

The Ohio State University Department of Athletics

(A Department of The Ohio State University)

Financial Statements

**As of and for the Years Ended June 30, 2019 and 2018
And Report of Independent Auditors**

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
The Ohio State University
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We have reviewed the *Report of Independent Auditors* of The Ohio State University Department of Athletics, Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

December 12, 2019

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The Ohio State University Department of Athletics

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For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

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Report of Independent Auditors

To the Board of Trustees of
The Ohio State University

We have audited the accompanying financial statements of the Ohio State University Department of Athletics (“Athletics”), a department of The Ohio State University, appearing on pages 10 to 37, which comprise the statements of net position as of June 30, 2019 and June 30, 2018, and the related statements of revenues, expenses, and other changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Athletics’ 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.

Auditors’ Responsibility

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Athletics as of June 30, 2019 and June 30, 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

The accompanying management's discussion and analysis on pages 3 through 9, the Required Supplementary Information on GASB 68 Pension Liabilities on page 38 and the Required Supplementary Information on GASB 75 Other Post Employment Benefit Liabilities on page 39 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019 on our consideration of Athletics' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2019. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Athletics' internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

December 9, 2019

The Ohio State University Department of Athletics Management's Discussion and Analysis (Unaudited) For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of The Ohio State University Department of Athletics ("Athletics") for the year ended June 30, 2019, with comparative information for the years ended June 30, 2018 and June 30, 2017. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About the Department of Athletics:

The Ohio State University Department of Athletics is recognized as one of the most comprehensive intercollegiate athletics programs in the nation, with over 1,000 student-athletes competing in 36 sports. Athletics operates under the governance of The Ohio State University Board of Trustees and is included in the financial statements of The Ohio State University ("the university"). All organizations controlled by Athletics, consisting of its various departments, are included in the financial statements; organizations not controlled by Athletics, such as certain booster and alumni organizations, are not included in the financial statements.

About the Financial Statements:

Athletics presents its financial statements in a "business type activity" format, in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* and GASB Statement No. 35, *Basic - 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 a Statement of Net Position, a Statement of Revenues, Expenses and Other Changes in Net Position, a Statement of Cash Flows and Notes to the Financial Statements as of and for the years ended June 30, 2019 and June 30, 2018.

Financial Highlights:

Athletics net position decreased \$29 million, to \$190 million at June 30, 2019. The completion of the Schumaker Student-Athlete Development Center and the Covelli-Jennings Center resulted in increases to certain liabilities and expenses from 2018. Among these increases included, but are not limited to, an increase in notes payable to the university of \$46 million to \$251 million as of June 30, 2019 and an increase in supplies and services expense of \$15 million to \$89 million.

**The Ohio State University Department of Athletics
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2019 and June 30, 2018**

(In thousands)

Summary Statements of Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 56,718	\$ 79,865	\$ 89,205
Other current assets	33,784	32,088	33,828
Total current assets	90,502	111,953	123,033
Endowment Investments	100,660	100,889	91,952
Capital assets, net of accumulated depreciation	345,405	290,012	239,607
Other noncurrent assets	39,452	48,530	41,088
Total noncurrent assets	485,517	439,431	372,647
Total assets	576,019	551,384	495,680
Deferred outflows	14,865	6,357	11,964
Total Assets and Deferred Outflows	\$ 590,884	\$ 557,741	\$ 507,644
Unearned revenue for advance sales of game tickets	\$ 45,418	\$ 44,608	\$ 45,324
Current portion of notes payable to university	11,452	8,725	6,817
Other current liabilities	23,966	26,352	23,165
Total current liabilities	80,836	79,685	75,306
Notes payable to university	239,249	195,920	170,955
Accrued compensated absences	3,633	3,430	3,068
Other unearned revenue and deposits	5,890	7,083	9,965
Net pension liability	47,613	26,209	33,496
Net other post employment benefits liability	23,336	18,852	-
Total noncurrent liabilities	319,721	251,494	217,484
Total liabilities	400,557	331,179	292,790
Deferred inflows	796	7,967	266
Total liabilities and deferred inflows	401,353	339,146	293,056
Net investment in capital assets	\$ 86,385	\$ 71,046	\$ 58,534
Restricted - nonexpendable	79,645	77,200	72,425
Restricted - expendable	89,949	109,312	107,209
Unrestricted	(66,448)	(38,963)	(23,580)
Total net position	189,531	218,595	214,588
Total Liabilities, Deferred Inflows and Net Position	\$ 590,884	\$ 557,741	\$ 507,644

Cash and cash equivalents decreased \$23 million, to \$57 million at June 30, 2019, primarily due to payments for purchase or construction of capital assets. The Statement of Cash Flows provides additional details on sources and uses of Athletics cash.

Endowment Investments in the university's long-term investment pool remain at \$101 million at June 30, 2019. The long-term investment pool is invested in a diversified portfolio of equities, fixed income, real estate, hedge funds, private equity, venture capital and natural resources that is

The Ohio State University Department of Athletics Management's Discussion and Analysis (Unaudited) For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support the university's mission.

Capital assets increased \$55 million, to \$345 million, reflecting additional construction costs of new buildings. Capital assets reported on Athletics' Statement of Net Position include Ohio Stadium, Woody Hayes Athletic Center, McCorkle Aquatic Pavilion, Jesse Owens Memorial Stadium, Buckeye Field (Women's Softball), Bill Davis Baseball Stadium, St. John Arena and other facilities to support its 36 sports programs. Also reported are various land and land improvement assets, including the Scarlet and Gray golf courses, capitalized equipment and construction in progress. With the exception of the new basketball practice facility, which was funded by Athletics and completed in summer 2013, the Schottenstein Center is not reported as a capital asset of the department because it is used for a wide range of university purposes. In exchange for the use of the facility, Athletics provides marketing, ticket sales and information technology services and an annual payment to the university.

Three major construction projects were completed in 2019:

Ohio Stadium Upgrades – The \$39 million project will include power upgrades, suite expansion and renovation, C-Deck restoration, and a suite and loge addition. The project is in the construction phase and slated for completion for the fall of 2019.

Covelli-Jennings Center – The \$50 million project is a new multi-sport arena that houses the men's and women's varsity volleyball teams, and fencing, wrestling and gymnastics matches.

Schumaker Student-Athlete Development Center – The \$43 million project is a state-of-the-art athletic training center with new training and cardio conditioning for use by most of the university's sports programs.

Additional construction projects currently underway include:

Campus Wifi System – The roughly \$20 million project, approximately \$10 million of which will be funded by Athletics, will consist of installing indoor/outdoor wireless access points across campus, including at the Ohio Stadium to improve fan's game day experience.

Noncurrent liabilities increased \$68 million to \$320 million as of June 30, 2019, primarily due to an increase in notes payable to the university.

GASB Statement No. 68 requires governmental employers participating in defined benefit pension plans to recognize liabilities for plans whose actuarial liabilities exceed the plan's net assets. These liabilities are referred to as net pension liabilities. In FY2019, the university implemented a related accounting standard, GASB Statement No. 75, which requires employers participating in other post-employment benefit (OPEB) plans to recognize liabilities for plans whose actuarial liabilities exceed the plan's net assets. OPEB benefits consist primarily of post-retirement healthcare. The university participates in two multiemployer cost-sharing retirement systems, OPERS and STRS-Ohio, and is required to record a liability for its proportionate share of the net pension and OPEB liabilities of the retirement systems.

Athletics' share of these **net pension liabilities** was \$48 million and \$26 million at June 30, 2019 and 2018, respectively. The increase in net pension liability in 2019 is primarily due to a decrease in OPERS' long term assumed rate of return on pension plan investments from 7.5% to 7.2%.

The Ohio State University Department of Athletics Management's Discussion and Analysis (Unaudited) For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

Although most year-to-year changes in net pension liabilities are charged directly to pension expense, certain types of changes are deferred and recognized as pension expense in future periods. Pension-related deferred outflows at June 30, 2019 and 2018 totaled \$13 million and \$5 million, respectively. Pension related to deferred inflows at June 30, 2019 and 2018 totaled \$733,000 and \$7 million, respectively. Athletics recognized total pension expense in 2019 and 2018 of \$13 million and \$11 million, respectively. Total pension expense includes \$5.5 million of employer contributions, an increase of \$500,000 from 2018, and \$7.5 million in GASB 68 accruals, an increase of \$2.5 million from 2018.

Athletics' share of the **net OPEB liabilities** was \$23 million at June 30, 2019, up from \$19 million at June 30, 2018. OPEB-related deferred outflows increased \$1 million, to \$2 million at June 30, 2019. OPEB related deferred inflows decreased from \$1 million to \$63,000. Athletics recognized total OPEB expense of \$3 million in 2019 and \$3 million in 2018. Total OPEB expense includes \$0 of employer contributions and \$3 million in GASB 75 accruals in both 2019 and 2018.

It should be noted that, in Ohio, employer contributions to the state's cost-sharing multi-employer retirement systems are established by statute. These contributions, which are payable to the retirement systems one month in arrears, constitute the full legal claim on Athletics for pension and OPEB funding. Although the liabilities recognized under GASB Statement Nos. 68 and 75 meet the GASB's definition of a liability in its conceptual framework for accounting standards, they do not represent legal claims on Athletics' resources, and there are no cash flows associated with the recognition of net pension and OPEB liabilities, deferrals and expense.

Athletics enters into internal loan agreements with the university to finance the construction and renovation of athletic facilities. In 2019, receipts from new loans totaled \$56 million. The loans have maturities ranging from 2019 to 2047 and bear interest rates ranging from 2.25% to 5.25%. These **notes payable to the university** totaled \$251 million at June 30, 2019, an increase of \$46 million from 2018. Internal transfers for debt service totaled \$22 million and \$17 million in 2019 and 2018, respectively.

**The Ohio State University Department of Athletics
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2019 and June 30, 2018**

(In thousands)

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues:			
Ticket sales	\$ 58,018	\$ 65,975	\$ 59,354
Television, broadcast rights and sponsorships	53,918	51,689	34,728
Royalty and affinity revenue	5,342	4,727	5,059
Bowl and NCAA tournament distributions	16,369	17,331	17,520
Sports camp entry fee	2,106	2,236	2,475
Golf course revenues	4,449	4,420	4,417
Other operating revenues	<u>18,936</u>	<u>12,184</u>	<u>13,997</u>
Total operating revenues	159,138	158,562	137,550
Operating Expenses			
Salaries and wages	61,274	55,664	65,438
Employee benefits	27,815	24,877	19,991
Supplies and services	92,589	76,998	71,930
Scholarships	27,277	25,101	23,456
Depreciation	<u>18,082</u>	<u>15,853</u>	<u>15,993</u>
Total operating expense	227,037	198,493	196,808
Net operating loss	(67,899)	(39,931)	(59,258)
Nonoperating Revenues (Expenses)			
Current-use gifts	31,843	33,530	37,613
University distribution	9,799	7,289	5,633
Interest expense	(7,723)	(7,708)	(7,938)
Net investment income	1,033	7,055	10,399
Contributions related to capital assets	<u>1,175</u>	<u>73</u>	<u>120</u>
Net non operating revenue	36,127	40,239	45,827
Income (loss) before other changes in net position	(31,772)	308	(13,431)
Capital gifts	2,849	16,747	16,364
Additions to permanent endowments	3,015	4,197	6,097
Equity transfers to the university	<u>(3,156)</u>	<u>(1,243)</u>	<u>(2,774)</u>
Increase (decrease) in Net Position	(29,064)	20,009	6,256
Net Position - Beginning of Year			
Beginning of the year previously recorded	218,595	214,588	208,332
Cumulative effect of accounting changes	<u>-</u>	<u>(16,002)</u>	<u>-</u>
Net Position - End of Year	<u>\$ 189,531</u>	<u>\$ 218,595</u>	<u>\$ 214,588</u>

**The Ohio State University Department of Athletics
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2019 and June 30, 2018**

(In thousands)

Athletics had a \$29 million decrease in net position in 2019. Current operating revenues increased \$576 primarily due to an increase in other operating revenue which involves income from parking, rentals, game guarantees, among other miscellaneous receipts. Current operating expenses increased \$29 million primarily due to increases in supplies and services and salaries and wages, which were both a result of the Covelli-Jennings Center's and Schumaker Student Athlete Development Center's opening. Investment income decreased \$6 million to \$1 million, reflecting lower 2019 returns from Athletics endowment investments.

Gifts to Athletics represent a key source of financial support for the department's operating and capital needs. **Current use gifts** decreased \$2 million to \$32 million, at June 30, 2019. These gifts are used primarily to fund scholarships for student-athletes. **Capital gifts** decreased \$14 million to \$3 million. This decrease is the result of the Covelli-Jennings Center and the Schumaker Student Athlete Development Center capital campaigns completing in 2018. **Additions to permanent endowments** decreased \$1 million to \$3 million.

Statement of Cash Flows

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net cash flows used in operating activities	\$ (36,329)	\$ (24,872)	\$ (25,304)
Net cash flows from noncapital financing activities	39,440	42,127	44,652
Payments for purchase or construction of capital assets	(74,337)	(53,673)	(13,951)
Principal and interest payments on notes payable to the university	(22,053)	(17,112)	(13,264)
Other cash flows from capital financing activities	68,817	44,336	11,951
Net cash flows provided (used) by investing activities	<u>1,315</u>	<u>(146)</u>	<u>(2,263)</u>
Net increase (decrease) in cash	<u>\$ (23,147)</u>	<u>\$ (9,340)</u>	<u>\$ 1,821</u>

Total Athletics cash decreased \$23 million, to \$57 million at June 30, 2019. Net cash flows used in operating activities increased by \$11 million to \$36 million in 2019. Total cash provided by current-use gifts, additions to permanent endowments and other non-capital financing activities decreased to \$39 million reflecting a decrease in current-use gifts. Total cash used by capital financing activities increased \$2 million to \$28 million as a result of increased payments for purchase or construction of capital assets. Total cash used by investing activities decreased by \$1 million.

The Ohio State University Department of Athletics Management's Discussion and Analysis (Unaudited) For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

Economic Factors That Will Affect the Future:

The Department of Athletics is a national leader and one of the most visible, respected and accomplished intercollegiate athletics programs in the nation. In the pursuit of competitive excellence, Athletics affirms A Higher Purpose. The department exists to motivate student-athletes to develop into exemplary champions, who in turn inspire future Buckeyes. The department also is committed to financial self-sufficiency while contributing to the university's academic priorities. Athletics' strategic plan focuses on three core values:

- To provide teachable moments for gifted young student-athletes ... The People
- To excel competitively and enhance its proud championship history ... The Tradition
- To serve as a leader in intercollegiate athletics in every way ... The Excellence

Built into our strategic plan are the five pillars outlined in the University's Strategic Plan, *Time and Change*, which include:

1. Teaching and Learning
2. Access, Affordability and Excellence
3. Research and Creative Expression
4. Athletic Healthcare
5. Operational Excellence and Resource Stewardship

Athletics' continued commitment to excellence results in new ways to improve the experience for the student athletes as well as fans. An extension of the Licensed User Agreement with TicketMaster Corporation has just been completed. This agreement will have a term of seven years and is retroactive to July 1, 2018. The new agreement provides increases in fees revenue, services, equipment, and marketing resources that are expected to generate an additional \$1M annually.

The Department is working with IMG College LLC. on an extension of its Multi-Media Rights Agreement. The extension proposed would be for an additional term of fourteen years. The agreement is anticipated to change in structure from the current arrangement, which includes a base guarantee, to a revenue sharing model that will not provide a minimum guarantee. The expectations are that the monies Athletics will receive from revenue sharing model will exceed the current model by a minimum of 25%.

Athletics leadership remains committed to executing its long-range strategic plan and anticipates that the department will maintain its sound financial position.

The Ohio State University Department of Athletics
Statements of Net Position
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

Assets and Deferred outflows	2019	2018
Current assets		
Cash and cash equivalents	\$ 56,718	\$ 79,865
Accounts receivable, net	6,816	5,951
Inventories	257	234
Contributions receivable	13,564	10,891
Current portion of pledges receivable, net	10,568	11,904
Current portion of prepaid expenses	<u>2,579</u>	<u>3,108</u>
Total current assets	90,502	111,953
Noncurrent assets		
Assets Whose Use Is Limited	-	53
Endowment investments	100,660	100,889
Pledges receivable, net	35,294	44,174
Prepaid expenses	4,158	4,303
Capital assets, net	<u>345,405</u>	<u>290,012</u>
Total noncurrent assets	485,517	439,431
Total assets	<u>576,019</u>	<u>551,384</u>
Deferred outflows-pension	12,969	4,970
Deferred outflows-other post employment benefits	<u>1,896</u>	<u>1,387</u>
Total deferred outflows	14,865	6,357
Total assets and deferred outflows	\$ 590,884	\$ 557,741
Liabilities, Deferred inflows and Net Position		
Current liabilities		
Accounts payable and accrued expenses	\$ 6,158	\$ 4,883
Accounts payable related to capital assets	8,318	14,374
Current portion of accrued compensated absences	395	434
Unearned revenue for advance sales of game tickets	45,418	44,608
Current portion of other unearned revenues and deposits	9,095	6,661
Current portion of notes payable to the university	<u>11,452</u>	<u>8,725</u>
Total current liabilities	80,836	79,685
Noncurrent liabilities		
Notes payable to the university	239,249	195,920
Accrued compensated absences	3,633	3,430
Other unearned revenues and deposits	5,890	7,083
Net pension liability	47,613	26,209
Net other post employment benefits liability	<u>23,336</u>	<u>18,852</u>
Total noncurrent liabilities	319,721	251,494
Total Liabilities	<u>400,557</u>	<u>331,179</u>
Deferred inflows-pension	733	6,563
Deferred inflows-other post employment benefits	<u>63</u>	<u>1,404</u>
Total deferred inflows	796	7,967
Total liabilities and deferred inflows	<u>401,353</u>	<u>339,146</u>
Net Position		
Net investment in capital assets	86,385	71,046
Restricted		
Nonexpendable	79,645	77,200
Expendable	89,949	109,312
Unrestricted	<u>(66,448)</u>	<u>(38,963)</u>
Total net position	189,531	218,595
Total liabilities, deferred inflows and net position	\$ 590,884	\$ 557,741

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics
Statements of Revenues, Expenses and Other Changes in Net Position
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

	2019	2018
Operating Revenues		
Ticket sales	\$ 58,018	\$ 65,975
Television, broadcast rights and sponsorships	53,918	51,689
Royalty and affinity revenue	5,342	4,727
Bowl and NCAA tournament distributions	16,369	17,331
Parking	3,044	2,256
Sports camp entry fees	2,106	2,236
Golf course revenues	4,449	4,420
Private grants and contracts	59	44
In-kind revenues	3,892	3,360
Other operating revenues	11,941	6,524
Total Operating Revenue	<u>159,138</u>	<u>158,562</u>
Operating Expenses		
Salaries and wages	61,274	55,664
Employee benefits	27,815	24,877
Supplies and services	89,121	74,062
Scholarships	27,277	25,101
In-kind supplies and services	3,468	2,936
Depreciation	18,082	15,853
Total Operating Expense	<u>227,037</u>	<u>198,493</u>
Operating Loss	(67,899)	(39,931)
Non-operating Revenues (Expense)		
Current-use gifts	31,843	33,530
University distribution	9,799	7,289
Contributions related to capital assets	1,175	73
Investment income	4,483	4,150
Net unrealized (loss)/gain on investments	(3,450)	2,905
Interest expense on plant debt	(7,723)	(7,708)
Net Non-operating Revenue	<u>36,127</u>	<u>40,239</u>
Loss before Other Revenues and Transfers	(31,772)	308
Other Revenues		
Capital gifts	2,849	16,747
Additions to permanent endowments	3,015	4,197
Net Income before Transfers	(25,908)	21,252
Equity transfers to the university	(3,156)	(1,243)
Increase in Net Position	(29,064)	20,009
Net Position, Beginning of Year	218,595	214,588
Cumulative effect of accounting changes	-	(16,002)
Net Position, End of Year	<u>\$ 189,531</u>	<u>\$ 218,595</u>

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics
Statements of Cash Flows
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

Cash Flows from Operating Activities	2019	2018
Ticket sales	\$ 58,556	\$ 67,251
Television, broadcast rights and sponsorships	54,756	43,809
Royalty and affinity revenue	5,279	4,427
Bowl and NCAA tournament distributions	14,787	20,615
Parking	3,044	2,256
Sports camp entry fees	2,602	2,100
Golf course revenues	4,412	4,407
Private grants and contracts	59	44
Payments to or on behalf of employees	(61,109)	(55,438)
University employee benefit payments	(17,605)	(16,007)
Payments to vendors for supplies and services	(87,247)	(79,957)
Payments for student financial aid	(27,224)	(25,186)
Other receipts	13,361	6,807
Net cash used by operating activities	(36,329)	(24,872)
Cash Flows from Noncapital Financing Activities		
Current-use gifts	29,783	33,575
Additions to permanent endowments	3,015	4,197
Equity transfers to the University	(3,157)	(2,933)
University distribution	9,799	7,288
Net cash provided by noncapital financing activities	39,440	42,127
Cash Flows from Capital Financing Activities		
Proceeds from capital debt	56,366	34,738
Capital gifts	12,451	9,598
Payments for purchase or construction of capital assets	(74,337)	(53,673)
Principal payments on capital debt and leases	(10,310)	(7,865)
Interest payments on capital debt and leases	(11,743)	(9,247)
Net cash used by capital financing activities	(27,573)	(26,449)
Cash Flows from Investing Activities		
Investment income	4,483	4,150
Purchases of Investments	(3,221)	(6,032)
Transfers from University for endowments	-	1,690
Assets whose use is limited	53	46
Net cash provided (used) by investing activities	1,315	(146)
Net decrease in cash	(23,147)	(9,340)
Cash and cash equivalents - Beginning of Year	79,865	89,205
Cash and cash equivalents - End of Year	\$ 56,718	\$ 79,865

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics
Statements of Cash Flows - continued
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities	2019	2018
Operating loss	\$ (67,899)	\$ (39,931)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense	18,082	15,853
Non cash activity related to unearned revenues:		
Net in kind revenue related to capital assets	(424)	(424)
Changes in assets and liabilities:		
Accounts receivable, net	(865)	1,616
Inventories and Prepaid Expenses	651	(260)
Accounts payable and accrued liabilities	1,275	(5,723)
Current portion of other unearned revenues and deposits.	3,671	(2,218)
Other long term liabilities	(1,193)	(2,882)
Compensated absences	164	226
Net pension liability	21,404	(7,287)
Net other post employment benefits liability	4,484	2,850
Deferred outflows-pensions	(7,999)	6,994
Deferred outflows-other post employment benefits	(509)	(1,387)
Deferred inflows-pensions	(5,830)	6,297
Deferred inflows-other post employment benefits	(1,341)	1,404
Net cash used by operating activities	<u>\$ (36,329)</u>	<u>\$ (24,872)</u>
Non cash activity and other supplementary disclosure:		
Capitalized Interest	\$ 4,020	\$ 1,539
Change in accounts payable related to construction	(6,056)	10,975
Unrealized loss (gain) on investments	(3,450)	2,905
Assets financed by seller	424	424
Contributions related to capital assets	1,175	73

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

1. ORGANIZATION

The Ohio State University Department of Athletics ("Athletics") operates under the governance of The Ohio State University Board of Trustees and is included in the financial statements of The Ohio State University ("the university"). As a department of the university, Athletics is exempt from income taxes under Internal Revenue Service rules. All organizations controlled by Athletics, consisting of its various departments, are included in the financial statements; organizations not controlled by Athletics, such as certain booster and alumni organizations, are not included in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of Athletics 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). Athletics reports as a special purpose government engaged solely in "business type activities" under GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

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

- Net investment in capital assets: Capital assets, net of accumulated depreciation, cash restricted for capital projects (i.e., Assets Whose Use is Limited), accounts payable for construction and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted - nonexpendable: Amounts subject to externally-imposed stipulations that they be maintained in perpetuity and invested for the purpose of generating present and future income, which may either be expended or added to the principal. These assets primarily consist of permanent endowments.
- Restricted - expendable: Amounts whose use is subject to externally-imposed stipulations that can be fulfilled by actions of Athletics pursuant to those stipulations or that expire by the passage of time.
- Unrestricted: Amounts which are not subject to externally-imposed stipulations. Substantially all unrestricted balances are internally designated for the operating needs of Athletics in order to support the student athletes and the teams they represent and to provide for unanticipated shortfalls in revenues.

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

Basis of Accounting

The financial statements of Athletics have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they are considered to be a legal or contractual obligation to pay. Athletics' practice is to first apply restricted resources when an expense is incurred for purposes in which both restricted and unrestricted funds are available.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of petty cash, demand deposit accounts, money market accounts, savings accounts and investments with original maturities of ninety days or less at the time of purchase. Athletics' cash is maintained by the Office of Financial Services of the university through pooled funds.

Contributions Receivable

Contributions receivable of \$13,564 and \$10,891 as of June 30, 2019 and 2018, respectively, consist of gifts received by the university's Office of Advancement but not transferred to the operating accounts of Athletics. Amounts are deemed fully collectible.

Pledges Receivable

Athletics receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, endowment pledges are not recorded as assets until the related gift is received. Athletics reduces pledges receivable to estimated net realizable value by recording an allowance for uncollectible pledges based on management's judgement of potential uncollectible amounts and includes such factors as prior collection history and type of gift. As of June 30, 2019 and 2018, Athletics recorded allowances against pledges receivable were \$1,615 and \$1,834 respectively.

Prepaid Expenses

Prepaid expenses consist primarily of amounts paid by Athletics to construct a boathouse on City of Columbus property. In exchange for these payments, Athletics received the right to use the boathouse for a 40-year period. Prepaid expense associated with the boathouse lease is being amortized to expense over the 40-year term of the agreement. In addition to the expenses associated with the boathouse, the current portion of prepaid expenses includes deposits on travel arrangements for the next fiscal year as well as paid summer tuition deferred to the next fiscal year.

Endowment Investments

All investments consist of amounts invested in The Ohio State University Long Term Investment Pool and are recorded at fair value. Endowment funds are managed by the Office of Financial Services of the university, which commingles the funds with other university-related organizations. Earned investment income by a fund is based on the moving average of its monthly market value percentage to the overall pool. Investments are carried at fair value in accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools* as amended by GASB Statement 72, *Fair value Measurement and Application*.

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

The net change in the value of investments during the years ended June 30, 2019 and 2018 are a decrease of \$229 and an increase of \$8,937 respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during each respective year. The calculation of unrealized gain or loss is independent of the calculation of the net increase in fair value of investments. As of June 30, 2019, there is a cumulative unrealized gain on investments of \$3,908.

As of June 30, 2018, there was a cumulative unrealized gain on investments of \$7,358. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the Long Term Investment Pool. The associated net position is classified as restricted-expendable, unless otherwise restricted by the donor.

At June 30, 2019, the fair value of Athletics gifted endowments is \$85,290 which is \$2,824 above the historical dollar value of \$82,466. Although the fair value of certain gifted endowments exceeded the historical cost at June 30, 2019, there were 161 named funds that were underwater. The fair value of these underwater funds at June 30, 2019 is \$34,942, which is \$2,821 below the historical dollar value of \$37,763.

At June 30, 2018, the fair value of Athletics gifted endowments is \$85,073 which is \$5,735 above the historical dollar value of \$79,338. Although the fair value of certain gifted endowments exceeded the historical cost at June 30, 2018, there were 119 named funds that were underwater. The fair value of these underwater funds at June 30, 2018 is \$17,827, which is \$1,987 below the historical dollar value of \$19,814.

The depreciation on non-expendable endowment funds is recorded as a reduction to restricted non-expendable net position. Recovery on these funds is recorded as an increase in restricted non-expendable up to the historical value of each fund. Per UPMIFA (§ 1715.53(D)(C)), the reporting of such deficiencies does not create an obligation on the part of the endowment fund to restore the fair value of those funds.

Assets Whose Use is Limited

Assets whose use is limited represent cash and cash equivalents for capital projects funded by loans from the university.

Capital Assets

Capital asset acquisitions are recorded at cost on the date of acquisition, or, if donated, at fair market value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Estimated useful lives are 10-100 years for buildings, 20 years for improvements and 5-15 years for moveable equipment. Expenditures for construction in progress are capitalized as incurred. Routine maintenance and repairs are charged to expenses as incurred.

Unearned Revenues

Unearned revenues primarily consist of receipts related to athletic events, golf course memberships, and sports camp entry fees received in advance of the services to be provided. Athletics will recognize revenue to the extent these services are provided over the coming fiscal year. Certain unearned revenues related to sponsorship agreements are longer in term and will be recognized ratably over the life of the agreements.

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

Operating and Non-Operating Activities

Athletics defines operating activities, for purposes of reporting on the Statement 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. With the exception of interest expense on long-term indebtedness, substantially all Athletics expenses are considered to be operating expenses. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including university distributions to support operations, current-use gifts, and net investment income.

Equity transfers to the university

Transfers to the university represent non exchange transactions whereby Athletics generated revenues or reserves are contributed to the university in support of institutional initiatives. Current year transfers include funds to support a university wide cost containment program, support for the marching and athletic bands, and support for the campus police department.

Sponsorship Agreement

Athletics has various sponsorship agreements that provide for in-kind contributions of apparel, footwear, sports equipment, and the use of certain athletic related equipment. For the years ended June 30, 2019 and 2018, in-kind revenues were \$3,892 and \$3,360 respectively. Athletics recognizes expense for the use of contributed apparel, footwear and equipment as it is incurred as in-kind supplies and services.

Management Estimates

The preparation of financial statements in conformity with accounting principles, generally accepted in the United States of America, requires the use of management estimates, primarily related to collectability of accounts and pledges receivable and to the valuation of compensated absences. Actual results could differ from those estimates.

Implementation of GASB Statement No. 75

In fiscal year 2018, the university implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires employers in cost-sharing, multi-employer plans to recognize a proportionate share of the net other post-employment benefit (OPEB) liabilities of the plans. The university participates in two cost-sharing multiple-employer pension plans, the State Teachers Retirement System of Ohio and the Ohio Public Employees Retirement System, which provide post-retirement healthcare benefits. A proportionate share of the net OPEB liabilities of the retirement systems has been allocated to the university, based on retirement plan contributions for university employees. The cumulative effect of adopting GASB Statement No. 75 was a \$16,002 reduction in Athletics' net position as of July 1, 2017. Additional information regarding net OPEB liabilities, related deferrals and OPEB expense is provided in Note 9.

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

Newly Issued Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This standard establishes criteria for identifying and reporting fiduciary activities of all state and local governments. The focus of the criteria generally is whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria are required to present these activities in a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to this requirement is provided for a business-type activity that expects to hold assets in a custodial fund for three months or less. This standard is effective for periods beginning after December 15, 2018 (FY2020).

In June 2017, the GASB issued Statement No. 87, *Leases*. This standard establishes accounting and reporting for leases, based on the foundational principle that all leases are financings of the right to use an underlying asset for a period of time. Lessees will record an intangible right-of-use asset and corresponding lease liability. Lessors will record a lease receivable and a corresponding deferred inflow of resources. The standard provides an exception for short-term leases with a maximum possible term of 12 months or less. This standard is effective for periods beginning after December 15, 2019 (FY2021).

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This standard requires that interest cost incurred during the period of construction be recognized as an expense in the period in which the cost is incurred. These costs will no longer be included in the historical costs of capital assets. The standard is effective for periods beginning after December 15, 2019 (FY2021) and will be applied on a prospective basis.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. This standard establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The standard is effective for periods beginning after December 15, 2018 (FY2020).

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard clarifies the definition of a conduit debt obligation, establishes the third-party obligor's responsibility for the liability and modifies disclosure requirements for these arrangements. The standard is effective for periods beginning after December 15, 2020 (FY2022).

University management is currently assessing the impact that implementation of GASB Statements No. 84, 87, 89, 90 and 91 will have on the university's financial statements.

Other

As a Department of the university, Athletics is exempt from income taxes as an instrumentality of the State of Ohio under Internal Revenue Service rules. Any unrelated business income is taxable.

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

3. INVESTMENTS

Athletics endowments are invested in the University Long-Term Investment Pool, and as such, all endowment investments are held by the university. The pool consists of more than 6,603 authorized funds and 284 pending funds. Each named fund in the University Long-Term Investment Pool is assigned a number of shares, based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Ohio, permits the University's Board of Trustees to appropriate an amount of realized and unrealized endowment appreciation as the Board deems prudent. The UPMIFA, as adopted in Ohio, establishes a 5% safe harbor of prudence for funds appropriated for expenditure. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the University Long-Term Investment Pool, and the associated net position is classified as restricted-expendable, unless otherwise restricted by the donor. The pool is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support Athletics' mission.

The university holds certain types of alternative investment funds, including limited partnerships and private equity, which are carried at the net asset values provided by the management of these funds. The purpose of this alternative investment fund class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes. Management of the alternative investment funds, namely the general partner, use methods such as discounted cash flows, recent transactions, and other model-based calculations, to estimate the fair value of the investment held by the fund.

Annual distributions to named funds in the University Long-Term Investment Pool are computed using the share method of accounting for pooled investments. For the year ended June 30, 2019, the annual distribution per share was 4.5% of the average fair value per share of the University Long-Term Investment Pool over the most recent seven-year period. For the year ended June 30, 2018, the annual distribution per share was 4.5% of the average fair value per share of the University Long-Term Investment Pool over the most recent seven-year period. These distributions, which were transferred from the University Long-Term Investment Pool to current restricted endowment distribution funds, totaled \$4,483 and \$4,150 in fiscal years 2019 and 2018, respectively.

At June 30, 2019, the original cost and fair value of Athletics' endowment investments were \$96,752 and \$100,660 respectively. At June 30, 2018, the original cost and fair value of Athletics' endowment investments were \$93,531 and \$100,889 respectively.

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Improvements	\$ 45,525	\$ 9,529	\$ -	\$ 55,054
Buildings	379,400	135,964	-	515,364
Moveable equipment	10,536	1,677	(494)	11,719
Construction in progress	<u>79,969</u>	<u>71,798</u>	<u>(145,494)</u>	<u>6,273</u>
	515,430	218,968	(145,988)	588,410
Less: accumulated depreciation				
Improvements	25,945	2,437	-	28,382
Buildings	193,866	14,639	-	208,505
Moveable equipment	<u>5,607</u>	<u>1,005</u>	<u>(494)</u>	<u>6,118</u>
	<u>225,418</u>	<u>18,081</u>	<u>(494)</u>	<u>243,005</u>
Capital assets, net	<u>\$ 290,012</u>	<u>\$ 200,887</u>	<u>\$ (145,494)</u>	<u>\$ 345,405</u>

Capital asset activity for the year ended June 30, 2018 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Improvements	\$ 45,524	\$ 1	\$ -	\$ 45,525
Buildings	378,452	948	-	379,400
Moveable equipment	10,164	920	(548)	10,536
Construction in progress	<u>15,580</u>	<u>65,410</u>	<u>(1,021)</u>	<u>79,969</u>
	449,720	67,279	(1,569)	515,430
Less: accumulated depreciation				
Improvements	23,615	2,330	-	25,945
Buildings	181,223	12,643	-	193,866
Moveable equipment	<u>5,275</u>	<u>880</u>	<u>(548)</u>	<u>5,607</u>
	<u>210,113</u>	<u>15,853</u>	<u>(548)</u>	<u>225,418</u>
Capital assets, net	<u>\$ 239,607</u>	<u>\$ 51,426</u>	<u>\$ (1,021)</u>	<u>\$ 290,012</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

5. LONG-TERM DEBT

University Notes Payable

The university has issued notes payable to Athletics through Memorandums of Understanding ("MOUs") which document the principal, interest charges and repayment terms as well as any other conditions or covenants. The current notes have been issued at fixed interest rates with no premium or discount on the debt.

Long-term debt activity for the year ended June 30, 2019 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable to the university					
2002, 4.74% through 2032	\$ 4,696	\$ -	\$ 254	\$ 4,442	\$ 267
2002, 4.74% through 2047	106,842	-	1,756	105,086	1,841
2006, 4.14% through 2031	10,892	-	703	10,189	733
2014, 4.50% through 2024	2,438	-	421	2,017	441
2014, 2.25% through 2019	29	-	29	-	-
2015, 2.25% through 2020	28	-	18	10	9
2014, 4.00% through 2019	363	-	363	-	-
2014, 4.50% through 2021	1,496	-	540	956	565
2014, 4.50% through 2024	5,422	-	894	4,528	935
2014, 4.50% through 2024	7,142	-	1,132	6,010	1,184
2015, 4.50% through 2025	3,213	-	411	2,802	430
2016, 4.75% through 2046	17,214	10,443	-	27,657	1,024
2017, 4.75% through 2046	24,133	-	423	23,710	443
2018, 2.75% through 2023	184	-	35	149	36
2018, 5.25% through 2028	4,823	2,290	607	6,506	639
2018, 4.75% through 2033	15,730	16,977	1,582	31,125	1,658
2019, 2.75% through 2023	-	103	15	88	20
2019, 5.25% through 2039	-	3,236	78	3,158	98
2019, 4.75% through 2033	-	23,317	1,049	22,268	1,129
	<u>\$ 204,645</u>	<u>\$ 56,366</u>	<u>\$ 10,310</u>	<u>\$ 250,701</u>	<u>\$ 11,452</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

Long-term debt activity for the year ended June 30, 2018 is summarized as follows:

	Beginning			Ending	Current
	Balance	Additions	Reductions	Balance	Portion
Notes payable to the university					
2002, 4.74% through 2032	\$ 4,938	\$ -	\$ 242	\$ 4,696	\$ 254
2002, 4.74% through 2047	108,516	-	1,674	106,842	1,756
2006, 4.14% through 2031	11,567	-	675	10,892	703
2014, 4.50% through 2024	2,841	-	403	2,438	421
2014, 2.25% through 2019	59	-	30	29	29
2015, 2.25% through 2020	46	-	18	28	18
2014, 4.00% through 2019	889	-	526	363	363
2014, 4.50% through 2021	2,013	-	517	1,496	540
2014, 4.50% through 2024	6,277	-	855	5,422	894
2014, 4.50% through 2024	8,224	-	1,082	7,142	1,132
2015, 4.50% through 2025	3,606	-	393	3,213	411
2017, 4.75% through 2046	24,536	-	403	24,133	423
2016, 4.75% through 2046	4,260	12,954	-	17,214	574
2018, 2.75% through 2023	-	184	-	184	36
2018, 5.25% through 2028	-	5,210	387	4,823	411
2018, 4.75% through 2033	-	16,390	660	15,730	760
	<u>\$ 177,772</u>	<u>\$ 34,738</u>	<u>\$ 7,865</u>	<u>\$ 204,645</u>	<u>\$ 8,725</u>

Principal maturities and interest on long-term debt for the next five years and in subsequent five-year periods are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 11,452	\$ 10,363	\$ 21,815
2021	11,737	9,870	21,607
2022	11,837	9,372	21,209
2023	12,352	8,836	21,188
2024	11,363	8,313	19,676
FY 2025-FY 2029	52,292	35,269	87,561
FY 2030-FY 2034	47,337	23,796	71,133
FY 2035-FY 2039	30,749	16,273	47,022
FY 2040-FY 2044	37,604	9,418	47,022
FY 2045 and Thereafter	23,978	1,624	25,602
	<u>\$ 250,701</u>	<u>\$ 133,134</u>	<u>\$ 383,835</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

6. OPERATING LEASES

Athletics leases various buildings and office space under operating lease agreements. These facilities are not recorded as assets on the Statements of Net Position. The total rental expense under these agreements for the years ended June 30, 2019 and 2018 were \$4,946 and \$4,852, respectively. Total rental expense is reported in supplies and services on the Statements of Revenues, Expenses and Other Changes in Net Position.

Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year are as follows:

Year ending June 30	
2020	\$ 5,026
2021	5,134
2022	5,244
2023	5,024
2024	4,968
Total	<u>\$25,396</u>

7. COMPENSATED ABSENCES

Athletics' employees earn vacation and sick leave on a monthly basis. Classified civil service employees may accrue vacation benefits up to a maximum of three years credit. Administrative and professional staff and faculty may accrue vacation benefits up to a maximum of 240 hours. For all classes of employees, any earned but unused vacation benefit is payable upon termination.

Certain employees of Athletics receive compensation time in lieu of overtime pay. Any unused compensation time must be paid to the employee at the time of termination or retirement.

Sick leave may be accrued without limit. However, earned but unused sick leave benefits are payable only upon retirement from the university with ten or more years of state service. The amount of sick leave benefit payable at retirement is one fourth of the value of the accrued but unused sick leave up to a maximum of 240 hours.

Athletics follows the university's policy for accruing sick leave liability. Athletics accrues sick leave liability for those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments. This liability is calculated using the "termination payment method" which is set forth in Appendix C, Example 4 of the GASB Statement No. 16, *Accounting for Compensated Absences*. Under the termination method, Athletics uses a university-calculated ratio, Sick Leave Termination Cost per Year Worked, which is based on the university's actual historical experience of sick leave payouts to terminated employees. This ratio is then applied to the total years-of-service for current Athletics employees.

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

The following schedule summarizes compensated absence activity for the year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 3,864	\$ 559	\$ 395	\$ 4,028
Less: current portion	<u>434</u>			<u>395</u>
	<u>\$ 3,430</u>			<u>\$ 3,633</u>

The following schedule summarizes compensated absence activity for the year ended June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 3,638	\$ 660	\$ 434	\$ 3,864
Less: current portion	<u>570</u>			<u>434</u>
	<u>\$ 3,068</u>			<u>\$ 3,430</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

8. RELATED PARTY TRANSACTIONS

The university charges Athletics for allocated overhead costs related to financial, student and development department costs and certain other expenses incurred by the university on behalf of Athletics. Overhead charged to supplies and services expense for the years ended June 30, 2019 and 2018 was \$7,174 and \$7,389 respectively.

Athletics rents office space from the university in the Fawcett Center for Tomorrow located on Olentangy River Road. Lease payments reported in supplies and services for the years ended June 30, 2019 and 2018 were \$1,221 and \$1,198 respectively.

The Jerome Schottenstein Center is a 770,000 square foot multipurpose venue opened in 1998. The capital asset is not included on Athletics' financial statement as the facility is used for a wide range of university purposes. In exchange for the use of the Value City Arena, practice gyms, and office space, Athletics provides services in the areas of marketing, ticket sales, and information technology. Athletics also makes an annual rental payment under the agreement to the university which is reported in supplies and services. The amounts paid under this agreement for the years ended June 30, 2019 and 2018 were \$2,575 and \$2,523 respectively. In addition, Athletics has an agreement to transfer a portion of the revenue received from a Sponsorship Rights contract with IMG to The Jerome Schottenstein Center. The amounts paid for the years ended June 30, 2019 and 2018 were \$3,547 and \$3,414 respectively and reduced television, broadcast rights, and sponsorship revenues.

The Younkin Success center is a university wide collaboration to provide a variety of services supporting student success to faculty, staff and students. The Student-Athlete Support Services Office (SASSO) within Younkin provides access to service and programs that promote academic, personal and career development and facilitate graduation for over 1,000 student athletes. Athletics payments in support of SASSO for the years ended June 30, 2019 and 2018 were \$3,456 and \$3,632 respectively. The payments are reported in supplies and services.

Recognizing that the national reputation of the Athletics department brings exposure to the university and helps drive the market for licensed products, the university includes Athletics in the distribution of licensing revenue each year based on a formula driven allocation of net proceeds. For the years ended June 30, 2019 and 2018 the allocations to Athletics were \$6,042 and \$7,288, respectively. Athletics records this revenue related to the university's royalty and affinity revenue in University distribution on the Statements of Revenues, Expenses and Other Changes in Net Position.

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

9. RETIREMENT PLANS

University employees are covered by one of three retirement systems. The university faculty is covered by the State Teachers Retirement System of Ohio (STRS Ohio). Substantially all other employees are covered by the Public Employees Retirement System of Ohio (OPERS). Employees may opt out of STRS Ohio and OPERS and participate in the Alternative Retirement Plan (ARP) if they meet certain eligibility requirements.

STRS Ohio and OPERS offer statewide cost-sharing multiple-employer defined benefit pension plans. STRS Ohio and OPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. In addition, the retirement systems provide other post-employment benefits (OPEB), consisting primarily of healthcare. Benefits are established by state statute and are calculated using formulas that include years of service and final average salary as factors.

In accordance with GASB Statements Nos. 68 and 75, employers participating in cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective net pension and OPEB liabilities of the plans. Although changes in the net pension and OPEB liabilities generally are recognized as expense in the current period, certain items are deferred and recognized as expense in future periods. Deferrals for differences between projected and actual investment returns are amortized to pension expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 3 to 10 years).

The collective net pension liabilities of the retirement systems and the Athletics' proportionate share of these net pension liabilities as of June 30, 2019 are as follows:

	<u>OPERS</u>
Net pension liability - all employers	\$ 27,273,872
Proportion of the net pension liability - Athletics	0.175%
Proportionate share of net pension liability	\$ 47,613

The collective net OPEB liabilities of the retirement systems and the Athletics' proportionate share of these liabilities as of June 30, 2019 are as follows:

	<u>OPERS</u>
Net OPEB liability - all employers	\$ 13,037,639
Proportion of the net OPEB liability - Athletics	0.179%
Proportionate share of net OPEB liability	\$ 23,336

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

The collective net pension liabilities of the retirement systems and the Athletics' proportionate share of these net pension liabilities as of June 30, 2018 are as follows:

	<u>OPERS</u>
Net pension liability - all employers	\$ 15,548,439
Proportion of the net pension liability - Athletics	0.169%
Proportionate share of net pension liability	\$ 26,208

The collective net OPEB liabilities of the retirement systems and the Athletics' proportionate share of these net pension liabilities as of June 30, 2018 are as follows:

	<u>OPERS</u>
Net OPEB liability - all employers	\$ 10,859,263
Proportion of the net OPEB liability - Athletics	0.174%
Proportionate share of net OPEB liability	\$ 18,852

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2019:

	<u>OPERS</u>
Deferred Outflows of Resources:	
Differences between expected and actual experience	\$ 22
Changes in assumptions	4,211
Net difference between projected and actual earnings on pension plan investments	6,726
Changes in proportion of university contributions	115
Employer contributions subsequent to the measurement date	1,895
Total	<u>\$ 12,969</u>
Deferred Inflows of Resources:	
Differences between expected and actual experience	\$ 731
Net difference between projected and actual earnings on pension plan investments	-
Changes in proportion of university contributions	2
Total	<u>\$ 733</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

Deferred outflows of resources and deferred inflows of resources for OPEB were related to the following sources as of June 30, 2019:

	<u>OPERS</u>
Deferred Outflows of Resources:	
Differences between expected and actual experience	\$ 8
Changes in assumptions	722
Net difference between projected and actual earnings on OPEB plan investments	1,114
Changes in proportion of university contributions	52
Employer contributions subsequent to the measurement date	-
Total	<u>\$ 1,896</u>
Deferred Inflows of Resources:	
Differences between expected and actual experience	\$ 63
Net difference between projected and actual earnings on OPEB plan investments	-
Changes in proportion of university contributions	-
Total	<u>\$ 63</u>

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2018:

	<u>OPERS</u>
Deferred Outflows of Resources:	
Differences between expected and actual experience	\$ 40
Changes in assumptions	3,072
Changes in proportion of university contributions	73
Employer contributions subsequent to the measurement date	1,785
Total	<u>\$ 4,970</u>
Deferred Inflows of Resources:	
Differences between expected and actual experience	\$ 624
Net difference between projected and actual earnings on pension plan investments	5,938
Changes in proportion of university contributions	1
Total	<u>\$ 6,563</u>

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

Deferred outflows of resources and deferred inflows of resources for OPEB were related to the following sources as of June 30, 2018:

	<u>OPERS</u>
Deferred Outflows of Resources:	
Differences between expected and actual experience	\$ 14
Changes in assumptions	1,373
Total	<u>\$ 1,387</u>
Deferred Inflows of Resources:	
Net difference between projected and actual earnings	1,404
Total	<u>\$ 1,404</u>

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ending June 30 as follows:

	<u>OPERS</u>
2020	6,234
2021	2,254
2022	709
2023	3,044
2024	(5)
2025 and Thereafter	-
Total	<u>\$ 12,236</u>

Net deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense during the years ending June 30 as follows:

	<u>OPERS</u>
2020	849
2021	253
2022	192
2023	539
2024	-
2025 and Thereafter	-
Total	<u>\$ 1,833</u>

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

The following table provides additional details on the benefit formulas, contribution requirements and significant assumptions used in the measurement of total pension and OPEB liabilities for the retirement systems (information below applies to both pensions and OPEB unless otherwise indicated).

	OPERS
Statutory Authority	Ohio Revised Code Chapter 145
Benefit Formula	<p>Pensions -- Benefits are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with five years of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with five years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.</p> <p>OPEB – The Ohio Revised Code permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and Combined Plan is comparable, as the same coverage options are provided to participants in both plans. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the Connector, and may be eligible for monthly allowances deposited to an HRA to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses and prescription drugs. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System and attempts to control costs by using managed care, case management, and other programs. Additional details on health care coverage can be found in the Plan Statement in the OPERS 2018 CAFR.</p> <p>OPERS no longer participates in the Medicare Part D program as of December 31, 2016. In 2018, OPERS received the final distribution of funds from the Medicare Part D program for calendar year 2016 of \$378,007.</p>

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

	OPERS
Cost-of-Living Adjustments	Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, current law provides for an annual COLA. The COLA is calculated on the member's base pension benefit at the date of retirement and is not compounded. Members retiring under the Combined Plan receive a COLA on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, current law provides for a 3% COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.
Contribution Rates	Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 2018, employer rates for the State and Local Divisions were 14% of covered payroll (and 18.1% for the Law Enforcement and Public Safety Divisions). Member rates for the State and Local Divisions were 10% of covered payroll (13% for Law Enforcement and 12% for Public Safety).

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

	OPERS
Measurement Date	December 31, 2018 (OPEB is rolled forward from December 31, 2017 actuarial valuation date)
Actuarial Assumptions	<p>Valuation Date: December 31, 2018 for pensions; December 31, 2017 for OPEB</p> <p>Actuarial Cost Method: Individual entry age</p> <p>Investment Rate of Return: 7.2% for pensions; 6.0% for OPEB</p> <p>Inflation: 3.25%</p> <p>Projected Salary Increases: 3.25% - 10.75%</p> <p>Cost-of-Living Adjustments: 3.00% Simple – for those retiring after January 7, 2013, 3.00% Simple through 2018, then 2.15% Simple.</p> <p>Health Care Cost Trends: 10.0% initial; 3.25% ultimate</p>
Mortality Rates	<p>Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.</p>
Date of Last Experience Study	December 31, 2015

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

	OPERS																																														
Investment Return Assumptions	<p>The long term expected rates of return on defined benefit pension and health care investment assets were determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.</p> <p>The following table displays the Board-approved asset allocation policy for defined benefit pension assets for 2018 and the long-term expected real rates of return:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Asset Class</th> <th style="text-align: center;">Target Allocation</th> <th style="text-align: center;">Long Term Expected Return*</th> </tr> </thead> <tbody> <tr> <td>Fixed Income</td> <td style="text-align: center;">23.0%</td> <td style="text-align: center;">2.79%</td> </tr> <tr> <td>Domestic Equity</td> <td style="text-align: center;">19.0%</td> <td style="text-align: center;">6.21%</td> </tr> <tr> <td>Real Estate</td> <td style="text-align: center;">10.0%</td> <td style="text-align: center;">4.90%</td> </tr> <tr> <td>Private Equity</td> <td style="text-align: center;">10.0%</td> <td style="text-align: center;">10.81%</td> </tr> <tr> <td>International Equity</td> <td style="text-align: center;">20.0%</td> <td style="text-align: center;">7.83%</td> </tr> <tr> <td>Other Investments</td> <td style="text-align: center;">18.0%</td> <td style="text-align: center;">5.50%</td> </tr> <tr> <td>Total</td> <td style="text-align: center; border-top: 1px solid black;">100.0%</td> <td></td> </tr> </tbody> </table> <p>* Returns presented as arithmetic means</p> <p>The following table displays the Board-approved asset allocation policy for health care assets for 2018 and the long-term expected real rates of return:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Asset Class</th> <th style="text-align: center;">Target Allocation</th> <th style="text-align: center;">Long Term Expected Return*</th> </tr> </thead> <tbody> <tr> <td>Fixed Income</td> <td style="text-align: center;">34.0%</td> <td style="text-align: center;">2.42%</td> </tr> <tr> <td>Domestic Equities</td> <td style="text-align: center;">21.0%</td> <td style="text-align: center;">6.21%</td> </tr> <tr> <td>REITs</td> <td style="text-align: center;">6.0%</td> <td style="text-align: center;">5.98%</td> </tr> <tr> <td>International Equities</td> <td style="text-align: center;">22.0%</td> <td style="text-align: center;">7.83%</td> </tr> <tr> <td>Other Investments</td> <td style="text-align: center;">17.0%</td> <td style="text-align: center;">5.57%</td> </tr> <tr> <td>Total</td> <td style="text-align: center; border-top: 1px solid black;">100.0%</td> <td></td> </tr> </tbody> </table> <p>* Returns presented as arithmetic means</p>		Asset Class	Target Allocation	Long Term Expected Return*	Fixed Income	23.0%	2.79%	Domestic Equity	19.0%	6.21%	Real Estate	10.0%	4.90%	Private Equity	10.0%	10.81%	International Equity	20.0%	7.83%	Other Investments	18.0%	5.50%	Total	100.0%		Asset Class	Target Allocation	Long Term Expected Return*	Fixed Income	34.0%	2.42%	Domestic Equities	21.0%	6.21%	REITs	6.0%	5.98%	International Equities	22.0%	7.83%	Other Investments	17.0%	5.57%	Total	100.0%	
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The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

	OPERS
Discount Rate	<p>Pensions -- The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan, the Combined Plan and the Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.</p> <p>OPEB -- A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.</p>

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

	OPERS						
Benefit Term Changes Since the Prior Measurement Date	Pensions -- For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.						
Sensitivity of Net Pension Liability to Changes in Discount Rate	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">1% Decrease (6.2%)</th> <th style="text-align: center;">Current Rate (7.2%)</th> <th style="text-align: center;">1% Increase (8.2%)</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">\$ 70,566</td> <td style="text-align: right;">\$ 47,613</td> <td style="text-align: right;">\$ 28,551</td> </tr> </tbody> </table>	1% Decrease (6.2%)	Current Rate (7.2%)	1% Increase (8.2%)	\$ 70,566	\$ 47,613	\$ 28,551
1% Decrease (6.2%)	Current Rate (7.2%)	1% Increase (8.2%)					
\$ 70,566	\$ 47,613	\$ 28,551					
Sensitivity of Net OPEB Liability to Changes in Discount Rate	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">1% Decrease (2.96%)</th> <th style="text-align: center;">Current Rate (3.96%)</th> <th style="text-align: center;">1% Increase (4.96%)</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">\$ 29,854</td> <td style="text-align: right;">\$ 23,336</td> <td style="text-align: right;">\$ 18,150</td> </tr> </tbody> </table>	1% Decrease (2.96%)	Current Rate (3.96%)	1% Increase (4.96%)	\$ 29,854	\$ 23,336	\$ 18,150
1% Decrease (2.96%)	Current Rate (3.96%)	1% Increase (4.96%)					
\$ 29,854	\$ 23,336	\$ 18,150					
Sensitivity of Net OPEB Liability to Changes in Medical Trend Rate	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">1% Decrease in Trend Rate</th> <th style="text-align: center;">Current Trend Rate</th> <th style="text-align: center;">1% Increase in Trend Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">\$ 22,430</td> <td style="text-align: right;">\$ 23,336</td> <td style="text-align: right;">\$ 24,377</td> </tr> </tbody> </table>	1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate	\$ 22,430	\$ 23,336	\$ 24,377
1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate					
\$ 22,430	\$ 23,336	\$ 24,377					

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

Defined Contribution Plans

ARP is a defined contribution pension plan. Full-time administrative and professional staff and faculty may choose enrollment in ARP in lieu of OPERS or STRS Ohio. Classified civil service employees hired on or after August 1, 2005 are also eligible to participate in ARP. ARP does not provide disability benefits, annual cost-of-living adjustments, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

STRS Ohio also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 9.53% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no post-retirement health care benefits.

Combined Plans

STRS Ohio offers a combined plan with features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive post-retirement health care benefits.

OPERS also offers a combined plan. This is a cost-sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive post-retirement health care benefits. OPERS provides retirement, disability, survivor and post-retirement health benefits to qualifying members of the combined plan.

Summary of Employer Pension Expense

Total pension and OPEB expense for the year ended June 30, 2019, including employer contributions and accruals associated with recognition of net pension liabilities, net OPEB liabilities and related deferrals, is presented below.

	OPERS	ARP	Total
Employer Contributions	\$ 4,040	\$ 1,478	\$ 5,518
GASB 68 Pension Accruals	7,576		7,576
GASB 75 OPEB Accruals	2,634	-	2,634
Total Pension and OPEB Expense	\$ 14,250	\$ 1,478	\$ 15,728

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2019 and June 30, 2018

(In thousands)

Total pension expense for the year ended June 30, 2018, including employer contributions and accruals associated with recognition of net pension liabilities and related deferrals, is presented below.

	OPERS	ARP	Total
Employer Contributions	\$ 3,662	\$ 1,477	\$ 5,139
GASB 68 Pension Accruals	6,002	-	6,002
GASB 75 OPEB Accruals	2,868	-	2,868
Total Pension and OPEB Expense	\$ 12,532	\$ 1,477	\$ 14,009

Pension and OPEB expenses are included in employee benefits on the Statement of Revenues, Expenses and Other Changes in Net Position.

Both STRS Ohio and OPERS issue separate, publicly available financial reports that include financial statements and required supplemental information. These reports may be obtained by contacting the two organizations.

STRS Ohio

275 East Broad Street
 Columbus, OH 43215-3371
 (614) 227-4090
 (888) 227-7877
www.strsoh.org

OPERS

277 East Town Street
 Columbus, OH 43215-4642
 (614) 222-5601
 (800) 222-7377
www.opers.org/investments/cafr.shtml

10. CONTINGENCIES AND RISK MANAGEMENT

The university is a party in a number of legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material adverse effect on the Athletics' financial position.

The Ohio State University Department of Athletics
Required Supplementary Information
For the Years Ended June 30, 2019 and June 30, 2018

REQUIRED SUPPLEMENTARY INFORMATION

**The Ohio State University Department of Athletics
Required Supplementary Information on GASB 68 Pension Liabilities
For the Year Ended June 30, 2019 (Unaudited)**

(In Thousands)

The Schedule of Athletics' proportionate shares of OPERS net pension liabilities are presented below:

	2019	2018	2017	2016		2015	
	OPERS	OPERS	OPERS	STRS-Ohio	OPERS	STRS-Ohio	OPERS
Schedule of Proportionate Share of the Net Pension Liability							
Athletics proportion of the collective net pension liability	0.175%	0.169%	0.148%	0.001%	0.142%	0.001%	0.137%
Athletics proportionate share of the net pension liability	\$ 47,613	\$ 26,208	\$ 33,496	\$ 172	\$ 24,610	\$ 178	\$ 16,441
Athletics covered payroll	\$ 26,907	\$ 24,703	\$ 21,046	\$ 54	\$ 19,585	\$ 63	\$ 18,471
Athletics proportionate share of the net pension liability as a percentage of its covered payroll	177%	106%	159%	319%	126%	281%	89%
Plan fiduciary net position as a percentage of the total	74.9%	84.9%	77.4%	72.1%	81.1%	74.7%	86.5%
Schedule of University Contributions							
Contractually required contribution	\$ 4,040	\$ 3,662	\$ 3,346	\$ -	\$ 2,883	\$ 8	\$ 2,769
Contributions in relation to the contractually required	\$ 4,040	\$ 3,662	\$ 3,346	\$ -	\$ 2,883	\$ 8	\$ 2,769
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Athletics covered payroll	\$ 26,630	\$ 25,542	\$ 23,344	\$ -	\$ 20,055	\$ 54	\$ 19,283
Contributions as a percentage of covered payroll	15.2%	14.3%	14.3%	N/A	14.4%	14.0%	14.4%

The Ohio State University Department of Athletics
Required Supplementary Information on GASB 75 Other Post
Employment Benefit Liabilities For the Year Ended June 30, 2019 (Unaudited)

(In Thousands)

The schedule of Athletics' proportionate shares of and OPERS net OPEB liabilities are presented below:

	<u>2019</u>	<u>2018</u>
Schedule of Proportionate Share of the Net OPEB Liability		
Athletics proportion of the collective net OPEB liability	0.179%	0.174%
Athletics proportionate share of the net OPEB liability	\$ 23,336	\$ 18,852
Athletics covered payroll	\$ 26,907	\$ 24,703
Athletics proportionate share of the net OPEB liability as a percentage of its covered payroll	87%	76%
Plan fiduciary net position as a percentage of the total	46.3%	54.1%



**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 Trustees of
The Ohio State University

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 Department of Athletics (“Athletics”), a department of The Ohio State University, as of and for the year ended June 30, 2019, appearing on pages 10 to 37, which comprise the statement of net position, 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 December 9, 2019.

Internal Control Over Financial Reporting

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

December 9, 2019

OHIO AUDITOR OF STATE KEITH FABER



THE OHIO STATE UNIVERSITY DEPARTMENT OF ATHLETICS

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 26, 2019