The Ohio State University
Department of Athletics

(A Department of The Ohio State University)

Statement of Net Assets

June 30, 2012

Dave Yost • Auditor of State

The Ohio State University Department of Athletics
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210

We have reviewed the *Report of Independent Auditors* of The Ohio State University Department of Athletics, Franklin County, prepared by Pricewaterhouse Coopers LLP, for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

January 22, 2013

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June 30, 2012

Report of Independent Auditors

The Ohio State University Department of Athletics
Columbus, Ohio

In our opinion, the accompanying statement of net assets presents fairly, in all material respects, the financial position of The Ohio State University Department of Athletics ("Athletics"), a department of The Ohio State University, as of June 30, 2012, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Athletics management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of Athletics present only the financial position of that portion of the financial reporting entity of The Ohio State University that is attributable to the transactions of Athletics. They do not purport to, and do not, present fairly the financial position of The Ohio State University as of June 30, 2012.

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2012 on our consideration of Athletics internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

PricewaterhouseCoopers LLP

December 10, 2012

The Ohio State University Department of Athletics
Statement of Net Assets
June 30, 2012
(dollars in thousands)

Assets		
Current assets		
Cash	$	77,920
Accounts receivable, net		8,688
Inventories		430
Contributions receivable		11,691
Current portion of pledges receivable, net		4,667
Current portion of prepaid expenses		930
Total current assets		104,326
Noncurrent assets		
Endowment investments		48,693
Pledges receivable, net		15,252
Prepaid expenses		4,770
Capital assets, net		227,067
Total noncurrent assets		295,782
Total assets	$	400,108
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$	1,011
Current portion of accrued compensated absences		215
Deferred revenue for advance sales of game tickets		42,178
Other deferred revenues and deposits		4,647
Current portion of notes payable to the university		7,690
Total current liabilities		55,741
Noncurrent liabilities		
Notes payable to the university		169,342
Accrued compensated absences		2,256
Total current liabilities		171,598
Total liabilities		227,339
Net assets		
Invested in capital assets, net of related debt		50,035
Restricted		
Nonexpendable		48,238
Expendable		48,025
Unrestricted		26,471
Total net assets		172,769
Total liabilities and net assets	$	400,108

The accompanying notes are an integral part of this financial statement

1. ORGANIZATION

The Ohio State University Department of Athletics (“Athletics") operates under the governance of The Ohio State University Board of Trustees and is included in the consolidated financial statements of The Ohio State University (“the university”). As a department of the university, Athletics is exempt from income taxes under Internal Revenue Code Section 115.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
Athletics complies with generally accepted accounting principles (“GAAP”). GAAP includes all relevant Governmental Accounting Standards Board (“GASB”) pronouncements. Financial Accounting Standards Board (“FASB”) pronouncements and Accounting Principles Board (“APB”) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Athletics reports as a special purpose government engaged solely in “business type activities” under GASB Statement No. 34. GASB Statement Nos. 20 and 34 provide Athletics the option of electing to apply FASB pronouncements issued after November 30, 1989. Athletics has elected not to apply those pronouncements.

GASB Statement No. 34 requires that resources be classified for accounting and reporting purposes into the following net asset categories:

Invested in capital assets, net of related debt
Capital assets, net of accumulated depreciation, cash restricted for capital projects and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted – Nonexpendable
Net assets subject to externally-imposed stipulations that they be maintained in perpetuity and invested for the purpose of generating present and future income, which may either be expended or added to the principal by the university. These assets primarily consist of Athletics' permanent endowments.

Restricted – Expendable
Net assets whose use by Athletics is subject to externally-imposed stipulations that can be fulfilled by actions of Athletics pursuant to those stipulations or that expire by the passage of time.

Unrestricted
Net assets whose use by Athletics is not subject to externally-imposed stipulations. Substantially all unrestricted net assets are internally designated for use by the university departments to support working capital needs, to fund related academic or research programs, and to provide for unanticipated shortfalls in revenues and deviations in enrollment.

Basis of Accounting
The financial statement of Athletics have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they are considered to be a legal or contractual obligation to pay.

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

Contributions Receivable
Contributions receivable of $11,691 as of June 30, 2012 consist of gifts received by the university's Development Office but not transferred to the operating accounts of Athletics. Amounts are deemed fully collectible.

Pledges Receivable
Athletics receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, endowment pledges are not recorded as assets until the related gift is received. Athletics reduces pledges receivable to estimated net realizable value by recording an allowance for uncollectible pledges. The allowance is estimated using a four-year rolling average of canceled pledges divided by net pledges receivable. For the year ended June 30, 2012 Athletics recorded an allowance against pledges receivable of $946.

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

Endowment Investments
All investments consist of amounts invested in The Ohio State University Long Term Investment Pool and are recorded at fair value. Endowment funds are managed by the Office of Financial Services of the university, which commingles the funds with other university-related organizations. Earned investment income is allocated to each organization based on its share of the total funds invested at the beginning of each year. Investments are carried at market value in accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools.*

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

Deferred Revenues
Deferred revenues primarily consist of receipts related to athletic events, golf course memberships and sports camp entry fees received in advance of the services to be provided. Athletics will recognize revenue to the extent these services are provided over the coming fiscal year.

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

Newly Issued Accounting Pronouncements
In November 2010, GASB issued Statement No. 60, *Accounting and Reporting for Service Concession Arrangements*. This standard provides guidance on accounting for agreements where a government transfers the right to operate a government asset to another entity, in exchange for significant consideration from that entity. Upfront payments from such agreements are to be recorded as a "deferred inflow of resources" and recognized as revenue over the life of the agreement. The standard also provides guidance for operators/concessionaires that are government entities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

Also in November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board ("FASB") Statements and Interpretations

- Accounting Principles Board Opinions

- Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure.

In addition, this Statement eliminates the option, provided under GASB 20, to elect to apply non-conflicting post-1989 FASB standards. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements* introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in *Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term ‘deferred’ in financial statement presentations. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

Also in March 2012, the GASB issued Statement No. 66, *Technical Corrections -- 2012*. This Statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for certain operating lease payments, purchases of loans and mortgage loan servicing fees. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

In June 2012, the GASB issued two related accounting standards, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 67 builds upon the existing framework for financial reports of defined benefit pension plans and expands required note disclosures and Required Supplementary Information. It is effective for periods beginning after June 15, 2013.

Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position (currently known as the statement of net assets) a net pension liability, which is the difference between the total pension liability and the assets set aside to pay pension benefits. Statement No. 68 also requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. It is effective for periods beginning after June 15, 2014.

Management is currently assessing the impact that implementation of GASB Statements No. 60, 61, 62, 63, 65, 66, 67 and 68 will have on Athletics financial statements.

3. ENDOWMENT INVESTMENTS

Athletics endowment investments are maintained in the university's investment pool. The pool consists of more than 4,650 named funds. Each named fund is assigned a number of shares, based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. The pool is invested in a diversified portfolio of equities, fixed income, real estate, hedge funds, private equity, venture capital and natural resources that is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support Athletics mission.

The university holds certain types of alternative investments, including limited partnerships and private equity, which are carried at estimated fair value provided by the management of these funds. The purpose of this alternative investment class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes. Methods for determining estimated fair values include discounted cash flows and estimates provided by general partners.

Annual distributions to named funds in the Long Term Investment Pool are computed using the share method of accounting for pooled investments. The annual distribution per share is 4.25% of the average market value per share of the Long Term Investment Pool over the most recent seven year period. At June 30, 2012, the original cost and market value of Athletics' endowment investments were $55,544 and $48,693 respectively.

(dollars in thousands)

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Improvements	$ 34,079	$ 59	$ 6,516	27,622
Buildings	323,915	1,147	-	325,062
Moveable equipment	6,448	703	173	6,978
Construction in progress	1,845	3,087	-	4,932
	366,287	4,996	6,689	364,594
Less: accumulated depreciation				
Improvements	12,757	1,469	3,747	10,479
Buildings	112,709	9,913	-	122,622
Moveable equipment	4,133	450	157	4,426
	129,599	11,832	3,904	137,527
Capital assets, net	$ 236,688	$ (6,836)	$ 2,785	$ 227,067

5. LONG-TERM DEBT

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

(dollars in thousands)

Long-term debt activity for the year ended June 30, 2012 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable to the university:					
1999, 5.14% through 2029	$ 31,867	$ -	$ 1,318	$ 30,549	$ 1,352
2002, 4.74% through 2031	6,175	-	183	5,992	192
2002, 4.74% through 2031	124,332	-	3,678	120,654	3,856
2005, 4.14% through 2030	15,080	-	527	14,553	549
2009, 3.63% through 2014	1,827	-	539	1,288	559
2010, 3.63% through 2015	3,664	-	867	2,797	899
2012, 4.25% through 2017	1,000	-	75	925	187
2010, 3.63% through 2013	42	-	21	21	21
2010, 3.63% through 2015	136	-	32	104	33
2009, 4.09% through 2012	15	-	15	-	-
2009, 2.95% through 2012	15	-	15	-	-
2012, 2.25% through 2016	-	76	-	76	18
2012, 2.00% through 2015	-	73	-	73	24
	$ 184,153	$ 149	$ 7,270	$ 177,032	$ 7,690

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

	Principal	Interest	Total
2013	$ 7,690	$ 8,192	$ 15,882
2014	7,987	7,841	15,828
2015	7,868	7,482	15,350
2016	6,982	7,140	14,122
2017	7,173	6,806	13,979
2018-2022	40,179	28,606	68,785
2023-2027	50,063	17,950	68,013
2028-2032	49,090	5,122	54,212
	$ 177,032	$ 89,139	$ 266,171

6. OPERATING LEASES

Athletics leases various buildings, office space and equipment under operating lease agreements. These facilities and equipment are not recorded as assets on the balance sheet. The total rental expense under these agreements was $1,678 for the year ended June 30, 2012.

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

(dollars in thousands)

Year ending June 30,		
2013	$	1,402
2014		385
2015		385
2016		385
2017		385
2018-2022		843
2023-2027		723
2028-2032		723
2033-2037		723
2038-2042		723
2043-2047		578
Total minimum lease payments	$	7,255

7. COMPENSATED ABSENCES

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

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

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

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

(dollars in thousands)

The following schedule summarizes compensated absence activity for the year ended June 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	$ 2,480	$ 206	$ 215	$ 2,471
Less: current portion	177			215
	$ 2,303			$ 2,256

8. RELATED PARTY TRANSACTIONS

Athletics purchases employee benefits, utilities, mail services, and construction project management services from the university. Additionally, Athletics pays university overhead, which includes such services as payroll processing, public safety, auditing, and insurance. Overhead charged to operations was $5,357 during 2012.

The Jerome Schottenstein Center is a 770,000 square foot multipurpose venue opened in 1998. The capital asset is not included on Athletics financial statement as the facility is used for a wide range of university purposes. In exchange for the use of the Value City Arena, practice gyms, and office space, Athletics provides services in the areas of marketing, ticket sales, and information technology. Athletics also makes an annual payment under the agreement to the university. The amount paid under this agreement for the year ended June 30, 2012 was $2,090.

9. RETIREMENT PLANS

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

STRS Ohio and OPERS each offer three separate plans: 1) a defined benefit plan, 2) a defined contribution plan and 3) a combined plan. Each of these three options is discussed in greater detail in the following sections.

Defined Benefit Plans

STRS Ohio and OPERS offer statewide cost-sharing multiple-employer defined benefit pension plans. STRS Ohio and OPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute and are calculated using formulas that include years of service and final average salary as factors. Both STRS Ohio and OPERS issue separate, publicly available financial reports that include financial statements and required supplemental information. These reports may be obtained by contacting the two organizations.

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

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

In addition to the retirement benefits described above, STRS Ohio and OPERS provide postemployment health care benefits.

OPERS currently provides postemployment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under the Ohio Revised Code ("ORC"), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For calendar year 2011, OPERS allocated 4.0% of the employer contribution rate to fund the health care program for retirees, and this rate was expected to remain the same for calendar year 2012 as of March 2012.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan ("HCPP") with an effective date of January 1, 2007. In response to skyrocketing health care costs, the HCPP restructured OPERS' health care coverage to improve the financial solvency of the fund by creating a separate investment pool for health care assets.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. HCPP incorporates a cafeteria approach, offering a broad range of health care options which allows benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

STRS Ohio currently provides access to health care coverage to retirees who participated in the deferred benefit or combined plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to ORC, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of monthly premiums. Under ORC, medical costs paid from the funds of STRS Ohio are included in the employer contribution rate. For the fiscal year ended June 30, 2011, STRS

Ohio allocated employer contributions equal to 1.0% of covered payroll to a Health Care Stabilization Fund ("HCSF") from which payments for health care benefits are paid.

Postemployment health care benefits are not guaranteed by ORC to be covered under either OPERS or STRS Ohio defined benefit plans.

Defined Contribution Plans

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

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

STRS Ohio also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 10.5% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no postretirement health care benefits.

Combined Plans

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

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

OPERS currently provides postemployment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code ("ORC"), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For calendar year 2011, OPERS allocated 6.05% of the employer contribution rate to fund the health care program for retirees, and this rate was expected to remain the same for calendar year 2012 as of March 2012.

(dollars in thousands)

Funding Policy

ORC provides STRS Ohio and OPERS statutory authority to set employee and employer contributions. Contributions equal to those required by STRS Ohio and OPERS are required for ARP. For employees enrolling in ARP, ORC requires a portion (which may be revised pursuant to periodic actuarial studies) of the employer contribution be contributed to STRS Ohio and OPERS to enhance the stability of these plans. The required contribution rates (as a percentage of covered payroll) for plan members and the university are as follows:

	STRS Ohio	OPERS	ARP
Faculty			
Plan member (entire year)	10.00%		10.00%
University (entire year)	14.00%		14.00% *
Staff			
Plan member (entire year)		10.00%	10.00%
University (entire year)		14.00%	14.00% **
Law enforcement			
Plan member (7/11 - 12/11)		11.60%	11.60%
Plan member (1/12 - 6/12)		12.10%	12.10%
University (entire year)		18.10%	17.33% **

* Employer contributions include 3.5% paid to STRS Ohio
** Employer contributions include .77% paid to OPERS
The remaining amount is credited to employee's ARP account

Athletics' employer contributions to PERS, STRS, and ARP were $3,858 for the year ended June 30, 2012, equal to 100% of the required contribution.

10. SUBSEQUENT EVENT

On November 21, 2012, the university announced that Covelli Enterprises owner and CEO Sam Covelli has committed $10 million to the university to assist in funding the construction of a multi-sport arena. The new 4,000-seat Covelli Arena will be home to seven varsity sports including volleyball, gymnastics, fencing and wrestling.

Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards

To the Ohio State University Department of Athletics
Columbus, Ohio

We have audited the statement of net assets of The Ohio State University Department of Athletics ("Athletics") as of June 30, 2012, and have issued our report thereon dated December 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Athletics' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the statement of net assets, but not for the purpose of expressing an opinion on the effectiveness of Athletics' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Athletics' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. These deficiencies are:

1. Pledge Receivable Review

    - New/Recurring Issue: New

    - Observation: Athletics receives pledges and bequests of financial support from corporations, foundations, and individuals. A receivable is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. The Athletics' pledge balance is manually formed by compiling all pledges attributable to Athletics from the consolidated Ohio State University population. During our current year audit, we noted opportunities for management to improve upon the method utilized to calculate which pledges within the Ohio State University pledge population are attributable to Athletics. In the current year audit, we identified that the Athletics' pledge population was understated by $7.4M.

    - Implication: Pledge receivable and revenue and/or the allowance for pledges could be over or under stated.

- Recommendation: The calculation of which pledges are attributable to Athletics' should be subject to a formal review process. Management should continue to identify opportunities to stream-line and automate this process as applicable.

- Management Response: *Management has corrected its procedures to break-out pledges receivable for Athletics and other university stand-alone audits and will enhance its review process.*

2. Capital Asset Accounting

   - New/Recurring Issue: New

   - Observation: During the 2012 audit we identified certain findings related to accounting considerations unique to accounting for capital assets,

     - Upon beginning the process of replacing a significant capital asset, management did not evaluate if the replaced capital asset (which had been removed from service as of June 30, 2012) had any remaining net book value. This resulted in a $2.8M write-off of the replaced asset subsequent to PwC inquiry on the matter.

     - Per scanning the Athletics' capital asset ledger, we identified an instance of negative depreciation on the ledger which ultimately resulted in management recording an adjustment for $0.3M to reverse the error that improperly caused the negative depreciation.

   - Implication: Errors in the capital asset accounting process could lead to a material misstatement.

   - Recommendation: Management should implement formal review processes to address these findings. If significant additions relate to the replacement of an existing asset, management should consider whether the replaced asset requires write-down or de-recognition.

   - Management Response: *Management has modified capital asset review procedures to address these issues in the future.*

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Athletics' statement of net assets is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Athletics' in a separate letter dated December 10, 2012.

This report is intended solely for the information and use of Athletics' management, The Ohio State University, and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

December 10, 2012

The Ohio State University

Report of Independent Accountants' on Agreed-Upon Procedures Performed on the Intercollegiate Athletic Department as Required by NCAA Bylaw 3.2.4.16 for the Year Ended June 30, 2012

The Ohio State University Intercollegiate Athletics Department
Index
June 30, 2012

Report of Independent Accountants

To Dr. E. Gordon Gee, President
The Ohio State University

We have performed the procedures enumerated below, which were agreed to by the administration of The Ohio State University (the "University"), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenditures (the "Statement") of the University is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.16 for the year ended June 30, 2012. Management of the University is responsible for the Statement and the Statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

1. We obtained from University management the accompanying statement of revenue and expenses for the year ended June 30, 2012. We obtained management's reconciliation of the Statement to its general ledger.

    a. We mathematically checked the totals and subtotals included on the Statement.

    b. We mathematically checked the totals and subtotals included in the University general ledger.

    c. We agreed the beginning amounts on management's reconciliation to the PeopleSoft General Ledger (Fund Groups 020 and 050 – accounts that begin with a 4 for revenues and accounts that begin with a 6 for expenses). We agreed the ending amounts on management's reconciliation to the Statement.

    d. We recalculated the total adjustments recorded by management to reconcile from the general ledger to the Statement for reporting in accordance with the Bylaw above. We make no comment as to the adequacy of the reconciling items.

    e. We compared management's reconciliation (total revenues and expenditures per the general ledger plus adjustments) to the Statement. Management's reconciliation showed no differences between the general ledger and the Statement for revenues and expenditures.

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2. We obtained from University management a detailed listing of operating revenue transactions included in the Statement for the year ended June 30, 2012 from University management.

    a. We mathematically checked the totals of the operating revenue accounts we selected for testing.

    b. We agreed the total of the accounts selected for testing (accounts 40301, 41137, 41158, 40406, 41335) to the general ledger.

    c. We haphazardly selected a sample of 25 operating revenue transactions from the detailed listing and obtained management's supporting invoices, schedules or underlying agreement from University management. We compared the dollar amount, name, transaction date, and description of payment of the revenue transaction from the detailed listing to the supporting documentation maintained by the University.

    Refer to the schedule in Exhibit A for a listing of selections made and the results of the procedures performed.

3. We obtained from University management the June 30, 2012 budget for unrestricted funds and the Statement as of June 30, 2011.

    a. We compared the current year 2012 amounts of each operating revenue and expenditure category included in the Statement to budgeted amounts included in the budget obtained from University management.

    b. We compared the amounts included in the Statement to the prior year Statement.

    c. For variances for either procedure a) or b) that are greater than 10% or $350,000, we obtained written explanations from management. We make no comment as to the completeness or accuracy of those explanations.

    Refer to the schedule in Exhibit B for a listing of variances and the corresponding explanations obtained from University management. We make no comment as to the completeness or accuracy of those explanations.

4. We obtained from University management a listing of ticket office sales reports for football, men's basketball and women's basketball comprising ticket sales revenue for all sports included in the Statement for the year ended June 30, 2012.

    a. We mathematically checked the total of the listing.

    b. We agreed the total of the listing to the ticket revenues in the University's general ledger Account Numbers 41134, 41135, & 41136 - Org. 54143.

    c. We agreed the total dollar amount of the listing to the amount of ticket sales included in the Statement.

    d. We haphazardly selected from the listing 25 ticket office sales reports during the year ended June 30, 2012 and obtained the related ticket office sales report from University management. We mathematically checked the revenue totals per each of the ticket office sales report related to tickets sold and agreed the totals per each of the ticket office sales reports to journal entries recorded for the sales.

e. Per inquiry of management, no complimentary ticket sales have been included in the general ledger. We make no comment regarding management's response.

The following initial variances were identified when comparing ticket revenue per the general ledger accounts above to ticket office sales reports:

Football – The sales reports received had an initial variance from the general ledger of $4,745,541 or 13%. However, management was able to provide reconciliation with explanations reconciling the difference to $34,367. Reconciling items (items representing differences between the Statement and sales reports) include Big Ten Conference revenue sharing, ticket surcharges for debt service from stadium renovations, away game compensated ticket payments and Block “O” student ticket settlements. We make no comment as to the adequacy of the explanations.

Men’s Basketball – The event audit reports received had an initial variance from the general ledger of $725,617 or 11%. However, management was subsequently able to provide reconciliation with explanations reconciling the difference to $9,292. Reconciling items (items representing differences between the Statement and sales reports) include Big Ten Conference revenue sharing. We make no comment as to the adequacy of the explanation.

Women’s Basketball - The event audit reports received had a variance from the general ledger of $10,581 or 3%. This variance was considered immaterial for further investigation.

Refer to the schedule in Exhibit C for a listing of selections made and the results of testing performed regarding the comparison of ticket office sales reports to the journal entries recorded for the sales.

5. We obtained from University management a summary schedule of settlement reports for away game guarantees for the year ended June 30, 2012.

   a. We mathematically checked the total of the summary schedule.

   b. We agreed the total revenues for away game guarantees in the summary schedule to the corresponding amount in the "Guarantees" line item of the Statement.

   c. We selected 5 guarantee settlement reports for away games for the year ended June 30, 2012 from the summary schedule and obtained the applicable contracts from University management. We agreed the guarantee revenue on the settlement report to amounts specified in the contracts.

   Refer to the schedule in Exhibit D for a listing of selections made and the results of the procedures performed.

6. We obtained from University management a listing of all contributions received by the University’s athletics department during the year ended June 30, 2012.

   a. We mathematically checked the total dollar amount of the listing.

b. We obtained management's reconciliations of gift revenue received per the listing to the general ledger. We also obtained management's reconciliation of the general ledger gift revenue to the Statement. We make no comment as to the adequacy of the explanations.

c. No contributions greater than 10% of the total were in the listing received.

7. We obtained from University management a summary schedule detailing revenues from the University’s participation in conference and other tournaments for the year ended June 30, 2012.

   a. We mathematically checked the total of the summary schedule.

   b. We agreed the total revenues for the University's participation in conference and other tournaments in the summary schedule to GL Accounts 41143 and 41335 included in the Statement.

   c. We haphazardly selected 5 agreements from the summary schedule and obtained the agreements from University management. We agreed the revenues per the agreement to the summary schedule.

   Refer to the schedule in Exhibit E for a listing of selections made and the results of the procedures performed.

8. We obtained from University management a detail of broadcast, radio, television and internet rights revenue included in the Statement for the year ended June 30, 2012.

   a. We mathematically checked the total dollar amount of the detailed listing.

   b. We agreed the total dollar amount per the listing to the University’s general ledger account numbers 41138 and 41139.

   c. We haphazardly selected a sample of 9 television transactions and 2 broadcasting transactions from the detailed listing. For each such revenue transaction selected, we obtained the supporting contracts from University management and agreed the dollar amounts in the supporting contracts to the amount per the detailed listing. The dollar amounts, payor name, and transaction date for all revenue transactions included in the detail were also compared to check copies obtained from University management.

   Refer to the schedule in Exhibit F for a listing of selections made and the results of the procedures performed.

9. We obtained from University management a summary schedule detailing revenues from the University’s royalties, licensing, advertisements and sponsorship agreements for the year ended June 30, 2012.

   a. We mathematically checked the total of the summary schedule.

   b. We agreed the total revenues in the summary schedule to the general ledger account 41111.

   c. We agreed total revenues in the summary schedule to the corresponding amount in the line item “Royalties, Licensing, Advertisements, and Sponsorships” included in the Statement

d. We haphazardly selected a sample of 15 items from the summary schedule and obtained the supporting agreements from University management. We agreed the dollar amount of each selection to the applicable royalty, licensing, advertisement, and sponsorship agreements.

Refer to the schedule in Exhibit G for a listing of selections made and the results of the procedures performed.

10. We obtained from University management a listing of all sports camp participants for the year ended June 30, 2012.

    a. We haphazardly selected 25 sports camp participants from the listing and agreed the amount per the registration form to the amount received by the University.

    b. We confirmed per inquiry of management, that management was not able to provide a listing of revenue by camp or by participant that agreed in total to the Statement. We make no comment regarding management's response.

        i. Refer to Exhibit H for a listing of selections made and the results of the procedures performed.

11. Management has not included Endowment Income in the Statement. Per inquiry of management, management does not believe the changes in endowment income are significant for disclosure in the notes to the Statement. We make no comment regarding management's response.

12. We obtained from University management a detailed listing of expenditures for the year ended June 30, 2012 covering the following captions on the Statement: travel, maintenance/general, equipment purchases, advertising, insurance, telephone, food, lodging and physical facilities.

    a. We mathematically checked the total dollar amount of each expense category in the listing.

    b. We agreed the totals for each category to the respective line items of the same caption included in the Statement.

    c. We haphazardly selected a sample of 25 expense transactions from the detailed listing of expenses for the year ended June 30, 2012. The following expense types were included in this sample: travel, maintenance/general, equipment purchases, and food. We obtained supporting documentation, such as vendor invoices and check copies, from University management. We agreed the dollar amount of each expense transaction to the supporting documentation.

    Refer to the schedule in Exhibit I for a listing of selections made and the results of the procedures performed.

13. We obtained from University management a listing of all student athletes who received Institutional Financial Aid and the related dollar amount of the financial aid received for the year ended June 30, 2012.

    a. We mathematically checked the total dollar amount of the listing

b. We agreed the total dollar amount to the line item “Financial Aid” included in the Statement We noted a difference of $42,963 between the listing of financial aid as provided by management and the Statement. Management provided an explanation for the difference. We make no comment as to the adequacy of the explanation.

c. We haphazardly selected 15 line items from the detailed listing and obtained the related award letter from University management. We agreed the award dollar amount per the student’s account detail to the dollar amount of the award in the related letter.

Refer to the schedule in Exhibit J for a listing of selections made and the results of testing.

14. We obtained from University management a detailed schedule of home game guarantee expenses for the year ended June 30, 2012.

a. We mathematically checked the total dollar amount of the detailed schedule.

b. We agreed the total dollar amount of the expenses for home game guarantees in the detailed schedule to the corresponding amount in the expense line item “Guarantees” included in the Statement.

c. We haphazardly selected 10 home game guarantee expenses from the detailed schedule, obtained the related contracts and settlement reports from University management, and agreed the dollar amount of the guarantee expense on the detailed schedule to dollar amounts specified in the related contracts and settlement reports.

Refer to the schedule in Exhibit K for a listing of selections made and the results of the procedures performed.

15. We obtained from University management a listing of all sports coaches employed by the University for the year ended June 30, 2012.

a. From the listing of sports coaches employed by the University, we selected the head coaches for football, men's basketball, and women's basketball, and we haphazardly selected 7 of the remaining coaches. We obtained W-2's for the coaches selected and agreed the dollar amounts appearing in the W-2's for gross wages to the related expenses in the general ledger (combination of accounts 60044, 60111, 60121, and 60122).

b. For W-2 items that did not agree to the related expenses in the detailed listing, we obtained explanations from management. We make no comment as to the appropriateness of the reconciling items or sufficiency of explanations obtained.

c. We also obtained the related employment contracts for each of the coaches selected. We agreed the coaches' salaries per the contracts to the amounts included in the general ledger (combination of accounts 60044, 60111, 60121, and 60122). For any salaries that did not agree, we obtained written explanations from management. We make no comment as to the appropriateness of the reconciling items or sufficiency of explanations obtained. After obtaining explanations from management for the initial variances identified between the coaches' contracts and the general ledger, no variances greater than .25% remained.

d. We were not able to obtain a listing of salaries by coach that agreed to the total line item per the Statement as benefits are aggregated for all of Athletics per management.

Refer to the schedule in Exhibit L for a listing of selections made and the results of procedures performed.

16. We obtained from University management a listing of all support staff for athletics for the year ended June 30, 2012.

    a. We haphazardly selected 25 support staff paid by the University from the detailed listing and agreed the dollar amount of the recorded salary and bonus expense per the general ledger (combination of accounts 60044, 60111, 60121, and 60122) to their respective contracts obtained from University management.

    b. We obtained W-2's for the support staff selected and compared dollar amounts for wages appearing in the W-2's to the related amounts included on the general ledger (combination of accounts 60044, 60111, 60121, and 60122).

    c. Explanations were obtained from management for differences identified in the comparison of the W-2's to the related expenses included in the Schedule. We make no comment as to the completeness or accuracy of the explanations obtained.

    d. We were not able to obtain a listing of salaries and benefits by support staff that agreed to the total line item per the Statement as benefits are aggregated for all of Athletics per management.

    Refer to the schedule in Exhibit M for a listing of selections made and the results of the procedures performed.

17. We obtained from University management a summary schedule of severance payments for the year ended June 30, 2012.

    a. We mathematically checked the total of the detailed severance schedule. The detailed schedule is all activity in D-Org 54143 within general ledger account 60111.

    b. We agreed the total dollar amount of all activity within the detail provided (all D-Orgs) to general ledger account 60111.

    c. We haphazardly selected 3 coaches' severance amounts for fiscal 2012 from the detail received, and for each item selected, we obtained the related severance agreement from University management. We agreed the total dollar amount of payments related to each agreement for fiscal 2012 to the severance agreements. For two selections, we obtained explanations from management for variances between the total dollar amount of payments and the severance agreements. We make no comment as to the appropriateness of the sufficiency of explanations obtained.

Refer to the schedule in Exhibit N for a listing of selections made and the results of the procedures performed.

18. We obtained a copy of the University's recruiting and travel policies, noting that it is University policy that all NCAA and Big Ten Conference guidelines must be followed.

19. We obtained from University management the University's policy for allocating internal costs during the year ended June 30, 2012. We observed the University policy contained a section related to the allocation of indirect facilities and administrative support. We recalculated the overhead allocation charged to Athletics in fiscal 2012 by the University and agreed the total to the Athletics general ledger (account 66901). We noted per inquiry of management that the corresponding revenue is not included in the Statement as it is recorded to an intra-University revenue account, which is excluded from the Statement. We make no comment regarding management's response.

20. We obtained from University management repayment schedules for all debt attributable to the University's athletics department as of June 30, 2012.

    a. We mathematically checked the maturities of the debt and related interest payments due for each of the years in the repayment schedules.

    b. We compared the annual maturities of debt to the underlying debt agreements provided by management.

    c. We agreed the total debt outstanding as of June 30, 2012 appearing in the Notes to the Statement to the University's general ledger as of June 30, 2012.

    No exceptions were noted as a result of performing this procedure.

21. We obtained representations from management that to the best of their knowledge and belief, all revenues and expenditures related to the Department of Athletics had been properly included in the Statement.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Statement for the year ended June 30, 2012. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above, and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

January 14, 2013

Exhibit A
General Revenues

Description	Exception (Y/N)
1. Miscellaneous	N
2. Miscellaneous	N
3. Miscellaneous	N
4. Miscellaneous	N
5. Miscellaneous	N
6. Miscellaneous	N
7. Miscellaneous	N
8. Miscellaneous	N
9. Miscellaneous	N
10. Miscellaneous	N
11. Miscellaneous	N
12. Miscellaneous	N
13. Miscellaneous	N
14. Miscellaneous	N
15. Miscellaneous	N
16. Postage and Handling	N
17. Event Parking - Season	N
18. Event Parking - Season	N
19. Postage and Handling	N
20. Postage and Handling	N
21. Individual Gifts	N
22. Individual Gifts	N
23. Individual Gifts	N
24. Individual Gifts	N
25. Grant in Aid	N

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Exhibit B
Fluctuation Analysis
2012 as compared to 2011

Line Item	$ Change	% Change	Management's Explanation
Operating Revenues:			
Ticket Sales	418,394	1%	8th home FB game in FY '11 represents approx $4.4 M in additional revenue; Men's BB realized approx $900K in additional ticket sales from their successful season. These increases are off-set by$3.5M in 2012 revenue recorded for ticket surcharges and $1.5M in unrestricted suite leases (for the first time in fiscal 2012).
Program Sales	(7,135)	-100%	Misc Program sales from NCAA Tournament hosted in FY '11; none in FY '12
Novelty Sales	(244,299)	-12%	8 home FB games in FY '11; lower sales in '12 due to coaching change and poor FB record
Radio and T.V. Rights	1,239,638	7%	Increase in Big Ten TV Rights distribution
Gifts:			
Restricted	17,081,582	844%	Increase due to change in presentation of the Statement to show all restricted gifts.
Investment Income:			
Unrestricted	(117,848)	-44%	University's investment interest rates decreased (.7% in FY '11 vs. .45% in FY '12)
Postage\Service Charges	283,897	17%	Additional Service Charges on ticket sales from hosting NCAA Men's BB 2nd & 3Rd Round
Advertising	1,076,473	15%	Increase in IMG Sponsorship Revenue per contract
Facility Rentals	133,309	63%	$50K from rental of office space in St John Arena; More events in Ohio Stadium
Miscellaneous	3,906,592	669%	The (583,677) total for FY '11 was the result of a correction to Ticket Office yearend deposits. Had the $2.39M correction not been made, the balance would have been $1,816,266, well within the allowable threshold. (Also, see FY '11 audit flux report)
Operating Expenditures:			
Coaches' Salaries	2,312,256	9%	~ 2.5% salary & ~ 4.9% benefits increase; also the contract and vacation payouts for old FB staff and larger contracts & new positions related to new Football staff
Other Salaries	692,957	4%	~ 2.5% salary & ~ 5.8% benefits increases
Travel:			
Recruiting	151,036	13%	$117K increase in M-BB (additional private jet cost for Matta due to health issues)
Guarantees-net	(1,270,248)	-28%	See Football details below in Tickmark A…….. (Other small variance from Men's Basketball - (additional private jet cost for Matta due to health issues)).
Maintenance\General	962,903	4%	Additional transition and relocation cost associated with FB staff changes
Equipment Purchases	333,908	50%	New weight room equipment purchases associated with FB staff changes
Insurance	63,394	106%	Increase in catastrophic and camp insurance premiums

Tickmark A -Football Guarantees, Net

FY '12	7 Home Games
Paid:	
Akron	850,000
Toledo	240,030
Colorado	1,400,000
Cincinnati	148,041
Big Ten Conference	4,000,000
Received:	
University of Miami	(500,000)
Big Ten FB Playoff	(387,568)
Big Ten Conference	(3,052,472)
	2,698,031

Exhibit B

Fluctuation Analysis (continued)

2012 unrestricted funds as compared to 2012 unrestricted budget

Line Item	$ Change	% Change	Management's Explanation
Operating Revenues:			
Ticket Sales	5,287,475	12%	FB ticket sales exceeded budget $1.05M; M-BB ticket sales exceeded budget by $283K due team's success and ticket sales for Clinics exceeded budget by $157K. The change also reflects a ~$3.5M in 2012 revenue recorded for ticket surcharges (for the first time in fiscal 2012).
Post Season Event	2,949,516	93%	Post Season Bowl revenue is not budgeted; actual was ~$1.6M; NCAA Basketball Distribution increase by $550
Novelty Sales	(397,627)	-18%	Lower sales in '12 due to poor FB record,coaching change and non-BCS bowl
Investment Income:			
Unrestricted	(100,807)	-40%	University's interest rate on investments decreased from .7% to .45%
Postage\Service Charges	870,578	83%	Processing fees for football and men's basketball increase $5 per order in fiscal 2012. Also, men's basketball ticket orders were higher than expected due the team's success and final four run. Bowl revenue is not budgeted for.
Advertising	504,591	6%	Website contract was $125K higher than expected; Affinity card generated ~$70K that was not anticipated
Facility Rentals	(60,657)	-15%	Athletics began renting office space in St John Arena; Stadium rentals were higher
Operating Expenditures:			
Coaches' Salaries	7,560,847	36%	Salaries analyzed in total - If you add the $28.5M + $18.2 = $46.6M; $20.9M + $24.3M = $45.2M Difference of
Other Salaries	(6,103,413)	-25%	$1.4M which reflects the previous FB coaches payouts and additional new FB staff positions
Maintenance\General	521,879	2%	FB renovations for new staff and FB non-capital equipment purchases
Equipment Purchases	169,105	29%	New Football weight room equiment related to staff changes
Advertising	(321,359)	-64%	Fan Experience (Marketing) choose not to use approximately $255K
Insurance	(35,066)	-22%	New student-athlete supplemental premium was less than anticipated
Lodging	(107,467)	-26%	Football pre-season lodging was $45K less than budgeted; Camps $35K less

Exhibit C
Ticket Sales

Ticket Batch #	Exception (Y/N)
1. 8485	N
2. 8567	N
3. 8642	N
4. 8777	N
5. 8888	N
6. 9292	N
7. 9494	N
8. 9499	N
9. 9500	N
10. 9547	N
11. 9554	N
12. 9630	N
13. 9702	N
14. 9812	N
15. 9851	N
16. 9889	N
17. 9902	N
18. 9999	N
19. 1001	N
20. 10202	N
21. 10250	N
22. 10345	N
23. 10469	N
24. 10773	N
25. 10992	N

Exhibit D
Away Games & Guarantees

Sport	Exception (Y/N)
1. University of Miami	N
2. University of Miami	N
3. 2011 Big Ten Revenue Sharing	N
4. Big Ten Football Championship	N
5. Big Ten Revenue Sharing	N

Exhibit E
NCAA/Conference Distribution Including All Tournaments

Description	Exception (Y/N)
1. 2012 Big Ten Bowl Settlement	N
2. Big Ten Men's Basketball Tournament	N
3. 2012 NCAA Academic Enhancement Fund Distribution	N
4. Big Ten - 2012 NCAA Basketball Distribution	N
5. Big Ten Distribution of 2012 NCAA Supplemental Revenue Distribution	N

Exhibit F
Television and Broadcast Rights

Description	Exception (Y/N)
Television:	
1. Big Ten Distribution- October 2011	N
2. Big Ten Distribution- November 2011	N
3. Big Ten Distribution- September 2011	N
4. Big Ten Distribution- December 2011	N
5. Big Ten Network – 1st Qtr. Distribution	N
6. Big Ten Network – 2nd Qtr. Distribution	N
7. Big Ten Network – 3rd Qtr. Distribution	N
8. Big Ten Network – 4th Qtr. Distribution	N
9. Big Ten – Fox TV Distribution	N
Broadcast	
10. IMG Rights Fees	N
11. IMG Rights Fees	N

Exhibit G
Royalties, Advertisements and Sponsorships

Description	Exception (Y/N)
1. IMG 1st Rights Fees	N
2. IMG 2nd Rights Fees	N
3. 2012 Athletic Sponsorships	N
4. Nike ~2nd Payment	N
5. IMG Signing Bonus ~ 1st	N
6. IMG Signing Bonus ~2nd	N
7. Nike 1st Payment	N
8. IMG – 4th Qtr. Rights Fees/Bonus	N
9. 2012 Athletic Sponsorships	N
10. CBS Sports Online	N
11. IMG 3rd Rights Fees	N
12. BOA Affinity Agreement	N
13. BOA Affinity Agreement	N
14. BOA Affinity Agreement	N
15. BOA Affinity Agreement	N

Exhibit H
Sports Camp Revenues

Description	Exception (Y/N)
1. Instructional Camp (MLA)	N
2. All American Camp – Team Camp	N
3. Leg Attach Camp (MWR)	N
4. Lou Rosselli 2-Week Intensive Camp (MWR)	N
5. Residential Camp (MSO)	N
6. Buckeye Youth Summer Academy (MBA)	N
7. Champions Training Camp (MGY)	N
8. Summer Camp (CC)	N
9. High School Team Camp I (MLA)	N
10. Player's Choice Camp (WVB)	N
11. Tryouts Tune-Up Camp (WVB)	N
12. Lou Rosselli Intensive Camp (MWR)	N
13. Turn & Pin Camp (MWR)	N
14. Fall Elite Showcase Skills Camp (MBA)	N
15. 5v5 Midwest Challenge (WLA)	N
16. 7v7 Fall Classic (Grades 9-12)	N
17. Senior Advanced Camp 1 (MFB)	N
18. Stroke Technique Camp: Session 3	N
19. Summer Camps (FEN)	N
20. Kicking and Long Snapping Camp (MFB)	N
21. 3-Day Position Camp (MFB)	N
22. Scarlet and Gray Camp (WSB)	N
23. Buckeye Academy (WVB)	N
24. Day Camp (WBB)	N
25. Day Camp (MBB)	N

Exhibit I
Other Expenses

Description	Exception (Y/N)
1. Food	N
2. Food	N
3. Food	N
4. Food	N
5. Food	N
6. Equipment Purchases	N
7. Equipment Purchases	N
8. Travel - Recruiting	N
9. Travel - Recruiting	N
10. Travel - Recruiting	N
11. Equipment Purchases	N
12. Equipment Purchases	N
13. Travel - Recruiting	N
14. Travel - Recruiting	N
15. Equipment Purchases	N
16. Maintenance/General	N
17. Maintenance/General	N
18. Maintenance/General	N
19. Maintenance/General	N
20. Maintenance/General	N
21. Travel – Team/Other	N
22. Travel – Team/Other	N
23. Travel – Team/Other	N
24. Travel – Team/Other	N
25. Travel – Team/Other	N

Exhibit J
Athletic Student Aid

Sport	Exception (Y/N)
1. Track	N
2. Football	N
3. Lacrosse	N
4. Football	N
5. Track	N
6. Basketball	N
7. Soccer	N
8. Ice Hockey	N
9. Softball	N
10. Softball	N
11. Tennis	N
12. Soccer	N
13. Fencing	N
14. Soccer	N
15. Rowing	N

Exhibit K
Home Game Guarantees

Sport	Exception (Y/N)
1. Football	N
2. Football	N
3. Football	N
4. Football	N
5. Men's Basketball	N
6. Men's Basketball	N
7. Men's Basketball	N
8. Football	N
9. Men's Basketball	N
10. Men's Basketball	N

Exhibit L

Coaching Salaries, Benefits and Bonuses Paid by University and Related Entities

Sport	Exception (Y/N)
1. Women's Volleyball	N
2. Football	N
3. Women's Basketball	N
4. Men's Volleyball	N
5. Men's Basketball	N
6. Football	N
7. Riflery	N
8. Women's Lacrosse	N
9. Women's Soccer	N
10. Women's Field Hockey	N

Exhibit M

Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities

Where employee works within Athletics	Exception (Y/N)
1. Athletics Equipment Care	N
2. Athletics Football	N
3. Athletics Basketball - Women	N
4. Athletics Ticket Office	N
5. Athletics Compliance	N
6. Athletics Admin and Gen	N
7. Athletics Video Services	N
8. Sport Camp Administration	N
9. Athletics Gymnastics - Women	N
10. Fan Experience	N
11. Athletics Golf Course Restaurant	N
12. Sport Camp Administration	N
13. Athletics Admin and Gen	N
14. Athletics Equipment Care	N
15. Athletics Ticket Office	N
16. Athletics Training	N
17. Athletics Development Office	N
18. Athletics Football	N
19. Publications	N
20. Fan Experience	N
21. Athletics Golf Course Oper	N
22. Athletics Football	N
23. Athletics Development Office	N
24. Athletics Communication	N
25. Athletics Technology Services	N

Exhibit N
Severance

Severed Employees' Title	Exception (Y/N)
1. Assistant Football Coach	N
2. Assistant Football Coach	N
3. Assistant Football Coach	N

The Ohio State University Intercollegiate Athletics Department
Statement of Revenues and Expenditures
For the Year Ended June 30, 2012 (unaudited)

Statement of Revenues and Expenditures

	Football	Men's Basketball	Women's Basketball	Other Sports Men	Other Sports Women	Nonprogram Specific	Total
Operating Revenues:							
Ticket Sales	$ 41,046,031	$ 6,483,530	$ 381,704	$ 469,954	$ 44,490	$ 681,306	$ 49,107,015
Post Season Event	3,857,251	3,501,332	-	-	-	-	7,358,583
Program Sales	-	-	-	-	-	-	-
Novelty Sales	-	-	-	-	-	1,785,873	1,785,873
Radio and T.V. Rights	12,809,529	7,008,254	-	-	-	-	19,817,783
Concessions	1,607,510	582,209	83,016	151,119	29,985	281,450	2,735,289
Gifts:							
Restricted	170,068	84,168	68,682	453,330	146,047	18,184,007	19,106,302
Grant-in-Aid	2,979,556	524,888	551,464	4,308,028	6,696,129	-	15,060,065
Parking	1,606,306	124,935	53,543	-	-	-	1,784,784
Investment Income:							
Unrestricted	-	-	-	-	-	149,193	149,193
Endowment Income:							
Restricted	-	-	-	-	-	-	-
Postage\Service Charges	-	-	-	-	-	1,914,578	1,914,578
Advertising	-	-	-	-	-	8,300,441	8,300,441
Entry Fees	-	-	-	735	3,135	2,844,453	2,848,323
Facility Rentals	-	-	-	-	-	345,743	345,743
Miscellaneous	-	384,239	140,486	141,268	6,316	2,650,606	3,322,915
Golf Course	-	-	-	-	-	3,916,168	3,916,168
Ice Rink	-	-	-	-	-	373,378	373,378
Total Operating Revenues	$64,076,251	$18,693,555	$ 1,278,895	$ 5,524,434	$ 6,926,102	$41,427,196	$137,926,433
Operating Expenditures:							
Coaches' Salaries	$ 5,813,434	$ 1,695,775	$ 1,267,538	$ 3,455,671	$ 3,346,904	$ 12,908,575	$ 28,487,897
Other Salaries	1,312,257	364,111	203,594	445,586	226,556	15,920,813	18,472,917
Travel:							
Team and other	2,039,756	656,741	438,018	1,566,291	1,503,764	947,313	7,151,883
Recruiting	345,175	290,861	84,177	263,585	308,640	325	1,292,763
Guarantees-net	2,698,031	291,069	135,009	72,287	9,046	1,500	3,206,942
Financial Aid	2,979,556	524,888	551,464	4,308,028	6,696,129	-	15,060,065
Maintenance\General	2,033,496	660,495	198,259	1,234,854	1,352,072	18,981,953	24,461,129
Equipment Purchases	287,001	5,330	3,830	78,716	47,907	581,781	1,004,565
Advertising	-	-	-	-	-	185,878	185,878
Insurance	-	-	-	-	-	122,934	122,934
Telephone	73,514	20,417	18,179	69,107	64,543	339,056	584,816
Food	526,128	48,471	26,134	111,671	141,387	699,738	1,553,529
Lodging	230,145	4,500	5,460	25,726	37,858	50,723	354,412
Indirect Overhead	-	-	-	-	-	5,356,670	5,356,670
Physical Facilities	-	-	-	-	-	455,724	455,724
Total Operating Expenditures	$ 18,338,493	$ 4,562,658	$ 2,931,662	$ 11,631,522	$ 13,734,806	$ 56,552,983	$ 107,752,124
Excess (Deficiency) of Revenues over Expenditures	$ 45,737,758	$ 14,130,897	$ (1,652,767)	$ (6,107,088)	$ (6,808,704)	$(15,125,787)	$ 30,174,309

1. Summary of Presentation Policies

The amounts in the accompanying statement of revenues and expenditures were obtained from The Ohio State University's (the "University") trial balance, which is maintained on an accrual basis. All revenues and expenditures directly related to various sports were disclosed. All remaining revenues and expenditures are non-program specific. The University records depreciation on physical plant and equipment; however, depreciation is not part of the statement of revenues and expenditures.

2. Other Sports

Other sports include baseball, cross country, fencing, field hockey, pistol, rifle, softball, synchronized swimming, wrestling, men's and women's track and field, men's and women's golf, men's and women's gymnastics, men's and women's ice hockey, men's and women's lacrosse, women's rowing, men's and women's soccer, men's and women's swimming and diving, men's and women's tennis, and men's and women's volleyball.

3. Gifts

Gift revenue included in the statement of revenues and expenditures represents gifts given to the Intercollegiate Athletic Department that did not contain any donor-imposed restrictions, or gifts for which donor-imposed restrictions were met during the current fiscal year.

There were no individual contributions in excess of 10% of all contributions received for the Intercollegiate Athletic Department for the year ended June 30, 2012.

4. Other Forms of Compensation

The value of volunteer assistant coaching services, according to NCAA financial audit guidelines, should be reported as contributions and as salary expenditures. The University estimates that the value of volunteer assistant coaching services is not material to the statement of revenues and expenditures and, therefore, is not reflected.

5. Property, Plant and Equipment

Intercollegiate athletics-related assets are accounted for consistent with the University's policies for property, plant and equipment. Property, plant and equipment valued at $5,000 or more are recorded at cost at date of acquisition or, if acquired by gift, at estimated fair value at date of gift. Additions to plant assets are capitalized, while maintenance and minor renovations are charged to operations. Property, plant and equipment assets are reflected net of accumulated depreciation calculated on a straightline basis over the estimated useful lives ranging from 5 to 100 years.

Capital Asset activity for the year ended June 30, 2012 as summarized as follows:

	Balance 6/30/2011	Adjustments	Additions	Transfers In (Out)	Disposals	Balance 6/30/2012
Capital assets not being depreciated						
Construction in progress	$ 1,844,919		$ 3,571,395	$ (484,444)	$ -	$ 4,931,870
Total capital assets not being depreciated	1,844,919	-	3,571,395	(484,444)	-	4,931,870
Capital assets being depreciated:						
Buildings	323,915,068	-	1,146,669	-	-	325,061,737
Capital improvements	34,078,922	-	58,865	-	(6,516,183)	27,621,604
Machinery and equipment	6,448,510	-	703,065	-	(173,476)	6,978,099
Total capital assets being depreciated	364,442,500.00	-	1,908,599	-	(6,689,659)	359,661,440
Total capital assets	366,287,419	-	5,479,994	(484,444)	(6,689,659)	364,593,310
Less: Accumulated depreciation						
Buildings	112,708,862	-	9,912,469	-	-	122,621,331
Capital improvements	12,756,724	-	1,469,285	-	(3,746,805)	10,479,204
Machinery and equipment	4,133,629	-	449,866	-	(157,506)	4,425,989
Total accumulated depreciation	129,599,215	-	11,831,620	-	(3,904,312)	137,526,523
Total capital assets being depreciated, net	234,843,285	-	(9,923,021)	-	(2,785,347)	222,134,917
Capital assets, net	$ 236,688,204	$ -	$ (6,351,626)	$ (484,444)	$ (2,785,347)	$227,066,787

6. LONG-TERM DEBT

University Notes Payable

The university has issued notes payable to Athletics through Memorandums of Understanding ("MOUs") which document the principal, interest charges and repayment terms as well as any other conditions or covenants. The current notes have been issued at fixed interest rates with no premium or discount on the debt. Principal maturities and interest on long-term debt for the next five years and in subsequent five-year periods are as follows:

	Principal	Interest	Total
2013	$ 7,689,736	$ 8,191,532	$ 15,881,268
2014	7,987,143	7,841,422	15,828,565
2015	7,867,865	7,482,275	15,350,140
2016	6,982,465	7,140,456	14,122,921
2017	7,173,142	6,806,302	13,979,444
2018-2022	40,178,887	28,606,192	68,785,079
2023-2027	50,062,670	17,949,736	68,012,406
2028-2032	49,090,146	5,122,454	54,212,600
	$177,032,054	$ 89,140,369	$266,172,423

The Ohio State University

Report of Independent Accountants' on Agreed-Upon Procedures Performed on the Statements and Records of Booster Organizations' Expenditures for or on Behalf of the Intercollegiate Athletic Department Required by NCAA Bylaw 3.2.4.16 for the Year Ended June 30, 2012

The Ohio State University Department of Athletics
Index
June 30, 2012

Page(s)

Report of Independent Accountants

E. Gordon Gee, President
The Ohio State University

We have performed the procedures enumerated below, which were agreed to by the administration of The Ohio State University (the "University"), solely to assist you in evaluating whether the accompanying Statement of Receipts/Revenues and Disbursements/Expenditures for Outside Organizations Acting on Behalf of the Department of Athletics (the "Statement") is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.16 for the year ended June 30, 2012. Management of the University is responsible for the Statement and the Statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

1. We obtained from University management a list of all University booster group activities, for both independent and affiliated organizations (including alumni organizations), that have a principal purpose of generating funds for the University's athletics department, during the year ended June 30, 2012.

    a. We obtained the financial statements for affiliated organizations as of June 30, 2012 and agreed each of the revenue and expense amounts appearing in the financial statements of the affiliated organizations to the corresponding amounts included in the Statement. No exceptions were noted as a result of performing this procedure.

    b. For each organization on the listing, we mailed confirmations directly to the officials of each organization requesting they confirm the revenue and expense amounts included in the Statement. Of the six confirmation requests, no exceptions were identified. Refer Exhibit A for a listing of the organizations and the results of the procedures performed.

    c. We received a representation letter signed by the Director of Athletics and all of the head coaches that the booster groups, as listed in the Exhibit A, are the only booster groups that support the Department of Athletics as defined in the National Collegiate Athletic Association ("NCAA") Financial Audit Guidelines.

PricewaterhouseCoopers, LLP, 41 South High Street, Suite 2500 Columbus, OH 43215
T: (614) 225-8700, F: (614)224-1044, www.pwc.com/us

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Statement for the year ended June 30, 2012. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above, and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

January 14, 2013

Exhibit A - Listing of Booster Groups/Alumni Organizations

Name	Exception (Y/N)?
1. Varsity "O" Women	N
2. Buckeye Diamond Club	N
3. Rebounders Club	N
4. Varsity "O" Men	N
5. Buckeye Sideliners	N
6. Buckeye Boosters	N
7. Varsity Rifle	*

***** Per inquiry with management, management no longer considers the Varsity Rifle Group to be an affiliated organization and as such the Varsity Rifle Group has been excluded from the Statement.

The Ohio State University Department of Athletics
Receipts/Revenues and Disbursements/Expenditures for Outside Organizations Acting on Behalf of the Department of Athletics For the Year Ended June 30, 2012 (unaudited)

Statement of Receipts/Revenues and Disbursements/Expenditures for Outside Organizations Acting on Behalf of the Department of Athletics

Organizations reporting on a cash receipts and disbursements basis for the year ended June 30, 2012, are as follows:

	Beginning Cash Balance	Cash Receipts	Cash Disbursements: Contributions To or on Behalf of Program	Cash Disbursements: Other	Ending Cash Balance
Organization					
The Buckeye Diamond Club	$ 229,930	39,890	65,730	51,654	$ 152,436
The Buckeye Sideliners	638	13,103	7,500	5,959	282
The Rebounders Club	7,381	58,893	24,000	35,263	7,011
Varsity "O" Women	21,142	20,836	200	18,031	23,747

Organizations reporting revenues and expenditures for the year ended June 30, 2012, are as follows:

	Revenues	Expenditures/Contributions: To or on Behalf of Program	Expenditures/Contributions: Other	Net Income (Loss)
Organization				
Buckeye Boosters Inc.	$ 393,553	500	580,406	$ (187,353)
Varsity "O" Men	138,606	4,000	125,708	8,898

Dave Yost · Auditor of State

THE OHIO STATE UNIVERSITY DEPARTMENT OF ATHLETICS

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 5, 2013

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