

# **The Ohio State University Global Gateways, LLC**

**Financial Statements as of and for the  
Years ended December 31, 2015 and 2014 and  
Independent Auditor's Report**





# Dave Yost • Auditor of State

Board of Trustees  
OSU Global Gateways, LLC  
2040 Blankenship Hall  
901 Woody Hayes Drive  
Columbus, Ohio 43210

We have reviewed the Independent Auditor's *Report* of the OSU Global Gateways, LLC, Franklin County, prepared by Pricewaterhouse Coopers LLP, for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 26, 2016

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# The Ohio State University Global Gateways, LLC

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December 31, 2015 and 2014

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## **Independent Auditor's Report**

To management of The Ohio State University Global Gateways LLC:

### ***Report on the Financial Statements***

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, as of and for the years ended December 31, 2015 and 2014, which consist of the statements of net position and the related statements of revenues, expenses, and other changes in net position, and of cash flows, and the related notes to the financial statements, which collectively comprise Global Gateways' basic financial statements.

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

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

### ***Auditor's 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 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 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, 2015 and December 31, 2014, 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.

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***Other Matter***

*Required Supplementary Information*

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 September 15, 2016 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, 2015. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Global Gateways' internal control over financial reporting and compliance.

*PricewaterhouseCoopers LLP*

September 15, 2016

# **The Ohio State University Global Gateways, LLC**

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

### **For the Year Ending December 31, 2015**

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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, 2015, with comparative information for the years ended December 31, 2014 and 2013. 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 in strategic locations around the globe. These offices will integrate the international dimensions within every facet of the institution and each location will capitalize 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 will act as the funding channel for all gateway offices 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. Future sites in Turkey, sub-Saharan Africa and Europe are also being considered. The first office in China was funded centrally by the university, and the India Gateway office was funded through university contributions at college or departmental levels. Future gateways will be supported by revenue generated through programs and services offered by each gateway office.

#### **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*. 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.



**The Ohio State University Global Gateways, LLC**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ending December 31, 2015**

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**Financial Highlights**

Calendar year 2015 represents the sixth 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 and Mumbai gateway offices and the opening of the São Paulo gateway office.

The following sections provide additional details on Global Gateways' 2015 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>2015</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>			
Current Assets			
Cash	\$ 8,540	\$ 8,540	\$ 3,277
	<u>8,540</u>	<u>8,540</u>	<u>3,277</u>
Total current assets	8,540	8,540	3,277
	<u>8,540</u>	<u>8,540</u>	<u>3,277</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,540</u>	<u>\$ 8,540</u>	<u>\$ 3,277</u>
<b>LIABILITIES AND NET POSITION</b>			
Unrestricted	<u>\$ 8,540</u>	<u>\$ 8,540</u>	<u>\$ 3,277</u>
Total net position	8,540	8,540	3,277
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 8,540</u>	<u>\$ 8,540</u>	<u>\$ 3,277</u>

Total **current assets** increased \$0, to \$8,540 at December 31, 2015. The Statements of Cash Flows, which are discussed in more detail below, provide additional details on sources and uses of Global Gateways cash.

**The Ohio State University Global Gateways, LLC**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ending December 31, 2015**

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:	\$ -	\$ -	\$ -
Total operating revenues	-	-	-
OPERATING EXPENSES:			
Operating expenses of Chinese affiliate	402,290	789,453	362,856
Operating expenses of Indian affiliate	35,562	269,538	-
Setup expenses paid for benefit of Indian affiliate	-	-	9,812
Setup expenses paid for benefit of Brazilian affiliate	<u>57,378</u>	<u>8,525</u>	<u>-</u>
Total operating expenses	495,230	1,067,516	372,668
OPERATING LOSS	(495,230)	(1,067,516)	(372,668)
NON-OPERATING REVENUES AND EXPENSES:			
Subsidy from The Ohio State University	<u>495,230</u>	<u>1,072,779</u>	<u>72,681</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	0	5,263	(299,987)
<b>NET POSITION -- Beginning of Year</b>	<u>8,540</u>	<u>3,277</u>	<u>303,264</u>
<b>NET POSITION -- End of Year</b>	<u>\$ 8,540</u>	<u>\$ 8,540</u>	<u>\$ 3,277</u>

**Total operating expenses** of Global Gateways decreased \$572,286, to \$495,230 at December 31, 2015. Operating expenses include, but are not limited to, rental of office space, utilities, supplies, purchased services, equipment and personnel expenses for employees assigned to the Shanghai, Mumbai and São Paulo offices.

The \$572,286 decrease in operating expense relates primarily to the China and India Gateways.

The operating expenses of the China Gateway decreased \$387,163, to \$402,290 due to fluctuations in event programming. In 2014, China Gateway paid for all of the costs associated with the pre-departure orientation sessions held in Shanghai and Beijing for incoming OSU students from China. These costs included hotel and event space, meals provided at the orientation, alumni events, etc. In 2015, these programming costs were paid directly by the university to the vendors without the involvement of China Gateway.

The operating expenses of the India Gateway decreased \$233,976, to \$35,562, primarily due to the spend down of the initial capital investment that was required

**The Ohio State University Global Gateways, LLC**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ending December 31, 2015**

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to establish the office in Mumbai and also to expenses incurred for a health sciences conference that occurred in 2014 but not in 2015.

The operating expenses of the Brazil Gateway increased \$48,853, to \$57,378, primarily due to the increased operations of the gateway after its opening in 2015.

**Total non-operating revenues** of Global Gateways decreased \$577,579, to \$495,230 at December 31, 2015. Non-operating revenues include support from the university through its Office of International Affairs.

**Total net position** (equity) of Global Gateways increased \$0 to \$8,540 at December 31, 2015. 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**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Cash Provided by (Used in):</b>			
Operating activities	\$ (495,230)	\$ (1,067,516)	\$ (372,668)
Noncapital financing activities	495,230	1,072,779	72,681
Capital and related financing activities	-	-	-
Investing activities	-	-	-
<b>Net Increase (Decrease) in Cash</b>	<u>0</u>	<u>5,263</u>	<u>(299,987)</u>
Cash - Beginning of Year	<u>8,540</u>	<u>3,277</u>	<u>303,264</u>
Cash - End of Year	<u>\$ 8,540</u>	<u>\$ 8,540</u>	<u>\$ 3,277</u>

Total Global Gateways **cash** increased \$0 to \$8,540 at December 31, 2015. Operating activities include all expenses related to the continued operation of the Global Gateways offices in Shanghai, Mumbai and São Paulo. Non-capital financing activities include direct operating support from the university.

# **The Ohio State University Global Gateways, LLC**

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

### **For the Year Ending December 31, 2015**

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

The China Gateway has now completed its fifth year of operation as a Wholly Foreign Owned Enterprise (WFOE). The WFOE designation allows the company to provide consulting services, arrange conferences and meetings, and allows the Gateway office to generate revenue in country. By obtaining this status, the China Gateway office programming now includes developing training programs to be offered for businesses and government institutions at Ohio State, and coordinating pre-departure orientations for incoming Ohio State students.

With increased activity to market the programs and services provided by the Gateway, and to bring Ohio State faculty and students to China, we are hopeful that the operating budget of the China Gateway will increase in future years. In addition, the office provides services that include career services, workforce development, research, and consultation.

China's economic growth is set to edge down further, from 6.5% in 2016 to 6.2% by 2017. Consumption is projected to stay buoyant. The reduction in excess capacity will ease the downward pressure on producer prices, but consumer price inflation will remain low.

Productivity gains are becoming the main engine of improvements in living standards as capital-deepening-led growth has run its course. This calls for fostering innovation and entrepreneurship. Lower barriers to entry have spurred entrepreneurial activity, but the exit mechanism for unviable firms should also be streamlined. Policy emphasis is shifting towards supply-side reforms that seek to ensure sustainable development. Reallocation of labor from agriculture to industry and services has been a major driver of inclusive productivity growth and is likely to continue in the future.

Currency risk is not a significant concern for China Gateway now due to the USD rising in value against the Chinese Yuan.

The India Gateway has completed its fourth year of operation as a Private Limited Company (PLC). Similar to the China Gateway, we are hopeful that the operating budget of the India Gateway will increase in future years. The India Gateway currently offers programs in sustainable supply chain operations optimization, health sciences research collaboration, health worker technical training, facilitation of capacity-building initiatives, coordination of proposal writing for grants, and conference planning and execution. The India Gateway is also currently engaged in talks with a number of Indian corporations about collaborations that would bring funding in the form of revenues as well as bilateral partnership funding to the university from American and Indian

# **The Ohio State University Global Gateways, LLC**

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

### **For the Year Ending December 31, 2015**

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government initiatives. This office also provides services that include career services, workforce development, research, and consultation.

The India Gateway must continue to monitor the cues from the global markets, such as currency movements and interest rates in the U.S., the rest of Asia, and Europe, to manage currency risk. Indeed, most banks expect the value of the Rupee to continue its substantial decrease against the US dollar in 2016 while inflation increases substantially, resulting in no change to the India Gateway's spending power as its domestic budget remains static.

The Brazil Gateway is in its second year of operation. The Brazil Gateway is operating as a Limitada (LTDA), equivalent to a Limited Liability Company (LLC) in the United States. The Brazil Gateway provides support to the University in the key areas of students, research/faculty, alumni and partnerships.

Brazil experienced a decade of economic and social progress from 2003-2013, however the economy has been stagnating since 2013 and the country is currently in a deep recession. GDP growth in Brazil has slowed from 4.5% in 2006-2010 to 2.1% over 2011-2014 and 0.1% in 2015. Inflation remains high, at 9.23% in May 2016.

In addition to economic crisis, Brazil has also been challenged with political crisis, including a large-scale corruption scandal (*Lava Jato*), and the recent impeachment of President Dilma Rouseff. The pro-business perceptions of interim President Michael Temer may have a positive impact on investor confidence and the Brazilian Real (BRL) has strengthened slightly since impeachment. The Brazilian Real (BRL) is currently (as of April 2016) trading around 3.40 per US Dollar (USD), compared to 2.2 two years ago.

The combined political and economic crises have seen major cuts to Brazilian higher education funding and programming, most notably the Brazilian Science Mobility Program (BSMP) also known as "Science Without Borders." Funding for research and scholarships has also seen significant reductions.

Currency risk is not a significant concern to the Brazil Gateway at this time. Our budgetary funds are based in dollars and a weakened Brazilian Real tends to improve our purchasing power in the country. Conversely, a weakening Brazilian Real can potentially affect Brazilian students who are seeking to study in the USA because of a reduction of their purchasing power in dollars. Currently, the Brazil Gateway is not generating revenue in-country in local currency but continued inflation and weakening currency could influence the financial affordability and viability of such programs in the future.

**The Ohio State University Global Gateways, LLC**  
**Statements of Net Position**  
**December 31, 2015 and 2014**

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	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 8,540	\$ 8,540
Total current assets	<u>8,540</u>	<u>8,540</u>
<b>Non-current Assets</b>		
Total non-current assets	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 8,540</u></b>	<b><u>\$ 8,540</u></b>
<b>Liabilities</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>
<b>Net Position</b>		
Unrestricted	<u>8,540</u>	<u>8,540</u>
<b>Total Net Position</b>	<b><u>8,540</u></b>	<b><u>8,540</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 8,540</u></b>	<b><u>\$ 8,540</u></b>

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

**The Ohio State University Global Gateways, LLC**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended December 31, 2015 and December 31, 2014**

	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>		
Total Operating Revenue	\$ -	\$ -
<b>Operating Expenses</b>		
Operating expenses of Chinese affiliate	402,290	789,453
Operating expenses of Indian affiliate	35,562	269,538
Setup expenses paid for benefit of Brazilian affiliate	<u>57,378</u>	<u>8,525</u>
Total Operating Expense	495,230	1,067,516
Net Operating Loss	(495,230)	(1,067,516)
<b>Non-operating Revenues (Expense)</b>		
Subsidy from The Ohio State University	<u>495,230</u>	<u>1,072,779</u>
Net Non-operating Revenue	495,230	1,072,779
Increase (Decrease) in Net Position	-	5,263
Net Position, Beginning of Year	<u>8,540</u>	<u>3,277</u>
Net Position, End of Year	<u><u>\$ 8,540</u></u>	<u><u>\$ 8,540</u></u>

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

**The Ohio State University Global Gateways, LLC**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2015 and December 31, 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities:</b>		
Operating expenses of Chinese affiliate	\$ (402,290)	\$ (789,453)
Operating expenses of Indian affiliate	(35,562)	(269,538)
Setup expenses paid for benefit of Brazilian affiliate	<u>(57,378)</u>	<u>(8,525)</u>
Net cash provided (used) by operating activities	<u>(495,230)</u>	<u>(1,067,516)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Subsidy from The Ohio State University	<u>495,230</u>	<u>1,072,779</u>
Net cash provided (used) by noncapital financing activities	<u>495,230</u>	<u>1,072,779</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 (Decrease) in Cash</b>	<u>-</u>	<u>5,263</u>
Cash - Beginning of Year	<u>8,540</u>	<u>3,277</u>
Cash - End of Year	<u>\$ 8,540</u>	<u>\$ 8,540</u>
<b>Reconciliation of Net Operating Loss to Net Cash Provided (Used) by Operating Activities:</b>		
Operating loss	\$ (495,230)	\$ (1,067,516)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Changes in assets and liabilities:	-	-
Net cash used by operating activities	<u>\$ (495,230)</u>	<u>\$ (1,067,516)</u>

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



# The Ohio State University Global Gateways, LLC

## Notes to Financial Statement

### For the Years Ending December 31, 2015 and 2014

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

##### Entity

OSU Global Gateways, LLC (Global Gateways) is a part of The Ohio State University (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.

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.

# **The Ohio State University Global Gateways, LLC**

## **Notes to Financial Statement**

### **For the Years Ending December 31, 2015 and 2014**

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#### **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. 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 and India Gateway expenses are subject to foreign currency risk in that such expenses are paid in Chinese RMB and Indian Rupee. However, this risk is not considered to be material. The 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, 2015 and 2014 are \$8,540 and \$8,540, 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: Shanghai, China; Mumbai, India and São Paulo, Brazil (opened in September 2014). The university's direct support amounted to \$495,230 and \$1,072,779 for the years ended December 31, 2015 and 2014, respectively.

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

Global Gateways has assessed the impact of subsequent events through August 8, 2016 and has concluded that there were no such events that require adjustment to the audited financial statements or disclosure in the notes to the audited financial statements.



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

To management of The Ohio State University 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"), which comprise the statement of net position as of December 31, 2015 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 September 15, 2016.

***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

September 15, 2016



# Dave Yost • Auditor of State

OSU GLOBAL GATEWAYS, LLC

FRANKLIN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 10, 2016