



THE OHIO STATE UNIVERSITY FOUNDATION
(A Component Unit of The Ohio State University)

Basic Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Reports Thereon)

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
The Ohio State University Foundation
2040 Blankenship Hall
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We have reviewed the *Independent Auditors' Report* of The Ohio State University Foundation, Franklin County, prepared by KPMG LLP, for the audit period July 1, 2021 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

March 24, 2023

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THE OHIO STATE UNIVERSITY FOUNDATION

June 30, 2022 and 2021

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Independent Auditors' Report

The Board of Directors of
The Ohio State University Foundation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Ohio State University Foundation (the "Foundation"), a component unit of The Ohio State University, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Foundation as of and for the year ended June 30, 2021 were audited by other auditors, who expressed an unmodified opinion on those statements on November 17, 2021.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements for the year ended June 30, 2022. The supplementary information on the long-term investment pool for the year ended June 30, 2022 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or any form of assurance thereon.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022 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. 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 Foundation'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 the Foundation's internal control over financial reporting and compliance.

KPMG LLP

November 21, 2022

THE OHIO STATE UNIVERSITY FOUNDATION
Management's Discussion and Analysis (Unaudited)
June 30, 2022 and 2021

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, 2022, with comparative information for the years ended June 30, 2021 and June 30, 2020. 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 2022 financial results and a look ahead at significant economic conditions that are expected to affect the Foundation in the future.

About The Ohio State University Foundation

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

About the Financial Statements

The following financial statements include all balances for the Foundation and the financial results for one legally separate entity, Clifton Holdings, LLC ("Clifton") which is subject to control by the Foundation. The Statement of Net Position is the Foundation's balance sheet. It reflects the Foundation's assets, liabilities, and net position at June 30, 2022, with comparative information as of June 30, 2021. The Statement of Revenues, Expenses and Changes in Net Position is the Foundation's income statement and reflects its various sources of revenue and categories of expense for the year ended June 30, 2022, with comparative information for Fiscal Year 2021. The Statement of Cash Flows details how cash has increased or decreased during the year ended June 30, 2022, with comparative information for Fiscal Year 2021. Pelotonia, LLC ("Pelotonia") was merged out of existence on February 3, 2020. Its assets, liabilities and activities were transferred to a new Pelotonia 501(c)(3) organization, which is a blended component unit of the University. The financial statements are presented as if the merger of old and new Pelotonia were effective at the beginning of fiscal year 2020. On February 19, 2021, the principal asset of Clifton, the president's residence, was transferred to The Ohio State University. The status of the legal entity known as Clifton did not change, but it currently has no equity and there was no activity as of and for the year ended June 30, 2022.

THE OHIO STATE UNIVERSITY FOUNDATION
Management's Discussion and Analysis (Unaudited)
June 30, 2022 and 2021

Statements of Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 224,281	217,358	235,276
Pledges receivable – current portion – net	57,785,924	59,170,780	55,935,037
Other current assets	<u>39,404</u>	<u>109,608</u>	<u>1,662,797</u>
Total current assets	<u>58,049,609</u>	<u>59,497,746</u>	<u>57,833,110</u>
The Ohio State University Long-Term Investment Pool	1,344,732,358	1,345,059,383	996,177,321
Pledges receivable, net	181,492,769	173,736,650	182,968,960
Other noncurrent assets	<u>46,927,109</u>	<u>57,341,406</u>	<u>47,836,746</u>
Total noncurrent assets	<u>1,573,152,236</u>	<u>1,576,137,439</u>	<u>1,226,983,027</u>
Total assets	<u>1,631,201,845</u>	<u>1,635,635,185</u>	<u>1,284,816,137</u>
Irrevocable split-interest agreements – current	2,707,537	3,652,314	3,473,269
Other current liabilities	<u>1,682</u>	<u>—</u>	<u>684</u>
Total current liabilities	<u>2,709,219</u>	<u>3,652,314</u>	<u>3,473,953</u>
Irrevocable split-interest agreements – noncurrent	32,880,180	35,115,264	31,619,166
Unearned revenue	<u>9,454,330</u>	<u>7,619,539</u>	<u>21,922,039</u>
Total noncurrent liabilities	<u>42,334,510</u>	<u>42,734,803</u>	<u>53,541,205</u>
Total liabilities	<u>45,043,729</u>	<u>46,387,117</u>	<u>57,015,158</u>
Deferred inflows	9,475,243	17,194,442	10,140,671
Net investment in capital assets	—	—	2,770,306
Restricted:			
Nonexpendable – endowment	1,150,341,109	1,073,268,566	954,856,408
Expendable	409,874,413	481,160,812	246,392,111
Unrestricted	<u>16,467,351</u>	<u>17,624,248</u>	<u>13,641,483</u>
Total net position	<u>1,576,682,873</u>	<u>1,572,053,626</u>	<u>1,217,660,308</u>
Total liabilities and net position	<u>\$ 1,631,201,845</u>	<u>1,635,635,185</u>	<u>1,284,816,137</u>

The Foundation receives pledges and bequests of financial support from individuals, corporations and other foundations. For current-use and capital gifts, pledges receivable and gift revenue are recognized when an unconditional promise to pay is received, and all eligibility requirements have been met. Total pledges receivable increased \$6 million, to \$239 million at June 30, 2022, returning to pre pandemic levels of support. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, endowment pledges are not recorded as assets until the related gift is received.

THE OHIO STATE UNIVERSITY FOUNDATION
Management's Discussion and Analysis (Unaudited)
June 30, 2022 and 2021

The Foundation's 3,084 named endowment funds and 415 pending endowment funds are invested in The Ohio State University Long-Term Investment Pool. Each named fund is assigned a number of shares in the pool based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. The fair value of Foundation investments in the Long-Term Investment Pool remained level at \$1,345 billion at June 30, 2022, primarily due to \$87 million of net principal additions, offset by \$19 million in investment losses, \$50 million in endowment distributions and \$19 million of LTIP expenses. Additional information on Foundation net investment income is provided below. Additional information on the University's Long-Term Investment Pool is provided on page 32.

Other noncurrent assets consist primarily of investments held under unitrust, annuity trust and gift annuity agreements. The fair value of these investments decreased \$10 million, to \$47 million at June 30, 2022 due to a combination of a decrease in new investments and unfavorable market conditions.

The Foundation enters into charitable remainder trust and gift annuity agreements with donors, under which the Foundation agrees to pay periodic fixed payments to beneficiaries during their lifetimes. Accounting standards for these agreements, which are set forth in GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, generally defer the recognition of revenue and expenses until the death of the beneficiary. At June 30, 2022, liabilities and deferred inflows related to irrevocable split-interest agreements totaled \$36 million and \$9 million, respectively, and in 2021 totaled \$39 million and \$17 million, respectively.

Unearned revenue consists primarily of amounts received from donors that are subject to eligibility requirements. These amounts will be recognized as gift revenue when the related eligibility requirements are met. In 2022, unearned revenues increased \$2 million to \$9 million at June 30, 2022, primarily reflecting funds received for construction of the Multispecies Animal Learning Center, a part of the Waterman Agricultural and Natural Resources Project.

The Foundation's total net position increased \$5 million, to \$1.58 billion at June 30, 2022, primarily due to \$318 million of gifts in 2022, offset by \$32 million of net investment losses, \$275 million of distributions to the University and other expenses of \$6 million. Additional information on Foundation revenues and expenses is provided below.

Prior-Year Highlights

The fair value of Foundation investments in the Long-Term Investment Pool increased \$349 million, to \$1.35 billion at June 30, 2021 primarily due to \$321 million of LTIP net investment income. The fair value of Foundation investments in the Long-Term Investment Pool increased \$27 million, to \$996 million at June 30, 2020 primarily due to \$12 million of LTIP net investment income.

THE OHIO STATE UNIVERSITY FOUNDATION
Management's Discussion and Analysis (Unaudited)
June 30, 2022 and 2021

Statements of Revenues, Expenses and Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues:			
Current use gifts	\$ 196,556,089	136,414,101	202,985,398
Private capital gifts	44,111,513	79,611,704	77,425,380
Income from irrevocable split-interest agreements	1,191,327	3,185,854	1,418,245
Miscellaneous income	384,900	15,188	77,157
Total operating revenues	<u>242,243,829</u>	<u>219,226,847</u>	<u>281,906,180</u>
Operating expenses:			
Distributions to OSU:			
Pass through gifts	242,014,026	211,935,321	231,219,126
Endowment distributions	49,896,284	46,581,032	43,113,477
Transfers to endowment principal	(17,632,890)	(6,178,564)	(5,260,874)
Other distributions	550,774	5,794,455	1,219,218
Total distributions to OSU	<u>274,828,194</u>	<u>258,132,244</u>	<u>270,290,947</u>
Trust distributions outside of OSU	441,481	—	838
Other expenses	7,166,906	5,270,806	5,809,046
Total operating expenses	<u>282,436,581</u>	<u>263,403,050</u>	<u>276,100,831</u>
Net operating income (loss)	<u>(40,192,752)</u>	<u>(44,176,203)</u>	<u>5,805,349</u>
Nonoperating revenues:			
Net investment income	<u>(32,384,260)</u>	<u>335,238,353</u>	<u>10,302,391</u>
Income before other changes in net position	<u>(72,577,012)</u>	<u>291,062,150</u>	<u>16,107,740</u>
Other changes in net position:			
Permanent endowment gifts	<u>77,206,259</u>	<u>63,331,168</u>	<u>63,695,178</u>
Increase in net position	<u>4,629,247</u>	<u>354,393,318</u>	<u>79,802,918</u>
Net position, beginning of year:			
Beginning of year, as previously reported	1,572,053,626	1,217,660,308	1,152,908,679
Cumulative effect of Pelotonia merger	<u>—</u>	<u>—</u>	<u>(15,051,289)</u>
Beginning of year, as restated	<u>1,572,053,626</u>	<u>1,217,660,308</u>	<u>1,137,857,390</u>
Net position – end of year	<u>\$ 1,576,682,873</u>	<u>1,572,053,626</u>	<u>1,217,660,308</u>

THE OHIO STATE UNIVERSITY FOUNDATION
Management's Discussion and Analysis (Unaudited)
June 30, 2022 and 2021

Total gift revenues increased \$39 million, to \$318 million in 2022, due to the increase in current use gifts of \$60 million and the increase in permanent endowment gifts of \$14 million, offset by a decrease in capital gifts of \$36 million. Several colleges and support units received gifts in excess of \$1 million in 2022, including the Office of the President, the College of Veterinary Medicine, the College of Food, Agricultural and Environmental Sciences, University Hospitals, the James Cancer Hospital and Research Institute, the Comprehensive Cancer Center, the Richard M Ross Heart Hospital, the College of Medicine, the College of Public Health, The College of Arts and Sciences, the College of Engineering, Fisher College of Business, Moritz College of Law, the College of Education and Human Ecology, WOSU, the Department of Athletics and General University Scholarships. Support came from more than 236,000 alumni and friends.

Foundation investments in the LTIP yielded \$32 million net investment loss in 2022, compared with \$335 million net investment income in 2021. The LTIP returned +0.98% in 2022, down from +29.2% in 2021.

The LTIP outperformed its preliminary policy benchmark of -5.54% for 2022. During that period, Private Equity returned 27.03% (compared to the benchmark of 7.28%) followed by Legacy Investments at 13.71% (benchmark is return of actual underlying funds), Real Assets at 13.29% (compared to the preliminary benchmark of 22.40%), Hedge Funds and Opportunistic Credit at 4.37% (compared to the preliminary benchmark of -5.65%), Cash and High-Grade Bonds at -3.21% (compared to the benchmark of -10.29%), and Public Equity at -15.80% (compared to the benchmark of -15.75%).

The Foundation distributes current-use and private capital gifts to the university upon receipt. These pass-through gift distributions increased \$30 million to \$242 million in 2022, reflecting increases in gift revenues. The Foundation holds endowment gifts and transfers endowment distributions to university departments, to be spent for their restricted purposes. These endowment distributions increased \$3 million, to \$50 million in 2022. The annual distribution per share for 2022 was 4.5% of the average fair value per share of Long-Term Investment Pool over the most recent seven-year period. Other distributions decreased \$5 million to \$551 thousand reflecting a decrease in the distribution of terminated irrevocable split-interest agreements. The increase in 2021 included a onetime transfer of property to the University of \$2,770,306.

Other expenses consist primarily of expenses charged to the Foundation's shares in the LTIP, salaries and benefits, professional services, audit and legal fees, and provision for uncollectible pledges. These expenses increased by \$2 million to \$7 million in 2022.

Prior-Year Highlights

The Foundation's total net position increased \$354 million, to \$1.57 billion at June 30, 2021, primarily due to \$335 million in net investment income. The Foundation's total net position increased \$65 million, to \$1.22 billion at June 30, 2020, primarily due to \$10 million in net investment income. Total gift revenues decreased \$65 million, to \$279 million in 2021. Total gift revenues increased \$11 million, to \$344 million in 2020. Over 179,000 and 237,000 alumni and friends made gifts to the University in 2021 and 2020, respectively.

THE OHIO STATE UNIVERSITY FOUNDATION
Management's Discussion and Analysis (Unaudited)
June 30, 2022 and 2021

Statements of Cash Flows

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating activities	\$ 29,549,010	14,007,832	17,171,186
Investing activities	<u>(29,542,087)</u>	<u>(14,025,750)</u>	<u>(17,192,838)</u>
Net increase (decrease) in cash and cash equivalents	<u>6,923</u>	<u>(17,918)</u>	<u>(21,652)</u>
Cash and cash equivalents, beginning of year:			
Beginning of year, as previously reported	217,358	235,276	43,635,271
Cumulative effect of Pelotonia merger	<u>—</u>	<u>—</u>	<u>(43,378,343)</u>
Beginning of year, as restated	<u>217,358</u>	<u>235,276</u>	<u>256,928</u>
Cash and cash equivalents, end of year	<u>\$ 224,281</u>	<u>217,358</u>	<u>235,276</u>

Net cash provided by operating activities increased \$16 million to \$30 million. Gift receipts were up \$41 million, but this increase was offset by a \$19 million increase in transfers of gift receipts to the University. Payments to vendors and to employees remained relatively stable at \$5 million. Net cash flows from investing activities decreased \$16 million to negative \$30 million, reflecting increases in purchases of investments.

Current Environment

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

The global outbreak of COVID-19, a new strain of coronavirus that can result in severe respiratory disease, was first detected in December of 2019, and subsequently spread across six continents impacting many countries, including the United States. The COVID-19 outbreak has altered the behavior of businesses and people in a manner that has had and is expected to continue to have effects on global and local economies, including the State of Ohio. After two unprecedented years managing the COVID-19 pandemic, the university's financial position remains strong, driven by the post-pandemic rebound.

Buckeye Nation supported The Ohio State University with remarkable generosity in FY22, surpassing \$743 million in activity and \$511 million in cash receipts under CASE standards. Total fundraising activity of \$743 million helped support our incredible students through scholarships and other aid, bolstered our healthcare providers and their heroic efforts in patient care, enhanced the Arts District, empowered our student-athletes, and more. Fundraising for research totaled \$270M. Overall support came from more than 236,000 donors. Cash receipts totaled \$511 million.

THE OHIO STATE UNIVERSITY FOUNDATION

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

Through FY22, *Time and Change: The Ohio State Campaign* has benefitted from over 659,000 donors and surpassed \$3.3 billion raised toward a goal of \$4.5 billion in support of three key areas: student success, research and discovery, and healthy, vibrant communities. Several important commitments at the \$5 million-plus level were made in FY22, a \$110 million gift from an anonymous donor to establish a Center for Software Innovation in the Ohio State's Innovation District, a \$6 million estate gift from Steve and Diane Jones to support scholarships in the College of Arts and Sciences in support of the Scarlet and Gray Advantage program, a \$5.5 million gift from the Davis Foundation to create a research chair focused on heart and lung research and support construction of the Interdisciplinary Research Facility located in Ohio State's Innovation District and a \$5 million gift from the Wolfe Foundation to establish a Chief Clinical Officer chair in the Wexner Medical Center.

In FY22, The Ohio State University created the Scarlet and Gray Advantage program with a goal to raise over \$800 million in the next 10 years. The funds will be used to offer undergraduate students the opportunity to earn their bachelor's degree, debt free. The University has teamed up with lead donors to offer a matching program that will double up to \$50 million in private endowed donations of \$100,000 or more. This year, the University set a goal of raising \$58 million for the program. Donors contributed over \$98 million which included \$64 million in endowment funding and \$34 million in current use funding for the program. An additional \$7.6 million was added to the program through matching funds.

THE OHIO STATE UNIVERSITY FOUNDATION

Statements of Net Position

June 30, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents (Note 1)	\$ 224,281	217,358
Pledges receivable – current portion – net (Note 1)	57,785,924	59,170,780
Accrued interest receivable	2,169	2,376
Marketable securities (Note 2 and Note 3)	37,235	—
Charitable remainder trusts (Note 2 and Note 3)	—	99,540
Other assets	—	7,692
Total current assets	58,049,609	59,497,746
Noncurrent assets:		
The Ohio State University Long-Term Investment Pool (Note 2)	1,344,732,358	1,345,059,383
Marketable securities (Note 2 and Note 3)	22,783,778	28,284,797
Investment Partnerships	147,936	110,379
Charitable remainder trusts (Note 2 and Note 3)	22,241,949	27,577,684
Life insurance policies	1,753,446	1,368,546
Pledges receivable, net (Note 1)	181,492,769	173,736,650
Total noncurrent assets	1,573,152,236	1,576,137,439
Total assets	\$ 1,631,201,845	1,635,635,185
Liabilities, Deferred Inflows and Net Position		
Current liabilities:		
Irrevocable split-interest agreements (Note 4)	\$ 2,707,537	3,652,314
Advance from The Ohio State University (Note 5)	1,682	—
Total current liabilities	2,709,219	3,652,314
Noncurrent liabilities:		
Unearned revenue	9,454,330	7,619,539
Irrevocable split-interest agreements (Note 4)	32,880,180	35,115,264
Total noncurrent liabilities	42,334,510	42,734,803
Total liabilities	45,043,729	46,387,117
Deferred inflows (Note 3)	9,475,243	17,194,442
Net Position		
Restricted:		
Nonexpendable – endowment	1,150,341,109	1,073,268,566
Expendable	409,874,413	481,160,812
Unrestricted	16,467,351	17,624,248
Total net position	1,576,682,873	1,572,053,626
Total liabilities, deferred inflows and net position	\$ 1,631,201,845	1,635,635,185

See accompanying notes to financial statements.

THE OHIO STATE UNIVERSITY FOUNDATION

Statements of Revenues, Expenses and
Changes in Net Position

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Current use gifts	\$ 196,556,089	136,414,101
Private capital gifts	44,111,513	79,611,704
Income from irrevocable split-interest agreements	1,191,327	3,185,854
Miscellaneous income	384,900	15,188
Total operating revenues	<u>242,243,829</u>	<u>219,226,847</u>
Operating expenses:		
Distributions to The Ohio State University:		
Pass through gifts	242,014,026	211,935,321
Endowment distributions	49,896,284	46,581,032
Transfers to endowment principal	(17,632,890)	(6,178,564)
Other distributions	550,774	5,794,455
Total Distributions to The Ohio State University	<u>274,828,194</u>	<u>258,132,244</u>
Trust distribution outside The Ohio State University	441,481	—
Salaries and benefits	105,740	95,043
Long-Term Investment Pool expense	4,905,127	4,464,391
Professional services, audit and legal fees	109,452	99,863
Provision for uncollectible pledges	2,045,917	581,873
Other	670	29,636
Total operating expenses	<u>282,436,581</u>	<u>263,403,050</u>
Net operating income (loss)	<u>(40,192,752)</u>	<u>(44,176,203)</u>
Non-operating revenues:		
Net investment income:		
Interest and dividends	30,981,977	25,913,835
Increase (decrease) in fair value of investments	(49,628,532)	320,589,546
Investment expenses	(13,737,705)	(11,265,028)
Total net investment income	<u>(32,384,260)</u>	<u>335,238,353</u>
Income (loss) before other changes in net position	(72,577,012)	291,062,150
Other changes in net position:		
Permanent endowment gifts	77,206,259	63,331,168
Increase in net position	<u>4,629,247</u>	<u>354,393,318</u>
Net position, beginning of year	<u>1,572,053,626</u>	<u>1,217,660,308</u>
Net position, end of year	<u>\$ 1,576,682,873</u>	<u>1,572,053,626</u>

See accompanying notes to financial statements.

THE OHIO STATE UNIVERSITY FOUNDATION

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	2022	2021
Operating activities:		
Cash received from contributors	\$ 311,291,472	270,469,167
Receipt of new gift annuity agreements	1,025,000	5,783,609
Receipt of new trust agreements	—	42,304
Distributions to The Ohio State University	(274,826,162)	(255,361,605)
Income distributions paid to gift annuitants	(2,190,518)	(2,063,069)
Trust distribution outside The Ohio State University	(441,481)	—
Payments to vendors for supplies and services	(5,212,935)	(4,759,155)
Payments to or on behalf of employees	(78,925)	(90,255)
University employee benefit payments	(26,815)	(4,788)
Advance from The Ohio State University	1,682	(684)
Other receipts (disbursements)	7,692	(7,692)
Net cash provided by operating activities	29,549,010	14,007,832
Investing activities:		
Proceeds from sales of investments	72,128,852	67,778,159
Purchases of investments	(120,043,504)	(98,183,148)
Interest and dividends received, net of expenses	17,244,272	14,648,807
Interest Income from irrevocable split-interest agreements	1,128,293	1,730,432
Net cash used in investing activities	(29,542,087)	(14,025,750)
Increase (decrease) in cash and cash equivalents	6,923	(17,918)
Cash and cash equivalents, beginning of year	217,358	235,276
Cash and cash equivalents, end of year	\$ 224,281	217,358

THE OHIO STATE UNIVERSITY FOUNDATION

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	2022	2021
Reconciliation of net operating income (loss) to net cash provided (used) by operating activities:		
Net operating income (loss)	\$ (40,192,752)	(44,176,203)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Permanent endowment gifts	77,206,259	63,331,168
Change in fair value of irrevocable split-interest agreements	9,474,647	(8,586,425)
Interest income from irrevocable split-interest agreements	(1,128,293)	(1,730,432)
Change in cash surrender value of life insurance policies	(384,900)	(15,188)
Provision/change in pledge allowance	2,045,917	581,873
Changes in assets and liabilities:		
Pledges receivable	(8,417,180)	5,414,694
Unearned revenue	1,834,791	(14,302,500)
Accrued interest receivable	207	1
Other current assets	7,692	(7,692)
Return of advance from The Ohio State University	1,682	(684)
Capital assets, net	—	2,770,306
Irrevocable split-interest agreements	(3,179,861)	3,675,143
Deferred inflows	(7,719,199)	7,053,771
Net cash provided by operating activities	\$ 29,549,010	14,007,832
Non cash transactions:		
Stock gifts	\$ 19,582,872	19,306,360
Increase (decrease) in fair value of investments	(59,103,174)	285,686,965
Transfer of President's residence	—	2,770,306
Change in carrying value of remainder trusts	(3,493,446)	(601,475)

See accompanying notes to financial statements.

THE OHIO STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

(1) Accounting Policies

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

(a) 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 income taxes under section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code, except for taxes on income determined to be unrelated business taxable income. The Foundation assesses uncertain tax positions and has determined there were no such positions that have a material effect on the financial statements.

(b) Basis of Presentation

The Foundation is the single member Clifton Holdings, LLC ("Clifton"). Clifton was created in 2007 to own and maintain the University President's residence and is included with the Foundation's financial statements in a blended presentation. On February 19, 2021, the ownership of the president's residence was transferred to The Ohio State University. The legal status of Clifton has not changed. The entity continues to exist and has no equity or activity as of and for the year ended June 30, 2022.

(c) 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 financial statements of the Foundation have been prepared using the economic resources measurement focus and the accrual basis of accounting.

(d) Estimates

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.

(e) Cash and Cash Equivalents

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

At June 30, 2022, the carrying amount of the Foundation's cash and cash equivalents with financial institutions was \$224,281 of which \$224,281 is covered by federal deposit insurance. At June 30, 2021, the carrying amount of the Foundation's cash and cash equivalents with financial institutions was \$217,358 of which \$217,358 is covered by federal deposit insurance.

THE OHIO STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

(f) 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. Pledge receipts not yet meeting eligibility requirements are recorded as unearned revenue. It is the Foundation's policy to record the total as noncurrent as it is not certain when the requirements will be met. Endowment pledges are not recorded as assets until the related gift is received. The Foundation reduces pledges receivable to estimated net realizable value by recording an allowance for uncollectible pledges. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts and includes such factors as prior collection history, type of gift and nature of fundraising. For the years ended June 30, 2022 and 2021 the Foundation recorded an allowance against pledges receivable of \$9,418,006 and \$7,372,089 respectively.

(g) Classification of Operations

The Foundation's policy for defining operating activities in the Statements of Revenues, Expenses, and Changes in Net Position are those that serve the Foundation's principal purpose and generally result from certain grants or contributions. Non-operating revenues include activities inclusive of investment related activities such as dividend, interest, investment expenses and investment income related to endowment pooled investments. Other changes in net position include additions to endowments, which reflect endowments received by the Foundation to be held in perpetuity.

(h) Net Position

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

- **Net investment in capital assets**

Capital assets, net of accumulated depreciation and related debt attributable to the acquisition construction or improvement of those assets. The Foundation does not have any capital assets as of June 30, 2022 and 2021; therefore, the Foundation does not present net investment in capital assets in the statement of net position.

- **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.

THE OHIO STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

(i) Gifts

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

In accordance with GASB Statement No. 33, private donations are recognized when all eligibility requirements are met. The Foundation has recorded pledges receivable, net of allowances, of \$239,278,693 and \$232,907,430 as of June 30, 2022 and 2021, respectively.

(j) 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.

(k) Endowment Policy

All 3,084 Board-established named Foundation endowments and 415 Foundation pending funds are invested in The Ohio State University Long-Term Investment Pool ("University Long Term Investment Pool). Each named fund is assigned a number of shares in the University Long-Term Investment Pool based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Ohio, permits the University's Board of Trustees to appropriate an amount of realized and unrealized endowment appreciation as the Board deems prudent. The UPMIFA, as adopted in Ohio, establishes a 5% safe harbor of prudence for funds appropriated for expenditure. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the University Long-Term Investment Pool, and the associated net position is classified as restricted-expendable unless otherwise restricted by the donor.

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 4.5% of the average fair value per share of the University Long-Term Investment Pool over the most recent seven-year period.

At June 30, 2022, the fair value of the Foundation's gifted endowments is \$1,344,732,358, which is \$165,306,893 above the historical dollar value of \$1,179,425,465. Although the fair value of the gifted endowments in total exceeds the historical cost at June 30, 2022, there are 470 named funds that remain underwater (excluding income-to-principal transfers, or transfers of operating funds to that named fund). The fair value of these underwater funds at June 30, 2022 is \$165,534,272 which is \$11,974,719 below the historical dollar value of \$177,508,992.

.At June 30, 2021, the fair value of the Foundation's gifted endowments is \$1,345,059,382, which is \$252,544,250 above the historical dollar value of \$1,092,515,132. Although the fair value of the gifted endowments in total exceeds the historical cost at June 30, 2021, there are 151 named funds that remain underwater (excluding income-to-principal transfers, or transfers of operating funds to that named fund). The fair value of these underwater funds at June 30, 2021 is \$60,881,552 which is \$3,262,417 below the historical dollar value of \$64,143,969.

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June 30, 2022 and 2021

The depreciation on non-expendable endowment funds is recorded as a reduction to restricted nonexpendable net position. Recovery on these funds is recorded as an increase in restricted nonexpendable 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.

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

The 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.

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.

(l) 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. Funding of \$214,000 was recognized in 2022 and \$215,000 was recognized in 2021.

(m) Newly Issued Accounting Pronouncements

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. Due to global reference rate reform, the London Interbank Offered Rate (LIBOR) is expected to cease to exist at the end of 2021. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The Statement is effective for periods beginning after December 31, 2021 (FY2023).

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

In April 2022, the GASB issued Statement No. 99, Omnibus 2022. This Statement includes an extension of the use of LIBOR, clarifies provisions related to the new Statements for leases, public-private partnerships and subscription-based IT arrangements, and the classification and

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Notes to Financial Statements

June 30, 2022 and 2021

reporting of derivative instruments. The provisions related to LIBOR are effective upon issuance, the provisions related to leases, PPPs and SBITAs are effective for periods beginning after June 15, 2022 (FY2023), and the provisions related to derivatives are effective for periods beginning after June 15, 2023 (FY2024).

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment to GASB Statement No. 62*. This Statement requires that changes in accounting principles and error corrections be reported retroactively by restating prior periods, changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Statement also provides guidance on related note disclosures and addresses corrections to Required Supplementary Information and Supplementary Information. The Statement is effective for fiscal years beginning after June 15, 2023 (FY2024).

Foundation management is currently assessing the impact that implementation of GASB Statements No. 93, 96, 99 and 100 will have on the Foundation’s financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. This standard establishes accounting and reporting for leases, based on the foundational principle that all leases are financings of the right to use an underlying asset for a period of time. Lessees will record an intangible right-of-use asset and corresponding lease liability. Lessors will record a lease receivable and a corresponding deferred inflow of resources. This standard was adopted by the Foundation in fiscal year 2022. The Foundation does not lease any property or equipment; therefore, there is no impact related to the adoption of GASB 87 on the books and records of the Foundation. If a leased asset is obtained in future periods, the right of use asset and lease liability will be recognized under GASB 87.

(2) Investments

A substantial portion of the Foundation’s investments are held by the University in the University Long-Term Investment Pool, a unitized investment pool that also includes gifted University endowment funds and quasi-endowment funds which 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, 2022 and 2021 are as follows.

	2022	2021
University long-term investment pool	\$ 1,344,732,358	1,345,059,383
Investments directly owned by Foundation:		
Investments held by charitable remainder trusts	22,241,949	27,677,224
Marketable securities	22,821,013	28,284,797
Investment partnership	147,936	110,379
Life insurance policies	1,753,446	1,368,546
Total investments	1,391,696,702	1,402,500,329
Less current portion	37,235	99,540
Total long-term investments	\$ 1,391,659,467	1,402,400,789

THE OHIO STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

The Foundation's directly owned investments by investment type at June 30, 2022 and 2021 are as follows:

	2022	2021
Equity mutual funds	\$ 21,637,164	27,450,906
U.S. government obligations	756,443	844,118
Bond mutual funds	15,399,017	18,989,552
Private equity	132,076	94,519
Real assets	6,275,908	7,772,974
Cash and cash equivalents	1,010,290	920,331
Other	1,753,446	1,368,546
Total	\$ 46,964,344	57,440,946

(a) The Ohio State University Long-Term Investment Pool

The University Long-Term Investment Pool is a unitized investment pool consisting of gifted endowment funds of the University, gifted endowment funds of the Foundation, and quasi endowment funds which have been internally designated to function as endowments.

The University Long-Term Investment Pool operates with a long-term investment goal of preserving and maintaining the real purchasing power of the principal while allowing for the generation of a predictable stream of annual distribution.

The University's Board of Trustees approved the following thematic asset classes, allocation ranges, and benchmarks for the University Long-Term Investment Pool:

Asset Class	Range	Benchmark
Public Equity	30-55%	MSCI All Country World Index (ACWI) – Net Dividend (ND)
Private Equity (Includes Buyouts, Growth & Venture Capital)	15-40%	MSCI ACWI ND – 1-Qtr. Lag
Real Estate & Infrastructure	5-15%	Cambridge Associates Real Estate (50%) & Infrastructure (50%) – 1 Qtr. Lag
Legacy Investments	N/A	Return of Actual Underlying Funds
Hedge Funds (Includes Opportunistic Credit)	0-25%	HFRI Fund of Funds Composite (Final)
Cash & High-Grade Bonds	0-25%	Bloomberg Barclays U.S. Aggregate Bond

THE OHIO STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

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

U.S. Government and Agency securities are invested through trust agreements with banks who keep the securities in their safekeeping accounts at the Federal Reserve Bank in “book entry” form. The banks internally designate the securities as owned by or pledged to the university. Common stocks, corporate bonds and money market instruments are invested through trust agreements with banks who keep the investments in their safekeeping accounts at Northern Trust and BNY Mellon in “book entry” form. The banks internally designate the securities as owned by or pledged to the university.

The cash and cash equivalents amount represents cash held in the Long-Term Investment Pool by various investment managers. Such amounts were generated by gifts received throughout the fiscal year and sales of investments in the Long-Term Investment Pool. Subsequently, the cash and cash equivalents will be used to purchase long-term investments.

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

(b) Information on Fair Value of Investments

Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity’s assumptions about how market participants would value the financial instrument. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- *Level 1* – Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Directly held equity securities, registered bond and equity mutual funds, and other miscellaneous investments classified in Level 1 are valued using prices quoted in active markets that the custodian and university have the ability to access.
- *Level 2* – Quoted prices in the markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly, are classified as Level 2. Level 2 investments include US government agencies and obligations, corporate bonds, municipal bonds, foreign government bonds, repurchase agreements, commercial paper, and other debt related investments. The evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities.

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Notes to Financial Statements

June 30, 2022 and 2021

- *Level 3* – Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment. Investments included in Level 3 consist primarily of the university’s ownership in real estate, limited partnerships and equity positions in private companies.
- *Net Asset Value (NAV)* – Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in non-governmental entities that do not have a readily determinable fair value may be valued at NAV if the NAV is determined in accordance with the fair value measurement principles provided by the FASB standards relevant to investment companies. Interest in investment funds with a NAV reported under an alternative basis or meet the intent to sell criteria are reflected as Level 3 investments. Investments measured at NAV consist mainly of non-publicly traded mutual funds, hedge funds, private equity, and other alternative funds. These assets are valued by the associated external investment manager/general partner and reviewed by the university using the most recent audited and unaudited financial statements available.
- *Not Leveled* – Cash is not measured at fair value and, thus, is not subject to the fair value disclosure requirements.

The fair value of the Foundation’s directly owned investments by category as of June 30, 2022 were as follows:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	NAV as practical expedient (NAV)	Total fair value
Equity mutual funds	\$ 21,637,164	—	—	—	21,637,164
US Govt Agency Oblig	—	756,443	—	—	756,443
Bond mutual funds	15,399,017	—	—	—	15,399,017
Private equity	—	—	—	132,076	132,076
Real assets	6,260,048	—	—	15,860	6,275,908
Cash equivalents	1,010,290	—	—	—	1,010,290
Other	—	—	1,753,446	—	1,753,446
Total	<u>\$ 44,306,519</u>	<u>756,443</u>	<u>1,753,446</u>	<u>147,936</u>	<u>46,964,344</u>

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June 30, 2022 and 2021

The fair value of the Foundation's directly owned investments by category as of June 30, 2021 were as follows:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	NAV as practical expedient (NAV)	Total fair value
Equity mutual funds	\$ 27,450,906	—	—	—	27,450,906
US Govt Agency Oblig	—	844,118	—	—	844,118
Bond mutual funds	18,989,552	—	—	—	18,989,552
Private equity	—	—	—	94,519	94,519
Real assets	7,757,114	—	—	15,860	7,772,974
Cash equivalents	920,331	—	—	—	920,331
Other	—	—	1,368,546	—	1,368,546
Total	<u>\$ 55,117,903</u>	<u>844,118</u>	<u>1,368,546</u>	<u>110,379</u>	<u>57,440,946</u>

(c) Additional Information on Investments Measured at the NAV

	Fair value	Unfunded commitments	Remaining life	Redemption notice period	Redemption restrictions
Private equity	\$ 132,076	—	1–12 years	Partnerships ineligible for redemption	Not redeemable
Real assets	15,860	—	1–12 years	Partnerships ineligible for redemption	Not redeemable
	<u>\$ 147,936</u>	<u>—</u>			

(d) Additional Risk Disclosures for Investments

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

Investments directly held by the Foundation are allocated primarily to growth/income mutual funds. Growth/income portfolios are subject to equity and fixed income market risks. To address these risks, the Foundation invests in an array of carefully screened, low cost mutual funds. Both the stock and bond allocations are broadly diversified across different asset classes and managers. The diversification is designed to lower the expected volatility of the portfolio's returns and help protect against negative market environments. The U.S. and international stock allocations have a value orientation to potentially reduce portfolio volatility and downside risk and improve after-tax payments.

Liquidity Risk

The Foundation's private equity and real asset investments are illiquid and subject to redemption restrictions in accordance with their respective governing documents.

THE OHIO STATE UNIVERSITY FOUNDATION

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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, 2022 were as follows:

	Fair value	Investment maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	\$ 756,443	200,098	556,345	—	—
Bond mutual funds	15,399,017	1,061,259	5,228,947	7,585,355	1,523,456
Total	\$ 16,155,460	1,261,357	5,785,292	7,585,355	1,523,456

The maturities of the Foundation's directly owned interest-bearing investments as of June 30, 2021 were as follows:

	Fair value	Investment maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	\$ 844,118	—	666,973	177,145	—
Bond mutual funds	18,989,551	1,193,320	5,259,906	9,576,404	2,959,921
Total	\$ 19,833,669	1,193,320	5,926,879	9,753,549	2,959,921

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.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information – as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings – provides a current depiction of potential variable cash flows and credit risk. The Foundation's investment policy requires funds to be invested in securities that, in aggregate, represent a credit quality of "A" or better (on a weighted average basis). Not more than 5% of the funds will be invested in below investment grade securities.

Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, securities with split ratings, or a different rating assignment, are disclosed using the rating indicative of the greatest degree of risk.

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Notes to Financial Statements

June 30, 2022 and 2021

The credit ratings of the Foundation's directly owned interest-bearing investments as of June 30, 2022 were as follows:

<u>Credit rating (S & P)</u>	<u>Total</u>	<u>U.S. government obligations</u>	<u>Bond mutual funds</u>
AAA	\$ 7,880,705	—	7,880,705
AA	2,155,042	756,443	1,398,599
A	1,563,752	—	1,563,752
BBB	1,966,730	—	1,966,730
BB	1,371,005	—	1,371,005
B	620,955	—	620,955
CCC	243,201	—	243,201
Not rated	354,070	—	354,070
Total	\$ <u>16,155,460</u>	<u>756,443</u>	<u>15,399,017</u>

The credit ratings of the Foundation's directly owned interest-bearing investments as of June 30, 2021 were as follows:

<u>Credit rating (S & P)</u>	<u>Total</u>	<u>U.S. government obligations</u>	<u>Bond mutual funds</u>
AAA	\$ 8,800,182	—	8,800,182
AA	3,010,067	844,118	2,165,949
A	2,223,867	—	2,223,867
BBB	2,480,857	—	2,480,857
BB	1,789,539	—	1,789,539
B	755,926	—	755,926
CCC	314,670	—	314,670
Not rated	458,562	—	458,562
Total	\$ <u>19,833,670</u>	<u>844,118</u>	<u>18,989,552</u>

(e) 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 is indirectly invested in foreign currencies. Mutual funds may hold a variety of international assets that align with the foundation's investment strategy. Mutual fund managers can manage credit risk through hedging foreign currency, but many mutual fund managers choose to accept the current risk, which also presents an opportunity if the foreign currency becomes

THE OHIO STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

more valuable than the U.S. Dollar on a relative basis. The Foundation's exposure to foreign currency risk for investments owned directly by the Foundation as of June 30, 2022 was as follows:

	<u>Equity mutual funds</u>	<u>Bond mutual funds</u>
Argentine Peso	\$ —	1,332
Australian Dollar	365,497	(11,324)
Brazilian Real	87,952	45,113
Canadian Dollar	300,372	(212)
Chilean Peso	9,537	8,374
Chinese Yuan/Yuan Renminbi	635,743	(122,103)
Colombian Peso	3,740	—
Czech Koruna	3,550	(536)
Danish Krone	164,739	1,010
Egyptian Pound	751	—
Euro	2,066,392	(34,082)
Great Britain Pound Sterling	1,517,742	663
Hong Kong Dollar	463,126	(250)
Hungarian Forint	4,482	(333)
Iceland Krona	—	513
Indian Rupee	293,615	365
Indonesian Rupiah	55,399	(253)
Israeli Shekel	10,003	(1,058)
Japanese Yen	1,626,726	(375)
Kuwaiti Dinar	45	—
Malaysian Ringgit	30,393	29
Mexican Peso	44,123	25,692
New Taiwan Dollar	360,198	239
New Turkish Lira	8,603	—
New Zealand Dollar	4,019	1,843
Norwegian Krone	112,057	31,819
Pakistan Rupee	3	—
Peruvian Nuevo Sol	2,238	(5,939)
Philippine Peso	14,023	—
Polish Zloty	12,712	338
Qatar Rial	16,647	—
Romanian New Leu	3	(68)
Saudi Riyal	73,493	—

THE OHIO STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

	<u>Equity mutual funds</u>	<u>Bond mutual funds</u>
Singapore Dollar	\$ 324,707	11
South African Rand	79,491	7,467
South Korean Won	247,057	(2)
Swedish Krona	204,628	(387)
Swiss Franc	357,984	8,787
Thai Bahl	42,721	87
UAE dirham	22,631	—
	<u>\$ 9,567,142</u>	<u>(43,240)</u>

The Foundation's exposure to foreign currency risk for investments owned directly by the Foundation as of June 30, 2021 was as follows:

	<u>Equity mutual funds</u>	<u>Bond mutual funds</u>
Argentine Peso	\$ —	1,785
Australian Dollar	492,451	36,983
Brazilian Real	116,937	41,918
Canadian Dollar	320,032	18,561
Chilean Peso	11,033	18,803
Chinese Yuan/Yuan Renminbi	885,724	8,524
Colombian Peso	4,693	—
Czech Koruna	39,823	33
Danish Krone	153,480	1,570
Egyptian Pound	1,176	—
Euro	3,013,230	9,868
Great Britain Pound Sterling	1,818,574	36,026
Hong Kong Dollar	541,117	(268)
Hungarian Forint	—	(1)
Iceland Krona	7,740	9,025
Indian Rupee	285,152	8,868
Indonesian Rupiah	30,274	10,357
Israeli Shekel	15,112	175
Japanese Yen	1,874,976	2,432
Kuwaiti Dinar	27	—
Malaysian Ringgit	34,407	(32)
Mexican Peso	48,113	51,568
New Taiwan Dollar	468,270	280
New Turkish Lira	7,984	—

THE OHIO STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

	Equity mutual funds	Bond mutual funds
New Zealand Dollar	\$ 6,003	(174)
Norwegian Krone	95,700	18,571
Pakistan Rupee	3	—
Peruvian Nuevo Sol	2,343	(2,404)
Philippine Peso	16,668	—
Polish Zloty	17,370	339
Qatar Rial	11,276	—
Romanian New Leu	2	(79)
Russian Ruble	26,595	18,564
Saudi Riyal	69,483	—
Singapore Dollar	340,342	241
South African Rand	98,562	140
South Korean Won	420,971	53,633
Swedish Krona	302,861	447
Swiss Franc	402,739	(529)
Thai Bahl	41,537	98
UAE dirham	12,682	—
	\$ 12,035,462	345,322

(3) Irrevocable Split-Interest Agreements

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

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

The Foundation accounts for gift annuity and trust agreements by recording the fair market value of assets donated as of the date of the gift, a liability for the present value of amount payable to beneficiaries and a deferred inflow of resources. The present value calculation is based on a combination of the agreed-upon payout rate, actuarial assumptions on mortality rates and a discount rate. The discount rates were 3.6% and 1.2% at June 30, 2022 and 2021, respectively. Revenue from gift annuity and trust agreements is recognized upon termination of the agreements.

THE OHIO STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

Assets, liabilities and deferred inflows associated with irrevocable split-interest agreements as of June 30, 2022 are as follows:

	<u>Gift annuities</u>	<u>Trusts</u>	<u>Total</u>
Assets:			
Investments held in charitable remainder trusts – current	\$ —	—	—
Marketable securities – current	37,235	—	37,235
Investments held in charitable remainder trusts – noncurrent	—	22,241,949	22,241,949
Marketable securities – noncurrent	<u>22,783,778</u>	<u>—</u>	<u>22,783,778</u>
Total assets	<u>22,821,013</u>	<u>22,241,949</u>	<u>45,062,962</u>
Liabilities:			
Irrevocable split-interest agreements – current	1,525,183	1,182,354	2,707,537
Irrevocable split-interest agreements – noncurrent	<u>21,507,030</u>	<u>11,373,150</u>	<u>32,880,180</u>
Total liabilities	<u>23,032,213</u>	<u>12,555,504</u>	<u>35,587,717</u>
Deferred Inflows	\$ <u>(211,200)</u>	<u>9,686,445</u>	<u>9,475,245</u>

The noncurrent portion of irrevocable split-interest agreements for gift annuities at June 30, 2022 includes a reserve of \$6,836,180. For the year ended June 30, 2022, the Foundation recognized \$1,191,327 of revenues associated with terminations of irrevocable split-interest agreements.

Assets, liabilities and deferred inflows associated with irrevocable split-interest agreements as of June 30, 2021 are as follows:

	<u>Gift annuities</u>	<u>Trusts</u>	<u>Total</u>
Assets:			
Investments held in charitable remainder trusts – current	\$ —	99,540	99,540
Marketable securities – current	—	—	—
Investments held in charitable remainder trusts – noncurrent	—	27,577,684	27,577,684
Marketable securities – noncurrent	<u>28,284,797</u>	<u>—</u>	<u>28,284,797</u>
Total assets	<u>28,284,797</u>	<u>27,677,224</u>	<u>55,962,021</u>
Liabilities:			
Irrevocable split-interest agreements – current	2,031,359	1,620,955	3,652,314
Irrevocable split-interest agreements – noncurrent	<u>20,751,399</u>	<u>14,363,865</u>	<u>35,115,264</u>
Total liabilities	<u>22,782,758</u>	<u>15,984,820</u>	<u>38,767,578</u>
Deferred Inflows	\$ <u>5,502,039</u>	<u>11,692,404</u>	<u>17,194,443</u>

THE OHIO STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

The noncurrent portion of irrevocable split-interest agreements for gift annuities at June 30, 2021 includes a reserve of \$2,828,480. For the year ended June 30, 2021, the Foundation recognized \$3,185,854 of revenues associated with terminations of irrevocable split-interest agreements.

(4) Other Liabilities

Other liability activity for the year ended June 30, 2022 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>	<u>Noncurrent</u>
Unearned revenue	\$ 7,619,540	5,897,830	4,063,040	9,454,330	—	9,454,330
Irrevocable split-interest agreements:						
Charitable remainder trust liability	14,363,865	—	1,808,361	12,555,504	1,182,354	11,373,150
Gift annuity liabilities	17,922,919	542,284	2,269,170	16,196,033	1,525,183	14,670,850
Gift annuity reserve	2,828,480	4,118,830	111,130	6,836,180	—	6,836,180
	<u>\$ 42,734,804</u>	<u>10,558,944</u>	<u>8,251,701</u>	<u>45,042,047</u>	<u>2,707,537</u>	<u>42,334,510</u>

Other liability activity for the year ended June 30, 2021 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>	<u>Noncurrent</u>
Unearned revenue	\$ 21,922,039	1,092,500	15,395,000	7,619,539	6,403,600	1,215,939
Irrevocable split-interest agreements:						
Charitable remainder trust liability	12,755,790	5,024,370	1,795,340	15,984,820	1,620,955	14,363,865
Gift annuity liabilities	16,846,357	3,191,523	83,602	19,954,278	2,031,359	17,922,919
Gift annuity reserve	2,017,019	3,174,234	2,362,773	2,828,480	—	2,828,480
	<u>\$ 53,541,205</u>	<u>12,482,627</u>	<u>19,636,715</u>	<u>46,387,117</u>	<u>10,055,914</u>	<u>36,331,203</u>

(5) Related-Party Transactions

The University had cumulative net advances to the Foundation of \$1,682 and \$7,692 as of June 30, 2022 and 2021, respectively. The Foundation distributed \$274,828,194 and \$258,132,244, in fiscal years 2022 and 2021, respectively, to the University as directed by donors. On February 19, 2021, the Foundation transferred the president's residence to the University based on the net book value of \$2,770,306. No cash was exchanged in the transfer. The Foundation had no receivables from the University as of June 30, 2022 and 2021.

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

THE OHIO STATE UNIVERSITY FOUNDATION

Notes to Financial Statements

June 30, 2022 and 2021

(6) Contingencies And Risk Management

The global outbreak of COVID-19, a new strain of coronavirus that can result in severe respiratory disease, was first detected in December of 2019, and subsequently spread across six continents impacting many countries, including the United States. The COVID-19 outbreak has altered the behavior of businesses and people in a manner that has had and is expected to continue to have effects on global and local economies, including the State of Ohio. In response to the public health crisis in 2020, the university suspended in-person instruction for spring and summer semesters and canceled virtually all university events.

In fall 2020, university operations returned to more normal levels, with the resumption of in-person instruction. The university conducted extensive testing of students, faculty and staff throughout the 2020-2021 academic year and maintained on-campus safety protocols, including masking, social distancing and limits on group gatherings. As vaccination rates continued to increase and other health and safety protocols remained effective, the university announced that it expected to return to more of a traditional university experience for the Autumn 2021 semester. The University State of Emergency, which was declared by the university president on March 22, 2020, was lifted effective July 1, 2021.

Ohio and the rest of the nation experienced a significant surge of COVID-19 cases starting in the last two months of 2021, due in large part to the rapid spread of the Omicron variant. In response, the university implemented several measures to continue to minimize the spread of COVID-19 on its campuses. As the spread of the Omicron variant slowed in late January 2022, the university announced adjustments to its health and safety protocols, including transitioning back to in-person meetings and events.

To date, the impact of the COVID-19 pandemic on university fundraising has been relatively limited. However, impacts on the Foundation's finances and operations may continue to be felt for at least the coming (FY2023) fiscal year, depending on vaccination rates and whether the COVID-19 virus or variations of the virus continue to spread in the United States and around the world. Foundation management continues to monitor the course of the pandemic and is prepared to take additional measures to promote the continuity of the Foundation's fundraising mission.

THE OHIO STATE UNIVERSITY FOUNDATION

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

Year ended June 30, 2022

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

In 2022, the market value of the university's Long-Term Investment Pool – which includes gifted endowments, long-term investments of university operating funds and other funds internally designated to function as endowments – decreased \$81 million, to \$6.96 billion at June 30, 2022. The Long-Term Investment Pool activity for 2022 is summarized below:

Long-Term Investment Pool Activity (in thousands)

	<u>Gifted endowments</u>		<u>Quasi-endowments</u>		<u>Total</u>
	<u>University</u>	<u>Foundation</u>	<u>Operating</u>	<u>Designated</u>	
Balance at June 30, 2021	\$ 1,333,836	1,345,059	1,740,687	2,622,391	7,041,973
Net principal additions (Withdrawals)	9,103	86,910	112,518	155,760	364,291
Change in fair value	(45,217)	(49,680)	(63,413)	(95,474)	(253,784)
Income earned	29,946	30,982	40,238	59,472	160,638
Distributions	(48,452)	(49,896)	(64,968)	(95,895)	(259,211)
Expenses	(18,020)	(18,643)	(24,213)	(32,249)	(93,125)
Balance at June 30, 2022	<u>\$ 1,261,196</u>	<u>1,344,732</u>	<u>1,740,849</u>	<u>2,614,005</u>	<u>6,960,782</u>

Net principal additions (withdrawals) for gifted endowments include new endowment gifts and reinvestment of unused endowment distributions. Change in fair value includes realized gains and losses for assets sold during the year and unrealized gains and losses for assets held in the pool at June 30, 2022. Income earned includes interest and dividends and is used primarily to fund distributions. Expenses include investment management expenses (\$71 million), University Development related expenses (\$21 million) and other investment related expenses (\$1 million).

Investment Returns and Expenses

The investment return for the Long-Term Investment Pool was 0.98% for fiscal year 2022. The annualized investment returns for the three-year and five-year periods were 9.7% and 7.5%, respectively. These returns – which are net of investment management expenses as defined by Cambridge Associates for its annual survey – are used for comparison purposes with other endowments and various benchmarks. In addition to the \$71 million of investment management expenses, which reduced the pool by 1.0% in fiscal year 2022, the \$21 million of University Development expenses and \$1 million of other investment related expenses further reduced the pool by 0.3%.

Additional Information

For more information on how the Long-Term Investment Pool is invested, please visit the Office of Investments website at: investments.osu.edu. Additional details on university and foundation endowments, including balances for individual funds, are available on the Office of the Controller's website at: go.osu.edu/EndowAdmin (click on the "Endowment Descriptions and Balances" link).



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

To the Board of 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 financial statements of The Ohio State University Foundation (the "Foundation"), a component unit of The Ohio State University, which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2022.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's 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. We identified a deficiency in internal control, described in the accompanying schedule of financial statement findings as item 2022-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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



The Foundation's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Foundation's response to the finding identified in our audit and described in the accompanying schedule of financial statement findings. The Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

KPMG LLP

November 21, 2022

THE OHIO STATE UNIVERSITY FOUNDATION

Schedule of Financial Statement Findings

Year ended June 30, 2022

Finding 2022-001: Gift Classification Reconciliation Process

Criteria

GASB Codification 2200.138 requires entities to separately report operating and capital contributions arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for a particular program.

Conditions Found

During our testing of the gift revenue reconciliation to the separately presented amounts within the statement of revenues, expenses, and changes in net position of current use gifts, private capital gifts, and permanent endowment gifts, we identified that management had improperly reconciled the separately presented amounts. We noted that managements reconciliation between their books and records and the amount presented on the financial statements between private capital gifts and current use gifts was not operating effectively thereby causing a \$17.9M gross up of gift revenue and pass-through gifts to The Ohio State University. Management corrected these misstatements in the 2022 statement of revenues, expenses, and net position.

Cause

The Foundation has not had an appropriate management review of the inputs to the gift revenue reconciliation to determine the appropriate amounts in the statement of revenues, expenses, and changes in net position.

Effect or Potential Effect

Failure to review the gift revenue reconciliation including the inputs to the reconciliation could cause a material misclassification between appropriate gift revenue categories as prescribed by GASB in addition to a misclassification between operating revenues and other changes in net position.

Recommendation

The Foundation should strengthen policies and review controls around gift reconciliations and financial reporting to ensure appropriate classification of gift revenue categories on the statement of revenues, expenses, and changes in net position. In addition, management should incorporate a separate control around the reconciliation of primary government statements to the Foundation.

Views of Foundation Officials

We will review and enhance our control processes for reviewing gift reconciliations by classification categories and enhance our processes of internal review of related entity statements to reconcile gifts between related entities.

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OHIO AUDITOR OF STATE KEITH FABER



THE OHIO STATE UNIVERSITY FOUNDATION

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/6/2023

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov