

**THURSDAY, FEBRUARY 27, 2020**  
**AUDIT, COMPLIANCE & FINANCE COMMITTEE MEETING**

Timothy P. Smucker  
John W. Zeiger  
Elizabeth P. Kessler  
Brent Porteus  
Erin P. Hoeflinger  
Alexander R. Fischer  
Hiroyuki Fujita  
Lewis Von Thaer  
Jeff M.S. Kaplan  
Janice M. Bonsu  
James D. Klingbeil  
Amy Chronis  
Gary R. Heminger (*ex officio*)

Location: Longaberger Alumni House  
Sanders Grand Lounge

Time: 10:00am-12:00pm

**Executive Session**

10:00 – 11:30am

**Public Session**

*ITEMS FOR DISCUSSION*

1. *University Financial Scorecards – Mike Papadakis, Kris Devine* 11:30-11:35am
2. *Global Gateways Presentation – Gates Garrity-Rokous, Dr. Gil Latz, Padmini Roy-Dixon* 11:35-11:45am
3. *Professional Services and Construction Contracts – Jay Kasey, Mark Conselyea* 11:45-11:55am

*ITEMS FOR ACTION*

4. Consent Agenda 11:55am-12:00pm
  - a. Authorization of Acquisition of Apple iPads
  - b. Authorization to Approve Athletic Prices and Fees: Fiscal Year 2021 Men's Basketball Ticket Pricing
  - c. Authorization of First Amendment to First Amended and Restated Long-Term Lease and Concession Agreement for The Ohio State University Utility System
  - d. Approval to Enter Into/Increase Professional Services and Enter Into/Increase Construction Contracts
  - e. Approval for Long-Term Ground Lease and Amended Development Agreement
  - f. Approval for the Acquisition of Vacant Land
  - g. Approval for the Acquisition of Real Property
5. Written Reports (Background Only) – Public
  - a. FY20 Interim Financial Report
  - b. Compliance & Integrity Report
  - c. Efficiency Scorecard
  - d. Major Project Updates
  - e. Audit & Compliance Scorecard
  - f. External Audit Update

Consolidated Financial Scorecard (\$ in thousands)	FY20 YTD Actual	FY20 YTD Budget	Actual vs. Budget
<b>A. Financial Snapshot (in thousands)</b>			
1. Total Revenue excluding endowment performance	\$ 3,817,893	\$3,732,588	↑
2. Total Expenses	\$ 3,736,542	\$3,713,471	↔
3. Change in Net Assets	\$ 596,895	\$ 340,635	↑
4. Change in Net Assets excluding endowment performance	\$ 159,650	\$ 97,416	↑
5. Change in Net Financial Assets	\$ 647,748	\$ 125,000	↑
<b>B. Institutional Financial Metrics</b>			
1. Liquidity - Days Cash on Hand	211	120	↑
2. Actual Debt Service to Operations	2.6%	< 3.0%	↔
	<b>FY20 Actual</b>	<b>FY20 Benchmark</b>	<b>Actual vs. Benchmark</b>
3. Short Term Investment Pool Return	2.36%	2.28%	↔
4. Intermediate Investment Pool Return	4.91%	4.07%	↔
5. Fiscal YTD Long Term Investment Pool Return	6.04%	6.71%	↔
6. 1 Year Long Term Investment Pool Return	13.22%	19.55%	↓
7. 3 Year Long Term Investment Pool Average Return	7.89%	9.84%	↓
8. Credit Rating	Aa1/AA	AA	↔




	Meets or exceeds goal	↑ Performance up
	Below goal	↔ No change in performance
	Far below goal	↓ Performance down

University Financial Scorecard (\$ in thousands)	FY20 YTD Actual	FY20 YTD Budget	Actual vs. Budget
<b>A. Revenue Drivers (in thousands)</b>			
1. Tuition and Fees	\$ 601,232	\$ 601,128	↔
2. Grants and Contracts (exchange)	\$ 404,287	\$ 390,237	↑
3. Advancement Cash Receipts	\$ 96,268	\$ 96,268	↔
4. State Share of Instruction	\$ 195,984	\$ 191,609	↑
5. State Line Item Appropriations	\$ 44,950	\$ 44,950	↔
6. Net Contribution from Auxiliary Enterprises	\$ 56,260	\$ 56,150	↔
<b>B. Financial Snapshot (in thousands)</b>			
1. Total Revenue excluding endowment performance	\$ 1,841,399	\$ 1,807,795	↑
2. Total Expenses	\$ 1,803,401	\$ 1,804,965	↔
3. Current Net Margin	\$ 152,664	\$ 117,050	↑
4. Change in Net Assets	\$ 506,258	\$ 276,128	↑
5. Change in Net Assets excluding endowment performance	\$ 215,721	\$ 180,108	↑
<b>C. Performance Metrics (Columbus Campus only)</b>			
1. Enrollment - summer/autumn/spring	80,680	80,136	↔
2. Credit Hours - summer/autumn/spring	955,624	946,434	↔

	Meets or exceeds goal	↑	Performance up
	Below goal	↔	No change in performance
	Far below goal	↓	Performance down

MEDICAL CENTER FINANCIAL PERFORMANCE	FY20 YTD Actual	FY20 YTD Budget	Current Status
<b>A. Revenue Drivers</b>			
1. Patient Admissions	34,055	32,978	↓
2. Patients in Inpatient Beds	42,089	40,627	↓
3. Patient Discharges	33,745	32,816	↓
4. Total Surgeries	24,971	23,587	↑
5. Outpatient Visits	1,047,573	969,665	↓
6. ED Visits	67,394	67,876	↔
<b>B. Activity Metrics</b>			
1. Adjusted Admissions	70,082	64,644	↓
2. Operating Revenue / Adjusted Admit	\$ 23,833	\$ 25,545	↑
3. Expense / Adjusted Admit	\$ 21,316	\$ 22,844	↓
<b>C. Financial Snapshot (in thousands)</b>			
1. Operating Revenues	\$ 1,670.3	\$ 1,651.3	↑
2. Total Expenses	\$ 1,493.8	\$ 1,476.7	↑
3. Gain from Operations	\$ 176.4	\$ 174.6	↑
4. Excess Revenue Over Expenses	\$ 115.9	\$ 105.3	↑
<b>D. Performance Metrics</b>			
1. Operating EBIDA Margin	16.8%	16.9%	↑
2. Days Cash on Hand	160.8	131.6	↑
3. Debt Service Coverage	7.27	7.02	↑

**LEGEND**

 Meets or exceeds goal	↑ Performance up
 Below goal	↔ No change in performance
 Far below goal	↓ Performance down

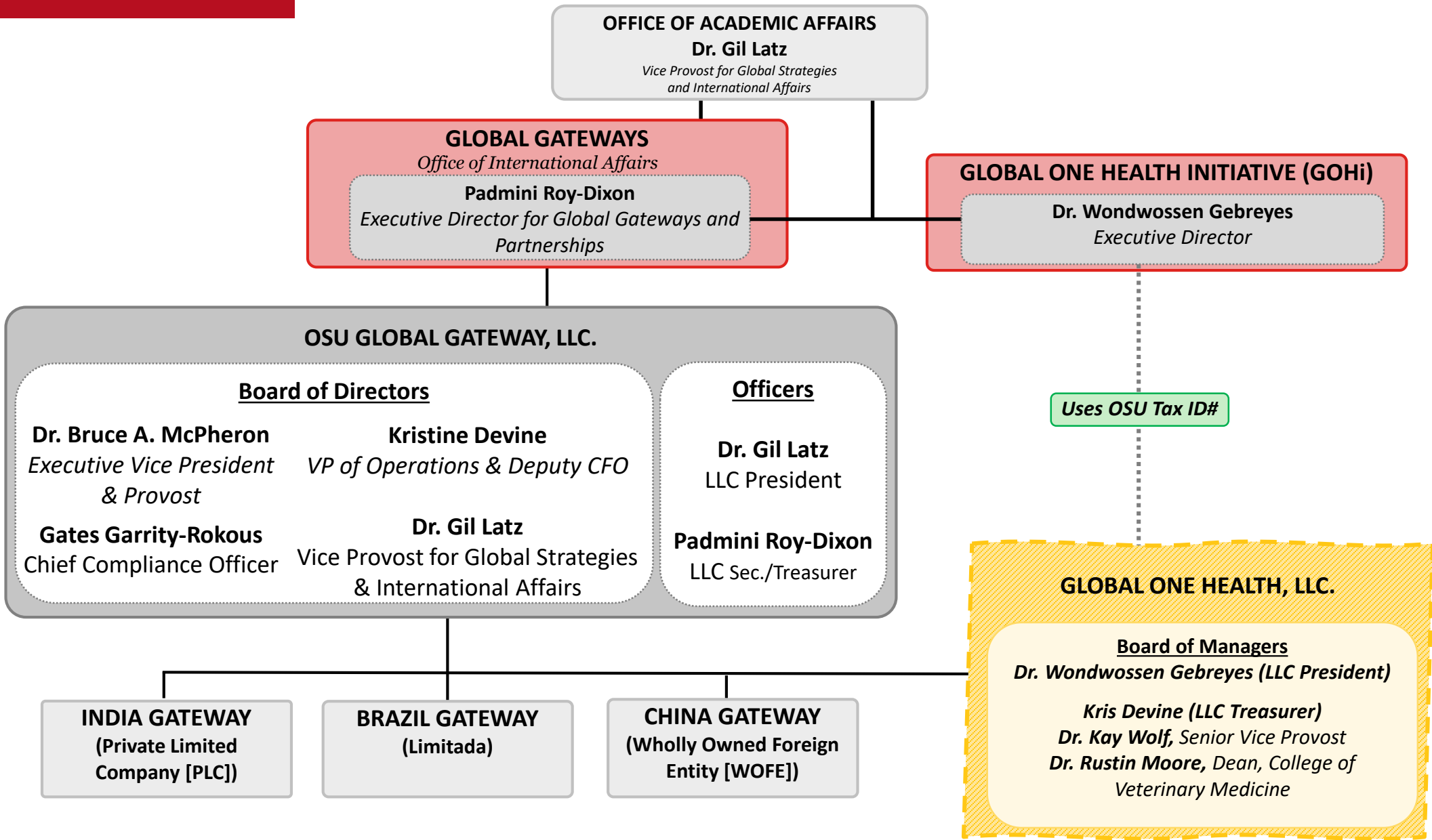


**THE OHIO STATE UNIVERSITY**

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# **Global Gateways**

**Update for Audit, Compliance, and Finance Committee  
Board of Trustees  
February 27, 2020**





# Audit and Compliance Review: India and Brazil Gateways

## Finance and Operations

### Overall Findings

- India: strong internal processes/financial oversight
- Brazil: local accounting firm ensures financial controls and segregated duties

### Recommendations

- Revise/extend internal controls documentation
- Improve proactive budget planning

## Corporate Governance

### Overall Findings

- All required corporate meetings and filings occur

### Recommendation

- Leverage Global Gateways board meetings for improved strategic and operational oversight

## Policy Compliance: India & Brazil Gateways

### Overall Findings

- Sufficient policies and training

### Recommendations

- Simplify applicable policies into local policy “Handbook”; extend country-specific guidance
- Continue to improve human resources processes

## Overall Risks: Engagements in India & Brazil

### Overall Findings

- Major risks owned by Columbus not Gateway offices; mitigation depends on ongoing initiatives (e.g., research security)
- Gateways serve as resource for crises

### Recommendation

- Formalize requirement to use Office International Affairs and Gateways processes where appropriate



# Global Gateways: Current Status

## Overall Outcomes – 2010 to Present:

### *Student Enrollment*

- Increase in international student enrollment by **150%**

### *Faculty and Research*

- Support to individual faculty increased over **3x**
- Increase in external research funding to Ohio State

### *Alumni Relations*

- Increase in formal connection with in-country alumni: up **1,200%**

### *Global and Corporate Engagements*

- Increase in revenue-generating programs for Ohio State

## India Gateway

- Launched **March 2012**
- Office in Mumbai; serves all of India
- 8 active agreements
- 6 Education Abroad programs
- 619 students enrolled
- 900+ alumni formally connected

## Brazil Gateway

- Launched **September 2014**
- Office in São Paulo; serves all of Brazil
- 18 active agreements
- 11 Education Abroad programs
- 1 dual-degree program
- 42 students enrolled
- 1,300+ alumni & friends formally connected

## China Gateway

- Launched **February 2010**
- Office in Shanghai; serves Greater China, including Taiwan & Hong Kong
- 51 active agreements
- 12 Education Abroad programs
- 1 dual-degree program
- 4,441 students enrolled
- 2,000+ alumni formally connected





# Strategic Assessment

## Overall Opportunities

- De-risking relationships
- Individualized service approach

## Advancement

- Continue improvement in alumni connections
- Clarify Gateways' role in Advancement goals

## Student Enrollment and Foreign Study

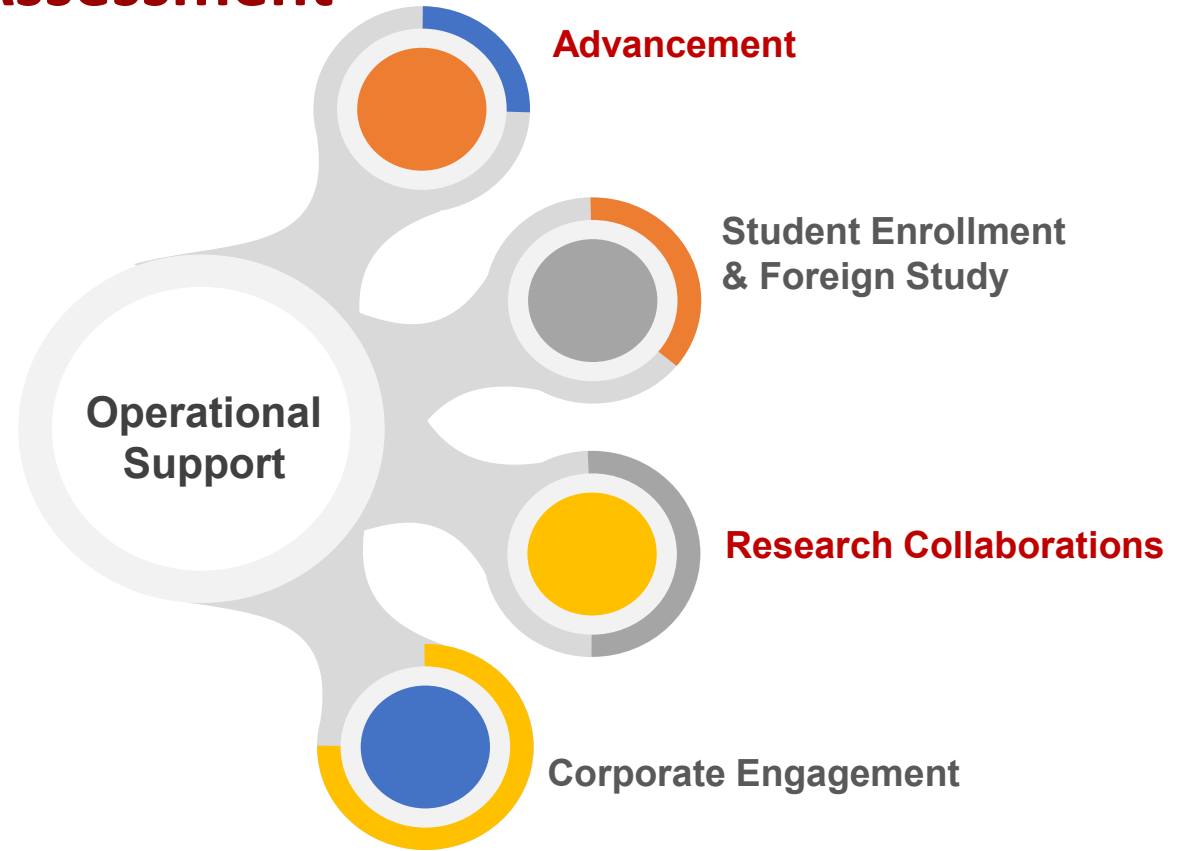
- Verify/reinforce international enrollment strategy
- Promote OSU brand – what attracts students?

## Research Collaborations

- Improve connections between Office of Research, Technology Commercialization Office with in-country contacts (esp. alumni) in tech and innovation
- Leverage external benchmarks in research & IP

## Corporate Engagement

- Formalize framework and toolkit
- Develop database of industry partners



## Operational Support

- Formalize and improve control and risk evaluation processes
- Designate legal support
- Improve external/internal strategic communication, especially to deans and university leaders
- Develop global human resources resource



# Metrics

**Signature conference aligned  
w/Discovery Theme**



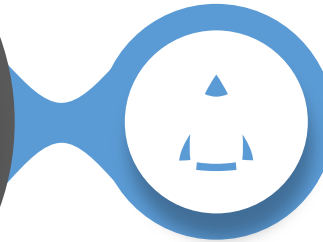
**#college-faculty programs  
w/Gateways**



**#industry/government-led  
Research projects**



**Educational or Cultural  
programming**



**Alumni engagements and  
activities/year**



**Student engagements in-  
country**



## Campus Environmental Surveys

OSU-200466 (CNI#: N/A)

Project Location: Columbus Campus

- **approval requested and amount**
  - professional services \$1.0M
  
- **project budget**
  - professional services \$1.0M
  
- **project funding**
  - university debt
  - development funds
  - university funds
  - auxiliary funds
  - state funds
  
- **project schedule**
  - BoT prof services approval 02/20
  - surveying 05/20 – 06/21
  
- **project delivery method**
  - general contracting
  - design/build
  - construction manager at risk
  
- **planning framework**
  - this is the start of a multi-year program to review and assess campus buildings
  - the assessments will allow for the proactive identification, quantification, and risk evaluation of building materials
  - completed assessments will allow more accurate construction estimates for projects in the development stage
  
- **project scope**
  - the project will engage environmental consultant services for full building hazardous materials assessments on main and regional campuses
  - the buildings to be included in the survey will be prioritized based on the Capital Investment Plan and the recommendations of Environmental Health & Safety experts
  - the project deliverables will include the development of a data management system
  
- **approval requested**
  - approval is requested to enter into professional services contracts

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- **project team**
    - University project manager: TBD
    - Environmental Consultant:

# Project Data Sheet for Board of Trustees Approval

## Energy Advancement and Innovation Center

OSU-180355-1 (CNI# 18000020)

Project Location: 2281 Kenny Road – West Campus

- approval requested and amount**  
 professional services \$2.2M

- project budget**  
 professional services \$5.0M  
 construction w/contingency \$31.7M  


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 total project budget \$36.7M

- project funding**  
 university debt  
 fundraising  
 university funds  
 auxiliary funds  
 partner funds (OSEP)

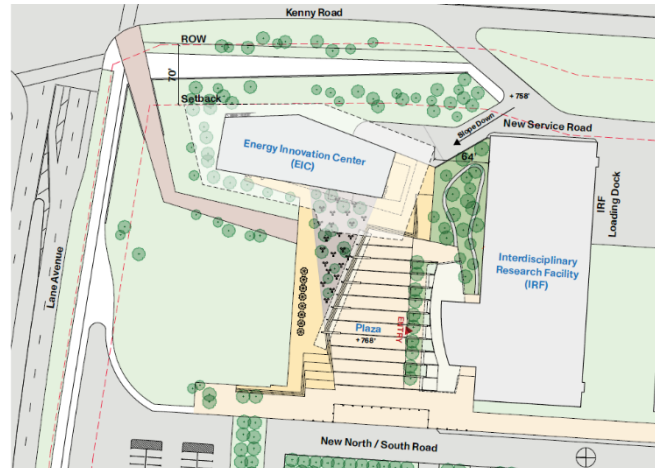
- project schedule**  
 BoT professional services approval 2/19  
 design 9/19 – 3/21  
 BoT construction approval 8/20  
 construction 2/21 – 12/22  
 facility opening 3/23

- project delivery method**  
 general contracting  
 design/build  
 construction manager at risk

- planning framework**
  - the long-term lease and concession agreement between the university and Ohio State Energy Partners included \$50M for the development of the Energy Advancement and Innovation Center to serve as an experimental hub for energy research and technology incubation.
  - this project is included in the FY 2019 and FY 2020 Capital Investment Plans

- project scope**
  - the Energy Advancement and Innovation Center will be designed in conjunction with the Interdisciplinary Research Facility to ensure consistent design and site construction.
  - the building will house incubation space for innovative energy development projects.
  - a 225 seat seminar room and a 96 seat cafe will serve the Innovation and Research Buildings
  - Design will prioritize passive and active strategies to reduce energy usage. Renewable energy supplied by a 24,000 SF solar array will reduce energy demand as much as possible.

- approval requested**
  - approval is requested to increase professional services contracts



- project team**  
 University project manager: Brendan Flaherty  
 AE/design architect: Moody Nolan/Smith Miller Hawkinson  
 CM at Risk or Design Builder: Whiting Turner/Corna Kokosing

# Project Data Sheet for Board of Trustees Approval

## Celeste Lab Renovation

OSU-180868 (CNI# 13000179, plus CNI redirects)

Project Location: 120 W 18<sup>th</sup> Ave

- **approval requested and amount**

increase prof services	\$0.2M
construction w/contingency	\$27.0M

- **project budget**

professional services	\$4.1M
construction w/contingency	\$27.0M
<hr/>	
total project budget	\$31.1M

- **project funding**
  - university debt
  - fundraising
  - university funds
  - auxiliary funds
  - state funds

- **project schedule**

BoT prof serv approval	8/18
design/bidding	9/18 – 5/20
BoT construction approval	2/20
construction	5/20 – 8/22
facility opening	8/22

- **project delivery method**
  - general contracting
  - design/build
  - construction manager at risk

- **planning framework**
  - this project is included in the FY 2019 Capital Investment Plan

- **project scope**
  - this project will provide upgrades to building mechanical, electrical, and plumbing systems
  - the project will renovate chemistry laboratories and support spaces, and improve the exterior envelope

- **approval requested**
  - approval is requested to increase professional services contracts
  - approval is requested to enter into construction contracts



- **project team**

University project manager:	Bill Holtz
Architect/Engineer:	Baxter Hodell Donnelly & Preston
CM at Risk:	Elford Inc

# Project Data Sheet for Board of Trustees Approval

## Recreation Fields Improvements

OSU-200155 (CNI# 19000111)

Project Location: Coffey Road Park  
Lincoln Park

- **approval requested and amount**

increase professional services	\$0.5M
increase construction	\$4.0M

- **project budget**

professional services	\$1.7M
construction w/contingency	\$13.0M
<hr/>	<hr/>
total project budget	\$14.7M

- **project funding**

- university debt
- fundraising
- university funds
- auxiliary funds
- state funds

- **project schedule**

BoT prof services & constr approval	8/19
design	10/19 – 6/20
BoT increase prof & constr approval	2/20
construction	4/20 – 8/21
opening – Coffey Fields	9/20
opening – Lincoln Field	8/21

- **project delivery method**

- general contracting
- design/build
- construction manager at risk

- **planning framework**

- the project is consistent with Framework 2.0 and the Student Life Outdoor Recreation Framework Plan to maintain campus recreation along the Olentangy River and in close proximity to students
- this project is included in the FY 2020 Capital Investment Plan; the FY 2020 Capital Investment Plan will be amended to include design and construction of Lincoln Field

- **project scope**

- the original scope will improve Coffey Road Park to provide artificial turf fields, lighting, pedestrian paths, a multi-purpose lawn, stormwater management and a support building
- the additional scope requested for the Lincoln Field will add a second phase of construction for a new multi-sport recreation field with lighting
- the fields will provide flexible, programmed space for multiple sports including flag football, ultimate frisbee, intramural soccer and softball

- **approval requested**

- approval is requested to amend the FY 2020 Capital Investment Plan
- approval is requested to increase professional services and construction contracts

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- **project team**

University project manager:	Pat Purtee
AE/design architect:	SmithGroup
CM at Risk:	Ruscilli Construction Co



# Project Data Sheet for Board of Trustees Approval

## Frank Stanton Veterinary Spectrum of Care (SOC) Clinic

OSU-190900 (CNI# 19000093)

Project Location: Vernon Tharp Street / Coffey Road

- **approval requested and amount**

increase professional services	\$0.3M
increase construction	\$1.7M

- **project budget**

professional services	\$2.3M
construction	\$17.2M
<b>total project budget</b>	<b>\$19.5M</b>

- **project funding**

- university debt
- fundraising
- university funds
- auxiliary funds
- state funds

- **project schedule**

BoT prof serv/construction approval	5/19
design/bidding	6/19 – 9/20
construction	5/20 – 5/21
facility opening	6/21

- **project delivery method**

- general contracting
- design/build
- construction manager at risk

- **planning framework**

- this project is included in the FY 2020 Capital Investment Plan; the plan will be amended to include \$2.0M for additional scope

- **project scope**

- the project will construct a 35,000 square foot freestanding community care veterinary clinic for primary care to enhance the clinical training of veterinary students and a learning center
- the facility will include teaching and clinical spaces, offices and support spaces
- the project cost has increased to complete shelled space on the second floor for an 80-seat classroom, additional parking lot work and additional costs for MEP work

- **approval requested**

- approval is requested to amend the FY 2020 Capital Investment Plan
- approval is increase professional services and construction contracts



- **project team**

University project manager:	Josh Kranyik
AE/design architect:	Davis Wince
CM at Risk:	Elford

# Project Data Sheet for Board of Trustees Approval

## Interdisciplinary Research Facility

OSU-180355 (CNI# 18000020, 18000076)

Project Location: Kenny Road and Carmack Road

- **approval requested and amount**

increase professional services	\$9.1M
construction	\$213.4M

- **project budget**

professional services	\$24.1M
construction w/contingency	\$213.4M
<b>total project budget</b>	<b>\$237.5M</b>

- **project funding**

- university debt
- fundraising
- university funds
- auxiliary funds (health system)
- state funds

- **project schedule**

BoT professional services approval	11/17
design/bidding	4/18 – 9/20
BoT construction approval	2/20
construction	7/20 – 3/23
facility opening	6/23

- **project delivery method**

- general contracting
- design/build
- construction manager at risk

- **planning framework**

- the project is included in the FY 2018 and FY 2020 Capital Investment Plans
- consistent with the university and Wexner Medical Center strategic plans

- **project scope**

- the project will construct a five-story laboratory building in the West Campus Innovation district to serve multiple research disciplines, including biomedical, life sciences, engineering and environmental sciences, with two floors dedicated to the new Pelotonia Institute for Immuno-Oncology
- the building will support 140 wet lab researchers and 40 dry computational researchers
- the project will also include a 29,000 square foot exterior plaza that will provide collaboration and event space for the district

- **approval requested**

- approval is requested to increase professional services contracts for the remainder of design
- approval is requested to enter into construction contracts



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- **project team**

University project manager:	Brendan Flaherty
AE/design architect:	Pelli Clarke Pelli
CM at Risk:	Whiting Turner/Corna Kokosing (joint venture)



# Project Data Sheet for Board of Trustees Approval

## Rhodes/Doan – 4th Floor OR Power Distribution

OSU-140073 (CNI# 15000068, 18000154, 19000137)

Project Location: Rhodes Hall / Doan Hall

- **approval requested and amount**

increase professional services	\$0.7M
increase construction	\$4.0M

- **project budget**

professional services	\$0.7M
construction w/contingency	\$4.0M
<hr/> total project budget	<hr/> \$4.7M

- **project funding**

- university debt
- fundraising
- university funds
- auxiliary funds (health system)
- state funds

- **project schedule**

design/bidding	6/14 – 8/17
construction	11/17 – 6/21
BoT prof serv/construction approval	2/20
facility opening	7/21

- **project delivery method**

- general contracting
- design/build
- construction manager at risk

- **planning framework**

- this project is included in the FY 2016, FY 2019 and FY 2020 Capital Investment Plans
- the opportunity to address additional scope within the project, without further impact to hospital operations, resulted in a revised total project cost that requires Board of Trustees approval

- **project scope**

- the project will replace all line isolation monitors with dual panels that separate normal and critical power
- the project will also add electrical outlets to meet equipment needs and code requirements
- project scope was added to minimize shutdown and coincide with current operating room construction

- **approval requested**

- approval is requested to increase professional services and construction contracts



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- **project team**

University project manager:	Lance Timmons
AE/design architect:	KLH Engineering
General Contractor:	Electrical Specialists

# Project Data Sheet for Board of Trustees Approval

## WMC Outpatient Care Dublin

OSU-180636-1 (CNI#18000177, 19000140)

Project Location: University Blvd / US 33, Dublin, Ohio

- approval requested and amount**

professional services	\$3.3M
construction	\$145.9M

- project budget**

professional services	\$7.3M
construction w/contingency	\$153.9M
<b>total project budget</b>	<b>\$161.2M</b>

- project funding**

- university debt
- fundraising
- university funds
- auxiliary funds (health system)
- state funds

- project schedule**

BoT professional services approval	5/19
design	8/19 – 7/20
BoT construction approval	2/20
construction	6/20 – 6/22
facility opening	10/22

- project delivery method=**

- general contracting
- design/build
- construction manager at risk

- planning framework**

- o this project is included in the FY 2019 and FY 2020 Capital Investment Plans for a total of \$12.0M for design services; the FY 2020 Capital Investment Plan will be amended to include additional design services and construction services
- o consistent with the strategic plans of the university and Wexner Medical Center to provide medical services within community-based ambulatory facilities

- project scope**

- o the project will design an approximately 272,000 square foot ambulatory building that will include ambulatory surgery, endoscopy, primary care, specialty medical and surgical clinics, and related support

- approval requested**

- o approval is requested to amend the FY 2020 Capital Investment Plan
- o approval is requested to increase professional services contracts for services through construction documents
- o approval is requested to enter into construction contracts



- project team**

University project manager:	Holly Cloud
AE/design architect:	DLR/Westlake Reed Leskosky
CM at Risk:	Corna/Kokosing

# Project Data Sheet for Board of Trustees Approval

## WMC Outpatient Care West Campus

OSU-180390 (CNI# 13000189, 18000175, 18000156)

Project Location: Kenny Road and Carmack Road

- approval requested and amount**

increase professional services	\$2.7M
increase construction	\$129.6M

- project budget**

professional services	\$28.2M
construction w/contingency	\$315.5M
<b>total project budget</b>	<b>\$343.7M</b>

- project funding**

- university debt
- fundraising
- university funds
- auxiliary funds (health system)
- state funds
- partner funds (Nationwide Children's Hospital)

- project schedule**

BoT professional services approval	11/18
BoT construction approval – garage	11/19
design/bidding	12/18 – 7/20
BoT construction approval	2/20 & 8/20
construction	5/20 – fall 22
facility opening – garage/ambulatory	winter 22
facility opening – proton	3/23

- project delivery method**

- general contracting
- design/build
- construction manager at risk

- planning framework**

- o the project is included in the FY 2019 and FY 2020 Capital Investment Plans
- o consistent with the University and Wexner Medical Center strategic plans

- project scope**

- o the project will construct an approximately 385,000 square foot cancer-focused ambulatory facility, including a surgical center, proton therapy, and medical office space
- o the proton therapy facility is the first of its kind in Central Ohio, focusing on leading edge cancer treatments and research on flash technology
- o The proton space will be ready for equipment 8/21. Installation of the proton equipment will take 14 months with an overall completion Fall of 2022. Commissioning will be complete 3/23.
- o facilities will include outpatient operating rooms, interventional radiology rooms, extended recovery unit, pre-anesthesia center, diagnostic imaging center, retail pharmacy, hematology clinic, genitourinary clinic, general infusion, and patient/building support spaces
- o the project will also include a 640-space parking garage



- project team**

University project manager: Mitch Dollery  
 AE/design architect: Perkins & Will  
 CM at Risk: BoldtLinbeck (joint venture)

## Project Data Sheet for Board of Trustees Approval

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### **WMC Outpatient Care West Campus**

OSU-180390 (CNI# 13000189, 18000175, 18000156)

*Project Location: Kenny Road and Carmack Road*

- **approval requested**

- approval is requested for the balance of professional services contracts for the remainder of construction document design services and construction administration services.
- approval is requested to increase construction contracts for site, civil, deep foundations, underground utilities, steel, curtain wall, pre-purchase of air handling systems, and balance of proton equipment cost and proton facilities

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- **project team**

University project manager: Mitch Dollery  
AE/design architect: Perkins & Will  
CM at Risk: BoldtLinbeck (joint venture)

# Project Data Sheet for Board of Trustees Approval

## Wexner Medical Center Inpatient Hospital

OSU-180391 (CNI# 17000099)

Project Location: 10<sup>th</sup> Avenue / Cannon Drive

- **approval requested and amount**

increase professional services	\$9.9M
increase construction	\$8.2M
- **project budget**

professional services	TBD
construction w/contingency	TBD
<b>total project budget</b>	<b>TBD</b>

- **project funding**
  - university debt
  - fundraising
  - university funds
  - auxiliary funds (health system)
  - state funds
- **project schedule**

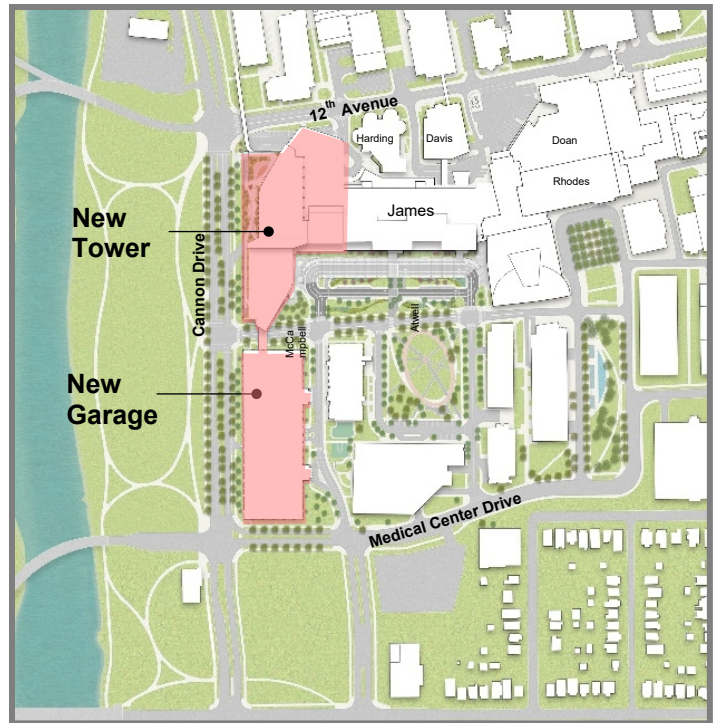
BoT professional services approval	2/18
design/bidding	3/18 – 12/20
construction	fall 20 – spring 25
facility opening	fall 25

- **project delivery method**
  - general contracting
  - design/build
  - construction manager at risk

- **planning framework**
  - the project was included in the FY 2018 Capital Investment Plan for professional services and the FY 2020 Capital Investment Plan for a portion of additional design and enabling construction work; the FY 2020 Capital Investment Plan will be amended to include this request for additional design and construction work

- **project scope**
  - the project will design and construct new inpatient hospital tower with up to 840 private-room beds, replacing and expanding on the 440 beds in Rhodes Hall and Doan Hall
  - facilities will include state-of-the-art diagnostic, treatment and inpatient service areas including emergency department, imaging, operating rooms, critical care and medical/surgical beds, and leading-edge digital technologies to advance patient care and teaching
  - early enabling work includes subsurface investigation, electrical service, utility relocation, site logistics and egress modifications to prepare for construction.

- **approval requested**
  - approval is requested to amend the FY 2020 Capital Investment Plan
  - approval is requested to increase into professional services contracts for the remainder of design services
  - approval is requested to increase construction contracts for additional enabling work



- **project team**

University project manager:	Ragan Fallang
AE/design architect:	Henningson Durham & Richardson
CM at Risk:	Walsh-Turner (joint venture)

# Project Data Sheet for Board of Trustees Approval

## Instructional Science Buildings Deferred Maintenance

OSU-190264 (CNI# 18000170)

Project Location: Mendenhall Laboratory

Bolz Hall

Howlett Hall

Parks Hall

- **approval requested and amount**  
construction w/contingency \$23.0M

- **project budget**  
professional services \$2.0M  
construction w/contingency \$23.0M  

---

total project budget \$25.0M



- **project funding**
  - university debt
  - fundraising
  - university funds
  - auxiliary funds
  - state funds



- **project schedule**  
BoT professional services approval 11/18  
design/bidding 2/19 – 5/20  
BoT construction approval 2/20  
construction 5/20 – 1/22

- **project delivery method**
  - general contracting
  - design/build
  - construction manager at risk

- **planning framework**
  - the project is a result of an internal review/study of deferred maintenance resulting in a recommendation to invest in Instructional Science Buildings
  - this project is included in the FY 2019 Capital Investment Plan

- **project scope**
  - the project will renew mechanical, electrical and plumbing services in the selected buildings
  - Bolz Hall will install two new air handlers and heat exchangers
  - Mendenhall will install a new roof top chiller, chilled water pumps and two heat exchangers
  - Parks will upgrade mechanical systems and two new heat exchangers
  - Howlett is prioritizing items outlined in the assessment for consideration
  - phased completion dates will occur over years 2021 and 2022

- **approval requested**
  - approval is requested to enter into construction contracts

- 
- **project team**  
University project manager: Bill Holtz  
AE/design architect: Hasenstab Architects Inc  
CM at Risk: Whiting-Turner Contracting Co

# Project Data Sheet for Board of Trustees Approval

## West Campus Infrastructure Phase 1

OSU-200101 (CNI# 19000129)

Project Location: West Campus

○ <b>approval requested and amount</b>	
construction	\$15.6M
○ <b>project budget</b>	
professional services	\$1.9M
construction	\$15.6M
total	\$17.5M

- **project funding**
  - university debt
  - fundraising
  - university funds
  - auxiliary funds (health system)
  - state funds
  - partner funds (OSEP)

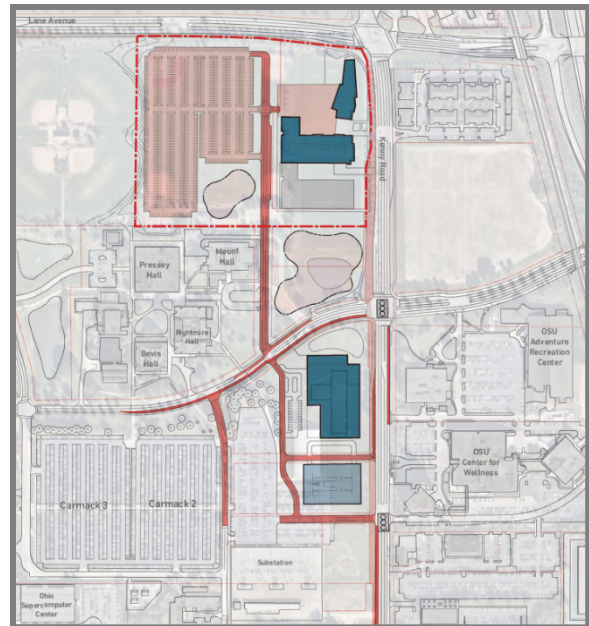
○ <b>project schedule</b>	
BoT professional services approval	8/19
design/bidding	1/20 – 3/21
BoT construction approval	2/20
construction	5/20 – 12/21

- **project delivery method**
  - general contracting
  - design/build
  - construction manager at risk

- **planning framework**
  - this project is included in the FY20 Capital Investment Plan

- **project scope**
  - the project will provide infrastructure to support west campus development, including WMC Outpatient Care West Campus, Energy Advancement and Innovation Center, and the Interdisciplinary Research Facility
  - improvements include additional vehicular lanes, modified/new intersection signalization, surface parking lots, and internal access roads, as well as sanitary sewer, stormwater and water service extensions
  - the extension of Engie utilities to the building sites within the construction limits of this project may result in additional project scope

- **approval requested**
  - approval is requested to enter into construction contracts



- **project team**

University project manager:	Tom Ekegren
AE/design architect:	EMH&T
General Contractor:	

# Project Data Sheet for Board of Trustees Approval

## Wooster Farm Operations Improvements

OSU-150019 (CNI# 12000104, 13000148, 14000022)

Project Location: Wooster/Wayne County, Ohio

- **approval requested and amount**  
increase construction w/contingency      \$0.9M

- **project budget**

professional services	\$ .4M
construction w/contingency	\$4.7M
<hr/> total project budget	<hr/> \$5.1M



- **project funding**
  - university debt
  - fundraising
  - university funds
  - auxiliary funds
  - state funds

- **project schedule**

BoT prof serv & constr approval	11/15
design	6/16 – 6/18
construction	9/18 – 6/20
facility opening	6/20

- **project delivery method**
  - general contracting
  - design/build
  - construction manager at risk

- **planning framework**
  - lean study completed to identify facility programming and process needs for the farm operations
  - three separate projects are included in the FY 2013, 2014 and 2015 Capital Improvement Plans

- **project scope**
  - this project will create a centralized facility to accommodate combined staff and equipment for the Wooster farms
  - this project will also create a new cattle holding care facility for teaching and office area
  - the farm equipment site encountered a large amount of unsuitable soils that required removal
  - the cattle holding building required relocation due to the discovery of a commercial grade building buried under the earth

- **approval requested**
  - approval is requested to increase construction contracts

- 
- **project team**

University project manager:	Derick Stadge
AE/design architect:	Baxter Hodell Donnelly & Preston
General Contractor:	Imhoff Construction Services Inc



**AUTHORIZATION OF ACQUISITION OF APPLE IPADS**

Synopsis: Authorization of the acquisition of Apple iPads and tools either through an equipment financing agreement or cash purchase, or combination thereof, is proposed.

WHEREAS the university has committed to a student-success initiative that will help provide universal access to a common set of learning technologies; and

WHEREAS new first-year students who commenced studies in autumn 2018 and 2019 at the Columbus or regional campuses each received an Apple iPad with certain tools as well as certain software, AppleCare + warranty protection and apps to support learning and life at the university; and

WHEREAS the university has continued to evaluate the effectiveness of the deployment of such Apple iPads in achieving its student-success initiative and proposes to continue such initiative in autumn 2020; and

WHEREAS the university financed the cost of substantially all of the Apple iPads for the autumn 2018 and 2019 incoming first-year students by entering into a Master Lease Agreement with Apple Inc. dated as of April 2018, as amended (the "Apple Lease") and additional schedules thereto; and

WHEREAS for incoming first-year students who commence studies in autumn 2020, the university proposes to acquire the Apple iPads, tools and warranty protection (the "Equipment") for an aggregate amount not to exceed \$12,072,500.00 either through additional schedules to the Apple Lease or an existing master equipment lease (the "Equipment Lease Schedules"), an equipment lease with a new third-party financing entity (the "Equipment Lease" and together with the "Equipment Lease Schedules", the "Equipment Financing Agreement"), a cash purchase, or any combination thereof; and

WHEREAS the university expects that any Equipment Financing Agreement will provide for four (4) annual lease payments at a competitive market interest rate; and

WHEREAS the Audit, Compliance & Finance committee has determined that it is in the best interests of the university to acquire the Equipment through either an Equipment Financing Agreement or a cash purchase, or any combination thereof:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves that it is in the best interests of the university to acquire the Equipment either through an Equipment Financing Agreement or a cash purchase, or any combination thereof, and if the acquisition is in whole or in part through an Equipment Financing Agreement, to enter into the Equipment Financing Agreement and to perform the obligations arising thereunder, including the university's obligation to make the lease payments; and

**AUTHORIZATION OF ACQUISITION OF APPLE IPADS (cont'd)**

BE IT FURTHER RESOLVED, That the board hereby authorizes the university to acquire the Equipment for an aggregate amount not to exceed \$12,072,500.00 either through an Equipment Financing Agreement or a cash purchase, or any combination thereof, and if the acquisition is in whole or in part through an Equipment Financing Agreement, to enter into the Equipment Financing Agreement on the terms contemplated above, and in any case, to enter into any other documents that the President and/or Senior Vice President for Business and Finance (each an "Authorized Officer"), or either of them, deems necessary, advisable or appropriate in connection with the acquisition of the Equipment, such Authorized Officer's execution thereof to be conclusive evidence of such approval and determination of the necessity, advisability or appropriateness thereof (the "Related Agreements"); and

BE IT FURTHER RESOLVED, That the board hereby authorizes and directs the Authorized Officers, or either of them, to negotiate, execute, acknowledge and deliver the Equipment Financing Agreement, if applicable, and any Related Agreements on such terms as any Authorized Officer deems necessary, advisable or appropriate, with such Authorized Officer's execution thereof to be conclusive evidence of such approval and determination of the necessity, advisability or appropriateness thereof and to take such actions as any Authorized Officer deems necessary, advisable or appropriate to perform the Equipment Financing Agreement, if applicable, and Related Agreements, with such Authorized Officer's taking of such action to be conclusive evidence of such approval and determination of the necessity, advisability or appropriateness thereof; and

BE IT FURTHER RESOLVED, That it is found and determined that all formal actions of this board concerning and relating to the adoption of this resolution were adopted in an open meeting of this board, and that all deliberations of this board and of any of its committees that resulted in such formal action were in meetings open to the public, in compliance with all legal requirements including Section 121.22 of the Ohio Revised Code; and

BE IT FURTHER RESOLVED, That this resolution shall take effect and be in force immediately upon its adoption.

## BACKGROUND

### AUTHORIZATION OF ADDITIONAL SCHEDULES TO MASTER EQUIPMENT LEASE WITH APPLE INC.

In October 2017, Ohio State announced the Digital Flagship initiative, a comprehensive, university-wide digital learning initiative in collaboration with Apple. In line with the strategic plan, Digital Flagship supports educational innovation for students and economic development opportunities for the community. There are three main components:

- a **student-success initiative** to integrate learning technology throughout the university experience, including the distribution of an iPad learning technology suite to new first-year students at the Columbus and regional campuses, which started in summer 2018.
- a **Mobile Design Lab** serving students, faculty and staff at all six Ohio State campuses and members of the broader Ohio community. The 35-foot bus has engaged more than 9,000 participants in 60+ events since its launch in March 2019. The unique hands-on learning opportunities within the space focus on subjects that include mobile app development, coding, digital creativity, enhancing professional skills, taking an app idea to market, and translating technology skills into future career pathways across a wide range of disciplines.
- university-wide **opportunities to learn coding skills** to enhance students' career readiness in the app economy. More than 2,400 students, faculty and staff have registered for the free online Swift Coding and App Development certificate released in May 2019. Four courses within the certificate are currently live with the final course set to launch this academic year. The certificate will open to Ohio State alumni in spring 2020, allowing all Buckeyes to build digital skillsets and grow their careers at no cost.

The learning technology suite expected to be provided to new first-year students entering in 2020-21 will include the following bundle as well as apps that support learning and campus life:

- 10.5-inch iPad Air Wi-Fi 256GB
- Apple Pencil for iPad Air
- Apple Smart Keyboard for iPad Air
- 3-Year AppleCare+ for iPad
- Brenthaven Edge Keyboard Companion Case

Ohio State obtained the learning technology bundle listed above for the 2019-20 cohort by entering into additional schedules to the Master Lease Agreement with Apple, Inc. entered into for the 2018-19 cohort. This year, the university will finance the cost of the Apple bundle products in an aggregate amount not to exceed \$12,072,500 either through additional schedules to the Master Lease Agreement (which provides for four (4) annual lease payments commencing in spring/summer 2020), an equipment lease with a new third-party financing entity, a cash purchase, or any combination thereof. This year's leased bundle will exclude the Brenthaven Case as the university will acquire the case under separate procurement. The university will own the devices during students' undergraduate careers at Ohio State, subject to the rights of the lessor.

Digital Flagship distributes devices to students on all campuses during orientation, with opportunities to leverage this technology throughout the orientation experience.

The university has made significant progress on other elements of the Digital Flagship initiative, including:

- **Student technology:** More than 23,000 Ohio State students have received a Digital Flagship student technology package. More than 90% of the distributed iPads are concurrently active (used within 24 hours) at any given time and less than 5% of students reported an incident (this includes a damaged/cracked screen).

- **Student Learning:** Since the inception of the initiative, more than 2,000 students have attended Digital Flagship learning events that focus on enhancing study skills, research-based note-taking strategies, time management best practices, explorations in digital creativity and more.
- **Faculty & Staff Engagement:** In under two years, 590 participants across six campuses have received technology and training through Digital Flagship Educators. Program participants represent many dimensions of the university teaching community including faculty, graduate teaching assistants, researchers, program leaders, course coordinators, program directors, academic advisors and extension educators. Participants span across more than 50 departments, all six Ohio State campuses and many county extension offices.
- **App Development:** The “Ohio State: Wellness” app was launched on January 29, 2020. The app supports The Ohio State University’s commitment to the safety and wellbeing of our students. The app increases awareness and streamlines navigation of mental health and wellness resources, providing proactive tools to help students develop healthy habits, reduce stigma and help direct a peer in need to support. The app was developed by students, faculty, clinicians and staff as part of the Digital Flagship initiative following recommendations from the Suicide and Mental Health Task Force. Currently available for all Apple devices running iOS 13 or higher, the Wellness app has also been provided to all Digital Flagship iPads. Features from the standalone app are coming to the Ohio State mobile app for Android and iOS in spring 2020.

**AUTHORIZATION TO APPROVE ATHLETIC PRICES AND FEES**

FISCAL YEAR 2021  
MEN'S BASKETBALL TICKET PRICING

Synopsis: Approval of men's basketball ticket prices for Fiscal Year 2021 at the recommended levels, is proposed.

WHEREAS The Ohio State University Department of Athletics has a long history of self-sustainability in supporting 36 world-class athletics programs and providing needed revenues back to the university for scholarships and academic programs; and

WHEREAS Ohio State desires to continue its variable ticket pricing methodology to create a range of pricing options for fans attending games; and

WHEREAS each year the Athletic Council reviews projections for the coming year's budget and recommends ticket prices; and

WHEREAS the Athletic Council has approved pricing for men's basketball tickets as shown on the attached table; and

WHEREAS the Athletic Council's recommendations have been reviewed and are recommended by the appropriate university administration:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves the recommended prices for men's basketball tickets for Fiscal Year 2021.

**THE OHIO STATE UNIVERSITY BOARD OF TRUSTEES  
AUDIT, COMPLIANCE & FINANCE COMMITTEE**

**February 27, 2020**

**TOPIC:** Men's Basketball Ticket Prices

**CONTEXT:**

The Ohio State University Department of Athletics continues to be one of only 15 self-sustaining athletics programs in the nation. Currently, the Department of Athletics funds more than 1,000 student-athletes in successful endeavors of academic achievement and athletics competitions, as well as personal and professional development, with a Graduation Success Rate of 86% and a career placement rate of 91%. The Department of Athletics transfers approximately \$52 million annually to the University for contributions, and payments for goods and services provided to the Department, which includes \$29 million for grant-in-aid.

The Department of Athletics first introduced premier-game pricing in 2013, and beginning with the 2017-2018 basketball season adopted an expanded variable pricing model for all individual game tickets and implemented discounts for public, faculty and staff full season ticket purchasers. The scaling of the arena was expanded from four price zones to six price zones beginning with the 2019-2020 season. This pricing model provides a fluid pricing structure to align to market demands, offers significantly more choice for ticket purchasers, and has contributed to successfully increasing both sales and attendance. The Athletic Council and university administrators recommend continuation of these pricing guidelines. Historical pricing for the previous three seasons are included in the attached appendix.

**RECOMMENDATION:**

For Men's Basketball tickets:

- Price the individual games according to exhibition, non-conference, conference or premier opponent categorization, with a maximum of five games categorized as premier.
- Assign the individual game and season ticket pricing for the 2020-2021 men's basketball season as indicated in the following table.

**CONSIDERATIONS:**

Men's Basketball Tickets:

- Variable ticket pricing is widely used by other Big Ten institutions and various athletic programs across the country, provides better access and affordability for fans and has been successful at Ohio State since it was first introduced for the 2013-2014 season.

- The full season ticket package discounts will remain approximately 12% off the aggregate total price of individual game tickets for the public and 20% off the aggregate total price for faculty and staff.
- Games played in St. John Arena, if applicable, will be included in the full season ticket package (game was an optional add-on for the 2019-2020 season).
- The student ticket price will remain at \$9 for all opponent categories.
- Premier games for previous seasons have been designated as follows:
  - 2014-2015 season: Marquette, Michigan and Wisconsin
  - 2015-2016 season: Virginia, Maryland and Michigan State
  - 2016-2017 season: Connecticut, Michigan State, Wisconsin and Indiana
  - 2017-2018 season: Michigan, Michigan State, Maryland and Indiana
  - 2018-2019 season: Syracuse, Michigan State, Purdue and Wisconsin
  - 2019-2020 season: Cincinnati, Villanova, Maryland and Michigan
- The schedule for the 2020-2021 season has not yet been determined.

<b>Opponent Category</b>	<b>Zone 1</b>	<b>Zone 2</b>	<b>Zone 3</b>	<b>Zone 4</b>	<b>Zone 5</b>	<b>Zone 6</b>	<b>Student</b>
Exhibition	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 5	\$ 9
Non-Conference	\$ 28	\$ 25	\$ 20	\$ 13	\$ 11	\$ 7	\$ 9
Conference	\$ 46	\$ 43	\$ 38	\$ 29	\$ 20	\$ 11	\$ 9
Premier	\$ 59	\$ 55	\$ 49	\$ 36	\$ 25	\$ 16	\$ 9
Season Ticket (Public)	\$ 670	\$ 616	\$ 540	\$ 394	\$ 284		
Season Ticket (Faculty/Staff)	\$ 612	\$ 561	\$ 489	\$ 361	\$ 255		

**REQUESTED OF AUDIT, COMPLIANCE & FINANCE COMMITTEE:**

Approval

## APPENDIX – MEN’S BASKETBALL TICKET PRICING HISTORY

### 2019-2020 Men’s Basketball Season

Opponent Category	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Student
Exhibition	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 5	\$ 9
Non-Conference	\$ 28	\$ 25	\$ 20	\$ 13	\$ 11	\$ 7	\$ 9
Conference	\$ 45	\$ 42	\$ 37	\$ 28	\$ 19	\$ 10	\$ 9
Premier	\$ 57	\$ 53	\$ 47	\$ 34	\$ 23	\$ 14	\$ 9
Season Ticket (Public) <i>(incl. St. John game add-on)</i>	\$ 659	\$ 604	\$ 532	\$ 385	\$ 273		
Season Ticket (Faculty/Staff) <i>(incl. St. John game add-on)</i>	\$ 599	\$ 555	\$ 483	\$ 357	\$ 252		

### 2018-2019 Men’s Basketball Season

Opponent Category	PSL/ Club	Zone 1	Zone 2	Zone 3	Zone 4	Student
Exhibition	\$ 10	\$ 10	\$ 10	\$ 10	\$ 5	\$ 9
Non-Conference	\$ 29	\$ 24	\$ 13	\$ 11	\$ 7	\$ 9
Conference	\$ 46	\$ 41	\$ 28	\$ 19	\$ 10	\$ 9
Premier	\$ 57	\$ 52	\$ 32	\$ 23	\$ 14	\$ 9
Season Ticket (Public)	\$ 684	\$ 604	\$ 374	\$ 276		
Season Ticket (Faculty/Staff)		\$ 546	\$ 341	\$ 253		

### 2017-2018 Men’s Basketball Season

Opponent Category	PSL/ Club	Zone 1	Zone 2	Zone 3	Zone 4	Student
Exhibition	\$ 10	\$ 10	\$ 10	\$ 10	\$ 5	\$ 10
Non-Conference	\$ 29	\$ 24	\$ 13	\$ 11	\$ 7	\$ 12
Conference	\$ 46	\$ 41	\$ 28	\$ 19	\$ 10	\$ 13
Premier	\$ 57	\$ 52	\$ 32	\$ 23	\$ 14	\$ 13
Season Ticket (Public)	\$ 684	\$ 604	\$ 374	\$ 276		
Season Ticket (Faculty/Staff)		\$ 546	\$ 341	\$ 253		



**AUTHORIZATION OF FIRST AMENDMENT TO FIRST AMENDED AND  
RESTATED LONG-TERM LEASE AND CONCESSION AGREEMENT**

FOR THE OHIO STATE UNIVERSITY  
UTILITY SYSTEM

Synopsis: Authorization of that certain First Amendment to First Amended and Restated Long-Term Lease and Concession Agreement for The Ohio State University Utility System, including authorization to lease the land, which the combined heat and power and chiller facility (the "CHP Facility") will occupy after construction as well as the CHP Facility when built to the Concessionaire, is proposed.

WHEREAS The Ohio State University (the "University") has a long-term commitment to sustainability and the reduction of its impact on the environment, and the Board of Trustees of the University (the "Board") and the president of the University (the "President") believe the Concession Agreement (as defined below), which imposes certain sustainability obligations on the lessee and concessionaire thereunder, is a critical component of that commitment; and

WHEREAS the University and Ohio State Energy Partners LLC, a Delaware limited liability company (the "Concessionaire"), previously entered into a First Amended and Restated Long-Term Lease and Concession Agreement for The Ohio State University Utility System dated July 20, 2018 (the "Concession Agreement"), pursuant to which the Concessionaire leased from the University certain University utility facilities and utility system land, and obtained a grant from the University for the exclusive right to operate, maintain, possess, control and improve the utility system for the term set forth therein; and

WHEREAS the Board previously approved the construction of the combined heat and power and chiller facility (the "CHP Facility") as part of the Concessionaire's capital improvement plan for fiscal year 2020, subject to receipt of approval from the Ohio Power Siting Board; and

WHEREAS it is proposed that the CHP Facility be constructed and occupy approximately 1.18 acres to be located at the northeast corner of John H. Herrick Drive and Vernon L. Tharp Street; and

WHEREAS it is proposed that the University enter into an amendment to the Concession Agreement (the "Amendment") to provide for, among other things, the lease from the University to the Concessionaire of (i) the land on which the CHP Facility will be constructed and occupy and (ii) the CHP Facility when built:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves that it is in the best interests of the University to enter into the Amendment with the Concessionaire and the Related Documents (as defined below), to perform the obligations arising under, or in connection with, the Amendment and the Related Documents; and

BE IT FURTHER RESOLVED, That the board hereby authorizes the University (1) to enter into the Amendment with the Concessionaire and into any other documents and agreements that the President and Senior Vice President for Business and Finance ("Authorized Officers"), or either of them, deems necessary, advisable or appropriate in connection with the Amendment (including, without limitation, an amendment to the Memorandum of Lease (as defined in the Concession Agreement) (the "Related Documents")), such Authorized Officer's execution thereof to be conclusive evidence of such approval and determination of the necessity, advisability or appropriateness thereof, and (2) to take such actions as any Authorized Officer deems necessary, advisable or appropriate to perform obligations under the Amendment and Related Documents, such Authorized Officer's taking of such action to be conclusive evidence of such approval and determination of the necessity, advisability or appropriateness thereof; and

**AUTHORIZATION OF FIRST AMENDMENT TO FIRST AMENDED AND  
RESTATED LONG-TERM LEASE AND CONCESSION AGREEMENT (cont'd)**

BE IT FURTHER RESOLVED, That the board hereby authorizes and directs the Authorized Officers, or either of them, (1) to negotiate, execute, acknowledge and deliver the Amendment and any Related Document on such terms as any Authorized Officer deems necessary, advisable or appropriate, with such Authorized Officer's execution thereof to be conclusive evidence of such approval and determination of the necessity, advisability or appropriateness thereof, and (2) to take such actions as any Authorized Officer deems necessary, advisable or appropriate to perform the obligations under the Amendment, with such Authorized Officer's taking of such action to be conclusive evidence of such approval and determination of the necessity, advisability or appropriateness thereof; and

BE IT FURTHER RESOLVED, That all actions previously taken by any Authorized Officer or employee of the University, by or on behalf of the University in connection with the Amendment, be, and each of the same hereby is, adopted, ratified, confirmed and approved in all respects; and

BE IT FURTHER RESOLVED, That it is found and determined that all formal actions of this board concerning and relating to the adoption of this resolution were adopted in an open meeting of this board, and that all deliberations of this board and of any of its committees that resulted in such formal action were in meetings open to the public, in compliance with all legal requirements including Section 121.22 of the Ohio Revised Code; and

BE IT FURTHER RESOLVED, That this resolution shall take effect and be in force immediately upon its adoption.

**AUTHORIZATION OF FIRST AMENDMENT TO FIRST AMENDED AND RESTATED  
LONG-TERM LEASE AND CONCESSION AGREEMENT FOR  
THE OHIO STATE UNIVERSITY UTILITY SYSTEM**

**BACKGROUND**

Pursuant to the terms of the First Amended and Restated Long-Term Lease and Concession Agreement for The Ohio State University Utility System dated July 20, 2018 (the “Agreement”), Ohio State Energy Partners LLC (OSEP) received approval to construct a Combined Heat and Power and Chiller Plant (“CHP Facility”) on the Columbus campus subject to the approval of the Ohio Power Siting Board.

The CHP Facility is expected to be a primary source of heating, cooling, and electricity for the Columbus campus. The CHP Facility will immediately improve the campus carbon footprint and is expected to provide a significant reduction in purchased utility commodity costs for the university over the long-term.

The approved location for the CHP facility was approximately 1.8 acres on the northeast corner of John H. Herrick Drive and Vernon L. Tharp Street.



The proposed amendment to the Agreement would provide for the lease of the CHP Facility land and the CHP Facility, when built to OSEP.

The CHP Facility lease would be added to the Utility System Land and Utility System Facilities Leases already in effect pursuant to the Agreement including, but not limited to, the McCracken Power Plant, the South Campus Central Chiller Plant, and the East Regional Central Chiller Plant.

Pending receipt of approval from the Ohio Power Siting Board, construction of the CHP Facility is expected to commence in May or June 2020 and take approximately 18 months to complete.

**APPROVAL TO ENTER INTO/INCREASE PROFESSIONAL SERVICES  
AND ENTER INTO/INCREASE CONSTRUCTION CONTRACTS**

**APPROVAL TO ENTER INTO/INCREASE PROFESSIONAL SERVICES CONTRACTS**

Campus Environmental Surveys  
Energy Advancement and Innovation Center

**APPROVAL TO ENTER INTO/INCREASE PROFESSIONAL SERVICES AND CONSTRUCTION CONTRACTS**

Celeste Lab Renovation  
Recreation Fields Improvements  
Frank Stanton Veterinary Spectrum of Care (SOC) Clinic  
Interdisciplinary Research Facility  
Rhodes/Doan – 4th Floor OR Power Distribution  
WMC Outpatient Care Dublin  
WMC Outpatient Care West Campus  
Wexner Medical Center Inpatient Hospital

**APPROVAL TO ENTER INTO/INCREASE CONSTRUCTION CONTRACTS**

Instructional Science Buildings Deferred Maintenance  
West Campus Infrastructure Phase 1  
Wooster Farm Operations Improvements

Synopsis: Authorization to enter into/increase professional services and construction contracts, as detailed in the attached materials, is proposed.

WHEREAS in accordance with the attached materials, the university desires to enter into/increase professional services contracts for the following projects; and

	Prof. Serv. Approval Requested	Total Requested	
Campus Environmental Surveys	\$1.0M	\$1.0M	University Funds
Energy Advancement and Innovation Center	\$2.2M	\$2.2M	Partner Funds

WHEREAS in accordance with the attached materials, the university desires to enter into/increase professional services contracts and enter into/increase construction contracts for the following projects; and

	Prof. Serv. Approval Requested	Construction Approval Requested	Total Requested	
Celeste Lab Renovation	\$0.2M	\$27.0M	\$27.2M	Fundraising University Funds State Funds
Recreation Fields Improvements	\$0.5M	\$4.0M	\$4.5M	University Funds
Frank Stanton Veterinary Spectrum of Care (SOC) Clinic	\$0.3M	\$1.7M	\$2.0M	Fundraising University Funds
Interdisciplinary Research Facility	\$9.1M	\$213.4M	\$222.5M	University Debt Fundraising University Funds Auxiliary Funds

**APPROVAL TO ENTER INTO/INCREASE PROFESSIONAL SERVICES  
AND ENTER INTO/INCREASE CONSTRUCTION CONTRACTS (cont'd)**

	Prof. Serv. Approval Requested	Construction Approval Requested	Total Requested	
Rhodes/Doan – 4th Floor OR Power Distribution	\$0.7M	\$4.0M	\$4.7M	Auxiliary Funds
WMC Outpatient Care Dublin	\$3.3M	\$145.9M	\$149.2M	Auxiliary Funds
WMC Outpatient Care West Campus	\$2.7M	\$129.6M	\$132.3M	Auxiliary Funds Partner Funds
Wexner Medical Center Inpatient Hospital	\$9.9M	\$8.2M	\$18.1M	Auxiliary Funds

WHEREAS in accordance with the attached materials, the university desires to enter into/increase construction contracts for the following projects; and

	Construction Approval Requested	Total Requested	
Instructional Science Buildings Deferred Maintenance	\$23.0M	\$23.0M	University Debt
West Campus Infrastructure Phase 1	\$15.6M	\$15.6M	University Funds Auxiliary Funds OSEP Funds
Wooster Farm Operations Improvements	\$0.9M	\$0.9M	University Funds State Funds

WHEREAS the Capital Investment Plan (CIP) outlines capital projects recommended for funding and was approved by the University Board of Trustees on August 30, 2019; and

WHEREAS approval for the increase for professional services and construction for the Recreation Fields Improvements and the Frank Stanton Spectrum of Care Clinic will add scope to meet the needs of the campus community; and

WHEREAS approval for professional services and construction for the Wexner Medical Center Outpatient Care Dublin and Wexner Medical Center Inpatient Hospital is needed to advance strategically important projects; and

WHEREAS the full cost of professional services and/or construction for the Recreation Fields Improvements, Frank Stanton Spectrum of Care Clinic, Wexner Medical Center Outpatient Care Dublin and the Wexner Medical Center Inpatient Hospital projects was not known at the time the CIP was approved; and

WHEREAS the Master Planning and Facilities Committee has reviewed the projects listed above for alignment with all applicable campus plans and guidelines; and

**APPROVAL TO ENTER INTO/INCREASE PROFESSIONAL SERVICES  
AND ENTER INTO/INCREASE CONSTRUCTION CONTRACTS (cont'd)**

WHEREAS the Audit, Compliance and Finance Committee has reviewed the projects listed above for alignment with the CIP and other applicable financial plans:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves that the fiscal year 2020 Capital Investment Plan be amended to include increases in professional services and/or construction for the Recreation Fields Improvements, Frank Stanton Spectrum of Care Clinic, Wexner Medical Center Outpatient Care Dublin and Wexner Medical Center Inpatient Hospital projects; and

BE IT FURTHER RESOLVED, That the Board of Trustees hereby approves that the President and/or Senior Vice President for Business and Finance be authorized to enter into/increase professional services and construction contracts for the projects listed above in accordance with established university and State of Ohio procedures, with all actions to be reported to the board at the appropriate time.

**APPROVAL FOR LONG-TERM GROUND LEASE AND  
AMENDED DEVELOPMENT AGREEMENT**

LANE AVENUE AND CARMACK ROAD  
COLUMBUS, FRANKLIN COUNTY, OHIO

Synopsis: Authorization is requested for entering into a long-term ground lease with SciTech, a not for profit corporation, upon which SciTech would perform certain site improvements to prepare the site for development of a medical research and manufacturing facility, which would be constructed as a subtenant to SciTech. The subject Development Parcel is located at the southwest corner of Lane Avenue and Carmack Road, Columbus, Ohio.

WHEREAS The Ohio State University seeks to lease approximately 7.8 +/- acres of unimproved real property located at the southwest corner of Lane Ave and Carmack Road, Columbus, Ohio ("Development Parcel"); and

WHEREAS the developed property will create additional benefits and collaborative opportunities for the university, provide greater economic enrichment and development within Ohio, and enhance the university's preeminence as a major research organization; and

WHEREAS the existing development agreement between The Ohio State University and SciTech will be amended to reflect additional land to be leased to SciTech, and such terms as are necessary to support the efficient development of subtenant's facilities; and

WHEREAS the Development Parcel will be separately described and leased to SciTech consistent with other development properties subject to the Development Agreement; and

WHEREAS the long-term ground lease of the Development Parcel and the amended development agreement are in the best interest of the university:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves that President and/or the Senior Vice President for Business and Finance be authorized to take any action required to effect the execution of a long-term ground lease for a Development Parcel of approximately 7.8 +/- acres with SciTech in Columbus, Ohio for a term of 50 years, with renewal options, and annual base rent to be calculated based upon the proceeds from the physical development and sublease, and that they be authorized to take any action required to amend the development agreement accordingly between The Ohio State University and SciTech, each under such additional terms and conditions as shall be in the best interest of the State of Ohio and the university.

**APPROVAL FOR LONG-TERM GROUND LEASE AND  
AMENDED DEVELOPMENT AGREEMENT  
LANE AVENUE AND CARMACK ROAD  
COLUMBUS, FRANKLIN COUNTY, OHIO  
BOARD BACKGROUND**

**Background**

The Ohio State University seeks to amend the development agreement with the Science and Technology Campus Corporation (Scitech) and subsequently enter into a ground lease with Scitech for approximately 7.8 acres. The ground lease will create a Development Parcel which can be subleased to support the development of a medical research and advanced manufacturing facility.

Scitech currently ground leases the majority of the 7.8 acres through a ground lease (The Original Ground Lease) and corresponding development agreement made effective in 1998, via resolution 98-77, with goals that include the desire to foster and encourage research and education linkages with business and to provide greater economic enrichment and development within Ohio. The new ground lease will add approximately 1.5 acres of adjoining property to Scitech's leased holding and will extend the term to 50 years, with renewal options, in order to allow Scitech to sublease the property for development.

**Location and Description**

The subject property is located at the southwest corner of Lane Avenue and Carmack Road. The total site is comprised of approximately 7.8 acres and would be utilized for construction and operation of a medical research and advanced manufacturing facility.

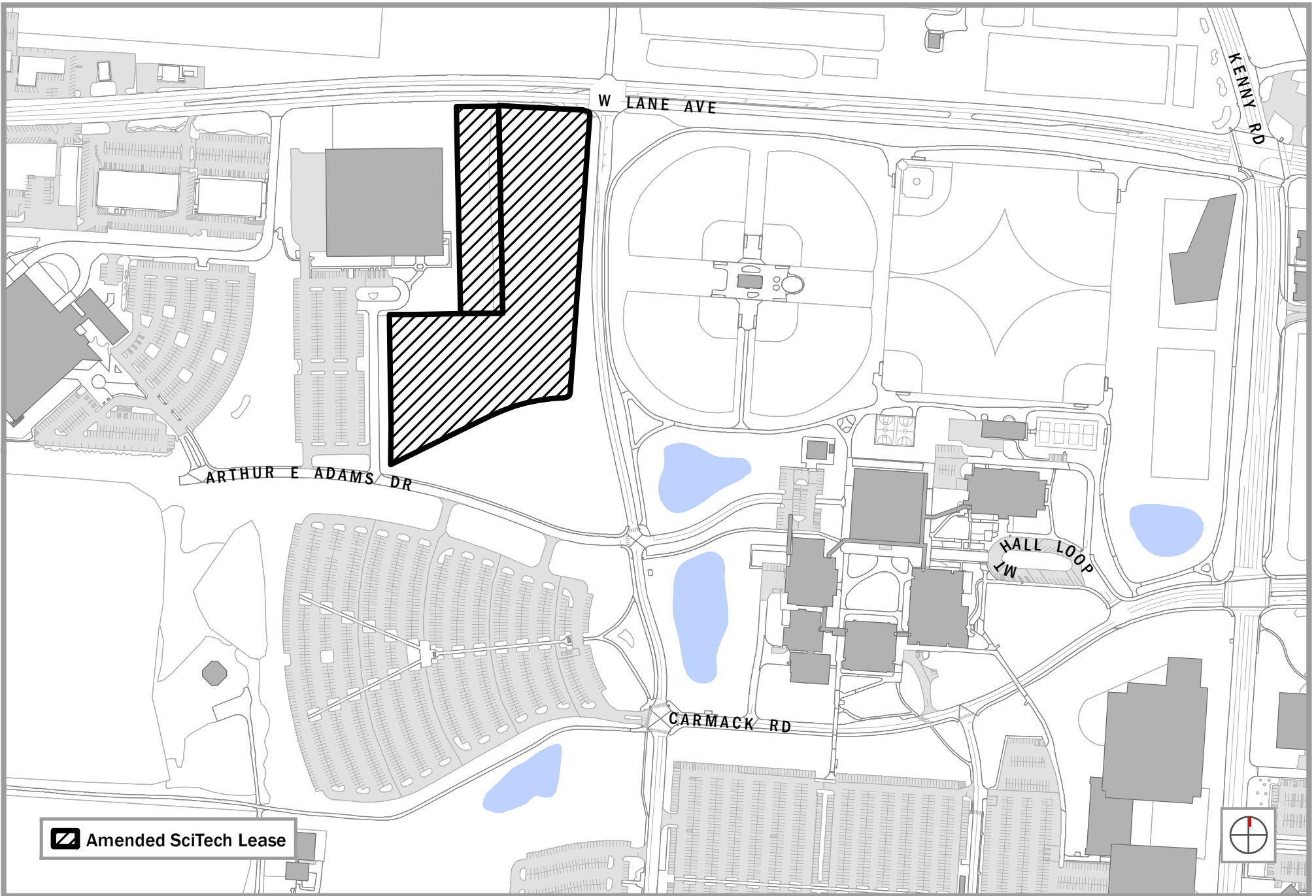
**Property History**

A portion of the property (approximately 1.5 acres of vacant land) had been leased to Edison Welding Institute. Another portion of the property is currently used for Student Life athletic fields, which will be relocated. The remainder is currently undeveloped.

**Lease of Real Property**

Planning, Architecture and Real Estate recommends that the development agreement be amended and the ground lease approved to allow the 7.8 acre Development Parcel to be leased to Scitech for a term of 50 years, with renewal options, and with annual rent to be calculated based upon proceeds from the physical development and sublease, and such additional terms and conditions as shall be in the best interest of the State of Ohio and the university.





**LONG TERM GROUND LEASE AND AMENDED DEVELOPMENT AGREEMENT  
 LANE AVENUE AND CARMACK ROAD  
 COLUMBUS, FRANKLIN COUNTY, OHIO 43221**

Prepared By: The Ohio State University  
 Office of Planning, Architecture and Real Estate  
 Issue Date: February 7, 2020  
 The Ohio State University Board of Trustees

**APPROVAL FOR THE ACQUISITION OF VACANT LAND**

**2.5 +/- ACRES ON OLENTANGY RIVER ROAD  
COLUMBUS, FRANKLIN COUNTY, OHIO**

Synopsis: Authorization to purchase approximately 2.5+/- acres of unimproved real property located at Olentangy River Road in Columbus, Franklin County, Ohio is proposed.

WHEREAS The Ohio State University ("University") seeks to purchase approximately 2.5+/- acres of unimproved real property located at Olentangy River Road, Columbus, Ohio, identified as Franklin County parcel 010-288227 ("Property"); and

WHEREAS the Property is strategically located 1.6 miles from the university's main campus; and

WHEREAS the Property is contiguous to the Stefanie Spielman Comprehensive Breast Center (SSCBC), a facility that provides a variety of cancer services critical to The Ohio State University Comprehensive Cancer Center – Arthur G. James Cancer Hospital and Richard J. Solove Research Institute (The James) and the objectives of its ambulatory cancer strategic plan and its mission to improve health in Ohio and across the world through innovation in research, education and patient care; and

WHEREAS the city of Columbus' Lower Olentangy Tunnel Project ("Tunnel Project") will be built approximately 60 feet underground and will traverse the Property and the University will cooperate with the city to allow use of the Property for the Tunnel Project; and

WHEREAS the obligation of the University to purchase the Property is subject to and conditioned upon the approval of the State of Ohio Controlling Board:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves the purchase of approximately 2.5 +/- acres of unimproved real property, located at Olentangy River Road; and

BE IT FURTHER RESOLVED, That the President and/or Senior Vice President for Business and Finance be authorized to take action required to effect the purchase of the referenced Property at a price and terms to be negotiated in the best interest of the university; and

BE IT FURTHER RESOLVED, That the title will be held in the name of the State of Ohio for the use and benefit of The Ohio State University and upon terms and conditions deemed to be in the best interest of the university.

**APPROVAL FOR ACQUISITION OF VACANT LAND  
2.5+/- ACRES ON OLENTANGY RIVER ROAD,  
COLUMBUS, FRANKLIN COUNTY, OHIO**

**Background**

The Ohio State University's Wexner Medical Center (WMC) on behalf of The Ohio State University Comprehensive Cancer Center – Arthur G. James Cancer Hospital and Richard J. Solove Research Institute (OSUCCC – James) seeks to acquire approximately 2.5+/- acres of unimproved land (Site) that is located on Olentangy River Road in an area commonly known as Gowdy Field from Time Warner Cable Midwest, LLC (Owner). The Site is contiguous to the Stefanie Spielman Comprehensive Breast Center (SSCBC), a facility that provides a variety of cancer services critical to The James in order to meet the objectives of its ambulatory cancer strategic plan and its mission to improve health in Ohio and across the world through innovation in research, education and patient care.

The City of Columbus (City) has proposed and funded a vitally important Lower Olentangy Tunnel Project (Tunnel Project) that will improve the Olentangy River for the adjacent community, including Ohio State, into the future. The tunnel will be built approximately 60 feet underground and will traverse the Site. The City will require use of the Site for approximately six years to construct the tunnel and will further require permanent use of a minority portion of the Site. While Ohio State fully supports the Tunnel Project, The James desires to acquire the site to support the future growth of the cancer programs located within the SSCBC and to alleviate the parking shortfall that has developed with the growth of programs offered. Ohio State has an option to purchase the SSCBC building, which will require action during calendar year 2020. This contiguous Site will enhance future opportunities and flexibility of options for The James.

In order to facilitate the needs of the City and Ohio State, the university proposes to purchase the entire 2.5+/- acres from the Owner, contingent upon the Owner granting the City certain easements to facilitate the Tunnel Project. This will allow the City to complete all work necessary to build the sewer tunnel and a permanent access point on the Site. The City will compensate Ohio State for its use of the Site for the Tunnel Project. The compensation amount for use of the Site by the City will be negotiated under terms that are in the best interest of the university.

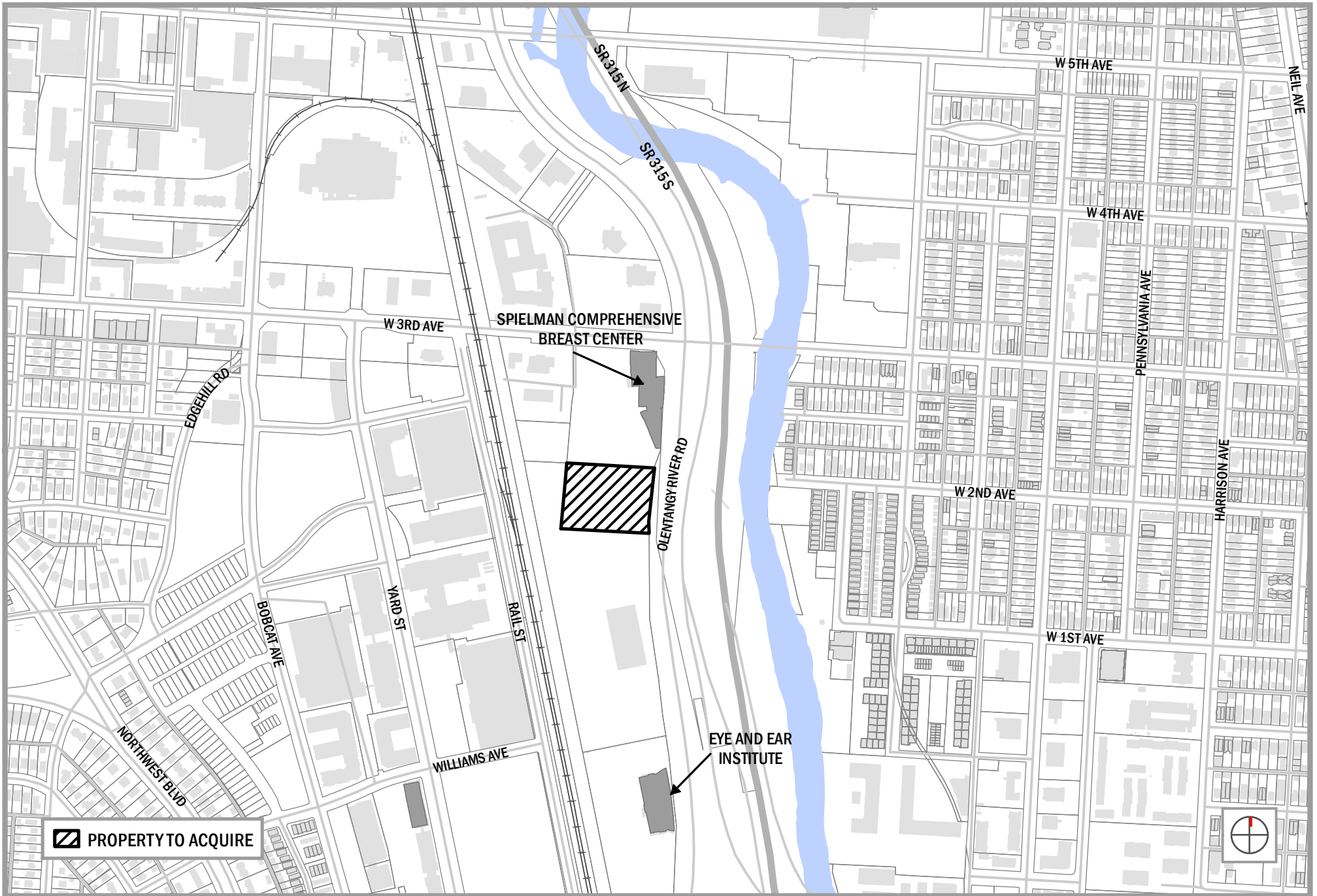
**Location and Description**

The parcel to be acquired, identified as county parcel 010-288227, is zoned Commercial and is part of a larger tract of land, commonly known as Gowdy Field. The site is highly visible and well-located in the center portion of the Gowdy Field land parcel that parallels State Route 315 and is approximately 1.6 miles from The Ohio State University Columbus campus.

Ohio State's Eye and Ear Institute, a five-story 137,529 square foot medical office building, recently purchased by the university, is also located at Gowdy Field.

**Purchase of Property**

The WMC recommends that the university purchase the site at a purchase price to be negotiated and under terms and conditions that are in the best interest of the university. The WMC will provide the source of funding for the acquisition.



 PROPERTY TO ACQUIRE

**PURCHASE OF 2.53 ACRES OF REAL PROPERTY**  
**1125 OLENTANGY RIVER ROAD**  
**PARCEL 010-288227**  
**COLUMBUS, FRANKLIN COUNTY, OHIO 43212**

**APPROVAL FOR THE ACQUISITION OF REAL PROPERTY**

7706 OLENTANGY RIVER ROAD  
COLUMBUS, FRANKLIN COUNTY, OHIO

Synopsis: Authorization to purchase real property located at 7706 Olentangy River Road, Columbus, Franklin County, Ohio, is proposed.

WHEREAS The Ohio State University seeks to purchase approximately 0.74 acres of improved real property located at 7706 Olentangy River Road, Columbus, Ohio, identified as Franklin County parcel number 610-233931; and

WHEREAS the property is strategically important in supporting the objectives of the Wexner Medical Center's ambulatory care strategy; and

WHEREAS the Wexner Medical Center will provide funding for the acquisition and subsequent management of the property:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves the purchase of real property, located at 7706 Olentangy River Road; and

BE IT FURTHER RESOLVED, That the President and/or Senior Vice President for Business and Finance be authorized to take action required to effect the purchase of the above referenced property in the name of the State of Ohio for the use and benefit of The Ohio State University upon terms and conditions deemed to be in the best interest of the university and at a purchase price determined to be fair market value for the property.

**APPROVAL FOR ACQUISITION OF REAL PROPERTY  
7706 OLENTANGY RIVER ROAD  
COLUMBUS, FRANKLIN COUNTY, OHIO  
BOARD BACKGROUND**

**Background**

The Ohio State University's Wexner Medical Center (WMC) seeks to acquire from Ohio State University Physicians, Inc. (OSUP) improved real property of +/-0.74 acres located at 7706 Olentangy River Road, Franklin County, Columbus, Ohio. Acquisition of this property is important in meeting the objectives of the WMC's ambulatory care strategy, which is in turn a key component of the WMC Strategic Plan and its mission to improve health in Ohio and across the world through innovation in research, education and patient care.

**Location and Description**

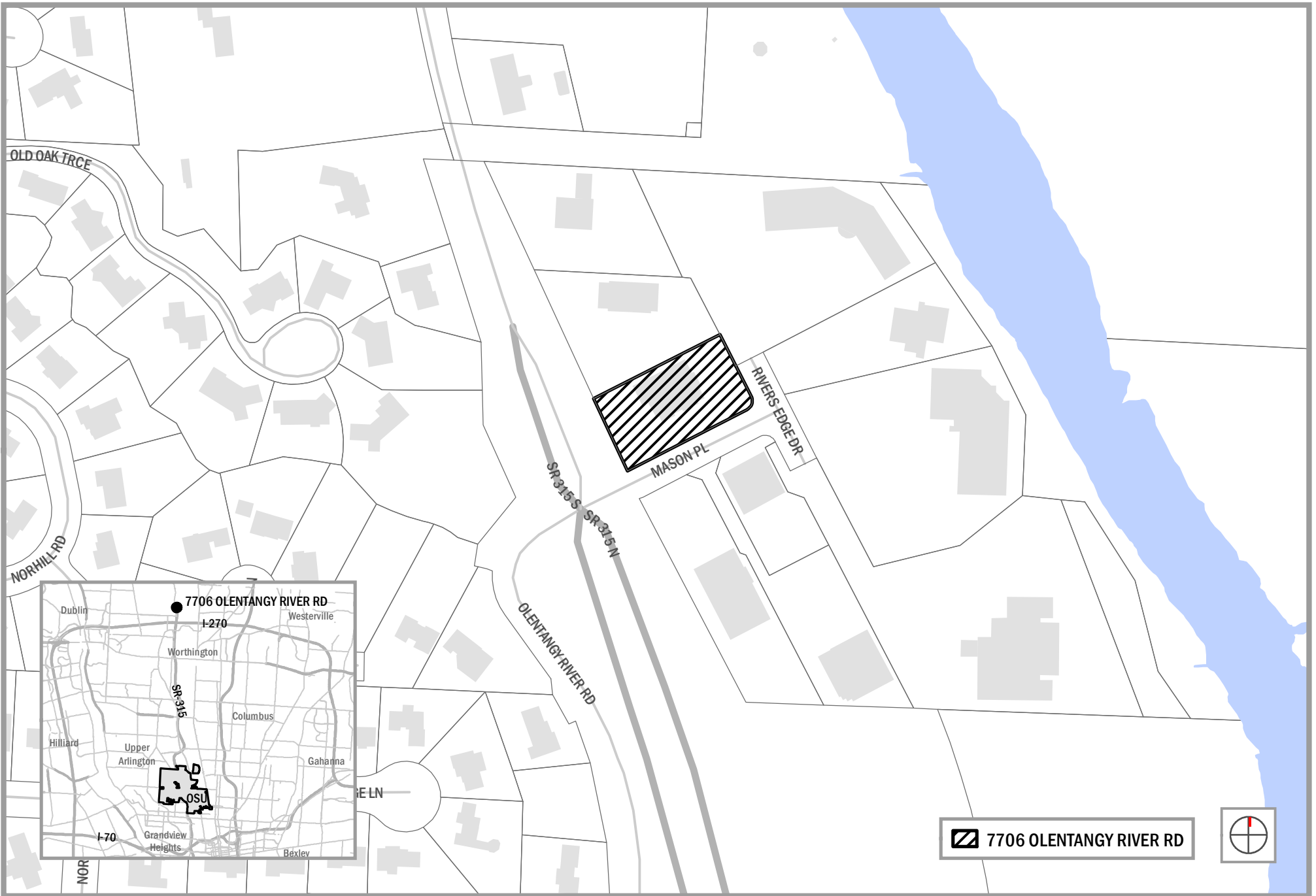
The affected property is located at 7706 Olentangy River Road, Columbus, Ohio 43235 and identified as Franklin County parcel number 610-233931. The site is improved with a single-story medical office building consisting of 4,756+ square feet constructed in 1996 and renovated in 2003. The building includes numerous clinical exam rooms and an ambulatory surgery suite. The site is zoned CPD (Commercial Planned Development).

**Property History**

The property is titled to Ohio State University Physicians, Inc. and will be acquired in the name of the State of Ohio. Acquisition will require approval of the State Controlling Board.

**Acquisition of Property**

The WMC recommends that the +/- 0.74 acres of improved real property be acquired under terms and conditions that are deemed to be in the best interest of the university. The purchase price is \$1,325,000, subject to standard adjustments for closing costs. The WMC will provide funding for the acquisition and ongoing operating costs to maintain the property.



**PURCHASE OF 0.74 ACRES OF REAL PROPERTY  
 7706 OLENTANGY RIVER ROAD  
 PARCEL 610-233931  
 COLUMBUS, FRANKLIN COUNTY, OHIO 43235**

Prepared By: The Ohio State University  
 Office of Planning, Architecture, and Real Estate  
 Issue Date: December 20, 2019  
 The Ohio State University Board of Trustees

**THE OHIO STATE UNIVERSITY BOARD OF TRUSTEES  
AUDIT, COMPLIANCE & FINANCE COMMITTEE**

**TOPIC:** Fiscal Year 2020 Interim Financial Report - December 31, 2019

**CONTEXT:** The purpose of this report is to provide an update of financial results for the first half of fiscal year 2020.

**REQUESTED OF THE AUDIT, COMPLIANCE & FINANCE COMMITTEE:** No vote required; for information only

**FINANCIAL SUMMARY**

Overall our financial position remains strong. The first half of fiscal year 2020, resulted in an overall change in net position of \$588 million. The main drivers for increases in net position are net investment income of \$437 million and current use and endowment gifts of \$144 million. Other activity for the first half of fiscal year 2020 impacting our financial position include:

**Revenues**

*Student tuition and fees* - increased \$13 million, to \$491 million or 2.8% over the same period of fiscal year 2019, due primarily to an increase in gross tuition of \$19 million, offset by \$6 million increase in scholarship allowances. The increase in gross tuition is due primarily to increases in rates and enrollment for non-resident students of \$15 million, Ohio graduate and professional students of \$3 million, and Ohio new first year undergraduates of \$1 million. Non-resident surcharge rates and new first-year undergraduate instructional fees increased 4.8% and 3.6%, respectively. Total enrollment is nearly flat to both budget and compared to fiscal year 2019. The increase in scholarship allowance reflects budgeted increases in undergraduate student financial aid.

*Grants and contracts* - increased \$15 million, or 3.5%, to \$445 million, due primarily to increases in grants managed by the Office of Sponsored Programs of \$15 million. Research dollars awarded, which can be considered a leading indicator of the state of the research enterprise, are up 23% overall compared to this time last year, including an 18% increase in federal awarded dollars and a 42% increase in non-federal. Awards from the state are boosted by a \$10 million award for the Ohio Federal Research Network – Emerging missions and job growth opportunities.

*State appropriations* - increased \$8 million primarily due to increases in state share of instruction and line-item appropriations of \$5 million and state capital appropriations of \$3 million.

*Gifts* - increased \$15 million over prior year due primarily to increases in permanent endowment gifts of \$11 million and current use gifts of \$5 million.

*Sales and services of auxiliary enterprises* - increased \$9 million due primarily to increases in Athletics of \$10 million from contract and football revenues.

*Sales and services of the OSU Health System and OSU Physicians, Inc* - increased \$145 million, or 7.5%, to \$2,071 million. The Health System accounted for \$109 million of the increase. Total outpatient visits and surgeries were 11.9% and 8.2% above prior year, respectively.

**Expenses**

*University* - expenses of \$1,535 million for the first six months of fiscal year 2020 increased \$62 million, or 4.2%, compared to the same period of fiscal year 2019 primarily due to salary increases of \$45 million, benefit increases of \$5 million, and depreciation increase of \$9 million. Salary increases are due to a 2.5% merit pool and new hires in certain areas due to strategic investments in faculty and staff.

*OSU Health System and OSU Physicians* - expenses of \$1,829 million increased \$170 million, or 10.3%, primarily due to increases in operating expenses driven by increased patient volumes as well as higher cost of drugs of \$42 million or 16%.



### **Cash and Investments**

Total university cash and investments increased \$927 million, to \$10,059 million at December 31, 2019 compared to the same period of last year. Total cash and temporary investments increased \$206 million compared to December 31, 2018 primarily due to strong healthcare margins and timing of spring semester student tuition collections. Gifted endowment and long-term investments increased \$721 million primarily due to increasing market value compared to December 31, 2018.

### **Long-Term Investment Pool**

For the six months ended December 31, 2019, the fair value of the university's Long-Term Investment Pool (LTIP) increased \$283.4 million to \$5,540 million.

Net principal additions include new endowment gifts (\$37.3 million), reinvestment of unused endowment distributions (\$2.4 million), and other net transfers of University monies (\$53.2 million). Change in fair value includes realized gains (losses) on the sale of investment assets and unrealized gains (losses) associated with assets held in the pool at December 31, 2019. Income earned includes interest and dividends and is used primarily to help fund distributions. Expenses include investment management expenses (\$25.6 million), University Development related expenses (\$9.6 million) and other administrative related expenses (\$0.4 million).

*LTIP Investment Returns* - for the six months ended December 31, 2019, the LTIP earned a net of investment fee return of 6.04% versus a Policy Benchmark of 6.71%, resulting in underperformance of 0.67%. During that period, our Global Equities returned 8.68%, followed by Global Fixed Income at 1.55% and Real Assets at 1.13%.

*Temporary Investments* - For the six months ended December 31, 2019 (FYTD) the Intermediate Investments earned a return of 1.53% (+\$14.8 million) outperforming the BofA ML 1-3 Yr US Gov't/Credit benchmark (+1.31%) by 0.22%. Short-Term Investments earned 1.36% (\$8.1 million) outperforming the 90 Day T-Bill benchmark (+0.92%) by 0.44%.

### **Statement of Net Position**

Other significant changes on the Consolidated Statement of Net Position for balances as of December 31, 2019, compared to December 31, 2018, includes increases of net Pension and Other post-employment benefit assets of \$489 million and liabilities of \$972 million for changes in benefit plan assets and liabilities held by OPERS and STRS and increased investments in property, plant, and equipment of \$267 million, net of depreciation.

### **Cash Flows**

Cash provided by operating activities was \$180 million through the first six months of fiscal year 2020, compared with net cash provided by operating activities of \$229 million for the same period in fiscal year 2019. The decrease in operating cash flows is due primarily to increased payments to vendors and employees.

Cash provided by noncapital financing activities was \$373 million through the first six months of fiscal year 2020, compared with \$388 million for the same period in fiscal year 2019. The decrease is primarily due to timing of state line item appropriations receipts and drawdowns of federal direct loan proceeds.

Net cash flows used by capital financing activities were \$373 million through the six months ending December 31, 2019, primarily for payments on the construction of capital assets of \$318 million and net payments for debt service of \$94 million, offset by receipt of state capital appropriations of \$34 million. Capital expenditures consist of \$155 million for University academic, infrastructure, and auxiliary projects, \$125 million for Health System projects and equipment expenditures, and University equipment purchases of \$38 million.

**THE OHIO STATE UNIVERSITY**  
**CONSOLIDATED STATEMENTS OF NET POSITION - UNAUDITED**  
**December 31, 2019 and December 31, 2018**

	<u>As of December</u> <u>2019</u>	<u>As of December</u> <u>2018</u>	<u>Increase/Decrease</u>	
			Dollars	%
<b>ASSETS:</b>				
Current Assets:				
Cash and cash equivalents	\$ 1,932,055	\$ 1,852,949	\$ 79,106	4.3%
Temporary investments	1,819,936	1,644,496	175,440	10.7%
Accounts receivable, net	837,068	856,409	(19,341)	-2.3%
Notes receivable - current portion, net	25,317	25,317	-	0.0%
Pledges receivable - current portion, net	31,540	29,524	2,016	6.8%
Accrued interest receivable	18,846	19,485	(639)	-3.3%
Inventories and prepaid expenses	332,344	328,917	3,427	1.0%
Investments held under securities lending program	26,391	30,017	(3,626)	-12.1%
<b>Total Current Assets</b>	<u>5,023,497</u>	<u>4,787,114</u>	<u>236,383</u>	<u>4.9%</u>
Noncurrent Assets:				
Restricted cash	472,758	521,629	(48,871)	-9.4%
Notes receivable, net	58,014	41,020	16,994	41.4%
Pledges receivable, net	64,151	70,901	(6,750)	-9.5%
Net other post-employment benefit asset	74,520	-	74,520	100.0%
Long-term investment pool	5,540,185	4,918,617	621,568	12.6%
Other long-term investments	293,545	194,241	99,304	51.1%
Capital assets, net	5,526,801	5,260,136	266,665	5.1%
<b>Total Noncurrent Assets</b>	<u>12,029,974</u>	<u>11,006,544</u>	<u>1,023,430</u>	<u>9.3%</u>
<b>Total Assets</b>	<u>17,053,471</u>	<u>15,793,658</u>	<u>1,259,813</u>	<u>8.0%</u>
Deferred Outflows:				
Pension	1,017,388	631,651	385,737	61.1%
Other post-employment benefits	116,173	87,915	28,258	32.1%
Other deferred outflows	21,766	21,068	698	3.3%
<b>Total Assets and Deferred Outflows</b>	<u>\$ 18,208,798</u>	<u>\$ 16,534,292</u>	<u>\$ 1,646,248</u>	<u>10.1%</u>
<b>LIABILITIES AND NET POSITION:</b>				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 593,953	\$ 627,349	\$ (33,396)	-5.3%
Deposits and advance payments for goods and services	835,150	854,142	(18,992)	-2.2%
Current portion of bonds, notes and leases payable	44,969	53,551	(8,582)	-16.0%
Long-term bonds payable, subject to remarketing	574,675	588,360	(13,685)	-2.3%
Liability under securities lending program	26,391	30,017	(3,626)	-12.1%
Other current liabilities	87,352	64,675	22,677	35.1%
<b>Total Current Liabilities</b>	<u>2,162,490</u>	<u>2,218,094</u>	<u>(55,604)</u>	<u>-2.5%</u>
Noncurrent Liabilities:				
Bonds, notes and leases payable	2,522,385	2,563,392	(41,007)	-1.6%
Concessionaire payable	37,845	10,056	27,789	276.3%
Net pension liability	3,715,195	2,548,245	1,166,950	45.8%
Net other post-employment benefit liability	1,339,444	1,249,674	89,770	7.2%
Compensated absences	180,300	173,211	7,089	4.1%
Self-insurance accruals	81,721	70,613	11,108	15.7%
Amounts due to third-party payors - Health System	53,412	53,995	(583)	-1.1%
Irrevocable split-interest agreements	31,310	29,307	2,003	6.8%
Refundable advances for Federal Perkins loans	33,478	32,638	840	2.6%
Advance from concessionaire	1,013,662	1,035,448	(21,786)	-2.1%
Other noncurrent liabilities	123,640	92,521	31,119	33.6%
<b>Total Noncurrent Liabilities</b>	<u>9,132,392</u>	<u>7,859,100</u>	<u>1,273,292</u>	<u>16.2%</u>
<b>Total Liabilities</b>	<u>11,294,882</u>	<u>10,077,194</u>	<u>1,217,688</u>	<u>12.1%</u>
Deferred Inflows:				
Parking service concession arrangement	411,730	421,361	(9,631)	-2.3%
Pension	110,003	411,809	(301,806)	-73.3%
Other post-employment benefits	117,982	100,511	17,471	17.4%
Other deferred inflows	32,427	33,678	(1,251)	-3.7%
<b>Total Deferred Inflows</b>	<u>672,142</u>	<u>967,359</u>	<u>(295,217)</u>	<u>-30.5%</u>
Net Position:				
Net investment in capital assets	2,967,280	2,676,756	290,524	10.9%
Restricted:				
Nonexpendable	1,643,707	1,524,081	119,626	7.8%
Expendable	1,105,624	1,134,438	(28,814)	-2.5%
Unrestricted	525,163	154,464	370,699	240.0%
<b>Total Net Position</b>	<u>6,241,774</u>	<u>5,489,739</u>	<u>752,035</u>	<u>13.7%</u>
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	<u>\$ 18,208,798</u>	<u>\$ 16,534,292</u>	<u>\$ 1,674,506</u>	<u>10.1%</u>

**THE OHIO STATE UNIVERSITY  
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION - UNAUDITED**

Comparative Year-To-Date

December 31, 2019 and December 31, 2018

	December		Increase/Decrease	
	2019	2018	Dollars	%
<b>Operating Revenues:</b>				
Student tuition and fees, net	\$ 490,818	\$ 477,590	\$ 13,228	2.8%
Federal grants and contracts	191,975	183,769	8,206	4.5%
State grants and contracts	38,303	47,225	(8,922)	-18.9%
Local grants and contracts	15,614	13,251	2,363	17.8%
Private grants and contracts	154,968	144,084	10,884	7.6%
Sales and services of educational departments	92,115	88,088	4,027	4.6%
Sales and services of auxiliary enterprises	220,022	211,212	8,810	4.2%
Sales and services of the OSU Health System, net	1,763,477	1,654,870	108,607	6.6%
Sales and services of OSU Physicians, Inc., net	307,090	270,908	36,182	13.4%
Other operating revenues	21,067	20,225	842	4.2%
<b>Total Operating Revenues</b>	<b>3,295,449</b>	<b>3,111,222</b>	<b>184,227</b>	<b>5.9%</b>
<b>Operating Expenses:</b>				
<b>Educational and General:</b>				
Instruction and departmental research	533,532	501,110	32,422	6.5%
Separately budgeted research	262,602	257,070	5,532	2.2%
Public service	92,105	90,939	1,166	1.3%
Academic support	114,936	111,071	3,865	3.5%
Student services	46,671	46,041	630	1.4%
Institutional support	141,444	135,263	6,181	4.6%
Operation and maintenance of plant	65,886	65,070	816	1.3%
Scholarships and fellowships	67,911	65,860	2,051	3.1%
Auxiliary enterprises	182,317	179,803	2,514	1.4%
OSU Health System	1,532,857	1,405,122	127,735	9.1%
OSU Physicians, Inc.	296,418	253,862	42,556	16.8%
Depreciation	210,008	200,910	9,098	4.5%
<b>Total Operating Expenses</b>	<b>3,546,687</b>	<b>3,312,121</b>	<b>234,566</b>	<b>7.1%</b>
<b>Operating Loss</b>	<b>(251,238)</b>	<b>(200,899)</b>	<b>(50,339)</b>	<b>25.1%</b>
<b>Non-operating Revenues (Expenses):</b>				
State share of instruction and line-item appropriations	240,934	235,504	5,430	2.3%
Federal subsidies for Build America Bonds interest	5,327	5,310	17	0.3%
Federal non-exchange grants	36,140	35,500	640	1.8%
State non-exchange grants	7,875	5,961	1,914	32.1%
Gifts	106,317	101,432	4,885	4.8%
Net investment income (loss)	437,244	(206,608)	643,852	311.6%
Interest expense on plant debt	(60,797)	(61,146)	349	-0.6%
Other non-operating revenues(expenses)	(10,256)	5,573	(15,829)	-284.0%
<b>Net Non-operating Revenue (Expense)</b>	<b>762,784</b>	<b>121,526</b>	<b>641,258</b>	<b>527.7%</b>
<b>Income (Loss) before Other Revenues, Expenses, Gains or Losses</b>	<b>511,546</b>	<b>(79,373)</b>	<b>590,919</b>	<b>-744.5%</b>
<b>Changes in Net Position</b>				
State capital appropriations	35,364	32,026	3,338	10.4%
Private capital gifts	5,648	6,232	(584)	-9.4%
Additions to permanent endowments	37,287	25,883	11,404	44.1%
Capital contributions and other changes in net position	(2,086)	(5,281)	3,195	-60.5%
<b>Total Changes in Net Position</b>	<b>76,213</b>	<b>58,860</b>	<b>17,353</b>	<b>29.5%</b>
<b>Increase (Decrease) in Net Position</b>	<b>587,759</b>	<b>(20,513)</b>	<b>\$ 608,272</b>	<b>2965.3%</b>
<b>Net Position - Beginning of Year</b>				
Beginning of year	5,654,015	5,510,252		
<b>Net Position - End of Period</b>	<b>\$ 6,241,774</b>	<b>\$ 5,489,739</b>		

**THE OHIO STATE UNIVERSITY**  
**STATEMENTS OF CASH FLOWS - UNAUDITED**  
**Years Ended December 31, 2019 and December 31, 2018**  
(in thousands)

	<u>December 2019</u>	<u>December 2018</u>	<u>Incr/(Decr) to Cash Dollars</u>	<u>%</u>
<b>Cash Flows from Operating Activities:</b>				
Tuition and fee receipts	\$ 683,217	\$ 631,374	\$ 51,843	8.2%
Grant and contract receipts	377,147	346,834	30,313	8.7%
Receipts for sales and services	2,425,858	2,281,779	144,079	6.3%
Payments to or on behalf of employees	(1,574,757)	(1,458,350)	(116,407)	8.0%
University employee benefit payments	(424,879)	(418,651)	(6,228)	1.5%
Payments to vendors for supplies and services	(1,254,399)	(1,114,142)	(140,257)	12.6%
Payments to students and fellows	(63,334)	(61,551)	(1,783)	2.9%
Student loans issued	(2,001)	(3,431)	1,430	-41.7%
Student loans collected	5,220	6,549	(1,329)	-20.3%
Student loan interest and fees collected	1,027	944	83	8.8%
Other receipts, net	7,193	17,404	(10,211)	-58.7%
Net cash provided (used) by operating activities	<u>180,292</u>	<u>228,759</u>	<u>(48,467)</u>	<u>-21.2%</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
State share of instruction and line-item appropriations	200,827	235,504	(34,677)	-14.7%
Non-exchange grant receipts	44,015	41,461	2,554	6.2%
Gift receipts for current use	106,317	101,432	4,885	4.8%
Additions to permanent endowments	37,287	25,883	11,404	44.1%
Drawdowns of federal direct loan proceeds	276,500	280,800	(4,300)	-1.5%
Disbursements of federal direct loans to students	(292,954)	(298,411)	5,457	-1.8%
Repayment of loans from related organization	98	17	81	476.5%
Amounts received for annuity and life income funds	1,218	795	423	53.2%
Amounts paid to annuitants and life beneficiaries	(868)	(866)	(2)	0.2%
Agency funds receipts	6,207	6,293	(86)	-1.4%
Agency funds disbursements	(5,565)	(5,386)	(179)	3.3%
Net cash provided (used) by noncapital financing activities	<u>373,082</u>	<u>387,522</u>	<u>(14,440)</u>	<u>-3.7%</u>
<b>Cash Flows from Capital Financing Activities:</b>				
State capital appropriations	34,142	32,106	2,036	6.3%
Gift receipts for capital projects	5,648	6,232	(584)	-9.4%
Payments for purchase or construction of capital assets	(318,385)	(336,594)	18,209	-5.4%
Principal payments on capital debt and leases	(38,006)	(38,431)	425	-1.1%
Interest payments on capital debt and leases	(61,433)	(61,426)	(7)	0.0%
Federal subsidies for Build America Bonds interest	5,327	5,310	17	0.3%
Net cash provided (used) by capital financing activities	<u>(372,707)</u>	<u>(392,803)</u>	<u>20,096</u>	<u>-5.1%</u>
<b>Cash Flows from Investing Activities:</b>				
Net (purchases) sales of temporary investments	(65,416)	(28,857)	(36,559)	126.7%
Proceeds from sales and maturities of long-term investments	1,657,124	2,105,557	(448,433)	-21.3%
Investment income	171,544	96,748	74,796	77.3%
Purchases of long-term investments	(1,740,239)	(2,141,022)	400,783	-18.7%
Net cash provided (used) by investing activities	<u>23,013</u>	<u>32,426</u>	<u>(9,413)</u>	<u>-29.0%</u>
<b>Net Increase (Decrease) in Cash</b>	<u>203,680</u>	<u>255,904</u>	<u>\$ (52,224)</u>	<u>-20.4%</u>
Cash and Cash Equivalents - Beginning of Year	<u>2,201,133</u>	<u>2,113,482</u>		
Cash and Cash Equivalents - End of Period	<u>\$ 2,404,813</u>	<u>\$ 2,369,386</u>		



# Compliance and Integrity Report

**Board of Trustees**

**Audit, Compliance, and Finance Committee**

Office of University Compliance and Integrity

**February 27, 2020**



## Executive Summary

**Committee Action:** *For information and discussion. No vote is required.*

- 1. Resolution Agreement with Office for Civil Rights (OCR) [Title IX]**
  - The university has made no submission to OCR since the last Board meeting.

## Resolution Agreement with Office for Civil Rights (OCR) [Title IX]

All requirements of the Resolution Agreement have been met, and OCR confirmed orally that Ohio State has no outstanding items under our Resolution Agreement; the university awaits final written confirmation.

Activity	Steps	Status				
		2014-15	2015-16	2016-17	2017-18	
<b>Title IX Coordinator</b>	<ul style="list-style-type: none"> <li>✓ Published detailed statement outlining the roles and responsibilities of Ohio State's Title IX Coordinator (11/15/14)</li> </ul>	Complete	Complete	Complete	Complete	<input type="checkbox"/> All requirements met.
<b>Document Maintenance</b>	<ul style="list-style-type: none"> <li>✓ Created a coordinated document management process for all Title IX complaints (12/15/14)</li> </ul>	Complete	Complete	Complete	Complete	<input type="checkbox"/> All requirements met.
<b>Policies</b>	<ul style="list-style-type: none"> <li>✓ Revised Notice of Nondiscrimination and post online as appropriate (10/15/14)</li> <li>✓ Revised "Reporting Sexual Assault" link on Campus Police website (10/15/14)</li> <li>✓ Reviewed and revised all sexual harassment policies for consistency (10/15/14)</li> <li>✓ Sexual Misconduct policy taken from interim to final status (effective 8/23/16 per President's Cabinet). Revised the Code of Student Conduct consistent with the revised Sexual Misconduct policy, BOT approved 4/8/16</li> <li>✓ Submitted evidence of policy communications in nineteenth progress report (10/15/16)</li> <li>✓ Submitted annual information on complaints during academic year to OCR (6/10/16)</li> <li>✓ Submitted annual information on complaints during academic year to OCR (6/15/17)</li> </ul>	Complete	Complete	On Track	On Track	<ul style="list-style-type: none"> <li>• Submitted revised Code of Student Conduct and final Sexual Misconduct policy to OCR in 8/5/16 status report. Submitted proof of how updated policy was communicated to Ohio State community in 10/15/16 status report.</li> <li>• Submitted information on AY 2015-2016 complaints to OCR in 6/10/16 status report; appropriately implemented per OCR 12/19/18.</li> <li>• Submitted information on AY 2016-2017 complaints to OCR in 6/15/17 status report; <b>awaiting OCR feedback.</b></li> </ul>
<b>Training</b>	<ul style="list-style-type: none"> <li>✓ Reviewed Student Wellness Center programming to ensure consistency with Resolution Agreement standards (12/15/14)</li> <li>✓ Developed Title IX Coordinator and investigator training (12/15/14)</li> <li>✓ Identified Title IX training module for employees (12/15/14)</li> <li>✓ Reviewed and revised orientation program and materials for incoming students (12/15/14)</li> <li>✓ Verified annual Title IX training conducted during previous calendar year (6/10/16)</li> <li>✓ Provide training to specific groups identified in climate survey (annual)</li> </ul>	Complete	Complete	Complete	Complete	<ul style="list-style-type: none"> <li>• Training for 2016-17 and 2017-18 submitted and approved by OCR in 12/19/18 response.</li> <li>• Notified OCR of online training for AY 2018-19</li> </ul>

Activity	Steps	Status				
		2014-15	2015-16	2016-17	2017-18	
<b>Climate Assessment and Response</b>	<ul style="list-style-type: none"> <li>✓ Added OHR representative to Sexual Violence Consultation Team (1/15/15)</li> <li>✓ Established campus working group on Title IX and climate survey (9/30/14)</li> <li>✓ Reviewed last 2 years of sexual harassment complaints (12/15/14)</li> <li>✓ Developed recommended actions as appropriate based on review (12/15/14)</li> <li>✓ Developed and conducted annual climate survey (3/23-4/22/16)</li> <li>✓ Developed and conducted annual climate survey (2/5-3/10/17)</li> <li>✓ Analyze survey results to identify need for additional actions and training as appropriate (annual)</li> </ul>	Complete	Complete	Complete	Complete	<ul style="list-style-type: none"> <li>• Submitted results of AY15-16 climate survey and written recommendations based on results in 1/15/17 status report.</li> <li>• Developed/disseminated AY16-17 climate survey. As noted in 1/15/17 report, written recommendations submitted before January 2018.</li> <li>• Submitted proof of AY16-17 climate survey dissemination in 6/15/2017 status report.</li> <li>• Results of the AY16-17 climate survey and recommendations sent to OCR in 1/31/18 status report.</li> </ul>
<b>Student Focused Remedies</b>	<ul style="list-style-type: none"> <li>✓ Reviewed last 3 years of sexual harassment complaints for prompt and equitable investigation (1/15/15)</li> <li>✓ Take appropriate action to address identified problems (within 30 days of OCR approval)</li> </ul>	Complete	Complete	N/A	N/A	<ul style="list-style-type: none"> <li>□ Reported findings to OCR in 2/27/15 status report and 9/15/15 addendum; submitted documentation of identified "process improvements" to address issues in the addendum in 8/5/16 status report. Approved by OCR in their response on 4/14/17.</li> </ul>
<b>Marching Band Investigation</b>	<ul style="list-style-type: none"> <li>✓ Developed timetable for corrective actions (11/1/14)</li> <li>✓ Submit quarterly progress report to OCR (beginning 10/15/14)</li> </ul>	Complete	Complete	Complete	On Track	<ul style="list-style-type: none"> <li>• Continuing implementation.</li> <li>• 6/15/2017 status report included documentation addressing ongoing climate surveys with respect to the marching band; appropriately implemented to date per OCR 12/19/18</li> </ul>








**THE OHIO STATE UNIVERSITY**

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# Efficiency and New Resources Scorecard

Board of Trustees Audit, Compliance & Finance Committee | February 27, 2020

# Highlights: Operational Excellence

Efficiency program	FY20 Target	FY20 YTD	Progress to goal	Status
University	\$44M	\$24.7M	56%	
Wexner Medical Center	\$42M	\$32.3M	77%	
Capital efficiencies*	\$11M	\$6.9M	63%	

\* Additional project underway to establish building comps benchmarks.

## NEW INITIATIVES FUNDED

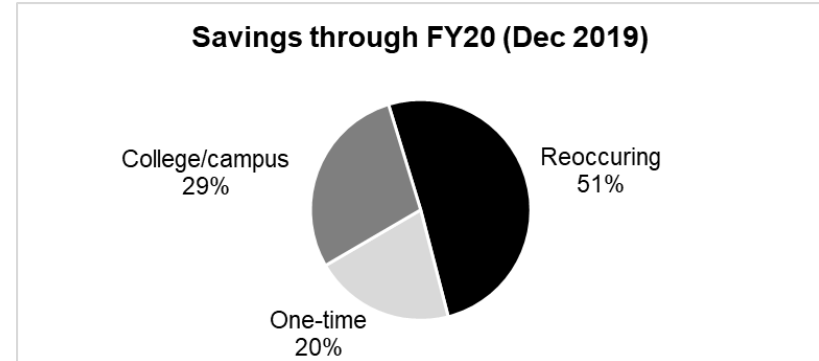
➤ More than \$150 million has been committed through fiscal 2020 to fund four major initiatives

Strategic initiative	Description	Funding source
President's Affordability Grants	Aid for 15,000+ low- and moderate-income Ohioans per year	Administrative efficiencies
Buckeye Opportunity Program	Aid package covers tuition for Ohio students who qualify for Pell grants	Innovative funding
Digital Flagship	24,000 students receive iPad learning technology suite through FY20	Administrative efficiencies
175 University Institute for Teaching and Learning	Teaching excellence program available to faculty	Innovative funding

# Operational efficiency scorecard

The university set a 5-year, \$200 million goal for non-WMC efficiencies

<b>FY20 goal</b>	\$200M		
<b>Progress to date</b>	<b>Total</b>	<b>% of goal</b>	<b>Status</b>
Through FY18	\$114.2M	57%	●
Through FY19	\$167.8M	84%	●
Projected through FY20	\$217.3M	109%	●




## OTHER EFFICIENCY HIGHLIGHTS

The university's 2020 goals focused on savings that could be redeployed to student financial aid and other strategic initiatives. Other initiatives reduce the cost of capital projects and operating costs at colleges and the Wexner Medical Center.

	<b>Progress through FY20</b>	<b>Status</b>	<b>Notes</b>
Strategic procurement	\$452.0M compared with FY12	●	Savings largely benefit colleges and units through discounted rates on goods and services
Wexner Medical Center	\$600.5M since FY15	●	Margin improvement has increased days cash on hand metric from 81 days to 168.2 days
176 capital projects	\$94.6M In FY18 thru FY20 YTD	●	Costs avoided by improving project accounting, capturing bid favorability, budget reductions

# New resource scorecard

The university set a 5-year, \$200 million goal for innovative funding

<b>FY20 goal</b>	\$200M	
<b>Major projects</b>	<b>Upfront total</b>	<b>Annual funding through FY20</b>
NIKE extension	\$22.5M	\$6.4M
Comprehensive Energy Management	\$1.07B	\$99.1M
Coca-Cola extension	\$6M	\$550,000
<b>Total</b>	<b>\$1.1B</b> 	<b>\$106.1M</b>

## OTHER NEW RESOURCE HIGHLIGHTS

The university continues to benefit from innovative funding work that pre-dated the 2020 goal. Examples include:

<b>Project</b>	<b>New resource metric</b>	<b>Notes</b>
Parking	\$176.4M distributed FY13-FY20	Supports 200+ scholarships per year, 137 Discovery Themes faculty hires, Arts District and more
Affinity relationships	160+ internships per year	Relationships with Nationwide, Huntington and other partners support the campus in various ways



**THE OHIO STATE UNIVERSITY**

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# Major Project Updates

Projects Over \$20M

February 2020



# PROJECT STATUS REPORT CURRENT PROJECTS OVER \$20M

PROJECT	CONSTRUCTION COMPLETION DATE	APPROVALS		BUDGET	ON TIME	ON BUDGET
		Des	Con			
OSU East – West Wing Expansion/Renovation	3/2020	✓	✓	\$26.0M		
Postle Partial Replacement	7/2020	✓	✓	\$95.0M		
Mars G. Fontana Laboratories (BMEC)	7/2020	✓	✓	\$59.1M		
Wooster – New Laboratory Building	9/2020	✓	✓	\$33.5M		
Optometry Clinic and Health Sciences Faculty Office Bldg	10/2020	✓	✓	\$35.9M		
Cannon Drive Relocation – Phase 1	10/2020	✓	✓	\$52.1M		
WMC Inpatient Hospital – Central Sterile Supply	11/2020	✓	✓	\$45.3M		
Ty Tucker Tennis Center	12/2020	✓	✓	\$22.8M		
Newark – John & Mary Alford Ctr for Sci and Technology	2/2021	✓	✓	\$32.0M		
WMC Inpatient Hosp Garage, Infr & Road Work	3/2021	✓	✓	\$102.1M		
WMC Outpatient Care New Albany	5/2021	✓	✓	\$137.9M		
Controlled Env Food Production Research Complex	5/2021	✓	✓	\$35.0M		
Newton Hall – Renovation and Addition	10/2021	✓	✓	\$24.5M		
Lacrosse Stadium	11/2021	✓		\$20.0M		
Instructional Science Buildings Deferred Maintenance	1/2022	✓		\$25.0M		
Dodd – Parking Garage	2/2022	✓	✓	\$33.3M		
Arts District	6/2022	✓	✓	\$161.6M		
Celeste Lab Renovation	8/2022	✓		\$31.1M		
Interdisciplinary Health Sciences Center	7/2023	✓	✓	\$155.9M		

179

**Key:** On track Watching closely – actions are being taken to keep on track Not on track



## POSTLE PARTIAL REPLACEMENT

Replace the southern portion of the east wing and renovate/upgrade portions of the west wing.

### PROJECT FUNDING

fundraising; state appropriations; department funds; university debt

### CURRENT PROJECT BUDGET

construction w/cont	\$85.4M
total project	\$95.0M

### CONSULTANTS

architect of record	Design Group
des architect	Robert AM Stern Arch
CM at Risk	Gilbane

### PROJECT SCHEDULE

BoT approval	9/16
construction	6/18-7/20
facility opening	8/20

### PROJECT UPDATE

Connector work between Postle and the new addition has begun. Exterior masonry work continues. All air handling unit equipment has been installed. Interior wall framing and mechanical/electrical/plumbing is progressing.





# WOOSTER – NEW LABORATORY BUILDING

Construct a new facility for Entomology research that will include teaching labs, research space, classrooms, and a small café. The new building will connect to a central chilled water plant.

### PROJECT FUNDING

university funds; state appropriations

### CURRENT PROJECT BUDGET

construction w/cont	\$30.0M
total project	\$33.5M

### CONSULTANTS

architect of record	Hasenstab Arch
CM at Risk	Elford

### PROJECT SCHEDULE

BoT approval	1/17
construction	10/18-9/20
facility opening	10/20

### PROJECT UPDATE

Structural steel installation is nearly complete and metal deck and framing are in process. Campus chilled water improvements are nearly complete.



On Time



On Budget





## NEWARK – JOHN & MARY ALFORD CTR FOR SCIENCE AND TECHNOLOGY

Construct a 60,000 GSF facility containing biological and physical sciences research and teaching labs, classrooms, collaborative learning and academic support spaces. Spaces will serve both the Newark campus and Central Ohio Technical College.

### PROJECT FUNDING

university funds; university debt; development

### CURRENT PROJECT BUDGET

construction w/cont	\$29.7M
total project	\$32.0M

### CONSULTANTS

architect of record	DesignGroup
CM at Risk	Smoot

### PROJECT SCHEDULE

BoT approval	8/18
construction	7/19-2/21
facility opening	3/21

### PROJECT UPDATE

Site utility work is completed. Steel installation is in process.



## ARTS DISTRICT

Renovate and expand the School of Music building and construct a new Department of Theatre building.

The project will also extend Annie and John Glenn Avenue from College Road to High Street and make modifications to College Road and adjacent pedestrian spaces. The School of Music project will be available for occupancy 3/2022 and the Department of Theatre facility will open 8/2022.

### PROJECT FUNDING

university funds

### CURRENT PROJECT BUDGET

construction w/cont	\$144.0M
total project	\$161.6M

### CONSULTANTS

architect of record	DLR Group
CM at Risk	Holder Construction

### PROJECT SCHEDULE

BoT approval	8/15
construction	6/19-6/22
facility opening	8/22

### PROJECT UPDATE

Site work is underway.



On Time








On Budget

AUDIT AND COMPLIANCE SCORECARD						2015-16	2016-17	2017-18	2018-19	Current Status	
<b>A. Strategic Risk Mitigation Effectiveness</b>											
1. <b>Education</b> (risks related to decrease in academic standing; harm in ability to attract faculty/students)						↔	↑	↔	↔	↔	
2. <b>Scholarship</b> (challenges to ability to perform significant academic or scientific research)						↓	↑	↔	↔	↓	
3. <b>Information Technology</b> (inability to store, develop, transmit, or protect data)						↔	↔	↑	↔	↔	
4. <b>Student Life</b> (inability to maintain an environment conducive to student life)						↔	↔	↔	↔	↔	
5. <b>Athletics</b> (risk of disruption to Athletics operations, including significant NCAA violation)						↔	↔	↑	↔	↔	
6. <b>Medical</b> (significant reduction in performance of the health system and related colleges)						↑	↔	↑	↔	↔	
7. <b>Financial</b> (inability to reach capital, revenue, or cost containment objectives)						↔	↔	↔	↔	↔	
8. <b>Physical Environment</b> (loss of infrastructure; major event impacting ongoing operations, including campus safety)						↔	↔	↑	↑	↑	
9. <b>Government, Community and Affiliates</b> (failure to monitor and develop government, community, or affiliate relationships)						↓	↑	↓	↔	↔	
10. <b>Talent and Culture</b> (failure to attract, develop, or retain talent)						↔	↔	↔	↔	↔	
11. <b>Advancement</b> (events impacting Ohio State brand, alumni relationships, or advancement objectives)						↓	↔	↑	↓	↔	
12. <b>Compliance</b> (failure to meet regulatory, legal, or policy requirements not captured in above categories)						↔	↑	↑	↔	↓	
						2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<b>B. Public Records<sup>1</sup></b>											
1. Number of records requests closed (3-year average: 1,081)						769	842	964	890	1399	479
2. Average days to fill all records requests						21	15	16.0	20.7	32.0	17.2
<b>C. Regulatory Actions<sup>2</sup> (rated 4 or 5)</b>											
1. Number of current regulatory actions						7	10	12	11	14	29
<b>D. Internal Audit</b>											
1. Number of audits cleared at second follow-up during the fiscal year						10	10	10	9	7	7
2. Number of audits open after second follow-up or cleared at third follow-up or later during the fiscal year						2	4	9	12	7	7

**COMMENTS & FOOTNOTES**
<sup>1</sup>Processed by Public Records Office only

<sup>2</sup>Includes audits, fines, probations, sanctions, warnings, or other similar actions

Mitigation Effectiveness Rating	Trend
 Meets or Exceeds Goal	↑ Environment/Performance Improving
	↔ No Significant Change/On Track
 Caution	↓ Environment/Performance Worsening
	
 Below Goal - Action Needed	



**Date:** February 3, 2020  
**To:** The Ohio State University Audit, Compliance & Finance Committee  
**From:** Christa Dewire, Audit Partner  
**Subject:** External Audit Update

**Purpose**

To report to the Committee on the status of the external audit of the University’s financial statements and other related deliverables.

**Committee Action**

No action needed.

**Executive Summary**

Our report to the Committee provides for a brief update as to the status of our fiscal 2019 external audit deliverables, as well as the timing of our fiscal 2020 audit planning procedures.

We will share our detailed 2020 audit plan with the Committee during the June meeting.

The Appendix to our materials includes PwC’s 2019 Audit Quality Report, which describes how our culture, values, people and processes come together to help us achieve our audit quality objectives, as well as where we as a Firm have been focused this past year.

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***The Ohio State University***  
External Audit Update for  
the Audit, Compliance and  
Finance Committee of the Board  
of Trustees

February 27, 2020



## **External Audit Update (as of February 3, 2020)**

### **Fiscal 2019 status of audit and attest deliverables:**

- All fiscal 2019 audit and attest deliverables have been completed, submitted to and approved by the Auditor of State.
- Of note to the Committee, we issued an unqualified Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance with the OMB Uniform Guidance.
  - There were no material instances of noncompliance nor were there any reportable findings identified.

### **Status of Planning for fiscal 2020 Audits:**

- Our planning process will commence in the near-term and will include discussions with management for areas of improvement, as well as considerations regarding staffing, risk assessment/ scoping and accounting changes.
- PwC's Audit Plan for fiscal 2020 will be presented at the next Committee meeting.

### **Appendix:**

- The following appendix has been included for the Committee's information. We would be happy to discuss in more detail at the Committee's request:
  - PwC's 2019 Audit Quality Report

## **PwC's 2019 Audit Quality Report**



Our focus

on audit quality

2019

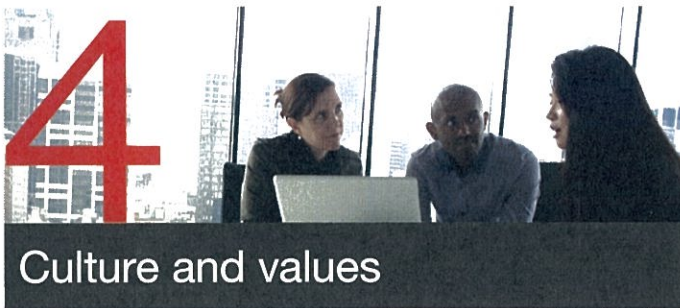
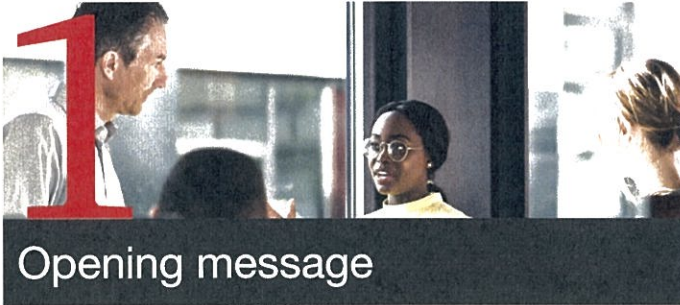
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PwC



# Contents



# Welcome to our 2019 Audit Quality Report

## To our stakeholders

We live in a complex world, and the global economy is evolving fast. So many of our clients are driving transformational change to keep pace—capitalizing on new opportunities and navigating new challenges. At PwC, we're changing quickly, too, so that we're prepared to identify and address the risks we face in this environment. Here's where we've been focused this past year.

**Quality is our top priority.** During this time of significant change, there are some things that remain the same. At PwC, we're committed to driving a strong culture of quality and excellence. It's core to our purpose—to build trust in society and solve important problems—and all the steps we are taking to accomplish our strategy. Importantly, it's also what our stakeholders and clients expect of us.

**Audit quality starts with our people.** That's why we maintain a constant emphasis on our purpose and values that address integrity and independence. We continue to invest in ongoing professional and personal development, with in-depth technical training and resources to help us bring our best to work and life. As a learning organization we are focused on positioning our people and firm for the future. We're providing opportunities to learn new digital skills, earn digital acumen badges, and build digital fitness with intensive, hands-on training in areas such as data wrangling, automation bots and workflows, and data analysis and visualization tools to help our people thrive in an increasingly digital world. We're also making significant investments in our people and technology to help our firm provide quality audits.

**We see technology as a key enabler of quality.** Through implementing our strategy to tech-enable the audit, we're matching tailored innovations in transformative technology with the continued emphasis on vital skills of our people like critical thinking, skepticism, and communication to enhance how we perform our audits—upskilled, innovated, insightful. We're also expanding our use of standardization and automation at scale through Acceleration Centers and Centers of Excellence to help in areas such as audit support and procedures for high volume transactions and specialized areas.

**We're responding to and anticipating change.** In response to new standards and evolving environment, we provide enhanced training, tools, and methodology so our people have the guidance and insights they need to drive quality results.

**We value differences.** When people from different backgrounds and with different viewpoints work together, there is better ability to challenge—ultimately making for more informed audit work and promoting quality. We value differences, which is good for our performance and creates value for our clients, our people, and society. As a firm, we are committed to fostering an inclusive workplace that leverages the power of our differences to achieve our goals.

**We're proud to be auditors.** Quality, independent audits play an important role in the financial reporting system and support the overall health of the global economy. We do not take that responsibility lightly.

In this 2019 edition of our *Audit Quality Report*, we discuss these efforts and more. The following pages provide a window into our system of quality controls, transparency data points, and how we have delivered on our audit quality objectives. Quality matters. It matters to us, and it matters to our brand, our stakeholders, and our clients.

Thank you for engaging with us on these topics, and for your interest in our continued progress.



A handwritten signature in black ink, appearing to read 'Tim Ryan'.

**Tim Ryan**  
US Chairman and Senior Partner



A handwritten signature in black ink, appearing to read 'Wes'.

**Wes Bricker**  
Vice Chair and US Assurance Leader

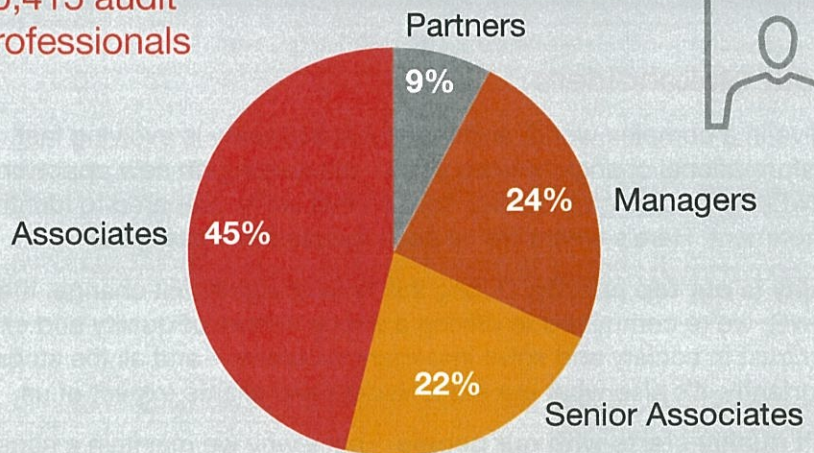
# Year in review

Assurance professionals surveyed who report:

receiving consistent messaging on the importance of audit quality **98%**

understanding the firm's audit quality objectives **97%**

10,415 audit professionals



Average voluntary turnover rate

Managers

**14.3%**

Senior Associates

**27.3%**

Associates

**19.5%**

Total

**20.0%**

Average annual hours worked in excess of 40 hours per week

**412**

Partners

**308**

Managers

**281**

Senior Associates

**254**

Associates

2017 PCAOB inspection report

**13** Audits included in Part 1

**55** Audits inspected

Leverage ratio of audit team member hours

Partner to Manager **1 to 4.2**

Manager to Staff **1 to 3.7**

Partner to Staff **1 to 19.8**

Number of issuer audit engagements subject to internal inspections

**132**



Compliance rate of issuer audit engagements selected for internal inspection

**97%**



Please see the full report for additional information regarding the data points shown. Electronic users may click on the data points to navigate to additional information.

# Year in review

# 80%

Engagement Index

Pride  
Advocacy  
Commitment  
Overall satisfaction

Average training hours completed per audit professional

# 94 hours

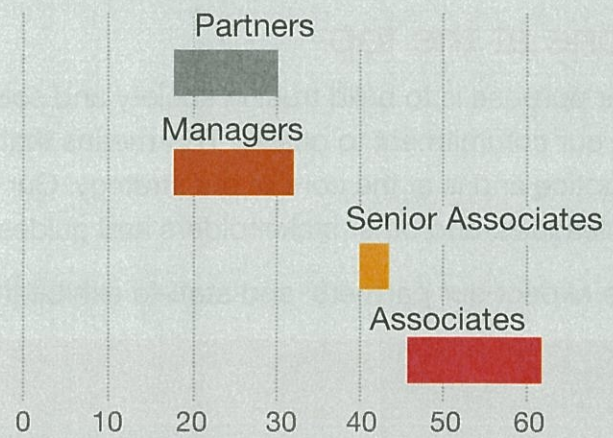
Percentage of restatements of financial statements for issuer audit clients

# 0.55%

Percentage of restatements or withdrawals of ICFR reports for issuer audit clients

# 0.63%

Number of hours of auditing and accounting training mandated by PwC annually for each level



Ratio of partners serving in technical support roles to the total number of audit partners

# 1 to 8.0

Partners' average years of experience at PwC

# 23 years



Percentage of audit hours provided by specialists

# 15.3%

Percentage of audit hours performed by Acceleration Centers

# 12.1%

# 300,000+

digital assets downloaded or executed on our Digital Lab

# 400+

Number of Assurance professionals trained as Digital Accelerators

# 147,000+

hours of digital upskilling training

Please see the full report for additional information regarding the data points shown. Electronic users may click on the data points to navigate to additional information.



# Our culture and values

## Tone at the top

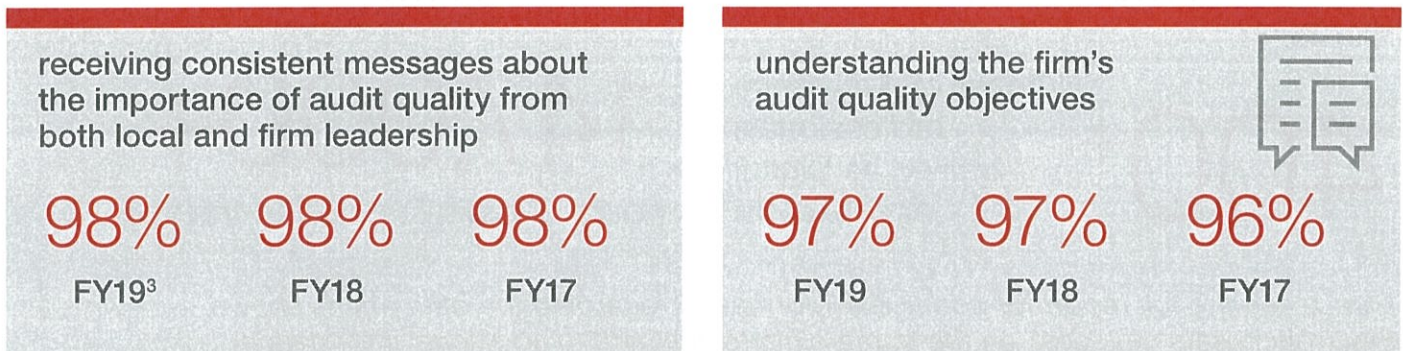
Our purpose is to build trust in society and solve important problems. We build trust by delivering on our commitment to quality. This means that performing quality audits is job #1 for our Assurance practice and is at the core of our strategy. Our focus on quality drives our actions with clients, colleagues, and other stakeholders and guides our decision making.

We expect our partners<sup>1</sup> and staff to exhibit the core values underlying our purpose:



Key messages are communicated to our firm<sup>2</sup> by our Senior Partner and our leadership team and are reinforced by engagement partners. These communications focus on what we do well and actions we can take to make enhancements. We track whether our people believe that our leaders' messaging conveys the importance of quality to the success of our firm. Based on this tracking, we are confident our people understand our audit quality objectives. Paramount to what we do is exercise independence and objectivity in our audits. This independent and objective mindset is reinforced by our tone and culture and is pivotal to our partners and staff in making important decisions and engaging in difficult conversations.

## Percentage of Assurance professionals surveyed who report:



## At PwC, “audit quality” means that we consistently:

- comply with auditing standards;
- exercise professional skepticism;
- use our experience to identify and resolve issues timely; and
- apply a deep and broad understanding of our clients’ businesses and the financial environment in which they operate.

## Our audit quality principles are achieved through our audit quality practices and mean that we:

- ask tough questions;
- apply an objective and skeptical mindset;
- embrace the supervision and review process as a way to continuously improve;
- stay current on professional standards;
- have timely, meaningful exchanges with audit committees;
- plan our work and resolve issues in a timely and thorough fashion;
- recognize our role in the capital markets;
- remain alert for issues that need deeper analysis; and
- act with professionalism.



“At PwC, our purpose is at the core of what we do and why we do it.”

Tim Ryan, US Chairman and Senior Partner



# Ethics, independence, and objectivity

## Ethics

Ethical behavior is the foundation for building trust. We have a code of conduct and supporting policies that describe expected behaviors. We also provide multiple ways for our people to ask questions and obtain policy guidance or voice concerns about possible policy violations, including an Ethics HelpLine, through which concerns may be reported anonymously, if preferred.

Protecting client confidentiality and preserving necessary records are key components of our ethics policies. These policies are included as part of our new-hire training and reinforced during mandatory annual independence, ethics, and compliance training and in a required annual compliance confirmation.

## Independence and objectivity

As auditors, we are required to be independent from our audit clients. Independence, in fact and appearance, sets the foundation for us to exercise professional skepticism and make objective conclusions without being affected by influences that could compromise our professional judgment.

Our independence policy is based on the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants and is supplemented to comply with the requirements of US standard setters and regulators. We support our people in maintaining independence by providing systems and processes that:

- track the entities requiring independence;
- enable assessments and documentation of approval for providing permissible non-audit services;
- facilitate the assessment and monitoring of joint business relationships;
- support consultations with our experts;
- facilitate the evaluation, pre-approval, and monitoring of securities and other financial arrangements held by partners, managers, and others to whom independence rules apply;
- allow many brokerage firms to record security transactions on behalf of our people;
- document our professionals' annual confirmation of compliance with our independence policies and other compliance topics; and
- facilitate the process of sending engagement independence confirmations and generating the documentation necessary to evidence the confirmation process automatically.



A team of dedicated professionals  
(**16** partners and **193** staff):

- maintains our independence policies, processes, and systems;
- develops our annual independence training; and
- serves as a resource for our people when questions arise.

In FY19, this team engaged in approximately **22,000** independence-related consultations.

We have disciplinary procedures in place to promote compliance with our independence policies. Independence policies require that we report independence rule exceptions to those charged with governance at our clients so that they can be addressed promptly.

## Partner rotation

Partner rotation strikes a balance between bringing “fresh eyes” to the audit and maintaining a deep understanding of the client’s operations, in part, through continuity of other team members. Our practice leaders use systems and processes to manage current and successor partners’ portfolios, including understanding their skills and capacity to maintain consistent audit quality. We require public company lead audit partners and quality review partners to rotate off engagements every five years. We also have rotation policies for auxiliary partners and partners on audit engagements not subject to the SEC rotation requirements.

## Accountability

Partners are evaluated based on their contributions to people, quality, and profitable growth. Our accountability program holds partners, including quality review partners and other partners in leadership roles, accountable for audits in which they participated that are found by external and internal inspections to have deficiencies. Partner accomplishments are measured based on the partner’s relative performance against established goals. Partners receive a share of the firm’s profits based on their level of responsibility, the firm’s performance, and the partner’s performance. Our audit partners are not evaluated or compensated for selling non-audit services to their audit clients.

Non-partner professionals are assessed against the dimensions of the PwC Professional framework, discussed on page 12. They participate in a performance bonus plan based, in part, on the achievement of quality goals and objectives.

We reward teams and individuals for quality. In cases that require it, partners and managers are required to implement a responsive action plan to address quality issues. Implementation of the plan is monitored by leaders.

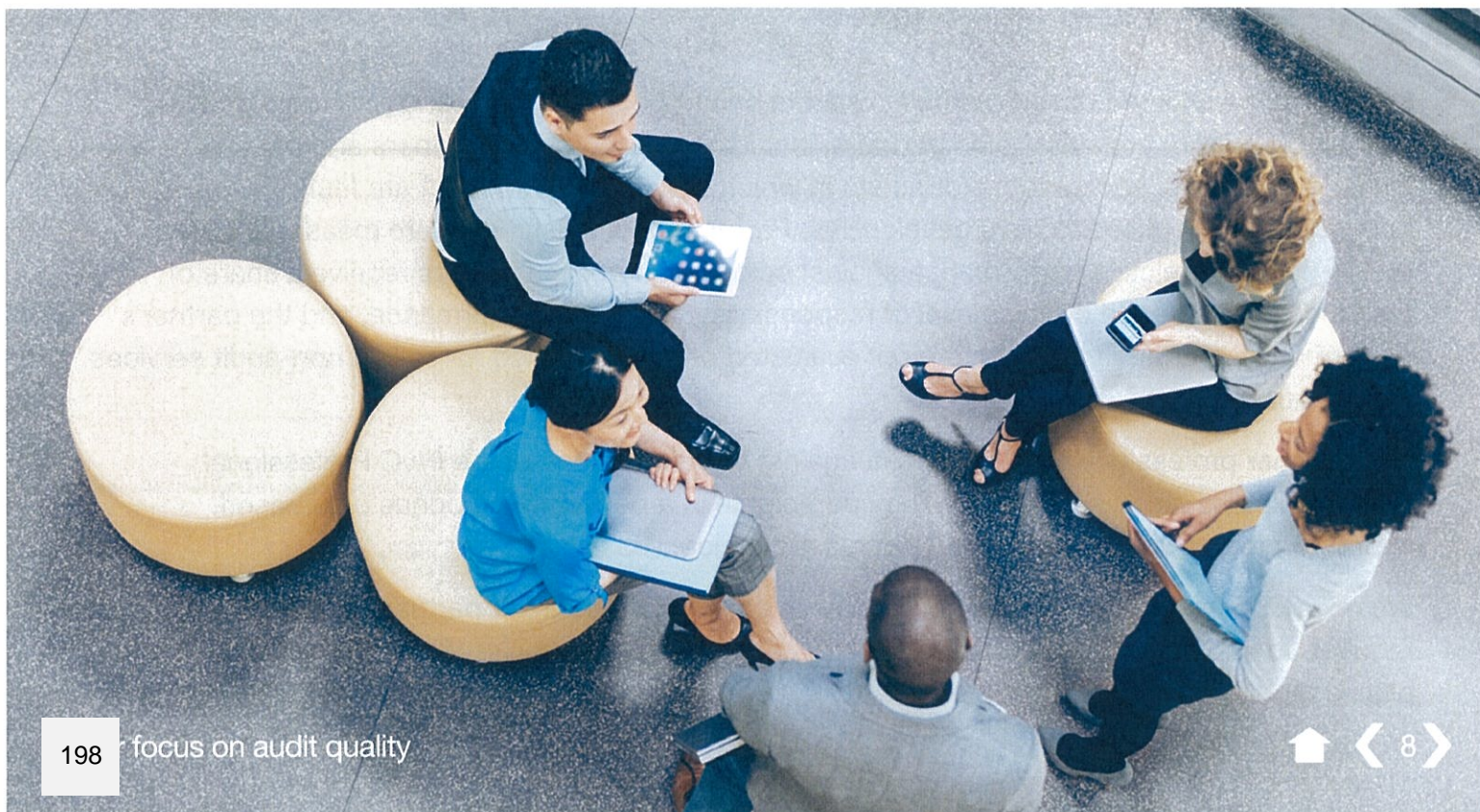


## Considerations in undertaking an audit engagement

We have approval processes for the acceptance of new audit clients and annual continuance of existing audit clients. For the acceptance of new audit clients, our process requires approvals by quality management partners and market leadership. For existing client continuance assessments, the extent and level of approvals depend on the nature of the client and results of a required risk assessment.

Key to making these approval decisions is whether we have people with the right skills, experience, and capacity to perform a quality audit. We also consider if the audit fees are commensurate with the level of effort needed to perform a quality audit. We only accept and continue to perform audit engagements when we believe our audit procedures can satisfactorily address the risk of material financial statement misstatement. Our client acceptance and continuance procedures consider whether:

- the engagement is allowable under professional and regulatory standards and is within our professional competence and capabilities;
- key management, board members, and significant shareholders are people of integrity and good repute;
- the entity's operations are governed by acceptable standards of behavior;
- there are any unresolved issues involving independence, conflicts of interest, or relationships with other entities that may have a bearing on whether, and on what conditions, we undertake an audit engagement; and
- there are any unreasonable timing or resource constraints that would affect our ability to comply with applicable standards.



## Multiple lines of service

Leveraging all lines of service is an important component of providing a high quality audit. Drawing on the knowledge of our non-audit professionals, we develop a deeper understanding of our audit clients' processes and financial reporting risks, which leads to a better audit, more insightful feedback to the Audit Committee, and ultimately strengthens our organization. Our non-audit professionals' deep technical knowledge supports our audit teams in understanding and evaluating the risks that may affect our audit clients' financial statements—for example, the potential impact of complex income tax matters; valuation processes related to the use of fair value in financial reporting; information technology innovations; cybersecurity threats; and forensic investigations. Non-audit professionals also develop and use technologies that may be applied in our audits. Our interest in embracing these technologies is important to attracting and retaining top talent.

We are focused on maintaining audit quality, professional skepticism, objectivity, and transparency regarding non-audit services. We are part of a strong financial reporting ecosystem, including robust rules and regulations addressing the provision of non-audit services to audit clients. Our independence protocols and monitoring processes are designed to address the possible risks from having multiple lines of service. The majority of our non-audit revenue comes from clients with whom we have no audit relationship.

We only perform non-audit services for audit clients when, before any services are provided, it is determined that such services are appropriate in the circumstances, the services are permitted by applicable independence rules, and, if required, the audit committee agrees that such services will not impair our independence.

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Percentage of audit hours provided by specialists

**15.3%**



# Our people

## The PwC Professional

Our people strategy is focused on being the world’s leading developer of talent. We hire candidates who have diverse backgrounds and appropriate skills; have a questioning mindset and intellectual curiosity; and demonstrate courage and integrity.

### “Your Tomorrow”

Our One Firm “Your Tomorrow” strategy is how we are investing to create the PwC of the future; we are responding to the expectations of the market to deliver a different, more digital experience to our clients. We are helping our people develop their potential to harness rapid technological change. In Assurance, our Your Tomorrow strategy centers on tech-enabling our business so we can deliver enhanced quality and value for our clients and give our people the skills they need to thrive in an increasingly digital world. There are three elements to this strategy:

**Digital upskilling**—We provide our people with numerous individualized learning tools to expand the use of digital solutions on their audits and empower them with a mindset of continual improvement and innovation. Our two-day Digital Academies leverage market-leading software and focus primarily on building three core skills: data wrangling, automation, and data visualization. We also offer a variety of engaging learning channels, including podcasts, a real-time trivia game, and learning bursts to help our people build their digital skills on their own terms. These tools enhance the firm’s collective digital fluency while providing each individual with a personalized curriculum to build their digital IQ and earn a Digital Acumen knowledge badge. Our Assurance professionals completed more than 147,000 hours of relevant training during FY19 and more than 9,600 of them earned their Digital Acumen badge. In addition, more than 400 Assurance professionals became Digital Accelerators, receiving more intensive training in priority technology. Our Digital Accelerators are embedded within our engagement teams and are dedicated to applying digital capabilities to each audit, as well as developing new digital solutions for the firm.

**Skills for society**—This is a powerful program to develop our people while making a meaningful difference in our communities. It enables our people to use their skills in an impactful way through participation in Access Your Potential® or volunteering at nonprofit organizations (see page 12 for further discussion).

**Be well, work well**—Given the pace and complexity of change, the firm is putting the power of its resources toward supporting our people’s journey to greater well-being. In FY19, the firm continued to support our people’s well-being journey; including the use of a digitally-enabled employee Well-Being Rewards program. This is complemented with periodic firmwide events (e.g., *PwC on the Move*, *50k Random Acts of Kindness*, *The Big Breathe*, *Day of Joy/Purpose*), which focus on enhancing personal well being.

“We are accountants and auditors. But we are also tech innovators, data wranglers, and trailblazers who embrace change and transformation, bringing the best of human and machine intelligence to our audits and providing valued insights to make an impact on the world around us.”

Wes Bricker, Vice Chair and US Assurance Leader

### Number of audit professionals<sup>4</sup> by level

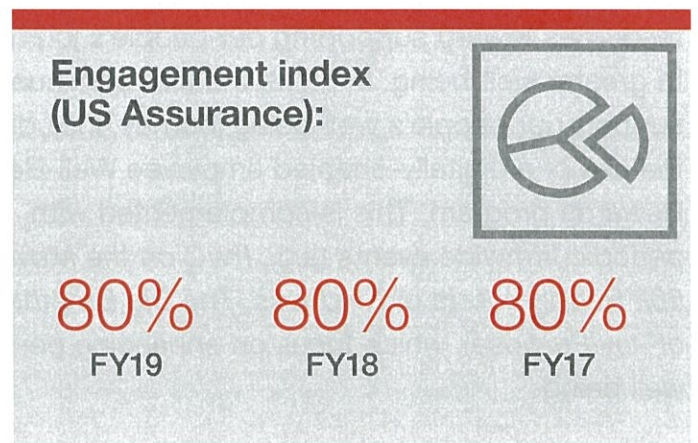
	FY19	FY18 <sup>6</sup>	FY17 <sup>6</sup>
Partners	962	953	971
Managers <sup>5</sup>	2,536	2,464	2,656
Senior Associates	2,206	2,280	2,593
Associates	4,711	5,020	5,521
Total	10,415	10,717	11,741

Our reputation depends on our people. Our hiring standards include a structured interview process with behavior-based questions built from The PwC Professional framework, assessment of academic records, and background checks. In FY19, we hired nearly 2,000 entry-level audit professionals and approximately 1,700 audit interns.

The incremental reduction of audit professionals over the last two years is driven by our talent planning and turnover. The reduction in our US hiring is a result of our Your Tomorrow strategy to tech enable the audit through standardization, tools, and automation. Standardization includes the use of both on and offshore resources at Acceleration Centers (previously referred to as Service Delivery Centers) and Centers of Excellence. Our voluntary turnover fluctuates based on a variety of factors, including market demand for talent.

We encourage our partners and staff to participate in Access Your Potential®, our commitment to equipping young people from disadvantaged communities with the technology, financial, and career-selection skills needed for a successful future. This includes offering our partners and staff time to volunteer in support of causes that are important to them. Many of our people participate in skills-based volunteering, such as teaching our financial literacy and technology skills curriculum to students or serving on a nonprofit board, among other opportunities. These efforts positively impact local communities and support retention of our purpose-driven staff. For example, the turnover rate for our core audit staff who participate in corporate responsibility-related activities is six percentage points lower than core audit staff overall.

We periodically measure the pride, advocacy, commitment, and overall satisfaction of our people. We call this measurement our Engagement Index.



Many internal and external factors have the potential to impact our Engagement Index; the compensation and benefits programs we offer compared to other employers and market demand for talent are two factors that impact the commitment and overall satisfaction of our people. Our Engagement Index is one tool we use to help evaluate our people initiatives.

## The PwC Professional

The PwC Professional is our global leadership development framework, which provides a single set of expectations across our lines of service, geographies, and roles. It provides transparency on the skills our staff need to stay relevant and deliver quality to our clients.

The PwC Professional framework includes assurance quality dimensions to guide our staff in building critical skills and behaviors related to delivering audit quality, such as professional skepticism, review and supervision, auditing skills, issues management, and accounting and technical knowledge.



## Professional development

We are committed to putting the right people with the right skillsets in the right place at the right time. One way we do this is by using TalentLink, our talent sourcing platform. This tool provides visibility into our people’s experiences and interests so that we can efficiently and appropriately staff client engagements.

Throughout their careers, our people are provided with career development opportunities, classroom and on-demand learning, and on-the-job real time coaching and development. Our on-demand learning portfolio facilitates personalized learning with access to CPE and non-CPE educational materials, including webcasts, podcasts, articles, videos, and courses.

Achieving a professional credential supports our Firm’s commitment to quality through consistent examination and certification standards. Becoming a CPA, an important part of our audit professionals’ career progression, is a prerequisite for promotion to audit manager. Our goal is to provide our staff with a more individualized path to promotion and support them in prioritizing and managing their time more effectively when preparing for the exam. Our staff often attain their credential well before they are eligible for promotion to manager. We incentivize staff with an enhanced primary credential bonus and provide them with additional support to get credentialed early.

In FY19, 14 of the 110 individuals recognized by the AICPA for achieving exceptional results on the CPA exam were from our firm.

## Learning and development

We prioritize a learning culture. The composition of our audit teams provides our less experienced professionals the opportunity to work with more seasoned professionals, which promotes meaningful on-the-job training. Judgment is honed by observing how seasoned auditors approach issue identification, management, and resolution.

### Leverage ratio of audit-related hours for audit team members

		FY19		FY18		FY17		
Partner	to	Manager	1	to	4.2	1	to	4.0
Manager	to	Staff	1	to	3.7	1	to	4.1
Partner	to	Staff	1	to	19.8	1	to	20.3

## Partners' average years of experience at PwC:

FY19: 23

FY18: 23

FY17: 23



Learning that occurs through on-the-job supervision, review, and mentoring is supplemented through participation in classroom and on-demand training programs. Our National Assurance Learning Team is dedicated to developing course content and updating our training curriculum based on feedback obtained from:

- our National Office on new accounting and auditing standards and financial reporting developments;
- our internal inspections process and other inputs that monitor quality;
- observations from the PCAOB and peer reviews; and
- surveys, focus groups, and post-course learning assessments.

Our National Assurance Learning Team collaborates closely with firm leadership so that training is responsive to changes in the Assurance practice. We require our audit professionals to attend training courses that integrate auditing and accounting concepts and we use simulation-based elements for a more effective learning experience. Our managers and partners also receive industry-specific training and training related to new accounting standards, when applicable. All mandatory auditing and accounting training courses include a learning assessment, which requires the participant to earn a passing score to be granted credit for course completion. In addition, we offer our professionals training on non-technical topics, such as project management, issues management, and business communications.

## Number of hours of auditing and accounting training mandated by PwC annually for each level

	FY19	FY18 <sup>7</sup>	FY17 <sup>7</sup>
Partners	18 to 30	22 to 33	22 to 38
Managers	18 to 32	22 to 33	22 to 40
Senior Associates	40 to 43	42 to 47	41 to 47
Associates	43 to 62	40 to 82	43 to 82

Completion of mandatory auditing, accounting, and new-hire and annual independence, ethics, and compliance trainings is a component of individual performance. Failure to complete mandatory training or to achieve the minimum number of auditing, accounting, and ethics training hours for licensure can impact an audit professional's performance evaluation and compensation. In addition, all partners and staff were required to complete the mandatory digital upskilling training discussed on page 10, which included 3 hours for partners, directors and senior managers and 12 to 16 hours for managers and below.

The number of hours of auditing and accounting training mandated annually can increase or decrease from year to year based on a variety of factors, including the issuance of new accounting and auditing standards, the frequency and timing of leadership conferences, and the impact of our ongoing course redesign, which includes the use of digital tools to deliver training more efficiently. The increase in average training hours for FY19 can be attributed primarily to the firm's digital upskilling efforts as described on page 10.

### Average training hours completed per audit professional:

94  
FY19

78  
FY18<sup>8</sup>

75  
FY17<sup>8</sup>

## Retention

Turnover in the public accounting profession is often high because as accounting standards and regulations change, accountants are in demand and the development and experience we provide make our staff highly sought after in the external market. Our voluntary turnover can fluctuate based on several factors, including the experience we provide and external market demand.



Providing our people with the ability to meet their professional and personal commitments is a critical component of our people experience and retention strategy. Our “Assurance People Experience Plan” emphasizes 5 areas that directly influence staff retention: rewards & recognition, worklife flexibility, career development, Your Tomorrow, and staff connectivity. As an example, we continue to enhance our Your Tomorrow—Be Well Work Well strategy to support our professionals to become and sustain their best selves and encourage our teams to have discussions about what flexibility means to each team member and build flexibility into their team plans. We expect that consistent support and execution of these actions will result in enhanced retention.

### Average annual voluntary turnover rate by staff level

	FY19	FY18 <sup>6</sup>	FY17 <sup>6</sup>
Managers	14.3%	13.0%	9.1%
Senior Associates	27.3%	25.6%	19.0%
Associates	19.5%	18.7%	12.8%
Total	20.0%	18.9%	13.4%

### Average annual hours worked in excess of 40 hours per week by level

	FY19	FY18	FY17
Partners	412	410	404
Managers	308	281	273
Senior Associates	281	239	228
Associates	254	214	198

## Our diversity and inclusion strategy

At PwC, we’re committed to creating a culture of belonging. We are focused on diversity and fostering an inclusive environment in which our people are comfortable bringing their whole selves to work and feel that they belong and are valued.

We know that when people from different backgrounds and with different points of view work together, we create the most value—for our clients, our people, and society. Our core values of caring and working together guide us to recognize the contributions of each individual and develop a workplace with a range of people, perspectives, and ideas.

Our programs help our people succeed by focusing on three main areas:



### Early success:

Our Start internship provides high-performing minority college students with an opportunity to learn about our firm and to participate in a client service shadowing experience, which prepares them for our client service internships. We also offer new hire programs like Vanguard—a year-long onboarding program designed to support the success of Black/African-American new hires.



### Leadership development:

We offer several leadership development programs. The Diamond program provides coaching to top-performing minority senior managers and directors. Accelerate is a leadership development program designed for Asian/Pacific Islander experienced associates. Our Breakthrough Leadership program coaches experienced high-performing women, and Select Senior works to develop our high-performing diverse senior associates.



### Inclusion:

We offer our people opportunities to raise their diversity awareness through a variety of programs, including the following:

Our “**Blind Spots**” program is required for all new hires and promotees and helps individuals gain awareness of unconscious biases and their potential consequences. This training is available at [www.pwc.com/us/blindspots](http://www.pwc.com/us/blindspots).

We have formed **Inclusion Networks** for Black/African Americans, Asians/Pacific Islanders, Latinos/Hispanics, women, working parents, veterans, people with disabilities, and LGBT professionals.

**Outsmarting Human Minds**, is another opportunity to learn about blind spots through a series of podcasts, videos, and other materials. The series was developed by Harvard University with a grant from PwC and is available at [www.pwc.com/us/en/about-us/outsmarting-human-minds.html](http://www.pwc.com/us/en/about-us/outsmarting-human-minds.html)

Our **Color Brave™** series of conversations about race has helped break down barriers, challenge conventional thinking, broaden our perspectives, and inspire the best in all of us.

Our **Inclusive Leadership and Belonging** sessions for all of our managers, senior managers, directors, and managing directors help develop inclusive leadership skills and understand how the decisions they make every day affect the experiences of our people.



“Meeting our goals related to diversity and inclusion is a crucial aspect of successfully achieving our purpose to build trust in society.”

Tim Ryan, US Chairman and Senior Partner

As a result of our efforts to promote diversity and sustain an inclusive environment, women and minorities comprise 46% and 33% of our firm, respectively, and the diversity of our partners has increased from 17% women and 7% minorities in 2009 to 22% women and 15% minorities in 2019. Another testament of our progress is our 2019 new partner class, which was 45% women and minorities.

While we are proud of the progress we have made, there is still more we want to do to enhance our inclusive culture so that we can continue to attract talented people who have unique skills, experiences, and ambitions. As a global champion of the United Nations HeForShe gender equality movement and a founding signatory of the CEO Action For Diversity & Inclusion<sup>™</sup>, we have demonstrated our commitment to being a firm where everyone has an opportunity to reach their full potential.

As part of CEO Action, individuals are also asked to take the “I Act On” pledge, committing to check their biases, speak up for others, and show up for all. More than 38,000 people have taken this pledge so far.

Last year, through CEO Action, we debuted the new Check Your Blind Spots unconscious bias mobile tour, where we used video, virtual reality, and other approaches to engage our clients, students on campus, and our communities across the country with a tech-enabled, gamified experience.

To learn more about PwC’s diversity and inclusion strategy, as well as the awards and recognition we have received for our achievements in this area, please visit [www.pwc.com/diversity](http://www.pwc.com/diversity).

**More than 700 CEOs have signed the CEO Action for Diversity & Inclusion<sup>™</sup> corporate pledge, which includes a commitment to four goals:**

- 1 to create or continue to make our workplaces trusting places for dialogue about diversity and inclusion
- 2 to offer or expand unconscious bias education
- 3 to share best practices and practices that aren’t working so others can learn from them
- 4 to create and share strategic inclusion and diversity plans with our board of directors

# Our approach

Performing audits in accordance with professional standards is an important way that we fulfill our purpose to build trust in society and solve important problems. Each year we issue audit reports on the financial statements of thousands of public and non-public companies. We conduct our audits following applicable auditing standards in order to obtain reasonable assurance regarding whether the financial statements are presented fairly, in all material respects. Although reasonable assurance is a high level of assurance, it is not a guarantee. An audit involves examining the underlying audit evidence, including information and reports provided by the company, on a test basis. In some circumstances, we also rely on—and for many companies, test and opine on—a company’s internal control over financial reporting, which due to inherent limitations may or may not prevent or detect misstatements. We are proud of the important role that audit opinions play in the capital markets, and how they help us fulfill our broader purpose as a firm.

## Audit methodology and processes

Foundational to our audit methodology is the assessment of the risk of material misstatement in the financial statements. We consider materiality level for the financial statements as a whole in planning the nature, timing, and extent of audit procedures. Our risk assessment procedures establish our understanding of business processes, inform our assessment of risks inherent in the financial statements, influence the controls we select for testing, and guide our substantive audit response. Our risk assessment begins in the planning phase of the audit and continues through the issuance of our report. The timely involvement of audit partners and managers during planning and risk assessment facilitates the appropriate consideration of audit risk and the planned response based on the client’s circumstances.

When we audit the financial statements of a company with operations in multiple locations or business units (i.e., components), our audit approach, including the nature, timing, and extent of our involvement in the work of component auditors, is influenced by our understanding of and reliance on the component auditors, the significance of the component, and identified significant risks of material misstatement to the group financial statements. We continually refine how we use the work of component auditors and the level of our involvement in their work so that all components of our audits meet US standards and satisfy our own quality expectations.

## Delivering on our continuous improvement mindset in FY19:

Expanded use of Halo **data auditing** tools

Introduced new **performance and documentation tool** for audit planning and completion

Reinforced documentation and supervision/review requirements for **use of new audit technology**



Enhanced content, templates, and technology for our **audit committee reporting**

Increased leverage of our **Acceleration Centers**

Expanded use of our **10 Centers of Excellence** in specific areas to standardize audit processes by leveraging tech-enabled audit solutions



Enhanced **methodology, training, tools, and templates** in response to new leases and credit loss accounting standards

Refined approach to applying PCAOB's new auditor reporting model: developed new **policies, guidance, and templates**; provided consultation support as teams worked with clients to prepare for adoption of new requirements related to **Critical Audit Matters**



Enhanced **industry-specific guidance** and guidance for certain engagement types, such as carve-out audits and brokers/dealers

Implemented additional **Chief Auditor Reviews** in areas such as controls over revenue

Enhanced tools in areas of **significant judgment**, adding illustrative examples on nature and extent of evidence necessary to effectively audit

## Perfecting the blend of people and technology


At PwC, we are tech-enabling the audit, matching tailored innovations in transformative technology with the continued emphasis on vital skills of our people like critical thinking, skepticism, and communication to enhance how we perform our audits—upskilled, innovated, insightful. We are building new tools, working in the cloud and creating a global data platform—all to:

- further enhance audit quality;
- provide more transparency around our progress and a more predictable workflow; and
- provide real-time delivery, increased efficiency, valuable insight, and security.

Our people are critical to this development, and, as described on page 10, we are dedicated to training our people to deliver innovative audits using enhanced technology, digital skills, and strategic processes.

## How we're innovating the audit

We're making significant investments in technology to provide engagement teams with the tools to support a tech-enabled audit, one tailored to our clients' technological maturity. Our innovative technologies, which are seamlessly integrated into our processes, deliver quality, efficiency, and insight. These are the primary tools we are currently using across relevant engagements:

 **Aura**, the PwC Network's global audit platform, is used by auditors across the Network (more than 100,000 auditors worldwide), driving quality and consistency on a global basis. Aura enables sequential and intuitive audit plan development. It enables risk assessment through each phase of the audit, leveraging embedded industry-specific content that drives consistency in execution and assists teams in documenting and evaluating IT dependencies. The PwC Network continues to make incremental enhancements to Aura that further drive quality and standardization, support improved project management, and facilitate timely execution and review.

 **Connect** is the PwC Network's collaborative workflow tool that allows clients fast, secure sharing of audit documents and deliverables. PwC member firm staff and clients can easily review the status of information requests within this web-enabled tool. Part of the Connect platform, Connect Audit Manager is our global collaboration tool that streamlines, standardizes, and automates real-time communication and collaboration between group and component audit teams. It provides for secure document exchange, enhanced status tracking, and issue management capabilities between group and component audit teams.

### Tomorrow's audit, today

Delivering exceptional quality

Combining our people and technology

Rooted in our core values



Make a difference



Reimagine the possible



Act with integrity




Work together




Care




 **Halo/data auditing**, the PwC Network’s award-winning data extraction, visualization, and auditing platform, is designed to enhance our risk assessment process and facilitate automated testing and data validation to support the different phases of the audit—from planning, to execution, through completion. For example, Halo for Journals helps audit teams identify journal entries to test as part of the procedures performed to address the risk of fraud. Similarly, Halo for Investments helps audit teams analyze investment portfolio data and price testing results. We continue to expand the Halo suite of tools, most recently in the testing of revenue, harnessing the power of data to further enhance our audit quality.


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 **Extract** is our proprietary tool that automates the extraction of data from clients’ ERP systems during an engagement. Extract can locally or remotely extract, compress, encrypt, and transfer data securely. The tool eliminates data handoffs, reducing room for error. By the end of 2019, 80 percent of our eligible audit clients will benefit from Extract.

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 **Data Sieve** is a proprietary platform that uses artificial intelligence and optical character recognition to “read” documents and extract data.

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 **My Independence Assessment** guides users through each step of the Independence assessment process, tracks the status of the assessment, and serves as a resource for documenting results, required actions, and conclusions.

## People-powered innovation

We have been increasing our digital skills as a practice; more than 75% of our Assurance professionals have completed one of our Digital Academies. Using these new skills, we want teams to brainstorm ways to enhance processes on their own engagements and develop innovative solutions to simplify, standardize, and automate as appropriate.

This year we launched Digital Lab, our One Firm technology-sharing community, which harnesses the collective power of our digital and business acumen to give our professionals the opportunity to find, build, and share digital assets to enhance efficiency and quality on their audit engagements. Since its launch, more than 90% of our Assurance professionals have visited Digital Lab and have downloaded or executed more than 300,000 digital assets.

## Looking to the future

As a firm, we are focusing on the innovations we believe are most relevant to the audit of the future, including artificial intelligence and robotics. We continue to create new, integrated solutions for the audit and develop new tools to continue to shift manual tasks to machines, allowing us to focus more on areas of higher risk and deliver new insights. Our people and approach are critical to this development. Technology is just the enabler. We call it “human and machine collaboration”—and this combination is far stronger than either one alone.

“Our powerful combination of digitally-savvy people and leading technology enhances the quality of our audits while also making them more customized, efficient, and insightful. The collaboration between human and machine is where exceptional value is created.”

Wes Bricker,  
Vice Chair and US Assurance Leader





## Resource management

We continue to enhance the quality and efficiency of our audits by leveraging our Acceleration Centers to perform standardized audit and administrative procedures. Acceleration Center staff receive relevant training and are subject to independence policies. Supervision and review of the work of Acceleration Center staff are comparable to the supervision and review of the work of our practice staff.

We're also continuing to drive quality through innovation in the end-to-end audit process beyond just the use of Acceleration Centers. Specifically, we're further streamlining, standardizing, automating, and centralizing portions of the audit in Centers of Excellence (COEs). COEs perform work, in coordination with our audit teams, following standardized processes and leveraging technology to drive increased quality and efficiency through scale and automation. COEs perform detailed testing and review of specific audit areas on a centralized basis. COE partners and managers are responsible for the supervision and review of COE staff activities. COEs are staffed with specialized, trained, and skilled professionals performing specific audit activities across a broad range of clients. This enables them to develop unique perspectives to bring insights and value to our engagement teams and clients, while driving consistency and quality in the execution of the work.

### Percentage of audit hours performed by Acceleration Centers:



In FY19, over 650 of our client engagements were supported by the COEs; we expect to increase that number to approximately 1,300 in FY20.

## Consultation process and use of specialists

As part of our collaborative culture, engagement teams utilize firm specialists from our multiple lines of service (e.g., valuation, tax, information technology) to support various accounting and auditing areas and never have to go it alone.

### Percentage of audit engagement hours provided by specialists:

15.3%	15.5% <sup>10</sup>	15.7% <sup>10</sup>
FY19	FY18	FY17

### National Office

Through presentations, client interactions, publications, podcasts, videos, and webcasts, the National Office keeps our audit teams, clients, and other stakeholders informed of standard-setting activity, regulatory matters, and other developments. Please see PwC's CFOdirect.com for our publicly-available National Office content.

Engagements teams also have access to the firm's quality support network. This network includes our National Office, Chief Auditor Network, and Assurance Quality Management.

### National Office

Our National Office comprises technical accounting, auditing, and financial reporting specialists. These specialists play a vital role in keeping our policies and guidance in these areas current. Our policies identify matters that require National Office consultation. Additionally, partners and staff are encouraged to voluntarily consult with the National Office whenever they believe they could benefit from their insights. In the event an audit partner initially has a different viewpoint than our National Office, a resolution process provides guidance for elevating the discussion until agreement can be reached.

Our ratio of partners serving in technical support roles to the total number of audit partners fluctuates based on our periodic evaluation of our technical support resource needs and leverage model, which includes the use of managing directors, to ensure sufficient, high-quality technical resources are available for our audit teams. This ratio may also fluctuate based on the resources needed to prepare guidance, policies, and publications as a result of new accounting and auditing standards.

### Ratio of partners serving in technical support roles<sup>9</sup> to the number of audit partners:

1 to 8.0	1 to 7.6	1 to 6.5
FY19	FY18	FY17

## Chief Auditor Network

Our Chief Auditor Network comprises partners and professionals who help audit teams design effective and efficient audit approaches and reinforce key learning points from audit training and guidance. Our Chief Auditors contribute to market and industry group meetings focused on audit quality topics and serve as instructors for many of our audit-related training courses. Chief Auditors also provide advice on auditing matters through review of certain aspects of selected audit engagements before those audits are completed. Through these activities, the Chief Auditor Network is able to provide leaders with insights on overall audit quality trends.

## Assurance Quality Management

Our Assurance Quality Management network includes experienced audit partners who serve in full or part-time national, regional, or local roles. Quality Management professionals are responsible for the design, development, and implementation of our assurance quality management policies.

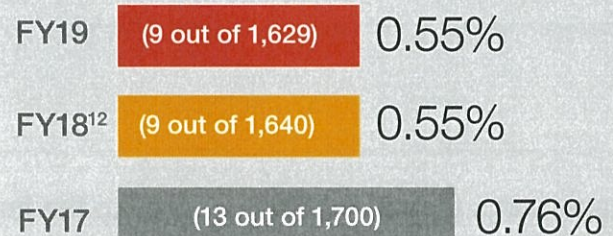
Quality Management partners support audit teams in assessing risks (such as whether to undertake or continue an audit engagement) and applying the firm's quality management policies. Audit teams are required to consult with a Quality Management partner on specific issues (e.g., certain principal auditor considerations, going concern matters, misstatement evaluations). In addition to required consultations, audit teams are encouraged to consult with Quality Management whenever they believe they could benefit from their insights.

## Quality Review Partners

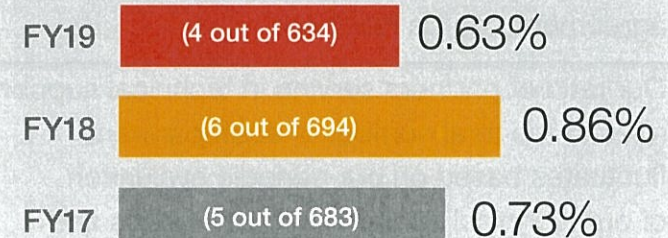
Quality Review Partners (QRPs) and QRP assistants are a component of our quality control system. Individuals serving in these roles must have the requisite technical knowledge, training, experience, and time to perform the role effectively. All QRPs and QRP assistants are required to take training before assuming their role.

QRPs and QRP assistants are involved in the most important aspects of the audit, including reviewing the audit plan, considering the firm's independence, evaluating the significant risks of material misstatement in the financial statements and our responses to those risks, and reviewing certain accounting, auditing, and financial reporting and disclosure matters.

### Number of restatements of financial statements as a percentage of issuer<sup>11</sup> audit clients:



### Number of reissued or withdrawn reports on a company's internal control over financial reporting as a percentage of integrated audit reports issued for issuer audit clients:



## Global network

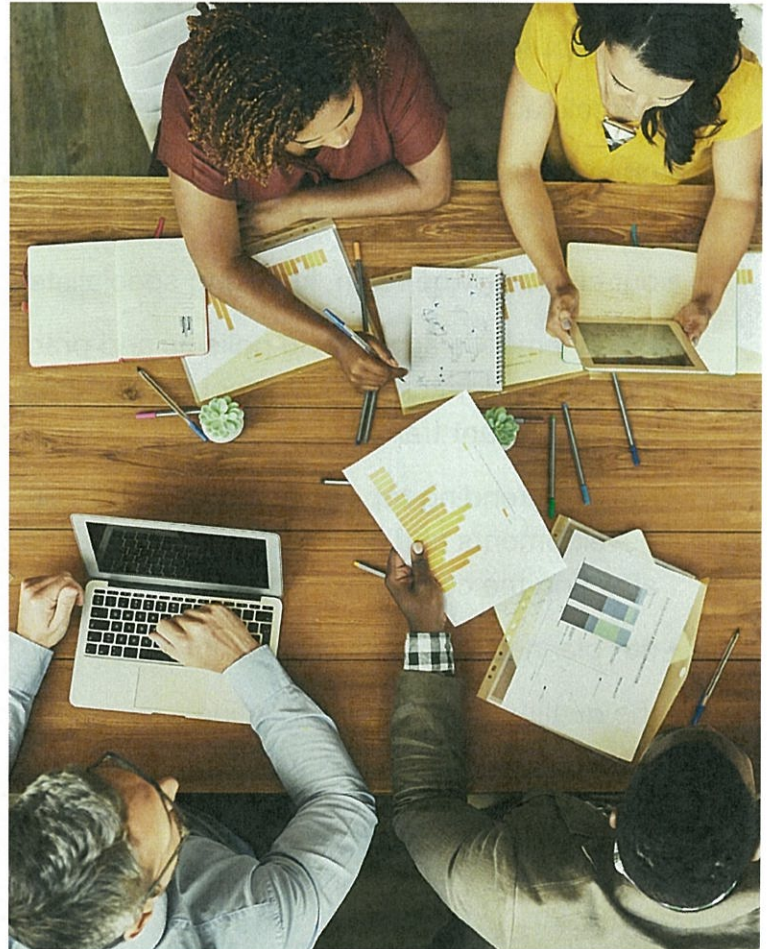
PwC is a member of PricewaterhouseCoopers International Limited (PwCIL), an English private company limited by guarantee. Member firms of PwCIL are separate legal entities providing professional services under the “PwC” brand<sup>13</sup> that together form the PwC network. Member firms may draw upon the resources and methodologies of the PwC network, the resources of other member firms, and/or secure the professional services of other member firms. In return, member firms are bound to abide by certain common policies and to maintain the standards of the PwC network as put forward by PwCIL.

## Quality across the network

Quality audits across the PwC Network are vital to the US firm’s brand. We continue to assist PwC Network member firms in enhancing their quality-focused infrastructure and processes, which includes providing materials for annual update trainings in certain territories on US accounting and auditing standards. Our US firm leadership also meets periodically with leaders from other member firms to share learnings and best practices on quality.

Each PwC Network member firm is responsible for monitoring its own quality control system, including effective monitoring processes aimed at evaluating whether the policies and procedures that constitute the member firm’s quality control system are designed appropriately and operating effectively to provide reasonable assurance that its audit engagements are performed in compliance with applicable laws, regulations, and professional standards. A PwC Network-led team inspects member firms’ reviews of their quality control systems. When areas needing improvement are identified in their reviews, the member firm prepares a remediation plan and the PwC Network monitors its implementation.

Each PwC Network member firm undergoes periodic inspection of completed engagements to assess whether an engagement was performed in compliance with applicable professional standards and engagement-related policies and procedures. The results of these inspections inform the actions taken by the member firm to continue to enhance audit quality. Individual member firms’ quality results are considered by US firm partners in planning and performing their audits, when applicable.



## Audit committee communications

The oversight of auditors by audit committees (or equivalent parties charged with such oversight) is another key element of audit quality. Through timely, meaningful exchanges, we obtain the audit committee's perspectives and fulfill our professional responsibilities to communicate certain items to them. For public company audits, our communications occur at least quarterly.

### Examples of topics we commonly discuss include:

- our independence, including, when appropriate, the potential effects of proposed non-audit services;
- our role and the roles of management and the audit committee;
- our audit approach, including our risk assessment process, consideration of fraud risks and results;
- our client service team, including specialists;
- management's accounting policies and practices, including adoption of new accounting standards and significant transactions;
- relevant trending topics, including economic developments and new laws and regulations affecting the company;
- our planned use of the work of others;
- the quality of the company's financial reporting;
- audit fees;
- audit results, including areas of significant estimates and judgments; and
- firm PCAOB inspection results.

We also encourage audit committees to ask us candid questions and engage in an open dialogue to help foster an environment of accountability.



# Our monitoring



## Continuous improvement cycle

Our continuous improvement process is designed to timely identify opportunities for enhancement and quickly respond. We identify opportunities through monitoring the results of pre-issuance reviews and internal and external inspections.



## Pre-issuance reviews

One way we monitor quality is to review audit work on certain audit engagements prior to the issuance of their respective audit report. Each year we reassess the scope and areas of focus of these reviews, taking into consideration recent inspection results and knowledge gained by our Chief Auditors in supporting engagement teams.

Our pre-issuance reviews provide engagement teams with timely feedback, which can be incorporated into their audit prior to the completion of fieldwork. These reviews primarily focus on the implementation of new standards and policies, audit methodology enhancements, and matters noted during inspections cycles. A portion of this year's pre-issuance reviews also focused on certain activities performed by the COEs.

In FY19, our Inspections Group and Chief Auditor Network combined to perform more than 175 pre-issuance reviews.

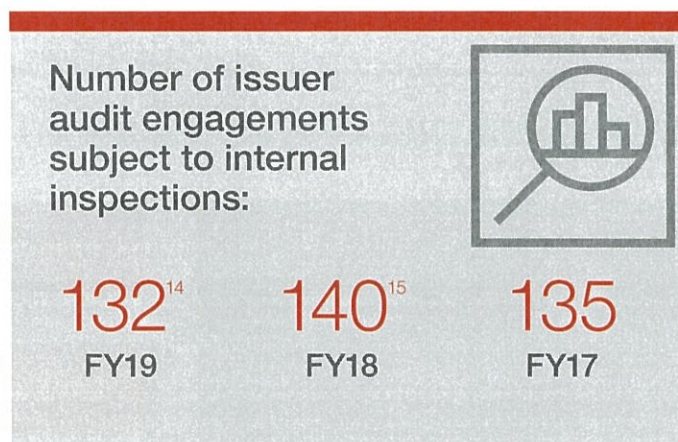
## Internal inspections

Our internal inspections program assesses audit engagements' compliance with firm policies, procedures, and applicable professional and regulatory standards.

Under the firm's internal inspections program, audit engagement partners are generally selected for inspection at least once every four years. Overall, the engagement selection process results in a sample of audit engagements that is representative of our audit practice (e.g., sector, geography, size) and meets or exceeds the requirements set forth in the applicable quality control professional standards.

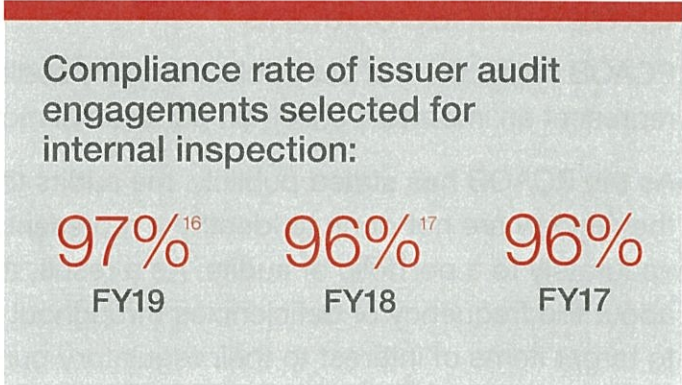
Our Inspections Group oversees all aspects of the internal inspections program, including its design and execution. The group monitors audit quality, drives consistency in our inspections process, and delivers insights into areas for continued focus. This group, along with support from Assurance personnel with relevant industry or technical expertise (e.g., tax, valuation, actuarial), executes the annual inspections. Approximately 800 partners and professional staff will participate as reviewers in the 2019 internal inspections of 2018 audit engagements.

The Inspections Group communicates inspections observations and results to the audit practice. Further, the Inspections Group works with other groups in the National Office, the National Assurance Learning Team and firm leadership to identify actions we could take to continue to enhance quality. For example, additional guidance or training, audit methodology modifications, or targeted messaging from leadership are ways we can sustain and enhance audit quality.



Based on our 2018 inspection results, we continue to focus on the auditing of internal controls, supervision and review activities, and, for example, specific aspects of:

- the auditing of business combinations and other estimates;
- the evaluation of the design and operating effectiveness of controls over revenue; and
- compliance with independence pre-approval and documentation processes and report issuance policies.



**The Inspections Group annually evaluates the firm’s system of quality control over our audit practice. Our system of quality control identifies risks and includes controls in the following areas:**

- Organizational structure, including tone at the top and leadership’s responsibility related to quality
- Practice environment, including assessment of internal and external risks
- Acceptance and continuance of clients and engagements
- Independence, integrity and objectivity
- Personnel management, including training, assignment and evaluation
- Engagement partner assignments, including QRPs
- Engagement performance, including review and supervision
- Participation by network firms
- Monitoring, including internal inspections and root cause analyses of findings
- Administration, including design and maintenance of quality control policies and procedures

Our system of quality control is also subject to annual review by professionals from the PwC Network. Our most recent annual evaluation confirmed that our system of quality control over our audit practice is designed appropriately and functioning effectively.





## External inspections

PCAOB inspections of our public company audit practice provide a data point for audit quality and represent an important check on our internal monitoring and assessment processes.

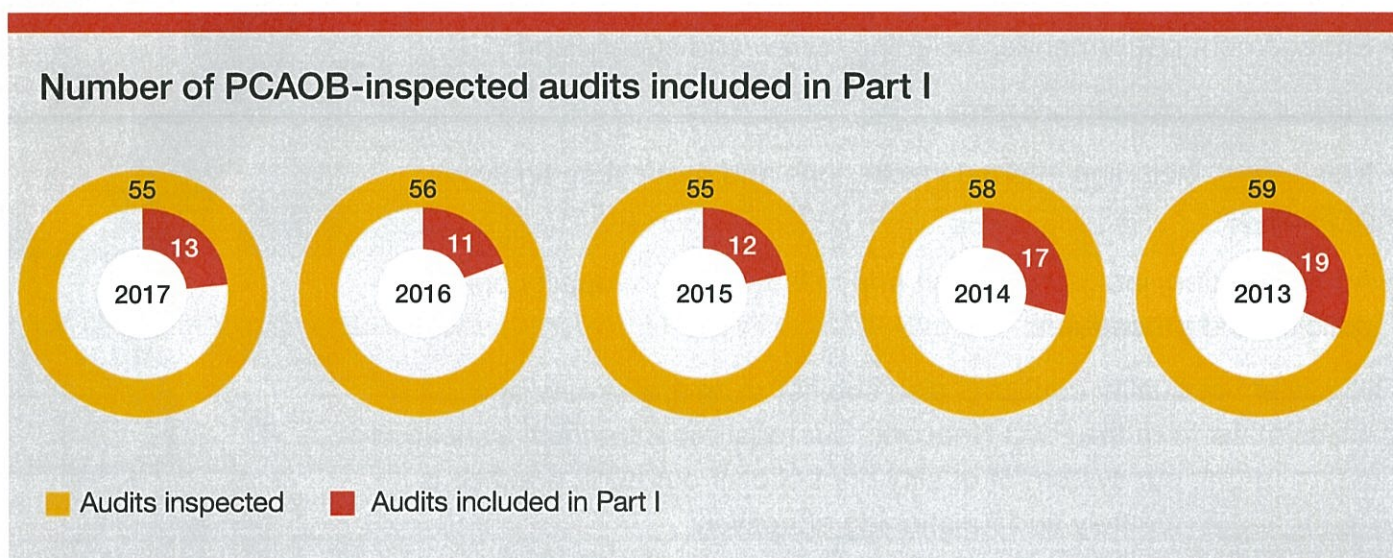
As the PCAOB has stated publicly, the audits they select and the portions of those audits they review are not done to identify a representative sample statistic that can be extrapolated accurately to a portfolio of audits. As a result, the findings cannot be used to draw conclusions about the frequency of deficiencies throughout the portfolio. The PCAOB's approach is designed to target items of interest to their regulatory purposes, such as audit areas relating to recently issued standards. There are inherent differences in the purpose and methods used by the PCAOB to select audits for inspection compared to that used for our internal inspections.

The most recent inspection report on our audit practice is dated February 28, 2019 (the "2017 Inspection Report"), and describes the results of the PCAOB's 2017 inspection of 55 (or approximately 3%) of our 2016 public company audits.

### Part I of the PCAOB Report

Part I, which is the public portion of the PCAOB inspection report, contains an overview of the inspection procedures and observations on the engagements inspected. Partly in response to that report, we continue to focus on the following areas.

- Auditing internal control over financial reporting, specifically identifying and testing controls to address risks related to revenue and testing the design and operating effectiveness of controls with a review element in areas related to management estimates.
- The sufficiency of evaluation and corroboration of management's key assumptions, including key data points used in developing the assumption.



## Part II of the PCAOB Report

Part II of the inspection report reflects observations identified during the PCAOB's review of certain practices, policies, and processes related to our system of quality control, including observations developed from the engagement-specific findings reported in Part I. The Sarbanes-Oxley Act mandates that Part II not be made public if a firm addresses the quality control observations to the PCAOB's satisfaction within 12 months of the date of the inspection report. The PCAOB has not notified us of their determination of how we addressed observations contained in Part II of our 2016 inspection report (which covered our 2015 year-end audits). The 12-month period for us to address the comments made in Part II of our 2017 Inspection Report expires on February 27, 2020.

### Analyses of quality drivers

We perform analyses of audits with and without deficiencies identified through internal and external inspections. A team of reviewers that is independent from the engagement team identifies and considers factors relevant to technical knowledge, supervision and review, professional skepticism, engagement resources, and training, among others that may have contributed to audit quality. These potential causal factors are identified by evaluating data for the engagement and certain members of the engagement team, performing interviews, and reviewing audit working papers.

We compare and contrast the data for audits with and without deficiencies to identify whether certain factors appear to correlate to audit quality. Examples of this data include the hours incurred on the audit, whether key engagement team members are in the same geography as the client, the number of years that key engagement team members have been on the engagement, the number of other audits the engagement partners are involved in, whether the engagement was subject to a pre-issuance review, and the timing of when the audit work was planned and performed.

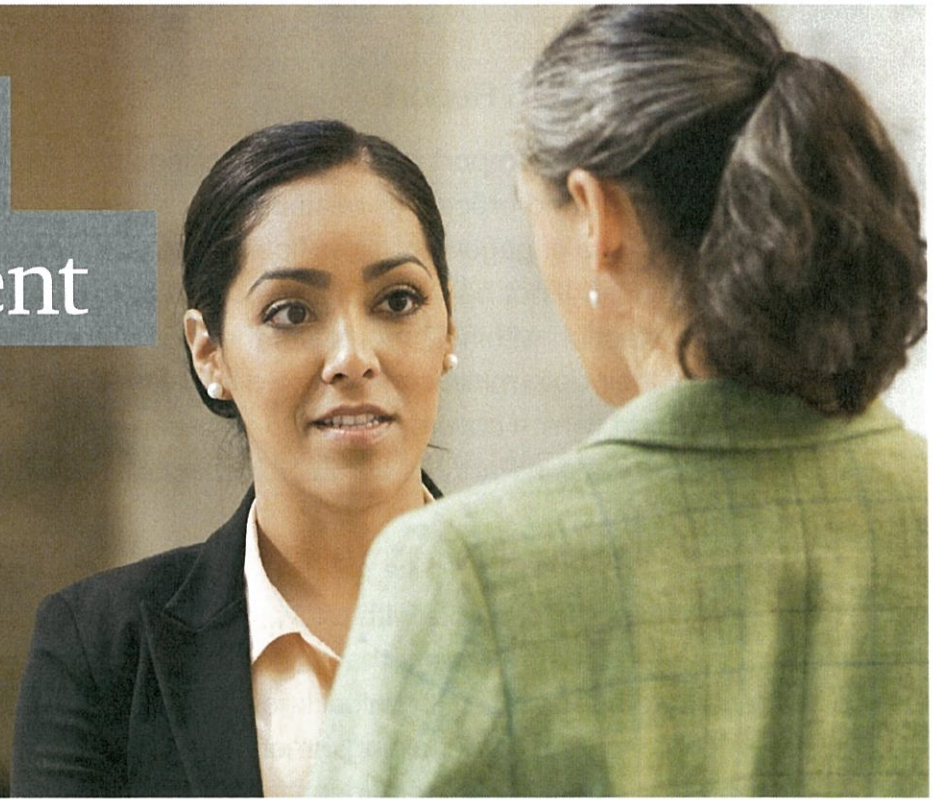
Our goal is to understand how audits without deficiencies may differ from those with deficiencies, and to use those observations to identify enhancements that may be useful to implement across the practice.



“Even in times of unprecedented change in our profession and the markets we serve, one thing remains consistent—our dedication to delivering a quality audit.”

Jorge Milo, US Assurance Quality and National Office Leader

# Stakeholder engagement



Our Governance Insights Center helps boards of directors and their committees meet the challenges of their critical roles and duties, and seeks to enhance the financial acumen of investment professionals. We also strive to strengthen the bridge between investors, directors, and corporate management as we help board members address evolving expectations and regulations. While our work encompasses various governance activities, we place a significant focus on the audit committee because the audit committee has the primary responsibility for an issuer's financial statements and oversight of the external auditor.

We share perspectives and insights with directors and investment professionals through various events and other mediums. For example, we provide directors with trainings, videos, and publications related to new and emerging financial reporting matters and accounting standards so they can make better oversight and investment decisions. Over the past year, we organized three corporate director conferences for nearly 300 directors; presented at more than 500 client meetings or other events; hosted small group meetings; and issued publications on important governance matters, including the results of our Annual Corporate Directors Survey.

Our interactions with directors and the investment community allow us to hear stakeholders' perspectives on financial reporting matters and help inform our points of view. We also share investor insights and feedback with regulators and standard setters. Our work helps enhance stakeholders' understanding of the role and responsibilities of the auditor. For more information, see the Governance Insights Center section on [pwc.com](https://www.pwc.com).

## Professional and regulatory landscape

In the US, the capital markets and the auditing profession benefit from a strong regulatory environment, which includes the SEC and the PCAOB, both of which have investor protection as part of their mission. We believe a strong audit profession and regulatory environment facilitate confidence and transparency in the capital markets and wider society.

The dynamic environment in which we operate includes new accounting and auditing standards, and a wide range of active regulatory and policy initiatives around the globe. This evolving regulatory landscape shows how actions taken by regulators in one part of the world continue to influence the views and behaviors of regulators in other parts of the world. Active US and international standard setting developments and agendas are an important aspect of this—for example, the auditor’s use of the work of specialists in the US, risk assessment and quality control standards internationally, and the auditor’s reporting model and auditing estimates, including fair value measurements in both environments, are areas that have been subject to active or recent standard setting initiatives. We have played an active role in these debates and participated in the due process, both as an individual firm and in collaboration with others in the profession by working with the Center for Audit Quality (CAQ).

We have the privilege of engaging with a wide array of stakeholders. Those interactions include dialogue around new and emerging accounting and auditing standards and regulatory and profession-wide topics, such as how to attract a sufficient pipeline of talent with appropriate skills into the profession. We are proactive in providing feedback on these topics to the relevant regulators and standard setters. These efforts maximize the value we can provide to companies and the capital markets.

Our US Chairman and Senior Partner, Tim Ryan, represents PwC on the CAQ’s Governing Board. Wes Bricker, Vice Chair and US Assurance Leader, Jorge Milo, US Assurance Quality Leader, and Roz Brooks, US Public Policy Leader, are members of the CAQ’s Advisory Council. Jorge Milo is also the chair of both the CAQ’s Professional Practice Executive Committee and the CAQ’s Advisory Council.

# Legal and governance structure



## Legal structure and ownership of the firm

The firm is a limited liability partnership established under the laws of the State of Delaware. All interests in the firm are held by its partners and principals.

## Governance structure of the firm

The firm's Senior Partner serves as Chairman and Chief Executive Officer and manages the firm pursuant to the powers delegated to him by the firm's partners.

To assist in discharging his responsibilities, the Senior Partner has appointed a Leadership Team to work with him to manage the firm. The responsibilities of the Senior Partner and the Leadership Team include establishing and determining the effectiveness of the firm's system of internal control, including controls relating to the quality of the firm's audit services. Changes to the Leadership Team are determined by the Senior Partner. The Senior Partner is elected by a partner vote for a four-year term. The Senior Partner may be re-elected for a second and a third term, unless limited by age according to the partnership agreement and, with respect to any third term, subject to the Board of Partners and Principals approving the individual's nomination.

## Leadership Team Members



US Chair and Senior Partner  
**Tim Ryan**



Vice Chair, US and  
Global Advisory Leader  
**Mohamed Kande**



Chief Digital Officer  
**Joe Atkinson**



Communications and  
Change Leader  
**Christine Lattanzio**



Vice Chair and US  
Assurance Leader  
**Wes Bricker**



Vice Chair and US  
Managing Partner  
**Mark Mendola**



US Public Policy Leader  
**Roz Brooks**



Vice Chair and Chief  
Clients Officer  
**Amity Millhiser**



General Counsel  
**Caroline Cheng**



Partner Affairs Leader and Chief  
Administrative Officer  
**Gary Price**



Chief Financial Officer  
**Martyn Curragh**



Chief Purpose and  
Inclusion Officer  
**Shannon Schuyler**



US and Global New Ventures  
and Innovation Leader  
**Vicki Huff Eckert**



US/Global Chief Information and  
Technology Officer  
**James Shira**



Chief People Officer  
**Mike Fenlon**



Chief Commercial Officer  
**Reggie Walker**



Vice Chair and US  
Managing Partner  
**Jim Flanagan**



Vice Chair and US Tax Leader  
**Roy Weathers**



Senior Partner  
**Mauricio Hurtado**



Chief Network Officer  
**Farhad Zaman**

# Board of Partners and Principals

## Authority

The Board is responsible for overseeing the overall strategic direction of the firm. It oversees long-range strategies and business plans, and approves major transactions that could significantly affect the firm's business. Its authority also includes the approval of the firm's capital policies, the manner in which partners participate in firm profits, and the admission of new partners.

It approves the compensation of the Senior Partner and members of the Leadership Team as a group after review and recommendation by a committee of the Board. All candidates proposed by the Senior Partner Nominating Committee to stand for election as Senior Partner must also be approved by the Board.

## Composition

The Board consists of partners and principals of the firm who have been elected for staggered terms of four years, as well as two external directors, each of whom also has a term of four years. Our external directors meet the applicable independence requirements to protect our reputation, objectivity, and integrity. They bring additional insights, expertise, and objective perspectives into our governance process as we consider the firm's strategy, growth, and service offerings.

The Board is chaired by a Lead Director, who is elected by the members of the Board other than the Senior Partner. As of July 2019, there are 21 members of the Board in addition to the firm's Senior Partner:

### Members of the Board of Partners and Principals

Tim Ryan  
US Chairman and  
Senior Partner

Michael Quinlan  
Lead Director

Jane Allen

Thomas Archer

Don Christian

Len Combs

Tyson Cornell

Brendan Dougher

Carrie Duarte

Scott Gehsmann

Bernadette Geis

Tim Grady

Carlos Gutierrez,  
External Director

Dave Hoffman

Jennifer Kennedy

James Kolar

Paula Loop

Brian Meighan

Carol Pottenger,  
External Director

Lisa Sawicki

Jose Ignacio Toussaint

Ellen Walsh

## Committees

The Board is assisted by various committees that help to carry out its role. The Risk and Quality (R&Q) Committee provides oversight and monitors the appropriate policies, processes, and procedures for managing and minimizing risks of the firm. The R&Q Committee also comprises the Accounting and Auditing Practice Committee, which provides oversight of the accounting and audit practice of the firm. The R&Q Committee regularly engages with Assurance business and risk leadership to discuss matters potentially impacting audit quality and execution, including updates on internal and external quality inspection results, as well as the firm's progress in tech-enabling the audit.

As requested by the Board, the R&Q Committee reviews regulatory matters that affect the firm and, as appropriate, other parts of the PwC Network. Such matters may include accounting licensing and professional standards issues and global regulatory trends.

Other committees of the Board include without limitation the Finance Committee, Partner Affairs Committee, and the Technology & People Committee.

## Board member selection process

The partner/principal vote for selecting Board members is done on a headcount basis. Partners and principals vote by ranking the candidates for the Board. The candidates with the most votes are elected. Board elections are supervised by an independent election teller.

External Directors are elected to the Board by the affirmative vote of two-thirds of the members of the Board voting thereon.



## Endnotes

1. A partner is a certified public accountant (CPA) while a principal is not. Only CPAs may sign an audit opinion or perform any other function reserved by law or by the firm solely to CPAs. Partners and principals are alike in most other aspects of the partnership.
2. References to firm, our, we, and PwC in this document relate to PricewaterhouseCoopers LLP or PwC US. The scope of this document pertains solely to the PwC US firm registered with the PCAOB. This report was prepared to provide our stakeholders relevant information related to our US operations.
3. Our fiscal year ends June 30th.
4. "Audit professionals" refers to our core audit partners and staff. Specialists, including risk assurance, and Acceleration Center personnel are excluded.
5. "Managers" includes managers, senior managers, directors, and managing directors.
6. The 2018 and 2017 numbers have been updated to exclude core audit professionals (except audit partners) currently on an international assignment and to include Innovation and Technology personnel currently supporting the audit.
7. The 2018 and 2017 ranges have been updated to include mandatory Independence, Ethics & Compliance training.
8. The 2018 and 2017 numbers have been updated to include Innovation and Technology personnel who support the audit and actual training hours versus CPE training hours.
9. Technical support roles exclude quality management professionals (see page 26) and dedicated independence professionals (see page 6).
10. The 2018 and 2017 numbers have been updated to correctly include all specialists supporting the audit.
11. Issuer audit clients comprise SEC registrants and mutual funds.
12. The 2018 number has been updated to reflect an additional restatement.
13. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.
14. Includes inspections completed as of June 28, 2019 and an estimate of the number of inspections to be completed during the remainder of the 2019 internal inspection cycle.
15. The estimate presented in the 2018 Quality Report has been updated for the actual amount.
16. The 2019 compliance rate is for internal inspections completed as of June 28, 2019.
17. The estimated compliance rate presented in the 2018 Quality Report has been updated for the actual rate.

