



OKLAHOMA STATE UNIVERSITY FOUNDATION

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2019 and 2018

WITH

INDEPENDENT AUDITOR'S REPORT

CONTENTS

Independent Auditor's Report	1
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements.....	8
Supplemental Information:	
Combining Schedule of Activities – Intercollegiate Athletic Accounts.....	35

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oklahoma State University Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Oklahoma State University Foundation and affiliates (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 the auditor's 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, the auditor considers 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 Oklahoma State University Foundation and affiliates as of June 30, 2019 and 2018, and the changes in their net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019 the Foundation adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Hogan Taylor LLP". The signature is written in a cursive, flowing style.

Tulsa, Oklahoma
October 24, 2019

OKLAHOMA STATE UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 6,032,477	\$ 4,580,483
Short-term investments	40,990,551	83,391,953
Prepaid expenses	6,690	28,642
Interest and other receivables	3,479,038	2,629,491
Contributions receivable, net	99,282,275	91,169,374
Notes receivable	7,724,569	9,614,078
Other property investments	2,331,848	708,854
Investments	960,568,983	909,212,926
Property and equipment, net	18,171,308	20,662,336
Beneficial interests in trusts	14,126,504	15,172,459
Other assets	3,213,457	3,203,323
	\$1,155,927,700	\$1,140,373,919
Total assets		
Liabilities and Net Assets		
Liabilities:		
Oklahoma State University support payable	\$ 4,772,584	\$ 1,177,045
Accounts payable and accrued liabilities	2,887,481	2,312,814
Funds held on behalf of Oklahoma State University	6,821,072	6,696,790
Funds held on behalf of Oklahoma State University Alumni Association	16,078,786	17,324,304
Funds held on behalf of Foundation for the McKnight Center for the Performing Arts	10,032,101	4,802,518
Unearned revenue	15,000	278,500
Line of credit	37,370,000	21,239,078
Obligations under split-interest agreements	12,042,096	11,499,368
Notes payable	16,590,508	-
	106,609,628	65,330,417
Total liabilities		
Net assets:		
Without donor restrictions	361,880,615	396,586,185
With donor restrictions	687,437,457	678,457,317
	1,049,318,072	1,075,043,502
Total net assets		
Total liabilities and net assets	\$1,155,927,700	\$1,140,373,919

OKLAHOMA STATE UNIVERSITY FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2019

(With comparative totals for year ended June 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, gains and support				
Contributions:				
Cash	\$ 40,693,550	\$ 12,778,372	\$ 53,471,922	\$ 60,213,565
Securities	2,122,017	3,671,404	5,793,421	5,958,216
Land, goods, services and other	5,189,185	6,642,125	11,831,310	2,628,982
Promises to give	(334,542)	24,792,763	24,458,221	29,914,553
Cowboy Athletics	-	-	-	8,108,907
Total contributions	47,670,210	47,884,664	95,554,874	106,824,223
Provision for uncollectible pledges	(29,138)	(2,347,027)	(2,376,165)	(1,407,860)
Net investment returns	18,508,535	24,377,812	42,886,347	67,769,003
Contract support services	2,969,770	-	2,969,770	2,666,750
Net gains (losses) on disposals of property and equipment and other property investments	(22,126)	60,713	38,587	(424,579)
Management fee income (loss)	9,850,895	(9,575,086)	275,809	174,803
Change in value of split-interest agreements	317,607	462,831	780,438	(826,454)
Other income (loss)	3,738,025	(21,531)	3,716,494	3,576,544
Reclassifications - donor directed	921,800	(921,800)	-	-
Net assets released from restrictions	50,940,436	(50,940,436)	-	-
Total revenues, gains and support	134,866,014	8,980,140	143,846,154	178,352,430
Expenses				
Program services:				
Intercollegiate athletics	25,886,788	-	25,886,788	13,208,545
Cowboy Athletics	54,656,323	-	54,656,323	22,023,921
Library	557,180	-	557,180	339,514
Research	1,079,188	-	1,079,188	897,961
General University support	26,034,341	-	26,034,341	15,171,543
Awards and scholarships	16,375,959	-	16,375,959	15,920,484
Endowed faculty and lectureship programs	5,925,210	-	5,925,210	6,616,325
Facilities and equipment	15,932,001	-	15,932,001	18,893,954
Total program services	146,446,990	-	146,446,990	93,072,247
Management and general	8,129,634	-	8,129,634	6,915,880
Fundraising	14,972,408	-	14,972,408	14,190,442
Charitable legacy distributions	22,552	-	22,552	21,489
Total expenses	169,571,584	-	169,571,584	114,200,058
Change in net assets	(34,705,570)	8,980,140	(25,725,430)	64,152,372
Net assets, beginning of year	396,586,185	678,457,317	1,075,043,502	1,010,891,130
Net assets, end of year	\$ 361,880,615	\$ 687,437,457	\$ 1,049,318,072	\$ 1,075,043,502

OKLAHOMA STATE UNIVERSITY FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and support			
Contributions:			
Cash	\$ 41,410,055	\$ 18,803,510	\$ 60,213,565
Securities	1,618,309	4,339,907	5,958,216
Land, goods, services and other	2,182,232	446,750	2,628,982
Promises to give	(76,993)	29,991,546	29,914,553
Cowboy Athletics	8,108,907	-	8,108,907
Total contributions	53,242,510	53,581,713	106,824,223
Provision for uncollectible pledges	-	(1,407,860)	(1,407,860)
Net investment returns	15,563,619	52,205,384	67,769,003
Contract support services	2,666,750	-	2,666,750
Net gains (losses) on disposals of property and equipment and other property investments	(552,613)	128,034	(424,579)
Management fee income (loss)	8,292,191	(8,117,388)	174,803
Change in value of split-interest agreements	93,451	(919,905)	(826,454)
Other income (loss)	3,609,516	(32,972)	3,576,544
Reclassifications - donor directed	3,560,724	(3,560,724)	-
Net assets released from restrictions	54,669,609	(54,669,609)	-
Total revenues, gains and support	141,145,757	37,206,673	178,352,430
Expenses			
Program services:			
Intercollegiate athletics	13,208,545	-	13,208,545
Cowboy Athletics	22,023,921	-	22,023,921
Library	339,514	-	339,514
Research	897,961	-	897,961
General University support	15,171,543	-	15,171,543
Awards and scholarships	15,920,484	-	15,920,484
Endowed faculty and lectureship programs	6,616,325	-	6,616,325
Facilities and equipment	18,893,954	-	18,893,954
Total program services	93,072,247	-	93,072,247
Management and general	6,915,880	-	6,915,880
Fundraising	14,190,442	-	14,190,442
Charitable legacy distributions	21,489	-	21,489
Total expenses	114,200,058	-	114,200,058
Change in net assets	26,945,699	37,206,673	64,152,372
Net assets, beginning of year	369,640,486	641,250,644	1,010,891,130
Net assets, end of year	\$ 396,586,185	\$ 678,457,317	\$ 1,075,043,502

OKLAHOMA STATE UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (25,725,430)	\$ 64,152,372
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net investment gains	(34,594,426)	(62,683,422)
Change in value of split-interest agreements	(780,438)	826,454
(Gains) losses on disposals of property and equipment and other property investments	(38,587)	424,579
Contributions restricted for long-term investment, cash	(13,549,641)	(15,540,388)
Contributions restricted for long-term investment, securities	(1,567,411)	(2,432,691)
Noncash distributions	12,191,364	3,404,062
Noncash contributions	(17,468,582)	(8,478,509)
Proceeds from sales of donated financial assets	2,137,236	2,105,614
Depreciation expense	896,564	635,169
Change in discount on contributions receivable	2,096,144	591,896
Provision for uncollectible pledges	2,376,165	1,407,860
Changes in operating assets and liabilities:		
Contributions receivable, net	(12,585,210)	(9,193,880)
Interest and other receivables	(849,547)	(9,591,908)
Notes receivable	1,889,509	-
Other assets	118,805	407,674
Oklahoma State University support payable	3,595,539	(1,375,801)
Accounts payable and accrued liabilities	574,667	(133,816)
Funds held on behalf of Oklahoma State University	124,282	292,214
Funds held on behalf of Cowboy Athletics	-	(130,390)
Funds held on behalf of Oklahoma State University Alumni Association	(1,245,518)	846,230
Funds held on behalf of Foundation for the McKnight Center for the Performing Arts	5,229,583	4,802,518
Obligations under split-interest agreements	1,234,336	1,208,100
Unearned revenue	(263,500)	(54,000)
Net cash used in operating activities	(76,204,096)	(28,510,063)
Cash Flows from Investing Activities		
Purchase of investments	(497,916,228)	(181,798,234)
Proceeds from sales and maturities of investments	528,122,420	177,593,467
Proceeds from sale of other property investments	-	25,000
Note receivable distribution	-	875,000
Proceeds from sale of property and equipment	-	644,655
Purchases of property and equipment	(388,584)	(7,588,910)
Net cash provided by (used in) investing activities	29,817,608	(10,249,022)
Cash Flows from Financing Activities		
Contributions restricted for long-term investment	15,117,052	17,973,079
Proceeds from line of credit	36,130,922	17,759,078
Repayments of credit facility	(3,409,492)	-
Net cash provided by financing activities	47,838,482	35,732,157
Net increase in cash and cash equivalents	1,451,994	(3,026,928)
Cash and cash equivalents at beginning of year	4,580,483	7,607,411
Cash and cash equivalents at end of year	\$ 6,032,477	\$ 4,580,483

See notes to consolidated financial statements.

OKLAHOMA STATE UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended June 30, 2019 and 2018

	2019	2018
Supplemental Disclosures of Cash Flow Information		
Interest paid	\$ 1,317,826	\$ 202,727
Noncash transfers of property and equipment to Oklahoma State University	\$ 1,983,048	\$ -
Noncash transfers of other property investments to Oklahoma State University	\$ 10,208,316	\$ 3,165,221
Donation of securities	\$ 6,574,896	\$ 4,377,253
Donation of beneficial interest	\$ 937,624	\$ (1,580,963)
Donation of other property investments	\$ 11,831,310	\$ 2,520,293
Donated services provided for the benefit of Oklahoma State University	\$ 156,149	\$ 108,689
Finance sale of other property investment	\$ -	\$ 875,000

OKLAHOMA STATE UNIVERSITY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

Oklahoma State University Foundation (the Foundation) is a not-for-profit corporation formed in 1961 to promote the educational, benevolent, and scientific purposes of Oklahoma State University (the University or OSU). The Foundation, through the contributions it receives, provides funds for University projects and programs which cannot be funded by appropriations or grants from state and federal governments, or for which existing appropriations are inadequate.

Reporting entity

The consolidated financial statements include the assets, liabilities, net assets, changes in net assets, and cash flows of the Foundation and affiliates. The Foundation has approximately 5,600 active component funds, one affiliated organization, and two single-member limited liability companies. The affiliated organization is the Foundation for Engineering at Oklahoma State University, Inc. (FEOSU), which was incorporated on October 10, 2008, and is included with the Foundation in the accompanying consolidated financial statements because the Foundation has an economic interest in the organization and controls the affiliated organization's Board of Trustees. Further, distributions made by the affiliated organization exclusively benefit the charitable purposes of the Foundation. The Foundation is also the sole member of the Oklahoma State University Student Foundation, LLC and the OSU Foundation Real Estate, LLC and as such the accompanying consolidated financial statements include all assets, liabilities, revenues, and expenses of the LLCs. All material inter-organization transactions of the affiliated organization and the LLCs have been eliminated in consolidation. The Foundation, its affiliate and the LLCs are collectively referred to as the Foundation throughout these consolidated financial statements.

Operations

The Foundation acts primarily as a fundraising organization, soliciting, receiving, managing, and disbursing contributions on behalf of the University. Distribution of amounts held in the funds of the Foundation is subject to the approval of the Foundation and the availability of monies. Accordingly, the accompanying consolidated financial statements generally reflect expenditures which have been submitted to and approved by the Foundation as of the financial reporting date.

Basis of presentation

The Foundation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative guidance for accounting principles generally accepted in the United States of America (U.S. GAAP) for nongovernmental entities. The Foundation's consolidated financial statements have been prepared on the accrual basis of accounting and to ensure the observance of limitations and restrictions placed on the use of available resources, the Foundation maintains its accounts in accordance with the principles and practices of fund accounting. All inter-fund activities have been eliminated in the accompanying consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the 2018 statement of financial position to correspond to the current year's format. These reclassifications did not have an impact on the net assets or changes in net assets.

Contribution revenue recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period received by the Foundation. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Transfers of assets under conditional promises, which are received by the Foundation prior to fulfilling these conditions, are recorded as a liability (i.e., unearned revenue) until the conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the gift date.

Contributions to be received after one year are recorded at the present value of their estimated future cash flows using a discount rate which is commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in the same net asset class and fund as the original contribution. An allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Contributions are reported as increases in the appropriate net asset category. Expenses are reported as decreases in net assets without donor restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Gifts of property and equipment are recorded as unrestricted support unless explicit donor stipulations specify how the assets must be used or how long the assets must be held, in which case the gift is recorded as restricted support. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions received from donors with general use restrictions for the University as a whole, or for specific colleges or departments within the University, are reflected as without donor restriction to the extent that the University, colleges or departments have expended sufficient dollars which meet these general use restrictions. Contributions which are received and whose restrictions are met in the same period are recognized as unrestricted contributions.

Net asset classifications

The Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) was enacted by the state of Oklahoma effective November 1, 2007 (OK UPMIFA). The Board of Trustees of the Foundation has interpreted OK UPMIFA to require the Foundation to exercise prudence in determining whether to spend from or accumulate to donor-restricted endowment funds with a view toward the permanent nature and long-term continuing viability of such funds.

Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Foundation is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions – Net assets that are not restricted by the donor. These assets are used to support the operations of the Foundation and for general use contributions for the University as a whole, or for specific colleges or departments within the University.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released

when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and cash equivalents

The Foundation considers highly liquid investments with a maturity of three months or less when purchased, excluding cash and short-term funds held in the Foundation's investment portfolio, to be cash equivalents.

Investments

Investments consist of both marketable and nonmarketable investment securities as follows:

Marketable securities – Marketable securities include fixed-income investments (cash and short-term funds, global and domestic bond mutual funds), balanced mutual funds, commodities, equity investments (common and preferred stock, equity mutual funds), and real asset securities. Marketable securities are reported at fair value in the accompanying consolidated financial statements. Realized gains and losses on sales of marketable securities are computed on the first-in, first-out basis.

Nonmarketable securities – Nonmarketable securities consist of equity, fixed-income, and real asset limited partnership and similar investment company interests, and closely held stock. Nonmarketable securities are classified according to the nature of the underlying investment and include hedged and long-only equity strategies through the use of private equity funds, hedge funds, common funds, and closely held stock. The Foundation elected to report the fair value of its nonmarketable securities, excluding closely held stock, using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the Foundation management. Nonmarketable securities, not valued using the practical expedient, are stated at fair value for the best estimate of fair value as determined by the investment manager, appraisal and/or the Foundation's management. Realized gains and losses on sales of nonmarketable securities are computed on the average cost basis.

The majority of investments are combined in a common investment pool and invested on the basis of a total return policy to provide income and improve opportunities to realize appreciation in investment values.

Other property investments

Other property investments consist primarily of real property and forms of real property interests donated to and/or purchased by the Foundation and are carried at the lower of cost or market. The Foundation holds these assets until such time as they are transferred to the University or sold. No attempt is made by management to revalue other property investments at subsequent dates prior to transfer or sale due to the prohibitive cost of obtaining periodic appraisals; however, the Foundation's management is of the opinion that any subsequent revaluation would not have a significant impact on the Foundation's consolidated statements of financial position or changes in net assets. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances at the time of the determination. No property investment impairments were recorded for the years ended June 30, 2019 or 2018.

Property and equipment

Property and equipment are stated at cost at the time of acquisition or at fair value at the date of donation. The Foundation capitalizes all property and equipment purchased and/or donated with an original basis of \$10,000 or more. Depreciation is based on the estimated useful life of the asset using the straight-line method. The Foundation records impairments of its property and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over the estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and

circumstances at the time of the determination. No property or equipment impairments were recorded for the years ended June 30, 2019 or 2018.

Beneficial interests in trusts

Beneficial interests in trusts represent the amounts held under irrevocable perpetual and charitable remainder trust agreements between donors and third-party trustees and are carried at fair value.

Funds held on behalf of OSU

The liability represents assets held on behalf of the University for which the Foundation acts as a custodian. The assets held are invested in the Foundation's investment pool and investment income, distributions, and other revenue and expenses of these funds increase and/or decrease the carrying value of the asset and funds held on behalf of OSU liability. The related assets are distributable to the University upon request.

Funds held on behalf of OSU Alumni Association

The liability represents assets held on behalf of the OSU Alumni Association for which the Foundation acts as a custodian. The assets held are invested in the Foundation's investment pool and investment income, distributions, and other revenue and expenses of these funds increase and/or decrease the carrying value of the asset and funds held on behalf of OSU Alumni Association liability. The related assets are distributable to the OSU Alumni Association upon request.

Funds held on behalf of Foundation for the McKnight Center for the Performing Arts

The liability represents assets held on behalf of the Foundation for the McKnight Center for the Performing Arts for which the Foundation acts as a custodian. The assets held are invested in the Foundation's investment pool and investment income, distributions, and other revenue and expenses of these funds increase and/or decrease the carrying value of the asset and funds held on behalf of Foundation for the McKnight Center for the Performing Arts liability. The related assets are distributable upon request.

Obligations under split-interest agreements

Split-interest agreements for which the Foundation serves as trustee include irrevocable charitable remainder trusts and charitable gift annuities (see Note 9). Obligations under split-interest agreements are the amounts due to the designated beneficiaries of the charitable trust and/or gift annuity and are equal to the present value of the expected future payments to be made.

Charitable legacy funds

Charitable legacy funds are donor-advised funds held by the Foundation. Irrevocable charitable contributions are received by the Foundation and are invested in a separate pool. The Foundation is responsible for investing and distributing the funds to public charities nominated by the donor, with the stipulation that a minimum of 50% of the principal and earnings go toward the benefit of the University. The Foundation retains variance power with respect to contributions received and reports the contributions as without donor restrictions.

The Foundation distributed assets totaling approximately \$31,000 and \$28,000 to University accounts and distributed assets totaling approximately \$23,000 and \$21,000 to other not-for-profit organizations from these donor-advised funds during the years ended June 30, 2019 and 2018, respectively. At June 30, 2019 and 2018, the Foundation held charitable legacy fund assets totaling approximately \$1,771,000 and \$1,485,000, respectively, which are included in investments in the consolidated statements of financial position.

Management fee income

The Foundation assesses management fees on pooled investment funds, trust funds, and estate gifts. Such revenues are reflected as increases in the Foundation's operating fund (without donor restrictions) and decreases in the other funds managed by the Foundation (with and/or without donor restrictions) in the consolidated statements of activities. The Foundation also assesses management and other fees on funds that it holds on behalf of others.

Functional classification of expenses

Expenses are reported as decreases in net assets without donor restrictions and are classified on a functional basis in the consolidated statements of activities. Program services expenses are based on the purpose of actual expenditures for the benefit of the University. Management and general and fundraising costs are allocated based on evaluation of the related activities. Charitable legacy distributions are based on actual distributions to other not-for-profit organizations in conjunction with certain donor-advised funds.

Net asset reclassifications

The Foundation reclassifies net assets from one net asset category to another as follows:

Net assets released from restrictions – Net assets released from restrictions are asset reclassifications that result from fulfillment of the purposes for which the net assets were restricted and/or restrictions which expired with the passage of time.

Donor-directed – Donor-directed reclassifications are net asset reclassifications that occur when a donor withdraws or court action removes previously imposed restrictions, when a donor imposes restrictions on otherwise unrestricted net assets, when donors change or modify their existing restriction, and/or when an existing donor restriction requires certain amounts to be reclassified.

Concentrations of credit

The Foundation has certain concentrations of credit risk with financial institutions in the form of uninsured cash and time deposits. For purposes of evaluating credit risk, the stability of financial institutions conducting business with the Foundation is periodically reviewed and management believes that credit risks related to such balances are minimal.

The Foundation received contributions from two and five donors totaling approximately \$11,827,000 and \$18,158,000 in the years ended June 30, 2019 and 2018, respectively. These contributions represent approximately 12% and 18% of total contribution revenue in 2019 and 2018, respectively. Net contributions receivable totaling approximately \$59,179,000 and \$52,745,000 are due from nine and eight donors at June 30, 2019 and 2018, respectively. These receivables represent approximately 60% and 58% of total net contributions receivable at June 30, 2019 and 2018, respectively.

The Foundation has a closely held stock that represents approximately 10% of the total investment balance at June 30, 2019 and 2018.

Income taxes

The Foundation and its affiliated organization are generally exempt from federal income tax under section 501(a) as an organization described in section 501(c)(3) of the Internal Revenue Code. Generally, all revenue earned outside the purpose for which the Foundation is created is taxable as earned income.

Accounting for uncertain tax positions

The ASC provides guidance on the accounting for uncertainty in income taxes. This guidance requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ended on or before June 30, 2015.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosed contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates

Estimates that are particularly susceptible to significant change include the valuation of marketable and nonmarketable investments, beneficial interests in trusts, and contributions receivable. The Foundation's investment portfolio and beneficial interests are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these financial instruments, it is reasonably possible that changes in the values of the investments and beneficial interest will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Significant fluctuations in fair values could occur from year-to-year and the amounts the Foundation will ultimately realize could differ materially. Management's estimate of contributions receivable and the related allowance for uncollectible amounts is based on consideration of all relevant available information and an analysis of the collectability of individual contributions, which arise primarily from pledges as well as trusts and estates, at the financial statement date.

Fair value measurements

The Foundation follows ASC Topic 820, *Fair Value Measurements*, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

- Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All transfers between fair value hierarchy levels are recognized by the Foundation at the beginning of each reporting period.

Financial assets and liabilities carried at fair value on a recurring basis include investments, beneficial interests in trusts, and funds held on behalf of OSU, OSU Alumni Association and Foundation for the McKnight Center for the Performing Arts. The Foundation has no assets or liabilities carried at fair value on a nonrecurring basis at June 30, 2019 or 2018.

Recently adopted accounting pronouncement

On August 18, 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These amendments include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; and (4) liquidity and availability of resources. The Foundation implemented this standard effective July 1, 2018.

New accounting pronouncements

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The amendments in this update affect any entity that enters into a lease transaction. The primary change from this guidance is that the lessee should recognize the assets and liabilities that arise from all leases over 12 months in length. If the lease is 12 months or less in length, a lessee is permitted to make an accounting policy election by class of the underlying asset not to recognize lease assets and liabilities. If this election is made, the lessee should recognize the lease expense on a straight-line basis over the lease term. ASU No. 2016-02 is effective for the Foundation's year ending June 30, 2021. Earlier application is permitted. The Foundation is currently evaluating the effect implementation of ASU No. 2016-02 will have on its consolidated financial statements.

On January 5, 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, the long-awaited final standard on the recognition and measurement of financial instruments. The ASU applies to all entities that hold financial assets or owe financial liabilities and represent the finalization of just one component of the FASB's broader financial instruments project. ASU No. 2016-01 is effective for the Foundation's year ending June 30, 2020. Earlier application is permitted. The Foundation is currently evaluating the effect implementation of ASU No. 2016-01 will have on its consolidated financial statements.

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14 which defers the effective date of ASU No. 2014-09 one year making it effective for the Foundation's year ending June 30, 2020. Early adoption is permitted. Contributions to not-for-profit entities is not included in this update. The Foundation is currently evaluating the effect implementation of ASU No. 2014-09 will have on its consolidated financial statements.

Subsequent events

Management has evaluated subsequent events through October 24, 2019, the date the consolidated financial statements were available to be issued.

Note 2 – Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 6,032,477
Short-term investments and unrestricted liquid investments	147,986,926
Interest and other receivables	3,479,038
Note receivables	875,000
Unendowed investments	69,576,517
Endowment spending-rate distributions	25,122,280
	<u>\$ 253,072,238</u>

The Foundation's endowment funds consist of donor-restricted endowments and funds designated as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Consistent with the objectives of the Foundation's investment policy, cash and investments are managed such that funds are available as expenditures, liabilities and other obligations come due. As part of the Foundation's liquidity management plan, the Foundation invests cash in excess of expected short-term needs in short-term investments.

The Foundation receives management fees on funds held in the investment pool and a gift allocation on gifts received. For the fiscal year ending June 30, 2019, management fees and gift allocations were approximately \$9,851,000 and \$2,244,000 respectively. The management fees and gift allocation provide funds necessary to fulfill the Foundation's general expenditure obligation.

Note 3 – Investments

Investments consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Marketable securities:		
Fixed-income:		
Cash and short-term investments	\$ 40,990,551	\$ 83,391,953
Global fixed-income mutual funds	99,715,038	68,869,151
U.S. fixed-income mutual funds	859,394	774,890
Equity:		
Long-only - domestic	45,387,877	54,891,933
Long-only - emerging markets	851,193	738,868
Long-only - global	1,816,002	1,925,462
Long-only - international	57,871,404	76,866,786
Real asset securities - public	2,682,625	16,062,045
Total marketable securities	<u>250,174,084</u>	<u>303,521,088</u>

	2019	2018
Nonmarketable securities:		
Equity:		
Hedged equity - credit related	46,624,537	65,020,954
Hedged equity - fund of funds	-	818,183
Hedged equity - multistrategy funds	159,822	186,926
Hedged equity - long/short funds	105,092,165	101,893,948
Hedged equity - diversifiers	145,448,010	104,347,458
Hedged equity - event driven	35,822,252	35,275,555
Long-only - emerging markets	42,508,727	29,534,383
Long-only-international	62,434,821	71,036,263
Global equity futures	3,723,017	3,056,358
Private equity	178,537,424	135,104,344
Fixed-income - global fixed-income fund	-	24,077,368
Real assets:		
Private funds	28,343,976	20,308,402
Closely held stock	102,690,699	98,423,649
Total nonmarketable securities	<u>751,385,450</u>	<u>689,083,791</u>
Total investments	<u>\$1,001,559,534</u>	<u>\$ 992,604,879</u>

Net investment returns consists of the following for the years ended June 30:

	2019	2018
Interest and dividends	\$ 12,267,026	\$ 9,190,061
Investment fees	(3,975,105)	(4,104,480)
Net realized gains on investments carried at fair value	28,914,745	34,423,840
Net unrealized gains on investments carried at fair value	5,876,842	27,948,461
Change in fair value of perpetual trusts	(197,161)	311,121
Net investment returns	<u>\$ 42,886,347</u>	<u>\$ 67,769,003</u>

Note 4 – Contributions, Interest and Other Receivables

Unconditional contributions receivable, including amounts due under pledge agreements, are expected to be collected as follows at June 30:

	2019	2018
Contributions receivable in:		
Less than one year	\$ 29,947,227	\$ 21,582,715
One year to five years	46,287,634	45,060,256
Over five years	47,148,899	45,984,422
	<u>123,383,760</u>	<u>112,627,393</u>
Less:		
Unamortized discount (2.25% - 8.37%)	14,843,546	12,747,401
Allowance for uncollectible pledges	9,257,939	8,710,618
	<u>\$ 99,282,275</u>	<u>\$ 91,169,374</u>

The Foundation has raised substantial conditional and unconditional contributions which, at least in part, are for the purpose of qualifying for the Pickens Legacy Scholarship match program. The matching funds are to be provided through the estate of a significant donor and as such are considered conditional; however,

the funds raised to be matched by this conditional gift which are the result of cash payments and/or unconditional promises to give have been recognized as contribution revenue net of a discount to present value in the period in which the contribution was made and/or unconditional promise was received.

Unconditional contributions receivable net of discount and allowance that are with donor restrictions are described in the table below at June 30:

	2019	2018
Intercollegiate athletics	\$ 52,348,196	\$ 52,177,479
General University support	18,801,309	10,726,848
Awards and scholarships	6,148,154	5,269,365
Facilities and equipment	21,287,435	21,642,234
Other	697,181	1,353,448
	<u>\$ 99,282,275</u>	<u>\$ 91,169,374</u>

Conditional promises to give are substantially the result of the Foundation being named as the beneficiary in an estate plan or a valid will. No amounts have been recognized in the consolidated financial statements for conditional promises to give because the conditions on which they depend have not been substantially met. The Foundation does not currently have sufficient information to estimate the amounts of conditional promises to give. Interest and other receivables consist of the following at June 30:

	2019	2018
Interest and other receivables:		
Receivable from OSU	\$ 1,473,749	\$ 1,311,791
Other receivables	2,005,289	1,317,700
Note receivables	7,724,569	9,614,078
	<u>\$ 11,203,607</u>	<u>\$ 12,243,569</u>

Interest and other receivables are expected to be collected in:

	2019	2018
Less than one year	\$ 11,203,607	\$ 11,368,569
One to five years	-	875,000
	<u>\$ 11,203,607</u>	<u>\$ 12,243,569</u>

Note 5 – Net Assets

Net assets without donor restrictions consist of the following at June 30:

	2019	2018
Designated for the University:		
Intercollegiate athletics	\$ 102,198,512	\$ 130,987,683
Library	1,986,219	1,631,985
Research	2,644,504	3,177,819
General University support	159,607,173	155,865,649
Awards and scholarships	48,667,180	49,062,450
Endowed faculty and lectureship positions (a)	5,732,514	5,831,546
Facilities and equipment	11,215,679	16,696,923
Charitable legacy fund	1,771,450	1,485,460
	<u>333,823,231</u>	<u>364,739,515</u>

	2019	2018
Designated for the Foundation (b):		
Invested in property and equipment (c)	18,171,308	20,662,336
Gains on short-term investment funds (d)	4,277,833	6,271,529
OSU foundation reserves and general support (e)	5,608,243	4,912,805
	<u>28,057,384</u>	<u>31,846,670</u>
	<u>\$ 361,880,615</u>	<u>\$ 396,586,185</u>

- (a) Deficit balances in funds designated for the University result when the fair value of assets held in donor-restricted endowment funds falls below the level that the donor or OK UPMIFA requires the Foundation to retain as a fund of perpetual duration and such losses cumulatively exceed unrestricted funds available for the designated purpose.
- (b) Net assets without donor restrictions designated for the Foundation are amounts held for use in operating the Foundation.
- (c) Net assets without donor restrictions invested in property and equipment represent the Foundation's building, furniture and equipment.
- (d) Gains on short-term investment funds represents the difference between the fair market value of short-term investment funds compared to the total amount available for distribution to the University.
- (e) Foundation reserves and general support represent quasi-endowments established for the purpose of providing a revenue stream for Foundation operations.

Net assets with donor restrictions are restricted for the following at June 30:

	2019	2018
Intercollegiate athletics	\$ 56,992,689	\$ 72,745,763
Library	6,748,891	6,854,399
Research	4,722,705	4,421,783
General University support	59,330,053	49,760,927
Awards and scholarships	280,163,873	267,004,994
Endowed faculty and lectureship programs	237,688,999	235,217,580
Facilities and equipment	41,135,898	41,999,481
OSU Foundation reserves and general support	654,349	452,390
	<u>\$ 687,437,457</u>	<u>\$ 678,457,317</u>

Note 6 – Endowment Disclosures

The Foundation's endowment consists of approximately 3,500 and 3,700 funds at June 30, 2019 and 2018, respectively, established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The trustees of the Foundation have chosen to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent

endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are expended by the Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA. In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment net asset composition by type of fund as of June 30, 2019, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 547,171,049	\$ 547,171,049
Board-designated endowment funds	95,316,869	-	95,316,869
Total endowment funds	<u>\$ 95,316,869</u>	<u>\$ 547,171,049</u>	<u>\$ 642,487,918</u>

Endowment net asset composition by type of fund as of June 30, 2018, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ (231,574)	\$ 535,524,821	\$ 535,293,247
Board-designated endowment funds	107,573,310	-	107,573,310
Total endowment funds	<u>\$ 107,341,736</u>	<u>\$ 535,524,821</u>	<u>\$ 642,866,557</u>

Changes in endowment net assets for the year ended June 30, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 107,341,736	\$ 535,524,821	\$ 642,866,557
Investment return:			
Interest and dividends	1,164,097	6,663,896	7,827,993
Investment fees	(466,776)	(2,585,006)	(3,051,782)
Net realized and unrealized gains	3,714,956	19,515,736	23,230,692
Total investment return	<u>4,412,277</u>	<u>23,594,626</u>	<u>28,006,903</u>

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted additions:			
Current-year endowment contributions transferred	-	10,505,298	10,505,298
Collection of current and prior-year pledges	-	3,693,302	3,693,302
Transfers of prior year contributions	-	2,102,702	2,102,702
Total donor-restricted additions	-	16,301,302	16,301,302
Management fee	(1,649,699)	(9,194,733)	(10,844,432)
Appropriation of endowment assets for expenditure	(2,049,620)	(21,333,317)	(23,382,937)
Reinvestment of amounts appropriated	-	863,076	863,076
Reclassification-donor directed	-	1,619,156	1,619,156
Transfers to Board-designated and donor- restricted endowment funds	(12,737,825)	(203,882)	(12,941,707)
Endowment net assets, end of year	<u>\$ 95,316,869</u>	<u>\$ 547,171,049</u>	<u>\$ 642,487,918</u>

Changes in endowment net assets for the year ended June 30, 2018, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 92,496,874	\$ 494,183,632	\$ 586,680,506
Investment return:			
Interest and dividends	822,079	4,544,550	5,366,629
Investment fees	(502,828)	(2,532,413)	(3,035,241)
Net realized and unrealized gains	10,218,904	48,038,455	58,257,359
Total investment return	10,538,155	50,050,592	60,588,747
Donor-restricted additions:			
Current-year endowment contributions transferred	-	13,347,102	13,347,102
Collection of current and prior-year pledges	-	1,995,794	1,995,794
Transfers of prior year contributions	-	1,224,668	1,224,668
Total donor-restricted additions	-	16,567,564	16,567,564
Management fee	(1,603,283)	(7,963,251)	(9,566,534)
Appropriation of endowment assets for expenditure	(2,560,370)	(18,070,056)	(20,630,426)
Reinvestment of amounts appropriated	-	984,184	984,184
Reclassification-donor directed	(1,099,618)	(123,809)	(1,223,427)
Transfers to Board-designated and donor- restricted endowment funds	9,569,978	(104,035)	9,465,943
Endowment net assets, end of year	<u>\$ 107,341,736</u>	<u>\$ 535,524,821</u>	<u>\$ 642,866,557</u>

In addition to permanently restricted endowment funds, the Foundation also has interests in perpetual trusts and charitable remainder trusts which are managed by third parties, charitable trusts which are managed by

the Foundation, and permanently restricted contributions receivable. These assets are not a part of the Foundation's endowment and therefore are not included in the endowment disclosures.

Funds with deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Trustees of the Foundation have interpreted OK UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2019 and 2018, funds with original gift values of \$56,322,378 and \$4,188,226, fair values of \$55,430,928 and \$3,956,652, and deficiencies of \$891,450 in 2019 were reported in net assets with donor restrictions and \$231,574 were reported in net assets without donor restrictions.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets to provide for growth and a predictable level of funding to the University to enable it to maintain, improve and expand its facilities and programs. It is recognized that these objectives require a long-term investment horizon. Investment risk is measured in terms of the total portfolio and is managed to ensure that the asset allocation does not expose the portfolio to unacceptable levels of risk but at the same time achieves the best possible returns over time. The asset allocation policies reflect and are consistent with the investment objectives and risk tolerances expressed through the Foundation's investment policy. These policies, developed after examining the historical relationships of risk and return among asset classes, are designed to provide the highest probability of meeting or exceeding the return objectives at the lowest level of risk. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives

To achieve its objectives, the Foundation seeks to utilize strategic and tactical asset allocation decisions, selection of top tier investment managers, and active performance monitoring and evaluation by Foundation management, outside consultants, and the Investment Committee of the Board of Trustees. The Foundation utilizes a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on growth investments to achieve its long-term objectives within prudent risk constraints. This translates to a target asset allocation of 80% equity/growth-based, 10% real assets/inflation, and 10% fixed-income/deflation/liquidity.

Spending policy and how the investment objectives relate to spending policy

The Foundation's spending policy is the mechanism in which calculated amounts from endowments participating in the pooled investment fund are made available to the University. The Foundation's spending policy allows for the use of both realized income and appreciation as components of the spending policy distribution. The spending policy in fiscal year 2018 is the prior year's spending amount adjusted by an inflationary factor, calculated as the percentage change in the Consumer Price Index (CPI) from August of the prior fiscal year to August of the current year plus 5% of new gifts and reinvested funds, unless the endowment account's market value is less than its historic gift value. If an endowment account's market value at September 30 of the prior fiscal year is less than the historic gift value but at least 80% of the historic gift value, the endowment fund's spending policy is 3% of the account's market value; however, if the account's market value at September 30 of the prior fiscal year is less than 80% of the historic gift value, spending is not allowed from the endowment account. Beginning in fiscal year 2019, the policy was amended to the target rate of 4.5% adjusted by an inflationary factor, calculated as the percentage change in the Consumer Price Index (CPI) from August of the prior year to August of the current year. The spending policy distribution was \$23,382,937 and \$20,630,426 for the years ended June 30, 2019 and 2018, respectively.

Note 7 – Fair Value Measurements

The Foundation's Investment Committee, appointed by the Board of Trustees, is responsible for the overall management of the Foundation's investments, including the hiring and termination of investment managers, investment consultant(s), custodian banks and securities lending agents. The Foundation's Investment Office is responsible for sourcing, evaluating, and selecting investments for recommendation to the Foundation's Investment Committee. The Foundation's Investment Office is also responsible for the day-to-day operations involving due diligence and other testing procedures in regard to reviewing the reasonableness of fair value for all investments, which includes evaluating the accuracy and adequacy of information provided by custodians, brokers and managers. The valuation process for investments is the responsibility of the Foundation's Investment Office and all other fair value measurements are the responsibility of the Foundation's accounting department. Fair value measurements for beneficial interests in trusts and funds held on behalf of OSU, Cowboy Athletics, and OSU Alumni Association are prepared by the Foundation's accounting department and approved by the Board of Trustees during its review and approval of the Foundation's periodic internal financial statements.

The methods and assumptions used to estimate the fair value of assets and liabilities in the consolidated financial statements, including a description of the methodologies used for the classifications within the fair value hierarchy, are as follows:

Cash and cash equivalents

The asset's carrying amount approximates fair value due to its short maturity.

Investments

All of the Foundation's marketable securities are valued by nationally recognized third-party pricing services, except for certain commodities which are valued by the fund/account manager. The Foundation gives highest priority to quoted prices in active markets for identical assets accessed at the measurement date. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis and the Foundation classifies all such assets as Level 1. The Foundation gives a Level 2 priority to valuation prices where the valuation process involves inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly, using the market approach. Level 2 inputs under the market approach include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there is not sufficient activity, and/or where price quotations vary substantially either over time or among market makers, or in which little information is released publicly. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

Nonmarketable securities, except for closely held stock, are carried at fair value which is based on the NAV as provided by the fund manager and/or adjusted by the Foundation. The Foundation uses management agreements, analyst notes, audited financial statements and underlying investment holdings to evaluate the fund manager's valuation methodology (i.e., in determining whether the fund manager follows ASC 820) and considers various other factors including contributions and withdrawals to the fund and monitoring unaudited interim reporting to determine if any adjustment to the NAV is necessary. Closely held stock is carried at fair value which is based on independent appraisal or Foundation management. Closely held stock is categorized as Level 3 in the fair value hierarchy.

Contributions receivable

The asset is carried at cost net of a discount to present value using a rate which is commensurate with the risks involved on the gift date and an allowance for uncollectible accounts at the financial reporting date. Risks associated with individual gifts are assessed annually through the Foundation's review of the status of each gift. Fair value is the price a market participant would pay to acquire the right to receive the cash

flows inherent in the promise to pay. Due to inclusion of a discount to net present value and allowance for uncollectible accounts the carrying value approximates fair value.

Interest and other receivables

The asset is carried at cost, which approximates fair value due to the short maturity of such amounts.

Other property investments

The asset's carrying amount is based on the fair value of the assets at the time of donation or purchase (i.e., cost basis) and reduced for impairments to their net realizable value based on facts and circumstances at the time of the determination. Property investments are not held for long-term investment purposes; therefore, management believes the carrying amount approximates fair value.

Beneficial interests in trusts

The beneficial interest is carried at fair value, which is based on the present value of the expected future cash inflows from the trusts. The fair value of the underlying trust assets is based on quoted market prices when available or the best estimate of fair value as determined by the third-party trustee. The Foundation's valuation technique considers the fair value of the assets held in the trust and applies a discount rate to convert such amounts to a single present value amount when appropriate. The discount rate used by the Foundation reflects current market conditions including the inherent risk in the underlying assets and the risk of nonperformance by the trustee. Due to the significant unobservable inputs required to estimate the expected future cash receipts from the trust agreements under the income approach, the Foundation's beneficial interest is classified as Level 3 in the hierarchy.

Other assets

The primary other asset is cash surrender values on life insurance policies for which the Foundation is the beneficiary, and as such, the carrying value approximates fair value.

OSU support payable and accounts payable and accrued liabilities

The carrying amount of the liabilities approximates fair value due to the short maturity of such amounts.

Funds held on behalf of OSU, OSU Alumni Association, and Foundation for the McKnight Center for the Performing Arts

The liabilities are carried at fair value as determined using the income approach (expected future cash outflows). Fair value is based on the fair value of the cash and investment assets held by the Foundation for the benefit of OSU, OSU Alumni Association, Cowboy Athletics and Foundation for the McKnight Center for the Performing Arts. The specific assets held have been classified within the hierarchy for investments (as discussed above) or are cash and cash equivalents. The related and associated liability is classified as Level 3 in the hierarchy as there is no market for a similar liability and certain principal inputs (i.e., fair value inputs of nonmarketable assets in the portfolio and management's allocation for shares in the pool) are unobservable and significant to the overall fair value measurement.

Obligations under split-interest agreements

The liabilities' fair value is determined by discounting the future cash flows at rates that could currently be negotiated by the Foundation for borrowings of similar amounts. The carrying value approximates the liabilities' fair value.

Unearned revenue, line of credit and note payable

The liabilities are carried at cost, which approximates fair value due to the short maturity of those amounts.

Assets and liabilities measured at fair value on a recurring basis are classified within the fair value hierarchy at June 30, 2019, as follows:

	Total	Level 1	Level 2	Level 3
Assets:				
Marketable securities:				
Fixed-income:				
Cash and short-term funds	\$ 40,990,551	\$ 40,990,551	\$ -	\$ -
Global fixed-income mutual funds	99,715,038	99,715,038	-	-
U.S. fixed-income mutual funds	859,394	859,394	-	-
Equities:				
Long-only - domestic	45,387,877	45,387,877	-	-
Long-only - emerging markets	851,193	851,193	-	-
Long-only - global	1,816,002	1,816,002	-	-
Long-only - international	57,871,404	57,871,404	-	-
Real asset securities - public	2,682,625	2,682,625	-	-
Total marketable securities	250,174,084	250,174,084	-	-
Nonmarketable securities:				
Nonmarketable securities at NAV (a)				
Closely held stock	102,690,699	-	-	102,690,699
Total nonmarketable securities	751,385,450	-	-	102,690,699
Total investments	1,001,559,534	250,174,084	-	102,690,699
Beneficial interests in trusts	14,126,504	-	-	14,126,504
Total assets	\$ 1,015,686,038	\$ 250,174,084	\$ -	\$ 116,817,203
Liabilities:				
Funds held on behalf of OSU	\$ 6,821,072	\$ -	\$ -	\$ 6,821,072
Funds held on behalf of Foundation for the McKnight Center for the Performing Arts	10,032,101	-	-	10,032,101
Funds held on behalf of OSU Alumni Association	16,078,786	-	-	16,078,786
Total liabilities	\$ 32,931,959	\$ -	\$ -	\$ 32,931,959

- (a) In accordance with ASC 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Assets and liabilities measured at fair value on a recurring basis are classified within the fair value hierarchy at June 30, 2018, as follows:

	Total	Level 1	Level 2	Level 3
Assets:				
Marketable securities:				
Fixed-income:				
Cash and short-term funds	\$ 83,391,953	\$ 83,391,953	\$ -	\$ -
Global fixed-income mutual funds	68,869,151	68,869,151	-	-
U.S. fixed-income mutual funds	774,890	774,890	-	-
Equities:				
Long-only - domestic	54,891,933	54,891,933	-	-
Long-only - emerging markets	738,868	738,868	-	-
Long-only - global	1,925,462	1,925,462	-	-
Long-only - international	76,866,786	76,866,786	-	-
Real asset securities - public	16,062,045	16,062,045	-	-
Total marketable securities	303,521,088	303,521,088	-	-
Nonmarketable securities:				
Nonmarketable securities at NAV (a)	590,660,142			
Closely held stock	98,423,649	-	-	98,423,649
Total nonmarketable securities	689,083,791	-	-	98,423,649
Total investments	992,604,879	303,521,088	-	98,423,649
Beneficial interests in trusts	15,172,459	-	-	15,172,459
Total assets	\$ 1,007,777,338	\$ 303,521,088	\$ -	\$ 113,596,108
Liabilities:				
Funds held on behalf of OSU Foundation for the McKnight Center for the Performing Arts	\$ 6,696,790	\$ -	\$ -	\$ 6,696,790
Funds held on behalf of OSU Alumni Association	4,802,518	-	-	4,802,518
	17,324,304	-	-	17,324,304
Total liabilities	\$ 28,823,612	\$ -	\$ -	\$ 28,823,612

(a) In accordance with ASC 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The following tables summarize the changes in the fair value of the Foundation's Level 3 assets and liabilities.

	Assets		Liabilities			
	Closely Held Stock	Beneficial Interests in Trusts	Funds Held on Behalf of OSU	Funds Held on Behalf of Cowboy Athletics	Funds Held on Behalf of OSU Alumni Association	Funds Held on Behalf of Foundation for the McKnight Center for the Performing Arts
Balance at July 1, 2017	\$ 113,085,174	\$ 12,945,639	\$ 6,404,576	\$ 130,390	\$ 16,478,074	\$ -
Net realized and unrealized gains included in earnings	(13,361,400)	311,121	501,683	-	1,711,480	116,739
Distributions	-	(44,149)	(209,469)	(130,390)	(1,553,750)	(1,821,826)
Contributions	-	1,625,112	-	-	688,500	6,507,605
Change in value of split-interests	-	334,736	-	-	-	-
Sales of investments	(1,300,125)	-	-	-	-	-
Balance at June 30, 2018	98,423,649	15,172,459	6,696,790	-	17,324,304	4,802,518
Net realized and unrealized gains included in earnings	5,396,775	(197,161)	195,974	-	760,048	439,749
Distributions	-	(961,482)	(71,692)	-	(2,212,014)	(6,781,419)
Contributions	-	23,858	-	-	206,448	11,571,253
Change in value of split-interests	-	88,830	-	-	-	-
Sales of investments	(1,129,725)	-	-	-	-	-
Balance at June 30, 2019	\$ 102,690,699	\$ 14,126,504	\$ 6,821,072	\$ -	\$ 16,078,786	\$ 10,032,101

The summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those provided in the consolidated statements of activities, except that none of the activity related to the funds held on behalf of OSU, OSU Alumni Association or Foundation for the McKnight Center for the Performing Arts is reported in the consolidated statements of activities. All transactions in custodial accounts increase and/or decrease assets and liabilities simultaneously and do not impact the consolidated statements of activities and/or net assets.

The Foundation's Level 3 gains and losses included in the change in net assets are summarized as follows:

	2019	2018
Total gains (losses) for the period included in change in net assets	\$ 5,199,614	\$(13,050,279)
Change in unrealized gains (losses) for the period included in change in net assets for assets held at the end of the reporting period	\$ 5,199,614	\$(13,050,279)

In the ordinary course of business, the Foundation is subject to risk from adverse fluctuations in foreign exchange, interest rates, and commodity prices. The Foundation manages these risks through use of derivative financial instruments, primarily futures and forward contracts. These contracts are short-term commitments (approximately eight weeks) to buy or sell at a future date a commodity or currency at a contracted price and may be settled in cash or through delivery. Counterparties to these contracts are major financial institutions. The Foundation is exposed to credit loss in the event of nonperformance by these counterparties. At June 30, 2019, the fair value of the derivative assets is \$682,967. At June 30, 2018, the fair value of the derivative liability is \$358,855. The net value of \$682,967 and \$(358,855) is included in investments in the statement of financial position (global equity futures and fixed-income cash and short-term funds in the investment disclosures) and realized and unrealized gains (losses) are recorded as net investment gains (losses) in the consolidated statement of activities.

The Foundation's investments in certain entities that calculate net asset NAV per share and for which there is not a readily determinable fair value are summarized by category as follows:

	Fair Value, June 30,		Unfunded Commitments, June 30,		Redemption Frequency (If Currently Eligible)	Redemption Notice Period	Gate	Lock Up Period	Holdback
	2019	2018	2019	2018					
Equities:									
Hedged equity - credit-related:									
Fund L	\$ 4,878,942	\$ 21,987,094	\$ -	\$ -	Quarterly	60 days	Master Fund Level - 25%	N/A	10%
Fund Q	16,050,025	18,918,357	-	-	Quarterly	85 days	Investor Level - 25%	N/A	5%
Fund BQ	17,912,354	16,131,503	-	-	Quarterly	60 days	Master Fund Level - 20%	1 Year - Soft Lock	
Fund BR	7,783,216	7,984,000	-	-	Quarterly	90 days	Investor Level - 25%	1 Year - Hard Lock	
								1 Year - Soft Lock	
Total hedged equity - credit-related	46,624,537	65,020,954	-	-					
Hedged equity - fund of funds	-	818,183	-	-	Quarterly	90 days	N/A	N/A	10%
Hedged equity - multi-strategy funds	159,822	186,926	-	-	Illiquid	N/A	N/A	N/A	N/A
Hedged equity - long/short funds:									
Fund M	35,450,580	27,932,974	-	-	Quarterly	60 days	Investor Level - 20%	3 Years - Hard Lock	5%
Fund O	13,356,949	13,918,240	-	-	Quarterly	45 days	N/A	N/A	5%
Fund X	942,509	18,331,293	-	-	Quarterly	45 days	N/A	N/A	5%
Fund Z	19,571,415	22,889,991	-	-	Quarterly	60 days	Master Fund Level - 33%	N/A	5%
Fund AE	17,217,144	18,821,450	-	-	Quarterly	45 days	Investor Level - 25%	N/A	5%
Fund CN	10,109,688	-	-	-	Quarterly	60 days	N/A	3 Year - Soft Lock	5%
Fund CQ	8,443,880	-	-	-	Monthly	30 days	20%	1 Year - Soft Lock	N/A
Total hedged equity - long/short funds	105,092,165	101,893,948	-	-					
Hedged equity - diversifiers:									
Fund A	29,401,443	18,342,720	-	-	Monthly	60 days	Master Fund Level - 20%	N/A	10%
Fund E	-	6,279,232	-	-	Monthly	30 days	Fund Level - 25%	N/A	N/A
Fund J	19,621,980	21,185,886	-	-	Quarterly	45 days	Fund Level - 10%	N/A	N/A
Fund N	14,487,704	16,930,688	-	-	Quarterly	90 days	N/A	N/A	10%
Fund BK	9,968,261	9,340,425	-	-	Quarterly	65 days	N/A	N/A	5%
Fund BS	24,971,983	14,891,352	-	-	Monthly	60 days	N/A	1 Year - Soft Lock	5%
Fund BT	23,241,868	17,377,155	-	-	Monthly	14 days	N/A	N/A	N/A
Fund CO	2,433,716	-	-	-	Monthly	15 days	N/A	N/A	N/A
Fund CP	21,321,055	-	-	-	Monthly	25 days	N/A	N/A	N/A
Total hedged equity - diversifiers	145,448,010	104,347,458	-	-					
Hedged equity - event-driven:									
Fund W	24,611,572	24,137,174	-	-	Biennial	90 days	N/A	2 Years - Hard Lock	5%
Fund BB	11,210,680	11,138,381	-	-	Quarterly	65 days	Investor Level - 25%	N/A	5%
Total hedged equity - event-driven	35,822,252	35,275,555	-	-					
Long-only - emerging markets:									
Fund B	760,671	754,711	-	-	Daily	28 days	N/A	N/A	N/A
Fund C	5,560,253	4,838,403	-	-	Daily	28 days	N/A	N/A	N/A
Fund BI	26,416,413	14,209,334	-	-	Daily	5 days	Fund Level - 20%	N/A	N/A
Fund BV	9,771,390	9,731,935	-	-	Quarterly	45 days	N/A	3 Years - Hard Lock	N/A
Total long-only - emerging markets	42,508,727	29,534,383	-	-					
Long-only - international:									
Fund AB	40,732,137	41,865,196	-	-	Monthly	6 days	N/A	N/A	N/A
Fund BC	21,702,684	29,171,067	-	-	Quarterly	60 days	Fund Level - 20%	N/A	N/A
Total long-only - international	62,434,821	71,036,263	-	-					
Private equity:									
Fund AF	5,541,695	5,615,160	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund AG	2,617,177	2,962,234	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund AH	7,560,198	7,636,656	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund AI	-	454,094	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund AL	6,042,171	11,695,668	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund AM	96,183	104,944	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund AN	718,908	1,127,497	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund AQ	470,398	446,000	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund AR	9,909,135	15,690,000	2,999,805	2,999,805	Illiquid	N/A	N/A	N/A	N/A
Fund AS	30,940,460	30,534,000	2,360,555	2,360,555	Illiquid	N/A	N/A	N/A	N/A
Fund BE	11,826,246	11,297,047	1,517,308	3,042,308	Illiquid	N/A	N/A	N/A	N/A
Fund BF	11,995,948	10,348,000	1,798,696	2,553,618	Illiquid	N/A	N/A	N/A	N/A
Fund BG	11,438,543	7,019,000	695,098	3,694,107	Illiquid	N/A	N/A	N/A	N/A
Fund BH	630,013	261,321	1,280,547	1,617,234	Illiquid	N/A	N/A	N/A	N/A
Fund BL	12,749,763	11,716,421	1,400,563	2,436,093	Illiquid	N/A	N/A	N/A	N/A
Fund CI	4,005,719	1,754,523	2,270,738	4,312,416	Illiquid	N/A	N/A	N/A	N/A
Fund CJ	811,003	829,780	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund BW	1,232,882	1,499,999	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund BX	2,907,095	2,415,528	3,920,000	4,480,000	Illiquid	N/A	N/A	N/A	N/A
Fund BY	2,238,299	419,141	7,364,833	9,222,714	Illiquid	N/A	N/A	N/A	N/A
Fund BZ	1,229,345	200,000	910,000	1,800,000	Illiquid	N/A	N/A	N/A	N/A

	Fair Value, June 30,		Unfunded Commitments, June 30,		Redemption Frequency	Redemption	Gate	Lock Up Period	Holdback
	2019	2018	2019	2018	(If Currently Eligible)	Notice Period			
Private equity (continued)									
Fund CA	207,050	65,000	292,500	435,000	Illiquid	N/A	N/A	N/A	N/A
Fund CB	1,191,540	1,000,000	1,000,000	-	Illiquid	N/A	N/A	N/A	N/A
Fund CC	1,435,045	865,539	5,320,000	6,020,000	Illiquid	N/A	N/A	N/A	N/A
Fund CD	8,838,756	4,617,829	1,361,660	5,958,127	Illiquid	N/A	N/A	N/A	N/A
Fund CE	7,037,926	3,028,963	3,202,868	6,642,280	Illiquid	N/A	N/A	N/A	N/A
Fund CM	1,875,000	1,500,000	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund CR	4,961,922	-	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund CS	2,244,629	-	7,665,803	-	Illiquid	N/A	N/A	N/A	N/A
Fund CT	3,340,096	-	6,599,988	-	Illiquid	N/A	N/A	N/A	N/A
Fund CU	1,008,972	-	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund CV	725,838	-	1,200,000	-	Illiquid	N/A	N/A	N/A	N/A
Fund CW	2,940	-	6,940,836	-	Illiquid	N/A	N/A	N/A	N/A
Fund CX	7,713,326	-	11,330,597	-	Illiquid	N/A	N/A	N/A	N/A
Fund CY	1,011,667	-	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund CZ	2,428,854	-	4,585,000	-	Illiquid	N/A	N/A	N/A	N/A
Fund DA	3,402,633	-	11,572,273	-	Illiquid	N/A	N/A	N/A	N/A
Fund DB	1,499,995	-	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund DC	3,650,049	-	5,928,255	-	Illiquid	N/A	N/A	N/A	N/A
Fund DD	1,000,005	-	-	-	Illiquid	N/A	N/A	N/A	N/A
Total private equity	178,537,424	135,104,344	93,517,923	57,574,257					
Fixed-income - global fixed-income fund	-	24,077,368	-	-	Daily	10 days	N/A	N/A	N/A
Global Equity Futures	3,723,017	3,056,358	-	-	Daily	10 days	N/A	N/A	10%
Private:									
Fund AT	28,013	45,359	852,156	-	Illiquid	N/A	N/A	N/A	N/A
Fund AU	57,670	158,526	1,208,962	-	Illiquid	N/A	N/A	N/A	N/A
Fund AV	6,291,825	6,793,014	3,138,506	3,479,898	Illiquid	N/A	N/A	N/A	N/A
Fund AW	1,103,761	1,325,563	-	-	Illiquid	N/A	N/A	N/A	N/A
Fund BJ	6,886,123	6,147,194	150,262	703,890	Illiquid	N/A	N/A	N/A	N/A
Fund CF	5,775,923	3,462,759	9,420,026	11,537,241	Illiquid	N/A	N/A	N/A	N/A
Fund CG	4,393,305	2,375,987	2,843,974	4,498,883	Illiquid	N/A	N/A	N/A	N/A
Fund DE	3,807,356	-	2,902,997	-	Illiquid	N/A	N/A	N/A	N/A
Total private	28,343,976	20,308,402	20,516,883	20,219,912					
	<u>\$ 648,694,751</u>	<u>\$ 590,660,142</u>	<u>\$ 114,034,806</u>	<u>\$ 77,794,169</u>					

Equities – hedged equity – credit-related – Funds which invest long and short in a variety of global debt and equity securities, with investment strategies including long/short corporate and asset-backed credit, credit arbitrage, and structured credit.

Equities – hedged equity – fund of funds – Fund which invests in investment partnerships and other investment vehicles, the underlying assets of which are typically publicly traded securities, through a diversified portfolio of hedge fund managers. The fund primarily invests in global macro and credit-related hedge funds.

Equities – hedged equity – multi-strategy funds – Fund that invests in a wide range of global investment strategies through master feeder fund structures. The investment strategies primarily include long/short equity, arbitrage and other relative value strategies, corporate credit, structured credit, and global currencies.

Equities – hedged equity – long/short funds – Funds which invest in global equity securities both long and short.

Equities – hedged equity – diversifier funds – Funds that invest in a wide range of global investment strategies through master feeder structures. The strategies primarily include relative value, systematic, and discretionary global macro.

Equities – hedged equity – event-driven funds – A fund that invests across the capital structure in a wide range of global securities, with a focus on near to medium term catalyst.

Equities – long-only – domestic equities fund – A fund that invests in common and preferred stock from issuers located primarily in the United States.

Equities – long-only – emerging markets funds – Funds which invest in common and preferred stock from issuers in emerging market countries.

Equities – long-only – international funds – Funds that invests in common and preferred stock from issuers in emerging market countries.

Equities – private equity funds – Funds structured as limited partnerships and trusts, which invest in a variety of areas including foreign investments, growth equities, performing and distressed debt, emerging markets, diversified fund of funds and mid-market growth companies. The private equity category is mature, with existing commitments in their harvest periods. The Foundation anticipates receiving half of the distributions over the next three years and then remaining distributions will decrease until fully distributed by approximately 2027. The Foundation intends to utilize these distributions to acquire additional private equity investments.

Fixed-income – global fixed-income fund – Fund which seeks to generate absolute returns regardless of market conditions through strategic investment in countries, currencies, sectors and securities.

Global equity futures – Funds which invest long and short in a wide range of equities.

Real assets – private funds – Funds structured as limited partnerships to invest in private real assets. This category is mature, with existing commitments in their harvest periods. The Foundation anticipates receiving half of the distributions over the next three years and then remaining distributions will decrease until fully distributed by approximately 2027. The Foundation intends to utilize these distributions to acquire additional private equity investments.

The following table summarizes the valuation techniques and significant unobservable inputs used for the Foundation's assets and liabilities that are categorized within Level 3 of the fair value hierarchy:

Investment Type	Fair Value, June 30,		Valuation Techniques	Unobservable Input (c)	Range of Inputs (Weighted Average), June 30,	
	2019	2018			2019	2018
Assets:						
Closely held stock	\$ 102,690,699	\$ 98,423,649	Market approach	EBITDA multiple (b) EBITDA transactions (b) Book multiple (b)	8.80 (8.80) 8.3 (8.3) 1.49 (1.49)	10.66 (10.66) 8.5 (8.5) 1.53 (1.53)
			Discounted cash flows	Capitalization of cash flow (a) Discount for lack of marketability (a)	12.4% (12.4%) 32% (32%)	12.1% (12.1%) 32% (32%)
Beneficial interest in trusts	14,126,504	15,172,459	Discounted cash flows	Discount rate (a) Expected rate of return (d)	0 - 3.0% (.90%) 2.4 -9.4% (5.37%)	0 - 6.25% (2.10%) 2.4 -9.4% (5.73%)
Liabilities:						
Funds held on behalf of OSU	6,821,072	6,696,790	Income approach	Present value of future cash outflows (e) Discount rate (a)	- 0% (0%)	- 0% (0%)
Funds held on behalf of OSU Alumni Association	16,078,786	17,324,304	Income approach	Present value of future cash outflows (e) Discount rate (a)	- 0% (0%)	- 0% (0%)
Funds held on behalf of Foundation for the McKnight Center for the Performing Arts	10,032,101	4,802,518	Income approach	Present value of future cash outflows (e) Discount rate (a)	- 0% (0%)	- 0% (0%)

(a) Represents amounts used when the Foundation has determined that market participants would take into account these discounts or premiums when pricing the asset or liability.

- (b) Represents amounts used when the Foundation has determined that market participants would use such multiples when pricing the investments.
- (c) Significant increases or decreases in any of the above unobservable inputs in isolation may result in a significantly lower or higher fair value measurement.
- (d) Represents the net fair market value of assets to be paid to the Foundation based on terms stated in the trust agreement.
- (e) Represents the respective agency's ownership interest in the Foundation's investment pool (i.e., the underlying assets which are measured at fair value). The unobservable inputs for the custodial liability are the same as those for the Foundation's investment pool disclosed throughout Note 7.

Note 8 – Property and Equipment

Property and equipment consist of the following June 30:

	Useful Life	2019	2018
Foundation Operations			
Land	N/A	\$ 2,383,552	\$ 2,383,552
Buildings and leasehold improvements	10 - 39 years	17,422,979	17,335,353
Equipment	3 - 10 years	5,304,012	5,273,054
		25,110,543	24,991,959
Less: accumulated depreciation		7,878,381	6,989,210
Net property and equipment, Foundation operations		17,232,162	18,002,749
Foundation Programs for OSU			
Land	N/A	643,602	782,965
Buildings and leasehold improvements	10 - 39 years	319,494	2,264,492
Equipment	3 - 10 years	-	7,787
		963,096	3,055,244
Less: accumulated depreciation		23,950	395,657
Net property and equipment, Foundation programs for OSU		939,146	2,659,587
Net property and equipment		\$ 18,171,308	\$ 20,662,336

Depreciation expense was approximately \$897,000 and \$635,000 for the years ended June 30, 2019 and 2018, respectively.

Note 9 – Split-Interest Agreements

Assets recorded under split-interest agreements administered by the Foundation are recognized in the Foundation's consolidated financial statements as follows at June 30:

	2019	2018
Cash, investments, interest and other receivables	\$ 17,502,376	\$ 17,019,941
Property and equipment and other property investments	558,576	169,178
Total assets held under split-interest agreements	<u>\$ 18,060,952</u>	<u>\$ 17,189,119</u>
Obligations under split-interest agreements	<u>\$ 12,042,096</u>	<u>\$ 11,499,368</u>

Assets received under these agreements are recorded at fair value on the gift date and in the appropriate net asset category. Related contributions are recognized as contribution revenue and are equal to the present value of the future benefits to be received by the Foundation over the term of the agreements.

Contribution revenue under these split-interest agreements for the year ended June 30, 2019, was approximately \$99,700. Liabilities have been established for these split-interest agreements in which the Foundation is the trustee or for which the Foundation is obligated to an annuitant under a charitable gift annuity.

During the term of these agreements, changes in the value of the split-interest agreements are recognized in the consolidated statements of activities based on accretion of the discounted amount of the contribution, and revaluations of the expected future benefits (payments) to be received (paid) by the Foundation (beneficiaries), based on changes in life expectancy and other assumptions. Discount rates of 2.4% to 10.0% were used in these calculations. Split-interest agreements for which the Foundation is the trustee but the charitable beneficiary is revocable are included in the assets and liabilities above. The liability for these revocable agreements is equal to the fair value of the assets.

Note 10 – Other Property Investments

Other property investments consist of \$2,331,848 and \$708,854 of other donated assets at June 30, 2019 and 2018, respectively.

Note 11 – Beneficial Interests in Trusts

Beneficial interests in trusts consist of the following at June 30:

	2019	2018
Perpetual trusts	\$ 9,893,577	\$ 10,066,880
Charitable remainder trusts	4,232,927	5,105,579
Total beneficial interests in trusts	<u>\$ 14,126,504</u>	<u>\$ 15,172,459</u>

Perpetual trusts and related changes in fair value are classified as permanently restricted net investment gains (losses) in the consolidated statements of activities. Distributions from perpetual trusts are recognized as interest and dividend income in the consolidated statement of activities and are classified as either without or with donor restrictions in accordance with any donor restrictions, except for distributions received and fully expended in the same period which are classified as without donor restrictions.

The Foundation's beneficial interest in remainder trusts and related changes in fair value are classified as with donor restrictions. Beneficial interests in remainder trusts, without donor-imposed restrictions, are reclassified to without donor restrictions net assets upon termination of the trust. Discount rates on these charitable remainder trusts are 3.00% and 6.25% at June 30, 2019 and 2018, respectively.

Contribution revenue related to these agreements was \$23,857 and \$1,625,112 for the years ended June 30, 2019 and 2018, respectively.

Note 12 – Debt

In October 2015, the Foundation entered into an agreement with a financial institution providing for a \$20,000,000 unsecured revolving line of credit. The maturity date is October 23, 2020, and interest is at a variable 30-, 60- or 90-day LIBOR rate as elected by the Foundation plus 0.90% per annum, adjusted on the last day of each month. The outstanding balance totaled \$10,000,000 at June 30, 2018. In fiscal year 2019, \$10,000,000 of the line of credit was converted to a term note maturing on July 15, 2023 and the unsecured line was reduced to \$10,000,000 available. The outstanding balance on the term note totaled approximately \$9,741,000 at June 30, 2019. Interest expense totaled approximately \$341,000 and \$185,000 for the years ended June 30, 2019 and 2018, respectively.

In July 2017, the Foundation entered into an agreement with a financial institution providing for a \$10,000,000 unsecured advancing term note. The maturity date is July 25, 2022, and interest is at variable 30-, 60- or 90-day LIBOR elected by the Foundation plus 1% per annum, adjusted on the last day of each month. The outstanding balance totaled \$8,739,000 at June 30, 2018. In fiscal year 2019, the advancing term note was converted to a term note maturing in fiscal year 2023. The University entered into an interim funding agreement with the Foundation which provided that if funds at the Foundation are not available for principal and interest on the note, the University is responsible for payment. The outstanding balances are included as notes receivable in the consolidated statements of financial position. The outstanding balance totaled approximately \$6,850,000 at June 30, 2019. Interest expense totaled approximately \$290,000 and \$124,000 for the years ended June 30, 2019 and 2018, respectively.

In May 2018, the Foundation entered into an agreement with a financial institution providing for a \$60,000,000 unsecured advancing term note. The maturity date is May 31, 2023, and interest is at variable 30-, 60- or 90-day LIBOR elected by the Foundation plus 1% per annum, adjusted on the last day of each month. The outstanding balance totaled \$37,370,000 and \$2,500,000 at June 30, 2019 and 2018, respectively. Interest expense totaled approximately \$723,000 at June 30, 2019.

Future maturities of notes payable are as follows:

<u>Years Ending June 30,</u>	<u>Total</u>
2020	\$ 615,059
2021	652,024
2022	673,072
2023	43,414,097
2024	8,606,256
	<u>\$ 53,960,508</u>

Note 13 – Transactions to Support University Activities

The Foundation entered into an agreement with the University to facilitate the sale of alcoholic beverages at the University-owned Ranchers' Club and Atherton Hotel, which are operated by an external management firm engaged by the University, and for special events. The agreement utilizes a limited liability company

named Ranchers' Dining, LLC (Ranchers Dining), and its subsidiaries Cowboy Dining, LLC and Pineapple Pete, LLC to accomplish these transactions. Cowboy Dining, LLC was transferred to the University in October 2017. This transaction removed the activities related to the sale of alcohol beverages at the University-owned Ranchers' Club and Atherton Hotel from the Foundation. The Foundation is the sole member of Ranchers Dining. Ranchers Dining has entered into agreements with the University, and the Foundation believes that as a result of these agreements, the Foundation does not have a significant economic interest in Ranchers Dining. The Foundation also has no legal responsibility for the obligations of Ranchers Dining. Accordingly, Ranchers Dining is not consolidated with the Foundation for financial reporting purposes.

The Foundation for the McKnight Center for the Performing Arts (MCPA Foundation) was formed in fiscal year 2016 to provide support and assistance to OSU in connection with the performing arts of OSU. Specifically, the MCPA Foundation shall provide funding for the performing arts, long-term management and operation of The McKnight Center for the Performing Arts at OSU (McKnight Center) for the benefit of OSU's performing arts programs and to culturally enrich the lives of all OSU students and community. The Foundation has determined that it has an ongoing economic interest in the MCPA Foundation and significant influence, but not control. As a result, the Foundation has concluded that MCPA Foundation and the Foundation are financially interrelated organizations. Accordingly, MCPA Foundation is not consolidated with the Foundation for financial reporting purposes; however, contributions raised for the benefit of MCPA Foundation are recognized as contribution revenue in the appropriate net asset category and distributions are recognized as program services expense. Contributions raised during the years ended June 30, 2019 and 2018, totaled approximately \$1,765,000 and \$3,510,000, respectively. The Foundation made distributions of approximately \$6,941,000 for the year ended June 30, 2019.

Note 14 – Employee Benefit Plan

The Foundation has a defined contribution benefit plan (the Plan) covering all employees who meets eligibility requirements under the Plan. The Foundation contributes between 5% and 11.5% of eligible employees' salaries based on length of service to the Foundation. The Foundation made contributions to the plan of approximately \$1,241,000 and \$1,190,000 during the years ended June 30, 2019 and 2018, respectively.

Note 15 – Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the consolidated statement of activities. The following table presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Natural classification detail of expense by function for the year ended June 30, 2019, is as follows:

	General Support to OSU	Transfer to other NFP	Compensation and benefits	Funds used for buildings and capital equipment	Occupancy, supplies, and other	Professional fees	Travel, food, and lodging	Total
Expenses								
Program services:								
Intercollegiate athletics	\$22,880,015	\$ -	\$ 475,799	\$ 66,579	\$ 1,229,132	\$ 682,433	\$ 552,830	\$ 25,886,788
Cowboy Athletics	-	54,656,323	-	-	-	-	-	54,656,323
Library	46,929	-	58,213	130,775	238,332	43,267	39,664	557,180
Research	73,788	-	557,637	131,803	141,031	138,808	36,121	1,079,188
General University support	9,692,676	7,108,770	2,973,427	776,498	1,670,885	1,757,035	2,055,050	26,034,341
Awards and scholarships	15,839,001	-	142,992	26,350	71,611	59,239	236,766	16,375,959
Endowed faculty and lectureship programs	5,829,876	-	8,173	-	13,321	24,370	49,470	5,925,210
Facilities and equipment	4,710,952	-	17,557	10,053,215	367,739	782,394	144	15,932,001
Total program services	59,073,237	61,765,093	4,233,798	11,185,220	3,732,051	3,487,546	2,970,045	146,446,990

	General Support to OSU	Transfer to other NFP	Compensation and benefits	Funds used for buildings and capital equipment	Occupancy, supplies, and other	Professional fees	Travel, food, and lodging	Total
Management and general	-	-	5,889,555	48,335	1,477,755	625,625	88,364	8,129,634
Fundraising	-	-	10,758,018	98,414	2,883,768	751,059	481,149	14,972,408
Charitable legacy distributions	-	22,552	-	-	-	-	-	22,552
Total expenses by function	\$59,073,237	\$61,787,645	\$20,881,371	\$11,331,969	\$ 8,093,574	\$ 4,864,230	\$ 3,539,558	\$ 169,571,584

Natural classification detail of expense by function for the year ended June 30, 2018, is as follows:

	General Support to OSU	Transfer to other NFP	Compensation and benefits	Funds used for buildings and capital equipment	Occupancy, supplies, and other	Professional fees	Travel, food, and lodging	Total
Expenses								
Program services:								
Intercollegiate athletics	\$11,018,034	\$ -	\$ 536,533	\$ 37,810	\$ 549,644	\$ 745,217	\$ 321,307	\$ 13,208,545
Cowboy Athletics	-	22,023,921	-	-	-	-	-	22,023,921
Library	38,105	-	49,374	92,701	73,742	45,469	40,123	339,514
Research	243,205	-	376,626	46,524	110,672	77,607	43,327	897,961
General University support	5,178,584	126,362	3,651,903	423,704	1,760,864	1,504,052	2,526,074	15,171,543
Awards and scholarships	15,355,247	-	175,184	3,344	91,784	39,571	255,354	15,920,484
Endowed faculty and lectureship programs	6,480,366	-	15,018	-	14,245	47,949	58,747	6,616,325
Facilities and equipment	660,971	-	85,985	16,922,760	304,460	917,842	1,936	18,893,954
Total program services	38,974,512	22,150,283	4,890,623	17,526,843	2,905,411	3,377,707	3,246,868	93,072,247
Management and general	-	-	5,081,743	108,169	1,183,260	477,241	65,467	6,915,880
Fundraising	-	-	10,265,435	219,615	2,475,945	738,295	491,152	14,190,442
Charitable legacy distributions	-	21,489	-	-	-	-	-	21,489
Total expenses by function	\$38,974,512	\$22,171,772	\$20,237,801	\$17,854,627	\$ 6,564,616	\$ 4,593,243	\$ 3,803,487	\$ 114,200,058

Note 16 – Other Transactions with Affiliates

The Foundation has a contract with the University to coordinate and manage development programs for the benefit of the University. Revenue for services rendered under this contract was approximately \$2,970,000 and \$2,667,000, respectively, for the years ended June 30, 2019 and 2018, of which approximately \$1,474,000 and \$1,312,000 at June 30, 2019 and 2018, respectively, was still outstanding and is included in interest and other receivables in the consolidated statements of financial position.

In recognition that the Foundation's status as a separate not-for-profit corporation offers certain advantages both to donors and to the University with regard to the contribution, management, and disbursement of private funds, the Foundation and the Board of Regents of Oklahoma State University and the Agricultural and Mechanical Colleges adhere to a joint resolution. This agreement states that to the fullest extent permitted by law, all gifts and donations to the University be managed, invested, reinvested and distributed by and through the Foundation and that all private gifts for the benefit of the University are to be made to the Foundation, rather than to the University or Board of Regents. This agreement further recognizes the existence of the Foundation as the entity responsible for the coordination and management of a development program for nonathletic gifts and recognizes Cowboy Athletics as the entity responsible for the coordination and management of a development program for athletic gifts. The resolution provides that contributions received by the Foundation for the benefit of athletics may be transferred to Cowboy Athletics by donor direction or at the request of the Vice President for Athletic Programs and Director of Intercollegiate Athletics (VP for Athletic Programs). The agreement also states that upon transfer to Cowboy Athletics, the Foundation has no further authority or responsibility for the funds. At the direction of the Vice President for Athletic Programs, the Foundation provided funds totaling approximately \$54,656,000 and \$22,024,000 held for the benefit of the Athletic Department to Cowboy Athletics during 2019 and 2018, respectively. These distributions are recognized as Cowboy Athletics program services expense in the consolidated statements of activities.

SUPPLEMENTAL INFORMATION

OKLAHOMA STATE UNIVERSITY FOUNDATION

COMBINING SCHEDULE OF ACTIVITIES – INTERCOLLEGIATE ATHLETIC ACCOUNTS

Year ended June 30, 2019

	Football	Basketball		Other Sports		Athletic Facilities	Nonprogram Specific	Total
		Men's	Women's	Men's	Women's			
Revenues:								
Contributions:								
Cash	\$ 14,292,756	\$ 3,855,096	\$ 247,371	\$ 1,913,707	\$ 582,533	\$ 2,527,177	\$ 1,318,501	\$ 24,737,141
Securities	44,359	7,578	104	14,518	-	1,140,037	822,995	2,029,591
Land, goods, services and other	32,074	17,391	525	15,963	211,534	36,108	100,880	414,475
Promises to give	-	-	-	24,750	-	6,080,743	44,550	6,150,043
Provision for uncollectible pledges	-	-	5,626	3,911	-	(1,569,927)	449,662	(1,110,728)
Interest and dividends	136,369	97,854	7,683	180,050	16,148	762,167	177,610	1,377,881
Net investment gains	363,249	246,144	23,328	779,012	48,286	2,257,810	542,542	4,260,371
Other income	7,206	28,201	2,000	7,645	17,155	121,406	158,102	341,715
Reclassifications - donor directed	(2,693)	-	-	396	-	(10,583)	12,880	-
Net intercollegiate athletic transfers	(2,231,779)	(1,964,995)	(75,600)	7,241,601	10,390	2,879,618	(5,574,404)	284,831
Total revenues	12,641,541	2,287,269	211,037	10,181,553	886,046	14,224,556	(1,946,682)	38,485,320
Expenses:								
Program expenses:								
Budget support	8,516,500	3,500,000	-	147,000	72,000	10,100,000	-	22,335,500
Scholarship	-	6,313	3,750	-	-	-	10,000	20,063
General administration	557,573	242,745	52,515	463,694	57,249	1,465,769	1,204,918	4,044,463
Facilities, equipment and other purchases	3,119	-	6,849	-	-	26,610	30,000	66,578
Travel	75,103	228,651	16,432	50,008	36,290	8,355	232,781	647,620
Distribution of land, goods and services	32,074	17,391	525	15,963	211,534	36,108	100,880	414,475
Interest	-	-	-	-	-	722,871	-	722,871
Distributions to Cowboy Athletics	402,683	-	-	950,000	290,000	51,219,483	1,794,157	54,656,323
Building and equipment maintenance	44,521	17,802	15,245	10,415	15,162	-	16,527	119,672
Total expenses	9,631,573	4,012,902	95,316	1,637,080	682,235	63,579,196	3,389,263	83,027,565
Change in net assets	3,009,968	(1,725,633)	115,721	8,544,473	203,811	(49,354,640)	(5,335,945)	(44,542,245)
Net assets, beginning of year	15,067,266	9,446,659	1,580,833	15,197,851	2,130,001	125,102,168	35,208,668	203,733,446
Net assets, end of year	\$ 18,077,234	\$ 7,721,026	\$ 1,696,554	\$ 23,742,324	\$ 2,333,812	\$ 75,747,528	\$ 29,872,723	\$ 159,191,201