflect a “loss”, primarily due to the way operating and non-operating items are defined under GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating expenses include virtually all Global Gateways expenses. Operating revenues, however, *exclude* certain significant revenue streams that Global Gateways relies upon to fund current operations, including direct support from the university and current-use gifts.

**Statements of Cash Flows**

**Statement of Cash Flows**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Cash Provided by (Used in):</b>			
Operating activities	\$ (1,095,821)	\$ (868,177)	\$ (1,001,995)
Noncapital financing activities	1,095,451	869,041	1,002,354
Capital and related financing activities	-	-	-
Investing activities	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Net Increase (Decrease) in Cash</b>	(370)	864	359
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Cash - Beginning of Year	9,763	8,899	8,540
	<hr/>	<hr/>	<hr/>
Cash - End of Year	<u>\$ 9,393</u>	<u>\$ 9,763</u>	<u>\$ 8,899</u>

**Total cash** decreased \$370, to \$9,393 at December 31, 2019. Operating activities include all expenses related to the business activities of the three Gateway offices. Non-capital financing activities include direct operating support from the university.

# **OSU Global Gateways, LLC**

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

### **For the Year Ending December 31, 2019**

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#### **Economic Factors That Will Affect the Future**

Successful operations in the Gateways countries require relative political and economic stability both in the United States but also in the gateway regions. This stability has been affected by the ongoing COVID-19 health crisis with its disruptions on teaching and learning, faculty, and student travel as well as future international student enrollment. These disruptions will be felt by the Gateway offices as well – manifested through reduced enrollment figures, lower alumni events and decreased travel from faculty and researchers to work on international collaborative projects.

#### **China Gateway**

The China Gateway has completed its ninth year of operation as a Wholly Foreign Owned Enterprise (WFOE). The WFOE designation allows the China Gateway office to provide consulting services, arrange conferences and meetings, and generate revenue in country. By obtaining this status, the China Gateway office programming can include partnering with departments and institutes to develop programs offered to businesses, universities, hospitals, and government institutions, and coordinating pre-departure orientations for incoming Ohio State students. Additionally, the office also works with students to offer experiential learning opportunities.

Due to the profound impact of COVID-19, international travel is restricted, and a number of physical events have been canceled or postponed. However, opportunities have also emerged that explore the possibility of introducing online degree programs and other virtual activities to the Chinese market. As China's economy starts to recover and domestic travel restrictions are lifted, services and in-country activities such as recruitment efforts and alumni engagement may gradually resume.

#### **India Gateway**

The India Gateway has completed eight years of operation as a Private Limited Company (PLC). The India Gateway currently facilitates the following activities while working with academia, industry and government partners in India: corporate executive education programs in areas of management, strategy, innovation, operational excellence; research consultancy and technical trainings in areas of sustainable & resilient economies, materials research, and health sciences; initiating and coordinating proposal writing for externally funded grants and hosting conferences based on Discovery Themes with international participation. The India Gateway also provides counseling assistance to students wanting to enroll at Ohio State and those wanting to visit India as part of education abroad programs.

# **OSU Global Gateways, LLC**

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

### **For the Year Ending December 31, 2019**

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Furthermore, the office conducts preliminary groundwork to help support university advancement by making connections to alumni and friends of the university based in India.

The India Gateway has, particularly as a counter measure to COVID-19 related disruptions identified opportunities that will, in the near-term, enable continuation of many of the above listed core services through an online platform that includes synchronous and asynchronous modes of delivery.

#### **Brazil Gateway**

The Brazil Gateway is in its fifth year of operation and operating as a Limitada (LTDA), equivalent to a Limited Liability Company (LLC) in the United States. The Brazil Gateway office provides support to the university in the key areas of student recruitment, research/faculty collaborations, alumni and partnerships by building upon Ohio State's more than 50 years of strategic involvement with Brazilian institutions.

The office is situated in Sao Paulo, which was one of the most affected cities by COVID-19 with impacts on in-person meetings with prospective and current partners, participation in recruitment fairs and visits, alumni engagement events, and in-country programming for visiting faculty and students participating in education abroad or other experiential learning opportunities.

Most planned projects for 2020 will transfer to an online format, including recruitment activities, master classes and the CAPES PrInt workshop. The Brazil Gateway office has adapted programming by offering online opportunities such as weekly webinars in a variety of topics and by seeking partners who can offer online experience/opportunities to Ohio State students.

The economic impact of COVID-19 in Brazil will certainly affect those who were looking for a full degree in the U.S. However, at the same time, it will benefit those who are interested in online, short-term, and executive education programs that tend to be more affordable. Exploring these opportunities through the Brazil Gateway office will provide the needed support to Ohio State's colleges and units.

**OSU Global Gateways, LLC**  
**Statements of Net Position**  
**December 31, 2019 and 2018**

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	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 9,393	\$ 9,763
Accounts receivable - university	-	9,798
Total current assets	<u>9,393</u>	<u>19,561</u>
<b>Total Assets</b>	<b><u>\$ 9,393</u></b>	<b><u>\$ 19,561</u></b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accrued expenses	\$ -	\$ 9,798
Total current liabilities	<u>-</u>	<u>9,798</u>
<b>Total Liabilities</b>	<u>-</u>	<b><u>9,798</u></b>
<b>Net Position</b>		
Unrestricted	<u>9,393</u>	<u>9,763</u>
<b>Total Net Position</b>	<b><u>9,393</u></b>	<b><u>9,763</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 9,393</u></b>	<b><u>\$ 19,561</u></b>

*The accompanying notes are an integral part of these financial statements*

**OSU Global Gateways, LLC**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended December 31, 2019 and December 31, 2018**

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	<u>2019</u>	<u>2018</u>
<b>Operating Revenues</b>		
	\$ -	\$ -
Total Operating Revenue	-	-
<b>Operating Expenses</b>		
Operating expenses of Chinese affiliate	655,578	427,752
Operating expenses of Indian affiliate	227,335	301,640
Operating expenses of Brazilian affiliate	212,908	138,785
Setup expenses of Ohio State Global One Health Initiative	(9,798)	7,207
Total Operating Expense	<u>1,086,023</u>	<u>875,384</u>
Net Operating Loss	(1,086,023)	(875,384)
<b>Non-operating Revenues (Expense)</b>		
Subsidy from The Ohio State University	<u>1,085,653</u>	<u>876,248</u>
Net Non-operating Revenue	1,085,653	876,248
Increase in Net Position	(370)	864
Net Position, Beginning of Year	<u>9,763</u>	<u>8,899</u>
Net Position, End of Year	<u><u>\$ 9,393</u></u>	<u><u>\$ 9,763</u></u>

*The accompanying notes are an integral part of these financial statements*



**OSU Global Gateways, LLC**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2019 and December 31, 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities:</b>		
Operating expenses of Chinese affiliate	\$ (655,578)	\$ (427,752)
Operating expenses of Indian affiliate	(227,335)	(301,640)
Operating expenses of Brazilian affiliate	<u>(212,908)</u>	<u>(138,785)</u>
Net cash used in operating activities	<u>(1,095,821)</u>	<u>(868,177)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Subsidy from The Ohio State University	<u>1,095,451</u>	<u>869,041</u>
Net cash provided by noncapital financing activities	<u>1,095,451</u>	<u>869,041</u>
<b>Cash Flows from Capital Financing Activities:</b>		
Net cash provided (used) by capital financing activities	<u>-</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>		
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>
<b>Net Increase in Cash</b>	(370)	864
Cash - Beginning of Year	<u>9,763</u>	<u>8,899</u>
Cash - End of Year	<u>\$ 9,393</u>	<u>\$ 9,763</u>
<b>Reconciliation of Net Operating Loss to Net Cash</b>		
<b>Used in Operating Activities:</b>		
Operating loss	\$ (1,086,023)	\$ (875,384)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Changes in assets and liabilities:		
Increase (decrease) in accrued expenses	(9,798)	7,207
Net cash used by operating activities	<u>\$ (1,095,821)</u>	<u>\$ (868,177)</u>
<b>Non Cash Transactions:</b>		
Accrued subsidy from The Ohio State University	\$ (9,798)	\$ 7,207

*The accompanying notes are an integral part of these financial statements*

# OSU Global Gateways, LLC

## Notes to Financial Statements

For the Years Ending December 31, 2019 and 2018

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

#### Entity

OSU Global Gateways, LLC (“Global Gateways”) is a limited liability corporation established by The Ohio State University (the “university”) to serve as a holding company for the following country specific organizations:

- OSU China Gateway – a Wholly Foreign Owned Enterprise with an office in Shanghai, China
- OSU India Gateway – a Private Limited Company with an office in Mumbai, India
- OSU Brazil Gateway – a Limitada, equivalent to a Limited Liability Company, with an office in Sao Paulo, Brazil
- iAGRI -Tanzania LLC – an Ohio limited liability company established to facilitate federally funded research programs in Tanzania
- Ohio State Global One Health LLC – an Ohio limited liability company established to facilitate federally funded research programs in Ethiopia

The accompanying financial statements present the parent organization, OSU Global Gateways, LLC, as a stand-alone financial reporting entity. Global Gateways is not financially accountable for the three foreign Gateway entities, as the university maintains control and oversight over these entities. iAGRI – Tanzania LLC and Ohio State Global One Health LLC engage in sponsored research activities in Tanzania and Ethiopia, respectively. Their funding is in the form of the research grants managed by the university’s Office of Sponsored Programs. The China, India and Brazil Gateways, iAGRI and Ohio State Global One Health entities are not included in the Global Gateways financial statements. iARGI - Tanzania LLC and Ohio State Global One Health LLC are considered related organizations under GASB Statement No. 14.

Global Gateways is a part of the university financial reporting entity. The university is the sole member of OSU Global Gateways, LLC, and Global Gateways is presented as a blended component unit in the university’s financial statements, which contain more extensive disclosure of the significant accounting policies of the university as a whole.

#### Basis of Presentation

Global Gateways complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Global Gateways reports as a special purpose government engaged solely in “business type activities” under GASB Statement No. 34.

# OSU Global Gateways, LLC

## Notes to Financial Statements

### For the Years Ending December 31, 2019 and 2018

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GASB Statement No. 34 requires that resources be classified for accounting and reporting purposes into the following net position categories:

Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted:

*Nonexpendable* – Net position subject to externally imposed stipulations that they be maintained permanently by Global Gateways.

*Expendable* – Net position whose use by Global Gateways is subject to externally imposed stipulations that can be fulfilled by actions of Global Gateway pursuant to those stipulations or that expire by the passage of time.

Unrestricted: Net position whose use by Global Gateways is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

It is Global Gateways' policy to apply restricted resources first when an expense is incurred for which both restricted and unrestricted net position are available.

### **Basis of Accounting**

The financial statements of Global Gateways have been prepared on the accrual basis. Subsidy revenue for Global Gateways is recognized on a cost-reimbursement basis.

### **Cash**

Cash of Global Gateways is maintained by the university in a separate bank account and is not commingled with the university's cash.

### **Operating and Non-Operating Revenues and Expenses**

Global Gateways defines operating activities, for purposes of reporting on the Statements of Revenues, Expenses, and Other Changes in Net Position, as those activities that generally result from exchange transactions, such as payments received for providing services and payments made for goods or services received.

# **OSU Global Gateways, LLC**

## **Notes to Financial Statements**

### **For the Years Ending December 31, 2019 and 2018**

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All other revenues, including transfers of cash from the university, are considered non-operating revenues. All Global Gateways expenses are considered to be operating expenses. University reimbursements of China Gateway expenses are subject to foreign currency risk as these expenses are paid in Chinese RMB. However, this risk is not considered to be material. The India and Brazil Gateway expenses are paid in U.S. dollars.

#### **NOTE 2: CASH AND INVESTMENTS**

The cash balances consist of funds transferred from the university to Global Gateways' stand-alone bank account. The bank balances and carrying amounts are equal, and all of the bank balance is covered by federal deposit insurance. Cash balances at December 31, 2019 and 2018 are \$9,393 and \$9,763, respectively.

#### **NOTE 3: UNIVERSITY SUPPORT**

The operations of Global Gateways are supported in full by the Office of International Affairs, an operating unit of the university. The university provides funding for the general operating costs of the three Global Gateway offices in Shanghai, China; Mumbai, India; and São Paulo, Brazil. The university's direct support amounted to \$1,085,653 and \$876,248 for the years ended December 31, 2019 and 2018, respectively. In addition, the staff in the Office of International Affairs provide administrative support to Global Gateways, and some domestic regulatory expenses are paid by the university on behalf of Global Gateways. The value of these services constitutes additional in-kind income to Global Gateways but is not reported in Global Gateways' financial statements.

#### **NOTE 4: SUBSEQUENT EVENTS**

The COVID-19 outbreak has caused domestic and global disruption in operations for institutions of higher education. This disruption is expected to impact the Gateway offices and may include, but is not limited to, reduced enrollment figures, lower alumni events and decreased travel from faculty and researchers to work on international collaborative projects. The full impact of COVID-19 and the scope of any adverse impact on the finances and operations of Global Gateways cannot be fully determined at this time.



**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 management of OSU Global Gateways, LLC:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of OSU Global Gateways, LLC (“Global Gateways”), a component unit of The Ohio State University, appearing on pages 9-14, which comprise the statement of net position as of December 31, 2019, and the related statements of revenues, expenses, and other changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 14, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Global Gateways’ 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 Global Gateways’ internal control. Accordingly, we do not express an opinion on the effectiveness of Global Gateways’ internal control.

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

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



### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Global Gateways' 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 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*

August 14, 2020

# OHIO AUDITOR OF STATE KEITH FABER



**OSU GLOBAL GATEWAYS, LLC**

**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 10/13/2020**

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](http://www.ohioauditor.gov)