



OKLAHOMA STATE UNIVERSITY FOUNDATION

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2020 and 2019

WITH

INDEPENDENT AUDITOR'S REPORT

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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, 2020 and 2019, 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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 29, 2020

OKLAHOMA STATE UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

| | 2020 | 2019 |
|---------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 11,202,484 | \$ 6,032,477 |
| Short-term investments | 65,777,891 | 40,990,551 |
| Interest and other receivables | 2,195,693 | 3,479,038 |
| Contributions receivable, net | 112,281,786 | 99,282,275 |
| Notes receivable | 5,904,051 | 7,724,569 |
| Other property investments | 5,327,292 | 2,331,848 |
| Investments | 945,325,525 | 960,568,983 |
| Property and equipment, net | 17,646,038 | 18,171,308 |
| Beneficial interests in trusts | 12,698,686 | 14,126,504 |
| Other assets | 3,338,472 | 3,220,147 |
| | \$ 1,181,697,918 | \$ 1,155,927,700 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Oklahoma State University support payable | \$ 2,551,509 | \$ 4,772,584 |
| Accounts payable and accrued liabilities | 2,213,382 | 2,887,481 |
| Funds held on behalf of Oklahoma State University | 7,051,380 | 6,821,072 |
| Funds held on behalf of Cowboy Athletics | 1,177,938 | - |
| Funds held on behalf of Oklahoma State University Alumni Association | - | 16,078,786 |
| Funds held on behalf of Foundation for the McKnight Center for the Performing Arts | - | 10,032,101 |
| Unearned revenue | 15,000 | 15,000 |
| Line of credit | 23,705,000 | 37,370,000 |
| Obligations under split-interest agreements | 11,741,106 | 12,042,096 |
| Notes payable | 14,431,143 | 16,590,508 |
| | 62,886,458 | 106,609,628 |
| Net assets: | | |
| Without donor restrictions | 388,654,006 | 361,880,615 |
| With donor restrictions | 730,157,454 | 687,437,457 |
| | 1,118,811,460 | 1,049,318,072 |
| Total net assets | 1,118,811,460 | 1,049,318,072 |
| Total liabilities and net assets | \$ 1,181,697,918 | \$ 1,155,927,700 |

OKLAHOMA STATE UNIVERSITY FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2020

(With comparative totals for year ended June 30, 2019)

| | 2020 | | | 2019 |
|---------------------------------------------------------------------------------------|-------------------------------|----------------------------|------------------|------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Revenues, gains and support | | | | |
| Contributions: | | | | |
| Cash | \$ 39,313,392 | \$ 16,672,578 | \$ 55,985,970 | \$ 53,471,922 |
| Securities | 1,315,029 | 3,214,114 | 4,529,143 | 5,793,421 |
| Land, goods, services and other | 2,688,200 | - | 2,688,200 | 11,831,310 |
| Promises to give | - | 38,393,440 | 38,393,440 | 24,458,221 |
| Total contributions | 43,316,621 | 58,280,132 | 101,596,753 | 95,554,874 |
| Provision for uncollectible pledges | - | (796,915) | (796,915) | (2,376,165) |
| Net investment returns | 37,830,025 | 41,091,559 | 78,921,584 | 42,886,347 |
| Contract support services | 3,049,279 | - | 3,049,279 | 2,969,770 |
| Net gains on disposals of property and equipment and other property investments | 4,987,087 | 38,305 | 5,025,392 | 38,587 |
| Management fee income (loss) | 10,078,692 | (9,893,819) | 184,873 | 275,809 |
| Change in value of split-interest agreements | (283,000) | 2,397,254 | 2,114,254 | 780,438 |
| Other income (loss) | 2,280,049 | (33,776) | 2,246,273 | 3,716,494 |
| Reclassifications - donor directed | 249,722 | (249,722) | - | - |
| Net assets released from restrictions | 48,113,021 | (48,113,021) | - | - |
| Total revenues, gains and support | 149,621,496 | 42,719,997 | 192,341,493 | 143,846,154 |
| Expenses | | | | |
| Program services: | | | | |
| Intercollegiate athletics | 12,806,985 | - | 12,806,985 | 25,886,788 |
| Cowboy Athletics | 31,405,728 | - | 31,405,728 | 54,656,323 |
| Library | 579,361 | - | 579,361 | 557,180 |
| Research | 1,267,599 | - | 1,267,599 | 1,079,188 |
| General University support | 18,459,493 | - | 18,459,493 | 26,034,341 |
| Awards and scholarships | 18,033,075 | - | 18,033,075 | 16,375,959 |
| Endowed faculty and lectureship programs | 7,090,457 | - | 7,090,457 | 5,925,210 |
| Facilities and equipment | 8,613,610 | - | 8,613,610 | 15,932,001 |
| Total program services | 98,256,308 | - | 98,256,308 | 146,446,990 |
| Management and general | 8,469,720 | - | 8,469,720 | 8,129,634 |
| Fundraising | 15,287,077 | - | 15,287,077 | 14,972,408 |
| Charitable legacy distributions | 835,000 | - | 835,000 | 22,552 |
| Total expenses | 122,848,105 | - | 122,848,105 | 169,571,584 |
| Change in net assets | 26,773,391 | 42,719,997 | 69,493,388 | (25,725,430) |
| Net assets, beginning of year | 361,880,615 | 687,437,457 | 1,049,318,072 | 1,075,043,502 |
| Net assets, end of year | \$ 388,654,006 | \$ 730,157,454 | \$ 1,118,811,460 | \$ 1,049,318,072 |

See notes to consolidated financial statements.

OKLAHOMA STATE UNIVERSITY FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------------------------------------------------------------|-------------------------------|----------------------------|--------------------|
| Revenues, gains and support | | | |
| Contributions: | | | |
| Cash | \$ 40,693,550 | \$ 12,778,372 | \$ 53,471,922 |
| Securities | 2,122,017 | 3,671,404 | 5,793,421 |
| Land, goods, services and other | 5,189,185 | 6,642,125 | 11,831,310 |
| Promises to give | (334,542) | 24,792,763 | 24,458,221 |
| Total contributions | 47,670,210 | 47,884,664 | 95,554,874 |
| Provision for uncollectible pledges | (29,138) | (2,347,027) | (2,376,165) |
| Net investment returns | 18,508,535 | 24,377,812 | 42,886,347 |
| Contract support services | 2,969,770 | - | 2,969,770 |
| Net gains (losses) on disposals of property and equipment and other property investments | (22,126) | 60,713 | 38,587 |
| Management fee income (loss) | 9,850,895 | (9,575,086) | 275,809 |
| Change in value of split-interest agreements | 317,607 | 462,831 | 780,438 |
| Other income (loss) | 3,738,025 | (21,531) | 3,716,494 |
| 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 |
| Expenses | | | |
| Program services: | | | |
| Intercollegiate athletics | 25,886,788 | - | 25,886,788 |
| Cowboy Athletics | 54,656,323 | - | 54,656,323 |
| Library | 557,180 | - | 557,180 |
| Research | 1,079,188 | - | 1,079,188 |
| General University support | 26,034,341 | - | 26,034,341 |
| Awards and scholarships | 16,375,959 | - | 16,375,959 |
| Endowed faculty and lectureship programs | 5,925,210 | - | 5,925,210 |
| Facilities and equipment | 15,932,001 | - | 15,932,001 |
| Total program services | 146,446,990 | - | 146,446,990 |
| Management and general | 8,129,634 | - | 8,129,634 |
| Fundraising | 14,972,408 | - | 14,972,408 |
| Charitable legacy distributions | 22,552 | - | 22,552 |
| Total expenses | 169,571,584 | - | 169,571,584 |
| Change in net assets | (34,705,570) | 8,980,140 | (25,725,430) |
| Net assets, beginning of year | 396,586,185 | 678,457,317 | 1,075,043,502 |
| Net assets, end of year | \$ 361,880,615 | \$ 687,437,457 | \$ 1,049,318,072 |

See notes to consolidated financial statements.

OKLAHOMA STATE UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2020 and 2019

| | 2020 | 2019 |
|------------------------------------------------------------------------------------------|---------------|----------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 69,493,388 | \$(25,725,430) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Net investment gains | (72,365,434) | (34,594,426) |
| Change in value of split-interest agreements | (2,114,254) | (780,438) |
| Net losses (gains) on disposals of property and equipment and other property investments | 12,914 | (38,587) |
| Contributions restricted for long-term investment, cash | (12,126,146) | (13,549,641) |
| Contributions restricted for long-term investment, securities | (900,959) | (1,567,411) |
| Noncash distributions | - | 12,191,364 |
| Noncash contributions | (7,426,771) | (17,468,582) |
| Proceeds from sales of donated financial assets | 2,002,609 | 2,137,236 |
| Depreciation expense | 855,387 | 896,564 |
| Change in discount on contributions receivable | 33,031,398 | 2,096,144 |
| Provision for uncollectible pledges | 796,915 | 2,376,165 |
| Changes in operating assets and liabilities: | | |
| Contributions receivable | (45,335,473) | (12,585,210) |
| Interest and other receivables | 1,283,345 | (849,547) |
| Notes receivable | 1,820,518 | 1,889,509 |
| Other assets | (118,325) | 118,805 |
| Oklahoma State University support payable | (2,221,075) | 3,595,539 |
| Accounts payable and accrued liabilities | (674,099) | 574,667 |
| Funds held on behalf of Oklahoma State University | 230,308 | 124,282 |
| Funds held on behalf of Cowboy Athletics | 1,177,938 | - |
| Funds held on behalf of Oklahoma State University Alumni Association | (16,078,786) | (1,245,518) |
| Funds held on behalf of Foundation for the McKnight Center for the Performing Arts | (10,032,101) | 5,229,583 |
| Obligations under split-interest agreements | 1,735,422 | 1,234,336 |
| Unearned revenue | - | (263,500) |
| Net cash used in operating activities | (56,953,281) | (76,204,096) |
| Cash Flows from Investing Activities | | |
| Purchase of investments | (510,604,416) | (497,916,228) |
| Proceeds from sales and maturities of investments | 575,867,995 | 528,122,420 |
| Proceeds from sale of property and equipment | 33,178 | - |
| Purchases of property and equipment | (376,209) | (388,584) |
| Net cash provided by investing activities | 64,920,548 | 29,817,608 |
| Cash Flows from Financing Activities | | |
| Contributions restricted for long-term investment | 13,027,105 | 15,117,052 |
| Proceeds from line of credit | 21,335,000 | 36,130,922 |
| Repayments of line of credit | (35,000,000) | - |
| Repayments of notes payable | (2,159,365) | (3,409,492) |
| Net cash provided by financing activities | (2,797,260) | 47,838,482 |
| Net increase in cash and cash equivalents | 5,170,007 | 1,451,994 |
| Cash and cash equivalents at beginning of year | 6,032,477 | 4,580,483 |
| Cash and cash equivalents at end of year | \$ 11,202,484 | \$ 6,032,477 |

See notes to consolidated financial statements.

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

Years ended June 30, 2020 and 2019

| | 2020 | 2019 |
|---------------------------------------------------------------------------------|--------------|---------------|
| Supplemental Disclosures of Cash Flow Information | | |
| Interest paid | \$ 1,537,312 | \$ 1,317,826 |
| | | |
| Supplemental Disclosures of Noncash Activities | | |
| Noncash distributions: | | |
| 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 |
| Total noncash distributions | \$ - | \$ 12,191,364 |
| Noncash contributions: | | |
| Donation of securities | \$ 4,529,143 | \$ 6,574,896 |
| Donation of beneficial interest | - | 937,624 |
| Donation of other property investments | 2,590,384 | 11,831,310 |
| Donated services provided for the benefit of Oklahoma State University | 97,816 | 156,149 |
| Total noncash contributions | \$ 7,217,343 | \$ 19,499,979 |

OKLAHOMA STATE UNIVERSITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

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 5,700 active component funds, two affiliated organizations, and two single-member limited liability companies. The affiliated organizations, the Foundation for Engineering at Oklahoma State University, Inc. (FEOSU), which was incorporated on October 10, 2008, and Multilateral Endowment Management Company (MEMCO) incorporated on July 18, 2019, are included with the Foundation in the accompanying consolidated financial statements because the Foundation has an economic interest in the organizations and controls the affiliated organizations' Board of Trustees. Further, distributions made by FEOSU 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.

Contribution revenue recognition

Contributions, including unconditional promises to give, represent nonreciprocal transactions and are recognized as revenues in the period received by the Foundation. Conditional promises to give, which contain donor-imposed conditions that include one or more barriers that must be overcome as well as a right of return or release from the obligation, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor. 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 or explicitly waived by the donor. 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

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.

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.

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), 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, 2020 or 2019.

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, 2020 or 2019.

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, Cowboy Athletics, OSU Alumni Association and Foundation for the McKnight Center for the Performing Arts

The Foundation acts as custodian and records a liability for assets held on behalf of OSU, Cowboy Athletics, OSU Alumni Association and Foundation for the McKnight Center for the Performing Arts. 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 liability. The related assets are distributable to the respective organization upon request. During the year ended June 30, 2020, all assets held on behalf of OSU Alumni Association and Foundation for the McKnight Center for the Performing Arts were requested from the respective organizations and distributed accordingly.

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 \$21,000 and \$31,000 to University accounts and distributed assets totaling approximately \$835,000 and \$23,000 to other not-for-profit organizations from these donor-advised funds during the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the Foundation held charitable legacy fund assets totaling approximately \$1,241,000 and \$1,771,000, 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 four and two donors totaling approximately \$31,132,000 and \$11,827,000 in the years ended June 30, 2020 and 2019, respectively. These contributions represent 31% and 12% of total contribution revenue in fiscal years 2020 and 2019, respectively. Net contributions receivable totaling approximately \$69,253,000 and \$59,179,000 are due from ten and nine donors at June 30, 2020 and 2019, respectively. These receivables represent 62% and 60% of total net contributions receivable at June 30, 2020 and 2019, respectively.

The Foundation has a closely held stock that represents approximately 12% and 10% of the total investment balance at June 30, 2020 and 2019, respectively.

Income taxes

The Foundation and its affiliated organizations 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, 2016.

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 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 consolidated 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, Cowboy Athletics, OSU Alumni Association and the 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, 2020 or 2019.

Reclassifications

Certain reclassifications have been made to the 2019 consolidated statements of financial position and footnotes to conform to the classifications used in 2020. These reclassifications had no effect on net assets.

Recently adopted accounting pronouncements

On January 5, 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. 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. The Foundation implemented this standard effective July 1, 2019. The adoption of this amendment had no material effect on the Foundation's consolidated financial statements and related disclosures as the Foundation's equity investments were previously measured at fair value.

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 replaced most existing revenue recognition guidance in U.S. GAAP and permits the use of either a full retrospective or modified retrospective with cumulative effect transition method. Contributions to not-for-profit entities is not included in this update. The Foundation implemented this standard effective July 1, 2019, using the modified retrospective method. The Foundation's exchange transactions are not material to the consolidated financial statements, and as such, the adoptions of the ASU resulted in no impact to the Foundation's consolidated financial statements.

On June 21, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The ASU also clarified guidance for distinguishing between conditional and unconditional contributions. The Foundation was required to implement the amendments as they relate to contributions received effective July 1, 2019. The adoption of this amendment had no material effect on the Foundation's consolidated financial statements but did result in changes to the disclosure about conditional contributions in Note 1.

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, 2022. 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 August 28, 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments modify the disclosure requirements on fair value measurements in Topic 820. ASU 2018-13 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. 2018-13 will have on its consolidated financial statements.

On September 17, 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments require presentation of contributed nonfinancial assets as a separate line item in the statement of activities (apart from cash and other financial assets). In addition, disclosure is required for each type of contributed financial asset including uses, policies, restrictions, valuation details, and market information. ASU 2020-07 is effective for the Foundation's year ending June 30, 2022. Earlier application is permitted. The Foundation is currently evaluating the effect implementation of ASU No. 2020-07 will have on its consolidated financial statements.

Subsequent events

Management has evaluated subsequent events through October 29, 2020, 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 consolidated statement of financial position date, comprise the following:

| | 2020 | 2019 |
|------------------------------------------------------------|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 11,202,484 | \$ 6,032,477 |
| Short-term investments and unrestricted liquid investments | 169,518,984 | 142,027,175 |
| Interest and other receivables | 2,195,693 | 3,479,038 |
| Note receivables | 875,000 | 875,000 |
| Unendowed investments | 38,528,781 | 69,576,517 |
| Endowment spending-rate distributions | 26,217,124 | 25,122,280 |
| | <u>\$ 248,538,066</u> | <u>\$ 247,112,487</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, 2020, management fees and gift allocations were approximately \$10,079,000 and \$2,549,000, respectively. 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:

| | 2020 | 2019 |
|----------------------------------|---------------|---------------|
| Marketable securities: | | |
| Fixed-income: | | |
| Cash and short-term investments | \$ 65,777,891 | \$ 40,990,551 |
| Global fixed-income mutual funds | 70,344,840 | 99,715,038 |
| U.S. fixed-income mutual funds | 821,246 | 859,394 |
| Equity: | | |
| Long-only - domestic | 5,563,983 | 45,387,877 |
| Long-only - emerging markets | 824,221 | 851,193 |
| Long-only - global | 1,732,609 | 1,816,002 |
| Long-only - international | 16,256,397 | 57,871,404 |
| Real asset securities - public | 2,576,436 | 2,682,625 |
| Total marketable securities | 163,897,623 | 250,174,084 |

| | 2020 | 2019 |
|-----------------------------------------|-------------------------------|-------------------------------|
| Nonmarketable securities: | | |
| Equity: | | |
| Hedged equity - credit related | 57,212,730 | 46,624,537 |
| Hedged equity - multi-strategy funds | 159,204 | 159,822 |
| Hedged equity - long/short funds | 118,167,559 | 105,092,165 |
| Hedged equity - diversifiers | 98,280,800 | 145,448,010 |
| Hedged equity - event driven | 42,082,787 | 35,822,252 |
| Long-only - emerging markets | 27,922,335 | 42,508,727 |
| Long-only - international | 71,376,762 | 62,434,821 |
| Global equity futures | 8,176,519 | 3,723,017 |
| Private equity | 250,768,105 | 178,537,424 |
| Fixed-income - global fixed-income fund | 18,804,539 | - |
| Real assets - private funds | 32,841,624 | 28,343,976 |
| Closely held stock | 121,412,829 | 102,690,699 |
| Total nonmarketable securities | <u>847,205,793</u> | <u>751,385,450</u> |
| Total investments | <u><u>\$1,011,103,416</u></u> | <u><u>\$1,001,559,534</u></u> |

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

| | 2020 | 2019 |
|-----------------------------------------------------------|---------------------|---------------------|
| Interest and dividends | \$13,346,838 | \$12,267,026 |
| Investment fees | (6,790,688) | (3,975,105) |
| Net realized gains on investments carried at fair value | 40,961,629 | 28,914,745 |
| Net unrealized gains on investments carried at fair value | 31,417,113 | 5,876,842 |
| Change in fair value of perpetual trusts | (13,308) | (197,161) |
| | <u>\$78,921,584</u> | <u>\$42,886,347</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:

| | 2020 | 2019 |
|--------------------------------------|-----------------------|----------------------|
| Contributions receivable in: | | |
| Less than one year | \$ 32,462,626 | \$ 29,947,227 |
| One year to five years | 89,395,999 | 46,287,634 |
| Over five years | 47,223,952 | 47,148,899 |
| | <u>169,082,577</u> | <u>123,383,760</u> |
| Less: | | |
| Unamortized discount (2.25% - 7.98%) | 47,874,944 | 14,843,546 |
| Allowance for uncollectible pledges | 8,925,847 | 9,257,939 |
| | <u>\$ 112,281,786</u> | <u>\$ 99,282,275</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 as follows at June 30:

| | 2020 | 2019 |
|----------------------------|-----------------------|----------------------|
| Intercollegiate athletics | \$ 46,408,729 | \$ 52,348,196 |
| General University support | 21,421,039 | 18,801,309 |
| Awards and scholarships | 7,975,419 | 6,148,154 |
| Facilities and equipment | 36,034,053 | 21,287,435 |
| Other | 442,546 | 697,181 |
| | <u>\$ 112,281,786</u> | <u>\$ 99,282,275</u> |

Conditional promises to give include certain gifts that the Foundation has been 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 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:

| | 2020 | 2019 |
|---------------------------------|---------------------|----------------------|
| Interest and other receivables: | | |
| Receivable from OSU | \$ 1,745,517 | \$ 1,473,749 |
| Other receivables | 450,176 | 2,005,289 |
| Notes receivable | 5,904,051 | 7,724,569 |
| | <u>\$ 8,099,744</u> | <u>\$ 11,203,607</u> |

Interest and other receivables are expected to be collected within one year.

Note 5 – Net Assets

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

| | 2020 | 2019 |
|---------------------------------------------|-----------------------|-----------------------|
| Designated for the University: | | |
| Intercollegiate athletics | \$ 97,993,022 | \$ 102,198,512 |
| Library | 1,924,316 | 1,986,219 |
| Research | 1,926,219 | 2,644,504 |
| General University support | 181,965,291 | 159,607,173 |
| Awards and scholarships | 51,319,045 | 48,667,180 |
| Endowed faculty and lectureship programs | 5,527,764 | 5,732,514 |
| Facilities and equipment | 12,208,619 | 11,215,679 |
| Charitable legacy fund | 1,240,856 | 1,771,450 |
| | 354,105,132 | 333,823,231 |
| Designated for the Foundation (a): | | |
| Invested in property and equipment (b) | 17,646,038 | 18,171,308 |
| Gains on short-term investment funds (c) | 6,710,125 | 4,277,833 |
| Foundation reserves and general support (d) | 10,192,711 | 5,608,243 |
| | <u>34,548,874</u> | <u>28,057,384</u> |
| | <u>\$ 388,654,006</u> | <u>\$ 361,880,615</u> |

(a) Net assets without donor restrictions designated for the Foundation are amounts held for use in operating the Foundation.

- (b) Net assets without donor restrictions invested in property and equipment represent the Foundation's building, furniture and equipment.
- (c) 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.
- (d) 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:

| | 2020 | 2019 |
|----------------------------------------------|-----------------------|-----------------------|
| Subject to appropriation or expenditure: | | |
| Intercollegiate athletics | \$ 35,119,967 | \$ 45,100,749 |
| Library | 1,187,568 | 1,125,071 |
| Research | 248,757 | 244,325 |
| General University support | 29,943,715 | 31,386,592 |
| Awards and scholarships | 53,517,227 | 49,918,156 |
| Endowed faculty and lectureship programs | 34,408,767 | 29,364,771 |
| Facilities and equipment | 60,494,461 | 36,307,776 |
| OSU Foundation reserves and general support | 418,108 | 309,777 |
| | <u>215,338,570</u> | <u>193,757,217</u> |
| Not subject to appropriation or expenditure: | | |
| Intercollegiate athletics | 12,474,716 | 11,891,940 |
| Library | 5,677,272 | 5,623,820 |
| Research | 4,390,529 | 4,478,380 |
| General University support | 36,526,576 | 27,943,461 |
| Awards and scholarships | 241,997,853 | 230,245,717 |
| Endowed faculty and lectureship programs | 207,770,463 | 208,324,228 |
| Facilities and equipment | 5,636,902 | 4,828,122 |
| OSU Foundation reserves and general support | 344,573 | 344,572 |
| | <u>514,818,884</u> | <u>493,680,240</u> |
| | <u>\$ 730,157,454</u> | <u>\$ 687,437,457</u> |

Note 6 – Endowment Disclosures

The Foundation's endowment consists of approximately 3,600 and 3,500 funds at June 30, 2020 and 2019, 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 net assets with donor restrictions not subject to appropriation for expenditure (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 is classified as net assets with donor restrictions available for appropriation or expenditure until those amounts are appropriated for expenditure 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, 2020, is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|-------------------------------|----------------------------|-----------------------|
| Donor-restricted endowment funds | \$ - | \$ 574,509,743 | \$ 574,509,743 |
| Board-designated endowment funds | 74,067,651 | - | 74,067,651 |
| Total endowment funds | <u>\$ 74,067,651</u> | <u>\$ 574,509,743</u> | <u>\$ 648,577,394</u> |

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> |

Changes in endowment net assets for the year ended June 30, 2020, are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------------------------------------------|-------------------------------|----------------------------|-----------------------|
| Endowment net assets, beginning of year | \$ 95,316,869 | \$ 547,171,049 | \$ 642,487,918 |
| Investment return: | | | |
| Interest and dividends | 1,014,881 | 6,433,459 | 7,448,340 |
| Investment fees | (655,438) | (4,260,989) | (4,916,427) |
| Net realized and unrealized gains | 5,724,284 | 37,578,358 | 43,302,642 |
| Total investment return | 6,083,727 | 39,750,828 | 45,834,555 |
| Donor-restricted additions: | | | |
| Current-year endowment contributions | - | 16,027,673 | 16,027,673 |
| Collection of current and prior-year pledges | - | 2,471,648 | 2,471,648 |
| Transfers of prior year contributions | - | 464,999 | 464,999 |
| Total donor-restricted additions | - | 18,964,320 | 18,964,320 |
| Management fee | (1,456,494) | (9,585,805) | (11,042,299) |
| Appropriation of endowment assets for expenditure | (2,106,180) | (22,449,485) | (24,555,665) |
| Reinvestment of amounts appropriated | - | 799,309 | 799,309 |
| Reclassification-donor directed | - | 103,213 | 103,213 |
| Transfers from Board-designated and donor-restricted endowment funds | (23,770,271) | (243,686) | (24,013,957) |
| Endowment net assets, end of year | <u>\$ 74,067,651</u> | <u>\$ 574,509,743</u> | <u>\$ 648,577,394</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 | 4,412,277 | 23,594,626 | 28,006,903 |
| Donor-restricted additions: | | | |
| Current-year endowment contributions | - | 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 from Board-designated and donor-restricted endowment funds | (12,737,825) | (203,882) | (12,941,707) |
| Endowment net assets, end of year | \$ 95,316,869 | \$ 547,171,049 | \$ 642,487,918 |

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, 2020, the original gift value and current fair value of the underwater endowment funds was \$4,312,530 and \$4,055,916, respectively, resulting in a deficiency of \$256,614 reported in net assets with donor restrictions. At June 30, 2019, the original gift value and current fair value of the underwater endowment funds was \$56,322,378 and \$55,430,928, respectively, resulting in a deficiency of \$891,450 reported in net assets with 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 55% equity/growth-based, 20% real assets/inflation, and 25% 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 is 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 \$24,555,665 and \$23,382,937 for the years ended June 30, 2020 and 2019, 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 evaluating, hiring, and terminating external service providers, the primary custodial bank, consultants, and securities lending agents. The authority for investment decisions and retention of additional custodians and brokers, when appropriate to accomplish or facilitate an investment transaction, is delegated to MEMCO in accordance with the investment management agreement between the Foundation and MEMCO and MEMCO's fiduciary duties to the Foundation. The Committee 1) reviews the total investment program, 2) establishes and maintains the Investment Policy statement, including asset allocation guidelines, and 3) reviews performance, capabilities, systems, and staffing of MEMCO. MEMCO performs all duties necessary for the efficient administration and management of Investment Assets. MEMCO is also responsible for the day-to-day operations involving due diligence. The valuation process for investments is the responsibility of MEMCO 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 and Cowboy Athletics 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, plus accrued interest, 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, Cowboy Athletics, 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, Cowboy Athletics, OSU Alumni Association 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 notes payable

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

Assets and liabilities measured at fair value on a recurring basis are classified within the fair value hierarchy at June 30, 2020, as follows:

| | Total | Level 1 | Level 2 | Level 3 |
|----------------------------------|---------------|---------------|------------|---------|
| Assets: | | | | |
| Marketable securities: | | | | |
| Fixed-income: | | | | |
| Cash and short-term funds | \$ 65,777,891 | \$ 65,777,891 | \$ - | \$ - |
| Global fixed-income mutual funds | 70,344,840 | 5,742,263 | 64,602,577 | - |
| U.S. fixed-income mutual funds | 821,246 | 821,246 | - | - |
| Equities: | | | | |
| Long-only - domestic | 5,563,983 | 5,563,983 | - | - |
| Long-only - emerging markets | 824,221 | 824,221 | - | - |
| Long-only - global | 1,732,609 | 1,732,609 | - | - |
| Long-only - international | 16,256,397 | 16,256,397 | - | - |
| Real asset securities - public | 2,576,436 | 2,576,436 | - | - |
| Total marketable securities | 163,897,623 | 99,295,046 | 64,602,577 | - |

| | Total | Level 1 | Level 2 | Level 3 |
|------------------------------------------|-----------------|---------------|---------------|----------------|
| Nonmarketable securities: | | | | |
| Nonmarketable securities at NAV (a) | 725,792,964 | | | |
| Closely held stock | 121,412,829 | - | - | 121,412,829 |
| Total nonmarketable securities | 847,205,793 | - | - | 121,412,829 |
| Total investments | 1,011,103,416 | 99,295,046 | 64,602,577 | 121,412,829 |
| Beneficial interests in trusts | 12,698,686 | - | - | 12,698,686 |
| Total assets | \$1,023,802,102 | \$ 99,295,046 | \$ 64,602,577 | \$ 134,111,515 |
| Liabilities: | | | | |
| Funds held on behalf of OSU | \$ 7,051,380 | \$ - | \$ - | \$ 7,051,380 |
| Funds held on behalf of Cowboy Athletics | 1,177,938 | - | - | 1,177,938 |
| Total liabilities | \$ 8,229,318 | \$ - | \$ - | \$ 8,229,318 |

(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 consolidated 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, 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 | 5,866,315 | 93,848,723 | - |
| 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 | 156,325,361 | 93,848,723 | - |
| Nonmarketable securities: | | | | |
| Nonmarketable securities at NAV (a) | 648,694,751 | | | |
| Closely held stock | 102,690,699 | - | - | 102,690,699 |
| Total nonmarketable securities | 751,385,450 | - | - | 102,690,699 |
| Total investments | 1,001,559,534 | 156,325,361 | 93,848,723 | 102,690,699 |
| Beneficial interests in trusts | 14,126,504 | - | - | 14,126,504 |
| Total assets | \$1,015,686,038 | \$ 156,325,361 | \$ 93,848,723 | \$ 116,817,203 |

| | Total | Level 1 | Level 2 | Level 3 |
|------------------------------------------------------------------------------------------|----------------------|-------------|-------------|----------------------|
| Liabilities: | | | | |
| Funds held on behalf of OSU | \$ 6,821,072 | \$ - | \$ - | \$ 6,821,072 |
| Funds held on behalf of OSU Alumni Association | 16,078,786 | - | - | 16,078,786 |
| Funds held on behalf of Foundation for the McKnight Center for the Performing Arts | 10,032,101 | - | - | 10,032,101 |
| Total liabilities | <u>\$ 32,931,959</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 32,931,959</u> |

- (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 consolidated statement of financial position.

The following table summarizes 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, 2018 | \$ 98,423,649 | \$ 15,172,459 | \$6,696,790 | \$ - | \$ 17,324,304 | \$ 4,802,518 |
| Net realized and unrealized gains (losses) 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 |
| Net realized and unrealized gains (losses) included in earnings | 19,587,575 | (13,308) | 349,891 | 29,407 | 775,926 | 240,201 |
| Distributions | - | - | (159,583) | (1,410,256) | (17,552,355) | (11,572,302) |
| Contributions | - | - | 40,000 | 2,558,787 | 697,643 | 1,300,000 |
| Change in value of split-interests | - | 77,841 | - | - | - | - |
| Sales of investments | (865,445) | (1,492,351) | - | - | - | - |
| Balance at June 30, 2020 | <u>\$ 121,412,829</u> | <u>\$ 12,698,686</u> | <u>\$7,051,380</u> | <u>\$ 1,177,938</u> | <u>\$ -</u> | <u>\$ -</u> |

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, Cowboy Athletics, 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:

| | 2020 | 2019 |
|-------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|
| Total net gains for the period included in change in net assets | <u>\$ 19,574,267</u> | <u>\$ 5,199,614</u> |
| Change in unrealized gains for the period included in change in net assets for assets held at the end of the reporting period | <u>\$ 19,574,267</u> | <u>\$ 5,199,614</u> |

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. There were no derivative assets at June 30, 2020. At June 30, 2019, the fair value of the derivative assets is \$682,967. The net value of \$682,967 is included in investments in the consolidated statements of financial position (global equity futures in the investment disclosures) and realized and unrealized gains (losses) are recorded as net investment return in the consolidated statements 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 |
|----------------------------------------|----------------------|--------------|--------------------------------|------|----------------------------------------------|--------------------------|-------------------------|-----------------------------|----------|
| | 2020 | 2019 | 2020 | 2019 | | | | | |
| Equities: | | | | | | | | | |
| Hedged equity - credit-related: | | | | | | | | | |
| Fund L | \$ - | \$ 4,878,942 | \$ - | \$ - | Quarterly | 60 days | Master Fund Level - 25% | N/A | 10% |
| Fund Q | 10,756,705 | 16,050,025 | - | - | Quarterly | 90 days | Investor Level - 25% | N/A | 5% |
| Fund BQ | 15,471,983 | 17,912,354 | - | - | Quarterly | 60 days | Master Fund Level - 20% | N/A | N/A |
| Fund BR | 8,021,619 | 7,783,216 | - | - | Quarterly | 90 days | Investor Level - 25% | 3 Year - Hard Lock | N/A |
| Fund DP | 8,481,116 | - | - | - | Quarterly | 90 days | Investor Level - 25% | 1 Year - Hard and Soft Lock | 5% |
| Fund DV | 4,610,273 | - | - | - | Quarterly | 90 days | Investor Level - 25% | 1 Year - Hard Lock | 5% |
| Fund DY | 1,623,368 | - | - | - | Quarterly | 90 days | Investor Level - 25% | 4 Year - Hard Lock | 5% |
| Fund EA | 3,247,666 | - | - | - | Monthly | 90 days | Investor Level - 25% | 3 Year - Hard Lock | 5% |
| Fund EB | 5,000,000 | - | - | - | Monthly | 90 days | Investor Level - 25% | N/A | 5% |
| Total hedged equity - credit-related | 57,212,730 | 46,624,537 | - | - | | | | | |
| Hedged equity - multi-strategy funds | 159,204 | 159,822 | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Hedged equity - long/short funds: | | | | | | | | | |
| Fund M | 34,934,629 | 35,450,580 | - | - | Quarterly | 60 days | Investor Level - 20% | N/A | 5% |
| Fund O | 15,119,977 | 13,356,949 | - | - | Quarterly | 45 days | N/A | N/A | 5% |
| Fund X | 1,051,015 | 942,509 | - | - | Quarterly | 45 days | N/A | N/A | 5% |
| Fund Z | 20,793,497 | 19,571,415 | - | - | Quarterly | 60 days | Master Fund Level - 33% | N/A | 5% |
| Fund AE | 1,030,189 | 17,217,144 | - | - | Quarterly | 45 days | Investor Level - 25% | N/A | 5% |
| Fund CN | 13,681,499 | 10,109,688 | - | - | Quarterly | 60 days | N/A | 3 Year - Soft Lock | 5% |
| Fund CQ | 10,035,048 | 8,443,880 | - | - | Monthly | 30 days | Investor Level - 25% | 1 Year - Soft Lock | N/A |
| Fund DU | 9,923,424 | - | - | - | Daily | N/A | N/A | 1 Year - Hard Lock | N/A |
| Fund DZ | 3,983,549 | - | - | - | Quarterly | 60 days | Fund Level - 20% | 3 Year - Hard Lock | 5% |
| Fund EF | 7,614,732 | - | - | - | Monthly | 30 days | N/A | N/A | N/A |
| Total hedged equity - long/short funds | 118,167,559 | 105,092,165 | - | - | | | | | |
| Hedged equity - diversifiers: | | | | | | | | | |
| Fund A | 34,606,018 | 29,401,443 | - | - | Monthly | 60 days | Master Fund Level - 20% | N/A | 10% |
| Fund J | 1,776,852 | 19,621,980 | - | - | Quarterly | 45 days | Fund Level - 10% | N/A | N/A |
| Fund N | 10,886,067 | 14,487,704 | - | - | Quarterly | 60 days | N/A | N/A | 10% |
| Fund BK | 18,518,375 | 9,968,261 | - | - | Quarterly | 65 days | N/A | N/A | 5% |
| Fund BS | 79,459 | 24,971,983 | - | - | Monthly | 60 days | N/A | N/A | 5% |
| Fund BT | 12,852,661 | 23,241,868 | - | - | Monthly | 14 days | N/A | N/A | N/A |
| Fund CO | 2,384,258 | 2,433,716 | - | - | Monthly | 15 days | N/A | N/A | N/A |
| Fund CP | 11,937,480 | 21,321,055 | - | - | Monthly | 26 days | N/A | N/A | 10% |
| Fund DS | 5,239,630 | - | - | - | Monthly | 45 days | N/A | N/A | N/A |
| Total hedged equity - diversifiers | 98,280,800 | 145,448,010 | - | - | | | | | |
| Hedged equity - event-driven: | | | | | | | | | |
| Fund W | 30,902,781 | 24,611,572 | - | - | Biennial | 90 days | N/A | 2 Year - Hard Lock | 5% |
| Fund BB | 11,180,006 | 11,210,680 | - | - | Quarterly | 15 days | Investor Level - 12.5% | N/A | 3% |
| Total hedged equity - event-driven | 42,082,787 | 35,822,252 | - | - | | | | | |

| | Fair Value, June 30, | | Unfunded Commitments, | | Redemption Frequency (If Currently Eligible) | Redemption Notice Period | Gate | Lock Up Period | Holdback |
|------------------------------------------|----------------------|---------------|-----------------------|----------------|-------------------------------------------------------|--------------------------------|------------------|---------------------|----------|
| | 2020 | 2019 | June 30, | 2019 | | | | | |
| | | | 2020 | 2019 | | | | | |
| Long-only - emerging markets: | | | | | | | | | |
| Fund B | 781,727 | 760,671 | - | - | Daily | 28 days | N/A | N/A | N/A |
| Fund C | 4,421,334 | 5,560,253 | - | - | Daily | 28 days | N/A | N/A | N/A |
| Fund BI | 14,955,750 | 26,416,413 | - | - | Daily | 5 days | Fund Level - 20% | N/A | N/A |
| Fund BV | 7,763,524 | 9,771,390 | - | - | Quarterly | 45 days | N/A | 3 Years - Hard Lock | N/A |
| Total long-only - emerging markets | 27,922,335 | 42,508,727 | - | - | | | | | |
| Long-only - international: | | | | | | | | | |
| Fund AB | 36,538,380 | 40,732,137 | - | - | Monthly | 6 days | N/A | N/A | N/A |
| Fund BC | 14,184,251 | 21,702,684 | - | - | Monthly | 60 days | Fund Level - 20% | N/A | N/A |
| Fund EC | 20,654,131 | - | - | - | Quarterly | 90 days | Fund Level - 50% | 1 Year - Hard Lock | N/A |
| Total long-only - international | 71,376,762 | 62,434,821 | - | - | | | | | |
| Private equity: | | | | | | | | | |
| Fund AF | 4,406,393 | 5,541,695 | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund AG | 1,964,072 | 2,617,177 | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund AH | 5,920,854 | 7,560,198 | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund AL | 3,021,194 | 6,042,171 | 743,319 | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund AM | 95,929 | 96,183 | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund AN | 417,176 | 718,908 | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund AQ | 211,221 | 470,398 | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund AR | 13,499,073 | 9,909,135 | - | 2,999,805 | Illiquid | N/A | N/A | N/A | N/A |
| Fund AS | 37,320,006 | 30,940,460 | 2,212,232 | 2,360,555 | Illiquid | N/A | N/A | N/A | N/A |
| Fund BE | 12,917,122 | 11,826,246 | 334,975 | 1,517,308 | Illiquid | N/A | N/A | N/A | N/A |
| Fund BF | 14,478,474 | 11,995,948 | 1,798,696 | 1,798,696 | Illiquid | N/A | N/A | N/A | N/A |
| Fund BG | 14,048,445 | 11,438,543 | 459,909 | 695,098 | Illiquid | N/A | N/A | N/A | N/A |
| Fund BH | 1,045,023 | 630,013 | 720,431 | 1,280,547 | Illiquid | N/A | N/A | N/A | N/A |
| Fund BL | 13,367,427 | 12,749,763 | - | 25,877 | Illiquid | N/A | N/A | N/A | N/A |
| Fund CI | 5,646,077 | 4,005,719 | 1,000,864 | 2,270,738 | Illiquid | N/A | N/A | N/A | N/A |
| Fund CJ | 17,036 | 811,003 | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund BW | - | 1,232,882 | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund BX | 4,299,491 | 2,907,095 | 2,800,000 | 3,920,000 | Illiquid | N/A | N/A | N/A | N/A |
| Fund BY | 1,968,201 | 2,238,299 | 6,511,085 | 7,364,833 | Illiquid | N/A | N/A | N/A | N/A |
| Fund BZ | 2,044,699 | 1,229,345 | 400,000 | 910,000 | Illiquid | N/A | N/A | N/A | N/A |
| Fund CA | 383,292 | 207,050 | 132,500 | 292,500 | Illiquid | N/A | N/A | N/A | N/A |
| Fund CB | 1,450,369 | 1,191,540 | 980,732 | 1,000,000 | Illiquid | N/A | N/A | N/A | N/A |
| Fund CC | 3,173,568 | 1,435,045 | 4,060,000 | 5,320,000 | Illiquid | N/A | N/A | N/A | N/A |
| Fund CD | 10,039,112 | 8,838,756 | 5,135,302 | 1,361,660 | Illiquid | N/A | N/A | N/A | N/A |
| Fund CE | 8,502,677 | 7,037,926 | 1,657,663 | 3,202,868 | Illiquid | N/A | N/A | N/A | N/A |
| Fund CM | 1,862,347 | 1,875,000 | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund CR | 12,921,441 | 4,961,922 | 3,115,800 | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund CS | 7,077,490 | 2,244,629 | 3,911,423 | 7,665,803 | Illiquid | N/A | N/A | N/A | N/A |
| Fund CT | 10,963,985 | 3,340,096 | 3,033,784 | 6,599,988 | Illiquid | N/A | N/A | N/A | N/A |
| Fund CU | 845,019 | 1,008,972 | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund CV | 1,240,770 | 725,838 | 800,000 | 1,200,000 | Illiquid | N/A | N/A | N/A | N/A |
| Fund CW | 690,469 | 2,940 | 6,091,260 | 6,940,836 | Illiquid | N/A | N/A | N/A | N/A |
| Fund CX | 12,135,518 | 7,713,326 | 6,756,847 | 11,330,597 | Illiquid | N/A | N/A | N/A | N/A |
| Fund CY | 1,018,798 | 1,011,667 | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund CZ | 4,394,914 | 2,428,854 | 3,220,000 | 4,585,000 | Illiquid | N/A | N/A | N/A | N/A |
| Fund DA | 6,158,906 | 3,402,633 | 9,222,513 | 11,572,273 | Illiquid | N/A | N/A | N/A | N/A |
| Fund DB | 861,848 | 1,499,995 | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund DC | 7,211,224 | 3,650,049 | 3,362,770 | 5,928,255 | Illiquid | N/A | N/A | N/A | N/A |
| Fund DD | 1,000,005 | 1,000,005 | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund DF | 8,000,000 | - | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund DG | 982,707 | - | 5,915,000 | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund DH | 2,000,000 | - | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund DI | 2,325,279 | - | 7,318,357 | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund DK | 876,996 | - | 3,200,000 | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund DL | 3,921,349 | - | 7,029,713 | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund DM | 174,487 | - | 6,449,752 | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund DN | 149,152 | - | 850,000 | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund DO | 592,377 | - | 7,280,000 | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund DQ | 2,851,496 | - | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund DT | 214 | - | 6,814,174 | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund ED | 275,123 | - | 2,700,000 | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund EE | (740) | - | 14,754,766 | - | Illiquid | N/A | N/A | N/A | N/A |
| Total private equity | 250,768,105 | 178,537,424 | 130,799,744 | 93,517,923 | | | | | |
| Fixed-income - global fixed-income: | | | | | | | | | |
| Fund DX | 502,386 | - | - | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund DR | 18,302,153 | - | - | - | Daily | 1 day | N/A | N/A | N/A |
| Total fixed-income - global fixed-income | 18,804,539 | - | - | - | | | | | |
| Global Equity Futures | 8,176,519 | 3,723,017 | - | - | Daily | N/A | N/A | N/A | N/A |
| Private: | | | | | | | | | |
| Fund AT | - | 28,013 | - | 852,156 | Illiquid | N/A | N/A | N/A | N/A |
| Fund AU | - | 57,670 | - | 1,208,962 | Illiquid | N/A | N/A | N/A | N/A |
| Fund AV | 5,876,579 | 6,291,825 | 1,793,076 | 3,138,506 | Illiquid | N/A | N/A | N/A | N/A |
| Fund AW | 817,163 | 1,103,761 | 100,000 | - | Illiquid | N/A | N/A | N/A | N/A |
| Fund BJ | 7,774,611 | 6,886,123 | - | 150,262 | Illiquid | N/A | N/A | N/A | N/A |
| Fund BF | 6,672,214 | 5,775,923 | 8,232,321 | 9,420,026 | Illiquid | N/A | N/A | N/A | N/A |
| Fund CG | 4,747,046 | 4,393,305 | 1,637,558 | 2,843,974 | Illiquid | N/A | N/A | N/A | N/A |
| Fund DE | 5,207,022 | 3,807,356 | 1,519,692 | 2,902,997 | Illiquid | N/A | N/A | N/A | N/A |
| Fund DJ | 1,746,989 | - | 222,122 | - | Illiquid | N/A | N/A | N/A | N/A |
| Total private | 32,841,624 | 28,343,976 | 13,504,769 | 20,516,883 | | | | | |
| | \$725,792,964 | \$648,694,751 | \$144,304,513 | \$ 114,034,806 | | | | | |

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 – 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 invest 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, | |
|------------------------------------------------------------------------------------|----------------------|----------------|-----------------------|-------------------------------------------|----------------------------------------------|--------------------|
| | 2020 | 2019 | | | 2020 | 2019 |
| Assets: | | | | | | |
| Closely held stock | \$ 121,412,829 | \$ 102,690,699 | Market approach | EBITDA multiple (b) | 9.86 (9.86) | 8.80 (8.80) |
| | | | | EBITDA transactions (b) | 8.3 (8.3) | 8.3 (8.3) |
| | | | | Book multiple (b) | 1.72 (1.72) | 1.49 (1.49) |
| | | | Discounted cash flows | Capitalization of cash flow (a) | 11.9% (11.9%) | 12.4% (12.4%) |
| | | | | Discount for lack of marketability (a) | 32% (32%) | 32% (32%) |
| Beneficial interest in trusts | 12,698,686 | 14,126,504 | Discounted cash flows | Discount rate (a) | 0 - 1.2% (1.02%) | 0 - 3.0% (.90%) |
| | | | | Expected rate of return (d) | 2.4 - 9.4% (5.39%) | 2.4 - 9.4% (5.37%) |
| Liabilities: | | | | | | |
| Funds held on behalf of OSU | 7,051,380 | 6,821,072 | Income approach | Present value of future cash outflows (e) | - | - |
| | | | | Discount rate (a) | 0% (0%) | 0% (0%) |
| Funds held on behalf of Cowboy Athletics | 1,177,938 | - | 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 | 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 | 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 | 2020 | 2019 |
|---------------------------------------------------------|---------------|---------------|---------------|
| Foundation Operations | | | |
| Land | N/A | \$ 2,383,552 | \$ 2,383,552 |
| Buildings and leasehold improvements | 10 - 39 years | 17,724,338 | 17,422,979 |
| Equipment | 3 - 10 years | 5,282,615 | 5,304,012 |
| | | 25,390,505 | 25,110,543 |
| Less: accumulated depreciation | | 8,673,912 | 7,878,381 |
| Net property and equipment, Foundation operations | | 16,716,593 | 17,232,162 |
| Foundation Programs for OSU | | | |
| Land | N/A | 643,602 | 643,602 |
| Buildings and leasehold improvements | 10 - 39 years | 319,494 | 319,494 |
| | | 963,096 | 963,096 |
| Less: accumulated depreciation | | 33,651 | 23,950 |
| Net property and equipment, Foundation programs for OSU | | 929,445 | 939,146 |
| Net property and equipment | | \$ 17,646,038 | \$ 18,171,308 |

Depreciation expense was approximately \$855,000 and \$897,000 for the years ended June 30, 2020 and 2019, 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:

| | 2020 | 2019 |
|-------------------------------------------------------|---------------|---------------|
| Cash, investments, interest and other receivables | \$ 17,344,196 | \$ 17,502,376 |
| Property and equipment and other property investments | 2,752,488 | 558,576 |
| Total assets held under split-interest agreements | \$ 20,096,684 | \$ 18,060,952 |
| Obligations under split-interest agreements | \$ 11,741,106 | \$ 12,042,096 |

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 years ended June 30, 2020 and 2019, was approximately \$298,700 and \$99,700, respectively. 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% 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 – Beneficial Interests in Trusts

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

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|----------------------|----------------------|
| Perpetual trusts | \$ 8,387,917 | \$ 9,893,577 |
| Charitable remainder trusts | 4,310,769 | 4,232,927 |
| Total beneficial interests in trusts | <u>\$ 12,698,686</u> | <u>\$ 14,126,504</u> |

Perpetual trusts and related changes in fair value are classified as net investment gains (losses) with donor restrictions 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 net assets without donor restrictions upon termination of the trust. Discount rates on these charitable remainder trusts are 1.2% and 3% at June 30, 2020 and 2019, respectively.

There was no contribution revenue related to these agreements for the year ended June 30, 2020. Contribution revenue related to these agreements was \$23,857 for the year ended June 30, 2019.

Note 11 – 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. 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 \$9,402,000 and \$9,741,000 at June 30, 2020 and 2019, respectively. There was no outstanding balance on the line of credit at June 30, 2020 or 2019. Interest expense totaled approximately \$241,000 and \$341,000 for the years ended June 30, 2020 and 2019, 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. 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 \$5,029,000 and \$6,850,000 at June 30, 2020 and 2019, respectively. Interest expense totaled approximately \$159,000 and \$290,000 for the years ended June 30, 2020 and 2019, 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. In fiscal year 2020, \$35,000,000 was paid down and the unsecured advancing term note was reduced to \$25,000,000 with no other change in terms. The outstanding balance totaled \$23,705,000 and \$37,370,000 at June 30, 2020 and 2019, respectively. Interest expense totaled approximately \$946,000 and \$723,000 for the years ended June 30, 2020 and 2019, respectively.

Future maturities of notes payable are as follows:

| <u>Years Ending June 30,</u> | <u>Total</u> |
|------------------------------|----------------------|
| 2021 | \$ 1,323,277 |
| 2022 | 851,986 |
| 2023 | 28,022,456 |
| 2024 | 7,938,424 |
| | <u>\$ 38,136,143</u> |

Note 12 – 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, 2020 and 2019, totaled approximately \$802,000 and \$1,765,000, respectively. The Foundation made distributions of approximately \$3,101,000 and \$6,941,000 for the years ended June 30, 2020 and 2019, respectively.

Note 13 – 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 \$1,208,000 and \$1,241,000 during the years ended June 30, 2020 and 2019, respectively.

Note 14 – 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, 2020, is as follows:

| | General Support to OSU | Transfer to other Not- for-Profits | 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 | \$ 9,516,845 | \$ - | \$ 425,600 | \$ 108,196 | \$ 1,370,772 | \$ 1,037,097 | \$ 348,475 | \$ 12,806,985 |
| Cowboy Athletics | - | 31,405,728 | - | - | - | - | - | 31,405,728 |
| Library | 43,217 | - | 7,958 | 112,201 | 360,244 | 26,019 | 29,722 | 579,361 |
| Research | 127,100 | - | 649,930 | 376,255 | 40,633 | 21,763 | 51,918 | 1,267,599 |
| General University support | 7,363,183 | 3,081,328 | 2,066,248 | 1,275,487 | 1,377,212 | 1,507,184 | 1,788,851 | 18,459,493 |
| Awards and scholarships | 17,290,142 | - | 182,723 | 186,953 | 142,268 | 113,740 | 117,249 | 18,033,075 |
| Endowed faculty and lectureship programs | 6,922,637 | - | 63,848 | 2,335 | 23,278 | 22,953 | 55,406 | 7,090,457 |
| Facilities and equipment | 2,153,080 | - | - | 5,543,735 | 252,067 | 661,371 | 3,357 | 8,613,610 |
| Total program services | 43,416,204 | 34,487,056 | 3,396,307 | 7,605,162 | 3,566,474 | 3,390,127 | 2,394,978 | 98,256,308 |
| Management and general | - | 170,000 | 5,907,660 | 52,146 | 1,467,570 | 798,625 | 73,719 | 8,469,720 |
| Fundraising | - | - | 11,281,023 | 106,792 | 2,861,947 | 681,124 | 356,191 | 15,287,077 |
| Charitable legacy distributions | - | 835,000 | - | - | - | - | - | 835,000 |
| Total expenses by function | \$43,416,204 | \$35,492,056 | \$20,584,990 | \$ 7,764,100 | \$ 7,895,991 | \$ 4,869,876 | \$ 2,824,888 | \$122,848,105 |

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

| | General Support to OSU | Transfer to other Not- for-Profits | 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 |
| 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 |

Note 15 – 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 \$3,049,000 and \$2,970,000, respectively, for the years ended June 30, 2020 and 2019, of which approximately \$1,746,000 and \$1,474,000 at June 30, 2020 and 2019, 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 \$31,406,000 and \$54,656,000 held for the benefit of the Athletic Department to Cowboy Athletics during the years ended June 30, 2020 and 2019, respectively. These distributions are recognized as Cowboy Athletics program services expense in the consolidated statements of activities.

Note 16 – Uncertainties

As a result of the spread of the SARS-COV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively impact the consolidated financial position, results of operations, and cash flows of the Foundation. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Foundation's investments. In addition, the impact to the financial markets and donors' operations could impact the Foundation's donors' ability to make future contributions. Subsequent to June 30, 2020, the Foundation refunded unconditional contributions of approximately \$7,000,000 related to various events that were canceled. Future events may be suspended or canceled that could negatively impact future contributions. The impact of COVID-19 to the University's operations may also result in additional liquidity needs and/or transfers to the University. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

SUPPLEMENTAL INFORMATION

OKLAHOMA STATE UNIVERSITY FOUNDATION

COMBINING SCHEDULE OF ACTIVITIES – INTERCOLLEGIATE ATHLETIC ACCOUNTS

Year ended June 30, 2020

| | Football | Basketball | | Other Sports | | Athletic Facilities | Nonprogram Specific | Total |
|-------------------------------------------|----------------------|---------------------|---------------------|----------------------|---------------------|----------------------|----------------------|-----------------------|
| | | Men's | Women's | Men's | Women's | | | |
| Revenues: | | | | | | | | |
| Contributions: | | | | | | | | |
| Cash | \$ 13,608,453 | \$ 2,035,481 | \$ 144,343 | \$ 2,503,517 | \$ 811,929 | \$ 3,030,372 | \$ 1,188,857 | \$ 23,322,952 |
| Securities | 25,197 | 27,875 | 401 | 1,006,260 | 1,411 | 122,279 | 23,883 | 1,207,306 |
| Land, goods, services and other | 25,600 | 6,402 | - | 34,190 | 618,270 | 37,114 | 35,940 | 757,516 |
| Promises to give | - | - | - | - | 84,150 | 4,741,111 | - | 4,825,261 |
| Provision for uncollectible pledges | - | - | 11,452 | 11,061 | (25,371) | (5,726,165) | 106,444 | (5,622,579) |
| Interest and dividends | 144,327 | 96,444 | 7,716 | 242,243 | 15,485 | 594,784 | 163,240 | 1,264,239 |
| Net investment gains | 844,848 | 547,065 | 45,794 | 1,395,319 | 91,500 | 3,106,213 | 951,670 | 6,982,409 |
| Other income | 20,912 | 29,858 | 2,000 | 6,080 | 2,024 | 135,271 | 73,885 | 270,030 |
| Reclassifications - donor directed | (6,655) | - | - | 2,228 | - | 6,655 | (2,228) | - |
| Net intercollegiate athletic transfers | 32,100 | (35,437) | 4,567 | (13,507) | (659,008) | 140,450 | 714,472 | 183,637 |
| Total revenues | 14,694,782 | 2,707,688 | 216,273 | 5,187,391 | 940,390 | 6,188,084 | 3,256,163 | 33,190,771 |
| Expenses: | | | | | | | | |
| Program expenses: | | | | | | | | |
| Budget support | - | 3,500,000 | - | - | - | 5,361,987 | - | 8,861,987 |
| Scholarship | - | 7,400 | 2,750 | 6,542 | - | - | 14,000 | 30,692 |
| General administration | 740,273 | 309,438 | 38,091 | 619,283 | 82,489 | 1,530,181 | 1,038,922 | 4,358,677 |
| Facilities, equipment and other purchases | 58,184 | - | - | 2,114 | 36,102 | 4,485 | 7,310 | 108,195 |
| Travel | 54,720 | 50,171 | 14,016 | 31,787 | 24,153 | - | 206,537 | 381,384 |
| Distribution of land, goods and services | 25,600 | 6,402 | - | 34,190 | 455,770 | 37,114 | 35,940 | 595,016 |
| Interest | - | - | - | - | - | 945,731 | - | 945,731 |
| Distributions to Cowboy Athletics | 216,817 | - | - | 2,725,678 | 76,144 | 28,350,496 | 36,593 | 31,405,728 |
| Building and equipment maintenance | 38,769 | 18,046 | 15,799 | 12,335 | 4,840 | - | 17,068 | 106,857 |
| Total expenses | 1,134,363 | 3,891,457 | 70,656 | 3,431,929 | 679,498 | 36,229,994 | 1,356,370 | 46,794,267 |
| Change in net assets | 13,560,419 | (1,183,769) | 145,617 | 1,755,462 | 260,892 | (30,041,910) | 1,899,793 | (13,603,496) |
| Net assets, beginning 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 |
| Net assets, end of year | \$ 31,637,653 | \$ 6,537,257 | \$ 1,842,171 | \$ 25,497,786 | \$ 2,594,704 | \$ 45,705,618 | \$ 31,772,516 | \$ 145,587,705 |

See independent auditor's report.