

The Ohio State University

(A Component Unit of the State of Ohio)

Financial Statements

As of and for the Years Ended June 30, 2014 and 2013

And Independent Auditor's Reports



Dave Yost • Auditor of State

Board of Trustees
Ohio State University
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210

We have reviewed the *Report of Independent Auditors* of The Ohio State University, Franklin County, prepared by Pricewaterhouse Coopers LLP, for the audit period July 1, 2013 through June 30, 2014. 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 is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 27, 2015

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Independent Auditor's Report

To the Board of Trustees of
The Ohio State University
Columbus, OH:

We have audited the accompanying financial statements of The Ohio State University (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2014 and 2013, which consist of the statements of net position, the related statements of revenues, expenses, and other changes in net position and of cash flows and the related notes to the financial statements of the primary institution and of the aggregate discretely presented component units, which collectively comprise the University's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the primary institution and the aggregate discretely presented component units of the University as of June 30, 2014 and June 30, 2013, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 3 through 17 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matter

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying Supplementary Information on the Long-Term Investment Pool on pages 74 through 75 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2014. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

October 30, 2014

Management's Discussion and Analysis for the Year Ended June 30, 2014 (Unaudited)

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of The Ohio State University (the "university") for the year ended June 30, 2014, with comparative information for the years ended June 30, 2013 and June 30, 2012. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About The Ohio State University

The Ohio State University is the State of Ohio's flagship research institution and one of the largest universities in the United States of America, with over 63,000 students, 6,000 faculty members and 23,000 staff members. Founded in 1870 under the Morrill Land Grant Act, the university – which was originally known as the Ohio Agricultural and Mechanical College -- has grown over the years into a comprehensive public institution of higher learning, with 175 undergraduate majors, 133 master's degree programs, 112 doctoral programs and seven professional degree programs.

The university operates one of the nation's leading academic medical centers, The Ohio State University Wexner Medical Center. As part of the Wexner Medical Center, the Health System operates under the governance of The Ohio State University Board of Trustees and is comprised of The Ohio State University Hospital, The Arthur G. James Cancer Hospital and Richard J. Solove Research Institute, Richard M. Ross Heart Hospital, University Hospital East, OSU Harding Hospital, The Ohio State University Specialty Care Network, Dodd Rehabilitation Hospital, The Eye and Ear Institute, The Stefanie Spielman Comprehensive Breast Center, and 16 primary care locations. The System provided services to 57,000 adult inpatients and 1,594,000 outpatients during Fiscal Year 2014.

The university is governed by a board of trustees who are responsible for oversight of academic programs, budgets, general administration, and employment of faculty and staff. The university's 14 colleges, one independent school, four regional campuses, the Wexner Medical Center and various academic support units operate largely on a decentralized basis. The Board approves annual budgets for university operations, but these budgets are managed at the college and department level.

The following financial statements reflect all assets, liabilities, deferred inflows/outflows and net position (equity) of the university, the Ohio State University Wexner Medical Center, the Ohio Agricultural Research and Development Center (OARDC) and the Ohio Technology Consortium (OH-TECH), which is an umbrella organization that includes the Ohio Academic Resources Network (OARnet), the Ohio Supercomputer Center and the Ohio Library and Information Network (OhioLINK). These entities constitute the "primary government" for financial reporting purposes. In addition, the financial statements include consolidated financial results for a number of "component units", which are legally separate entities that meet the financial accountability criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*.

Management's Discussion & Analysis (Unaudited) - continued

The following component units are considered to “exclusively benefit” the university and are shown in a blended presentation with the primary government:

- The OSU Foundation (a fundraising foundation operating exclusively for the benefit of the university)
- OSU Health Plan (a non-profit organization – formerly known as OSU Managed Health Care Systems -- that administers university health care benefits)
- Oval Limited (captive insurer that provides medical malpractice coverage to university hospitals and physicians)

The GASB has indicated that, under the amended consolidation standards, the “exclusive benefit” criterion for blending is not met when a component unit provides services to parties external to the primary government. As a result, the university presents the following component units in a discrete presentation:

- OSU Physicians, Inc. (the practice group for physician faculty members of the Colleges of Medicine and Public Health)
- Campus Partners for Community Urban Redevelopment (a non-profit organization participating in the redevelopment of neighborhoods adjacent to the main Columbus campus)
- Transportation Research Center, Inc. (an automotive research and testing facility in East Liberty, Ohio)
- Dental Faculty Practice Association (the practice group for faculty members of the College of Dentistry)

Condensed financial information for both blended and discretely presented component units is provided in the Notes to the Financial Statements. The university is considered a component unit of the State of Ohio and is included in the State of Ohio's Comprehensive Annual Financial Report.

About the Financial Statements

The university presents its financial statements in a “business type activity” format, in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. In addition to this MD&A section, the financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Other Changes in Net Position, a Statement of Cash Flows and Notes to the Financial Statements. Separate columns are presented for the primary institution (which includes the primary government and the blended component units), discretely presented component units and the total university. Unless otherwise specified, the amounts presented in this MD&A are for the primary institution.

The **Statement of Net Position** is the university's balance sheet. It reflects the total assets, liabilities and net position (equity) of the university as of June 30, 2014, with comparative information as of June 30, 2013. Liabilities due within one year, and assets available to pay

Management's Discussion & Analysis (Unaudited) - continued

those liabilities, are classified as current. Other assets and liabilities are classified as non-current. Investment assets are carried at market value. Capital assets, which include the university's land, buildings, improvements, and equipment, are shown net of accumulated depreciation. Net position is grouped in the following categories:

- Invested in capital assets, net of related debt
- Restricted – Nonexpendable
- Restricted – Expendable
- Unrestricted

The **Statement of Revenues, Expenses and Other Changes in Net Position** is the university's income statement. It details how net position has increased (or decreased) during the year ended June 30, 2014, with comparative information for Fiscal Year 2013. Tuition revenue is shown net of scholarship allowances, patient care revenue is shown net of contractual allowances, charity care and bad debt expense, depreciation is provided for capital assets, and there are required subtotals for net operating income (loss) and net income (loss) before capital contributions and additions to permanent endowments.

It should be noted that the required subtotal for net operating income or loss will generally reflect a "loss" for state-supported colleges and universities. This is primarily due to the way operating and non-operating items are defined under GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating expenses include virtually all university expenses, except for interest on long-term debt. Operating revenues, however, *exclude* certain significant revenue streams that the university and other public institutions have traditionally relied upon to fund current operations, including state instructional support, current-use gifts and investment income.

The **Statement of Cash Flows** details how cash has increased (or decreased) during the year ended June 30, 2014, with comparative information for Fiscal Year 2013. It breaks out the sources and uses of university cash into the following categories:

- Operating activities
- Noncapital financing activities
- Capital financing activities
- Investing activities

Cash flows associated with the university's expendable net position appear in the operating and noncapital financing categories. Capital financing activities include payments for capital assets, proceeds from long-term debt and debt repayments. Purchases and sales of investments are reflected as investing activities.

The **Notes to the Financial Statements**, which follow the financial statements, provide additional details on the numbers in the financial statements. Behind the notes is a section that provides supplementary information on the university's Long-Term Investment Pool.

Management's Discussion & Analysis (Unaudited) - continued

Financial Highlights and Key Trends

Total net position for the primary institution increased \$697 million, to \$6.64 billion at June 30, 2014. Net investment income accounted for \$621 million of the increase, reflecting strong 2014 returns for the university's Long Term Investment Pool. Total unrestricted and restricted-expendable net position increased \$647 million, to \$3.03 billion. With the exception of consolidated Health System revenues, which increased \$102 million, university operating revenues were flat or showed modest increases compared with 2013.

Demand for an Ohio State education remains strong, and student outcomes continue to improve. 63,964 students were enrolled in Autumn 2013, up 906 students compared to Autumn 2012. 92% of the freshmen enrolled in Autumn 2012 returned to OSU in Autumn 2013. Over the past five years, four-year graduation rates have increased from 49% to 59%, and six-year graduation rates have increased from 73% to 83%.

The following sections provide additional details on the university's 2014 financial results and a look ahead at significant economic conditions that are expected to affect the university in the future.

Management's Discussion & Analysis (Unaudited) - continued

Statement of Net Position

Summary Statement of Net Position <i>(in thousands)</i>			
	2014	2013	2012
Cash and temporary investments	\$ 1,404,608	\$ 1,073,925	\$ 1,283,141
Receivables, inventories, prepaids and other current assets	611,238	528,165	560,913
Total current assets	2,015,846	1,602,090	1,844,054
Restricted cash	435,293	926,444	714,226
Noncurrent notes and pledges receivable	117,159	127,831	92,427
Long-term investment pool	3,613,866	3,149,169	2,366,033
Other long-term investments	84,731	69,358	71,663
Capital assets, net of accumulated depreciation	4,492,896	4,136,392	3,765,325
Total noncurrent assets	8,743,945	8,409,194	7,009,674
Deferred outflows	8,650	9,202	3,439
Total assets and deferred outflows	\$ 10,768,441	\$ 10,020,486	\$ 8,857,167
Accounts payable and accrued expenses	\$ 391,064	\$ 385,006	\$ 413,995
Deposits and advance payments for goods and services	229,530	179,436	230,300
Current portion of bonds, notes and lease obligations	504,165	503,750	530,047
Other current liabilities	47,445	21,705	23,102
Total current liabilities	1,172,204	1,089,897	1,197,444
Noncurrent portion of bonds, notes and lease obligations	2,101,363	2,167,134	1,881,008
Other noncurrent liabilities	373,305	328,987	331,056
Total noncurrent liabilities	2,474,668	2,496,121	2,212,064
Total liabilities	\$ 3,646,872	\$ 3,586,018	\$ 3,409,508
Deferred inflows	\$ 484,450	\$ 494,284	\$ 20,155
Invested in capital assets, net of related debt	2,320,611	2,394,141	2,056,993
Restricted:			
Nonexpendable	1,281,640	1,158,014	1,050,691
Expendable	999,029	920,515	752,890
Unrestricted	2,035,839	1,467,514	1,566,930
Total net position	\$ 6,637,119	\$ 5,940,184	\$ 5,427,504
Total liabilities, deferred inflows and net position	\$ 10,768,441	\$ 10,020,486	\$ 8,857,167

During the year ended June 30, 2014, **cash and temporary investment** balances increased \$331 million, to \$1.40 billion, primarily due to transfers of **restricted cash** to fund capital project expenditures. The remaining restricted cash balances consist primarily of unspent proceeds from the Special Purpose General Receipts Bonds, which are being used to fund the North Residential District expansion project. The Statement of Cash Flows, which is discussed in more detail below, provides additional information on sources and uses of university cash.

Accounts receivable increased \$54 million, to \$440 million at June 30, 2014, primarily due to increases in patient care receivables of the Health System. **Inventories and prepaid expenses** increased \$31 million, to \$115 million, reflecting increases in software inventories

Management's Discussion & Analysis (Unaudited) - continued

at OARnet (up \$6 million), increases in prepayments for library subscription services by OhioLink (\$13 million) and deferred charges for summer term scholarships (up \$9 million).

The market value of the university's **long-term investment pool** increased \$465 million, to \$3.61 billion at June 30, 2014, primarily due to \$577 million of net investment income. The increases due to investment earnings were partially offset by annual distributions, which totaled \$142 million in 2014. The long-term investment pool operates similar to a mutual fund, in that each named fund is assigned a number of shares in the pool. It includes the gifted endowment funds of the university, gifted endowment funds of the OSU Foundation, and operating funds which have been internally designated to function as endowments. The pool is invested in a diversified portfolio of equity and fixed-income securities, partnerships and hedge funds 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 the university's mission.

Other long-term investments are non-unitized investments that relate primarily to gift arrangements between donors and the OSU Foundation and long-term investments of operating funds. These investments increased \$15 million, to \$85 million, at June 30, 2014.

Capital assets, which include the university's land, buildings, improvements, equipment and library books, grew \$357 million, to \$4.49 billion at June 30, 2014. The university depreciates its capital assets on a straight-line basis, using estimated useful lives ranging from 5 years (for computer equipment and software) to 100 years (for certain building components such as foundations).

Major projects completed in 2014 include \$31 million of renovations to Sullivant Hall. The improvements incorporated an entryway to High Street and the adjoining plaza. The renovated facility houses the Advanced Computing Center for the Arts & Design, the Department of Dance, the Billy Ireland Cartoon Library & Museum and the Department of Art Education. Also completed in 2014 was the \$20 million upgrade and replacement of the existing water treatment system and \$13 million of mechanical improvements to Smith Laboratory. Athletics added a \$19 million basketball practice facility at the Jerome Schottenstein Center and a \$6 million indoor golf facility.

In addition, several major construction projects are currently underway or in advanced planning stages, including:

- **Medical Center Expansion** – Construction of a 21-story, \$1.1 billion new facility for the James Cancer Hospital and Solove Research Institute and the Critical Care Center is proceeding on time and on budget for completion in December 2014. The university is financing the project with a combination of bonds (\$925 million), private gifts (\$75 million) and a \$100 million federal grant.
- **Chemical and Bio-molecular Engineering and Chemistry Building** – Construction is underway on a \$126 million facility for the Chemistry and Chemical and Bio-molecular Engineering departments. The 225,000 square-foot building will contain research and

Management's Discussion & Analysis (Unaudited) - continued

teaching laboratories, faculty offices, and seminar rooms. Construction is projected to be completed in January 2015.

- Infrastructure Improvements – Work continues on the \$41 million east regional chiller plant to serve buildings east of the Oval. The east regional chiller project is expected to be completed in fiscal year 2015. A \$21 million steam and condensate upgrade project will upgrade deteriorated lines and increase capacity and distribution in the mid-west campus area from McCracken Power Plant to near the Drake Union.
- North Residential District Transformation (NRDT) – The \$370 million NRDT project will construct new housing and support facilities for sophomore students in the north campus area. Enabling project work began Summer 2013, and the project is slated for completion Fall Semester 2016.
- Veterinary Hospital– Currently in its design phase, the \$30 million project will renovate approximately 97,000 square feet of the existing facility and will add 12,000 square feet of new space.

The university's estimated future capital commitments, based on contracts and purchase orders, total approximately \$365 million at June 30, 2014.

Accounts payable and accrued expenses increased \$6 million, to \$391 million at June 30, 2014. The increase primarily reflects increases in payables to vendors (up \$53 million), which were offset by decreases in payables for retirement contributions (down \$26 million) and other accrued expenses (down \$17 million). **Deposits and advance payments for goods and services** increased \$50 million, to \$230 million, primarily due to a combination of advance payments on grants and contracts (up \$22 million), advance payments for departmental and auxiliary sales and services (up \$12 million), advance payments for affinity agreements (up \$9 million) and advance payments for summer tuition (up \$4 million).

University debt, in the form of **bonds, notes and capital lease obligations**, decreased \$65 million, to \$2.61 billion at June 30, 2014, reflecting scheduled principal payment activity. There were no new bond issues in 2014.

The university's plant debt includes variable rate demand bonds that mature at various dates through 2035. GASB Interpretation 1, *Demand Bonds Issued by State and Local Governmental Entities*, provides guidance on the statement of net position classification of these bonds. Under GASB Interpretation 1, outstanding principal balances on variable rate demand bonds may be classified as noncurrent liabilities if the issuer has entered into a "take-out agreement" to convert bonds "put" but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities.

Although it is the university's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the university does not have "take-out agreements" in place per the GASB Interpretation 1 requirements. Accordingly, the university has classified the total outstanding principal balances on its variable rate demand

Management's Discussion & Analysis (Unaudited) - continued

bonds as current liabilities. These obligations totaled \$446 million at June 30, 2014 and June 30, 2013.

On October 9, 2014, the university closed on \$136 million in tax-exempt Fixed Rate General Receipts Bonds (Series 2014A) and \$150 million in tax-exempt Variable Rate General Receipts Bonds (Series 2014B1 and B2). The Series 2014A bonds will have annual principal payments until final maturity on December 1, 2044, with interest rates ranging from 2.00% to 5.00%. The Series 2014B1 and B2 bonds will have principal payments on December 1, 2034, 2039 and 2044. The initial interest rate was 0.04% and will be subject to a rate reset on a weekly basis.

Other noncurrent liabilities increased \$31 million, to \$91 million at June 30, 2014, primarily due to a \$26 million deposit of OSU Alumni Association funds, which were invested in the university's long-term investment pool.

Deferred inflows consist primarily of the unamortized proceeds of the parking service concession arrangement. The parking deferred inflows, which totaled \$465 million at June 30, 2014, are being amortized to operating revenue on a straight-line basis over the 50-year life of the agreement. In addition, the deferred inflows include \$20 million of deferred gains on debt-related transactions, which were reclassified in 2014 as part of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

During 2014, the university identified a misclassification of net position associated with the accumulated appreciation on donor-restricted endowment funds. As a result, the university revised its previously reported Statements of Net Position at June 30, 2013 and June 30, 2012 to reclassify the accumulated appreciation from restricted-nonexpendable net position to restricted-expendable net position. Additional details on these revisions are provided in Note 1.

Prior-Year Highlights: *In 2013*, the university entered into a 50-year lease and concession agreement with QIC Global Infrastructure (and its local affiliate, CampusParc) to operate, maintain and retain parking revenues from the university's parking lots and garages. The proceeds from the agreement, which totaled \$483 million, were used to establish quasi-endowment funds and were recorded as a deferred inflow. Total plant debt increased \$260 million, to \$2.67 billion, reflecting the issuance of \$338 million of Special Purpose General Receipts Bonds, which are secured by a pledge of housing, dining and recreational facilities revenues. The new issuance was partially offset by a \$75 million defeasance of debt related to parking facilities. Total unrestricted and restricted-expendable net position increased \$68 million, to \$2.39 billion. *In 2012*, the university issued \$500 million of federally taxable "Century Bonds", which mature in June 2111, increasing total plant debt to \$2.41 billion. Total unrestricted and restricted-expendable net position increased \$138 million, to \$2.32 billion.

Management's Discussion & Analysis (Unaudited) - continued

Statement of Revenues, Expenses and Other Changes in Net Position

Summary of Revenues, Expenses and Changes in Net Position <i>(in thousands)</i>			
	2014	2013	2012
Operating Revenues:			
Tuition and fees, net	\$ 815,743	\$ 816,761	\$ 793,742
Grants and contracts	617,091	597,201	593,623
Auxiliary enterprises sales and services, net	228,997	222,014	233,020
OSU Health System sales and services, net	2,120,891	2,018,724	1,921,897
Departmental sales and other operating revenues	<u>207,502</u>	<u>190,049</u>	<u>176,271</u>
Total operating revenues	3,990,224	3,844,749	3,718,553
Operating Expenses:			
Educational and general	2,280,135	2,158,149	2,088,529
Auxiliary enterprises	241,915	242,376	239,570
OSU Health System	1,839,645	1,796,581	1,697,628
Depreciation	<u>260,367</u>	<u>257,606</u>	<u>236,180</u>
Total operating expenses	4,622,062	4,454,712	4,261,907
Net operating income (loss)	(631,838)	(609,963)	(543,354)
Non-operating revenues (expenses):			
State share of instruction and line-item appropriations	440,924	432,652	428,306
Gifts - current use	138,230	122,208	139,599
Net investment income (loss)	620,605	386,516	59,184
Grants, interest expense and other non-operating	<u>12,978</u>	<u>(8,483)</u>	<u>24,644</u>
Net non-operating revenue	1,212,737	932,893	651,733
Income (loss) before other changes in net position	580,899	322,930	108,379
State capital appropriations	54,808	75,127	42,188
Private capital gifts	5,486	41,176	19,072
Additions to permanent endowments	54,309	57,480	41,299
Transfers to primary institution	<u>1,433</u>	<u>15,967</u>	<u>9,861</u>
Total other changes in net position	116,036	189,750	112,420
Increase (decrease) in net position	696,935	512,680	220,799
Net position - beginning of year	<u>5,940,184</u>	<u>5,427,504</u>	<u>5,206,705</u>
Net position - end of year	<u>\$ 6,637,119</u>	<u>\$ 5,940,184</u>	<u>\$ 5,427,504</u>

Net **tuition and fees** decreased \$1 million, to \$816 million in 2014. Total enrollments increased 2%. However, the effects of this enrollment increase were offset by a decline in summer semester tuition revenues. The university did not increase its undergraduate instructional and mandatory fees for fiscal 2014.

Operating **grant and contract revenues** increased \$20 million, to \$617 million in 2014, primarily due to increases in state grant and contract revenues (up \$22 million). The increase in state grants and contracts reflects new Third Frontier funding and increases in technology funding provided to OH-TECH. Revenues for sponsored research programs administered by the Office of Sponsored Programs (formerly known as the OSU Research Foundation) increased \$2 million, to \$495 million.

Educational and general expenses increased \$122 million, or 6%, to \$2.28 billion in 2014. Additional details are provided below.

Management's Discussion & Analysis (Unaudited) - continued

Educational and General Expenses <i>(in thousands)</i>			
	2014	2013	2012
Instruction and departmental research	\$ 938,385	\$ 906,339	\$ 875,800
Separately budgeted research	437,497	413,985	429,276
Public service	131,389	96,578	98,686
Academic support	188,641	170,142	162,783
Student services	96,892	94,237	90,493
Institutional support	278,052	271,737	217,648
Operation and maintenance of plant	98,678	93,767	103,095
Scholarships and fellowships	110,601	111,364	110,748
Total	<u>\$ 2,280,135</u>	<u>\$ 2,158,149</u>	<u>\$ 2,088,529</u>

Total **instructional and departmental research** expenses increased \$32 million in 2014, primarily due to faculty salary increases and increased benefit costs. The university's budget process directs the bulk of annual increases in tuition, state share of instruction and facilities and administrative cost recoveries to the colleges, for investment in academic programs. **Separately budgeted research** increased \$24 million, reflecting increases in operating expenditures on sponsored programs. **Public service** increased \$35 million, primarily due to the transfer of the OhioLINK statewide library program from Wright State University to OSU in 2014. **Academic support** increased \$18 million, reflecting increases in salaries and benefit expenses.

Auxiliary revenues increased \$7 million, to \$229 million in 2014. Room and board fees increased \$11 million, due to the re-opening of Smith/Steeb and Siebert halls and a 4% increase in room and board rates. Athletics revenues were up \$2 million. These increases were partially offset by the reduction in parking revenues associated with the transition of the parking operations to CampusParc in September 2012. **Auxiliary expenses** were flat, at \$242 million.

Consolidated **Health System** operating revenues grew \$102 million, to \$2.12 billion in 2014, driven primarily by growth in outpatient revenues and a strong patient mix. Consolidated operating expenses (excluding depreciation, interest and transfers) increased \$43 million, to \$1.84 billion, reflecting efforts to maintain expenses in line with activity levels. An in-depth look at the Health System is provided below.

The Health System operates nearly 1,200 inpatient beds and serves as a major tertiary and quaternary referral center for Ohio and the Midwest. Its Signature programs in Cancer, Critical Care, Imaging, Heart, Neurosciences, and Transplantation provide personalized patient care. The Wexner Medical Center has been recognized by US News and World Report for 22 consecutive years as one of "America's Best Hospitals" and has five nationally ranked specialties and is recognized as high-performing in eight others. It is one of 10 academic medical centers in the nation delivering the highest quality of care based on results of a study commissioned by the University Health System Consortium (UHC).

A \$1.1 billion construction project broke ground in 2010, representing the largest development project in the history of The Ohio State University. The new Arthur G. James

Management's Discussion & Analysis (Unaudited) - continued

Cancer Hospital and Richard J. Solove Research Institute, a Critical Care Center, and integrated, state-of-the-art research facilities will provide scientists, researchers and clinicians with a single collaborative environment for research, education and patient care. This 1.1 million square foot building will include 276 cancer beds and 72 critical care beds and will have capacity for an additional 72 critical care beds for future growth. The new 21-level tower will open in December 2014, and it is estimated that more than 310,000 patients will be served annually.

In 2014, the Health System continued its strategy of providing predictive, preventive, personalized and participatory model of care and remained financially sound due to solid activity levels and strong expense management. Inpatient admissions showed a slight increase compared with prior year. Consistent with industry trends, the patient environment continues to experience strong movement to an outpatient setting and to an increased use of observation beds. Outpatient visits increased 7.3% and total observation patients increased 5.1% over the previous year. The Health System will continue expanding its ambulatory strategy and meeting the needs of the community by opening future sites for The OSU Wexner Medical Center Health and Fitness Center at the Philip Heit Center for Healthy New Albany, Arlington Primary Care, and The Jameson Crane Sports Medicine Institute to be located at the southwest corner of Ackerman Road and Fred Taylor Drive.

The Health System continued to experience strong volumes in cancer, cardiovascular, obstetric, orthopedic, medicine, neonatal intensive care, and neurological service lines, which contributed to increases in revenues, average daily census and increased observation patients. Measured on a stand-alone basis, income before other changes in Net Position was \$229.1 million in 2014 versus \$206.3 million in 2013 reflecting strong outpatient activities, a strong patient mix and maintaining expenses in line with activities.

Changes to Net Position included \$120.5 million reinvested back into research, education, and programs at the Medical Center. In December of 2010, the Health System was awarded a \$100 million grant from The Health Resources and Services Administration (HRSA), an Agency of the U.S. Department of Health & Human Services, in support of the new tower construction. Approximately \$19.8 million of the total grant was recognized under Capital Contributions as a change in Net Position in 2014, \$23.1 million in 2013, and \$30.4 million in 2012. The remaining amount of the grant will be funded by HRSA on a cost sharing basis, as allowable costs are incurred. Additionally, \$12.8 million in 2014, \$20.7 million in 2013, and \$4.5 million of other restricted expendable funds and pledges (in support of the tower and other initiatives) have been recorded. In total, after accounting for these changes, the Health System's Net Position increased \$141.6 million in 2014, \$134.7 million in 2013 and \$137.6 million in 2012.

The Health System is focusing on efficiency and cost reduction as reimbursements come under pressure. Key in these initiatives is the creation of value through continued use of evidenced based practice, effective patient management during and after the hospital experience, and the use of our electronic medical record systems to reduce unnecessary treatment and costs. We have effectively controlled and reduced costs of supplies and will continue to do so through aggressive contracting, standardization, and strategic sourcing. Significant effort is being placed in streamlining and refining revenue cycle activities. Ohio

Management's Discussion & Analysis (Unaudited) - continued

State University Physicians (OSUP) implemented the Epic Physician Billing system in July 2014 and is integrating it with the Health System's Epic patient and revenue cycle systems. Activities such as centralized patient scheduling, insurance precertification, payment at point of service and other administrative activities will be consolidated across the Medical Center.

The Health System has created strong collaborations with a number of entities to help manage the health of populations across the continuum of care. Partnerships with Memorial Hospital of Union County and Hocking Valley Community Hospital will provide expanded care to their service areas. The Health System has also partnered with Ohio Valley Health Services and Education Corporation to expand specialized care for many people in the Ohio Valley region and give clinicians the ability to access the Integrated Healthcare Information System (IHIS), making it easier to share patient information, coordinate clinical care, and arrange for patient referrals and transfers. The Telestroke Medicine hub services 27 hospitals to leverage innovative technology to provide faster and more efficient diagnosis and treatment of stroke patients in largely rural areas of Ohio.

As with other healthcare providers, we are being challenged by the enactment of healthcare reform. The impact of insurance exchanges, managed care rates, and Medicaid expansion continues to cause uncertainty in the environment for hospitals nationwide. The Medical Center continues to position itself to thrive in the changing market, as it has successfully done in the past. The clinical component of medical staff activities has been integrated into the OSU Faculty Group Practice providing the Health System and the medical staff a unified structure to manage changes in reimbursement, practice patterns, and alignment in strategic initiatives. The Health System is partnering with the Ohio State University Health Plan to design innovative product offerings for both the exchanges and employers and continue working with other providers to form strategic alliances.

Despite the challenges and the changing healthcare environment, the Health System expects to improve its financial position and operating results during the upcoming year, and will continue to play a key role in supporting the Wexner Medical Center and in its status as a leading academic medical center.

Revenues and operating expenses of **OSU Physicians, Inc.** (OSUP), the University's central practice group for physician faculty members of the College of Medicine and Public Health, continue to grow in 2014. Total consolidated operating revenues increased \$25 million, to \$357 million, as a result of increased patient volumes. Total consolidated OSUP expenses (excluding depreciation and interest) increased \$26 million to \$343 million in 2014. These figures are included in the Discretely Presented Component Units columns of the university's financial statements.

Total state operating support increased \$8 million, to \$441 million, in 2014. **State share of instruction** was flat, and **state line-item appropriations** increased \$7 million, reflecting a new line-item for OhioLINK and increases in OARDC and Ohio Learning Network line-items.

Total **gifts** to the university decreased \$23 million, to \$198 million in 2014. The decrease relates primarily to private capital gifts; three major capital pledges, totaling \$28 million, were

Management's Discussion & Analysis (Unaudited) - continued

recognized in 2013. During 2014, over 233,000 alumni and friends made gifts to the university, up from 228,000 in 2013.

University investments yielded \$621 million of **net investment income** in 2014. The net investment income figure includes \$97 million of interest and dividend income and a \$524 million net increase in the fair value of university investments.

The Long Term Investment Pool generated a 14.4% net investment return in 2014, which exceeded the Policy (internal benchmark) return of 12.1%. Top contributions came from equity oriented strategies of all types (private, public and hedged) as well as credit and natural resource managers. Fixed income securities, relative value funds and infrastructure managers were positive but lower relative to other strategies. Market volatility continued to drop across asset classes but there are a number of uncertainties at the forefront of investors' minds: U.S. Federal Reserve and Bank of England rate increases, European Central Bank and Bank of Japan monetary easing, Chinese economic growth, and geopolitical events across the globe.

Over the past five years, strong equity markets have driven the performance of the Long Term Investment Pool, but it also is designed to perform well in down markets. The university's Investment Office continues to strive for the best possible risk-adjusted investment returns to grow the purchasing power of the Long Term Investment Pool.

Prior-Year Highlights: *In 2013*, total net position (equity) for the primary institution increased \$513 million, to \$5.94 billion at June 30, 2013. Net investment income accounted for \$387 million of the increase, reflecting strong 2013 returns for the university's Long Term Investment Pool. *In 2012*, total net position increased \$221 million, to \$5.43 billion at June 30, 2012, primarily due to increases in tuition and gift revenues, limited growth in expenses and positive operating results for the OSU Health System.

Management's Discussion & Analysis (Unaudited) - continued

Statement of Cash Flows

University Cash Flows Summary <i>(in thousands)</i>	2014	2013	2012
Net cash flows provided by (used in) operating activities	\$ (365,550)	\$ 82,605	\$ (281,830)
Net cash flows from noncapital financing activities	706,323	664,464	631,466
Capital appropriations and gifts for capital projects	70,877	82,963	68,038
Proceeds from capital debt	-	499,398	521,155
Payments for purchase or construction of capital assets	(566,746)	(608,138)	(568,222)
Principal and interest payments on capital debt and leases, net of federal Build America Bond interest subsidies	(146,514)	(324,944)	(132,789)
Net cash flows provided by (used in) investing activities	70,687	(673,292)	9,476
Net increase (decrease) in cash	<u>\$ (230,923)</u>	<u>\$ (276,944)</u>	<u>\$ 247,294</u>

University cash and cash equivalents decreased \$231 million in 2014. Net cash flows from operating activities decreased \$448 million, reflecting the September 2012 receipt of \$453 million in net proceeds from the parking lease and concession agreement. Excluding parking proceeds, net operating cash flows were stable compared with 2013. Net cash flows from noncapital financing activities increased \$42 million, primarily due to increases in current-use gift receipts and net transfers from discretely presented component units. Net cash used for capital financing activities increased \$292 million, to \$642 million, reflecting continuing capital expenditures for the Medical Center expansion and a lack of debt issuance and refinancing activity in 2014. Total cash provided by investing activities was \$71 million, with net purchases of investments mostly offsetting investment income.

Economic Factors That Will Affect the Future

Under the leadership of Interim President Joseph A. Alutto, the university has made continued progress in executing its strategic plan to become the world's preeminent public comprehensive university. The university's strategic plan focuses on four core goals:

- **Teaching and Learning:** to provide an unsurpassed, student-centered learning experience led by engaged, world-class faculty and enhanced by a globally diverse student body.
- **Research and Innovation:** to create distinctive and internationally recognized contributions to the advancement of fundamental knowledge and scholarship, and solutions for the world's most pressing problems.
- **Outreach and Engagement:** to establish mutually beneficial partnerships with the citizens and institutions of Ohio, the nation, and the world, so that our communities are actively engaged in the exciting work of The Ohio State University.

Management's Discussion & Analysis (Unaudited) - continued

- **Resource Stewardship:** to become the model for an affordable public university recognized for financial sustainability, unsurpassed management of human and physical resources, and operational efficiency and effectiveness.

The university has identified three Discovery Themes to serve as focal points for investment: Health and Wellness, Energy and the Environment, and Food Production and Security. The fiscal year 2015 budget includes a \$20 million investment in Data Analytics focused around the Discovery Themes.

Based on what is now known regarding the university's financial outlook, university management anticipates that Ohio State will maintain its sound financial position in Fiscal Year 2015. However, the university does face certain financial challenges, including limited growth in state operating support and tuition revenues, continued pressure on government expenditures for research and student financial aid, and uncertainties related to the impact of healthcare reform. State share of institution (SSI) is expected to decrease \$1 million, to \$354 million in 2015, and restricted line-item appropriations are expected to be flat. Tuition revenues are expected to increase 1.9% in 2015, primarily driven by both an increased proportion of non-resident students and increased fees. Undergraduate instructional and mandatory fees will not increase in 2015. Revenue for sponsored research projects administered by the Office of Sponsored Programs is expected to decrease \$3 million, to \$487 million in 2015. The impact of insurance exchanges, changes in managed care rates, and Medicaid expansion will continue to cause uncertainty in the environment for the Wexner Medical Center and hospitals nationwide.

New accounting rules are also expected to have a significant impact on the university's reported financial position and results of operations. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is effective Fiscal Year 2015, requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability, which is the difference between the total pension liability and the net assets set aside to pay pension benefits. For cost-sharing employers, the net pension liability is equal to the employer's proportionate share of the collective net pension liability for the plan. The university participates in two cost-sharing defined benefit pension plans, the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS-Ohio). Based on information provided in the most recently available financial reports for the pension plans, university management anticipates that Statement No. 68 will result in the recognition of significant liabilities in the university's financial statements.

Despite the challenges and uncertainties outlined above, the university remains committed to executing its long-range strategic plan. By doing so, we believe that The Ohio State University will continue its progress towards becoming the world's preeminent comprehensive public university.

THE OHIO STATE UNIVERSITY
STATEMENTS OF NET POSITION
June 30, 2014 and June 30, 2013
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2014	2013	2014	2013	2014	2013
ASSETS AND DEFERRED OUTFLOWS:						
Current Assets:						
Cash and cash equivalents	\$ 324,919	\$ 64,691	\$ 57,851	\$ 52,495	\$ 382,770	\$ 117,186
Temporary investments	1,079,689	1,009,234	8,965	12,572	1,088,654	1,021,806
Accounts receivable, net	440,111	385,965	48,584	48,058	488,695	434,023
Notes receivable - current portion, net	22,798	23,528	448	470	23,246	23,998
Pledges receivable - current portion, net	25,451	27,491	-	-	25,451	27,491
Accrued interest receivable	20,599	21,204	-	-	20,599	21,204
Inventories and prepaid expenses	114,786	83,786	2,979	2,292	117,765	86,078
Amounts due from (to) primary institution	(12,507)	(13,809)	12,507	13,809	-	-
Total Current Assets	2,015,846	1,602,090	131,334	129,696	2,147,180	1,731,786
Noncurrent Assets:						
Restricted cash	435,293	926,444	-	-	435,293	926,444
Notes receivable, net	47,335	56,176	3,286	1,957	50,621	58,133
Pledges receivable, net	69,824	71,655	-	-	69,824	71,655
Long-term investment pool	3,613,866	3,149,169	-	-	3,613,866	3,149,169
Other long-term investments	84,731	69,358	1,012	1,529	85,743	70,887
Capital assets, net	4,492,896	4,136,392	76,346	80,162	4,569,242	4,216,554
Total Noncurrent Assets	8,743,945	8,409,194	80,644	83,648	8,824,589	8,492,842
Total Assets	10,759,791	10,011,284	211,978	213,344	10,971,769	10,224,628
Deferred Outflows	8,650	9,202	-	-	8,650	9,202
Total Assets and Deferred Outflows	\$ 10,768,441	\$ 10,020,486	\$ 211,978	\$ 213,344	\$ 10,980,419	\$ 10,233,830
LIABILITIES, DEFERRED INFLOWS AND NET POSITION:						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 391,064	\$ 385,006	\$ 21,116	\$ 23,596	\$ 412,180	\$ 408,602
Deposits and advance payments for goods and services	229,530	179,436	1,215	1,075	230,745	180,511
Current portion of bonds, notes and leases payable	57,730	57,315	892	1,226	58,622	58,541
Long-term bonds payable, subject to remarketing	446,435	446,435	-	-	446,435	446,435
Other current liabilities	65,822	63,042	-	-	65,822	63,042
Amounts due to (from) primary institution - current	(18,377)	(41,337)	18,377	41,337	-	-
Total Current Liabilities	1,172,204	1,089,897	41,600	67,234	1,213,804	1,157,131
Noncurrent Liabilities:						
Bonds, notes and leases payable	2,101,363	2,167,134	16,362	17,305	2,117,725	2,184,439
Compensated absences	150,042	137,737	-	43	150,042	137,780
Self-insurance accruals	110,872	106,851	-	-	110,872	106,851
Amounts due to third-party payors - Health System	19,779	11,366	-	-	19,779	11,366
Obligations under annuity and life income agreements	32,047	33,702	-	-	32,047	33,702
Refundable advances for Federal Perkins loans	31,657	31,445	-	-	31,657	31,445
Other noncurrent liabilities	91,168	59,849	1,044	1,457	92,212	61,306
Amounts due to (from) primary institution - noncurrent	(62,260)	(51,963)	62,260	51,963	-	-
Total Noncurrent Liabilities	2,474,668	2,496,121	79,666	70,768	2,554,334	2,566,889
Total Liabilities	3,646,872	3,586,018	121,266	138,002	3,768,138	3,724,020
Deferred Inflows:						
Parking service concession arrangement	464,701	474,332	-	-	464,701	474,332
Other deferred inflows	19,749	19,952	-	-	19,749	19,952
Total Deferred Inflows	484,450	494,284	-	-	484,450	494,284
Net Position:						
Invested in capital assets, net of related debt	2,320,611	2,394,141	53,815	52,464	2,374,426	2,446,605
Restricted:						
Nonexpendable	1,281,640	1,158,014	-	-	1,281,640	1,158,014
Expendable	999,029	920,515	-	-	999,029	920,515
Unrestricted	2,035,839	1,467,514	36,897	22,878	2,072,736	1,490,392
Total Net Position	6,637,119	5,940,184	90,712	75,342	6,727,831	6,015,526
Total Liabilities, Deferred Inflows and Net Position	\$ 10,768,441	\$ 10,020,486	\$ 211,978	\$ 213,344	\$ 10,980,419	\$ 10,233,830

The accompanying notes are an integral part of these financial statements.

**THE OHIO STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND OTHER
CHANGES IN NET POSITION**

For the years ended June 30, 2014 and June 30, 2013
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2014	2013	2014	2013	2014	2013
Operating Revenues:						
Student tuition and fees (net of scholarship allowances of \$164,008 and \$154,236, respectively)	\$ 815,743	\$ 816,761	\$ -	\$ -	\$ 815,743	\$ 816,761
Federal grants and contracts	339,011	341,038	9,100	8,819	348,111	349,857
State grants and contracts	71,970	50,062	-	-	71,970	50,062
Local grants and contracts	16,419	16,217	-	-	16,419	16,217
Private grants and contracts	189,691	189,884	36,725	52,412	226,416	242,296
Sales and services of educational departments	136,816	126,207	8,283	7,354	145,099	133,561
Sales and services of auxiliary enterprises (net of scholarship allowances of \$23,368 and \$20,081, respectively)	228,997	222,014	-	-	228,997	222,014
Sales and services of the OSU Health System, net	2,120,891	2,018,724	-	-	2,120,891	2,018,724
Sales and services of OSU Physicians, Inc., net	-	-	356,503	331,817	356,503	331,817
Other operating revenues	70,686	63,842	509	942	71,195	64,784
Total Operating Revenues	3,990,224	3,844,749	411,120	401,344	4,401,344	4,246,093
Operating Expenses:						
Educational and General:						
Instruction and departmental research	938,385	906,339	5,157	4,877	943,542	911,216
Separately budgeted research	437,497	413,985	22,534	20,686	460,031	434,671
Public service	131,389	96,578	6,085	8,535	137,474	105,113
Academic support	188,641	170,142	-	-	188,641	170,142
Student services	96,892	94,237	-	-	96,892	94,237
Institutional support	278,052	271,737	6,899	7,389	284,951	279,126
Operation and maintenance of plant	98,678	93,767	6,659	22,030	105,337	115,797
Scholarships and fellowships	110,601	111,364	-	-	110,601	111,364
Auxiliary enterprises	241,915	242,376	-	-	241,915	242,376
OSU Health System	1,839,645	1,796,581	-	-	1,839,645	1,796,581
OSU Physicians, Inc.	-	-	342,565	316,080	342,565	316,080
Depreciation	260,367	257,606	6,540	7,116	266,907	264,722
Total Operating Expenses	4,622,062	4,454,712	396,439	386,713	5,018,501	4,841,425
Net Operating Income (Loss)	(631,838)	(609,963)	14,681	14,631	(617,157)	(595,332)
Non-operating Revenues (Expenses):						
State share of instruction and line-item appropriations	440,924	432,652	-	-	440,924	432,652
Federal subsidies for Build America Bonds interest	10,500	10,799	-	-	10,500	10,799
Federal non-exchange grants	52,892	57,794	-	-	52,892	57,794
State non-exchange grants	7,604	8,463	-	-	7,604	8,463
Gifts	138,230	122,208	-	-	138,230	122,208
Net investment income	620,605	386,516	182	370	620,787	386,886
Interest expense on plant debt	(54,103)	(62,227)	(686)	(713)	(54,789)	(62,940)
Other non-operating expenses	(3,915)	(23,312)	2,626	12,555	(1,289)	(10,757)
Net Non-operating Revenue	1,212,737	932,893	2,122	12,212	1,214,859	945,105
Income before Other Changes in Net Position	580,899	322,930	16,803	26,843	597,702	349,773
Other Changes in Net Position						
State capital appropriations	54,808	75,127	-	-	54,808	75,127
Private capital gifts	5,486	41,176	-	-	5,486	41,176
Additions to permanent endowments	54,309	57,480	-	-	54,309	57,480
Transfers to (from) primary institution	1,433	15,967	(1,433)	(15,967)	-	-
Total Other Changes in Net Position	116,036	189,750	(1,433)	(15,967)	114,603	173,783
Increase in Net Position	696,935	512,680	15,370	10,876	712,305	523,556
Net Position - Beginning of Year	5,940,184	5,427,504	75,342	64,466	6,015,526	5,491,970
Net Position - End of Year	\$ 6,637,119	\$ 5,940,184	\$ 90,712	\$ 75,342	\$ 6,727,831	\$ 6,015,526

The accompanying notes are an integral part of these financial statements.

THE OHIO STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and June 30, 2013
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2014	2013	2014	2013	2014	2013
Cash Flows from Operating Activities:						
Tuition and fee receipts	\$ 725,375	\$ 716,689	\$ -	\$ -	\$ 725,375	\$ 716,689
Grant and contract receipts	634,309	572,733	47,239	61,149	681,548	633,882
Receipts for sales and services	2,448,063	2,409,068	361,678	345,168	2,809,741	2,754,236
Receipts for parking service concession arrangement	-	453,546	-	-	-	453,546
Payments to or on behalf of employees	(2,082,513)	(1,978,812)	(237,941)	(223,225)	(2,320,454)	(2,202,037)
University employee benefit payments	(608,638)	(581,981)	(58,092)	(54,370)	(666,730)	(636,351)
Payments to vendors for supplies and services	(1,472,266)	(1,470,957)	(97,488)	(108,384)	(1,569,754)	(1,579,341)
Payments to students and fellows	(101,251)	(102,886)	-	-	(101,251)	(102,886)
Student loans issued	(9,441)	(9,400)	-	-	(9,441)	(9,400)
Student loans collected	10,847	10,719	-	-	10,847	10,719
Student loan interest and fees collected	3,013	2,228	-	-	3,013	2,228
Other receipts	86,952	61,658	509	939	87,461	62,597
Net cash provided (used) by operating activities	<u>(365,550)</u>	<u>82,605</u>	<u>15,905</u>	<u>21,277</u>	<u>(349,645)</u>	<u>103,882</u>
Cash Flows from Noncapital Financing Activities:						
State share of instruction and line-item appropriations	440,924	432,652	-	-	440,924	432,652
Non-exchange grant receipts	60,496	66,257	-	-	60,496	66,257
Gift receipts for current use	134,639	118,752	-	-	134,639	118,752
Additions to permanent endowments	54,309	57,480	-	-	54,309	57,480
Drawdowns of federal direct loan proceeds	354,854	384,505	-	-	354,854	384,505
Disbursements of federal direct loans to students	(355,622)	(369,049)	-	-	(355,622)	(369,049)
Disbursement of loan proceeds to related organization	386	(8,161)	-	-	386	(8,161)
Repayment of loans from related organization	7,135	574	-	-	7,135	574
Amounts received for annuity and life income funds	2,440	3,482	-	-	2,440	3,482
Amounts paid to annuitants and life beneficiaries	(3,729)	(3,737)	-	-	(3,729)	(3,737)
Agency funds receipts	3,665	3,352	-	-	3,665	3,352
Agency funds disbursements	(3,342)	(2,827)	-	-	(3,342)	(2,827)
Transfers from (to) primary institution	10,168	(18,816)	(10,168)	18,816	-	-
Net cash provided (used) by noncapital financing activities	<u>706,323</u>	<u>664,464</u>	<u>(10,168)</u>	<u>18,816</u>	<u>696,155</u>	<u>683,280</u>
Cash Flows from Capital Financing Activities:						
Proceeds from capital debt	-	499,398	-	-	-	499,398
State capital appropriations	57,929	69,732	-	-	57,929	69,732
Gift receipts for capital projects	12,948	13,231	-	-	12,948	13,231
Payments for purchase or construction of capital assets	(566,746)	(608,138)	(2,723)	(4,398)	(569,469)	(612,536)
Principal payments on capital debt and leases	(58,473)	(243,737)	(1,277)	(30,682)	(59,750)	(274,420)
Interest payments on capital debt and leases	(98,541)	(92,005)	(686)	(713)	(99,227)	(92,718)
Federal subsidies for Build America Bonds interest	10,500	10,799	-	-	10,500	10,799
Net cash (used) by capital financing activities	<u>(642,383)</u>	<u>(350,721)</u>	<u>(4,686)</u>	<u>(35,793)</u>	<u>(647,069)</u>	<u>(386,514)</u>
Cash Flows from Investing Activities:						
Net (purchases) sales of temporary investments	(70,454)	(279,947)	3,606	297	(66,848)	(279,650)
Proceeds from sales and maturities of long-term investments	981,378	1,112,965	-	3,577	981,378	1,116,542
Investment income	121,131	83,168	182	369	121,313	83,537
Purchases of long-term investments	(961,368)	(1,589,478)	517	-	(960,851)	(1,589,478)
Net cash provided (used) by investing activities	<u>70,687</u>	<u>(673,292)</u>	<u>4,305</u>	<u>4,243</u>	<u>74,992</u>	<u>(669,049)</u>
Net Increase (Decrease) in Cash	(230,923)	(276,944)	5,356	8,543	(225,567)	(268,401)
Cash and Cash Equivalents - Beginning of Year	<u>991,135</u>	<u>1,268,079</u>	<u>52,495</u>	<u>43,952</u>	<u>1,043,630</u>	<u>1,312,031</u>
Cash and Cash Equivalents - End of Year	<u>\$ 760,212</u>	<u>\$ 991,135</u>	<u>\$ 57,851</u>	<u>\$ 52,495</u>	<u>\$ 818,063</u>	<u>\$ 1,043,630</u>

The accompanying notes are an integral part of these financial statements.

THE OHIO STATE UNIVERSITY
STATEMENTS OF CASH FLOWS, Cont'd
Years Ended June 30, 2014 and June 30, 2013
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2014	2013	2014	2013	2014	2013
Reconciliation of Net Operating Loss to Net Cash Provided (Used) by Operating Activities:						
Net operating income (loss)	\$ (631,838)	\$ (609,963)	14,681	\$ 14,631	\$ (617,157)	\$ (595,332)
Adjustments to reconcile net operating loss to net cash used by operating activities:						
Depreciation expense	260,367	257,606	6,540	7,116	266,907	264,722
Changes in assets and liabilities:						
Accounts receivable, net	(56,598)	20,700	(526)	5,367	(57,124)	26,067
Notes receivable, net	2,049	(1,692)	(1,306)	716	743	(976)
Accrued interest receivable	-	2,228	-	-	-	2,228
Inventories and prepaid expenses	(31,000)	(2,967)	(687)	194	(31,687)	(2,773)
Accounts payable and accrued liabilities	(7,456)	(29,234)	(2,479)	(3,642)	(9,935)	(32,876)
Self-insurance accruals	4,021	(8,357)	-	-	4,021	(8,357)
Amounts due to third-party payors - Health System	8,413	(2,350)	-	-	8,413	(2,350)
Deposits and advance payments for goods and services	49,873	(51,401)	138	(170)	50,011	(51,571)
Compensated absences	12,305	11,256	(43)	(14)	12,262	11,242
Refundable advances for Federal Perkins loans	212	2,739	-	-	212	2,739
Deferred inflows	(9,631)	474,332	-	-	(9,631)	474,332
Other liabilities	33,734	19,708	(413)	(2,921)	33,321	16,787
	<u>\$ (365,550)</u>	<u>\$ 82,605</u>	<u>\$ 15,905</u>	<u>\$ 21,277</u>	<u>\$ (349,645)</u>	<u>\$ 103,882</u>
Net cash provided (used) by operating activities						
Non Cash Transactions:						
Capital Lease	\$ 620	\$ 1,147			\$ 620	\$ 1,147
Construction in Process in Accounts Payable	63,164	57,252			63,164	57,252
Stock Gifts	16,202	33,920			16,202	33,920

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization

The Ohio State University (the “university”) is a land grant institution created in 1870 by the Ohio General Assembly under provisions of the Morrill Act. The university is one of several state-supported universities in Ohio. It is declared by statute to be a body politic and corporate and an instrumentality of the State.

The university is governed by a Board of Trustees which is granted authority under Ohio law to do all things necessary for the proper maintenance and continual successful operation of the university. Trustees are appointed by the governor, with the advice and consent of the state Senate. In 2005, the Ohio General Assembly voted to expand the Board from 11 to 17 members. The standard term for voting members of the Board is nine years. However, as part of the transition to a larger board membership, the additional trustees appointed in 2005 and 2006 will serve terms ranging from four to eight years. The Board also includes two non-voting student trustees who are appointed to two-year terms.

In 2009, the Board appointed its first charter trustee, which expanded the Board to 18 members. A maximum of three charter trustees may be appointed and removed by a vote of the Board. Charter trustees, who must be non-Ohio residents, are appointed to three-year terms and do not have voting privileges.

The Board of Trustees has responsibility for all the university’s financial affairs and assets. The university operates largely on a decentralized basis by delegating this authority to its academic and support departments. The Board must approve the annual budgets for unrestricted academic and support functions, departmental earnings operations and restricted funds operations, but these budgets are managed at the department level.

Basis of Presentation

The accompanying financial statements present the accounts of the following entities, which constitute the primary government for financial reporting purposes:

- The Ohio State University and its hospitals and clinics
- Ohio Agricultural Research and Development Center
- The Ohio Technology Consortium (OH-TECH)

In addition, these financial statements include component units -- legally separate organizations for which the university is financially accountable. Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 61, *The Financial Reporting Entity: Omnibus*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- Appointment of a voting majority of an organization’s governing authority and the ability of the primary government (i.e. the university) to either impose its will

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or;

- An organization is fiscally dependent on the primary government and provides specific financial benefits to, or imposes specific financial burdens on, the primary government.

The university's component units and the reasons for their inclusion in the university's financial statements are described below:

- **The Ohio State University Foundation** – The fiscal dependency criteria apply to this not-for-profit fundraising organization, which operates exclusively for the benefit of The Ohio State University.
- **OSU Health Plan, Inc.** – The university appoints a voting majority of the board for this organization, which provides medical benefit plan administration services to the university and its faculty and staff.
- **Oval Limited** – The university holds all of the voting stock of this captive insurance entity, which was established by the university to provide medical malpractice coverage to physicians in the university's medical center.

The component units listed above provide services entirely, or almost entirely, to the university or otherwise exclusively, or almost exclusively, benefit the university. Therefore, the transactions and balances for these organizations have been blended with those of the university.

In addition to the blended component units described above, the university's financial statements include the following discretely presented component units:

- **The Ohio State University Physicians, Inc.** – The university appoints a voting majority of the board of the medical practice group for physician faculty members in the Colleges of Medicine and Public Health.
- **Campus Partners for Community Urban Redevelopment, Inc.** – The university appoints a voting majority of the board for this non-profit organization, which participates in the redevelopment of neighborhoods adjacent to the Columbus campus.
- **Transportation Research Center of Ohio, Inc.** – The university appoints a voting majority of the board for this automotive research and testing facility in East Liberty, Ohio.
- **Dental Faculty Practice Association, Inc.** – The university appoints a voting majority of the board for the dental practice group for faculty in the College of Dentistry.

Summary financial statement information for the university's blended and discretely presented component units is provided in Notes 19 and 20. Audited financial statements for component units considered to be material to the university may be obtained from the

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Office of the Controller. A total university column in the financial statements is provided as memorandum only for purposes of additional analysis by users.

The university, as a component unit of the State of Ohio, is included as a discrete entity in the State of Ohio's Comprehensive Annual Financial Report.

Basis of Accounting

The financial statements of the university have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB. The university is reporting as a special purpose government engaged in business type activities (BTA) on the accrual basis. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. In accordance with BTA reporting, the university presents Management's Discussion and Analysis; Statements of Net Position; Statements of Revenues, Expenses and Other Changes in Net Position; Statements of Cash Flows; and Notes to the Financial Statements. In the Financial Statements, separate columns are presented for the *primary institution* (which includes the primary government and the blended component units), *discretely presented component units* and the *total university*. The Notes to the Financial Statements include separate disclosures for the primary institution and the discretely presented component units, where relevant. Unless otherwise specified, the amounts presented in MD&A are those of the primary institution.

The university's financial resources are classified for accounting and reporting purposes into the following four net position 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:** Amounts subject to externally-imposed stipulations that they be maintained in perpetuity and invested for the purpose of generating present and future income, which may either be expended or added to the principal by the university. These assets primarily consist of the university's permanent endowments.
- **Restricted - expendable:** Amounts whose use is subject to externally-imposed stipulations that can be fulfilled by actions of the university pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted:** Amounts which are not subject to externally-imposed stipulations. Substantially all unrestricted balances are internally designated for use by 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.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Under the university's decentralized management structure, it is the responsibility of individual departments to determine whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted funds are available.

For internal financial management purposes, the university classifies financial resources into funds that reflect the specific activities, objectives or restrictions of the resources.

Cash and Investments

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. Such investments consist primarily of U.S. Government obligations, U.S. Agency obligations, repurchase agreements and money market funds. Restricted cash consists of bond proceeds restricted for capital expenditures. For purposes of the Statement of Cash Flows, "cash" is defined as the total of these two line items.

Investments are carried at market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The weighted average method is used for purposes of determining gains and losses on the sale of investments. The specific identification method is used for purposes of determining gains and losses on the sale of gifted securities.

The university holds investments in limited partnerships, private equity and other investments, 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. Investments in these funds are fair valued based on the university's proportional share of the net asset value of the total fund. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. As of June 30, 2014, the university has made commitments to limited partnerships totaling \$775,000 that have not yet been funded. These commitments may extend for a maximum of thirteen years. As of June 30, 2013, the university had made commitments to limited partnerships totaling \$624,000 that had not yet been funded.

Investment in real estate is carried at cost, if purchased, or appraised value at the date of the gift. Holdings in real estate investment trusts (REITs) are carried at estimated fair values. The carrying and market values of real estate at June 30, 2014 are \$4,873 and \$13,713, respectively. The carrying and market values of real estate at June 30, 2013 are \$4,845 and \$13,571, respectively.

Investment income is recognized on an accrual basis. Interest and dividend income is recorded when earned.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Endowment Policy

All endowments are invested in the university's Long Term Investment Pool, which consists of more than 4,900 Board authorized funds. Each named fund is assigned a number of shares in the Long Term Investment Pool based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Ohio, permits the university's Board of Trustees to appropriate an amount of realized and unrealized endowment appreciation as the Board deems prudent. The UPMIFA, as adopted in Ohio, establishes a 5% safe harbor of prudence for funds appropriated for expenditure. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the Long Term Investment Pool, and the associated net position is classified as restricted-expendable, unless otherwise restricted by the donor.

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, 2014, the market value of the university's gifted endowments is \$1,768,771, which is \$349,902 above the historical dollar value of \$1,418,869. Although the market value of the gifted endowments in total exceeds the historical cost at June 30, 2014, there are 1,212 named funds that remain underwater. The market value of these underwater funds at June 30, 2014 is \$419,662, which is \$40,773 below the historical dollar value of \$460,435.

At June 30, 2013, the market value of the university's gifted endowments was \$1,530,734, which was \$174,140 above the historical dollar value of \$1,356,594. Although the market value of the gifted endowments in total exceeded the historical cost at June 30, 2013, there were 2,287 named funds that were underwater. The market value of these underwater funds at June 30, 2013 was \$671,524, which was \$100,471 below the historical dollar value of \$771,995.

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

Gift Pledges Receivable

The university 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. An allowance for uncollectible pledges receivable is provided based on

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

management's judgment of potential uncollectible amounts and includes such factors as prior collection history, type of gift and nature of fundraising.

Inventories

The university's inventories, which consist principally of publications, general stores and other goods for resale by earnings operations, are valued at the lower of moving average cost or market. The inventories of the Health System, which consist principally of pharmaceuticals and operating supplies, are valued at cost on a first-in, first-out basis.

Capital Assets and Collections

Capital assets are long-life assets in the service of the university and include land, buildings, improvements, equipment, software and library books. Capital assets are stated at cost or fair value at date of gift. Depreciation of capital assets (excluding land and construction in progress) is provided on a straight-line basis over the following estimated useful lives:

Type of Asset	Estimated Useful Life
Improvements other than buildings	20 years
Buildings	10 to 100 years
Moveable equipment, software and furniture	5 to 15 years
Library books	10 years

The university does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any way. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Advance Payments for Goods and Services

Advance payments for goods and services primarily consist of receipts relating to tuition, room, board, grants, contracts and athletic events received in advance of the services to be provided. Tuition and fees relating to the summer academic term are recorded as revenue in the year to which they pertain. The university will recognize revenue to the extent these services are provided over the coming fiscal year.

Derivative Instruments and Hedging Activities

The university accounts for all derivative instruments on the statement of net position at fair value. Changes in the fair value (i.e., gains or losses) of the university's interest rate swap derivative are recorded each period in the statement of operations and changes in net position as a component of other non-operating expense.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Operating and Non-Operating Revenues

The university defines operating activities, for purposes of reporting on the Statement of Revenues, Expenses, and Other Changes in Net Position, as those activities that generally result from exchange transactions, such as payments received for providing services and payments made for goods or services received. With the exception of interest expense on long-term indebtedness, substantially all university expenses are considered to be operating expenses. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, current-use gifts and net investment income.

Tuition, Room and Board

Student tuition and residence hall fees are presented net of scholarships and fellowships applied to student accounts. Stipends and other payments made directly to students are presented as scholarship and fellowship expense. Fee authorizations provided to graduate teaching, research and administrative associates as part of an employment arrangement are presented in instruction, research and other functional categories of operating expense.

State Support

The university is a state-assisted institution of higher education which receives a student enrollment-based instructional subsidy from the State of Ohio. This subsidy, which is based upon a formula devised by the Ohio Board of Regents, is determined annually and is adjusted to state resources available.

The state also provides line-item appropriations which partially support the current operations of various activities, which include clinical teaching expenditures incurred at The Ohio State University Health System and other health sciences teaching facilities, The Ohio State University Extension, the Ohio Agricultural Research and Development Center, and the Center for Labor Research.

In addition to current operating support, the State of Ohio provides the funding for and constructs major plant facilities on the university's campuses, and this funding is recorded as state capital appropriations. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC) which, in turn, initiates the construction and subsequent lease of the facility by the Ohio Board of Regents.

Such facilities are reflected as buildings or construction in progress in the accompanying statement of net position. Neither the obligations for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the university's financial statements. Debt service is funded through appropriations to the Ohio Board of Regents by the General Assembly.

These facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund and future

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

payments to be received by such fund, which is established in the custody of the Treasurer of State.

Government Grants and Contracts

Government grants and contracts normally provide for the recovery of direct and indirect costs and are subject to audit by the appropriate government agency. Federal funds are subject to an annual OMB Circular A-133 audit. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to three years.

The university generally considers grants, contracts and non-capital appropriations to be exchange transactions. Under these arrangements, the university provides a bargained-for benefit, typically in the form of instruction, research or public service programs, either directly to the funding entity or to its constituents. The overall scope and nature of these program activities is determined by the level of funding and the requirements set forth by these resource providers.

OSU Health System Revenue

Net patient service revenue represents amounts received and the estimated realizable amounts due from patients and third-party payers for services rendered net of contractual allowances, charity care and bad debt expenses. Revenue received under third-party cost reimbursement agreements (primarily the federal Medicare and Medicaid programs) are subject to examination and retroactive adjustments by the agencies administering the programs. In the normal course of business, the Health System contests certain issues resulting from examination of prior years' reimbursement reports. The accompanying financial statements include provisions for estimated retroactive adjustments arising from such examinations and contested issues. The Health System recognizes settlements of protested adjustments or appeals upon resolution of the matters.

OSU Physicians Revenue

Net patient service revenue represents amounts received and the estimated realizable amounts due from patients and third-party payers for services rendered net of contractual allowances, charity care and bad debt expenses. OSU Physicians (OSUP), a discretely presented component unit of the university, provides care to patients under various reimbursable agreements, including Medicare and Medicaid. These arrangements provide for payment for covered services at agreed-upon rates and under certain fee schedules and various discounts from charges. Provisions have been made in the financial statements for estimated contractual adjustments, representing the difference between the customary charges for services rendered and related reimbursement.

Charity Care and Community Benefit

Care is provided to patients regardless of their ability to pay. A patient is classified as charity care in accordance with policies established by the OSU Health System and OSUP. Because collection of amounts determined to qualify as charity care are not pursued, such

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

amounts are written off as administrative adjustments and not reported as net patient service revenue. OSU Health System and OSUP maintain records to identify and monitor the level of charity care provided, including the amount of charges foregone for services rendered. Net charity care costs for the OSU Health System as of June 30, 2014 and 2013 are \$32,609 and \$35,927, respectively, after applying reductions of \$20,710 and \$21,463, respectively, for support received under the Health Care Assurance Program (HCAP). HCAP is administered by the State of Ohio to help hospitals cover a portion of the cost of providing charity care. Charity care costs for OSUP as of June 30, 2014 and 2013 are \$15,026 and \$19,934, respectively.

Management Estimates

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

Implementation of GASB Statement No. 65

In 2014, the university implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The implementation resulted in a reclassification of amounts previously reported as liabilities to deferred outflows and deferred inflows. The retrospectively adjusted amounts are summarized below:

	<u>As of June 30, 2013</u>		
	<u>As originally reported</u>	<u>Adjustment</u>	<u>As adjusted</u>
Statements of Net Position, Primary Institution:			
Deferred outflows	\$ -	\$ 9,202	\$ 9,202
Bonds, notes and leases payable	2,177,884	(10,750)	2,167,134
Other deferred inflows	-	19,952	19,952

Newly Issued Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position 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.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

The university participates in two cost-sharing defined benefit pension plans, the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS-Ohio). Based on information provided in the most recently available financial reports for the pension plans, university management anticipates that Statement No. 68 will result in the recognition of significant liabilities in the university's financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. Statement No. 69 requires mergers, which do not involve an exchange of consideration, to be accounted for using the carrying values of assets. Acquisitions are accounted for using acquisition values. The standard also provides guidance on reporting of disposals of government operations. It is effective for periods beginning after December 15, 2013.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

University management is currently assessing the impact that implementation of GASB Statements No. 69 and 71 will have on the university's financial statements.

Other

The university is exempt from income taxes as an instrumentality of the State of Ohio under Internal Revenue Code §115 and Internal Revenue Service regulations. Any unrelated business income is taxable.

Revision

During 2014, the university identified a misclassification of accumulated appreciation on donor restricted endowment funds, between restricted net position – nonexpendable and restricted net position – expendable. As a result, the June 30, 2013 restricted nonexpendable and restricted expendable net position for the Primary Institution presented within the statement of net position and for the OSU Foundation presented within Note 19 have been revised to correct for the misclassification of these amounts. The following table summarizes the effect of these revisions:

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

	<u>As of June 30, 2013</u>		
	<u>As originally reported</u>	<u>Adjustment</u>	<u>As adjusted</u>
Statements of Net Position, Primary Institution:			
Restricted:			
Nonexpendable	\$1,340,681	(\$182,667)	\$1,158,014
Expendable	737,848	182,667	920,515
Note 19 – Combining Information for Blended Component Units, OSU Foundation:			
Restricted:			
Nonexpendable	587,508	(14,058)	573,450
Expendable	120,994	14,058	135,052

There was no impact on total net position as originally reported. The endowment policy disclosures in Note 1 in this regard have been revised to reflect this adjusted presentation.

NOTE 2 — CASH AND CASH EQUIVALENTS

At June 30, 2014, the carrying amount of the primary institution's cash, cash equivalents and restricted cash for all funds is \$760,212 as compared to bank balances of \$754,462. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$17,803 is covered by federal deposit insurance and \$736,659 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

At June 30, 2013, the carrying amount of the primary institution's cash, cash equivalents and restricted cash for all funds is \$991,135 as compared to bank balances of \$966,360. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$3,054 is covered by federal deposit insurance and \$963,306 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

At June 30, 2014, the carrying amount of the discretely presented component units' cash, cash equivalents and restricted cash for all funds is \$57,851 as compared to bank balances of \$47,964. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$4,963 is covered by federal deposit insurance and \$43,001 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

At June 30, 2013, the carrying amount of the discretely presented component units' cash, cash equivalents and restricted cash for all funds is \$52,495 as compared to bank balances of \$48,927. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$5,619 is covered by

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

federal deposit insurance and \$43,308 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

NOTE 3 — INVESTMENTS

University investments are grouped into three major categories for financial reporting purposes: Temporary Investments, the Long-Term Investment Pool and Other Long-Term Investments.

Temporary Investments are funds available for current operations. The target is to maximize value while protecting the liquidity of the assets. Temporary Investment funds are invested in the following instruments with varying maturities: obligations of the U. S. Treasury and other federal agencies and instrumentalities, municipal and state bonds, corporate bonds, certificates of deposit, commercial paper, repurchase agreements, money market funds and mutual funds.

The Long-Term Investment Pool is a unitized investment pool consisting of gifted endowment funds of the university, gifted endowment funds of the OSU Foundation, and quasi-endowment funds which are internally designated funds that are to function as endowments. The Long-Term Investment Pool operates with a long-term investment goal of preserving and maintaining the real purchasing power of the principal while allowing for the generation of a predictable stream of annual distribution. The university's Board of Trustees approved the following thematic asset classes, allocation ranges and benchmarks for the Long-Term Investment Pool:

Asset Class	Range	Benchmark
Global Equity	10-50%	50% (ACWI) + 50% (50% ACWI + 4%)
Global Credit	10-50%	90 Day T-Bills + 4%
Private Capital	10-25%	100% (Cambridge Associates Private Equity Medians)
Real Assets	10-25%	75% (CPI + 4%) + 25% (NACREIF Real Estate Index)

The Long Term Investment Pool is a diversified investment pool designed to produce competitive risk-adjusted returns that will provide real growth over time. Benchmarks are selected to measure the performance of the investments in each asset class considering the goals and expectations for each asset class.

The Global Equity category includes domestic equity, international equity, emerging market equity and long biased long/short managers. The Global Credit category includes fixed income and relative value/macro and credit oriented managers. The Private Capital category includes private equity and venture capital funds. The Real Assets category includes real estate, natural resources, commodity and infrastructure funds.

Mutual funds held by the university invest in a wide range of alternative investments. These investments may include, but are not limited to, investments in equity securities, mutual

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

funds, limited and general partnerships, foreign securities, short sales positions, distressed securities, fixed income securities, options, currencies, commodities, futures and derivatives. The university's objective for investing in these assets is to provide stable, absolute returns that are uncorrelated to fluctuations in the stock and bond markets.

Other Long-Term Investments are non-unitized investments that relate primarily to gift arrangements between donors and the OSU Foundation. Included in this category are charitable remainder trust assets invested in mutual funds, OSU Foundation interests in unitrust, gift annuities, annuity trust and pooled income agreements, life insurance policies for which the OSU Foundation has been named owner and beneficiary, and certain real estate investments. Also included in this category are investments in certain organizations that are affiliated with the OSU Health System.

U. S. Government and Agency securities are invested through trust agreements with banks who keep the securities in their safekeeping accounts at the Federal Reserve Bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the university. Common stocks, corporate bonds and money market instruments are invested through trust agreements with banks who keep the investments in their safekeeping accounts at Northern Trust and BNY Mellon in "book entry" form. The banks internally designate the securities as owned by or pledged to the university.

The cash and cash equivalents amount represents cash held in the long-term investment pool by various investment managers. Such amounts were generated by gifts received throughout the fiscal year and sales of investments in the long-term investment pool. Subsequently, the cash and cash equivalents will be used to purchase long-term investments.

Total university investments by major category for the primary institution at June 30, 2014 and 2013 are as follows:

	Primary Institution	
	2014	2013
Temporary Investments	\$ 1,079,689	\$ 1,009,234
Long-Term Investment Pool:		
Gifted Endowment - University	1,057,810	941,031
Gifted Endowment - OSU Foundation	710,961	589,702
Quasi Endowment - Operating	1,158,595	1,055,699
Quasi Endowment - Designated	686,500	562,737
Total Long-Term Investment Pool	3,613,866	3,149,169
Other Long-Term Investments	84,731	69,358
Total Investments	<u>\$ 4,778,286</u>	<u>\$ 4,227,761</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Total university investments by investment type for the primary institution at June 30, 2014 are as follows:

	Primary Institution			
	Temporary Investments	Long-Term Investment Pool	Other	
			Long-Term Investments	Total
Common stock	\$ -	\$ 404,675	\$ -	\$ 404,675
Equity mutual funds	93,997	177,992	28,445	300,434
U.S. government obligations	101,634	10,686	1,891	114,211
U.S. government agency obligations	104,930	9,225	-	114,155
Repurchase agreements	800	-	-	800
Corporate bonds and notes	654,016	30,114	247	684,377
Bond mutual funds	82,230	51,271	21,247	154,748
Foreign government bonds	15,659	427	-	16,086
Real estate	5	-	5,131	5,136
Partnerships and hedge funds	-	2,836,312	12,033	2,848,345
Commercial paper	8,541	-	-	8,541
Cash and cash equivalents	-	92,211	-	92,211
Other	17,877	953	15,737	34,567
	<u>\$ 1,079,689</u>	<u>\$ 3,613,866</u>	<u>\$ 84,731</u>	<u>\$ 4,778,286</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Total university investments by investment type for the primary institution at June 30, 2013 are as follows:

	Primary Institution			
	Temporary Investments	Long-Term Investment Pool	Other	Total
			Long-Term Investments	
Common stock	\$ 3	\$ 369,745	\$ -	\$ 369,748
Equity mutual funds	69,846	152,708	23,522	246,076
U.S. government obligations	106,380	24,956	3,147	134,483
U.S. government agency obligations	119,943	66,430	-	186,373
Repurchase agreements	42,244	9,600	-	51,844
Corporate bonds and notes	483,267	78,390	261	561,918
Bond mutual funds	136,986	-	20,118	157,104
Foreign government bonds	18,604	14,855	-	33,459
Real estate	5	-	4,848	4,853
Partnerships and hedge funds	-	2,288,377	822	2,289,199
Commercial paper	21,733	-	-	21,733
Cash and cash equivalents	-	141,510	-	141,510
Other	10,223	2,598	16,640	29,461
	<u>\$ 1,009,234</u>	<u>\$ 3,149,169</u>	<u>\$ 69,358</u>	<u>\$ 4,227,761</u>

The components of the net investment income for the primary institution are as follows:

	Net Increase (Decrease)		
	Interest and Dividends (net)	in Fair Value of Investments	Net Investment Income (Loss)
Temporary Investments	\$ 17,721	\$ 22,045	\$ 39,766
Long-Term Investment Pool	76,522	500,050	576,572
Other Long-Term Investments	2,100	2,167	4,267
Total 2014	<u>\$ 96,343</u>	<u>\$ 524,262</u>	<u>\$ 620,605</u>
Total 2013	<u>\$ 77,458</u>	<u>\$ 309,058</u>	<u>\$ 386,516</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Additional Risk Disclosures for Investments

Statement Nos. 3 and 40 of the Governmental Accounting Standards Board require certain additional disclosures related to the custodial, interest-rate, credit and foreign currency risks associated with deposits and investments.

Interest-rate risk – Interest-rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

The maturities of the university's interest-bearing investments for the primary institution at June 30, 2014 are as follows:

	Primary Institution				
	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	\$ 114,211	\$ 21,246	\$ 89,100	\$ 273	\$ 3,592
U.S. government agency obligations	114,155	6,859	67,667	20,953	18,676
Repurchase agreements	800	800	-	-	-
Commercial paper	8,541	8,541	-	-	-
Corporate bonds	684,377	125,262	485,191	24,525	49,399
Bond mutual funds	154,748	21,253	45,402	23,149	64,944
Other governmental bonds	18,051	2,050	13,533	897	1,571
Foreign governmental bonds	16,086	2,203	13,155	301	427
Total	\$ 1,110,969	\$ 188,214	\$ 714,048	\$ 70,098	\$ 138,609

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

The maturities of the university's interest-bearing investments for the primary institution at June 30, 2013 are as follows:

	Primary Institution				
	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	\$ 134,483	\$ 27,707	\$ 91,981	\$ 6,650	\$ 8,145
U.S. government agency obligations	186,373	18,361	80,686	18,019	69,307
Repurchase agreements	51,844	51,844	-	-	-
Commercial paper	21,733	21,733	-	-	-
Corporate bonds	561,918	84,924	392,929	26,633	57,432
Bond mutual funds	157,104	6,352	66,481	26,563	57,708
Other governmental bonds	11,188	1,514	6,189	1,365	2,120
Foreign governmental bonds	33,459	9,091	13,638	8,566	2,164
Total	\$ 1,158,102	\$ 221,526	\$ 651,904	\$ 87,796	\$ 196,876

Custodial credit risk – Custodial credit risk is the risk that, in the event of the failure of the custodian, university investments may not be recovered. It is the policy of the university to hold investments in custodial accounts, and the securities are registered solely in the name of the university. All investments are transacted with nationally reputable brokerage firms offering protection by the Securities Investor Protection Corporation.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. Credit quality information – as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings – provides a current depiction of potential variable cash flows and credit risk.

Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, securities with split ratings, or a different rating assignment, are disclosed using the rating indicative of the greatest degree of risk. The following table presents each applicable investment type grouped by rating as of June 30, 2014 and 2013.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

The credit ratings of the university's interest-bearing investments for the primary institution at June 30, 2014 are as follows:

	Primary Institution								
	U. S.								
	Total	Government and Agency Obligations	Repurchase Agreements	Commercial Paper	Corporate Bonds and Notes	Bond Mutual Funds	Other Governmental Bonds	Foreign Governmental Bonds	
AAA	\$ 133,553	\$ -	\$ -	\$ -	\$ 79,301	\$ 50,742	\$ 2,507	\$ 1,003	
AA	350,222	226,193	-	-	109,281	5,421	7,599	1,728	
A	358,516	806	800	7,941	295,614	35,949	7,166	10,240	
BBB	179,460	-	-	600	162,954	12,012	779	3,115	
BB	28,496	-	-	-	27,538	958	-	-	
B	6,600	-	-	-	4,922	1,678	-	-	
CCC	6,228	-	-	-	217	6,011	-	-	
CC	1,222	-	-	-	-	1,222	-	-	
C	56	-	-	-	-	56	-	-	
D	2,843	-	-	-	44	2,799	-	-	
Not rated	43,773	1,367	-	-	4,506	37,900	-	-	
Total	\$ 1,110,969	\$ 228,366	\$ 800	\$ 8,541	\$ 684,377	\$ 154,748	\$ 18,051	\$ 16,086	

The credit ratings of the university's interest-bearing investments for the primary institution at June 30, 2013 are as follows:

	Primary Institution								
	U. S.								
	Total	Government and Agency Obligations	Repurchase Agreements	Commercial Paper	Corporate Bonds and Notes	Bond Mutual Funds	Other Governmental Bonds	Foreign Governmental Bonds	
AAA	\$ 198,324	\$ -	\$ -	\$ -	\$ 77,958	\$ 115,167	\$ -	\$ 5,199	
AA	437,726	266,979	51,844	-	90,681	10,936	7,430	9,856	
A	296,201	6,281	-	19,733	236,243	20,542	2,858	10,544	
BBB	126,345	1,537	-	-	114,791	9,571	-	446	
BB	10,669	-	-	-	9,193	115	-	1,361	
B	6,146	-	-	-	6,146	-	-	-	
CCC	3,281	-	-	-	2,581	700	-	-	
CC	1,764	-	-	-	1,764	-	-	-	
C	-	-	-	-	-	-	-	-	
D	15,608	-	-	-	15,608	-	-	-	
Not rated	62,038	46,059	-	2,000	6,953	73	900	6,053	
Total	\$ 1,158,102	\$ 320,856	\$ 51,844	\$ 21,733	\$ 561,918	\$ 157,104	\$ 11,188	\$ 33,459	

Foreign currency risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

At June 30, 2014, exposure to foreign currency risk for the primary institution is as follows:

	Primary Institution					
	Common	Equity	Bond	Corporate	Foreign	Partnerships
	Stock	Mutual Funds	Mutual Funds	Bonds and Notes	Government Bonds	and Hedge Funds
Australian dollar	\$	\$ 5,793	\$ 59	\$	\$	\$ 22,624
Brazilian real	7,011	5,530	11			
Canadian dollar		3,216	60			
Chilean peso		4,674				
Chinese yuan		1,885	1			
Columbian peso		103				
Czech Republic koruna	1,035	892				
Danish krone		512		1,290		
Egyptian pound	1,163	37				
Euro	39,013	30,886	54	1,488	684	50,915
Great Britain pound sterling	33,353	35,301	92	45		113
Hong Kong dollar	8,900	8,363				
Hungarian forint		4				
Indian rupee	4,248	4,885	38			
Indonesian rupiah	2,020	950				
Israeli shekel		222				
Japanese yen	18,213	24,271	24			
Jordanian dinar		1,792				
Malaysian ringgit		744				
Mexican peso	656	800				
Moroccan dirham						
New Taiwan dollar	5,097	1,304				
New Turkish lira	1,249	1,456				
New Zealand dollar		56	30			
Norwegian krone	1,061	1,275	28			
Peruvian nuevo sol		50				
Philippine peso		145				
Polish zloty		156				
Russian ruble		552				
Singapore dollar		5,900	30			
South African rand	5,193	3,009	(14)			
South Korean won	9,371	1,592	30			
Sri Lanka rupee						
Swedish krona	3,291	3,754	28			
Swiss franc	14,859	8,481	17			
Thailand bhat		249				
UAE dirham	1,640	51				
Total	\$ 157,373	\$ 158,890	\$ 488	\$ 2,823	\$ 684	\$ 73,652

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

At June 30, 2013, exposure to foreign currency risk for the primary institution is as follows:

	Primary Institution					
	Common	Equity	Bond	Corporate	Foreign	Partnerships
	Stock	Mutual Funds	Mutual Funds	Bonds and Notes	Government Bonds	and Hedge Funds
Australian dollar	\$ 730	\$ 7,298	\$ 100	\$ (38)	\$ 530	\$ 22,017
Brazilian real	6,650	815	51	(293)	-	-
Canadian dollar	422	2,150	164	-	1,505	-
Chilean peso	1,197	126	10	-	-	-
Chinese yuan	-	2,127	1	-	-	-
Columbian peso	-	58	-	-	-	-
Czech Republic koruna	1,021	298	-	-	-	-
Danish krone	-	261	72	1,002	-	-
Egyptian pound	786	-	-	-	-	-
Euro	11,620	20,854	2,858	4,722	12,358	43,499
Great Britain pound sterling	12,182	23,272	619	1,430	2,844	-
Hong Kong dollar	15,481	2,677	-	-	-	-
Hungarian forint	-	30	-	-	-	-
Indian rupee	5,147	507	4	-	-	-
Indonesian rupiah	1,224	220	28	-	298	-
Israeli shekel	-	126	-	-	-	-
Japanese yen	3,701	22,510	2,823	-	4,008	-
Malaysian ringgit	97	288	-	-	290	-
Mexican peso	1,463	348	94	-	4,488	-
Moroccan dirham	-	-	-	-	-	-
New Taiwan dollar	6,925	812	-	-	-	-
New Zealand dollar	-	29	(8)	-	-	-
Norwegian krone	-	1,084	-	-	-	-
Peruvian nuevo sol	-	32	-	-	-	-
Philippine peso	-	93	-	-	-	-
Polish zloty	-	95	-	-	-	-
Russian ruble	-	379	1	-	-	-
Singapore dollar	-	4,149	-	-	-	-
South African rand	6,397	526	7	-	1,386	-
South Korean won	-	977	-	-	-	-
Sri Lanka rupee	9,439	-	-	-	770	-
Swedish krona	512	3,275	44	-	-	-
Swiss franc	8,896	4,267	-	-	-	-
Thailand bhat	519	195	-	-	-	-
Turkish lira	1,613	127	-	-	-	-
UAE dirham	1,135	28	-	-	-	-
Total	\$ 97,157	\$ 100,033	\$ 6,868	\$ 6,823	\$ 28,477	\$ 65,516

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

NOTE 4 — ACCOUNTS, NOTES AND PLEDGES RECEIVABLE

Accounts receivable for the primary institution at June 30, 2014 and 2013 consist of the following:

	Primary Institution	
	2014	2013
Patient receivables - OSU Health System	\$ 868,912	\$ 867,202
Grant and contract receivables	86,015	81,621
Tuition and fees receivable	18,931	23,667
Receivables for departmental and auxiliary sales and services	52,200	50,250
State and federal receivables	12,046	12,525
Other receivables	112	30
Total receivables	1,038,217	1,035,295
Less: Allowances for doubtful accounts	598,106	649,330
Total receivables, net	\$ 440,111	\$ 385,965

Allowances for doubtful accounts consist primarily of patient receivables of the OSU Health System.

Notes receivable consist primarily of Perkins and health professions loans and are net of an allowance for doubtful accounts of \$17,000 and \$18,000 at June 30, 2014 and 2013, respectively. Federal capital contributions to the Perkins loan programs represent advances which are ultimately refundable to the federal government.

In accordance with GASB Statement No. 33, *Accounting and Reporting for Non-exchange Transactions*, the university has recorded \$99,646 in non-endowment pledges receivable and a related allowance for doubtful accounts of \$4,371 at June 30, 2014. The university recorded \$105,515 in non-endowment pledges receivable and a related allowance for doubtful accounts of \$6,369 at June 30, 2013.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

NOTE 5 — CAPITAL ASSETS

Capital assets activity for the primary institution for the year ended June 30, 2014 is summarized as follows:

	Primary Institution			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 69,191	\$ -	\$ 265	\$ 68,926
Intangibles	18,413	-	-	18,413
Construction in progress	862,605	349,042	-	1,211,647
Total non depreciable assets	950,209	349,042	265	1,298,986
Capital assets being depreciated:				
Improvements other than buildings	499,119	11,730	2,519	508,330
Buildings and fixed equipment	4,444,865	175,671	28,473	4,592,063
Movable equipment, furniture and software	1,036,759	91,659	27,182	1,101,236
Library books	165,973	5,945	249	171,669
Total	6,146,716	285,005	58,423	6,373,298
Less: Accumulated depreciation	2,960,533	260,367	41,512	3,179,388
Total depreciable assets, net	3,186,183	24,638	16,911	3,193,910
Capital assets, net	\$ 4,136,392	\$ 373,680	\$ 17,176	\$ 4,492,896

The increase in construction in progress of \$349,042 in 2014 represents the amount of capital expenditures for new projects of \$578,415 net of assets placed in service of \$229,373.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Capital assets activity for the primary institution for the year ended June 30, 2013 is summarized as follows:

	Primary Institution			
	Beginning			Ending
	Balance	Additions	Retirements	Balance
Capital assets not being depreciated:				
Land	\$ 71,062	\$ -	\$ 1,871	\$ 69,191
Intangibles	7,913	10,500	-	18,413
Construction in progress	911,390	(48,785)	-	862,605
Total non depreciable assets	990,365	(38,285)	1,871	950,209
Capital assets being depreciated:				
Improvements other than buildings	306,614	199,426	6,921	499,119
Buildings and fixed equipment	4,075,761	370,019	915	4,444,865
Movable equipment, furniture and software	995,547	92,552	51,340	1,036,759
Library books	162,250	4,655	932	165,973
Total	5,540,172	666,652	60,108	6,146,716
Less: Accumulated depreciation	2,765,212	256,722	61,401	2,960,533
Total depreciable assets, net	2,774,960	409,930	(1,293)	3,186,183
Capital assets, net	\$ 3,765,325	\$ 371,645	\$ 578	\$ 4,136,392

The decrease in construction in progress of \$48,785 in 2013 represents the amount of capital expenditures for new projects of \$581,133 net of assets placed in service of \$629,918.

Capital assets activity for the discretely presented component units for the year ended June 30, 2014 is summarized as follows:

	Discretely Presented Component Units			
	Beginning			Ending
	Balance	Additions	Retirements	Balance
Capital assets not being depreciated:				
Land	\$ 5,794	\$ -	\$ -	\$ 5,794
Intangibles	-	-	-	-
Construction in progress	15	-	-	15
Total non depreciable assets	5,809	-	-	5,809
Capital assets being depreciated:				
Improvements other than buildings	7,421	859	-	8,280
Buildings and fixed equipment	48,604	275	-	48,879
Movable equipment, furniture and software	61,789	1,590	290	63,089
Library books	-	-	-	-
Total	117,814	2,724	290	120,248
Less: Accumulated depreciation	43,461	6,540	290	49,711
Total depreciable assets, net	74,353	(3,816)	-	70,537
Capital assets, net	\$ 80,162	\$ (3,816)	\$ -	\$ 76,346

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Capital assets activity for the discretely presented component units for the year ended June 30, 2013 is summarized as follows:

	Discretely Presented Component Units			
	Beginning		Ending	
	Balance	Additions	Retirements	Balance
Capital assets not being depreciated:				
Land	\$ 4,621	\$ 1,173	\$ -	\$ 5,794
Intangibles	-	-	-	-
Construction in progress	-	15	-	15
Total non depreciable assets	4,621	1,188	-	5,809
Capital assets being depreciated:				
Improvements other than buildings	7,043	378	-	7,421
Buildings and fixed equipment	48,273	331	-	48,604
Movable equipment, furniture and software	58,405	3,384	-	61,789
Library books	-	-	-	-
Total	113,721	4,093	-	117,814
Less: Accumulated depreciation	35,461	8,000	-	43,461
Total depreciable assets, net	78,260	(3,907)	-	74,353
Capital assets, net	\$ 82,881	\$ (2,719)	\$ -	\$ 80,162

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses for the primary institution at June 30, 2014 and 2013 consist of the following:

	Primary Institution	
	2014	2013
Payables to vendors for supplies and services	\$ 254,336	\$ 212,179
Accrued compensation and benefits	77,874	81,971
Retirement system contributions payable	26,371	52,552
Other accrued expenses	32,483	38,304
Total payables and accrued expenses	\$ 391,064	\$ 385,006

NOTE 7 – DEPOSITS AND ADVANCE PAYMENTS FOR GOODS AND SERVICES

Deposits and advance payments for goods and services for the primary institution at June 30, 2014 and 2013 consist of the following:

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

	Primary Institution	
	2014	2013
Current deposits and advance payments:		
Tuition and fees	\$ 44,947	\$ 41,026
Departmental and auxiliary sales and services	83,143	70,642
Affinity agreements	9,350	-
Grant and contract advances	78,378	56,723
Other deposits and advance payments	13,712	11,045
Total current deposits and advance payments	<u>\$ 229,530</u>	<u>\$ 179,436</u>
Other non-current deposits and advance payments:	<u>\$ 58,297</u>	<u>\$ 25,219</u>

NOTE 8 – SELF-INSURANCE ACCRUALS

The university maintains self-insurance programs for professional medical malpractice, employee health insurance and workers' compensation. Information on each of these programs is provided below.

Medical Malpractice

The university has established trustee self-insurance funds for professional medical malpractice liability claims with a \$4 million limit per occurrence with no annual aggregate. The university self-insurance funds have insurance in excess of \$4 million per occurrence through Oval Limited, a blended component unit of the university. Effective July 1, 2008, Oval Limited provides coverage with limits of \$55 million per occurrence and in the aggregate. Previous coverage levels for Oval Limited are as follows:

Accident Period for Oval	Gross Oval Limit (Occurrence and Annual Aggregate)
7/1/08 – 6/30/14	\$55,000,000
7/1/06 – 6/30/08	\$40,000,000
7/1/05 – 6/30/06	\$35,000,000
7/1/02 – 6/30/05	\$25,000,000
7/1/97 – 6/30/02	\$15,000,000
9/30/94 – 6/30/97	\$10,000,000

The limits are in excess of underlying policies with limits ranging from \$4 million to \$10 million per occurrence and \$14 million in the aggregate. A portion of the risks written by Oval Limited to date is reinsured by three reinsurance companies. Oval Limited retains 50% of the first \$15 million of risk and cedes the remainder to Berkley Medical Excess Underwriters (rated A+ by A.M. Best). The next \$20 million is fully ceded to Lexington Insurance Company (rated A by A.M. Best). Above that, Oval Limited cedes the remaining \$20 million of risk to Endurance Specialty Insurance Ltd. (rated A by A.M. Best). The estimated liability and the related contributions to the trustee fund are based upon an independent actuarial

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

determination as of June 30, 2014. OSUP participates in the university self-insurance fund for professional medical malpractice liability claims.

The university's estimate of professional malpractice liability includes provisions for known claims and actuarially determined estimates of incurred but not reported claims and incidents. This liability at June 30, 2014 of the anticipated future payments on gross claims is estimated at its present value of \$69,806 discounted at an estimated rate of 3.0% (university funds) and an additional \$31,771 discounted at an estimated rate of 3.0% (Oval Limited). Although actual experience upon the ultimate disposition of the claims may vary from this estimate, the self-insurance fund assets of \$177,023 (which primarily consist of bond and equity mutual funds, money market funds and U.S. treasury notes) are more than the recorded liability at June 30, 2014, and the surplus of \$75,446 is included in unrestricted net position.

At June 30, 2013, the anticipated future payments on gross claims was estimated at its present value of \$78,995 discounted at an estimated rate of 3% (university funds) and an additional \$38,313 discounted at an estimated rate of 3% (Oval Limited). The self-insurance fund assets of \$163,039 (which primarily consist of bond and equity mutual funds, money market funds and U.S. treasury notes) were more than the recorded liability at June 30, 2013, and the surplus of \$45,732 was included in unrestricted net position.

Employee Health Insurance

The university is also self-insured for employee health insurance. As of June 30, 2014 and 2013, \$48,507 and \$36,326, respectively is recorded as a liability relating to both claims received but not paid and estimates of claims incurred but not yet reported.

Workers' Compensation

Effective January 1, 2013, the university became self-insured for workers' compensation. As of June 30, 2014 and 2013, respectively, \$12,341 and \$730 are recorded as a liability relating to both claims received but not paid and estimates of claims incurred but not yet reported.

Changes in reported self-insurance liabilities for the primary institution since June 30, 2012 result from the following activities:

	Malpractice		Health		Workers' Compensation	
	2014	2013	2014	2013	2014	2013
Liability at beginning of fiscal year	\$ 112,008	\$ 118,339	\$ 36,326	\$ 42,703	\$ 730	\$ -
Current year provision for losses	(9,181)	1,125	310,968	293,970	8,566	1,412
Claim payments	(1,250)	(7,456)	(298,787)	(300,347)	3,045	(682)
Balance at fiscal year end	\$ 101,577	\$ 112,008	\$ 48,507	\$ 36,326	\$ 12,341	\$ 730

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

NOTE 9 — DEBT

The university may finance the construction, renovation and acquisition of certain facilities through the issuance of debt obligations which may include general receipts bonds, certificates of participation, commercial paper, capital lease obligations and other borrowings.

Debt activity for the primary institution for the year ended June 30, 2014 is as follows:

	Primary Institution				
	Beginning	Additions	Reductions	Ending	Current
	Balance			Balance	Portion
Notes:					
WOSU	\$ 2,825	\$ -	\$ 204	\$ 2,621	\$ 159
OH Air Quality Note Series A	4,602	-	368	4,234	395
OH Air Quality Note Series B	2,340	-	-	2,340	-
St. Stephens Church Note	3,000	-	63	2,937	66
General Receipts Bonds - Fixed Rate:					
2005A, due serially through 2035	58,260	-	10,860	47,400	11,360
2008A, due serially through 2028	150,030	-	12,620	137,410	13,245
2010A, due serially through 2020	202,050	-	27,390	174,660	28,620
2010C, due 2040	654,785	-	-	654,785	-
2010D, due serially through 2032	84,625	-	-	84,625	-
2011, due 2111	500,000	-	-	500,000	-
2012A, due 2030	90,500	-	-	90,500	-
2012B, due 2033	22,600	-	1,840	20,760	1,840
Special Purpose General Receipts Bonds - Fixed Rate:					
2013A, due 2043	337,955	-	-	337,955	-
General Receipts Bonds - Variable Rate:					
1997, due serially through 2027	17,160	-	-	17,160	17,160
1999B1, due serially through 2029	10,765	-	-	10,765	10,765
2001, due serially through 2032	53,035	-	-	53,035	53,035
2003C, due serially through 2031	51,975	-	-	51,975	51,975
2005B, due serially through 2035	71,575	-	-	71,575	71,575
2008B, due serially through 2028	91,925	-	-	91,925	91,925
2010E, due serially through 2035	150,000	-	-	150,000	150,000
Capital Lease Obligations	14,231	620	6,405	8,446	2,045
	2,574,238	620	59,750	2,515,108	504,165
Unamortized Bond Premiums	96,646	-	6,226	90,420	-
Total outstanding debt	\$ 2,670,884	\$ 620	\$ 65,976	\$ 2,605,528	\$ 504,165

Notes to Financial Statements – Years Ended June 30, 2014 and 2013
(dollars in thousands)

Debt activity for the primary institution for the year ended June 30, 2013 is as follows:

	Primary Institution				
	Beginning	Additions	Reductions	Ending	Current
	Balance			Balance	Portion
Notes:					
WOSU	\$ 3,075	\$ -	\$ 250	\$ 2,825	\$ 159
OH Air Quality Note Series A	-	4,602	-	4,602	368
OH Air Quality Note Series B	-	2,340	-	2,340	-
St. Stephens Church Note	-	3,000	-	3,000	63
General Receipts Bonds - Fixed Rate:					
2002A, due serially through 2031	4,130	-	4,130	-	-
2003B, due serially through 2033	29,300	-	29,300	-	-
2005A, due serially through 2035	180,030	-	121,770	58,260	10,860
2008A, due serially through 2028	180,265	-	30,235	150,030	12,620
2010A, due serially through 2020	231,960	-	29,910	202,050	27,390
2010C, due 2040	654,785	-	-	654,785	-
2010D, due serially through 2032	88,335	-	3,710	84,625	-
2011, due 2111	500,000	-	-	500,000	-
2012A, due 2030	-	91,165	665	90,500	-
2012B, due 2033	-	23,170	570	22,600	1,840
Special Purpose General Receipts Bonds - Fixed Rate:					
2013A, due 2043	-	337,955	-	337,955	-
General Receipts Bonds - Variable Rate:					
1997, due serially through 2027	17,160	-	-	17,160	17,160
1999B1, due serially through 2029	11,800	-	1,035	10,765	10,765
2001, due serially through 2032	56,540	-	3,505	53,035	53,035
2003C, due serially through 2031	53,230	-	1,255	51,975	51,975
2005B, due serially through 2035	78,735	-	7,160	71,575	71,575
2008B, due serially through 2028	102,235	-	10,310	91,925	91,925
2010E, due serially through 2035	150,000	-	-	150,000	150,000
Capital Lease Obligations	20,149	-	5,918	14,231	4,015
	2,361,729	462,232	249,723	2,574,238	503,750
Unamortized Bond Premiums	49,326	58,169	10,849	96,646	-
Total outstanding debt	\$ 2,411,055	\$ 520,401	\$ 260,572	\$ 2,670,884	\$ 503,750

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Debt activity for the discretely presented component units for the year ended June 30, 2014 is as follows:

	Discretely Presented Component Units				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes:					
Transportation Research Center Capital One Funding Corporation, due through 2014	\$ 332	-	\$ 332	-	-
OSU Physicians - Fifth Third Note, due through 2035	17,952		787	17,165	806
OSU Physicians - Fifth Third Note, due through 2013	79	-	60	19	16
OSU Physicians - Fifth Third Letter of Credit, due 2014	-	80	10	70	70
Campus Partners - CCF Loan, City of Columbus	125	-	125	-	-
Capital Lease Obligations	43	-	43	-	-
Total outstanding debt	\$ 18,531	\$ 80	\$ 1,357	\$ 17,254	\$ 892

Debt activity for the discretely presented component units for the year ended June 30, 2013 is as follows:

	Discretely Presented Component Units				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes:					
Transportation Research Center - Capital One Funding Corporation, due through 2014	\$ 643	-	\$ 311	\$ 332	\$ 332
OSU Physicians - Fifth Third Note, due through 2035	16,030	2,627	705	17,952	790
OSU Physicians - Fifth Third Note, due through 2013	77	85	83	79	61
Campus Partners - UDCDE Note A	21,859	-	21,859	-	-
Campus Partners - UDCDE Note B	10,376	-	10,376	-	-
Campus Partners - CCF Loan, City of Columbus	125	-	-	125	-
Campus Partners - Affordable Housing Trust Loan	-	-	-	-	-
Capital Lease Obligations	103	-	60	43	43
Total outstanding debt	\$ 49,213	\$ 2,712	\$ 33,394	\$ 18,531	\$ 1,226

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Debt obligations are generally callable by the university, bear interest at fixed and variable rates ranging from 0% to 6% and mature at various dates through 2112. Maturities and interest on debt obligations for the next five years and in five-year periods for the primary institution are as follows:

	Primary Institution		
	Principal	Interest	Total
2015	\$ 504,163	\$ 96,074	\$ 600,237
2016	57,308	93,260	150,568
2017	59,978	90,740	150,718
2018	60,317	88,067	148,384
2019	46,026	85,836	131,862
2020-2024	175,091	405,768	580,859
2025-2029	167,458	366,174	533,632
2030-2034	106,897	335,038	441,935
2035-2039	93,030	314,125	407,155
2040-2044	744,840	290,986	1,035,826
2045-2049	-	120,000	120,000
2050-2054	-	120,000	120,000
2055-2059	-	120,000	120,000
2060-2064	-	120,000	120,000
2065-2069	-	120,000	120,000
2070-2074	-	120,000	120,000
2075-2079	-	120,000	120,000
2080-2084	-	120,000	120,000
2085-2089	-	120,000	120,000
2090-2094	-	120,000	120,000
2095-2099	-	120,000	120,000
2100-2104	-	120,000	120,000
2105-2109	-	120,000	120,000
2110-2114	500,000	48,000	548,000
	<u>\$ 2,515,108</u>	<u>\$ 3,774,068</u>	<u>\$ 6,289,176</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Maturities and interest on debt obligations for the next five years and in five-year periods for the discretely presented component units are as follows:

	Discretely Presented Component Units		
	Principal	Interest	Total
2015	\$ 892	\$ 358	\$ 1,250
2016	828	340	1,168
2017	842	322	1,164
2018	860	304	1,164
2019	879	285	1,164
2020-2024	4,368	1,131	5,499
2025-2029	3,625	718	4,343
2030-2034	4,027	317	4,344
2035-2039	933	11	944
	<u>\$ 17,254</u>	<u>\$ 3,786</u>	<u>\$ 21,040</u>

General receipts bonds are backed by the unrestricted receipts of the university, excluding certain items as described in the bond indentures.

The outstanding bond indentures do not require mandatory reserves for future payment of principal and interest. However, the university has set aside \$157,006 for future debt service which is included in unrestricted net assets.

The university has defeased various bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The defeased bonds for the primary institution are as follows:

	Amount	
	Amount Defeased	Outstanding at June 30, 2014
General Receipts Bonds:		
Series 2005A	\$ 111,380	\$ 111,380
Series 2008A	18,195	18,195
Series 2010A	13,050	13,050
Series 2010D	3,710	3,710
	<u>\$ 146,335</u>	<u>\$ 146,335</u>

Neither the outstanding indebtedness nor the related trust account assets for the above bonds are included in the university's financial statements.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Special-Purpose General Receipts Bonds

In January 2013, the university issued \$337,955 of Special Purpose General Receipts Bonds, Series 2013A. These bonds are solely payable from, and secured by, a pledge of the gross revenues of Special Purpose Revenue Facilities. Special Purpose Revenue Facilities are defined in the Series 2013 Supplement as all housing and dining facilities and such auxiliary facilities as shall constitute recreation facilities owned by the university. The bond indenture agreement includes a debt covenant, requiring the university “to set rates, charges and fees in each Fiscal Year so as to cause Special Purpose Pledged Revenues to be in an amount not less than 1.10 times the aggregate debt service for the then-current Fiscal Year on all Special Purpose General Receipts Obligations”. At June 30, 2014, the university is in compliance with this covenant. Condensed financial information for the Special Purpose Revenue Facilities is provided in Note 21.

Variable Rate Demand Bonds

Series 1997, 1999B1, 2001, 2003C, 2005B, 2008B and 2010E variable rate demand bonds bear interest at rates based upon yield evaluations at par of comparable securities. The maximum interest rate allowable and the effective average interest rate from issue date to June 30, 2014 are as follows:

Series:	Interest Rate Not	Effective Average
	to Exceed	Interest Rate
1997	12%	1.723%
1999 B1	12%	1.488%
2001	12%	1.259%
2003 C	12%	1.577%
2005 B	12%	1.215%
2008 B	12%	0.334%
2010 E	8%	0.110%

At the discretion of the university, the interest rate on the bonds can be converted to a fixed rate. The bonds may be redeemed by the university or sold by the bondholders to a remarketing agent appointed by the university at any time prior to conversion to a fixed rate at a price equal to the principal amount plus accrued interest.

The university's variable rate demand bonds mature at various dates through 2035. GASB Interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities*, provides guidance on the statement of net position classification of these bonds. Under GASB Interpretation No. 1, outstanding principal balances on variable rate demand bonds may be classified as non-current liabilities if the issuer has entered into a “take-out agreement” to convert bonds “put” but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Although it is the university's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the university does not have "take-out agreements" in place per the GASB Interpretation No. 1 requirements. Accordingly, the university has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. The obligations totaled \$446,435 at June 30, 2014 and 2013, respectively.

Capital Lease Obligations

Some university equipment items and vehicles are financed as capital leases. The original cost and lease obligations related to these capital leases as of June 30, 2014 are \$32,288 and \$8,446, respectively. The original cost and lease obligations related to these capital leases as of June 30, 2013 are \$44,924 and \$14,231, respectively.

Interest Rate Swap Agreements

OSUP, a discretely presented component unit of the university, had one interest rate swap agreement that was not considered a hedge under GASB Statement No. 53. The swap was used to offset the variable interest rate on a portion of the 2010 bond financing obtained for the ambulatory facility in the amount of \$16,030. On May 1, 2013, at the same time the 2010 bond financing was refinanced, the swap was paid off with the proceeds from a term loan issuance in the amount of \$2,635. As of June 30, 2014 and 2013, OSUP held no other derivative instruments.

Capitalization of Interest

Interest incurred during the construction of capital assets is included in the cost of the asset when capitalized. Total interest costs incurred for the years ended June 30, 2014 and 2013 for the primary institution were \$98,427 and \$90,967, respectively. Of these amounts, interest of \$44,324 and \$28,740 was capitalized in the years ended June 30, 2014 and 2013. The remaining \$54,103 in 2014 and \$62,227 in 2013 is reported as interest expense in the statement of revenues, expenses and changes in net position.

NOTE 10 — OPERATING LEASES

The university leases various buildings, office space, and equipment under operating lease agreements. These facilities and equipment are not recorded as assets on the statement of net position. The total rental expense under these agreements was \$25,562 and \$29,717 for the years ended June 30, 2014 and 2013, respectively.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2014 are as follows:

Year Ending June 30,	Primary	Discretely Presented
	Institution	Component Units
2015	\$ 14,616	\$ 3,451
2016	11,283	2,173
2017	11,088	1,874
2018	10,560	1,170
2019	9,607	379
2020-2024	43,734	671
2025-2029	44,265	-
2030-2034	11,867	-
2035-2039	735	-
2040-2044	735	-
2045-2049	587	-
Total minimum lease payments	<u>\$ 159,077</u>	<u>\$ 9,718</u>

NOTE 11 — COMPENSATED ABSENCES

University 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.

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.

The university 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, the university calculates a ratio, Sick Leave Termination Cost per Year Worked, that 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 employees.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Certain employees of the university (mostly classified civil service employees) receive compensation time in lieu of overtime pay. Any unused compensation time must be paid to the employee at termination or retirement.

NOTE 12 — OTHER LIABILITIES

Other liability activity for the primary institution for the year ended June 30, 2014 is as follows:

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 149,777	\$ 20,773	\$ 10,254	\$ 160,296	\$ 10,254
Self-insurance accruals	149,064	312,199	298,838	162,425	51,553
Amounts due to third party payors	15,007	16,087	11,315	19,779	-
Obligations under life income agreements	37,350	2,441	3,729	36,062	4,015
Refundable advances for Federal Perkins loans	31,445	424	212	31,657	-
Other noncurrent liabilities	61,349	29,819	-	91,168	-
	<u>\$ 443,992</u>	<u>\$ 381,743</u>	<u>\$ 324,348</u>	<u>\$ 501,387</u>	<u>\$ 65,822</u>

Other liability activity for the primary institution for the year ended June 30, 2013 is as follows:

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 138,521	\$ 23,282	\$ 12,026	\$ 149,777	\$ 12,040
Self-insurance accruals	163,542	293,325	307,803	149,064	42,213
Amounts due to third party payors	25,026	3,697	13,716	15,007	3,641
Obligations under life income agreements	37,605	3,506	3,761	37,350	3,648
Refundable advances for Federal Perkins loans	28,706	2,739	-	31,445	-
Other noncurrent liabilities	27,852	33,497	-	61,349	1,500
	<u>\$ 421,252</u>	<u>\$ 360,046</u>	<u>\$ 337,306</u>	<u>\$ 443,992</u>	<u>\$ 63,042</u>

NOTE 13 – RENTALS UNDER OPERATING LEASES

The university is the lessor of certain land, buildings, office and retail space under operating lease agreements. Future minimum rental income from non-cancelable operating leases for the primary institution as of June 30, 2014 is as follows:

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Year Ending June 30,	
2015	\$ 10,073
2016	8,184
2017	7,797
2018	7,575
2019	6,990
2020-2024	31,960
2025-2029	30,955
2030-2034	29,798
2035-2039	29,237
2040-2044	19,204
2045-2049	116
2050-2100	191
Total minimum future rentals	<u>\$ 182,080</u>

NOTE 14 – OPERATING EXPENSES BY OBJECT

In accordance with requirements set forth by the Ohio Board of Regents, the university reports operating expenses by functional classification on the Statement of Revenues, Expenses and Other Changes in Net Position. Operating expenses by object for the primary institution for the years ended June 30, 2014 and 2013 are summarized as follows:

Year Ended June 30, 2014

	Primary Institution				
	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 814,021	\$ 124,365	\$ -	\$ -	\$ 938,385
Separately budgeted research	278,517	158,980	-	-	437,497
Public service	78,556	52,833	-	-	131,389
Academic support	150,312	38,329	-	-	188,641
Student services	74,007	22,885	-	-	96,892
Institutional support	169,025	109,027	-	-	278,052
Operation and maintenance of plant	35,921	62,758	-	-	98,678
Scholarships and fellowships	7,190	2,160	101,251	-	110,601
Auxiliary enterprises	137,691	104,224	-	-	241,915
OSU Health System	1,026,145	813,500	-	-	1,839,645
Depreciation	-	-	-	260,367	260,367
Total operating expenses	<u>\$ 2,771,384</u>	<u>\$ 1,489,060</u>	<u>\$ 101,251</u>	<u>\$ 260,367</u>	<u>\$ 4,622,062</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Year Ended June 30, 2013

	Primary Institution				Total
	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	
Instruction	\$ 794,042	\$ 112,297	\$ -	\$ -	\$ 906,339
Separately budgeted research	274,865	139,120	-	-	413,985
Public service	73,476	23,102	-	-	96,578
Academic support	134,030	36,112	-	-	170,142
Student services	71,901	22,336	-	-	94,237
Institutional support	159,208	112,529	-	-	271,737
Operation and maintenance of plant	32,224	61,543	-	-	93,767
Scholarships and fellowships	7,517	961	102,886	-	111,364
Auxiliary enterprises	140,533	101,843	-	-	242,376
OSU Health System	977,766	818,815	-	-	1,796,581
Depreciation	-	-	-	257,606	257,606
Total operating expenses	\$ 2,665,562	\$ 1,428,658	\$ 102,886	\$ 257,606	\$ 4,454,712

NOTE 15 — 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.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

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 post-employment health care benefits.

OPERS currently provides post-employment health care benefits to age-and-service 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 2013, OPERS allocated 1.0% of the employer contribution rate to fund the health care program for retirees, and this rate was increased to 2.0% for calendar year 2014 as recommended by the OPERS actuary.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012 with a transition plan commencing January 1, 2014. OPERS expects to be able to allocate on a consistent basis 4% of employer contributions toward the health care fund after the end of the transition period.

STRS Ohio currently provides access to health care coverage to retirees who participated in the defined 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 costs 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, 2013, STRS Ohio allocated employer contributions equal to 1.0% of covered payroll for post-employment health care.

Post-employment 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, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

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

STRS Ohio also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 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 post-retirement health care benefits.

Combined Plans

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

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

OPERS currently provides post-employment 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 2013, OPERS allocated 1.0% of the employer contribution rate to fund the health care program for retirees, and this rate was increased to 2.0% for calendar year 2014 as recommended by the OPERS actuary.

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

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

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)	11.00%		11.00%
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 (7/1/13-12/31/13)		12.60%	12.60%
Plan member (1/1/14-6/30/14)		13.00%	13.00%
University (entire year)		18.10%	17.33%**

* Employer contributions include 4.5% paid to STRS Ohio.

** Employer contributions include .77% paid to OPERS.

The remaining amount is credited to employee's ARP account.

The university's contributions, which represent 100% of required employer contributions, for the year ended June 30, 2014 and for each of the two preceding years are as follows:

Year Ended June 30,	STRS Ohio Annual Required Contribution	OPERS Annual Required Contribution	ARP Annual Required Contribution
2012	\$58,006	\$153,118	\$43,523
2013	\$61,667	\$159,903	\$47,062
2014	\$63,953	\$166,591	\$47,911

OSU Physicians Retirement Plan

Retirement benefits are provided for the employees of OSUP through a tax-sheltered 403(b) and 401(a) program administered by an insurance company. OSUP is required to make nondiscretionary contributions of no less than 7.5% under the Interim Retirement Plan; however, some subsidiaries make an additional discretionary contribution of up to 17.5%, for a range of total employer contributions of 7.5% to 25%. Employees are allowed, but not required, to make contributions to the 403(b) plan. OSUP's share of the cost of these benefits was \$3,996 and \$3,850 for the years ended June 30, 2014 and 2013, respectively.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Employee contributions were \$1,246 and \$1,096 for the years ended June 30, 2014 and 2013. The reduction in Fiscal Year 2013 was directly related to physician integration into the Faculty Practice Group.

NOTE 16 — CAPITAL PROJECT COMMITMENTS

At June 30, 2014, the university is committed to future contractual obligations for capital expenditures of approximately \$364,678.

These projects are funded by the following sources:

State appropriations	\$ 35,777
Internal and other sources	328,901
Total	<u>\$ 364,678</u>

NOTE 17 — CONTINGENCIES AND RISK MANAGEMENT

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

The university is self-insured for the Health System's professional malpractice liability, employee health benefits, workers' compensation and employee life, accidental death and dismemberment benefits. Additional details regarding these self-insurance arrangements are provided in Note 8. The university also carries commercial insurance policies for various property, casualty and excess liability risks. Over the past three years, settlement amounts related to these insured risks have not exceeded the university's coverage amounts.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. While questioned costs may occur, ultimate repayments required of the university have been infrequent in prior years.

NOTE 18 — PARKING LEASE AND CONCESSION AGREEMENT

On September 21, 2012, the university entered into a 50-year lease and concession agreement with QIC Global Infrastructure (QIC GI). CampusParc LP, a QIC GI affiliate, owns and operates the university's parking concession on QIC GI's behalf. Under the agreement, CampusParc will operate, maintain and retain parking revenues from the university's parking lots and garages. This agreement also regulates the parking rates that may be charged and future increases in these rates. The university received lump-sum payments totaling \$483,000 from QIC GI and used the proceeds to establish endowment funds, with income distributions internally designated to support student scholarships, faculty

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

initiatives and research, transportation and sustainability and the university arts district. The university reports the parking lots and garages as capital assets with a carrying amount of \$124,511 at June 30, 2014 and reports a deferred inflow of resources in the amount of \$464,701 at June 30, 2014, pursuant to the service concession arrangement. The university reports the parking lots and garages as capital assets with a carrying amount of \$124,009 at June 30, 2013 and reports a deferred inflow of resources in the amount of \$474,332 at June 30, 2013, pursuant to the service concession arrangement.

NOTE 19 – COMBINING INFORMATION FOR BLENDED COMPONENT UNITS

As indicated in the Basis of Presentation in Note 1, the university consolidates certain component units in a blended presentation. Condensed combining financial information for the years ended June 30, 2014 and 2013 is presented below.

Condensed Combining Information – Year Ended June 30, 2014

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of net position:			
Current assets	\$ 43,096	\$ 3,770	\$ 51,807
Capital assets, net	3,784	478	-
Other assets	829,398	721	-
Amounts receivable from the university	-	-	-
Deferred outflows	-	-	-
Total assets and deferred inflows	<u>\$ 876,278</u>	<u>\$ 4,969</u>	<u>\$ 51,807</u>
Current liabilities	\$ 9,675	\$ 1,162	\$ 37
Noncurrent liabilities	32,267	-	31,772
Amounts payable to the university	158	348	-
Deferred inflows	-	-	-
Total liabilities and deferred inflows	<u>42,100</u>	<u>1,510</u>	<u>31,809</u>
Invested in capital assets, net of related debt	3,784	478	-
Restricted:			
Nonexpendable	662,094	-	-
Expendable	156,931	-	-
Unrestricted	11,369	2,981	19,998
Total net position	<u>834,178</u>	<u>3,459</u>	<u>19,998</u>
Total liabilities, deferred inflows and net position	<u>\$ 876,278</u>	<u>\$ 4,969</u>	<u>\$ 51,807</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of revenues, expenses and changes in net position:			
Operating revenues:			
Grants and contracts	\$ -	\$ -	\$ -
Sales and services of OSU Physicians	-	-	-
Other sales, services and rental income	1,478	13,283	2,293
Other operating	-	-	-
Total operating revenues	<u>1,478</u>	<u>13,283</u>	<u>2,293</u>
Operating expenses, excluding depreciation	19,154	12,993	146
Depreciation expense	228	380	-
Total operating expenses	<u>19,382</u>	<u>13,373</u>	<u>146</u>
Net operating income (loss)	(17,904)	(90)	2,147
Non-operating revenues and expenses:			
Gifts for current use	138,230	-	-
Net investment income (loss)	119,451	22	6,003
Interest expense	-	-	-
Other non-operating revenue (expense)	-	-	-
Net non-operating revenue (expense)	<u>257,681</u>	<u>22</u>	<u>6,003</u>
Capital contributions and additions to permanent endowments	54,037	-	-
Transfers from (to) the university	<u>(171,201)</u>	<u>-</u>	<u>-</u>
Change in net position	122,613	(68)	8,150
Beginning net position	711,565	3,527	11,848
Ending net position	<u>\$ 834,178</u>	<u>\$ 3,459</u>	<u>\$ 19,998</u>
Condensed statements of cash flows:			
Net cash provided (used) by:			
Operating activities	\$ (15,330)	\$ 1,350	\$ 1,684
Noncapital financing activities	17,762	348	-
Capital and related financing activities	5,328	(864)	-
Investing activities	<u>(6,624)</u>	<u>6</u>	<u>2</u>
Net increase (decrease) in cash	1,136	840	1,686
Beginning cash and cash equivalents	2,548	2,629	9,519
Ending cash and cash equivalents	<u>\$ 3,684</u>	<u>\$ 3,469</u>	<u>\$ 11,205</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013
(dollars in thousands)

Condensed Combining Information – Year Ended June 30, 2013

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of net position:			
Current assets	\$ 36,509	\$ 3,076	\$ 50,207
Capital assets, net	3,853	(6)	-
Other assets	711,372	586	-
Amounts receivable from the university	-	-	-
Deferred outflows	-	-	-
Total assets and deferred inflows	<u>\$ 751,734</u>	<u>\$ 3,656</u>	<u>\$ 50,207</u>
Current liabilities	\$ 6,760	\$ 129	\$ 3,046
Noncurrent liabilities	33,272	-	35,313
Amounts payable to the university	137	-	-
Deferred inflows	-	-	-
Total liabilities and deferred inflows	<u>40,169</u>	<u>129</u>	<u>38,359</u>
Invested in capital assets, net of related debt	7,934	-	-
Restricted:			
Nonexpendable	573,450	-	-
Expendable	135,052	-	-
Unrestricted	(4,871)	3,527	11,848
Total net position	<u>711,565</u>	<u>3,527</u>	<u>11,848</u>
Total liabilities, deferred inflows and net position	<u>\$ 751,734</u>	<u>\$ 3,656</u>	<u>\$ 50,207</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of revenues, expenses and changes in net position:			
Operating revenues:			
Grants and contracts	\$ -	\$ -	\$ -
Sales and services of OSU Physicians	-	-	-
Other sales, services and rental income	768	12,376	(986)
Other operating	-	-	-
Total operating revenues	<u>768</u>	<u>12,376</u>	<u>(986)</u>
Operating expenses, excluding depreciation	5,295	11,660	169
Depreciation expense	228	-	-
Total operating expenses	<u>5,523</u>	<u>11,660</u>	<u>169</u>
Net operating income (loss)	(4,755)	716	(1,155)
Non-operating revenues and expenses:			
Gifts for current use	122,208	-	-
Net investment income (loss)	71,420	-	1,837
Interest expense	-	-	-
Other non-operating revenue (expense)	-	(137)	-
Net non-operating revenue (expense)	<u>193,628</u>	<u>(137)</u>	<u>1,837</u>
Capital contributions and additions to permanent endowments	96,653	-	-
Transfers from (to) the university	<u>(168,878)</u>	<u>-</u>	<u>-</u>
Change in net position	116,648	579	682
Beginning net position	594,916	2,948	11,166
Ending net position	<u>\$ 711,564</u>	<u>\$ 3,527</u>	<u>\$ 11,848</u>
Condensed statements of cash flows:			
Net cash provided (used) by:			
Operating activities	\$ (4,176)	\$ 682	\$ (1,280)
Noncapital financing activities	(23,978)	-	-
Capital and related financing activities	41,176	(136)	-
Investing activities	(13,036)	6	(1,492)
Net increase (decrease) in cash	<u>(14)</u>	<u>552</u>	<u>(2,772)</u>
Beginning cash and cash equivalents	2,562	2,077	12,291
Ending cash and cash equivalents	<u>\$ 2,548</u>	<u>\$ 2,629</u>	<u>\$ 9,519</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

NOTE 20 – COMBINING INFORMATION FOR DISCRETELY PRESENTED COMPONENT UNITS

As indicated in the Basis of Presentation in Note 1, the university consolidates certain component units in a discrete presentation. Condensed combining financial information for the years ended June 30, 2014 and 2013 is presented below.

Condensed Combining Information – Year Ended June 30, 2014

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of net position:				
Current assets	\$ 100,537	\$ 6,916	\$ 10,142	\$ 1,232
Capital assets, net	26,524	49,278	429	115
Other assets	3,114	1,184	-	-
Amounts receivable from the university	8,585	-	3,922	-
Deferred outflows	-	-	-	-
Total assets and deferred inflows	<u>\$ 138,760</u>	<u>\$ 57,378</u>	<u>\$ 14,493</u>	<u>\$ 1,347</u>
Current liabilities	\$ 17,120	\$ 1,933	\$ 4,095	\$ 75
Noncurrent liabilities	17,406	-	-	-
Amounts payable to the university	21,400	59,237	-	-
Deferred inflows	-	-	-	-
Total liabilities and deferred inflows	<u>55,926</u>	<u>61,170</u>	<u>4,095</u>	<u>75</u>
Invested in capital assets, net of related debt	4,108	49,278	429	-
Restricted:				
Nonexpendable	-	-	-	-
Expendable	-	-	-	-
Unrestricted	78,726	(53,070)	9,969	1,272
Total net position	<u>82,834</u>	<u>(3,792)</u>	<u>10,398</u>	<u>1,272</u>
Total liabilities, deferred inflows and net position	<u>\$ 138,760</u>	<u>\$ 57,378</u>	<u>\$ 14,493</u>	<u>\$ 1,347</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013
(dollars in thousands)

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of revenues, expenses and changes in net position:				
Operating revenues:				
Grants and contracts	\$ -	\$ 7,983	\$ 37,842	\$ -
Sales and services of OSU Physicians	356,503	-	-	-
Other sales, services and rental income	-	509	-	8,283
Other operating	-	-	-	-
Total operating revenues	356,503	8,492	37,842	8,283
Operating expenses, excluding depreciation	342,565	6,085	36,091	5,157
Depreciation expense	4,561	1,514	355	110
Total operating expenses	347,126	7,599	36,446	5,267
Net operating income (loss)	9,377	893	1,396	3,016
Non-operating revenues and expenses:				
Gifts for current use	-	-	-	-
Net investment income (loss)	47	-	135	-
Interest expense	(684)	-	(2)	-
Other non-operating revenue (expense)	2,626	-	-	-
Net non-operating revenue (expense)	1,989	-	133	-
Capital contributions and additions to permanent endowments	-	-	-	-
Transfers from (to) the university	(6,979)	8,445	23	(2,923)
Change in net position	4,387	9,338	1,552	93
Beginning net position	78,447	(13,130)	8,846	1,179
Ending net position	\$ 82,834	\$ (3,792)	\$ 10,398	\$ 1,272
Condensed statements of cash flows:				
Net cash provided (used) by:				
Operating activities	\$ 8,012	\$ 1,366	\$ 3,433	\$ 3,094
Noncapital financing activities	(4,124)	(2,756)	(365)	(2,923)
Capital and related financing activities	(2,858)	(1,343)	(485)	-
Investing activities	4,126	141	135	(97)
Net increase (decrease) in cash	5,156	(2,592)	2,718	74
Beginning cash and cash equivalents	46,285	5,265	706	239
Ending cash and cash equivalents	\$ 51,441	\$ 2,673	\$ 3,424	\$ 313

Notes to Financial Statements – Years Ended June 30, 2014 and 2013
(dollars in thousands)

Condensed Combining Information – Year Ended June 30, 2013

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of net position:				
Current assets	\$ 97,054	\$ 9,488	\$ 8,275	\$ 1,069
Capital assets, net	29,731	49,573	633	225
Other assets	1,843	1,643	-	-
Amounts receivable from the university	10,275	-	3,535	-
Deferred outflows	-	-	-	-
Total assets and deferred inflows	<u>\$ 138,904</u>	<u>\$ 60,705</u>	<u>\$ 12,443</u>	<u>\$ 1,294</u>
Current liabilities	\$ 18,957	\$ 3,229	\$ 3,596	\$ 115
Noncurrent liabilities	18,637	168	0	-
Amounts payable to the university	22,862	70,438	-	-
Deferred inflows	-	-	-	-
Total liabilities and deferred inflows	<u>60,457</u>	<u>73,835</u>	<u>3,596</u>	<u>115</u>
Invested in capital assets, net of related debt	3,016	49,448	-	-
Restricted:				
Nonexpendable	-	-	-	-
Expendable	-	-	-	-
Unrestricted	75,431	(62,579)	8,846	1,179
Total net position	<u>78,447</u>	<u>(13,130)</u>	<u>8,846</u>	<u>1,179</u>
Total liabilities, deferred inflows and net position	<u>\$ 138,904</u>	<u>\$ 60,705</u>	<u>\$ 12,443</u>	<u>\$ 1,294</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013
(dollars in thousands)

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of revenues, expenses and changes in net position:				
Operating revenues:				
Grants and contracts	\$ -	\$ 10,811	\$ 50,420	\$ -
Sales and services of OSU Physicians	331,817	-	-	-
Other sales, services and rental income	-	941	-	7,354
Other operating	-	-	-	-
Total operating revenues	331,817	11,752	50,420	7,354
Operating expenses, excluding depreciation	316,080	8,535	50,105	4,877
Depreciation expense	4,317	2,380	419	-
Total operating expenses	320,397	10,915	50,524	4,877
Net operating income (loss)	11,420	837	(104)	2,477
Non-operating revenues and expenses:				
Gifts for current use	-	-	-	-
Net investment income (loss)	239	-	131	-
Interest expense	(713)	-	-	-
Other non-operating revenue (expense)	2,115	10,440	-	-
Net non-operating revenue (expense)	1,641	10,440	131	-
Capital contributions and additions to permanent endowments	-	-	-	-
Transfers from (to) the university	(7,895)	(3,374)	(1,589)	(3,110)
Change in net position	5,166	7,903	(1,562)	(633)
Beginning net position	73,282	(21,035)	10,408	1,811
Ending net position	\$ 78,448	\$ (13,132)	\$ 8,846	\$ 1,178
Condensed statements of cash flows:				
Net cash provided (used) by:				
Operating activities	\$ 16,364	\$ 1,913	\$ 546	\$ 2,457
Noncapital financing activities	(8,670)	32,327	(1,734)	(3,110)
Capital and related financing activities	(933)	(34,296)	(565)	-
Investing activities	3,591	-	131	521
Net increase (decrease) in cash	10,352	(56)	(1,622)	(132)
Beginning cash and cash equivalents	35,933	5,321	2,327	371
Ending cash and cash equivalents	\$ 46,285	\$ 5,265	\$ 705	\$ 239

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

NOTE 21 – SEGMENT INFORMATION

A segment is an identifiable activity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds or other revenue-backed debt and has related expenses, gains, losses, assets and liabilities that can be identified. The university has one segment that meets the GASB reporting requirements.

The Office of Student Life operates student housing, dining and recreational sports facilities on the university's main and regional campuses. In January 2013, the university issued \$337,955 of Special Purpose General Receipts Bonds, Series 2013A. These bonds are solely payable from, and secured by, a pledge of the gross revenues of Special Purpose Revenue Facilities. Special Purpose Revenue Facilities are defined in the Series 2013 Supplement as all housing and dining facilities and such auxiliary facilities as shall constitute recreation facilities owned by the university. Special Purpose Pledged Revenues include all revenues, fees, rentals, rates, charges, insurance proceeds and other moneys derived from the ownership or operation of these facilities. Special Purpose Pledged Revenues totaled \$163,347 and \$147,956 for the years ended June 30, 2014 and 2013, respectively.

Condensed financial information for the Special Purpose Revenue Facilities, before the elimination of certain intra-university transactions, as of and for the years ended June 30, 2014 and 2013 is as follows:

Notes to Financial Statements – Years Ended June 30, 2014 and 2013
(dollars in thousands)

Segment Disclosure Information – Year Ended June 30, 2014

	<u>2014</u>	<u>2013</u>
Condensed Statement of Net Position		
Assets and deferred outflows:		
Current assets	\$ 24,141	\$ 33,264
Capital assets	451,921	419,281
Other assets	309,430	-
Amounts receivable from the university	-	-
Deferred outflows	-	-
Total assets and deferred inflows	<u>\$ 785,492</u>	<u>\$ 452,545</u>
Liabilities and deferred inflows:		
Current liabilities	\$ 5,805	\$ 5,644
Noncurrent liabilities	-	-
Amounts payable to the university	817,238	293,147
Deferred inflows	-	-
Total liabilities and deferred inflows	<u>823,043</u>	<u>298,791</u>
Net position:		
Invested in capital assets, net of related debt	(55,886)	126,135
Restricted:		
Nonexpendable	-	-
Expendable	-	-
Unrestricted	18,335	27,619
Total net position	<u>(37,551)</u>	<u>153,754</u>
Total liabilities, deferred inflows and net position	<u>\$ 785,492</u>	<u>\$ 452,545</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

	2014	2013
Condensed Statement of Revenues, Expenses and Changes in Net Position		
Special-purpose pledged revenues - operating	\$ 163,347	\$ 147,956
Operating expenses, excluding depreciation	(119,540)	(116,060)
Depreciation expense	(24,002)	(16,375)
Operating income	19,805	15,521
Nonoperating revenues, net	(17,687)	(13,569)
Net income (loss) before transfers	2,118	1,952
Transfers from (to) other university units, net	(193,423)	79,874
Increase (decrease) in net assets	(191,305)	81,826
Beginning net position	153,754	71,928
Ending net position	\$ (37,551)	\$ 153,754
Condensed Statement of Cash Flows		
Net cash provided (used) by:		
Operating activities	\$ 33,704	\$ 29,370
Noncapital financing activities	-	-
Capital and related financing activities	266,940	(21,409)
Investing activities	107	105
Net increase (decrease) in cash	300,751	8,066
Beginning cash and cash equivalents	31,761	23,695
Ending cash and cash equivalents	\$ 332,512	\$ 31,761

NOTE 22 – SUBSEQUENT EVENTS

On October 9, 2014, the university closed on \$135,985 in tax-exempt Fixed Rate General Receipts Bonds (Series 2014A) and \$150,000 in tax-exempt Variable Rate General Receipts Bonds (Series 2014B1 and B2). The Series 2014A bonds will have annual principal payments until final maturity on December 1, 2044, with interest rates ranging from 2.00% to 5.00%. The Series 2014B1 and B2 bonds will have principal payments on December 1, 2034, 2039 and 2044. The initial interest rate was 0.04% and will be subject to a rate reset on a weekly basis.

The proceeds of the Series 2014 bond issues will be for the Wexner Medical Center and campus infrastructure projects.

The Ohio State University
Supplementary Information on the Long-Term Investment Pool
Year Ended June 30, 2014

The following section of the financial report provides additional information on the university's Long-Term Investment Pool, including a summary of changes in market value, investment returns and related expenses. Additional details on university investments, including asset allocations, endowment distribution policies, investments by type and risk disclosures, are provided in Notes 1 and 3 to the Financial Statements.

In 2014, the market value of the university's Long-Term Investment Pool -- which includes gifted endowments, long-term investments of university operating funds and other funds internally designated to function as endowments -- increased \$465 million, to \$3.61 billion at June 30, 2014. Changes in market value for 2014 are summarized below:

Long-Term Investment Pool Activity (in thousands)	Gifted Endowments		Quasi-Endowments		Total
	University	Foundation	Operating	Designated	
	Market Value at June 30, 2013	\$ 941,032	\$ 589,702	\$ 1,055,698	
Net Principal Additions (Withdrawals)	10,413	51,731	(15,035)	56,417	103,526
Change in Market Value	147,534	95,787	163,689	93,040	500,050
Income Earned	22,693	14,619	25,098	14,112	76,522
Distributions	(42,089)	(26,851)	(46,775)	(26,267)	(141,982)
Expenses	(21,773)	(14,027)	(24,080)	(13,539)	(73,419)
Market Value at June 30, 2014	\$ 1,057,810	\$ 710,961	\$ 1,158,595	\$ 686,500	\$ 3,613,866

Net principal additions (withdrawals) for gifted endowments include new endowment gifts and reinvestment of unused endowment distributions. **Changes in market value** include realized gains (losses) on the sale of investment assets and unrealized gains (losses) associated with assets held in the pool at June 30, 2014. **Income earned** includes interest and dividends and is used primarily to fund **distributions**. **Expenses** include investment management expenses (\$59 million), University Development related expenses (\$13 million) and other investment related expenses (\$1 million).

Investment Returns and Expenses:

The investment return for the Long-Term Investment Pool was 14.4% for fiscal year 2014. The annualized investment returns for the three-year and five-year periods were 8.5% and 11.5%, respectively. These returns -- which are net of investment management expenses as defined by Cambridge Associates for its annual survey -- are used for comparison purposes with other endowments and various benchmarks. In addition to the \$59 million of investment management expenses, which reduced the pool by 1.9% in fiscal year 2014, the \$13 million of University Development expenses and \$1 million of other investment related expenses further reduced the pool by 0.4%.

Additional Information:

For more information on how the Long-Term Investment Pool is invested, please visit the Office of Investments website at: investments.osu.edu.

Additional details on university and foundation endowments, including balances for individual funds, are available on the Office of the Controller's website at: controller.osu.edu/acc/endow-home.shtm (click on the "Endowment Descriptions and Balances" link).



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
The Ohio State University
Columbus, OH

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the primary institution and of the aggregate discretely presented component units of The Ohio State University (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2014, which consist of the statement of net position, the related statements of revenues, expenses and other changes in net position and of cash flows and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described below, that we consider to be a significant deficiency:

Review of Patient Accounts Receivable Reserve Model

Observation: Based on our audit procedures performed on the valuation of patient accounts receivable ("AR"), it was determined that certain search formulas, query logic and adjudication assumptions within the model were being applied to the June 30, 2014 AR data incorrectly, which resulted in post-close adjustments to the financial statements. Performing



a detailed review of the inputs to the AR model ensures the accuracy of the contractual allowance and bad debt provision balances per the general ledger at year-end.

Recommendation: We recommend management perform an appropriate level of review over the data inputs into the model. Furthermore, we recommend that management apply their reserve assumptions to the Adjudicated AR (net) separate from the Non-adjudicated AR (gross) within their model, especially as the volume of up front claim adjudication increases in future years.

Management Response: We agree with the recommendation. In September, we implemented separate models for adjudicated versus non-adjudicated claim processing and have refined data sources necessary to support the new approach.

Subsequent cash collections are the ultimate standard by which receivables valuation is measured and the University has a consistent record of valuing receivables accurately. We monitor cash collections daily, weekly and monthly for any indication of a change in receivable value. The changes implemented in September will provide additional strength to our existing receivables valuation process and will be important in the era of insurance exchanges and high deductible health plans.

The University's Response to Finding

The University's response to the finding above identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

October 30, 2014

Acknowledgements

The 2014 Financial Report and the included financial statements are prepared by the staff of the Office of the Controller.

Tarek S. Ahmed

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Patricia M. Privette

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Geoffrey S. Chatas - Senior Vice President and Chief Financial Officer

Kristine G. Devine – Vice President for Operations and Deputy CFO

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The expiration date of each trustee's term is given in parentheses.

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The Ohio State University

(A Component Unit of the State of Ohio)

**Report on Federal Awards in Accordance with OMB
Circular A-133 for the Year Ended June 30, 2014**

The Ohio State University

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June 30, 2014 and 2013

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Independent Auditor's Report

To the Board of Trustees of
The Ohio State University
Columbus, OH:

We have audited the accompanying financial statements of The Ohio State University (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2014 and 2013, which consist of the statements of net position, the related statements of revenues, expenses, and other changes in net position and of cash flows and the related notes to the financial statements of the primary institution and of the aggregate discretely presented component units, which collectively comprise the University's basic financial statements

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the primary institution and the aggregate discretely presented component units of the University as of June 30, 2014 and June 30, 2013, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 3 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2014 is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2014. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

October 30, 2014

Management's Discussion and Analysis for the Year Ended June 30, 2014 (Unaudited)

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of The Ohio State University (the "university") for the year ended June 30, 2014, with comparative information for the years ended June 30, 2013 and June 30, 2012. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About The Ohio State University

The Ohio State University is the State of Ohio's flagship research institution and one of the largest universities in the United States of America, with over 63,000 students, 6,000 faculty members and 23,000 staff members. Founded in 1870 under the Morrill Land Grant Act, the university – which was originally known as the Ohio Agricultural and Mechanical College -- has grown over the years into a comprehensive public institution of higher learning, with 175 undergraduate majors, 133 master's degree programs, 112 doctoral programs and seven professional degree programs.

The university operates one of the nation's leading academic medical centers, The Ohio State University Wexner Medical Center. As part of the Wexner Medical Center, the Health System operates under the governance of The Ohio State University Board of Trustees and is comprised of The Ohio State University Hospital, The Arthur G. James Cancer Hospital and Richard J. Solove Research Institute, Richard M. Ross Heart Hospital, University Hospital East, OSU Harding Hospital, The Ohio State University Specialty Care Network, Dodd Rehabilitation Hospital, The Eye and Ear Institute, The Stefanie Spielman Comprehensive Breast Center, and 16 primary care locations. The System provided services to 57,000 adult inpatients and 1,594,000 outpatients during Fiscal Year 2014.

The university is governed by a board of trustees who are responsible for oversight of academic programs, budgets, general administration, and employment of faculty and staff. The university's 14 colleges, one independent school, four regional campuses, the Wexner Medical Center and various academic support units operate largely on a decentralized basis. The Board approves annual budgets for university operations, but these budgets are managed at the college and department level.

The following financial statements reflect all assets, liabilities, deferred inflows/outflows and net position (equity) of the university, the Ohio State University Wexner Medical Center, the Ohio Agricultural Research and Development Center (OARDC) and the Ohio Technology Consortium (OH-TECH), which is an umbrella organization that includes the Ohio Academic Resources Network (OARnet), the Ohio Supercomputer Center and the Ohio Library and Information Network (OhioLINK). These entities constitute the "primary government" for financial reporting purposes. In addition, the financial statements include consolidated financial results for a number of "component units", which are legally separate entities that meet the financial accountability criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*.

Management's Discussion & Analysis (Unaudited) - continued

The following component units are considered to “exclusively benefit” the university and are shown in a blended presentation with the primary government:

- The OSU Foundation (a fundraising foundation operating exclusively for the benefit of the university)
- OSU Health Plan (a non-profit organization – formerly known as OSU Managed Health Care Systems -- that administers university health care benefits)
- Oval Limited (captive insurer that provides medical malpractice coverage to university hospitals and physicians)

The GASB has indicated that, under the amended consolidation standards, the “exclusive benefit” criterion for blending is not met when a component unit provides services to parties external to the primary government. As a result, the university presents the following component units in a discrete presentation:

- OSU Physicians, Inc. (the practice group for physician faculty members of the Colleges of Medicine and Public Health)
- Campus Partners for Community Urban Redevelopment (a non-profit organization participating in the redevelopment of neighborhoods adjacent to the main Columbus campus)
- Transportation Research Center, Inc. (an automotive research and testing facility in East Liberty, Ohio)
- Dental Faculty Practice Association (the practice group for faculty members of the College of Dentistry)

Condensed financial information for both blended and discretely presented component units is provided in the Notes to the Financial Statements. The university is considered a component unit of the State of Ohio and is included in the State of Ohio's Comprehensive Annual Financial Report.

About the Financial Statements

The university presents its financial statements in a “business type activity” format, in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. In addition to this MD&A section, the financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Other Changes in Net Position, a Statement of Cash Flows and Notes to the Financial Statements. Separate columns are presented for the primary institution (which includes the primary government and the blended component units), discretely presented component units and the total university. Unless otherwise specified, the amounts presented in this MD&A are for the primary institution.

The **Statement of Net Position** is the university's balance sheet. It reflects the total assets, liabilities and net position (equity) of the university as of June 30, 2014, with comparative information as of June 30, 2013. Liabilities due within one year, and assets available to pay

Management's Discussion & Analysis (Unaudited) - continued

those liabilities, are classified as current. Other assets and liabilities are classified as non-current. Investment assets are carried at market value. Capital assets, which include the university's land, buildings, improvements, and equipment, are shown net of accumulated depreciation. Net position is grouped in the following categories:

- Invested in capital assets, net of related debt
- Restricted – Nonexpendable
- Restricted – Expendable
- Unrestricted

The **Statement of Revenues, Expenses and Other Changes in Net Position** is the university's income statement. It details how net position has increased (or decreased) during the year ended June 30, 2014, with comparative information for Fiscal Year 2013. Tuition revenue is shown net of scholarship allowances, patient care revenue is shown net of contractual allowances, charity care and bad debt expense, depreciation is provided for capital assets, and there are required subtotals for net operating income (loss) and net income (loss) before capital contributions and additions to permanent endowments.

It should be noted that the required subtotal for net operating income or loss will generally reflect a "loss" for state-supported colleges and universities. This is primarily due to the way operating and non-operating items are defined under GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating expenses include virtually all university expenses, except for interest on long-term debt. Operating revenues, however, *exclude* certain significant revenue streams that the university and other public institutions have traditionally relied upon to fund current operations, including state instructional support, current-use gifts and investment income.

The **Statement of Cash Flows** details how cash has increased (or decreased) during the year ended June 30, 2014, with comparative information for Fiscal Year 2013. It breaks out the sources and uses of university cash into the following categories:

- Operating activities
- Noncapital financing activities
- Capital financing activities
- Investing activities

Cash flows associated with the university's expendable net position appear in the operating and noncapital financing categories. Capital financing activities include payments for capital assets, proceeds from long-term debt and debt repayments. Purchases and sales of investments are reflected as investing activities.

The **Notes to the Financial Statements**, which follow the financial statements, provide additional details on the numbers in the financial statements.

Management's Discussion & Analysis (Unaudited) - continued

Financial Highlights and Key Trends

Total net position for the primary institution increased \$697 million, to \$6.64 billion at June 30, 2014. Net investment income accounted for \$621 million of the increase, reflecting strong 2014 returns for the university's Long Term Investment Pool. Total unrestricted and restricted-expendable net position increased \$647 million, to \$3.03 billion. With the exception of consolidated Health System revenues, which increased \$102 million, university operating revenues were flat or showed modest increases compared with 2013.

Demand for an Ohio State education remains strong, and student outcomes continue to improve. 63,964 students were enrolled in Autumn 2013, up 906 students compared to Autumn 2012. 92% of the freshmen enrolled in Autumn 2012 returned to OSU in Autumn 2013. Over the past five years, four-year graduation rates have increased from 49% to 59%, and six-year graduation rates have increased from 73% to 83%.

The following sections provide additional details on the university's 2014 financial results and a look ahead at significant economic conditions that are expected to affect the university in the future.

Management's Discussion & Analysis (Unaudited) - continued

Statement of Net Position

Summary Statement of Net Position <i>(in thousands)</i>			
	2014	2013	2012
Cash and temporary investments	\$ 1,404,608	\$ 1,073,925	\$ 1,283,141
Receivables, inventories, prepaids and other current assets	611,238	528,165	560,913
Total current assets	2,015,846	1,602,090	1,844,054
Restricted cash	435,293	926,444	714,226
Noncurrent notes and pledges receivable	117,159	127,831	92,427
Long-term investment pool	3,613,866	3,149,169	2,366,033
Other long-term investments	84,731	69,358	71,663
Capital assets, net of accumulated depreciation	4,492,896	4,136,392	3,765,325
Total noncurrent assets	8,743,945	8,409,194	7,009,674
Deferred outflows	8,650	9,202	3,439
Total assets and deferred outflows	\$ 10,768,441	\$ 10,020,486	\$ 8,857,167
Accounts payable and accrued expenses	\$ 391,064	\$ 385,006	\$ 413,995
Deposits and advance payments for goods and services	229,530	179,436	230,300
Current portion of bonds, notes and lease obligations	504,165	503,750	530,047
Other current liabilities	47,445	21,705	23,102
Total current liabilities	1,172,204	1,089,897	1,197,444
Noncurrent portion of bonds, notes and lease obligations	2,101,363	2,167,134	1,881,008
Other noncurrent liabilities	373,305	328,987	331,056
Total noncurrent liabilities	2,474,668	2,496,121	2,212,064
Total liabilities	\$ 3,646,872	\$ 3,586,018	\$ 3,409,508
Deferred inflows	\$ 484,450	\$ 494,284	\$ 20,155
Invested in capital assets, net of related debt	2,320,611	2,394,141	2,056,993
Restricted:			
Nonexpendable	1,281,640	1,158,014	1,050,691
Expendable	999,029	920,515	752,890
Unrestricted	2,035,839	1,467,514	1,566,930
Total net position	\$ 6,637,119	\$ 5,940,184	\$ 5,427,504
Total liabilities, deferred inflows and net position	\$ 10,768,441	\$ 10,020,486	\$ 8,857,167

During the year ended June 30, 2014, **cash and temporary investment** balances increased \$331 million, to \$1.40 billion, primarily due to transfers of **restricted cash** to fund capital project expenditures. The remaining restricted cash balances consist primarily of unspent proceeds from the Special Purpose General Receipts Bonds, which are being used to fund the North Residential District expansion project. The Statement of Cash Flows, which is discussed in more detail below, provides additional information on sources and uses of university cash.

Accounts receivable increased \$54 million, to \$440 million at June 30, 2014, primarily due to increases in patient care receivables of the Health System. **Inventories and prepaid expenses** increased \$31 million, to \$115 million, reflecting increases in software inventories

Management's Discussion & Analysis (Unaudited) - continued

at OARnet (up \$6 million), increases in prepayments for library subscription services by OhioLink (\$13 million) and deferred charges for summer term scholarships (up \$9 million).

The market value of the university's **long-term investment pool** increased \$465 million, to \$3.61 billion at June 30, 2014, primarily due to \$577 million of net investment income. The increases due to investment earnings were partially offset by annual distributions, which totaled \$142 million in 2014. The long-term investment pool operates similar to a mutual fund, in that each named fund is assigned a number of shares in the pool. It includes the gifted endowment funds of the university, gifted endowment funds of the OSU Foundation, and operating funds which have been internally designated to function as endowments. The pool is invested in a diversified portfolio of equity and fixed-income securities, partnerships and hedge funds 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 the university's mission.

Other long-term investments are non-unitized investments that relate primarily to gift arrangements between donors and the OSU Foundation and long-term investments of operating funds. These investments increased \$15 million, to \$85 million, at June 30, 2014.

Capital assets, which include the university's land, buildings, improvements, equipment and library books, grew \$357 million, to \$4.49 billion at June 30, 2014. The university depreciates its capital assets on a straight-line basis, using estimated useful lives ranging from 5 years (for computer equipment and software) to 100 years (for certain building components such as foundations).

Major projects completed in 2014 include \$31 million of renovations to Sullivant Hall. The improvements incorporated an entryway to High Street and the adjoining plaza. The renovated facility houses the Advanced Computing Center for the Arts & Design, the Department of Dance, the Billy Ireland Cartoon Library & Museum and the Department of Art Education. Also completed in 2014 was the \$20 million upgrade and replacement of the existing water treatment system and \$13 million of mechanical improvements to Smith Laboratory. Athletics added a \$19 million basketball practice facility at the Jerome Schottenstein Center and a \$6 million indoor golf facility.

In addition, several major construction projects are currently underway or in advanced planning stages, including:

- **Medical Center Expansion** – Construction of a 21-story, \$1.1 billion new facility for the James Cancer Hospital and Solove Research Institute and the Critical Care Center is proceeding on time and on budget for completion in December 2014. The university is financing the project with a combination of bonds (\$925 million), private gifts (\$75 million) and a \$100 million federal grant.
- **Chemical and Bio-molecular Engineering and Chemistry Building** – Construction is underway on a \$126 million facility for the Chemistry and Chemical and Bio-molecular Engineering departments. The 225,000 square-foot building will contain research and

Management's Discussion & Analysis (Unaudited) - continued

teaching laboratories, faculty offices, and seminar rooms. Construction is projected to be completed in January 2015.

- Infrastructure Improvements – Work continues on the \$41 million east regional chiller plant to serve buildings east of the Oval. The east regional chiller project is expected to be completed in fiscal year 2015. A \$21 million steam and condensate upgrade project will upgrade deteriorated lines and increase capacity and distribution in the mid-west campus area from McCracken Power Plant to near the Drake Union.
- North Residential District Transformation (NRDT) – The \$370 million NRDT project will construct new housing and support facilities for sophomore students in the north campus area. Enabling project work began Summer 2013, and the project is slated for completion Fall Semester 2016.
- Veterinary Hospital– Currently in its design phase, the \$30 million project will renovate approximately 97,000 square feet of the existing facility and will add 12,000 square feet of new space.

The university's estimated future capital commitments, based on contracts and purchase orders, total approximately \$365 million at June 30, 2014.

Accounts payable and accrued expenses increased \$6 million, to \$391 million at June 30, 2014. The increase primarily reflects increases in payables to vendors (up \$53 million), which were offset by decreases in payables for retirement contributions (down \$26 million) and other accrued expenses (down \$17 million). **Deposits and advance payments for goods and services** increased \$50 million, to \$230 million, primarily due to a combination of advance payments on grants and contracts (up \$22 million), advance payments for departmental and auxiliary sales and services (up \$12 million), advance payments for affinity agreements (up \$9 million) and advance payments for summer tuition (up \$4 million).

University debt, in the form of **bonds, notes and capital lease obligations**, decreased \$65 million, to \$2.61 billion at June 30, 2014, reflecting scheduled principal payment activity. There were no new bond issues in 2014.

The university's plant debt includes variable rate demand bonds that mature at various dates through 2035. GASB Interpretation 1, *Demand Bonds Issued by State and Local Governmental Entities*, provides guidance on the statement of net position classification of these bonds. Under GASB Interpretation 1, outstanding principal balances on variable rate demand bonds may be classified as noncurrent liabilities if the issuer has entered into a "take-out agreement" to convert bonds "put" but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities.

Although it is the university's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the university does not have "take-out agreements" in place per the GASB Interpretation 1 requirements. Accordingly, the university has classified the total outstanding principal balances on its variable rate demand

Management's Discussion & Analysis (Unaudited) - continued

bonds as current liabilities. These obligations totaled \$446 million at June 30, 2014 and June 30, 2013.

On October 9, 2014, the university closed on \$136 million in tax-exempt Fixed Rate General Receipts Bonds (Series 2014A) and \$150 million in tax-exempt Variable Rate General Receipts Bonds (Series 2014B1 and B2). The Series 2014A bonds will have annual principal payments until final maturity on December 1, 2044, with interest rates ranging from 2.00% to 5.00%. The Series 2014B1 and B2 bonds will have principal payments on December 1, 2034, 2039 and 2044. The initial interest rate was 0.04% and will be subject to a rate reset on a weekly basis.

Other noncurrent liabilities increased \$31 million, to \$91 million at June 30, 2014, primarily due to a \$26 million deposit of OSU Alumni Association funds, which were invested in the university's long-term investment pool.

Deferred inflows consist primarily of the unamortized proceeds of the parking service concession arrangement. The parking deferred inflows, which totaled \$465 million at June 30, 2014, are being amortized to operating revenue on a straight-line basis over the 50-year life of the agreement. In addition, the deferred inflows include \$20 million of deferred gains on debt-related transactions, which were reclassified in 2014 as part of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

During 2014, the university identified a misclassification of net position associated with the accumulated appreciation on donor-restricted endowment funds. As a result, the university revised its previously reported Statements of Net Position at June 30, 2013 and June 30, 2012 to reclassify the accumulated appreciation from restricted-nonexpendable net position to restricted-expendable net position. Additional details on these revisions are provided in Note 1.

Prior-Year Highlights: *In 2013*, the university entered into a 50-year lease and concession agreement with QIC Global Infrastructure (and its local affiliate, CampusParc) to operate, maintain and retain parking revenues from the university's parking lots and garages. The proceeds from the agreement, which totaled \$483 million, were used to establish quasi-endowment funds and were recorded as a deferred inflow. Total plant debt increased \$260 million, to \$2.67 billion, reflecting the issuance of \$338 million of Special Purpose General Receipts Bonds, which are secured by a pledge of housing, dining and recreational facilities revenues. The new issuance was partially offset by a \$75 million defeasance of debt related to parking facilities. Total unrestricted and restricted-expendable net position increased \$68 million, to \$2.39 billion. *In 2012*, the university issued \$500 million of federally taxable "Century Bonds", which mature in June 2111, increasing total plant debt to \$2.41 billion. Total unrestricted and restricted-expendable net position increased \$138 million, to \$2.32 billion.

Management's Discussion & Analysis (Unaudited) - continued

Statement of Revenues, Expenses and Other Changes in Net Position

Summary of Revenues, Expenses and Changes in Net Position <i>(in thousands)</i>			
	2014	2013	2012
Operating Revenues:			
Tuition and fees, net	\$ 815,743	\$ 816,761	\$ 793,742
Grants and contracts	617,091	597,201	593,623
Auxiliary enterprises sales and services, net	228,997	222,014	233,020
OSU Health System sales and services, net	2,120,891	2,018,724	1,921,897
Departmental sales and other operating revenues	<u>207,502</u>	<u>190,049</u>	<u>176,271</u>
Total operating revenues	3,990,224	3,844,749	3,718,553
Operating Expenses:			
Educational and general	2,280,135	2,158,149	2,088,529
Auxiliary enterprises	241,915	242,376	239,570
OSU Health System	1,839,645	1,796,581	1,697,628
Depreciation	<u>260,367</u>	<u>257,606</u>	<u>236,180</u>
Total operating expenses	4,622,062	4,454,712	4,261,907
Net operating income (loss)	(631,838)	(609,963)	(543,354)
Non-operating revenues (expenses):			
State share of instruction and line-item appropriations	440,924	432,652	428,306
Gifts - current use	138,230	122,208	139,599
Net investment income (loss)	620,605	386,516	59,184
Grants, interest expense and other non-operating	<u>12,978</u>	<u>(8,483)</u>	<u>24,644</u>
Net non-operating revenue	1,212,737	932,893	651,733
Income (loss) before other changes in net position	580,899	322,930	108,379
State capital appropriations	54,808	75,127	42,188
Private capital gifts	5,486	41,176	19,072
Additions to permanent endowments	54,309	57,480	41,299
Transfers to primary institution	<u>1,433</u>	<u>15,967</u>	<u>9,861</u>
Total other changes in net position	116,036	189,750	112,420
Increase (decrease) in net position	696,935	512,680	220,799
Net position - beginning of year	<u>5,940,184</u>	<u>5,427,504</u>	<u>5,206,705</u>
Net position - end of year	<u>\$ 6,637,119</u>	<u>\$ 5,940,184</u>	<u>\$ 5,427,504</u>

Net **tuition and fees** decreased \$1 million, to \$816 million in 2014. Total enrollments increased 2%. However, the effects of this enrollment increase were offset by a decline in summer semester tuition revenues. The university did not increase its undergraduate instructional and mandatory fees for fiscal 2014.

Operating **grant and contract revenues** increased \$20 million, to \$617 million in 2014, primarily due to increases in state grant and contract revenues (up \$22 million). The increase in state grants and contracts reflects new Third Frontier funding and increases in technology funding provided to OH-TECH. Revenues for sponsored research programs administered by the Office of Sponsored Programs (formerly known as the OSU Research Foundation) increased \$2 million, to \$495 million.

Educational and general expenses increased \$122 million, or 6%, to \$2.28 billion in 2014. Additional details are provided below.

Management's Discussion & Analysis (Unaudited) - continued

Educational and General Expenses (in thousands)			
	2014	2013	2012
Instruction and departmental research	\$ 938,385	\$ 906,339	\$ 875,800
Separately budgeted research	437,497	413,985	429,276
Public service	131,389	96,578	98,686
Academic support	188,641	170,142	162,783
Student services	96,892	94,237	90,493
Institutional support	278,052	271,737	217,648
Operation and maintenance of plant	98,678	93,767	103,095
Scholarships and fellowships	110,601	111,364	110,748
Total	<u>\$ 2,280,135</u>	<u>\$ 2,158,149</u>	<u>\$ 2,088,529</u>

Total **instructional and departmental research** expenses increased \$32 million in 2014, primarily due to faculty salary increases and increased benefit costs. The university's budget process directs the bulk of annual increases in tuition, state share of instruction and facilities and administrative cost recoveries to the colleges, for investment in academic programs. **Separately budgeted research** increased \$24 million, reflecting increases in operating expenditures on sponsored programs. **Public service** increased \$35 million, primarily due to the transfer of the OhioLINK statewide library program from Wright State University to OSU in 2014. **Academic support** increased \$18 million, reflecting increases in salaries and benefit expenses.

Auxiliary revenues increased \$7 million, to \$229 million in 2014. Room and board fees increased \$11 million, due to the re-opening of Smith/Steeb and Siebert halls and a 4% increase in room and board rates. Athletics revenues were up \$2 million. These increases were partially offset by the reduction in parking revenues associated with the transition of the parking operations to CampusParc in September 2012. **Auxiliary expenses** were flat, at \$242 million.

Consolidated **Health System** operating revenues grew \$102 million, to \$2.12 billion in 2014, driven primarily by growth in outpatient revenues and a strong patient mix. Consolidated operating expenses (excluding depreciation, interest and transfers) increased \$43 million, to \$1.84 billion, reflecting efforts to maintain expenses in line with activity levels. An in-depth look at the Health System is provided below.

The Health System operates nearly 1,200 inpatient beds and serves as a major tertiary and quaternary referral center for Ohio and the Midwest. Its Signature programs in Cancer, Critical Care, Imaging, Heart, Neurosciences, and Transplantation provide personalized patient care. The Wexner Medical Center has been recognized by US News and World Report for 22 consecutive years as one of "America's Best Hospitals" and has five nationally ranked specialties and is recognized as high-performing in eight others. It is one of 10 academic medical centers in the nation delivering the highest quality of care based on results of a study commissioned by the University Health System Consortium (UHC).

A \$1.1 billion construction project broke ground in 2010, representing the largest development project in the history of The Ohio State University. The new Arthur G. James

Management's Discussion & Analysis (Unaudited) - continued

Cancer Hospital and Richard J. Solove Research Institute, a Critical Care Center, and integrated, state-of-the-art research facilities will provide scientists, researchers and clinicians with a single collaborative environment for research, education and patient care. This 1.1 million square foot building will include 276 cancer beds and 72 critical care beds and will have capacity for an additional 72 critical care beds for future growth. The new 21-level tower will open in December 2014, and it is estimated that more than 310,000 patients will be served annually.

In 2014, the Health System continued its strategy of providing predictive, preventive, personalized and participatory model of care and remained financially sound due to solid activity levels and strong expense management. Inpatient admissions showed a slight increase compared with prior year. Consistent with industry trends, the patient environment continues to experience strong movement to an outpatient setting and to an increased use of observation beds. Outpatient visits increased 7.3% and total observation patients increased 5.1% over the previous year. The Health System will continue expanding its ambulatory strategy and meeting the needs of the community by opening future sites for The OSU Wexner Medical Center Health and Fitness Center at the Philip Heit Center for Healthy New Albany, Arlington Primary Care, and The Jameson Crane Sports Medicine Institute to be located at the southwest corner of Ackerman Road and Fred Taylor Drive.

The Health System continued to experience strong volumes in cancer, cardiovascular, obstetric, orthopedic, medicine, neonatal intensive care, and neurological service lines, which contributed to increases in revenues, average daily census and increased observation patients. Measured on a stand-alone basis, income before other changes in Net Position was \$229.1 million in 2014 versus \$206.3 million in 2013 reflecting strong outpatient activities, a strong patient mix and maintaining expenses in line with activities.

Changes to Net Position included \$120.5 million reinvested back into research, education, and programs at the Medical Center. In December of 2010, the Health System was awarded a \$100 million grant from The Health Resources and Services Administration (HRSA), an Agency of the U.S. Department of Health & Human Services, in support of the new tower construction. Approximately \$19.8 million of the total grant was recognized under Capital Contributions as a change in Net Position in 2014, \$23.1 million in 2013, and \$30.4 million in 2012. The remaining amount of the grant will be funded by HRSA on a cost sharing basis, as allowable costs are incurred. Additionally, \$12.8 million in 2014, \$20.7 million in 2013, and \$4.5 million of other restricted expendable funds and pledges (in support of the tower and other initiatives) have been recorded. In total, after accounting for these changes, the Health System's Net Position increased \$141.6 million in 2014, \$134.7 million in 2013 and \$137.6 million in 2012.

The Health System is focusing on efficiency and cost reduction as reimbursements come under pressure. Key in these initiatives is the creation of value through continued use of evidenced based practice, effective patient management during and after the hospital experience, and the use of our electronic medical record systems to reduce unnecessary treatment and costs. We have effectively controlled and reduced costs of supplies and will continue to do so through aggressive contracting, standardization, and strategic sourcing. Significant effort is being placed in streamlining and refining revenue cycle activities. Ohio

Management's Discussion & Analysis (Unaudited) - continued

State University Physicians (OSUP) implemented the Epic Physician Billing system in July 2014 and is integrating it with the Health System's Epic patient and revenue cycle systems. Activities such as centralized patient scheduling, insurance precertification, payment at point of service and other administrative activities will be consolidated across the Medical Center.

The Health System has created strong collaborations with a number of entities to help manage the health of populations across the continuum of care. Partnerships with Memorial Hospital of Union County and Hocking Valley Community Hospital will provide expanded care to their service areas. The Health System has also partnered with Ohio Valley Health Services and Education Corporation to expand specialized care for many people in the Ohio Valley region and give clinicians the ability to access the Integrated Healthcare Information System (IHIS), making it easier to share patient information, coordinate clinical care, and arrange for patient referrals and transfers. The Telestroke Medicine hub services 27 hospitals to leverage innovative technology to provide faster and more efficient diagnosis and treatment of stroke patients in largely rural areas of Ohio.

As with other healthcare providers, we are being challenged by the enactment of healthcare reform. The impact of insurance exchanges, managed care rates, and Medicaid expansion continues to cause uncertainty in the environment for hospitals nationwide. The Medical Center continues to position itself to thrive in the changing market, as it has successfully done in the past. The clinical component of medical staff activities has been integrated into the OSU Faculty Group Practice providing the Health System and the medical staff a unified structure to manage changes in reimbursement, practice patterns, and alignment in strategic initiatives. The Health System is partnering with the Ohio State University Health Plan to design innovative product offerings for both the exchanges and employers and continue working with other providers to form strategic alliances.

Despite the challenges and the changing healthcare environment, the Health System expects to improve its financial position and operating results during the upcoming year, and will continue to play a key role in supporting the Wexner Medical Center and in its status as a leading academic medical center.

Revenues and operating expenses of **OSU Physicians, Inc.** (OSUP), the University's central practice group for physician faculty members of the College of Medicine and Public Health, continue to grow in 2014. Total consolidated operating revenues increased \$25 million, to \$357 million, as a result of increased patient volumes. Total consolidated OSUP expenses (excluding depreciation and interest) increased \$26 million to \$343 million in 2014. These figures are included in the Discretely Presented Component Units columns of the university's financial statements.

Total state operating support increased \$8 million, to \$441 million, in 2014. **State share of instruction** was flat, and **state line-item appropriations** increased \$7 million, reflecting a new line-item for OhioLINK and increases in OARDC and Ohio Learning Network line-items.

Total **gifts** to the university decreased \$23 million, to \$198 million in 2014. The decrease relates primarily to private capital gifts; three major capital pledges, totaling \$28 million, were

Management's Discussion & Analysis (Unaudited) - continued

recognized in 2013. During 2014, over 233,000 alumni and friends made gifts to the university, up from 228,000 in 2013.

University investments yielded \$621 million of **net investment income** in 2014. The net investment income figure includes \$97 million of interest and dividend income and a \$524 million net increase in the fair value of university investments.

The Long Term Investment Pool generated a 14.4% net investment return in 2014, which exceeded the Policy (internal benchmark) return of 12.1%. Top contributions came from equity oriented strategies of all types (private, public and hedged) as well as credit and natural resource managers. Fixed income securities, relative value funds and infrastructure managers were positive but lower relative to other strategies. Market volatility continued to drop across asset classes but there are a number of uncertainties at the forefront of investors' minds: U.S. Federal Reserve and Bank of England rate increases, European Central Bank and Bank of Japan monetary easing, Chinese economic growth, and geopolitical events across the globe.

Over the past five years, strong equity markets have driven the performance of the Long Term Investment Pool, but it also is designed to perform well in down markets. The university's Investment Office continues to strive for the best possible risk-adjusted investment returns to grow the purchasing power of the Long Term Investment Pool.

Prior-Year Highlights: *In 2013*, total net position (equity) for the primary institution increased \$513 million, to \$5.94 billion at June 30, 2013. Net investment income accounted for \$387 million of the increase, reflecting strong 2013 returns for the university's Long Term Investment Pool. *In 2012*, total net position increased \$221 million, to \$5.43 billion at June 30, 2012, primarily due to increases in tuition and gift revenues, limited growth in expenses and positive operating results for the OSU Health System.

Management's Discussion & Analysis (Unaudited) - continued

Statement of Cash Flows

University Cash Flows Summary <i>(in thousands)</i>	2014	2013	2012
Net cash flows provided by (used in) operating activities	\$ (365,550)	\$ 82,605	\$ (281,830)
Net cash flows from noncapital financing activities	706,323	664,464	631,466
Capital appropriations and gifts for capital projects	70,877	82,963	68,038
Proceeds from capital debt	-	499,398	521,155
Payments for purchase or construction of capital assets	(566,746)	(608,138)	(568,222)
Principal and interest payments on capital debt and leases, net of federal Build America Bond interest subsidies	(146,514)	(324,944)	(132,789)
Net cash flows provided by (used in) investing activities	70,687	(673,292)	9,476
Net increase (decrease) in cash	<u>\$ (230,923)</u>	<u>\$ (276,944)</u>	<u>\$ 247,294</u>

University cash and cash equivalents decreased \$231 million in 2014. Net cash flows from operating activities decreased \$448 million, reflecting the September 2012 receipt of \$453 million in net proceeds from the parking lease and concession agreement. Excluding parking proceeds, net operating cash flows were stable compared with 2013. Net cash flows from noncapital financing activities increased \$42 million, primarily due to increases in current-use gift receipts and net transfers from discretely presented component units. Net cash used for capital financing activities increased \$292 million, to \$642 million, reflecting continuing capital expenditures for the Medical Center expansion and a lack of debt issuance and refinancing activity in 2014. Total cash provided by investing activities was \$71 million, with net purchases of investments mostly offsetting investment income.

Economic Factors That Will Affect the Future

Under the leadership of Interim President Joseph A. Alutto, the university has made continued progress in executing its strategic plan to become the world's preeminent public comprehensive university. The university's strategic plan focuses on four core goals:

- **Teaching and Learning:** to provide an unsurpassed, student-centered learning experience led by engaged, world-class faculty and enhanced by a globally diverse student body.
- **Research and Innovation:** to create distinctive and internationally recognized contributions to the advancement of fundamental knowledge and scholarship, and solutions for the world's most pressing problems.
- **Outreach and Engagement:** to establish mutually beneficial partnerships with the citizens and institutions of Ohio, the nation, and the world, so that our communities are actively engaged in the exciting work of The Ohio State University.

Management's Discussion & Analysis (Unaudited) - continued

- **Resource Stewardship:** to become the model for an affordable public university recognized for financial sustainability, unsurpassed management of human and physical resources, and operational efficiency and effectiveness.

The university has identified three Discovery Themes to serve as focal points for investment: Health and Wellness, Energy and the Environment, and Food Production and Security. The fiscal year 2015 budget includes a \$20 million investment in Data Analytics focused around the Discovery Themes.

Based on what is now known regarding the university's financial outlook, university management anticipates that Ohio State will maintain its sound financial position in Fiscal Year 2015. However, the university does face certain financial challenges, including limited growth in state operating support and tuition revenues, continued pressure on government expenditures for research and student financial aid, and uncertainties related to the impact of healthcare reform. State share of institution (SSI) is expected to decrease \$1 million, to \$354 million in 2015, and restricted line-item appropriations are expected to be flat. Tuition revenues are expected to increase 1.9% in 2015, primarily driven by both an increased proportion of non-resident students and increased fees. Undergraduate instructional and mandatory fees will not increase in 2015. Revenue for sponsored research projects administered by the Office of Sponsored Programs is expected to decrease \$3 million, to \$487 million in 2015. The impact of insurance exchanges, changes in managed care rates, and Medicaid expansion will continue to cause uncertainty in the environment for the Wexner Medical Center and hospitals nationwide.

New accounting rules are also expected to have a significant impact on the university's reported financial position and results of operations. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is effective Fiscal Year 2015, requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability, which is the difference between the total pension liability and the net assets set aside to pay pension benefits. For cost-sharing employers, the net pension liability is equal to the employer's proportionate share of the collective net pension liability for the plan. The university participates in two cost-sharing defined benefit pension plans, the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS-Ohio). Based on information provided in the most recently available financial reports for the pension plans, university management anticipates that Statement No. 68 will result in the recognition of significant liabilities in the university's financial statements.

Despite the challenges and uncertainties outlined above, the university remains committed to executing its long-range strategic plan. By doing so, we believe that The Ohio State University will continue its progress towards becoming the world's preeminent comprehensive public university.

THE OHIO STATE UNIVERSITY
STATEMENTS OF NET POSITION
June 30, 2014 and June 30, 2013
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2014	2013	2014	2013	2014	2013
ASSETS AND DEFERRED OUTFLOWS:						
Current Assets:						
Cash and cash equivalents	\$ 324,919	\$ 64,691	\$ 57,851	\$ 52,495	\$ 382,770	\$ 117,186
Temporary investments	1,079,689	1,009,234	8,965	12,572	1,088,654	1,021,806
Accounts receivable, net	440,111	385,965	48,584	48,058	488,695	434,023
Notes receivable - current portion, net	22,798	23,528	448	470	23,246	23,998
Pledges receivable - current portion, net	25,451	27,491	-	-	25,451	27,491
Accrued interest receivable	20,599	21,204	-	-	20,599	21,204
Inventories and prepaid expenses	114,786	83,786	2,979	2,292	117,765	86,078
Amounts due from (to) primary institution	(12,507)	(13,809)	12,507	13,809	-	-
Total Current Assets	<u>2,015,846</u>	<u>1,602,090</u>	<u>131,334</u>	<u>129,696</u>	<u>2,147,180</u>	<u>1,731,786</u>
Noncurrent Assets:						
Restricted cash	435,293	926,444	-	-	435,293	926,444
Notes receivable, net	47,335	56,176	3,286	1,957	50,621	58,133
Pledges receivable, net	69,824	71,655	-	-	69,824	71,655
Long-term investment pool	3,613,866	3,149,169	-	-	3,613,866	3,149,169
Other long-term investments	84,731	69,358	1,012	1,529	85,743	70,887
Capital assets, net	4,492,896	4,136,392	76,346	80,162	4,569,242	4,216,554
Total Noncurrent Assets	<u>8,743,945</u>	<u>8,409,194</u>	<u>80,644</u>	<u>83,648</u>	<u>8,824,589</u>	<u>8,492,842</u>
Total Assets	<u>10,759,791</u>	<u>10,011,284</u>	<u>211,978</u>	<u>213,344</u>	<u>10,971,769</u>	<u>10,224,628</u>
Deferred Outflows	8,650	9,202	-	-	8,650	9,202
Total Assets and Deferred Outflows	<u>\$ 10,768,441</u>	<u>\$ 10,020,486</u>	<u>\$ 211,978</u>	<u>\$ 213,344</u>	<u>\$ 10,980,419</u>	<u>\$ 10,233,830</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION:						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 391,064	\$ 385,006	\$ 21,116	\$ 23,596	\$ 412,180	\$ 408,602
Deposits and advance payments for goods and services	229,530	179,436	1,215	1,075	230,745	180,511
Current portion of bonds, notes and leases payable	57,730	57,315	892	1,226	58,622	58,541
Long-term bonds payable, subject to remarketing	446,435	446,435	-	-	446,435	446,435
Other current liabilities	65,822	63,042	-	-	65,822	63,042
Amounts due to (from) primary institution - current	(18,377)	(41,337)	18,377	41,337	-	-
Total Current Liabilities	<u>1,172,204</u>	<u>1,089,897</u>	<u>41,600</u>	<u>67,234</u>	<u>1,213,804</u>	<u>1,157,131</u>
Noncurrent Liabilities:						
Bonds, notes and leases payable	2,101,363	2,167,134	16,362	17,305	2,117,725	2,184,439
Compensated absences	150,042	137,737	-	43	150,042	137,780
Self-insurance accruals	110,872	106,851	-	-	110,872	106,851
Amounts due to third-party payors - Health System	19,779	11,366	-	-	19,779	11,366
Obligations under annuity and life income agreements	32,047	33,702	-	-	32,047	33,702
Refundable advances for Federal Perkins loans	31,657	31,445	-	-	31,657	31,445
Other noncurrent liabilities	91,168	59,849	1,044	1,457	92,212	61,306
Amounts due to (from) primary institution - noncurrent	(62,260)	(51,963)	62,260	51,963	-	-
Total Noncurrent Liabilities	<u>2,474,668</u>	<u>2,496,121</u>	<u>79,666</u>	<u>70,768</u>	<u>2,554,334</u>	<u>2,566,889</u>
Total Liabilities	<u>3,646,872</u>	<u>3,586,018</u>	<u>121,266</u>	<u>138,002</u>	<u>3,768,138</u>	<u>3,724,020</u>
Deferred Inflows:						
Parking service concession arrangement	464,701	474,332	-	-	464,701	474,332
Other deferred inflows	19,749	19,952	-	-	19,749	19,952
Total Deferred Inflows	<u>484,450</u>	<u>494,284</u>	<u>-</u>	<u>-</u>	<u>484,450</u>	<u>494,284</u>
Net Position:						
Invested in capital assets, net of related debt	2,320,611	2,394,141	53,815	52,464	2,374,426	2,446,605
Restricted:						
Nonexpendable	1,281,640	1,158,014	-	-	1,281,640	1,158,014
Expendable	999,029	920,515	-	-	999,029	920,515
Unrestricted	2,035,839	1,467,514	36,897	22,878	2,072,736	1,490,392
Total Net Position	<u>6,637,119</u>	<u>5,940,184</u>	<u>90,712</u>	<u>75,342</u>	<u>6,727,831</u>	<u>6,015,526</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 10,768,441</u>	<u>\$ 10,020,486</u>	<u>\$ 211,978</u>	<u>\$ 213,344</u>	<u>\$ 10,980,419</u>	<u>\$ 10,233,830</u>

The accompanying notes are an integral part of these financial statements.

THE OHIO STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND OTHER
CHANGES IN NET POSITION

For the years ended June 30, 2014 and June 30, 2013
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2014	2013	2014	2013	2014	2013
Operating Revenues:						
Student tuition and fees (net of scholarship allowances of \$164,008 and \$154,236, respectively)	\$ 815,743	\$ 816,761	\$ -	\$ -	\$ 815,743	\$ 816,761
Federal grants and contracts	339,011	341,038	9,100	8,819	348,111	349,857
State grants and contracts	71,970	50,062	-	-	71,970	50,062
Local grants and contracts	16,419	16,217	-	-	16,419	16,217
Private grants and contracts	189,691	189,884	36,725	52,412	226,416	242,296
Sales and services of educational departments	136,816	126,207	8,283	7,354	145,099	133,561
Sales and services of auxiliary enterprises (net of scholarship allowances of \$23,368 and \$20,081, respectively)	228,997	222,014	-	-	228,997	222,014
Sales and services of the OSU Health System, net	2,120,891	2,018,724	-	-	2,120,891	2,018,724
Sales and services of OSU Physicians, Inc., net	-	-	356,503	331,817	356,503	331,817
Other operating revenues	70,686	63,842	509	942	71,195	64,784
Total Operating Revenues	3,990,224	3,844,749	411,120	401,344	4,401,344	4,246,093
Operating Expenses:						
Educational and General:						
Instruction and departmental research	938,385	906,339	5,157	4,877	943,542	911,216
Separately budgeted research	437,497	413,985	22,534	20,686	460,031	434,671
Public service	131,389	96,578	6,085	8,535	137,474	105,113
Academic support	188,641	170,142	-	-	188,641	170,142
Student services	96,892	94,237	-	-	96,892	94,237
Institutional support	278,052	271,737	6,899	7,389	284,951	279,126
Operation and maintenance of plant	98,678	93,767	6,659	22,030	105,337	115,797
Scholarships and fellowships	110,601	111,364	-	-	110,601	111,364
Auxiliary enterprises	241,915	242,376	-	-	241,915	242,376
OSU Health System	1,839,645	1,796,581	-	-	1,839,645	1,796,581
OSU Physicians, Inc.	-	-	342,565	316,080	342,565	316,080
Depreciation	260,367	257,606	6,540	7,116	266,907	264,722
Total Operating Expenses	4,622,062	4,454,712	396,439	386,713	5,018,501	4,841,425
Net Operating Income (Loss)	(631,838)	(609,963)	14,681	14,631	(617,157)	(595,332)
Non-operating Revenues (Expenses):						
State share of instruction and line-item appropriations	440,924	432,652	-	-	440,924	432,652
Federal subsidies for Build America Bonds interest	10,500	10,799	-	-	10,500	10,799
Federal non-exchange grants	52,892	57,794	-	-	52,892	57,794
State non-exchange grants	7,604	8,463	-	-	7,604	8,463
Gifts	138,230	122,208	-	-	138,230	122,208
Net investment income	620,605	386,516	182	370	620,787	386,886
Interest expense on plant debt	(54,103)	(62,227)	(686)	(713)	(54,789)	(62,940)
Other non-operating expenses	(3,915)	(23,312)	2,626	12,555	(1,289)	(10,757)
Net Non-operating Revenue	1,212,737	932,893	2,122	12,212	1,214,859	945,105
Income before Other Changes in Net Position	580,899	322,930	16,803	26,843	597,702	349,773
Other Changes in Net Position						
State capital appropriations	54,808	75,127	-	-	54,808	75,127
Private capital gifts	5,486	41,176	-	-	5,486	41,176
Additions to permanent endowments	54,309	57,480	-	-	54,309	57,480
Transfers to (from) primary institution	1,433	15,967	(1,433)	(15,967)	-	-
Total Other Changes in Net Position	116,036	189,750	(1,433)	(15,967)	114,603	173,783
Increase in Net Position	696,935	512,680	15,370	10,876	712,305	523,556
Net Position - Beginning of Year	5,940,184	5,427,504	75,342	64,466	6,015,526	5,491,970
Net Position - End of Year	\$ 6,637,119	\$ 5,940,184	\$ 90,712	\$ 75,342	\$ 6,727,831	\$ 6,015,526

The accompanying notes are an integral part of these financial statements.

THE OHIO STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and June 30, 2013
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2014	2013	2014	2013	2014	2013
Cash Flows from Operating Activities:						
Tuition and fee receipts	\$ 725,375	\$ 716,689	\$ -	\$ -	\$ 725,375	\$ 716,689
Grant and contract receipts	634,309	572,733	47,239	61,149	681,548	633,882
Receipts for sales and services	2,448,063	2,409,068	361,678	345,168	2,809,741	2,754,236
Receipts for parking service concession arrangement	-	453,546	-	-	-	453,546
Payments to or on behalf of employees	(2,082,513)	(1,978,812)	(237,941)	(223,225)	(2,320,454)	(2,202,037)
University employee benefit payments	(608,638)	(581,981)	(58,092)	(54,370)	(666,730)	(636,351)
Payments to vendors for supplies and services	(1,472,266)	(1,470,957)	(97,488)	(108,384)	(1,569,754)	(1,579,341)
Payments to students and fellows	(101,251)	(102,886)	-	-	(101,251)	(102,886)
Student loans issued	(9,441)	(9,400)	-	-	(9,441)	(9,400)
Student loans collected	10,847	10,719	-	-	10,847	10,719
Student loan interest and fees collected	3,013	2,228	-	-	3,013	2,228
Other receipts	86,952	61,658	509	939	87,461	62,597
Net cash provided (used) by operating activities	<u>(365,550)</u>	<u>82,605</u>	<u>15,905</u>	<u>21,277</u>	<u>(349,645)</u>	<u>103,882</u>
Cash Flows from Noncapital Financing Activities:						
State share of instruction and line-item appropriations	440,924	432,652	-	-	440,924	432,652
Non-exchange grant receipts	60,496	66,257	-	-	60,496	66,257
Gift receipts for current use	134,639	118,752	-	-	134,639	118,752
Additions to permanent endowments	54,309	57,480	-	-	54,309	57,480
Drawdowns of federal direct loan proceeds	354,854	384,505	-	-	354,854	384,505
Disbursements of federal direct loans to students	(355,622)	(369,049)	-	-	(355,622)	(369,049)
Disbursement of loan proceeds to related organization	386	(8,161)	-	-	386	(8,161)
Repayment of loans from related organization	7,135	574	-	-	7,135	574
Amounts received for annuity and life income funds	2,440	3,482	-	-	2,440	3,482
Amounts paid to annuitants and life beneficiaries	(3,729)	(3,737)	-	-	(3,729)	(3,737)
Agency funds receipts	3,665	3,352	-	-	3,665	3,352
Agency funds disbursements	(3,342)	(2,827)	-	-	(3,342)	(2,827)
Transfers from (to) primary institution	10,168	(18,816)	(10,168)	18,816	-	-
Net cash provided (used) by noncapital financing activities	<u>706,323</u>	<u>664,464</u>	<u>(10,168)</u>	<u>18,816</u>	<u>696,155</u>	<u>683,280</u>
Cash Flows from Capital Financing Activities:						
Proceeds from capital debt	-	499,398	-	-	-	499,398
State capital appropriations	57,929	69,732	-	-	57,929	69,732
Gift receipts for capital projects	12,948	13,231	-	-	12,948	13,231
Payments for purchase or construction of capital assets	(566,746)	(608,138)	(2,723)	(4,398)	(569,469)	(612,536)
Principal payments on capital debt and leases	(58,473)	(243,737)	(1,277)	(30,682)	(59,750)	(274,420)
Interest payments on capital debt and leases	(98,541)	(92,005)	(686)	(713)	(99,227)	(92,718)
Federal subsidies for Build America Bonds interest	10,500	10,799	-	-	10,500	10,799
Net cash (used) by capital financing activities	<u>(642,383)</u>	<u>(350,721)</u>	<u>(4,686)</u>	<u>(35,793)</u>	<u>(647,069)</u>	<u>(386,514)</u>
Cash Flows from Investing Activities:						
Net (purchases) sales of temporary investments	(70,454)	(279,947)	3,606	297	(66,848)	(279,650)
Proceeds from sales and maturities of long-term investments	981,378	1,112,965	-	3,577	981,378	1,116,542
Investment income	121,131	83,168	182	369	121,313	83,537
Purchases of long-term investments	(961,368)	(1,589,478)	517	-	(960,851)	(1,589,478)
Net cash provided (used) by investing activities	<u>70,687</u>	<u>(673,292)</u>	<u>4,305</u>	<u>4,243</u>	<u>74,992</u>	<u>(669,049)</u>
Net Increase (Decrease) in Cash	(230,923)	(276,944)	5,356	8,543	(225,567)	(268,401)
Cash and Cash Equivalents - Beginning of Year	<u>991,135</u>	<u>1,268,079</u>	<u>52,495</u>	<u>43,952</u>	<u>1,043,630</u>	<u>1,312,031</u>
Cash and Cash Equivalents - End of Year	<u>\$ 760,212</u>	<u>\$ 991,135</u>	<u>\$ 57,851</u>	<u>\$ 52,495</u>	<u>\$ 818,063</u>	<u>\$ 1,043,630</u>

The accompanying notes are an integral part of these financial statements.

THE OHIO STATE UNIVERSITY
STATEMENTS OF CASH FLOWS, Cont'd
Years Ended June 30, 2014 and June 30, 2013
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2014	2013	2014	2013	2014	2013
Reconciliation of Net Operating Loss to Net Cash Provided (Used) by Operating Activities:						
Net operating income (loss)	\$ (631,838)	\$ (609,963)	14,681	\$ 14,631	\$ (617,157)	\$ (595,332)
Adjustments to reconcile net operating loss to net cash used by operating activities:						
Depreciation expense	260,367	257,606	6,540	7,116	266,907	264,722
Changes in assets and liabilities:						
Accounts receivable, net	(56,598)	20,700	(526)	5,367	(57,124)	26,067
Notes receivable, net	2,049	(1,692)	(1,306)	716	743	(976)
Accrued interest receivable	-	2,228	-	-	-	2,228
Inventories and prepaid expenses	(31,000)	(2,967)	(687)	194	(31,687)	(2,773)
Accounts payable and accrued liabilities	(7,456)	(29,234)	(2,479)	(3,642)	(9,935)	(32,876)
Self-insurance accruals	4,021	(8,357)	-	-	4,021	(8,357)
Amounts due to third-party payors - Health System	8,413	(2,350)	-	-	8,413	(2,350)
Deposits and advance payments for goods and services	49,873	(51,401)	138	(170)	50,011	(51,571)
Compensated absences	12,305	11,256	(43)	(14)	12,262	11,242
Refundable advances for Federal Perkins loans	212	2,739	-	-	212	2,739
Deferred inflows	(9,631)	474,332	-	-	(9,631)	474,332
Other liabilities	33,734	19,708	(413)	(2,921)	33,321	16,787
Net cash provided (used) by operating activities	<u>\$ (365,550)</u>	<u>\$ 82,605</u>	<u>\$ 15,905</u>	<u>\$ 21,277</u>	<u>\$ (349,645)</u>	<u>\$ 103,882</u>
Non Cash Transactions:						
Capital Lease	\$ 620	\$ 1,147			\$ 620	\$ 1,147
Construction in Process in Accounts Payable	63,164	57,252			63,164	57,252
Stock Gifts	16,202	33,920			16,202	33,920

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization

The Ohio State University (the “university”) is a land grant institution created in 1870 by the Ohio General Assembly under provisions of the Morrill Act. The university is one of several state-supported universities in Ohio. It is declared by statute to be a body politic and corporate and an instrumentality of the State.

The university is governed by a Board of Trustees which is granted authority under Ohio law to do all things necessary for the proper maintenance and continual successful operation of the university. Trustees are appointed by the governor, with the advice and consent of the state Senate. In 2005, the Ohio General Assembly voted to expand the Board from 11 to 17 members. The standard term for voting members of the Board is nine years. However, as part of the transition to a larger board membership, the additional trustees appointed in 2005 and 2006 will serve terms ranging from four to eight years. The Board also includes two non-voting student trustees who are appointed to two-year terms.

In 2009, the Board appointed its first charter trustee, which expanded the Board to 18 members. A maximum of three charter trustees may be appointed and removed by a vote of the Board. Charter trustees, who must be non-Ohio residents, are appointed to three-year terms and do not have voting privileges.

The Board of Trustees has responsibility for all the university’s financial affairs and assets. The university operates largely on a decentralized basis by delegating this authority to its academic and support departments. The Board must approve the annual budgets for unrestricted academic and support functions, departmental earnings operations and restricted funds operations, but these budgets are managed at the department level.

Basis of Presentation

The accompanying financial statements present the accounts of the following entities, which constitute the primary government for financial reporting purposes:

- The Ohio State University and its hospitals and clinics
- Ohio Agricultural Research and Development Center
- The Ohio Technology Consortium (OH-TECH)

In addition, these financial statements include component units -- legally separate organizations for which the university is financially accountable. Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 61, *The Financial Reporting Entity: Omnibus*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- Appointment of a voting majority of an organization’s governing authority and the ability of the primary government (i.e. the university) to either impose its will

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or;

- An organization is fiscally dependent on the primary government and provides specific financial benefits to, or imposes specific financial burdens on, the primary government.

The university's component units and the reasons for their inclusion in the university's financial statements are described below:

- **The Ohio State University Foundation** – The fiscal dependency criteria apply to this not-for-profit fundraising organization, which operates exclusively for the benefit of The Ohio State University.
- **OSU Health Plan, Inc.** – The university appoints a voting majority of the board for this organization, which provides medical benefit plan administration services to the university and its faculty and staff.
- **Oval Limited** – The university holds all of the voting stock of this captive insurance entity, which was established by the university to provide medical malpractice coverage to physicians in the university's medical center.

The component units listed above provide services entirely, or almost entirely, to the university or otherwise exclusively, or almost exclusively, benefit the university. Therefore, the transactions and balances for these organizations have been blended with those of the university.

In addition to the blended component units described above, the university's financial statements include the following discretely presented component units:

- **The Ohio State University Physicians, Inc.** – The university appoints a voting majority of the board of the medical practice group for physician faculty members in the Colleges of Medicine and Public Health.
- **Campus Partners for Community Urban Redevelopment, Inc.** – The university appoints a voting majority of the board for this non-profit organization, which participates in the redevelopment of neighborhoods adjacent to the Columbus campus.
- **Transportation Research Center of Ohio, Inc.** – The university appoints a voting majority of the board for this automotive research and testing facility in East Liberty, Ohio.
- **Dental Faculty Practice Association, Inc.** – The university appoints a voting majority of the board for the dental practice group for faculty in the College of Dentistry.

Summary financial statement information for the university's blended and discretely presented component units is provided in Notes 19 and 20. Audited financial statements for component units considered to be material to the university may be obtained from the

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Office of the Controller. A total university column in the financial statements is provided as memorandum only for purposes of additional analysis by users.

The university, as a component unit of the State of Ohio, is included as a discrete entity in the State of Ohio's Comprehensive Annual Financial Report.

Basis of Accounting

The financial statements of the university have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB. The university is reporting as a special purpose government engaged in business type activities (BTA) on the accrual basis. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. In accordance with BTA reporting, the university presents Management's Discussion and Analysis; Statements of Net Position; Statements of Revenues, Expenses and Other Changes in Net Position; Statements of Cash Flows; and Notes to the Financial Statements. In the Financial Statements, separate columns are presented for the *primary institution* (which includes the primary government and the blended component units), *discretely presented component units* and the *total university*. The Notes to the Financial Statements include separate disclosures for the primary institution and the discretely presented component units, where relevant. Unless otherwise specified, the amounts presented in MD&A are those of the primary institution.

The university's financial resources are classified for accounting and reporting purposes into the following four net position 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:** Amounts subject to externally-imposed stipulations that they be maintained in perpetuity and invested for the purpose of generating present and future income, which may either be expended or added to the principal by the university. These assets primarily consist of the university's permanent endowments.
- **Restricted - expendable:** Amounts whose use is subject to externally-imposed stipulations that can be fulfilled by actions of the university pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted:** Amounts which are not subject to externally-imposed stipulations. Substantially all unrestricted balances are internally designated for use by 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.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Under the university's decentralized management structure, it is the responsibility of individual departments to determine whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted funds are available.

For internal financial management purposes, the university classifies financial resources into funds that reflect the specific activities, objectives or restrictions of the resources.

Cash and Investments

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. Such investments consist primarily of U.S. Government obligations, U.S. Agency obligations, repurchase agreements and money market funds. Restricted cash consists of bond proceeds restricted for capital expenditures. For purposes of the Statement of Cash Flows, "cash" is defined as the total of these two line items.

Investments are carried at market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The weighted average method is used for purposes of determining gains and losses on the sale of investments. The specific identification method is used for purposes of determining gains and losses on the sale of gifted securities.

The university holds investments in limited partnerships, private equity and other investments, 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. Investments in these funds are fair valued based on the university's proportional share of the net asset value of the total fund. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. As of June 30, 2014, the university has made commitments to limited partnerships totaling \$775,000 that have not yet been funded. These commitments may extend for a maximum of thirteen years. As of June 30, 2013, the university had made commitments to limited partnerships totaling \$624,000 that had not yet been funded.

Investment in real estate is carried at cost, if purchased, or appraised value at the date of the gift. Holdings in real estate investment trusts (REITs) are carried at estimated fair values. The carrying and market values of real estate at June 30, 2014 are \$4,873 and \$13,713, respectively. The carrying and market values of real estate at June 30, 2013 are \$4,845 and \$13,571, respectively.

Investment income is recognized on an accrual basis. Interest and dividend income is recorded when earned.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Endowment Policy

All endowments are invested in the university's Long Term Investment Pool, which consists of more than 4,900 Board authorized funds. Each named fund is assigned a number of shares in the Long Term Investment Pool based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Ohio, permits the university's Board of Trustees to appropriate an amount of realized and unrealized endowment appreciation as the Board deems prudent. The UPMIFA, as adopted in Ohio, establishes a 5% safe harbor of prudence for funds appropriated for expenditure. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the Long Term Investment Pool, and the associated net position is classified as restricted-expendable, unless otherwise restricted by the donor.

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, 2014, the market value of the university's gifted endowments is \$1,768,771, which is \$349,902 above the historical dollar value of \$1,418,869. Although the market value of the gifted endowments in total exceeds the historical cost at June 30, 2014, there are 1,212 named funds that remain underwater. The market value of these underwater funds at June 30, 2014 is \$419,662, which is \$40,773 below the historical dollar value of \$460,435.

At June 30, 2013, the market value of the university's gifted endowments was \$1,530,734, which was \$174,140 above the historical dollar value of \$1,356,594. Although the market value of the gifted endowments in total exceeded the historical cost at June 30, 2013, there were 2,287 named funds that were underwater. The market value of these underwater funds at June 30, 2013 was \$671,524, which was \$100,471 below the historical dollar value of \$771,995.

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

Gift Pledges Receivable

The university 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. An allowance for uncollectible pledges receivable is provided based on

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

management's judgment of potential uncollectible amounts and includes such factors as prior collection history, type of gift and nature of fundraising.

Inventories

The university's inventories, which consist principally of publications, general stores and other goods for resale by earnings operations, are valued at the lower of moving average cost or market. The inventories of the Health System, which consist principally of pharmaceuticals and operating supplies, are valued at cost on a first-in, first-out basis.

Capital Assets and Collections

Capital assets are long-life assets in the service of the university and include land, buildings, improvements, equipment, software and library books. Capital assets are stated at cost or fair value at date of gift. Depreciation of capital assets (excluding land and construction in progress) is provided on a straight-line basis over the following estimated useful lives:

Type of Asset	Estimated Useful Life
Improvements other than buildings	20 years
Buildings	10 to 100 years
Moveable equipment, software and furniture	5 to 15 years
Library books	10 years

The university does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any way. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Advance Payments for Goods and Services

Advance payments for goods and services primarily consist of receipts relating to tuition, room, board, grants, contracts and athletic events received in advance of the services to be provided. Tuition and fees relating to the summer academic term are recorded as revenue in the year to which they pertain. The university will recognize revenue to the extent these services are provided over the coming fiscal year.

Derivative Instruments and Hedging Activities

The university accounts for all derivative instruments on the statement of net position at fair value. Changes in the fair value (i.e., gains or losses) of the university's interest rate swap derivative are recorded each period in the statement of operations and changes in net position as a component of other non-operating expense.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Operating and Non-Operating Revenues

The university defines operating activities, for purposes of reporting on the Statement of Revenues, Expenses, and Other Changes in Net Position, as those activities that generally result from exchange transactions, such as payments received for providing services and payments made for goods or services received. With the exception of interest expense on long-term indebtedness, substantially all university expenses are considered to be operating expenses. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, current-use gifts and net investment income.

Tuition, Room and Board

Student tuition and residence hall fees are presented net of scholarships and fellowships applied to student accounts. Stipends and other payments made directly to students are presented as scholarship and fellowship expense. Fee authorizations provided to graduate teaching, research and administrative associates as part of an employment arrangement are presented in instruction, research and other functional categories of operating expense.

State Support

The university is a state-assisted institution of higher education which receives a student enrollment-based instructional subsidy from the State of Ohio. This subsidy, which is based upon a formula devised by the Ohio Board of Regents, is determined annually and is adjusted to state resources available.

The state also provides line-item appropriations which partially support the current operations of various activities, which include clinical teaching expenditures incurred at The Ohio State University Health System and other health sciences teaching facilities, The Ohio State University Extension, the Ohio Agricultural Research and Development Center, and the Center for Labor Research.

In addition to current operating support, the State of Ohio provides the funding for and constructs major plant facilities on the university's campuses, and this funding is recorded as state capital appropriations. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC) which, in turn, initiates the construction and subsequent lease of the facility by the Ohio Board of Regents.

Such facilities are reflected as buildings or construction in progress in the accompanying statement of net position. Neither the obligations for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the university's financial statements. Debt service is funded through appropriations to the Ohio Board of Regents by the General Assembly.

These facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund and future

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

payments to be received by such fund, which is established in the custody of the Treasurer of State.

Government Grants and Contracts

Government grants and contracts normally provide for the recovery of direct and indirect costs and are subject to audit by the appropriate government agency. Federal funds are subject to an annual OMB Circular A-133 audit. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to three years.

The university generally considers grants, contracts and non-capital appropriations to be exchange transactions. Under these arrangements, the university provides a bargained-for benefit, typically in the form of instruction, research or public service programs, either directly to the funding entity or to its constituents. The overall scope and nature of these program activities is determined by the level of funding and the requirements set forth by these resource providers.

OSU Health System Revenue

Net patient service revenue represents amounts received and the estimated realizable amounts due from patients and third-party payers for services rendered net of contractual allowances, charity care and bad debt expenses. Revenue received under third-party cost reimbursement agreements (primarily the federal Medicare and Medicaid programs) are subject to examination and retroactive adjustments by the agencies administering the programs. In the normal course of business, the Health System contests certain issues resulting from examination of prior years' reimbursement reports. The accompanying financial statements include provisions for estimated retroactive adjustments arising from such examinations and contested issues. The Health System recognizes settlements of protested adjustments or appeals upon resolution of the matters.

OSU Physicians Revenue

Net patient service revenue represents amounts received and the estimated realizable amounts due from patients and third-party payers for services rendered net of contractual allowances, charity care and bad debt expenses. OSU Physicians (OSUP), a discretely presented component unit of the university, provides care to patients under various reimbursable agreements, including Medicare and Medicaid. These arrangements provide for payment for covered services at agreed-upon rates and under certain fee schedules and various discounts from charges. Provisions have been made in the financial statements for estimated contractual adjustments, representing the difference between the customary charges for services rendered and related reimbursement.

Charity Care and Community Benefit

Care is provided to patients regardless of their ability to pay. A patient is classified as charity care in accordance with policies established by the OSU Health System and OSUP. Because collection of amounts determined to qualify as charity care are not pursued, such

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

amounts are written off as administrative adjustments and not reported as net patient service revenue. OSU Health System and OSUP maintain records to identify and monitor the level of charity care provided, including the amount of charges foregone for services rendered. Net charity care costs for the OSU Health System as of June 30, 2014 and 2013 are \$32,609 and \$35,927, respectively, after applying reductions of \$20,710 and \$21,463, respectively, for support received under the Health Care Assurance Program (HCAP). HCAP is administered by the State of Ohio to help hospitals cover a portion of the cost of providing charity care. Charity care costs for OSUP as of June 30, 2014 and 2013 are \$15,026 and \$19,934, respectively.

Management Estimates

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

Implementation of GASB Statement No. 65

In 2014, the university implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The implementation resulted in a reclassification of amounts previously reported as liabilities to deferred outflows and deferred inflows. The retrospectively adjusted amounts are summarized below:

	<u>As of June 30, 2013</u>		
	<u>As originally reported</u>	<u>Adjustment</u>	<u>As adjusted</u>
Statements of Net Position, Primary Institution:			
Deferred outflows	\$ -	\$ 9,202	\$ 9,202
Bonds, notes and leases payable	2,177,884	(10,750)	2,167,134
Other deferred inflows	-	19,952	19,952

Newly Issued Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position 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.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

The university participates in two cost-sharing defined benefit pension plans, the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS-Ohio). Based on information provided in the most recently available financial reports for the pension plans, university management anticipates that Statement No. 68 will result in the recognition of significant liabilities in the university's financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. Statement No. 69 requires mergers, which do not involve an exchange of consideration, to be accounted for using the carrying values of assets. Acquisitions are accounted for using acquisition values. The standard also provides guidance on reporting of disposals of government operations. It is effective for periods beginning after December 15, 2013.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

University management is currently assessing the impact that implementation of GASB Statements No. 69 and 71 will have on the university's financial statements.

Other

The university is exempt from income taxes as an instrumentality of the State of Ohio under Internal Revenue Code §115 and Internal Revenue Service regulations. Any unrelated business income is taxable.

Revision

During 2014, the university identified a misclassification of accumulated appreciation on donor restricted endowment funds, between restricted net position – nonexpendable and restricted net position – expendable. As a result, the June 30, 2013 restricted nonexpendable and restricted expendable net position for the Primary Institution presented within the statement of net position and for the OSU Foundation presented within Note 19 have been revised to correct for the misclassification of these amounts. The following table summarizes the effect of these revisions:

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

	<u>As of June 30, 2013</u>		
	<u>As originally reported</u>	<u>Adjustment</u>	<u>As adjusted</u>
Statements of Net Position, Primary Institution:			
Restricted:			
Nonexpendable	\$1,340,681	(\$182,667)	\$1,158,014
Expendable	737,848	182,667	920,515
Note 19 – Combining Information for Blended Component Units, OSU Foundation:			
Restricted:			
Nonexpendable	587,508	(14,058)	573,450
Expendable	120,994	14,058	135,052

There was no impact on total net position as originally reported. The endowment policy disclosures in Note 1 in this regard have been revised to reflect this adjusted presentation.

NOTE 2 — CASH AND CASH EQUIVALENTS

At June 30, 2014, the carrying amount of the primary institution's cash, cash equivalents and restricted cash for all funds is \$760,212 as compared to bank balances of \$754,462. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$17,803 is covered by federal deposit insurance and \$736,659 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

At June 30, 2013, the carrying amount of the primary institution's cash, cash equivalents and restricted cash for all funds is \$991,135 as compared to bank balances of \$966,360. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$3,054 is covered by federal deposit insurance and \$963,306 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

At June 30, 2014, the carrying amount of the discretely presented component units' cash, cash equivalents and restricted cash for all funds is \$57,851 as compared to bank balances of \$47,964. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$4,963 is covered by federal deposit insurance and \$43,001 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

At June 30, 2013, the carrying amount of the discretely presented component units' cash, cash equivalents and restricted cash for all funds is \$52,495 as compared to bank balances of \$48,927. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$5,619 is covered by

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

federal deposit insurance and \$43,308 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

NOTE 3 — INVESTMENTS

University investments are grouped into three major categories for financial reporting purposes: Temporary Investments, the Long-Term Investment Pool and Other Long-Term Investments.

Temporary Investments are funds available for current operations. The target is to maximize value while protecting the liquidity of the assets. Temporary Investment funds are invested in the following instruments with varying maturities: obligations of the U. S. Treasury and other federal agencies and instrumentalities, municipal and state bonds, corporate bonds, certificates of deposit, commercial paper, repurchase agreements, money market funds and mutual funds.

The Long-Term Investment Pool is a unitized investment pool consisting of gifted endowment funds of the university, gifted endowment funds of the OSU Foundation, and quasi-endowment funds which are internally designated funds that are to function as endowments. The Long-Term Investment Pool operates with a long-term investment goal of preserving and maintaining the real purchasing power of the principal while allowing for the generation of a predictable stream of annual distribution. The university's Board of Trustees approved the following thematic asset classes, allocation ranges and benchmarks for the Long-Term Investment Pool:

Asset Class	Range	Benchmark
Global Equity	10-50%	50% (ACWI) + 50% (50% ACWI + 4%)
Global Credit	10-50%	90 Day T-Bills + 4%
Private Capital	10-25%	100% (Cambridge Associates Private Equity Medians)
Real Assets	10-25%	75% (CPI + 4%) + 25% (NACREIF Real Estate Index)

The Long Term Investment Pool is a diversified investment pool designed to produce competitive risk-adjusted returns that will provide real growth over time. Benchmarks are selected to measure the performance of the investments in each asset class considering the goals and expectations for each asset class.

The Global Equity category includes domestic equity, international equity, emerging market equity and long biased long/short managers. The Global Credit category includes fixed income and relative value/macro and credit oriented managers. The Private Capital category includes private equity and venture capital funds. The Real Assets category includes real estate, natural resources, commodity and infrastructure funds.

Mutual funds held by the university invest in a wide range of alternative investments. These investments may include, but are not limited to, investments in equity securities, mutual

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

funds, limited and general partnerships, foreign securities, short sales positions, distressed securities, fixed income securities, options, currencies, commodities, futures and derivatives. The university's objective for investing in these assets is to provide stable, absolute returns that are uncorrelated to fluctuations in the stock and bond markets.

Other Long-Term Investments are non-unitized investments that relate primarily to gift arrangements between donors and the OSU Foundation. Included in this category are charitable remainder trust assets invested in mutual funds, OSU Foundation interests in unitrust, gift annuities, annuity trust and pooled income agreements, life insurance policies for which the OSU Foundation has been named owner and beneficiary, and certain real estate investments. Also included in this category are investments in certain organizations that are affiliated with the OSU Health System.

U. S. Government and Agency securities are invested through trust agreements with banks who keep the securities in their safekeeping accounts at the Federal Reserve Bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the university. Common stocks, corporate bonds and money market instruments are invested through trust agreements with banks who keep the investments in their safekeeping accounts at Northern Trust and BNY Mellon in "book entry" form. The banks internally designate the securities as owned by or pledged to the university.

The cash and cash equivalents amount represents cash held in the long-term investment pool by various investment managers. Such amounts were generated by gifts received throughout the fiscal year and sales of investments in the long-term investment pool. Subsequently, the cash and cash equivalents will be used to purchase long-term investments.

Total university investments by major category for the primary institution at June 30, 2014 and 2013 are as follows:

	Primary Institution	
	2014	2013
Temporary Investments	\$ 1,079,689	\$ 1,009,234
Long-Term Investment Pool:		
Gifted Endowment - University	1,057,810	941,031
Gifted Endowment - OSU Foundation	710,961	589,702
Quasi Endowment - Operating	1,158,595	1,055,699
Quasi Endowment - Designated	686,500	562,737
Total Long-Term Investment Pool	3,613,866	3,149,169
Other Long-Term Investments	84,731	69,358
Total Investments	<u>\$ 4,778,286</u>	<u>\$ 4,227,761</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Total university investments by investment type for the primary institution at June 30, 2014 are as follows:

	Primary Institution			
	Temporary Investments	Long-Term Investment Pool	Other	
			Long-Term Investments	Total
Common stock	\$ -	\$ 404,675	\$ -	\$ 404,675
Equity mutual funds	93,997	177,992	28,445	300,434
U.S. government obligations	101,634	10,686	1,891	114,211
U.S. government agency obligations	104,930	9,225	-	114,155
Repurchase agreements	800	-	-	800
Corporate bonds and notes	654,016	30,114	247	684,377
Bond mutual funds	82,230	51,271	21,247	154,748
Foreign government bonds	15,659	427	-	16,086
Real estate	5	-	5,131	5,136
Partnerships and hedge funds	-	2,836,312	12,033	2,848,345
Commercial paper	8,541	-	-	8,541
Cash and cash equivalents	-	92,211	-	92,211
Other	17,877	953	15,737	34,567
	<u>\$ 1,079,689</u>	<u>\$ 3,613,866</u>	<u>\$ 84,731</u>	<u>\$ 4,778,286</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Total university investments by investment type for the primary institution at June 30, 2013 are as follows:

	Primary Institution			
	Temporary Investments	Long-Term Investment Pool	Other	Total
			Long-Term Investments	
Common stock	\$ 3	\$ 369,745	\$ -	\$ 369,748
Equity mutual funds	69,846	152,708	23,522	246,076
U.S. government obligations	106,380	24,956	3,147	134,483
U.S. government agency obligations	119,943	66,430	-	186,373
Repurchase agreements	42,244	9,600	-	51,844
Corporate bonds and notes	483,267	78,390	261	561,918
Bond mutual funds	136,986	-	20,118	157,104
Foreign government bonds	18,604	14,855	-	33,459
Real estate	5	-	4,848	4,853
Partnerships and hedge funds	-	2,288,377	822	2,289,199
Commercial paper	21,733	-	-	21,733
Cash and cash equivalents	-	141,510	-	141,510
Other	10,223	2,598	16,640	29,461
	<u>\$ 1,009,234</u>	<u>\$ 3,149,169</u>	<u>\$ 69,358</u>	<u>\$ 4,227,761</u>

The components of the net investment income for the primary institution are as follows:

	Net Increase (Decrease)		
	Interest and Dividends (net)	in Fair Value of Investments	Net Investment Income (Loss)
Temporary Investments	\$ 17,721	\$ 22,045	\$ 39,766
Long-Term Investment Pool	76,522	500,050	576,572
Other Long-Term Investments	2,100	2,167	4,267
Total 2014	<u>\$ 96,343</u>	<u>\$ 524,262</u>	<u>\$ 620,605</u>
Total 2013	<u>\$ 77,458</u>	<u>\$ 309,058</u>	<u>\$ 386,516</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Additional Risk Disclosures for Investments

Statement Nos. 3 and 40 of the Governmental Accounting Standards Board require certain additional disclosures related to the custodial, interest-rate, credit and foreign currency risks associated with deposits and investments.

Interest-rate risk – Interest-rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

The maturities of the university's interest-bearing investments for the primary institution at June 30, 2014 are as follows:

	Primary Institution				
	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	\$ 114,211	\$ 21,246	\$ 89,100	\$ 273	\$ 3,592
U.S. government agency obligations	114,155	6,859	67,667	20,953	18,676
Repurchase agreements	800	800	-	-	-
Commercial paper	8,541	8,541	-	-	-
Corporate bonds	684,377	125,262	485,191	24,525	49,399
Bond mutual funds	154,748	21,253	45,402	23,149	64,944
Other governmental bonds	18,051	2,050	13,533	897	1,571
Foreign governmental bonds	16,086	2,203	13,155	301	427
Total	\$ 1,110,969	\$ 188,214	\$ 714,048	\$ 70,098	\$ 138,609

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

The maturities of the university's interest-bearing investments for the primary institution at June 30, 2013 are as follows:

	Primary Institution				
	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	\$ 134,483	\$ 27,707	\$ 91,981	\$ 6,650	\$ 8,145
U.S. government agency obligations	186,373	18,361	80,686	18,019	69,307
Repurchase agreements	51,844	51,844	-	-	-
Commercial paper	21,733	21,733	-	-	-
Corporate bonds	561,918	84,924	392,929	26,633	57,432
Bond mutual funds	157,104	6,352	66,481	26,563	57,708
Other governmental bonds	11,188	1,514	6,189	1,365	2,120
Foreign governmental bonds	33,459	9,091	13,638	8,566	2,164
Total	\$ 1,158,102	\$ 221,526	\$ 651,904	\$ 87,796	\$ 196,876

Custodial credit risk – Custodial credit risk is the risk that, in the event of the failure of the custodian, university investments may not be recovered. It is the policy of the university to hold investments in custodial accounts, and the securities are registered solely in the name of the university. All investments are transacted with nationally reputable brokerage firms offering protection by the Securities Investor Protection Corporation.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. Credit quality information – as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings – provides a current depiction of potential variable cash flows and credit risk.

Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, securities with split ratings, or a different rating assignment, are disclosed using the rating indicative of the greatest degree of risk. The following table presents each applicable investment type grouped by rating as of June 30, 2014 and 2013.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

The credit ratings of the university's interest-bearing investments for the primary institution at June 30, 2014 are as follows:

	Primary Institution								
	U. S.								Foreign Governmental Bonds
	Total	Government and Agency Obligations	Repurchase Agreements	Commercial Paper	Corporate Bonds and Notes	Bond Mutual Funds	Other Governmental Bonds		
AAA		\$ 133,553	\$ -	\$ -	\$ -	\$ 79,301	\$ 50,742	\$ 2,507	
AA	350,222	226,193	-	-	109,281	5,421	7,599	1,728	
A	358,516	806	800	7,941	295,614	35,949	7,166	10,240	
BBB	179,460	-	-	600	162,954	12,012	779	3,115	
BB	28,496	-	-	-	27,538	958	-	-	
B	6,600	-	-	-	4,922	1,678	-	-	
CCC	6,228	-	-	-	217	6,011	-	-	
CC	1,222	-	-	-	-	1,222	-	-	
C	56	-	-	-	-	56	-	-	
D	2,843	-	-	-	44	2,799	-	-	
Not rated	43,773	1,367	-	-	4,506	37,900	-	-	
Total	\$ 1,110,969	\$ 228,366	\$ 800	\$ 8,541	\$ 684,377	\$ 154,748	\$ 18,051	\$ 16,086	

The credit ratings of the university's interest-bearing investments for the primary institution at June 30, 2013 are as follows:

	Primary Institution								
	U. S.								Foreign Governmental Bonds
	Total	Government and Agency Obligations	Repurchase Agreements	Commercial Paper	Corporate Bonds and Notes	Bond Mutual Funds	Other Governmental Bonds		
AAA		\$ 198,324	\$ -	\$ -	\$ -	\$ 77,958	\$ 115,167	\$ -	
AA	437,726	266,979	51,844	-	90,681	10,936	7,430	9,856	
A	296,201	6,281	-	19,733	236,243	20,542	2,858	10,544	
BBB	126,345	1,537	-	-	114,791	9,571	-	446	
BB	10,669	-	-	-	9,193	115	-	1,361	
B	6,146	-	-	-	6,146	-	-	-	
CCC	3,281	-	-	-	2,581	700	-	-	
CC	1,764	-	-	-	1,764	-	-	-	
C	-	-	-	-	-	-	-	-	
D	15,608	-	-	-	15,608	-	-	-	
Not rated	62,038	46,059	-	2,000	6,953	73	900	6,053	
Total	\$ 1,158,102	\$ 320,856	\$ 51,844	\$ 21,733	\$ 561,918	\$ 157,104	\$ 11,188	\$ 33,459	

Foreign currency risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

At June 30, 2014, exposure to foreign currency risk for the primary institution is as follows:

	Primary Institution					
	Common	Equity	Bond	Corporate	Foreign	Partnerships
	Stock	Mutual Funds	Mutual Funds	Bonds and Notes	Government Bonds	and Hedge Funds
Australian dollar	\$	\$ 5,793	\$ 59	\$	\$	\$ 22,624
Brazilian real	7,011	5,530	11			
Canadian dollar		3,216	60			
Chilean peso		4,674				
Chinese yuan		1,885	1			
Columbian peso		103				
Czech Republic koruna	1,035	892				
Danish krone		512		1,290		
Egyptian pound	1,163	37				
Euro	39,013	30,886	54	1,488	684	50,915
Great Britain pound sterling	33,353	35,301	92	45		113
Hong Kong dollar	8,900	8,363				
Hungarian forint		4				
Indian rupee	4,248	4,885	38			
Indonesian rupiah	2,020	950				
Israeli shekel		222				
Japanese yen	18,213	24,271	24			
Jordanian dinar		1,792				
Malaysian ringgit		744				
Mexican peso	656	800				
Moroccan dirham						
New Taiwan dollar	5,097	1,304				
New Turkish lira	1,249	1,456				
New Zealand dollar		56	30			
Norwegian krone	1,061	1,275	28			
Peruvian nuevo sol		50				
Philippine peso		145				
Polish zloty		156				
Russian ruble		552				
Singapore dollar		5,900	30			
South African rand	5,193	3,009	(14)			
South Korean won	9,371	1,592	30			
Sri Lanka rupee						
Swedish krona	3,291	3,754	28			
Swiss franc	14,859	8,481	17			
Thailand bhat		249				
UAE dirham	1,640	51				
Total	\$ 157,373	\$ 158,890	\$ 488	\$ 2,823	\$ 684	\$ 73,652

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

At June 30, 2013, exposure to foreign currency risk for the primary institution is as follows:

	Primary Institution					
	Common	Equity	Bond	Corporate	Foreign	Partnerships
	Stock	Mutual Funds	Mutual Funds	Bonds and Notes	Government Bonds	and Hedge Funds
Australian dollar	\$ 730	\$ 7,298	\$ 100	\$ (38)	\$ 530	\$ 22,017
Brazilian real	6,650	815	51	(293)	-	-
Canadian dollar	422	2,150	164	-	1,505	-
Chilean peso	1,197	126	10	-	-	-
Chinese yuan	-	2,127	1	-	-	-
Columbian peso	-	58	-	-	-	-
Czech Republic koruna	1,021	298	-	-	-	-
Danish krone	-	261	72	1,002	-	-
Egyptian pound	786	-	-	-	-	-
Euro	11,620	20,854	2,858	4,722	12,358	43,499
Great Britain pound sterling	12,182	23,272	619	1,430	2,844	-
Hong Kong dollar	15,481	2,677	-	-	-	-
Hungarian forint	-	30	-	-	-	-
Indian rupee	5,147	507	4	-	-	-
Indonesian rupiah	1,224	220	28	-	298	-
Israeli shekel	-	126	-	-	-	-
Japanese yen	3,701	22,510	2,823	-	4,008	-
Malaysian ringgit	97	288	-	-	290	-
Mexican peso	1,463	348	94	-	4,488	-
Moroccan dirham	-	-	-	-	-	-
New Taiwan dollar	6,925	812	-	-	-	-
New Zealand dollar	-	29	(8)	-	-	-
Norwegian krone	-	1,084	-	-	-	-
Peruvian nuevo sol	-	32	-	-	-	-
Philippine peso	-	93	-	-	-	-
Polish zloty	-	95	-	-	-	-
Russian ruble	-	379	1	-	-	-
Singapore dollar	-	4,149	-	-	-	-
South African rand	6,397	526	7	-	1,386	-
South Korean won	-	977	-	-	-	-
Sri Lanka rupee	9,439	-	-	-	770	-
Swedish krona	512	3,275	44	-	-	-
Swiss franc	8,896	4,267	-	-	-	-
Thailand bhat	519	195	-	-	-	-
Turkish lira	1,613	127	-	-	-	-
UAE dirham	1,135	28	-	-	-	-
Total	\$ 97,157	\$ 100,033	\$ 6,868	\$ 6,823	\$ 28,477	\$ 65,516

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

NOTE 4 — ACCOUNTS, NOTES AND PLEDGES RECEIVABLE

Accounts receivable for the primary institution at June 30, 2014 and 2013 consist of the following:

	Primary Institution	
	2014	2013
Patient receivables - OSU Health System	\$ 868,912	\$ 867,202
Grant and contract receivables	86,015	81,621
Tuition and fees receivable	18,931	23,667
Receivables for departmental and auxiliary sales and services	52,200	50,250
State and federal receivables	12,046	12,525
Other receivables	112	30
Total receivables	1,038,217	1,035,295
Less: Allowances for doubtful accounts	598,106	649,330
Total receivables, net	\$ 440,111	\$ 385,965

Allowances for doubtful accounts consist primarily of patient receivables of the OSU Health System.

Notes receivable consist primarily of Perkins and health professions loans and are net of an allowance for doubtful accounts of \$17,000 and \$18,000 at June 30, 2014 and 2013, respectively. Federal capital contributions to the Perkins loan programs represent advances which are ultimately refundable to the federal government.

In accordance with GASB Statement No. 33, *Accounting and Reporting for Non-exchange Transactions*, the university has recorded \$99,646 in non-endowment pledges receivable and a related allowance for doubtful accounts of \$4,371 at June 30, 2014. The university recorded \$105,515 in non-endowment pledges receivable and a related allowance for doubtful accounts of \$6,369 at June 30, 2013.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

NOTE 5 — CAPITAL ASSETS

Capital assets activity for the primary institution for the year ended June 30, 2014 is summarized as follows:

	Primary Institution			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 69,191	\$ -	\$ 265	\$ 68,926
Intangibles	18,413	-	-	18,413
Construction in progress	862,605	349,042	-	1,211,647
Total non depreciable assets	950,209	349,042	265	1,298,986
Capital assets being depreciated:				
Improvements other than buildings	499,119	11,730	2,519	508,330
Buildings and fixed equipment	4,444,865	175,671	28,473	4,592,063
Movable equipment, furniture and software	1,036,759	91,659	27,182	1,101,236
Library books	165,973	5,945	249	171,669
Total	6,146,716	285,005	58,423	6,373,298
Less: Accumulated depreciation	2,960,533	260,367	41,512	3,179,388
Total depreciable assets, net	3,186,183	24,638	16,911	3,193,910
Capital assets, net	\$ 4,136,392	\$ 373,680	\$ 17,176	\$ 4,492,896

The increase in construction in progress of \$349,042 in 2014 represents the amount of capital expenditures for new projects of \$578,415 net of assets placed in service of \$229,373.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Capital assets activity for the primary institution for the year ended June 30, 2013 is summarized as follows:

	Primary Institution			
	Beginning	Additions	Retirements	Ending
	Balance			Balance
Capital assets not being depreciated:				
Land	\$ 71,062	\$ -	\$ 1,871	\$ 69,191
Intangibles	7,913	10,500	-	18,413
Construction in progress	911,390	(48,785)	-	862,605
Total non depreciable assets	990,365	(38,285)	1,871	950,209
Capital assets being depreciated:				
Improvements other than buildings	306,614	199,426	6,921	499,119
Buildings and fixed equipment	4,075,761	370,019	915	4,444,865
Movable equipment, furniture and software	995,547	92,552	51,340	1,036,759
Library books	162,250	4,655	932	165,973
Total	5,540,172	666,652	60,108	6,146,716
Less: Accumulated depreciation	2,765,212	256,722	61,401	2,960,533
Total depreciable assets, net	2,774,960	409,930	(1,293)	3,186,183
Capital assets, net	\$ 3,765,325	\$ 371,645	\$ 578	\$ 4,136,392

The decrease in construction in progress of \$48,785 in 2013 represents the amount of capital expenditures for new projects of \$581,133 net of assets placed in service of \$629,918.

Capital assets activity for the discretely presented component units for the year ended June 30, 2014 is summarized as follows:

	Discretely Presented Component Units			
	Beginning	Additions	Retirements	Ending
	Balance			Balance
Capital assets not being depreciated:				
Land	\$ 5,794	\$ -	\$ -	\$ 5,794
Intangibles	-	-	-	-
Construction in progress	15	-	-	15
Total non depreciable assets	5,809	-	-	5,809
Capital assets being depreciated:				
Improvements other than buildings	7,421	859	-	8,280
Buildings and fixed equipment	48,604	275	-	48,879
Movable equipment, furniture and software	61,789	1,590	290	63,089
Library books	-	-	-	-
Total	117,814	2,724	290	120,248
Less: Accumulated depreciation	43,461	6,540	290	49,711
Total depreciable assets, net	74,353	(3,816)	-	70,537
Capital assets, net	\$ 80,162	\$ (3,816)	\$ -	\$ 76,346

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Capital assets activity for the discretely presented component units for the year ended June 30, 2013 is summarized as follows:

	Discretely Presented Component Units			
	Beginning			Ending
	Balance	Additions	Retirements	Balance
Capital assets not being depreciated:				
Land	\$ 4,621	\$ 1,173	\$ -	\$ 5,794
Intangibles	-	-	-	-
Construction in progress	-	15	-	15
Total non depreciable assets	4,621	1,188	-	5,809
Capital assets being depreciated:				
Improvements other than buildings	7,043	378	-	7,421
Buildings and fixed equipment	48,273	331	-	48,604
Movable equipment, furniture and software	58,405	3,384	-	61,789
Library books	-	-	-	-
Total	113,721	4,093	-	117,814
Less: Accumulated depreciation	35,461	8,000	-	43,461
Total depreciable assets, net	78,260	(3,907)	-	74,353
Capital assets, net	\$ 82,881	\$ (2,719)	\$ -	\$ 80,162

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses for the primary institution at June 30, 2014 and 2013 consist of the following:

	Primary Institution	
	2014	2013
Payables to vendors for supplies and services	\$ 254,336	\$ 212,179
Accrued compensation and benefits	77,874	81,971
Retirement system contributions payable	26,371	52,552
Other accrued expenses	32,483	38,304
Total payables and accrued expenses	\$ 391,064	\$ 385,006

NOTE 7 – DEPOSITS AND ADVANCE PAYMENTS FOR GOODS AND SERVICES

Deposits and advance payments for goods and services for the primary institution at June 30, 2014 and 2013 consist of the following:

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

	Primary Institution	
	2014	2013
Current deposits and advance payments:		
Tuition and fees	\$ 44,947	\$ 41,026
Departmental and auxiliary sales and services	83,143	70,642
Affinity agreements	9,350	-
Grant and contract advances	78,378	56,723
Other deposits and advance payments	13,712	11,045
Total current deposits and advance payments	<u>\$ 229,530</u>	<u>\$ 179,436</u>
Other non-current deposits and advance payments:	\$ 58,297	\$ 25,219

NOTE 8 – SELF-INSURANCE ACCRUALS

The university maintains self-insurance programs for professional medical malpractice, employee health insurance and workers' compensation. Information on each of these programs is provided below.

Medical Malpractice

The university has established trustee self-insurance funds for professional medical malpractice liability claims with a \$4 million limit per occurrence with no annual aggregate. The university self-insurance funds have insurance in excess of \$4 million per occurrence through Oval Limited, a blended component unit of the university. Effective July 1, 2008, Oval Limited provides coverage with limits of \$55 million per occurrence and in the aggregate. Previous coverage levels for Oval Limited are as follows:

Accident Period for Oval	Gross Oval Limit (Occurrence and Annual Aggregate)
7/1/08 – 6/30/14	\$55,000,000
7/1/06 – 6/30/08	\$40,000,000
7/1/05 – 6/30/06	\$35,000,000
7/1/02 – 6/30/05	\$25,000,000
7/1/97 – 6/30/02	\$15,000,000
9/30/94 – 6/30/97	\$10,000,000

The limits are in excess of underlying policies with limits ranging from \$4 million to \$10 million per occurrence and \$14 million in the aggregate. A portion of the risks written by Oval Limited to date is reinsured by three reinsurance companies. Oval Limited retains 50% of the first \$15 million of risk and cedes the remainder to Berkley Medical Excess Underwriters (rated A+ by A.M. Best). The next \$20 million is fully ceded to Lexington Insurance Company (rated A by A.M. Best). Above that, Oval Limited cedes the remaining \$20 million of risk to Endurance Specialty Insurance Ltd. (rated A by A.M. Best). The estimated liability and the related contributions to the trustee fund are based upon an independent actuarial

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

determination as of June 30, 2014. OSUP participates in the university self-insurance fund for professional medical malpractice liability claims.

The university's estimate of professional malpractice liability includes provisions for known claims and actuarially determined estimates of incurred but not reported claims and incidents. This liability at June 30, 2014 of the anticipated future payments on gross claims is estimated at its present value of \$69,806 discounted at an estimated rate of 3.0% (university funds) and an additional \$31,771 discounted at an estimated rate of 3.0% (Oval Limited). Although actual experience upon the ultimate disposition of the claims may vary from this estimate, the self-insurance fund assets of \$177,023 (which primarily consist of bond and equity mutual funds, money market funds and U.S. treasury notes) are more than the recorded liability at June 30, 2014, and the surplus of \$75,446 is included in unrestricted net position.

At June 30, 2013, the anticipated future payments on gross claims was estimated at its present value of \$78,995 discounted at an estimated rate of 3% (university funds) and an additional \$38,313 discounted at an estimated rate of 3% (Oval Limited). The self-insurance fund assets of \$163,039 (which primarily consist of bond and equity mutual funds, money market funds and U.S. treasury notes) were more than the recorded liability at June 30, 2013, and the surplus of \$45,732 was included in unrestricted net position.

Employee Health Insurance

The university is also self-insured for employee health insurance. As of June 30, 2014 and 2013, \$48,507 and \$36,326, respectively is recorded as a liability relating to both claims received but not paid and estimates of claims incurred but not yet reported.

Workers' Compensation

Effective January 1, 2013, the university became self-insured for workers' compensation. As of June 30, 2014 and 2013, respectively, \$12,341 and \$730 are recorded as a liability relating to both claims received but not paid and estimates of claims incurred but not yet reported.

Changes in reported self-insurance liabilities for the primary institution since June 30, 2012 result from the following activities:

	Malpractice		Health		Workers' Compensation	
	2014	2013	2014	2013	2014	2013
Liability at beginning of fiscal year	\$ 112,008	\$ 118,339	\$ 36,326	\$ 42,703	\$ 730	\$ -
Current year provision for losses	(9,181)	1,125	310,968	293,970	8,566	1,412
Claim payments	(1,250)	(7,456)	(298,787)	(300,347)	3,045	(682)
Balance at fiscal year end	\$ 101,577	\$ 112,008	\$ 48,507	\$ 36,326	\$ 12,341	\$ 730

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

NOTE 9 — DEBT

The university may finance the construction, renovation and acquisition of certain facilities through the issuance of debt obligations which may include general receipts bonds, certificates of participation, commercial paper, capital lease obligations and other borrowings.

Debt activity for the primary institution for the year ended June 30, 2014 is as follows:

	Primary Institution				
	Beginning	Additions	Reductions	Ending	Current
	Balance			Balance	Portion
Notes:					
WOSU	\$ 2,825	\$ -	\$ 204	\$ 2,621	\$ 159
OH Air Quality Note Series A	4,602	-	368	4,234	395
OH Air Quality Note Series B	2,340	-	-	2,340	-
St. Stephens Church Note	3,000	-	63	2,937	66
General Receipts Bonds - Fixed Rate:					
2005A, due serially through 2035	58,260	-	10,860	47,400	11,360
2008A, due serially through 2028	150,030	-	12,620	137,410	13,245
2010A, due serially through 2020	202,050	-	27,390	174,660	28,620
2010C, due 2040	654,785	-	-	654,785	-
2010D, due serially through 2032	84,625	-	-	84,625	-
2011, due 2111	500,000	-	-	500,000	-
2012A, due 2030	90,500	-	-	90,500	-
2012B, due 2033	22,600	-	1,840	20,760	1,840
Special Purpose General Receipts Bonds - Fixed Rate:					
2013A, due 2043	337,955	-	-	337,955	-
General Receipts Bonds - Variable Rate:					
1997, due serially through 2027	17,160	-	-	17,160	17,160
1999B1, due serially through 2029	10,765	-	-	10,765	10,765
2001, due serially through 2032	53,035	-	-	53,035	53,035
2003C, due serially through 2031	51,975	-	-	51,975	51,975
2005B, due serially through 2035	71,575	-	-	71,575	71,575
2008B, due serially through 2028	91,925	-	-	91,925	91,925
2010E, due serially through 2035	150,000	-	-	150,000	150,000
Capital Lease Obligations	14,231	620	6,405	8,446	2,045
	2,574,238	620	59,750	2,515,108	504,165
Unamortized Bond Premiums	96,646	-	6,226	90,420	-
Total outstanding debt	\$ 2,670,884	\$ 620	\$ 65,976	\$ 2,605,528	\$ 504,165

Notes to Financial Statements – Years Ended June 30, 2014 and 2013
(dollars in thousands)

Debt activity for the primary institution for the year ended June 30, 2013 is as follows:

	Primary Institution				
	Beginning	Additions	Reductions	Ending	Current
	Balance			Balance	Portion
Notes:					
WOSU	\$ 3,075	\$ -	\$ 250	\$ 2,825	\$ 159
OH Air Quality Note Series A	-	4,602	-	4,602	368
OH Air Quality Note Series B	-	2,340	-	2,340	-
St. Stephens Church Note	-	3,000	-	3,000	63
General Receipts Bonds - Fixed Rate:					
2002A, due serially through 2031	4,130	-	4,130	-	-
2003B, due serially through 2033	29,300	-	29,300	-	-
2005A, due serially through 2035	180,030	-	121,770	58,260	10,860
2008A, due serially through 2028	180,265	-	30,235	150,030	12,620
2010A, due serially through 2020	231,960	-	29,910	202,050	27,390
2010C, due 2040	654,785	-	-	654,785	-
2010D, due serially through 2032	88,335	-	3,710	84,625	-
2011, due 2111	500,000	-	-	500,000	-
2012A, due 2030	-	91,165	665	90,500	-
2012B, due 2033	-	23,170	570	22,600	1,840
Special Purpose General Receipts Bonds - Fixed Rate:					
2013A, due 2043	-	337,955	-	337,955	-
General Receipts Bonds - Variable Rate:					
1997, due serially through 2027	17,160	-	-	17,160	17,160
1999B1, due serially through 2029	11,800	-	1,035	10,765	10,765
2001, due serially through 2032	56,540	-	3,505	53,035	53,035
2003C, due serially through 2031	53,230	-	1,255	51,975	51,975
2005B, due serially through 2035	78,735	-	7,160	71,575	71,575
2008B, due serially through 2028	102,235	-	10,310	91,925	91,925
2010E, due serially through 2035	150,000	-	-	150,000	150,000
Capital Lease Obligations	20,149	-	5,918	14,231	4,015
	2,361,729	462,232	249,723	2,574,238	503,750
Unamortized Bond Premiums	49,326	58,169	10,849	96,646	-
Total outstanding debt	\$ 2,411,055	\$ 520,401	\$ 260,572	\$ 2,670,884	\$ 503,750

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Debt activity for the discretely presented component units for the year ended June 30, 2014 is as follows:

	Discretely Presented Component Units				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes:					
Transportation Research Center Capital One Funding Corporation, due through 2014	\$ 332	-	\$ 332	-	-
OSU Physicians - Fifth Third Note, due through 2035	17,952		787	17,165	806
OSU Physicians - Fifth Third Note, due through 2013	79	-	60	19	16
OSU Physicians - Fifth Third Letter of Credit, due 2014	-	80	10	70	70
Campus Partners - CCF Loan, City of Columbus	125	-	125	-	-
Capital Lease Obligations	43	-	43	-	-
Total outstanding debt	\$ 18,531	\$ 80	\$ 1,357	\$ 17,254	\$ 892

Debt activity for the discretely presented component units for the year ended June 30, 2013 is as follows:

	Discretely Presented Component Units				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes:					
Transportation Research Center - Capital One Funding Corporation, due through 2014	\$ 643	-	\$ 311	\$ 332	\$ 332
OSU Physicians - Fifth Third Note, due through 2035	16,030	2,627	705	17,952	790
OSU Physicians - Fifth Third Note, due through 2013	77	85	83	79	61
Campus Partners - UDCDE Note A	21,859	-	21,859	-	-
Campus Partners - UDCDE Note B	10,376	-	10,376	-	-
Campus Partners - CCF Loan, City of Columbus	125	-	-	125	-
Campus Partners - Affordable Housing Trust Loan	-	-	-	-	-
Capital Lease Obligations	103	-	60	43	43
Total outstanding debt	\$ 49,213	\$ 2,712	\$ 33,394	\$ 18,531	\$ 1,226

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Debt obligations are generally callable by the university, bear interest at fixed and variable rates ranging from 0% to 6% and mature at various dates through 2112. Maturities and interest on debt obligations for the next five years and in five-year periods for the primary institution are as follows:

	Primary Institution		
	Principal	Interest	Total
2015	\$ 504,163	\$ 96,074	\$ 600,237
2016	57,308	93,260	150,568
2017	59,978	90,740	150,718
2018	60,317	88,067	148,384
2019	46,026	85,836	131,862
2020-2024	175,091	405,768	580,859
2025-2029	167,458	366,174	533,632
2030-2034	106,897	335,038	441,935
2035-2039	93,030	314,125	407,155
2040-2044	744,840	290,986	1,035,826
2045-2049	-	120,000	120,000
2050-2054	-	120,000	120,000
2055-2059	-	120,000	120,000
2060-2064	-	120,000	120,000
2065-2069	-	120,000	120,000
2070-2074	-	120,000	120,000
2075-2079	-	120,000	120,000
2080-2084	-	120,000	120,000
2085-2089	-	120,000	120,000
2090-2094	-	120,000	120,000
2095-2099	-	120,000	120,000
2100-2104	-	120,000	120,000
2105-2109	-	120,000	120,000
2110-2114	500,000	48,000	548,000
	<u>\$ 2,515,108</u>	<u>\$ 3,774,068</u>	<u>\$ 6,289,176</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Maturities and interest on debt obligations for the next five years and in five-year periods for the discretely presented component units are as follows:

	Discretely Presented Component Units		
	Principal	Interest	Total
2015	\$ 892	\$ 358	\$ 1,250
2016	828	340	1,168
2017	842	322	1,164
2018	860	304	1,164
2019	879	285	1,164
2020-2024	4,368	1,131	5,499
2025-2029	3,625	718	4,343
2030-2034	4,027	317	4,344
2035-2039	933	11	944
	<u>\$ 17,254</u>	<u>\$ 3,786</u>	<u>\$ 21,040</u>

General receipts bonds are backed by the unrestricted receipts of the university, excluding certain items as described in the bond indentures.

The outstanding bond indentures do not require mandatory reserves for future payment of principal and interest. However, the university has set aside \$157,006 for future debt service which is included in unrestricted net assets.

The university has defeased various bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The defeased bonds for the primary institution are as follows:

	Amount	
	Amount Defeased	Outstanding at June 30, 2014
General Receipts Bonds:		
Series 2005A	\$ 111,380	\$ 111,380
Series 2008A	18,195	18,195
Series 2010A	13,050	13,050
Series 2010D	3,710	3,710
	<u>\$ 146,335</u>	<u>\$ 146,335</u>

Neither the outstanding indebtedness nor the related trust account assets for the above bonds are included in the university's financial statements.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Special-Purpose General Receipts Bonds

In January 2013, the university issued \$337,955 of Special Purpose General Receipts Bonds, Series 2013A. These bonds are solely payable from, and secured by, a pledge of the gross revenues of Special Purpose Revenue Facilities. Special Purpose Revenue Facilities are defined in the Series 2013 Supplement as all housing and dining facilities and such auxiliary facilities as shall constitute recreation facilities owned by the university. The bond indenture agreement includes a debt covenant, requiring the university “to set rates, charges and fees in each Fiscal Year so as to cause Special Purpose Pledged Revenues to be in an amount not less than 1.10 times the aggregate debt service for the then-current Fiscal Year on all Special Purpose General Receipts Obligations”. At June 30, 2014, the university is in compliance with this covenant. Condensed financial information for the Special Purpose Revenue Facilities is provided in Note 21.

Variable Rate Demand Bonds

Series 1997, 1999B1, 2001, 2003C, 2005B, 2008B and 2010E variable rate demand bonds bear interest at rates based upon yield evaluations at par of comparable securities. The maximum interest rate allowable and the effective average interest rate from issue date to June 30, 2014 are as follows:

Series:	Interest Rate Not	Effective Average
	to Exceed	Interest Rate
1997	12%	1.723%
1999 B1	12%	1.488%
2001	12%	1.259%
2003 C	12%	1.577%
2005 B	12%	1.215%
2008 B	12%	0.334%
2010 E	8%	0.110%

At the discretion of the university, the interest rate on the bonds can be converted to a fixed rate. The bonds may be redeemed by the university or sold by the bondholders to a remarketing agent appointed by the university at any time prior to conversion to a fixed rate at a price equal to the principal amount plus accrued interest.

The university's variable rate demand bonds mature at various dates through 2035. GASB Interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities*, provides guidance on the statement of net position classification of these bonds. Under GASB Interpretation No. 1, outstanding principal balances on variable rate demand bonds may be classified as non-current liabilities if the issuer has entered into a “take-out agreement” to convert bonds “put” but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Although it is the university's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the university does not have "take-out agreements" in place per the GASB Interpretation No. 1 requirements. Accordingly, the university has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. The obligations totaled \$446,435 at June 30, 2014 and 2013, respectively.

Capital Lease Obligations

Some university equipment items and vehicles are financed as capital leases. The original cost and lease obligations related to these capital leases as of June 30, 2014 are \$32,288 and \$8,446, respectively. The original cost and lease obligations related to these capital leases as of June 30, 2013 are \$44,924 and \$14,231, respectively.

Interest Rate Swap Agreements

OSUP, a discretely presented component unit of the university, had one interest rate swap agreement that was not considered a hedge under GASB Statement No. 53. The swap was used to offset the variable interest rate on a portion of the 2010 bond financing obtained for the ambulatory facility in the amount of \$16,030. On May 1, 2013, at the same time the 2010 bond financing was refinanced, the swap was paid off with the proceeds from a term loan issuance in the amount of \$2,635. As of June 30, 2014 and 2013, OSUP held no other derivative instruments.

Capitalization of Interest

Interest incurred during the construction of capital assets is included in the cost of the asset when capitalized. Total interest costs incurred for the years ended June 30, 2014 and 2013 for the primary institution were \$98,427 and \$90,967, respectively. Of these amounts, interest of \$44,324 and \$28,740 was capitalized in the years ended June 30, 2014 and 2013. The remaining \$54,103 in 2014 and \$62,227 in 2013 is reported as interest expense in the statement of revenues, expenses and changes in net position.

NOTE 10 — OPERATING LEASES

The university leases various buildings, office space, and equipment under operating lease agreements. These facilities and equipment are not recorded as assets on the statement of net position. The total rental expense under these agreements was \$25,562 and \$29,717 for the years ended June 30, 2014 and 2013, respectively.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2014 are as follows:

Year Ending June 30,	Primary	Discretely Presented
	Institution	Component Units
2015	\$ 14,616	\$ 3,451
2016	11,283	2,173
2017	11,088	1,874
2018	10,560	1,170
2019	9,607	379
2020-2024	43,734	671
2025-2029	44,265	-
2030-2034	11,867	-
2035-2039	735	-
2040-2044	735	-
2045-2049	587	-
Total minimum lease payments	<u>\$ 159,077</u>	<u>\$ 9,718</u>

NOTE 11 — COMPENSATED ABSENCES

University 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.

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.

The university 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, the university calculates a ratio, Sick Leave Termination Cost per Year Worked, that 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 employees.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Certain employees of the university (mostly classified civil service employees) receive compensation time in lieu of overtime pay. Any unused compensation time must be paid to the employee at termination or retirement.

NOTE 12 — OTHER LIABILITIES

Other liability activity for the primary institution for the year ended June 30, 2014 is as follows:

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 149,777	\$ 20,773	\$ 10,254	\$ 160,296	\$ 10,254
Self-insurance accruals	149,064	312,199	298,838	162,425	51,553
Amounts due to third party payors	15,007	16,087	11,315	19,779	-
Obligations under life income agreements	37,350	2,441	3,729	36,062	4,015
Refundable advances for Federal Perkins loans	31,445	424	212	31,657	-
Other noncurrent liabilities	61,349	29,819	-	91,168	-
	<u>\$ 443,992</u>	<u>\$ 381,743</u>	<u>\$ 324,348</u>	<u>\$ 501,387</u>	<u>\$ 65,822</u>

Other liability activity for the primary institution for the year ended June 30, 2013 is as follows:

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 138,521	\$ 23,282	\$ 12,026	\$ 149,777	\$ 12,040
Self-insurance accruals	163,542	293,325	307,803	149,064	42,213
Amounts due to third party payors	25,026	3,697	13,716	15,007	3,641
Obligations under life income agreements	37,605	3,506	3,761	37,350	3,648
Refundable advances for Federal Perkins loans	28,706	2,739	-	31,445	-
Other noncurrent liabilities	27,852	33,497	-	61,349	1,500
	<u>\$ 421,252</u>	<u>\$ 360,046</u>	<u>\$ 337,306</u>	<u>\$ 443,992</u>	<u>\$ 63,042</u>

NOTE 13 – RENTALS UNDER OPERATING LEASES

The university is the lessor of certain land, buildings, office and retail space under operating lease agreements. Future minimum rental income from non-cancelable operating leases for the primary institution as of June 30, 2014 is as follows:

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Year Ending June 30,	
2015	\$ 10,073
2016	8,184
2017	7,797
2018	7,575
2019	6,990
2020-2024	31,960
2025-2029	30,955
2030-2034	29,798
2035-2039	29,237
2040-2044	19,204
2045-2049	116
2050-2100	191
Total minimum future rentals	<u>\$ 182,080</u>

NOTE 14 – OPERATING EXPENSES BY OBJECT

In accordance with requirements set forth by the Ohio Board of Regents, the university reports operating expenses by functional classification on the Statement of Revenues, Expenses and Other Changes in Net Position. Operating expenses by object for the primary institution for the years ended June 30, 2014 and 2013 are summarized as follows:

Year Ended June 30, 2014

	Primary Institution				
	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 814,021	\$ 124,365	\$ -	\$ -	\$ 938,385
Separately budgeted research	278,517	158,980	-	-	437,497
Public service	78,556	52,833	-	-	131,389
Academic support	150,312	38,329	-	-	188,641
Student services	74,007	22,885	-	-	96,892
Institutional support	169,025	109,027	-	-	278,052
Operation and maintenance of plant	35,921	62,758	-	-	98,678
Scholarships and fellowships	7,190	2,160	101,251	-	110,601
Auxiliary enterprises	137,691	104,224	-	-	241,915
OSU Health System	1,026,145	813,500	-	-	1,839,645
Depreciation	-	-	-	260,367	260,367
Total operating expenses	<u>\$ 2,771,384</u>	<u>\$ 1,489,060</u>	<u>\$ 101,251</u>	<u>\$ 260,367</u>	<u>\$ 4,622,062</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Year Ended June 30, 2013

	Primary Institution				Total
	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	
Instruction	\$ 794,042	\$ 112,297	\$ -	\$ -	\$ 906,339
Separately budgeted research	274,865	139,120	-	-	413,985
Public service	73,476	23,102	-	-	96,578
Academic support	134,030	36,112	-	-	170,142
Student services	71,901	22,336	-	-	94,237
Institutional support	159,208	112,529	-	-	271,737
Operation and maintenance of plant	32,224	61,543	-	-	93,767
Scholarships and fellowships	7,517	961	102,886	-	111,364
Auxiliary enterprises	140,533	101,843	-	-	242,376
OSU Health System	977,766	818,815	-	-	1,796,581
Depreciation	-	-	-	257,606	257,606
Total operating expenses	\$ 2,665,562	\$ 1,428,658	\$ 102,886	\$ 257,606	\$ 4,454,712

NOTE 15 — 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.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

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 post-employment health care benefits.

OPERS currently provides post-employment health care benefits to age-and-service 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 2013, OPERS allocated 1.0% of the employer contribution rate to fund the health care program for retirees, and this rate was increased to 2.0% for calendar year 2014 as recommended by the OPERS actuary.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012 with a transition plan commencing January 1, 2014. OPERS expects to be able to allocate on a consistent basis 4% of employer contributions toward the health care fund after the end of the transition period.

STRS Ohio currently provides access to health care coverage to retirees who participated in the defined 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 costs 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, 2013, STRS Ohio allocated employer contributions equal to 1.0% of covered payroll for post-employment health care.

Post-employment 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, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

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

STRS Ohio also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 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 post-retirement health care benefits.

Combined Plans

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

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

OPERS currently provides post-employment 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 2013, OPERS allocated 1.0% of the employer contribution rate to fund the health care program for retirees, and this rate was increased to 2.0% for calendar year 2014 as recommended by the OPERS actuary.

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

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

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)	11.00%		11.00%
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 (7/1/13-12/31/13)		12.60%	12.60%
Plan member (1/1/14-6/30/14)		13.00%	13.00%
University (entire year)		18.10%	17.33%**

* Employer contributions include 4.5% paid to STRS Ohio.

** Employer contributions include .77% paid to OPERS.

The remaining amount is credited to employee's ARP account.

The university's contributions, which represent 100% of required employer contributions, for the year ended June 30, 2014 and for each of the two preceding years are as follows:

Year Ended June 30,	STRS Ohio Annual Required Contribution	OPERS Annual Required Contribution	ARP Annual Required Contribution
2012	\$58,006	\$153,118	\$43,523
2013	\$61,667	\$159,903	\$47,062
2014	\$63,953	\$166,591	\$47,911

OSU Physicians Retirement Plan

Retirement benefits are provided for the employees of OSUP through a tax-sheltered 403(b) and 401(a) program administered by an insurance company. OSUP is required to make nondiscretionary contributions of no less than 7.5% under the Interim Retirement Plan; however, some subsidiaries make an additional discretionary contribution of up to 17.5%, for a range of total employer contributions of 7.5% to 25%. Employees are allowed, but not required, to make contributions to the 403(b) plan. OSUP's share of the cost of these benefits was \$3,996 and \$3,850 for the years ended June 30, 2014 and 2013, respectively.

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

Employee contributions were \$1,246 and \$1,096 for the years ended June 30, 2014 and 2013. The reduction in Fiscal Year 2013 was directly related to physician integration into the Faculty Practice Group.

NOTE 16 — CAPITAL PROJECT COMMITMENTS

At June 30, 2014, the university is committed to future contractual obligations for capital expenditures of approximately \$364,678.

These projects are funded by the following sources:

State appropriations	\$ 35,777
Internal and other sources	328,901
Total	<u>\$ 364,678</u>

NOTE 17 — CONTINGENCIES AND RISK MANAGEMENT

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

The university is self-insured for the Health System's professional malpractice liability, employee health benefits, workers' compensation and employee life, accidental death and dismemberment benefits. Additional details regarding these self-insurance arrangements are provided in Note 8. The university also carries commercial insurance policies for various property, casualty and excess liability risks. Over the past three years, settlement amounts related to these insured risks have not exceeded the university's coverage amounts.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. While questioned costs may occur, ultimate repayments required of the university have been infrequent in prior years.

NOTE 18 — PARKING LEASE AND CONCESSION AGREEMENT

On September 21, 2012, the university entered into a 50-year lease and concession agreement with QIC Global Infrastructure (QIC GI). CampusParc LP, a QIC GI affiliate, owns and operates the university's parking concession on QIC GI's behalf. Under the agreement, CampusParc will operate, maintain and retain parking revenues from the university's parking lots and garages. This agreement also regulates the parking rates that may be charged and future increases in these rates. The university received lump-sum payments totaling \$483,000 from QIC GI and used the proceeds to establish endowment funds, with income distributions internally designated to support student scholarships, faculty

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

initiatives and research, transportation and sustainability and the university arts district. The university reports the parking lots and garages as capital assets with a carrying amount of \$124,511 at June 30, 2014 and reports a deferred inflow of resources in the amount of \$464,701 at June 30, 2014, pursuant to the service concession arrangement. The university reports the parking lots and garages as capital assets with a carrying amount of \$124,009 at June 30, 2013 and reports a deferred inflow of resources in the amount of \$474,332 at June 30, 2013, pursuant to the service concession arrangement.

NOTE 19 – COMBINING INFORMATION FOR BLENDED COMPONENT UNITS

As indicated in the Basis of Presentation in Note 1, the university consolidates certain component units in a blended presentation. Condensed combining financial information for the years ended June 30, 2014 and 2013 is presented below.

Condensed Combining Information – Year Ended June 30, 2014

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of net position:			
Current assets	\$ 43,096	\$ 3,770	\$ 51,807
Capital assets, net	3,784	478	-
Other assets	829,398	721	-
Amounts receivable from the university	-	-	-
Deferred outflows	-	-	-
Total assets and deferred inflows	<u>\$ 876,278</u>	<u>\$ 4,969</u>	<u>\$ 51,807</u>
Current liabilities	\$ 9,675	\$ 1,162	\$ 37
Noncurrent liabilities	32,267	-	31,772
Amounts payable to the university	158	348	-
Deferred inflows	-	-	-
Total liabilities and deferred inflows	<u>42,100</u>	<u>1,510</u>	<u>31,809</u>
Invested in capital assets, net of related debt	3,784	478	-
Restricted:			
Nonexpendable	662,094	-	-
Expendable	156,931	-	-
Unrestricted	11,369	2,981	19,998
Total net position	<u>834,178</u>	<u>3,459</u>	<u>19,998</u>
Total liabilities, deferred inflows and net position	<u>\$ 876,278</u>	<u>\$ 4,969</u>	<u>\$ 51,807</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of revenues, expenses and changes in net position:			
Operating revenues:			
Grants and contracts	\$ -	\$ -	\$ -
Sales and services of OSU Physicians	-	-	-
Other sales, services and rental income	1,478	13,283	2,293
Other operating	-	-	-
Total operating revenues	<u>1,478</u>	<u>13,283</u>	<u>2,293</u>
Operating expenses, excluding depreciation	19,154	12,993	146
Depreciation expense	228	380	-
Total operating expenses	<u>19,382</u>	<u>13,373</u>	<u>146</u>
Net operating income (loss)	(17,904)	(90)	2,147
Non-operating revenues and expenses:			
Gifts for current use	138,230	-	-
Net investment income (loss)	119,451	22	6,003
Interest expense	-	-	-
Other non-operating revenue (expense)	-	-	-
Net non-operating revenue (expense)	<u>257,681</u>	<u>22</u>	<u>6,003</u>
Capital contributions and additions to permanent endowments	54,037	-	-
Transfers from (to) the university	<u>(171,201)</u>	<u>-</u>	<u>-</u>
Change in net position	122,613	(68)	8,150
Beginning net position	711,565	3,527	11,848
Ending net position	<u>\$ 834,178</u>	<u>\$ 3,459</u>	<u>\$ 19,998</u>
Condensed statements of cash flows:			
Net cash provided (used) by:			
Operating activities	\$ (15,330)	\$ 1,350	\$ 1,684
Noncapital financing activities	17,762	348	-
Capital and related financing activities	5,328	(864)	-
Investing activities	<u>(6,624)</u>	<u>6</u>	<u>2</u>
Net increase (decrease) in cash	1,136	840	1,686
Beginning cash and cash equivalents	2,548	2,629	9,519
Ending cash and cash equivalents	<u>\$ 3,684</u>	<u>\$ 3,469</u>	<u>\$ 11,205</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013
(dollars in thousands)

Condensed Combining Information – Year Ended June 30, 2013

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of net position:			
Current assets	\$ 36,509	\$ 3,076	\$ 50,207
Capital assets, net	3,853	(6)	-
Other assets	711,372	586	-
Amounts receivable from the university	-	-	-
Deferred outflows	-	-	-
Total assets and deferred inflows	<u>\$ 751,734</u>	<u>\$ 3,656</u>	<u>\$ 50,207</u>
Current liabilities	\$ 6,760	\$ 129	\$ 3,046
Noncurrent liabilities	33,272	-	35,313
Amounts payable to the university	137	-	-
Deferred inflows	-	-	-
Total liabilities and deferred inflows	<u>40,169</u>	<u>129</u>	<u>38,359</u>
Invested in capital assets, net of related debt	7,934	-	-
Restricted:			
Nonexpendable	573,450	-	-
Expendable	135,052	-	-
Unrestricted	(4,871)	3,527	11,848
Total net position	<u>711,565</u>	<u>3,527</u>	<u>11,848</u>
Total liabilities, deferred inflows and net position	<u>\$ 751,734</u>	<u>\$ 3,656</u>	<u>\$ 50,207</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of revenues, expenses and changes in net position:			
Operating revenues:			
Grants and contracts	\$ -	\$ -	\$ -
Sales and services of OSU Physicians	-	-	-
Other sales, services and rental income	768	12,376	(986)
Other operating	-	-	-
Total operating revenues	<u>768</u>	<u>12,376</u>	<u>(986)</u>
Operating expenses, excluding depreciation	5,295	11,660	169
Depreciation expense	228	-	-
Total operating expenses	<u>5,523</u>	<u>11,660</u>	<u>169</u>
Net operating income (loss)	(4,755)	716	(1,155)
Non-operating revenues and expenses:			
Gifts for current use	122,208	-	-
Net investment income (loss)	71,420	-	1,837
Interest expense	-	-	-
Other non-operating revenue (expense)	-	(137)	-
Net non-operating revenue (expense)	<u>193,628</u>	<u>(137)</u>	<u>1,837</u>
Capital contributions and additions to permanent endowments	96,653	-	-
Transfers from (to) the university	<u>(168,878)</u>	<u>-</u>	<u>-</u>
Change in net position	116,648	579	682
Beginning net position	594,916	2,948	11,166
Ending net position	<u>\$ 711,564</u>	<u>\$ 3,527</u>	<u>\$ 11,848</u>
Condensed statements of cash flows:			
Net cash provided (used) by:			
Operating activities	\$ (4,176)	\$ 682	\$ (1,280)
Noncapital financing activities	(23,978)	-	-
Capital and related financing activities	41,176	(136)	-
Investing activities	(13,036)	6	(1,492)
Net increase (decrease) in cash	<u>(14)</u>	<u>552</u>	<u>(2,772)</u>
Beginning cash and cash equivalents	2,562	2,077	12,291
Ending cash and cash equivalents	<u>\$ 2,548</u>	<u>\$ 2,629</u>	<u>\$ 9,519</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

NOTE 20 – COMBINING INFORMATION FOR DISCRETELY PRESENTED COMPONENT UNITS

As indicated in the Basis of Presentation in Note 1, the university consolidates certain component units in a discrete presentation. Condensed combining financial information for the years ended June 30, 2014 and 2013 is presented below.

Condensed Combining Information – Year Ended June 30, 2014

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of net position:				
Current assets	\$ 100,537	\$ 6,916	\$ 10,142	\$ 1,232
Capital assets, net	26,524	49,278	429	115
Other assets	3,114	1,184	-	-
Amounts receivable from the university	8,585	-	3,922	-
Deferred outflows	-	-	-	-
Total assets and deferred inflows	<u>\$ 138,760</u>	<u>\$ 57,378</u>	<u>\$ 14,493</u>	<u>\$ 1,347</u>
Current liabilities	\$ 17,120	\$ 1,933	\$ 4,095	\$ 75
Noncurrent liabilities	17,406	-	-	-
Amounts payable to the university	21,400	59,237	-	-
Deferred inflows	-	-	-	-
Total liabilities and deferred inflows	<u>55,926</u>	<u>61,170</u>	<u>4,095</u>	<u>75</u>
Invested in capital assets, net of related debt	4,108	49,278	429	-
Restricted:				
Nonexpendable	-	-	-	-
Expendable	-	-	-	-
Unrestricted	78,726	(53,070)	9,969	1,272
Total net position	<u>82,834</u>	<u>(3,792)</u>	<u>10,398</u>	<u>1,272</u>
Total liabilities, deferred inflows and net position	<u>\$ 138,760</u>	<u>\$ 57,378</u>	<u>\$ 14,493</u>	<u>\$ 1,347</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013
(dollars in thousands)

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of revenues, expenses and changes in net position:				
Operating revenues:				
Grants and contracts	\$ -	\$ 7,983	\$ 37,842	\$ -
Sales and services of OSU Physicians	356,503	-	-	-
Other sales, services and rental income	-	509	-	8,283
Other operating	-	-	-	-
Total operating revenues	356,503	8,492	37,842	8,283
Operating expenses, excluding depreciation				
Depreciation expense	4,561	1,514	355	110
Total operating expenses	347,126	7,599	36,446	5,267
Net operating income (loss)	9,377	893	1,396	3,016
Non-operating revenues and expenses:				
Gifts for current use	-	-	-	-
Net investment income (loss)	47	-	135	-
Interest expense	(684)	-	(2)	-
Other non-operating revenue (expense)	2,626	-	-	-
Net non-operating revenue (expense)	1,989	-	133	-
Capital contributions and additions to permanent endowments	-	-	-	-
Transfers from (to) the university	(6,979)	8,445	23	(2,923)
Change in net position	4,387	9,338	1,552	93
Beginning net position	78,447	(13,130)	8,846	1,179
Ending net position	\$ 82,834	\$ (3,792)	\$ 10,398	\$ 1,272
Condensed statements of cash flows:				
Net cash provided (used) by:				
Operating activities	\$ 8,012	\$ 1,366	\$ 3,433	\$ 3,094
Noncapital financing activities	(4,124)	(2,756)	(365)	(2,923)
Capital and related financing activities	(2,858)	(1,343)	(485)	-
Investing activities	4,126	141	135	(97)
Net increase (decrease) in cash	5,156	(2,592)	2,718	74
Beginning cash and cash equivalents	46,285	5,265	706	239
Ending cash and cash equivalents	\$ 51,441	\$ 2,673	\$ 3,424	\$ 313

Notes to Financial Statements – Years Ended June 30, 2014 and 2013
(dollars in thousands)

Condensed Combining Information – Year Ended June 30, 2013

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of net position:				
Current assets	\$ 97,054	\$ 9,488	\$ 8,275	\$ 1,069
Capital assets, net	29,731	49,573	633	225
Other assets	1,843	1,643	-	-
Amounts receivable from the university	10,275	-	3,535	-
Deferred outflows	-	-	-	-
Total assets and deferred inflows	<u>\$ 138,904</u>	<u>\$ 60,705</u>	<u>\$ 12,443</u>	<u>\$ 1,294</u>
Current liabilities	\$ 18,957	\$ 3,229	\$ 3,596	\$ 115
Noncurrent liabilities	18,637	168	0	-
Amounts payable to the university	22,862	70,438	-	-
Deferred inflows	-	-	-	-
Total liabilities and deferred inflows	<u>60,457</u>	<u>73,835</u>	<u>3,596</u>	<u>115</u>
Invested in capital assets, net of related debt	3,016	49,448	-	-
Restricted:				
Nonexpendable	-	-	-	-
Expendable	-	-	-	-
Unrestricted	75,431	(62,579)	8,846	1,179
Total net position	<u>78,447</u>	<u>(13,130)</u>	<u>8,846</u>	<u>1,179</u>
Total liabilities, deferred inflows and net position	<u>\$ 138,904</u>	<u>\$ 60,705</u>	<u>\$ 12,443</u>	<u>\$ 1,294</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013
(dollars in thousands)

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan
Condensed statements of revenues, expenses and changes in net position:				
Operating revenues:				
Grants and contracts	\$ -	\$ 10,811	\$ 50,420	\$ -
Sales and services of OSU Physicians	331,817	-	-	-
Other sales, services and rental income	-	941	-	7,354
Other operating	-	-	-	-
Total operating revenues	331,817	11,752	50,420	7,354
Operating expenses, excluding depreciation	316,080	8,535	50,105	4,877
Depreciation expense	4,317	2,380	419	-
Total operating expenses	320,397	10,915	50,524	4,877
Net operating income (loss)	11,420	837	(104)	2,477
Non-operating revenues and expenses:				
Gifts for current use	-	-	-	-
Net investment income (loss)	239	-	131	-
Interest expense	(713)	-	-	-
Other non-operating revenue (expense)	2,115	10,440	-	-
Net non-operating revenue (expense)	1,641	10,440	131	-
Capital contributions and additions to permanent endowments	-	-	-	-
Transfers from (to) the university	(7,895)	(3,374)	(1,589)	(3,110)
Change in net position	5,166	7,903	(1,562)	(633)
Beginning net position	73,282	(21,035)	10,408	1,811
Ending net position	\$ 78,448	\$ (13,132)	\$ 8,846	\$ 1,178
Condensed statements of cash flows:				
Net cash provided (used) by:				
Operating activities	\$ 16,364	\$ 1,913	\$ 546	\$ 2,457
Noncapital financing activities	(8,670)	32,327	(1,734)	(3,110)
Capital and related financing activities	(933)	(34,296)	(565)	-
Investing activities	3,591	-	131	521
Net increase (decrease) in cash	10,352	(56)	(1,622)	(132)
Beginning cash and cash equivalents	35,933	5,321	2,327	371
Ending cash and cash equivalents	\$ 46,285	\$ 5,265	\$ 705	\$ 239

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

NOTE 21 – SEGMENT INFORMATION

A segment is an identifiable activity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds or other revenue-backed debt and has related expenses, gains, losses, assets and liabilities that can be identified. The university has one segment that meets the GASB reporting requirements.

The Office of Student Life operates student housing, dining and recreational sports facilities on the university's main and regional campuses. In January 2013, the university issued \$337,955 of Special Purpose General Receipts Bonds, Series 2013A. These bonds are solely payable from, and secured by, a pledge of the gross revenues of Special Purpose Revenue Facilities. Special Purpose Revenue Facilities are defined in the Series 2013 Supplement as all housing and dining facilities and such auxiliary facilities as shall constitute recreation facilities owned by the university. Special Purpose Pledged Revenues include all revenues, fees, rentals, rates, charges, insurance proceeds and other moneys derived from the ownership or operation of these facilities. Special Purpose Pledged Revenues totaled \$163,347 and \$147,956 for the years ended June 30, 2014 and 2013, respectively.

Condensed financial information for the Special Purpose Revenue Facilities, before the elimination of certain intra-university transactions, as of and for the years ended June 30, 2014 and 2013 is as follows:

Notes to Financial Statements – Years Ended June 30, 2014 and 2013
(dollars in thousands)

Segment Disclosure Information – Year Ended June 30, 2014

	<u>2014</u>	<u>2013</u>
Condensed Statement of Net Position		
Assets and deferred outflows:		
Current assets	\$ 24,141	\$ 33,264
Capital assets	451,921	419,281
Other assets	309,430	-
Amounts receivable from the university	-	-
Deferred outflows	-	-
Total assets and deferred inflows	<u>\$ 785,492</u>	<u>\$ 452,545</u>
Liabilities and deferred inflows:		
Current liabilities	\$ 5,805	\$ 5,644
Noncurrent liabilities	-	-
Amounts payable to the university	817,238	293,147
Deferred inflows	-	-
Total liabilities and deferred inflows	<u>823,043</u>	<u>298,791</u>
Net position:		
Invested in capital assets, net of related debt	(55,886)	126,135
Restricted:		
Nonexpendable	-	-
Expendable	-	-
Unrestricted	18,335	27,619
Total net position	<u>(37,551)</u>	<u>153,754</u>
Total liabilities, deferred inflows and net position	<u>\$ 785,492</u>	<u>\$ 452,545</u>

Notes to Financial Statements – Years Ended June 30, 2014 and 2013

(dollars in thousands)

	2014	2013
Condensed Statement of Revenues, Expenses and Changes in Net Position		
Special-purpose pledged revenues - operating	\$ 163,347	\$ 147,956
Operating expenses, excluding depreciation	(119,540)	(116,060)
Depreciation expense	(24,002)	(16,375)
Operating income	19,805	15,521
Nonoperating revenues, net	(17,687)	(13,569)
Net income (loss) before transfers	2,118	1,952
Transfers from (to) other university units, net	(193,423)	79,874
Increase (decrease) in net assets	(191,305)	81,826
Beginning net position	153,754	71,928
Ending net position	\$ (37,551)	\$ 153,754
Condensed Statement of Cash Flows		
Net cash provided (used) by:		
Operating activities	\$ 33,704	\$ 29,370
Noncapital financing activities	-	-
Capital and related financing activities	266,940	(21,409)
Investing activities	107	105
Net increase (decrease) in cash	300,751	8,066
Beginning cash and cash equivalents	31,761	23,695
Ending cash and cash equivalents	\$ 332,512	\$ 31,761

NOTE 22 – SUBSEQUENT EVENTS

On October 9, 2014, the university closed on \$135,985 in tax-exempt Fixed Rate General Receipts Bonds (Series 2014A) and \$150,000 in tax-exempt Variable Rate General Receipts Bonds (Series 2014B1 and B2). The Series 2014A bonds will have annual principal payments until final maturity on December 1, 2044, with interest rates ranging from 2.00% to 5.00%. The Series 2014B1 and B2 bonds will have principal payments on December 1, 2034, 2039 and 2044. The initial interest rate was 0.04% and will be subject to a rate reset on a weekly basis.

The proceeds of the Series 2014 bond issues will be for the Wexner Medical Center and campus infrastructure projects.

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Federal Expenditures
Research and Development Cluster —		
Funds received directly from the following agencies		
Department of Agriculture		
10.001	US Department of Agriculture	\$ 13,848
10.001	USDA Agricultural Res Service	1,090,197
10.001	USDA Forest Service	2,807
10.025	Animal & Plant Health Inspection Service	660,426
10.163	Agricultural Marketing Service	37,591
10.168	Agricultural Marketing Service	41,036
10.200	National Institute of Food & Agriculture	491,363
10.202	Cooperative Forestry Research	574,403
10.203	Payments to Agricultural Experiment Station	7,436,835
10.206	Nat Res Init Competitive Grants Program	72
10.206	National Institute of Food & Agriculture	126,619
10.207	National Institute of Food & Agriculture	88,421
10.217	National Institute of Food & Agriculture	152,773
10.219	National Institute of Food & Agriculture	196,979
10.220	National Institute of Food & Agriculture	37,416
10.226	National Institute of Food & Agriculture	9,912
10.250	Economic Res Service	63,315
10.290	USDA Office of the Chief Economist	103,979
10.303	National Institute of Food & Agriculture	1,684,792
10.307	National Institute of Food & Agriculture	995,043
10.309	National Institute of Food & Agriculture	713,391
10.310	National Institute of Food & Agriculture	2,450,095
10.311	National Institute of Food & Agriculture	155,700
10.312	National Institute of Food & Agriculture	876,974
10.314	National Institute of Food & Agriculture	81,475
10.4002	USDA Forest Service	120,035
10.445	USDA Forest Service	99,244
10.500	National Institute of Food & Agriculture	492,004
10.614	USDA Foreign Ag Serv	629
10.680	USDA Forest Service	43,002
10.771	USDA Rural Development	197,324
10.902	Natural Resources Conservation Service	78,682
10.903	Natural Resources Conservation Service	3,751
10.912	Natural Resources Conservation Service	471,490
10.960	USDA Foreign Ag Serv	88,106
10.961	USDA Foreign Ag Serv	(8,287)
10.962	USDA Foreign Ag Serv	56,389
Total Department of Agriculture Direct Awards		19,727,831

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Federal Expenditures
Research and Development Cluster —		
Funds received directly from the following agencies		
Department of Commerce		
11.417	Nat Oceanic & Atmospheric Admin	1,506,433
11.431	Nat Oceanic & Atmospheric Admin	20,386
11.609	Nat Inst of Standards & Tech	29,451
Total Department of Commerce Direct Awards		1,556,270
Department of Defense		
12.300	Nav Postgraduate School	34,318
12.300	Office of Naval Res	1,547,918
12.351	Defense Threat Reduction Agency	1,130,806
12.420	Army Medical Res Acquisition Activity	59,424
12.420	Army Medical Res Acquisition Activity	1,132,715
12.431	Army	31,562
12.431	Army Res Office	1,412,817
12.431	Army Research, Development and Eng Cmd	793,618
12.500001	Secretary of Defense Historical Office	40,391
12.50010105	Air Force Office of Scientific Res	(1,137)
12.50010126	Air Force Research Laboratory	2,332,134
12.50010201	Air Force Institute of Technology	19,965
12.50020100	Army Corps of Engineers	188,751
12.50020108	Army Engineer Research and Dev Center	(54,256)
12.50020219	Army Research, Development and Eng Cmd	103,936
12.50070001	US Special Operations Command	231,935
12.5008	Nat Geospatial-Intelligence Agcy	230,473
12.5014	Nat Security Agency	105,582
12.502	Nat Reconnaissance Office	133,371
12.5022	Defense Threat Reduction Agency	122,983
12.630	Army Aviation Applied Tech Directorate	(53,661)
12.630	Army Engineer Research and Dev Center	131,555
12.630	Nat Geospatial-Intelligence Agcy	347,696
12.750	Uniformed Services Univ Health Sciences	156,873
12.800	Air Force Academy	1,004,329
12.800	Air Force Office of Scientific Res	6,458,464
12.800	Air Force Research Laboratory	1,274,112
12.901	Nat Security Agency	53,402
12.902	Nat Security Agency	19,226
12.910	Space & Naval Warfare Systems Ctr	1,166,959
Total Department of Defense Direct Awards		20,156,261

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Federal Expenditures
Research and Development Cluster —		
Funds received directly from the following agencies		
Department of Housing and Urban Development		
14.506	Dept of Housing & Urban Dev	93,599
Total Department of Housing and Urban Development Direct Awards		93,599
Department of the Interior		
15.232	Bureau of Land Management	78,339
15.608	US Fish and Wildlife Service	2,030
15.637	US Fish and Wildlife Service	17,861
15.647	US Fish and Wildlife Service	16,123
15.650	US Fish and Wildlife Service	68,724
15.7204	US Geological Survey	(4,878)
15.805	US Geological Survey	68,440
15.808	US Geological Survey	17,936
Total Department of the Interior Direct Awards		264,575
Department of State		
19.408	Bureau of Educ & Cultural Affairs	2,561,323
Total Department of State		2,561,323
Department of Transportation		
20.108	Federal Aviation Administration	561,821
20.109	Federal Aviation Administration	163,894
20.514	Federal Transit Administration	11,811
20.701	US Department of Transportation	444,756
20.8204	Nat Highway Traffic Safety Admin	729,236
Total Department of Transportation Direct Awards		1,911,518
National Aeronautics and Space Administration		
00.000	Goddard Space Flight Center	50,515
43.001	Goddard Space Flight Center	77,043
43.001	NASA Headquarters	1,483,696
43.001	Nat Aeronautics & Space Admin	1,014,756
43.002	Goddard Space Flight Center	(273)
43.002	NASA Headquarters	591,908
43.002	Nat Aeronautics & Space Admin	25,005

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Federal Expenditures
Research and Development Cluster —		
Funds received directly from the following agencies		
43.008	NASA Headquarters	189,939
43.008	Nat Aeronautics & Space Admin	210,466
43.009	Nat Aeronautics & Space Admin	131,821
43.330	Nat Aeronautics & Space Admin	84,676
43.33000303	Jet Propulsion Lab	9,393
43.AAA	John Glenn Research Center-Lewis Field	23,968
43.AAA	Nat Aeronautics & Space Admin	63,222
Total National Aeronautics and Space Administration Direct Awards		3,956,135
National Endowment for the Humanities		
45.149	National Endowment For The Humanities	53,927
45.161	National Endowment For The Humanities	89,799
45.301	Institute Of Museum And Library Services	62,592
Total National Endowment for the Humanities Direct Awards		206,318
National Science Foundation		
47.041	NSF Div Civil, Mechanical & Maufact Innv	2,416,653
47.041	NSF Engineering	(6,166)
47.041	NSF Industrial Innovation & Partnerships	620,538
47.041	NSF Div Info Robotics & Intelligent Systems	77,603
47.041	NSF Div Engineering Education & Centers	3,016,782
47.041	NSF DIV Elect, Comm, & Cyber Systems	867,950
47.041	NSF Div Chem, Bioeng, Environ, & Trnsp	2,479,628
47.049	NSF Div Astronomical Sciences	1,801,954
47.049	NSF Div Chemistry	2,196,283
47.049	NSF Div Materials Research	3,937,506
47.049	NSF Div Mathematical Sciences	5,822,184
47.049	NSF Div Physics	1,799,650
47.049	NSF DIV Elect, Comm, & Cyber Systems	189,924
47.049	NSF Div Design & Manufacturing Innovation	103,878
47.050	NSF Div Atmospheric Sciences	375,590
47.050	NSF Div Earth Sciences	694,414
47.050	NSF Div Mathematical Sciences	26,830
47.050	NSF Div Ocean Sciences	212,001
47.050	NSF Div Polar Programs	690,494
47.050	NSF Geosciences	170,847
47.070	NSF Computer & Info Sciences & Eng	372,328
47.070	NSF Div Computing & Communication Fdn	1,982,666

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Federal Expenditures
Research and Development Cluster —		
Funds received directly from the following agencies		
47.070	NSF Div of Computer & Network Systems	1,668,467
47.070	NSF Office of Cyberinfrastructure	24,998
47.070	NSF Social, Behavioral & Economic Res	125,328
47.070	NSF Div Info Robotics & Intelligent Systems	961,510
47.070	NSF DIV Elect, Comm, & Cyber Systems	29,116
47.074	NSF Biological Infrastructure	1,584,882
47.074	NSF Biological Sciences	70,976
47.074	NSF Div Bioengineering & Environmental	73,730
47.074	NSF Div Earth Sciences	225
47.074	NSF Div Emerging Frontiers	103,458
47.074	NSF Div Ocean Sciences	21,333
47.074	NSF Environmental Biology	1,272,622
47.074	NSF Integrative Organismal Biology	1,822,232
47.074	NSF Molecular & Cellular Biosciences	1,906,379
47.075	Nat Science Foundation	52,113
47.075	NSF Behavioral & Cognitive Sciences	744,946
47.075	NSF Social & Economic Sciences	184,034
47.075	NSF Social, Behavioral & Economic Res	2,088,754
47.075	NSF Social, Behavioral & Economic Science	41,974
47.076	NSF Div Graduate Educ & Res Development	1,263,986
47.076	NSF Div Human Resource Development	1,101,271
47.076	NSF Div of Research on Learning	(1,481)
47.076	NSF Div Undergraduate Education	970,737
47.076	NSF Education & Human Resources	677,454
47.078	NSF Div Polar Programs	1,251,715
47.079	NSF Ofc of International Science & Eng	506,378
47.080	NSF Office of Cyberinfrastructure	1,264,783
47.082	ARRA NSF Integrative Organismal Biology	80,588
47.082	ARRA NSF Molecular & Cellular Biosciences	77,208
47.082	ARRA NSF Environmental Biology	24,267
47.082	ARRA NSF Biological Infrastructure	(5,217)
47.082	ARRA NSF Div Info Robotics & Intelligent Systems	299
47.082	ARRA NSF Div of Computer & Network Systems	(6,859)
47.082	ARRA NSF DIV Elect, Comm, & Cyber Systems	95,025
47.082	ARRA NSF Div Earth Sciences	10,353
47.082	ARRA NSF Div Polar Programs	31,856
47.082	ARRA NSF Div Chemistry	12,842
47.082	ARRA NSF Div Materials Research	22,202
47.082	ARRA NSF Div Astronomical Sciences	6,903
47.082	ARRA NSF Social, Behavioral & Economic Res	146,724

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Federal Expenditures
Research and Development Cluster —		
Funds received directly from the following agencies		
47.082	ARRA NSF Office of Cyberinfrastructure	45,596
47.350	Nat Science Foundation	472
47.35000102	NSF Integrative Organismal Biology	64,689
47.35000103	NSF Molecular & Cellular Biosciences	15,035
Total National Science Foundation Direct Awards		50,283,440
Environmental Protection Agency		
66.320	Environmental Protection Agency	383,582
66.509	Environmental Protection Agency	205,421
66.510	Environmental Protection Agency	14,964
Total Environmental Protection Agency Direct Awards		603,967
Nuclear Regulatory Commission		
77.008	Nuclear Regulatory Commission	540,406
Total Nuclear Regulatory Commission Direct Awards		540,406
Department of Energy		
81.049	US Department of Energy	7,027,930
81.057	Nat Energy Tech Lab	106,258
81.086	Nat Energy Tech Lab	282,602
81.087	US Department of Energy	358,939
81.089	Nat Energy Tech Lab	1,331,311
81.089	US Department of Energy	197,772
81.112	Nat Nuclear Security Admin	249,532
81.112	US Department of Energy	33,185
81.117	Nat Energy Tech Lab	151,203
81.121	US Department of Energy	398,830
81.122	ARRA US Department of Energy	134,611
81.135	Advanced Res Projects Agency-Energy	1,565,050
81.135	ARRA Advanced Res Projects Agency-Energy	2,848,865
81.550	US Department of Energy	144,908
81.5518	Fermi National Accelerator Laboratory	431,307
Total Department of Energy Direct Awards		15,262,303
Department of Education		
84.015	US Department of Education	1,230,782
84.133	Nat Inst Disability & Rehabilitation Res	1,038,540

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Federal Expenditures
Research and Development Cluster —		
Funds received directly from the following agencies		
84.200	US Department of Education	113,730
84.220	Ofc of Postsecondary Education	193,265
84.224	Nat Inst Disability & Rehabilitation Res	3
84.224	US Department of Education	474,145
84.229	US Department of Education	163,456
84.305	Institute of Education Sciences	5,473,832
84.305	US Department of Education	354,011
84.324	Institute of Education Sciences	1,291,854
84.324	US Department of Education	696,984
84.325	Office of Special Education Programs	274,422
84.325	US Department of Education	56,773
84.327	US Department of Education	21,355
84.350	US Department of Education	2,152,010
84.396	ARRA US Department of Education	10,645,436
84.407	US Department of Education	566,463
Total Department of Education Direct Awards		24,747,061
Department of Health and Human Services		
93.077	National Cancer Institute	1,294,668
93.103	Food and Drug Administration	217,639
93.110	Health Resources & Services Admin	770,279
93.113	Nat Inst of Environ Health Scis	2,291,360
93.121	Nat Inst of Dental & Craniofacial Res	1,823,535
93.135	Centers for Disease Control & Prevention	199,825
93.172	National Human Genome Research Institute	156,494
93.173	Nat In Deafness & Other Commcnctn Disorders	1,883,142
93.184	Centers for Disease Control & Prevention	326,793
93.213	Nat Ctr Complementary & Alternative Med	1,717,397
93.226	Agency for Healthcare Res & Quality	248,669
93.233	National Heart, Lung, and Blood Inst	231,350
93.242	National Institute of Mental Health	4,306,992
93.247	Health Resources & Services Admin	75,891
93.262	Centers for Disease Control & Prevention	317,996
93.262	Nat Inst Occupational Safety & Health	427,386
93.273	Nat Inst on Alcohol Abuse & Alcoholism	405,347
93.279	National Institute on Drug Abuse	1,538,858
93.282	National Institute of Mental Health	37,943
93.286	National Heart, Lung, and Blood Inst	165,633
93.286	Nat In Biomedical Imaging & Bioengineering	1,095,614
93.306	Nat Inst of Health, Ofc of the Director	33,115

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Federal Expenditures
Research and Development Cluster —		
Funds received directly from the following agencies		
93.307	Nat Ctr Minority Hlth & Hlth Disparities	8,888
93.310	Nat Ctr for Advancing Translational Scis	492,054
93.350	Nat Ctr for Advancing Translational Scis	6,313,478
93.350	Nat Inst Gen Medical Scis	264,543
93.351	Nat Inst of Health, Ofc of the Director	418,394
93.359	Health Resources & Services Admin	514,761
93.361	National Institute of Nursing Research	1,708,209
93.369	National Cancer Institute	161,265
93.387	National Heart, Lung, and Blood Inst	(24,245)
93.389	Nat Inst Gen Medical Scis	39,642
93.389	Nat Center for Research Resources	(8,123)
93.389	Nat Inst of Health, Ofc of the Director	79,249
93.393	National Cancer Institute	8,999,284
93.394	National Cancer Institute	3,354,004
93.395	National Cancer Institute	9,835,359
93.396	National Cancer Institute	9,162,884
93.397	National Cancer Institute	8,812,050
93.398	National Cancer Institute	2,582,250
93.399	National Cancer Institute	1,860,021
93.510	Health Resources & Services Admin	927,710
93.542	Centers for Disease Control & Prevention	71,146
93.632	Admin Developmental Disabilities	529,668
93.640	National Institutes of Health	6,719
93.64000002	National Cancer Institute	770,112
93.64000002	ARRA National Cancer Institute	(51,544)
93.64000003	National Heart, Lung, and Blood Inst	2,874,849
93.64000006	Nat Inst Child Health & Human Development	12,260
93.64000007	Nat Inst Gen Medical Scis	24,069
93.64000008	Nat Inst Neurological Disorders & Stroke	598,185
93.64000009	ARRA National Library of Medicine	(256)
93.66000001	Nat Inst Occupational Safety & Health	17,272
93.701	ARRA National Cancer Institute	417,491
93.701	ARRA National Heart, Lung, and Blood Inst	(7,023)
93.701	ARRA Nat Inst of Allergy & Infectious Diseases	156,947
93.701	ARRA Nat Center for Research Resources	91,765
93.837	National Heart, Lung, and Blood Inst	384,955
93.837	National Heart, Lung, and Blood Inst	8,059,177
93.837	National Institute on Aging	623,968
93.838	National Heart, Lung, and Blood Inst	2,483,060
93.839	National Heart, Lung, and Blood Inst	620,657

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Federal Expenditures
Research and Development Cluster —		
Funds received directly from the following agencies		
93.846	Nat In Arthritis & Muscoskeletal & Skin Ds	485,641
93.846	Nat In Arthritis & Muscoskeletal & Skin Ds	2,775,894
93.847	Nat In Diabetes & Digestive & Kidney Diseases	2,663,706
93.853	Nat Inst Neurological Disorders & Stroke	9,776,526
93.855	Nat Inst of Allergy & Infectious Diseases	10,599,713
93.859	Nat Inst Gen Medical Scis	11,773,422
93.864	Nat Inst Child Health & Human Development	106,485
93.865	Nat Inst Child Health & Human Development	4,561,698
93.866	National Institute on Aging	2,282,209
93.867	National Eye Institute	3,942,489
93.875	Nat Inst Neurological Disorders & Stroke	8,536
93.879	National Library of Medicine	593,240
93.884	Health Resources & Services Admin	518,868
93.964	Health Resources & Services Admin	(45)
93.989	John E Fogarty International Center	94,169
93.999	National Cancer Institute	363,037
93.999	Nat Inst Child Health & Human Development	31,882
Total Department of Health and Human Services Direct Awards		143,328,550
Agency for International Development		
98.001	Agency for International Development	4,326,588
98.006	Agency for International Development	28,896
Total Agency for International Development Direct Awards		4,355,484
Subtotal of Research and Development Cluster funds received directly from federal agencies		\$ 289,555,041

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Research and Development Cluster —				
Pass-through from other sources:				
Department of Agriculture				
10.001	United Soybean Board	USDA Agricultural Res Service	40040200	\$ 41,408
10.001	USDA Agricultural Res Service	Biotechnology Res & Dev Corp	10011994	118,277
10.001	USDA Agricultural Res Service	Univ of Illinois	22000009	12,619
10.025	Animal & Plant Health Inspection Service	California Dept of Food and Agriculture	24000377	1,995
10.170	Agricultural Marketing Service	Ohio Department Of Agriculture	26390000	179,768
10.170	US Department of Agriculture	Ohio Department Of Agriculture	26390000	65,358
10.200	National Institute of Food & Agriculture	Iowa State Univ	22000047	113,333
10.200	National Institute of Food & Agriculture	Michigan State Univ	22000044	61,675
10.200	National Institute of Food & Agriculture	Purdue Univ	22000002	3,600
10.200	National Institute of Food & Agriculture	Univ of Maine at Orono	22000048	8,425
10.200	National Institute of Food & Agriculture	Univ of Toledo	22000277	1,193
10.200	USDA Agricultural Res Service	Michigan State Univ	22000044	313
10.215	National Institute of Food & Agriculture	Iowa State Univ	22000047	14,330
10.215	National Institute of Food & Agriculture	Univ of Minnesota	22000067	8,342
10.217	National Institute of Food & Agriculture	West Virginia Univ	22000032	382
10.303	National Institute of Food & Agriculture	Iowa State Univ	22000047	3,650
10.303	National Institute of Food & Agriculture	Michigan State Univ	22000044	33,261
10.303	National Institute of Food & Agriculture	Univ of Illinois	22000009	1,312
10.303	National Institute of Food & Agriculture	Univ of Nebraska	22000085	(491)
10.303	National Institute of Food & Agriculture	Univ of Wisconsin	22000006	4,736
10.303	USDA Agricultural Res Service	Univ of Wisconsin	22000006	33,766
10.304	National Institute of Food & Agriculture	Michigan State Univ	22000044	32,440
10.307	National Institute of Food & Agriculture	Rutgers Univ	22000003	16,210
10.309	National Institute of Food & Agriculture	Iowa State Univ	22000047	16,687
10.309	National Institute of Food & Agriculture	North Carolina State Univ	22000136	115,583
10.309	National Institute of Food & Agriculture	Saint Joseph's University	22000388	4,171
10.309	National Institute of Food & Agriculture	Univ of Florida	22000108	25,198
10.309	National Institute of Food & Agriculture	Univ of Maryland	22000120	145,738
10.309	National Institute of Food & Agriculture	USDA Agricultural Res Service	40040200	91,361
10.309	National Institute of Food & Agriculture	Virginia Polytechnic Inst	22000023	150,049
10.310	National Institute of Food & Agriculture	Cornell University	22000081	136,109
10.310	National Institute of Food & Agriculture	Iowa State Univ	22000047	593,715
10.310	National Institute of Food & Agriculture	Kansas State Univ	22000062	257,872
10.310	National Institute of Food & Agriculture	Michigan State Univ	22000044	44,174
10.310	National Institute of Food & Agriculture	North Carolina State Univ	22000136	284,946
10.310	National Institute of Food & Agriculture	Pennsylvania State Univ	22000030	42,470
10.310	National Institute of Food & Agriculture	South Dakota State University	22000262	64,217
10.310	National Institute of Food & Agriculture	Texas A & M Univ	22000053	46,814
10.310	National Institute of Food & Agriculture	Univ at Buffalo	22000240	36,746

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CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Research and Development Cluster —				
Pass-through from other sources:				
10.310	National Institute of Food & Agriculture	Univ of California - Davis	22000013	168,025
10.310	National Institute of Food & Agriculture	Univ of Delaware	22000138	116,564
10.310	National Institute of Food & Agriculture	Univ of Houston	22000092	6,746
10.310	National Institute of Food & Agriculture	Univ of Kentucky	22000143	43,888
10.310	National Institute of Food & Agriculture	Univ of Minnesota	22000067	(4,629)
10.320	National Institute of Food & Agriculture	Univ of Hawaii	22000265	10,706
10.350	US Department of Agriculture	Ohio Soybean Cncl	20021130	(9,700)
10.400401	National Institute of Food & Agriculture	North Carolina State Univ	22000136	366
10.4008	USDA Food and Nutrition Service	Univ of Kentucky	22000143	103,834
10.500	National Institute of Food & Agriculture	Univ of Minnesota	22000067	13,828
10.500	National Institute of Food & Agriculture	Univ of Nebraska	22000085	17,578
10.500	Navy	National Institute of Food & Agriculture	40040100	1,005,414
10.912	Natural Resources Conservation Service	OH Dept of Natural Resources	26110000	2,106
Total Department of Agriculture Pass-Through Awards				4,286,478
Department of Commerce				
11.419	Nat Oceanic & Atmospheric Admin	OH Dept of Natural Resources	26110000	43,167
11.420	Nat Oceanic & Atmospheric Admin	OH Division of Wildlife	26110100	25,000
11.420	Nat Oceanic & Atmospheric Admin	The Nature Conservancy	20020999	7,075
11.420204	Nat Geodetic Survey	Gustin, Cothorn, and Tucker, Inc	10013447	31,317
11.4204	Nat Inst of Standards & Tech	PaneraTech Inc.	10013192	1,941
11.4204	ARRA Nat Inst of Standards & Tech	Wiklund Research & Design	10013399	64,776
11.431	Nat Oceanic & Atmospheric Admin	Univ of Michigan	22000005	13,051
11.432	Nat Oceanic & Atmospheric Admin	Univ of Illinois	22000009	13,273
11.432	Nat Oceanic & Atmospheric Admin	Univ of Michigan	22000005	(137)
11.463	Nat Oceanic & Atmospheric Admin	The Nature Conservancy	20020999	8,864
11.611	Nat Inst of Standards & Tech	PolymerOhio, Inc	20021637	12,765
11.611	US Department of Commerce	Appalachian Partnership Economic Growth	20022111	120,928
11.616	Nat Inst of Standards & Tech	Hyper Tech Res Inc	10020102	10,396
11.643	Nat Oceanic & Atmospheric Admin	The Nature Conservancy	20020999	2,988
Total Department of Commerce Pass-Through Awards				355,404
Department of Defense				
12.300	Air Force Research Laboratory	Univ of Notre Dame	22000140	564
12.300	Office of Naval Res	Carnegie-Mellon Univ	22000051	14,328
12.300	Office of Naval Res	Cornell University	22000081	1,050
12.300	Office of Naval Res	Michigan State Univ	22000044	84
12.300	Office of Naval Res	Univ of California - Santa Barbara	22000315	538,102

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

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CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Research and Development Cluster —				
Pass-through from other sources:				
12.300	Office of Naval Res	Univ of Notre Dame	22000140	774,366
12.351	Defense Threat Reduction Agency	Univ of California - Santa Barbara	22000315	59,912
12.420	Army Medical Command	Henry M Jackson Fdn	20010473	12,879
12.420	Army Medical Res & Materiel Command	BioPhyZica, Inc	10013257	124,563
12.420	Army Medical Res & Materiel Command	Tulane University	22000372	22,908
12.420	Army Medical Res & Materiel Command	Virginia Polytechnic Inst	22000023	(2,437)
12.420	Army Medical Res Acquisition Activity	Henry M Jackson Fdn	20010473	164,988
12.420	Army Medical Res Acquisition Activity	Mount Sinai Sch of Medicine	22010031	250
12.420	Army Medical Res Acquisition Activity	Purdue Univ	22000002	7,487
12.420	Army Medical Res Acquisition Activity	Univ of Alberta	22010081	4,043
12.420	Army Medical Res Acquisition Activity	Wake Forest Univ	22000286	66,151
12.420	National Institutes of Health	Army Medical Res Acquisition Activity	50022700	672,287
12.420	US Department of Defense	Army Medical Res Acquisition Activity	50022700	362,685
12.420	US Department of Defense	Research Institute at Nationwide Childrn	20010182	58,855
12.431	Army Res Office	Massachusetts Inst Tech	22000001	(1)
12.431	Army Res Office	Rice University	22000231	(2,481)
12.431	Army Res Office	Univ of Chicago	22000018	152,878
12.431	Army Res Office	Univ of Maryland	22000120	(4,480)
12.431	Army Research, Development and Eng Cmd	Cornell University	22000081	148,680
12.431	Defense Advanced Res Projects Agency	Rice University	22000231	228,876
12.431	US Department of Defense	Univ of Michigan	22000005	187,072
12.500	US Department of Defense	Battelle Memorial Inst	20020012	4,016
12.500	US Department of Defense	High Performance Technologies Inc	10012364	40,757
12.500	US Department of Defense	NeuroWave Systems Inc.	10020303	1,638
12.500	US Department of Defense	Northrop Grumman Corp	10011657	116,681
12.500	US Department of Defense	Universal Tech Corp	10011471	60,837
12.5001	Air Force	Ball Aerospace & Technologies Corp	10012578	74,130
12.5001	Air Force	BerrieHill Research Corp	10020202	109,882
12.5001	Air Force	EDaptive Computing, Inc	10020211	32,927
12.5001	Air Force	Etegent Technologies, Ltd.	10020293	62,369
12.5001	Air Force	Massachusetts Inst Tech - Lincoln Lab	22000228	186,521
12.5001	Air Force	PaneraTech Inc.	10013192	175,194
12.5001	Air Force	UES Inc	10020049	3,563
12.5001	Air Force	Universal Tech Corp	10011471	105,473
12.500101	Air Force Materiel Command	UES Inc	10020049	36,086
12.500101	Air Force Materiel Command	Univ of North Texas	22000124	88,042
12.50010105	Air Force Office of Scientific Res	RNET Technologies	10012505	155,829
12.50010126	Air Force Research Laboratory	GE Aviation Systems, LLC	10030085	140,895
12.50010126	Air Force Research Laboratory	Honeywell International Inc	10011512	168,857
12.50010126	Air Force Research Laboratory	Infoscitex Corporation	10011833	10,544

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CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Research and Development Cluster —				
Pass-through from other sources:				
12.50010126	Air Force Research Laboratory	Innovative Scientific Solutions Inc	10020096	140,293
12.50010126	Air Force Research Laboratory	Metron, Inc.	10013243	87,533
12.50010126	Air Force Research Laboratory	Michigan State Univ	22000044	136,265
12.50010126	Air Force Research Laboratory	PaneraTech Inc.	10013192	134,548
12.50010126	Air Force Research Laboratory	RNET Technologies	10012505	(24,386)
12.50010126	Air Force Research Laboratory	Rockwell Collins, Inc	10012888	251,114
12.50010126	Air Force Research Laboratory	SAIC, Inc	10011324	28,395
12.50010126	Air Force Research Laboratory	Scientific Systems Company, Inc.	10012390	(1,285)
12.50010126	Air Force Research Laboratory	Syntonics LLC	10012399	49,530
12.50010126	Air Force Research Laboratory	Tennessee State Univ	22000397	42,862
12.50010126	Air Force Research Laboratory	Univ of Toledo	22000277	47,761
12.50010126	Air Force Research Laboratory	Universal Tech Corp	10011471	142,793
12.50010126	Air Force Research Laboratory	XCOM Wireless, Inc.	10013301	55,006
12.50010126	Air Force Research Laboratory	Wright State Applied Research Corp	20022222	6,905
12.5002	Army	American Engineering & Manufacturing	10020196	13,680
12.5002	Army	Georgia Inst of Tech	22000189	59,170
12.5002	Army	Virginia Diodes, Inc.	10013356	29,923
12.5002	Army	Triumph Engine Control Systems, LLC	10013094	(49,131)
12.50020213	Army Natick Res, Dev & Eng Ctr	Infoscitex Corporation	10011833	12,848
12.50020218	Army Aviation Applied Tech Directorate	Vertical Lift Consortium	20020103	69,010
12.50020219	Army Research, Development and Eng Cmd	IERUS Technologies	10013315	(2,918)
12.5002022	Army Contracting Command	Applied Optimization, Inc.	10020309	3,416
12.5002022	Army Contracting Command	Nat Energetics	10013450	311,457
12.500204	Army Res Office	Edison Welding Inst Inc	10011218	(250)
12.500204	Army Res Office	Honeywell International Inc	10011512	241,082
12.500215	Missile Defense Agency	Amtec Corporation	10013144	17,288
12.500215	Missile Defense Agency	Applied Quantum Technologies	10013222	160,162
12.500215	Missile Defense Agency	Charles River Analytics Inc.	10011429	5,023
12.500215	Missile Defense Agency	Virtual EM	10013124	120,717
12.500227	Army Medical Res Acquisition Activity	Virginia Polytechnic Inst	22000023	1,598
12.5004	Navy	Applied EM, Inc	10012411	58,578
12.5004	Navy	Applied Optimization, Inc.	10020309	(2,723)
12.5004	Navy	EHS Technologies Corporation	10013363	29,986
12.5004	Navy	Johns Hopkins Univ	22000133	1,119,198
12.5004	Navy	Novateur Research Solutions	10013371	26,529
12.5004	Navy	PaneraTech Inc.	10013192	179,930
12.5004	Navy	Scientific Systems Company, Inc.	10012390	84,770
12.5004	Navy	Sentient Corporation	10013230	117,223
12.5004	Navy	Wang Electro-Opto Corporation	10012847	105,950
12.500403	Office of Naval Res	Battelle Memorial Inst	20020012	(22)

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

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CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Research and Development Cluster —				
Pass-through from other sources:				
12.500403	Office of Naval Res	Charles River Analytics Inc.	10011429	91,660
12.500403	Office of Naval Res	DJW Technology, LLC	10020182	50,309
12.500403	Office of Naval Res	Edison Welding Inst Inc	10011218	1,810
12.500403	Office of Naval Res	Univ of Michigan	22000005	206,078
12.500403	Office of Naval Res	Yotta Navigation Corporation	10013120	46,876
12.500408	Marine Corps	Syntonics LLC	10012399	28,651
12.500408	Marine Corps	SPIRE INNOVATIONS	10013465	10,986
12.500416	Naval Air Warfare Ctr Aircraft Div	Applied EM, Inc	10012411	63,262
12.500416	Naval Air Warfare Ctr Aircraft Div	Virtual EM	10013124	24,000
12.5006	Defense Advanced Res Projects Agency	Boeing Co, The	10010013	319,394
12.5006	Defense Advanced Res Projects Agency	Northrop Grumman Corp	10011657	32,722
12.5006	Defense Advanced Res Projects Agency	Porifera, Inc.	10013067	(12,575)
12.5006	Defense Advanced Res Projects Agency	Sikorsky Aircraft	10011823	5,820
12.5006	Defense Advanced Res Projects Agency	Systems & Technology Research	10013305	20,635
12.5006	Defense Advanced Res Projects Agency	Teledyne Scientific & Imaging, LLC	10013456	58,174
12.5006	Defense Advanced Res Projects Agency	Univ of Maryland, Baltimore County	22000393	307,618
12.5006	Defense Advanced Res Projects Agency	Univ of North Texas	22000124	47,006
12.5006	Defense Advanced Res Projects Agency	Univ of Southern California	22000206	95,346
12.501	Defense Logistics Agency	Advanced Technology International	10012322	50,040
12.502	Nat Reconnaissance Office	Lockheed Martin Corp	10010042	94,157
12.5022	Defense Threat Reduction Agency	MRIGlobal	20022139	161,358
12.5022	Defense Threat Reduction Agency	SAIC, Inc	10011324	76,940
12.5022	Defense Threat Reduction Agency	Scientific	10013179	22,386
12.630	Air Force Research Laboratory	Dayton Area Graduate Studies Inst	20021372	87,362
12.630	Air Force Research Laboratory	Univ of Dayton	22000008	90,816
12.630	Space & Naval Warfare Systems Center	Drexel Univ	22000246	141,287
12.750	Uniformed Services Univ Health Sciences	Henry M Jackson Fdn for the Advn Mil Med	20012161	311,987
12.800	Air Force	Research Institute at Nationwide Childrn	20010182	202,176
12.800	Air Force Office of Scientific Res	Georgia Inst of Tech	22000189	(42,642)
12.800	Air Force Office of Scientific Res	Indiana Univ	22000012	65,913
12.800	Air Force Office of Scientific Res	Kuzer Co	10013134	1,751
12.800	Air Force Office of Scientific Res	Univ of New Mexico	22000056	295,197
12.800	Air Force Research Laboratory	Univ of Virginia	22000203	86,936
12.910	Defense Advanced Res Projects Agency	Univ of Illinois	22000009	225,999
Total Department of Defense Pass-Through Awards				12,247,113
Department of Housing and Urban Development				
14.700	Dept of Housing & Urban Dev	Abt Associates Inc	10011122.000	(7,929)
14.703	Dept of Housing & Urban Dev	Gulf Regional Planning Commission	24000571.000	137,600

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CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Research and Development Cluster —				
Pass-through from other sources:				
14.704	Dept of Housing & Urban Dev	Mid-OH Regional Planning Commission	26270000.000	(3,011)
Total Department of Housing and Urban Development Pass-Through Awards				126,660
Department of the Interior				
15.608	US Fish and Wildlife Service	Columbus Zoo	24000299	5,618
15.608	US Fish and Wildlife Service	Univ of Minnesota	22000067	27,513
15.634	US Fish and Wildlife Service	OH Division of Wildlife	26110100	755,483
15.662	US Fish and Wildlife Service	Northern Illinois Univ	22000333	33,748
15.662	US Fish and Wildlife Service	The Nature Conservancy	20020999	27,487
15.808	US Geological Survey	Southern Illinois Univ	22000055	2,898
Total Department of the Interior Pass-Through Awards				852,747
Department of Labor				
17.261	US Department of Labor	OH Dept of Job & Family Services	26630000	462,785
17.283	US Department of Labor	Wargo-Brock Workforce Dimensions LLC	10020314	71,227
17.760	US Department of Labor	Mathematica Policy Research	10011423	1,938
17.7605	Bureau of Labor Statistics	Nat Opinion Res Ctr	20020932	3,315,596
Total Department of Labor Pass-Through Awards				3,851,546
Department of Transportation				
20.701	US Department of Transportation	Purdue Univ	22000002	430,242
20.761	US Department of Transportation	Cornell University	22000081	(8,236)
20.800	US Department of Transportation	Ctr Transportation and the Environment	20022049	265,112
20.8203	Federal Aviation Administration	Honeywell International Inc	10011512	111,222
20.931	US Department of Transportation	Univ of Massachusetts - Lowell	22000377	7,159
Total Department of Transportation Pass-Through Awards				805,499
Department of the Treasury				
21.840	Dept of Treasury	Patient-Centered Outcomes Res Inst	20012278.000	367,418
Total Department of the Treasury Pass-Through Awards				367,418
Appalachian Regional Commission				
23.009	Appalachian Regional Commission	OH Development Services Agency	26140000	12,580
Total Appalachian Regional Commission Pass-Through Awards				12,580

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CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Research and Development Cluster —				
Pass-through from other sources:				
National Aeronautics and Space Administration				
43.000	Nat Aeronautics & Space Admin	Univ of Alaska - Fairbanks	22000037	7,305
43.001	NASA Headquarters	Smithsonian Astrophysical Observatory	30060200	25,357
43.001	NASA Headquarters	Tennessee Technological University	22000368	28,864
43.001	Nat Aeronautics & Space Admin	Univ of Houston	22000092	53,118
43.001	Nat Aeronautics & Space Admin	Univ of Washington	22000212	235,024
43.002	Goddard Space Flight Center	Univ of Colorado	22000039	(133)
43.002	NASA Headquarters	Jet Propulsion Lab	33000303	249
43.002	NASA Headquarters	Univ of Washington	22000212	10,473
43.008	Nat Aeronautics & Space Admin	Ohio Aerospace Inst	20021048	24,466
43.330	Nat Aeronautics & Space Admin	Innovative Scientific Solutions Inc	10020096	5,214
43.330	Nat Aeronautics & Space Admin	Jet Propulsion Lab	33000303	122,334
43.330	Nat Aeronautics & Space Admin	Micro Cooling Concepts	10013309	46,254
43.330	Nat Aeronautics & Space Admin	Space Telescope Sci Inst	20021006	(5)
43.330	Nat Aeronautics & Space Admin	Univ of Michigan	22000005	98,085
43.330	Nat Aeronautics & Space Admin	Univ of Washington	22000212	11,199
43.330	Nat Aeronautics & Space Admin	Vantage Partners, LLC	10013302	225,367
43.330	Nat Aeronautics & Space Admin	Simpson Weather Associates, Inc.	10013394	24,872
43.33000105	NASA Headquarters	Advanced Materials Technology, Inc	10013324	26,939
43.33000105	NASA Headquarters	Hyper Tech Res Inc	10020102	6,618
43.33000105	NASA Headquarters	Innovation Laboratory, Inc.	10013341	13,318
43.33000105	NASA Headquarters	Jet Propulsion Lab	33000303	126,984
43.33000105	NASA Headquarters	Makel Engineering, Inc	10012377	1,318
43.33000105	NASA Headquarters	Smithsonian Astrophysical Observatory	30060200	41,837
43.33000105	NASA Headquarters	Space Telescope Sci Inst	20021006	199,390
43.33000301	Goddard Space Flight Center	Science Systems and Applications, Inc.	10013125	55,278
43.33000303	Jet Propulsion Lab	California Inst of Tech	22000054	26,061
Total National Aeronautics and Space Administration Pass-Through Awards				1,415,786
National Endowment for the Humanities				
45.129	National Endowment For The Humanities	OH Humanities Council	26290000	(1,750)
45.312	Institute Of Museum And Library Services	National Audubon Society, Inc	20020425	15,981
Total National Endowment for the Humanities Pass-Through Awards				14,231
National Science Foundation				
47.014	NSF Industrial Innovation & Partnerships	PaneraTech Inc.	10013192	40,568
47.041	Nat Science Foundation	Core Quantum Technologies, Inc	10020323	41,110

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Research and Development Cluster —				
Pass-through from other sources:				
47.041	Nat Science Foundation	Georgia Tech Res Inst	22000245	2,756
47.041	Nat Science Foundation	Nanomaterial Innovation, Ltd	10020152	22,930
47.041	NSF Div Civil, Mechanical & Maufact Innv	Univ of Pennsylvania	22000195	(3,252)
47.041	NSF Industrial Innovation & Partnerships	Bioprocessing Innovative Co Inc	10020039	128,409
47.041	NSF Industrial Innovation & Partnerships	Phycal	10020228	104,536
47.041	NSF Industrial Innovation & Partnerships	Univ at Albany	22000382	50,673
47.041	NSF DIV Elect, Comm, & Cyber Systems	Wang Electro-Opto Corporation	10012847	43
47.047	Nat Science Foundation	Univ of Minnesota	22000067	18,518
47.049	Nat Science Foundation	Univ of California - Santa Cruz	22000369	157,191
47.049	Nat Science Foundation	Univ of Cincinnati	22000074	9,549
47.049	NSF Div Astronomical Sciences	Assn Universities Res in Astronomy, Inc	20021158	128,438
47.049	NSF Div Chemistry	Univ of California - San Diego	22000288	96,718
47.049	NSF Div Mathematical Sciences	Univ of California - Davis	22000013	34,095
47.049	NSF Div Mathematical Sciences	Univ of Minnesota	22000067	24,133
47.049	NSF Div Physics	Princeton Univ	22000289	762,467
47.049	NSF Div Materials Research	Brown University	22000284	32,390
47.050	Nat Science Foundation	Boston College	22000310	19,679
47.050	Nat Science Foundation	Consortium for Ocean Leadership, Inc	20021599	16,287
47.050	NSF Div Ocean Sciences	Consortium for Ocean Leadership, Inc	20021599	15,340
47.070	Nat Science Foundation	Raytheon BBN Technologies	10012357	118,882
47.070	NSF Div of Computer & Network Systems	Univ of Missouri	22000073	16,116
47.070	NSF Div Info Robotics & Intelligent Systms	Univ of Wisconsin	22000006	75,950
47.070	ARRA Nat Science Foundation	Univ of Tennessee	22000010	11,475
47.074	Nat Science Foundation	Colorado State Univ	22000110	25,862
47.074	Nat Science Foundation	Miami Univ	22000049	72,761
47.074	Nat Science Foundation	South Dakota State University	22000262	3,237
47.074	NSF Environmental Biology	Georgia Southern University	22000365	64,920
47.074	NSF Environmental Biology	Univ of North Carolina	22000146	122,336
47.076	Nat Science Foundation	Lorain County Community College	22000199	16,571
47.076	Nat Science Foundation	Stark State College of Technology	22010051	11,297
47.076	Nat Science Foundation	Winston-Salem State University	22000360	3,338
47.076	NSF Div Human Resource Development	American Physical Society	20021996	45,051
47.076	NSF Div of Research on Learning	Stony Brook Univ	22000389	10,505
47.076	NSF Div of Research on Learning	The Algebra Project	20021829	3,367
47.076	NSF Div of Research on Learning	Univ of Chicago	22000018	(2,476)
47.076	NSF Div Undergraduate Education	Bowling Green State University	22000221	19,870
47.076	NSF Div Undergraduate Education	Macalester College	22000355	3,988
47.076	NSF Div Undergraduate Education	Univ Corp for Atmospheric Res	20020793	(3,738)
47.076	NSF Education & Human Resources	National Federation of the Blind	20022130	25,583
47.076	NSF Education & Human Resources	Science Museum of Minnesota	20021749	11,643

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CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Research and Development Cluster —				
Pass-through from other sources:				
47.078	Nat Science Foundation	Oregon State Univ	22000103	(1,332)
47.078	Nat Science Foundation	Univ Corp for Atmospheric Res	20020793	120,964
47.078	Nat Science Foundation	Univ of Colorado	22000039	164,172
47.078	Nat Science Foundation	Univ of Texas at Austin	22000270	14,080
47.079	Nat Science Foundation	Louisiana State University	22000091	1,124
47.080	Nat Science Foundation	Univ of Illinois	22000009	374,383
47.080	Nat Science Foundation	Univ of Texas at Austin	22000270	206,630
47.080	NSF Office of Cyberinfrastructure	Univ of Illinois	22000009	80,657
47.082	ARRA Nat Science Foundation	Drexel Univ	22000246	22,449
47.082	ARRA Nat Science Foundation	Univ of California - Los Angeles	22000269	144,791
47.082	ARRA Nat Science Foundation	Univ of Florida	22000108	(72)
47.082	ARRA Nat Science Foundation	Univ of Tennessee	22000010	(14,865)
47.350	Nat Science Foundation	World Technology Evaluation Center, Inc	20022167	28,461
47.35000102	NSF Integrative Organismal Biology	Carnegie Institution of Washington	22000354	4,404
47.35000307	NSF Div Bioengineering & Environmental	EnergyEne	10020326	24,345
Total National Science Foundation Pass-Through Awards				3,529,307
Small Business Administration				
59.3014	Small Business Administration	OH Development Services Agency	26140000	50,499
Total Small Business Administration Pass-Through Awards				50,499
Department of Veterans Affairs				
64.3017	Veterans Affairs	OH Willow Wood Co, Inc.	10020287	267,932
64.3017	Veterans Affairs	Univ of Pittsburgh	22000036	51,281
Total Department of Veterans Affairs Pass-Through Awards				319,213
Environmental Protection Agency				
66.001	Environmental Protection Agency	OH Environ Protection Agency	26340000	22
66.041	Environmental Protection Agency	Mid-OH Regional Planning Commission	26270000	53,988
66.320	Environmental Protection Agency	Parsons Environmental & Infrastructure	10013335	6,585
66.320	Environmental Protection Agency	Research Triangle Inst	20020058	51,715
66.460	Environmental Protection Agency	OH Environ Protection Agency	26340000	151,194
66.469	Environmental Protection Agency	Buffalo State College	22000356	10,036
66.469	Environmental Protection Agency	OH Division of Wildlife	26110100	21,154
66.469	Environmental Protection Agency	OH Environ Protection Agency	26340000	48,507
66.469	Environmental Protection Agency	Pennsylvania State Univ	22000030	1,519
66.469	Environmental Protection Agency	The Nature Conservancy	20020999	9,462

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CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Research and Development Cluster —				
Pass-through from other sources:				
66.469	Environmental Protection Agency	Univ of Illinois	22000009	6,819
66.469	Environmental Protection Agency	Univ of Michigan	22000005	7,336
66.469	Environmental Protection Agency	Univ of Minnesota	22000067	69,154
66.469	Environmental Protection Agency	Univ of Wisconsin	22000006	14,661
66.469	Environmental Protection Agency	Lake Erie Commission	26550000	5,114
66.509	Environmental Protection Agency	Michigan State Univ	22000044	113,291
66.605	Environmental Protection Agency	OH Environ Protection Agency	26340000	13,026
66.814	Environmental Protection Agency	California Dept Toxic Substances Control	24000543	3,172
Total Environmental Protection Agency Pass-Through Awards				586,755
Nuclear Regulatory Commission				
77.007	Nuclear Regulatory Commission	Wilberforce University	22000119	2,667
77.3022	Nuclear Regulatory Commission	Edison Welding Inst Inc	10011218	2,237
Total Nuclear Regulatory Commission Pass-Through Awards				4,904
Department of Energy				
81.049	US Department of Energy	Cornell University	22000081	(1,621)
81.049	US Department of Energy	Hyper Tech Res Inc	10020102	71,102
81.049	US Department of Energy	Lambda Instruments, Inc.	10013169	51,335
81.049	US Department of Energy	Louisiana State University	22000091	35,623
81.049	US Department of Energy	MakeI Engineering, Inc	10012377	18,584
81.049	US Department of Energy	Michigan State Univ	22000044	165,531
81.049	US Department of Energy	Princeton Univ	22000289	132,890
81.049	US Department of Energy	RNET Technologies	10012505	17,147
81.049	US Department of Energy	Rutgers Univ	22000003	65,289
81.049	US Department of Energy	Sinmat, Inc.	10013285	26,563
81.049	US Department of Energy	Spectral Energies, LLC	10020205	38,161
81.049	US Department of Energy	Tech4Imaging LLC	10020227	13,115
81.049	US Department of Energy	TotalSim LLC	10020286	33,586
81.049	US Department of Energy	Univ of Florida	22000108	41,702
81.049	US Department of Energy	Univ of Michigan	22000005	223,188
81.049	US Department of Energy	Univ of Rochester	22000193	125,185
81.049	ARRA US Department of Energy	RNET Technologies	10012505	(7,885)
81.086	US Department of Energy	General Motors Corp	10010246	291,795
81.086	US Department of Energy	US Automotive Material Partnership	10012073	103,390
81.086	ARRA US Department of Energy	Clean Fuels Ohio	20022016	(908)
81.087	US Department of Energy	Consortium Plant Biotechnology Res Inc	20021036	59,064
81.087	US Department of Energy	Northwestern University	22000041	667

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Research and Development Cluster —				
Pass-through from other sources:				
81.087	US Department of Energy	Univ of Michigan	22000005	710,676
81.087	ARRA US Department of Energy	Chrysler Group LLC	10011706	213,297
81.089	Nat Energy Tech Lab	Tuskegee University	22010053	66,391
81.089	US Department of Energy	Alliant Techsystems Inc.	10012194	76,239
81.089	US Department of Energy	Babcock & Wilcox	10010026	170,235
81.089	US Department of Energy	General Electric Co	10010024	56,843
81.089	US Department of Energy	Howard Univ	22000290	19,399
81.089	US Department of Energy	Nat Ctr for Manufacturing Sci's	20021452	190
81.089	US Department of Energy	Southern Company Services, Inc.	10012954	85,932
81.089	US Department of Energy	Univ of North Dakota	22000072	47,859
81.089	US Department of Energy	Univ of Texas at Austin	22000270	4,737
81.122	ARRA US Department of Energy	American Electric Power	10010030	24,998
81.122	ARRA US Department of Energy	Univ of Minnesota	22000067	9,078
81.124	US Department of Energy	Univ of Illinois	22000009	27,530
81.134	ARRA Nat Energy Tech Lab	Touchstone Research Laboratory	10013054	8,104
81.135	Advanced Res Projects Agency-Energy	Von Braun Ctr for Science and Innovation	20022136	13,826
81.550	US Department of Energy	Advanced Technology International	10012322	159,917
81.550	US Department of Energy	Alliance for Sustainable Energy, LLC	20021831	49,876
81.550	US Department of Energy	Battelle Energy Alliance, LLC	20021641	1,848,631
81.550	US Department of Energy	Battelle Memorial Inst	20020012	29,542
81.550	US Department of Energy	Brookhaven Sci Assoc, LLC	20021624	121,890
81.550	US Department of Energy	GE Aviation Systems, LLC	10030085	113,062
81.550	US Department of Energy	General Atomics	10012568	(6,239)
81.550	US Department of Energy	Honeywell International Inc	10011512	45,360
81.550	US Department of Energy	Hyper Tech Res Inc	10020102	184,317
81.550	US Department of Energy	Lawrence Berkeley National Laboratory	55080000	213,001
81.550	US Department of Energy	Lawrence Livermore National Laboratory	55100000	31,436
81.550	US Department of Energy	Oak Ridge Associated Universities	20021205	3,241
81.550	US Department of Energy	Oak Ridge Nat Lab	55110000	141,466
81.550	US Department of Energy	Pacific Northwest National Laboratory	20021070	283,456
81.550	US Department of Energy	RNET Technologies	10012505	35,870
81.550	US Department of Energy	Sandia Corp	10011170	80,435
81.550	US Department of Energy	Spectral Energies, LLC	10020205	7,717
81.550	US Department of Energy	SupraMagnetics, Inc	10012900	66
81.550	US Department of Energy	UChicago Argonne, LLC	20021718	14,159
81.550	US Department of Energy	Univ of California	22000011	12,901
81.550	US Department of Energy	Univ of California - Berkeley	22000294	63,198
81.550	US Department of Energy	Univ of Idaho	22000016	121,957
81.550	US Department of Energy	Univ of Wisconsin	22000006	23,053
81.550	US Department of Energy	Universities Res Assn Inc	20021485	(3,274)

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CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Research and Development Cluster —				
Pass-through from other sources:				
81.550	US Department of Energy	UT-Battelle LLC	20021486	177,645
81.550	US Department of Energy	Engineering Mechanics Corp Of Columbus	10020135	147
81.550	US Department of Energy	Los Alamos Nat Lab	55050000	15,207
Total Department of Energy Pass-Through Awards				6,806,874
Department of Education				
84.002	US Department of Education	Kent State Univ	22000235	6,909
84.002	US Department of Education	OH Dept of Administrative Services	26180000	284,535
84.002	Ofc Vocational & Adult Education Programs	OH Board of Regents	26060000	1,580,821
84.048	US Department of Education	OH Dept of Educ	26080000	130,863
84.126	Rehabilitation Services Admin	Opp for Ohioans with Disabilities	26120000	(2,106)
84.126	Small Business Administration	OH Development Services Agency	26140000	27,297
84.126	US Department of Education	Opp for Ohioans with Disabilities	26120000	10,082
84.133	Nat Inst Disability & Rehabilitation Res	Carolinas HealthCare System	20021451	47,398
84.133	US Department of Education	Georgia Inst of Tech	22000189	1,276
84.287	US Department of Education	OH Dept of Educ	26080000	29,234
84.305	US Department of Education	Educational Testing Service	20020742	76,780
84.305	US Department of Education	Michigan State Univ	22000044	150,656
84.323	US Department of Education	OH Dept of Educ	26080000	47,596
84.324	US Department of Education	Univ of Kansas	22000219	163,003
84.325	US Department of Education	Salus University	22000322	58,849
84.366	US Department of Education	Miami Univ	22000049	25,168
84.366	US Department of Education	OH Dept of Educ	26080000	4,066,467
84.367	US Department of Education	Nat Writing Project Corp	20021378	14,414
84.367	US Department of Education	OH Board of Regents	26060000	108,678
84.367	US Department of Education	OH Dept of Educ	26080000	38,008
84.395	ARRA US Department of Education	Battelle Memorial Inst	20020012	72,936
84.395	ARRA US Department of Education	OH Dept of Administrative Services	26180000	80,233
84.395	ARRA US Department of Education	OH Dept of Educ	26080000	1,892,941
84.395	ARRA Ofc of Elementary & Secondary Education	OH Dept of Educ	26080000	167,932
84.412	US Department of Education	OH Dept of Educ	26080000	130,893
84.530	US Department of Education	OH Dept of Educ	26080000	41,010
84.530	US Department of Education	Opp for Ohioans with Disabilities	26120000	27,224
84.928	US Department of Education	Nat Writing Project Corp	20021378	(479)
Total Department of Education Pass-Through Awards				9,278,618
Department of Health and Human Services				
93.006	US Department of Health & Human Services	OH Comsn on Minority Health	26490000	12,652
93.070	Centers for Disease Control & Prevention	OH Dept of Health	26090000	3,969

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CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Research and Development Cluster —				
Pass-through from other sources:				
93.077	National Cancer Institute	Univ of Minnesota	22000067	209,653
93.103	Food and Drug Administration	Univ of Kansas	22000219	244
93.110	Health Resources & Services Admin	Massachusetts General Hospital	20021587	107,217
93.110	Health Resources & Services Admin	OH Dept of Developmental Disabilities	26430000	79,995
93.110	Health Resources & Services Admin	Research Institute at Nationwide Childrn	20010182	7,925
93.110	Maternal & Child Health Bureau	Hemophilia Fdn of Michigan	20021026	42,570
93.113	Nat Inst of Environ Health Scis	Univ of Connecticut	22000076	77,280
93.113	Nat Inst of Environ Health Scis	Univ of Pittsburgh	22000036	75,551
93.113	Nat Inst of Environ Health Scis	Wayne State Univ	22000034	1,909
93.113	National Institutes of Health	Research Institute at Nationwide Childrn	20010182	2,559
93.121	Nat Inst of Dental & Craniofacial Res	Johns Hopkins Univ	22000133	388,268
93.121	Nat Inst of Dental & Craniofacial Res	LSU Health Sciences Center	22000381	92,860
93.121	Nat Inst of Dental & Craniofacial Res	Univ of Alabama at Birmingham	22000207	103,367
93.121	National Institutes of Health	North Carolina State Univ	22000136	20,512
93.121	National Institutes of Health	Univ at Buffalo	22000240	89,480
93.135	Centers for Disease Control & Prevention	OH Dept of Medicaid	26680000	36,289
93.145	Health Resources & Services Admin	Univ of Pittsburgh	22000036	220,310
93.172	National Human Genome Research Institute	Fred Hutchinson Cancer Research Center	20021734	16,458
93.172	National Human Genome Research Institute	Univ of Michigan	22000005	117,146
93.172	National Human Genome Research Institute	Univ of Southern California	22000206	3,716
93.172	National Institutes of Health	Fred Hutchinson Cancer Research Center	20021734	339
93.172	National Institutes of Health	Georgetown Univ	22000339	2,523
93.173	Nat Inst Child Health & HumanDevelopment	Oregon Health and Science University	22000252	(365)
93.173	Nat In Deafness & Other Commnctn Disorders	Oregon Health and Science University	22000252	63,279
93.173	Nat In Deafness & Other Commnctn Disorders	Research Institute at Nationwide Childrn	20010182	421,548
93.173	Nat In Deafness & Other Commnctn Disorders	Univ of Pittsburgh	22000036	226,134
93.173	Nat In Deafness & Other Commnctn Disorders	Univ of Wisconsin	22000006	53,454
93.184	Centers for Disease Control & Prevention	Hemophilia Fdn of Michigan	20021026	18,940
93.184	Centers for Disease Control & Prevention	Univ of Louisville	22000299	101,076
93.213	Nat Ctr Complementary & Alternative Med	Massachusetts General Hospital	20021587	5,457
93.213	National Institutes of Health	Hypnalgescics, LLC	10013193	5,207
93.226	Agency for Healthcare Res & Quality	AcademyHealth	20022065	89,733
93.226	Agency for Healthcare Res & Quality	Case Western Reserve Univ	22000238	10,456
93.226	Agency for Healthcare Res & Quality	Univ of Colorado	22000039	12,525
93.233	National Heart, Lung, and Blood Inst	Case Western Reserve Univ	22000238	(5,545)
93.234	US Department of Health & Human Services	Opp for Ohioans with Disabilities	26120000	(5,526)
93.239	Substance Abuse & Mental Health Servs Admin	Univ of California - Davis	22000013	709
93.242	Nat Inst of Allergy & Infectious Diseases	Johns Hopkins Univ	22000133	4,687
93.242	National Institute of Mental Health	Columbia University	22000135	53,007
93.242	National Institute of Mental Health	Univ of California - Irvine	22010062	41,325

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Research and Development Cluster —				
Pass-through from other sources:				
93.242	National Institute of Mental Health	Univ of Massachusetts - Worcester	22000318	45,220
93.242	National Institutes of Health	Emory Univ	22000295	160,279
93.243	Substance Abuse & Mental Health Servs Admin	First Call Alcohol/Drug Prev & Recov	20022115	15,302
93.262	Nat Inst Occupational Safety & Health	Research Institute at Nationwide Childrn	20010182	2,461
93.262	Nat Inst Occupational Safety & Health	Univ of Louisville	22000299	135,107
93.279	National Institutes of Health	Pennsylvania State Univ	22000030	82,915
93.279	National Institutes of Health	Univ of Memphis	22000325	100,972
93.286	National Institutes of Health	Wayne State Univ	22000034	121,873
93.286	Nat In Biomedical Imaging & Bioengineering	Columbia University	22000135	2,370
93.307	Nat Ctr Minority Hlth & Hlth Disparities	Case Western Reserve Univ	22000238	52,716
93.307	Nat Ctr Minority Hlth & Hlth Disparities	Central State University	22000111	4,623
93.350	Nat Ctr for Advancing Translational Sciences	EXCMR, Ltd.	10020229	187,081
93.351	Nat Inst of Health, Ofc of the Director	Celldex Therapeutics, Inc.	10013270	14,003
93.361	National Institute of Nursing Research	Arizona State Univ	22000109	35,848
93.361	National Institute of Nursing Research	Boston College	22000310	3,098
93.361	National Institute of Nursing Research	Emory Univ	22000295	6,474
93.361	National Institute of Nursing Research	Univ of Minnesota	22000067	21,420
93.361	National Institute of Nursing Research	Vidatak, LLC	10013342	76,642
93.389	Nat Ctr for Advancing Translational Sciences	Univ of Rochester	22000193	40,441
93.393	National Cancer Institute	Arizona State Univ	22000109	55,305
93.393	National Cancer Institute	Fred Hutchinson Cancer Research Center	20021734	175,406
93.393	National Cancer Institute	Georgetown Univ	22000339	25,188
93.393	National Cancer Institute	Mount Sinai Sch of Medicine	22010031	61,968
93.393	National Cancer Institute	Pennsylvania State Univ	22000030	(90)
93.393	National Cancer Institute	Roswell Park Cancer Institute	20021570	17,724
93.393	National Cancer Institute	Thomas Jefferson Univ	22010026	8,369
93.393	National Cancer Institute	Univ of Chicago	22000018	127
93.393	National Cancer Institute	Univ of Illinois	22000009	3,134
93.393	National Cancer Institute	Univ of Massachusetts Medical School	22010069	24,016
93.393	National Cancer Institute	Univ of Miami	22000255	14,473
93.393	National Cancer Institute	Univ of Michigan	22000005	67,673
93.393	National Cancer Institute	Univ of Pennsylvania	22000195	190,273
93.393	National Cancer Institute	Univ of Pittsburgh	22000036	19,631
93.393	National Cancer Institute	Univ of Texas at Dallas	22000363	25,408
93.393	National Cancer Institute	Univ of Utah	22000145	23,165
93.393	National Cancer Institute	Univ of Washington	22000212	28,593
93.393	National Cancer Institute	Washington Univ	22000209	19,365
93.393	National Institutes of Health	Univ of Michigan	22000005	67,903
93.394	National Cancer Institute	Brigham & Women's Hosp Inc	20021152	1,114,271
93.394	National Cancer Institute	Cleveland Clinic Lerner College of Med	22010063	138,200

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Research and Development Cluster —				
Pass-through from other sources:				
93.394	National Cancer Institute	Columbia University	22000135	51,568
93.394	National Cancer Institute	Luna Innovations Inc	10012514	102,131
93.394	National Cancer Institute	Stanford Univ	22000142	(125)
93.394	National Cancer Institute	Univ of Nebraska	22000085	61,884
93.394	National Cancer Institute	Yale Univ	22000088	12,981
93.394	National Institutes of Health	Hyper Tech Res Inc	10020102	37,600
93.395	National Cancer Institute	Am Coll of Radiology	20020917	82,142
93.395	National Cancer Institute	Brigham & Women's Hosp Inc	20021152	969,410
93.395	National Cancer Institute	Cypris, LLC	10013440	3,536
93.395	National Cancer Institute	Duke Univ	22000094	4,028
93.395	National Cancer Institute	Gynecologic Oncology Group	20020024	533,900
93.395	National Cancer Institute	Intl Breast Cancer Research Foundation	20021976	26,299
93.395	National Cancer Institute	John Wayne Cancer Inst	20021377	13,345
93.395	National Cancer Institute	Mayo Fdn for Medical Educ & Res	20010289	102,952
93.395	National Cancer Institute	Myatt & Johnson, Inc.	10012955	149,795
93.395	National Cancer Institute	NSABP Fdn Inc	20010527	56,917
93.395	National Cancer Institute	Oregon Health and Science University	22000252	11,765
93.395	National Cancer Institute	Research Institute at Nationwide Childrn	20010182	781,312
93.395	National Cancer Institute	Stanford Univ	22000142	311,927
93.395	National Cancer Institute	The Children's Hospital of Philadelphia	20020015	59,134
93.395	National Cancer Institute	The EMMES Corp	10012757	7,899
93.395	National Cancer Institute	Univ of California - San Diego	22000288	1,133,730
93.395	National Cancer Institute	Univ of California - San Francisco	22000317	5,838
93.395	National Cancer Institute	Univ of Chicago	22000018	19,911
93.395	National Cancer Institute	Univ of Michigan	22000005	44,672
93.395	National Cancer Institute	Univ of Minnesota	22000067	41,887
93.395	National Cancer Institute	Univ of South Florida	22000123	16,433
93.395	National Cancer Institute	Univ of Texas M D Anderson Cancer Center	22010039	8,790
93.395	National Cancer Institute	Virginia Commonwealth Univ	22000259	3,508
93.395	National Cancer Institute	West Virginia Univ	22000032	110,968
93.395	National Institutes of Health	Cancer & Leukemia Group B Fdn	20010031	(829)
93.395	National Institutes of Health	Cornell University	22000081	(7,777)
93.396	National Cancer Institute	Thomas Jefferson Univ	22010026	49
93.396	National Cancer Institute	Univ of Kentucky	22000143	91,965
93.396	National Cancer Institute	Vanderbilt Univ	22000296	63,198
93.397	National Cancer Institute	Columbia University	22000135	38,125
93.397	National Cancer Institute	Univ of Kentucky	22000143	282,583
93.397	National Cancer Institute	Univ of Texas Hlth Sci Ctr - San Antonio	22000330	111,399
93.506	Ctrs for Medicare & Medicaid Services	OH Dept of Medicaid	26680000	31,517
93.507	Centers for Disease Control & Prevention	Defiance County General Health District	24000591	3,763

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Research and Development Cluster —				
Pass-through from other sources:				
93.507	Centers for Disease Control & Prevention	OH Dept of Health	26090000	44,349
93.507	Centers for Disease Control & Prevention	Youngstown City Health District	24000589	3,658
93.524	US Department of Health & Human Services	Assn State and Territorial Hlth Ofcls	20021937	5,331
93.600	Administration for Children and Families	OH Dept of Educ	26080000	9
93.6002	Ctrs for Medicare & Medicaid Services	Cincinnati Children's Hos Med Ctr	20021628	68,998
93.6004	Public Health Service	Nat Marrow Donor Prog	20021576	10,645
93.600412	Agency for Healthcare Res & Quality	Truven Health Analytics	10030250	95,817
93.600414	Substance Abuse & Mental Health Servs Admin	CompDrug, Inc.	20020904	16,379
93.630	Administration for Children and Families	Wright State Univ	22000087	13,609
93.630	US Department of Health & Human Services	OH Dept of Developmental Disabilities	26430000	33,136
93.630	US Department of Health & Human Services	OH Developmental Disabilities Png Cncl	26430100	91,252
93.640	National Institutes of Health	Alliance for Clinical Trials in Oncology	20022076	410
93.640	National Institutes of Health	Cancer & Leukemia Group B Fdn	20010031	2,549
93.640	National Institutes of Health	Mount Sinai Sch of Medicine	22010031	110,802
93.640	National Institutes of Health	Research Institute at Nationwide Childrn	20010182	3,459
93.640	National Institutes of Health	Viocare, Inc.	10013075	720
93.64000002	National Cancer Institute	Am Coll of Radiology	20020917	213,005
93.64000002	National Cancer Institute	Brigham & Women's Hosp Inc	20021152	21,796
93.64000002	National Cancer Institute	Cancer & Leukemia Group B Fdn	20010031	35,377
93.64000002	National Cancer Institute	Eastern Cooperative Oncology Group	20021810	1,217
93.64000002	National Cancer Institute	Enlyton, Ltd	10020220	55,912
93.64000002	National Cancer Institute	Northwestern University	22000041	8,458
93.64000002	National Cancer Institute	Oregon Health and Science University	22000252	3,861
93.64000002	National Cancer Institute	SAIC, Inc	10011324	89,494
93.64000002	National Cancer Institute	The EMMES Corp	10012757	5,907
93.64000002	National Cancer Institute	The Univ of Oklahoma Health Scis Ctr	22000349	231,462
93.64000002	ARRA National Cancer Institute	Case Western Reserve Univ	22000238	4,947
93.64000002	ARRA National Cancer Institute	SAIC, Inc	10011324	10,006
93.64000003	National Heart, Lung, and Blood Inst	Case Western Reserve Univ	22000238	299,564
93.64000003	National Heart, Lung, and Blood Inst	Vanderbilt Univ	22000296	6,569
93.64000004	Nat Inst of Allergy & Infectious Diseases	Institute for Clinical Research Inc	20022020	3,326
93.64000004	Nat Inst of Allergy & Infectious Diseases	Univ of California - San Francisco	22000317	198,413
93.64000004	Nat Inst of Allergy & Infectious Diseases	Univ of Minnesota	22000067	798,663
93.64000004	Nat Inst of Allergy & Infectious Diseases	Univ of Pittsburgh	22000036	521,665
93.64000004	Nat Inst of Allergy & Infectious Diseases	Wayne State Univ	22000034	194,439
93.64000009	National Library of Medicine	Univ of Illinois	22000009	4,223
93.64000011	National Eye Institute	The EMMES Corp	10012757	16,946
93.652	Administration for Children and Families	Franklin Co Children Services	24000056	280,767
93.701	ARRA National Cancer Institute	Univ of Michigan	22000005	(55,605)
93.701	ARRA National Cancer Institute	Univ of Toledo	22000277	9,078

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Research and Development Cluster —				
Pass-through from other sources:				
93.701	ARRA Nat Inst Neurological Disorders & Stroke	The EMMES Corp	10012757	27,484
93.701	ARRA National Institute on Aging	Univ of California - San Diego	22000288	(121,634)
93.715	ARRA Agency for Healthcare Res & Quality	AcademyHealth	20022065	1,932
93.715	ARRA Agency for Healthcare Res & Quality	Univ of Colorado	22000039	104,461
93.767	Ctrs for Medicare & Medicaid Services	OH Dept of Aging	26280000	32,023
93.767	Ctrs for Medicare & Medicaid Services	OH Dept of Medicaid	26680000	135,025
93.791	Ctrs for Medicare & Medicaid Services	OH Dept of Medicaid	26680000	399,509
93.837	National Heart, Lung, and Blood Inst	Cleveland Clinic	20021182	13,377
93.837	National Heart, Lung, and Blood Inst	Duke Univ	22000094	(113)
93.837	National Heart, Lung, and Blood Inst	Jewish General Hospital	20021801	9,392
93.837	National Heart, Lung, and Blood Inst	Mount Sinai Sch of Medicine	22010031	16,191
93.837	National Heart, Lung, and Blood Inst	Northeastern OH Universities Coll of Med	22000350	25,181
93.837	National Heart, Lung, and Blood Inst	Oregon Health and Science University	22000252	19,191
93.837	National Heart, Lung, and Blood Inst	Research Institute at Nationwide Childrn	20010182	141,488
93.837	National Heart, Lung, and Blood Inst	Univ of California - Davis	22000013	(1,489)
93.837	National Heart, Lung, and Blood Inst	Univ of Colorado	22000039	1,989
93.837	National Heart, Lung, and Blood Inst	Univ of Kentucky	22000143	16,150
93.837	National Heart, Lung, and Blood Inst	Univ of Louisville	22000299	12,496
93.837	National Heart, Lung, and Blood Inst	Univ of Maryland	22000120	35,673
93.837	National Heart, Lung, and Blood Inst	Univ of Pittsburgh	22000036	71,749
93.837	National Heart, Lung, and Blood Inst	Univ of Toledo	22000277	992
93.837	National Heart, Lung, and Blood Inst	Viocare, Inc.	10013075	36,458
93.837	National Heart, Lung, and Blood Inst	Yeshiva Univ	22000331	23,569
93.838	National Heart, Lung, and Blood Inst	Am Lung Assn	20020041	12,823
93.838	National Heart, Lung, and Blood Inst	Fred Hutchinson Cancer Research Center	20021734	88,771
93.838	National Heart, Lung, and Blood Inst	Univ of Michigan	22000005	462
93.838	National Heart, Lung, and Blood Inst	Univ of Toledo	22000277	269
93.839	National Heart, Lung, and Blood Inst	Nat Marrow Donor Prog	20021576	84,863
93.846	Nat In Arthritis & Muscoskeletal & Skin Ds	Children's Mercy Hospitals and Clinics	20021968	14,126
93.846	Nat In Arthritis & Muscoskeletal & Skin Ds	Cincinnati Children's Hos Med Ctr	20021628	79,560
93.846	Nat In Arthritis & Muscoskeletal & Skin Ds	Hospital For Special Surgery	20021549	67,233
93.846	Nat In Arthritis & Muscoskeletal & Skin Ds	Northwestern University	22000041	38,831
93.846	Nat In Arthritis & Muscoskeletal & Skin Ds	Univ of Alabama at Birmingham	22000207	137,067
93.846	Nat In Arthritis & Muscoskeletal & Skin Ds	Univ of Iowa	22000137	36,565
93.846	Nat In Arthritis & Muscoskeletal & Skin Ds	Univ of Maryland	22000120	72,455
93.846	Nat In Arthritis & Muscoskeletal & Skin Ds	Vanderbilt Univ	22000296	20,651
93.847	National Institutes of Health	Univ of Pittsburgh	22000036	2,062
93.847	Nat In Diabetes & Digestive & Kidney Diseases	Minneapolis Medical Research Foundation	20012090	20,535
93.847	Nat In Diabetes & Digestive & Kidney Diseases	Research Institute at Nationwide Childrn	20010182	54,339
93.847	Nat In Diabetes & Digestive & Kidney Diseases	Samford Univ	22000398	29,831

THE OHIO STATE UNIVERSITY
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FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Research and Development Cluster —				
Pass-through from other sources:				
93.847	Nat In Diabetes & Digestive & Kidney Diseases	Univ of Louisville	22000299	69,622
93.847	Nat In Diabetes & Digestive & Kidney Diseases	UT Southwestern Medical Center At Dallas	22000316	40,779
93.853	Nat Inst Neurological Disorders & Stroke	Beth Israel Deaconess Medical Center	10011582	2,759
93.853	Nat Inst Neurological Disorders & Stroke	Brigham & Women's Hosp Inc	20021152	16,530
93.853	Nat Inst Neurological Disorders & Stroke	Cleveland Clinic	20021182	456
93.853	Nat Inst Neurological Disorders & Stroke	Cleveland Clinic Lerner College of Med	22010063	27,141
93.853	Nat Inst Neurological Disorders & Stroke	Drexel Univ	22000246	33,333
93.853	Nat Inst Neurological Disorders & Stroke	Indiana Univ	22000012	162,885
93.853	Nat Inst Neurological Disorders & Stroke	Johns Hopkins Univ	22000133	14,090
93.853	Nat Inst Neurological Disorders & Stroke	Massachusetts General Hospital	20021587	27,181
93.853	Nat Inst Neurological Disorders & Stroke	Research Institute at Nationwide Childrn	20010182	179,724
93.853	Nat Inst Neurological Disorders & Stroke	Univ of British Columbia	22010079	(17,226)
93.853	Nat Inst Neurological Disorders & Stroke	Univ of California - San Francisco	22000317	10,951
93.853	Nat Inst Neurological Disorders & Stroke	Univ of Louisville	22000299	67,264
93.853	Nat Inst Neurological Disorders & Stroke	Univ of Miami	22000255	16,135
93.853	Nat Inst Neurological Disorders & Stroke	Univ of Michigan	22000005	37,443
93.853	Nat Inst Neurological Disorders & Stroke	Univ of Minnesota	22000067	3,480
93.853	Nat Inst Neurological Disorders & Stroke	Univ of Rochester	22000193	(1,734)
93.853	Nat Inst Neurological Disorders & Stroke	UT Southwestern Medical Center At Dallas	22000316	33,299
93.853	Nat Inst Neurological Disorders & Stroke	Washington Univ	22000209	13,890
93.853	Nat Inst Neurological Disorders & Stroke	Yale Univ	22000088	4,850
93.853	National Institutes of Health	Case Western Reserve Univ	22000238	6,564
93.855	Nat Inst of Allergy & Infectious Diseases	Brigham & Women's Hosp Inc	20021152	263,179
93.855	Nat Inst of Allergy & Infectious Diseases	Duke Univ	22000094	91,143
93.855	Nat Inst of Allergy & Infectious Diseases	Institute for Clinical Research Inc	20022020	13,728
93.855	Nat Inst of Allergy & Infectious Diseases	Kansas State Univ	22000062	163,189
93.855	Nat Inst of Allergy & Infectious Diseases	Research Institute at Nationwide Childrn	20010182	8,645
93.855	Nat Inst of Allergy & Infectious Diseases	Univ of California - Irvine	22010062	(4,644)
93.855	Nat Inst of Allergy & Infectious Diseases	Univ of Chicago	22000018	448,172
93.855	Nat Inst of Allergy & Infectious Diseases	Univ of Pittsburgh	22000036	186,688
93.855	Nat Inst of Allergy & Infectious Diseases	Univ of Rijeka	22010055	24,712
93.855	Nat Inst of Allergy & Infectious Diseases	Weill Cornell Medical College	20021833	56,044
93.855	Nat Inst of Allergy & Infectious Diseases	Yeshiva Univ	22000331	21,165
93.855	Nat Inst of Allergy & Infectious Diseases	Tufts Medical Ctr	20021543	16,221
93.855	Nat Inst of Health, Ofc of the Director	Yeshiva Univ	22000331	69,881
93.855	National Institutes of Health	Univ of North Carolina	22000146	100,363
93.859	Nat Inst Gen Medical Scis	Cleveland Clinic	20021182	109,181
93.859	Nat Inst Gen Medical Scis	Ohio University	22000130	100,185
93.859	Nat Inst Gen Medical Scis	Oregon Health and Science University	22000252	74,515
93.859	Nat Inst Gen Medical Scis	Research Institute at Nationwide Childrn	20010182	74,324

**THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Research and Development Cluster —				
Pass-through from other sources:				
93.859	Nat Inst Gen Medical Scis	Rutgers Univ	22000003	95,101
93.859	Nat Inst Gen Medical Scis	The Scripps Research Institute	20021352	257,925
93.859	Nat Inst Gen Medical Scis	Tulane University	22000372	55,078
93.859	Nat Inst Gen Medical Scis	Univ of California - San Francisco	22000317	142,045
93.859	Nat Inst Gen Medical Scis	Univ of Chicago	22000018	25,039
93.859	Nat Inst Gen Medical Scis	Univ of Michigan	22000005	208,477
93.859	Nat Inst Gen Medical Scis	Univ of Texas at Austin	22000270	(68,046)
93.859	Nat Inst Gen Medical Scis	Univ of Virginia	22000203	23,263
93.859	Nat Inst Gen Medical Scis	Univ of Wisconsin	22000006	72,735
93.859	National Institutes of Health	Univ of Florida	22000108	179,819
93.865	Nat Inst Child Health & HumanDevelopment	Case Western Reserve Univ	22000238	117,791
93.865	Nat Inst Child Health & HumanDevelopment	George Washington Univ	22000025	105,104
93.865	Nat Inst Child Health & HumanDevelopment	Northwestern University	22000041	4,950
93.865	Nat Inst Child Health & HumanDevelopment	Rand Corp	20021340	4,902
93.865	Nat Inst Child Health & HumanDevelopment	Research Institute at Nationwide Childrn	20010182	3,540
93.865	Nat Inst Child Health & HumanDevelopment	SuperBetter Labs, Inc.	10013227	4,966
93.865	Nat Inst Child Health & HumanDevelopment	Univ of Alabama at Birmingham	22000207	27,484
93.865	Nat Inst Child Health & HumanDevelopment	Univ of California - Irvine	22010062	152,432
93.865	Nat Inst Child Health & HumanDevelopment	Univ of Pittsburgh	22000036	81,591
93.865	Nat Inst Child Health & HumanDevelopment	Univ of Texas at Austin	22000270	24,457
93.865	Nat Inst Child Health & HumanDevelopment	Virginia Polytechnic Inst	22000023	9,265
93.865	Nat Inst of Allergy & Infectious Diseases	Virginia Polytechnic Inst	22000023	152,242
93.865	National Institutes of Health	Univ of Colorado	22000039	390,606
93.865	National Institutes of Health	Univ of Texas at San Antonio	22000348	18,503
93.865	US Department of Health & Human Services	Univ of Michigan	22000005	3,307
93.866	National Institute on Aging	Case Western Reserve Univ	22000238	14,239
93.866	National Institute on Aging	Mount Sinai Sch of Medicine	22010031	6,409
93.866	National Institute on Aging	Univ of California - San Diego	22000288	172,382
93.866	National Institute on Aging	Univ of Pittsburgh	22000036	15,024
93.866	National Institute on Aging	Vanderbilt Univ	22000296	40,991
93.866	National Institute on Aging	Nat Bur Econ Res	20020748	36,828
93.867	National Cancer Institute	Univ of Washington	22000212	49,369
93.867	National Eye Institute	Jaeb Ctr for Health Res	20021387	50,215
93.867	National Eye Institute	Massachusetts General Hospital	20021587	26,836
93.867	National Eye Institute	Precision Vision	10013290	37,549
93.867	National Eye Institute	Univ of California - Irvine	22010062	121,639
93.867	National Eye Institute	Univ of Houston	22000092	43,224
93.867	National Eye Institute	Univ of Pennsylvania	22000195	97
93.867	National Institutes of Health	St. Luke's-Roosevelt Hospital Center	20021423	18,509
93.937	National Cancer Institute	SARC	20022185	222,303

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Research and Development Cluster —				
Pass-through from other sources:				
Total Department of Health and Human Services Pass-Through Awards				22,114,417
Corporation for National and Community Service				
94.005	Corp for Nat & Community Service	National Education Association	20022030	45,130
Total Corporation for National and Community Service Pass-Through Awards				45,130
Director of National Intelligence				
95.30350201	Intelligence Advanced Res Projects Agcy	Intl Computer Science Institute	20022122	179,571
Total Director of National Intelligence Pass-Through Awards				179,571
Social Security Administration				
96.007	Social Security Admin	Policy Research Inc.	20022123	5,313
96.007	Social Security Admin	Univ of Michigan	22000005	(14,107)
Total Social Security Administration Pass-Through Awards				(8,794)
Department of Homeland Security				
97.044	US Department of Homeland Security	Univ of Illinois	22000009	8,105
Total Department of Homeland Security Pass-through Awards				8,105
Agency for International Development				
98.001	Agency for International Development	Univ of California - Davis	22000013	99,259
98.001	Agency for International Development	Univ of Nebraska	22000085	(1,008)
98.001	Agency for International Development	Virginia Polytechnic Inst	22000023	384,795
98.001	Agency for International Development	Intl Rice Research Inst	20021413	69,996
98.011	Agency for International Development	Purdue Univ	22000002	706
98.012	Agency for International Development	Higher Education for Development	20021686	168,970
Total Agency for International Development Pass-Through Awards				722,718
Subtotal pass-through from other sources				<u>\$ 67,972,779</u>
Total Research and Development Cluster				<u>\$ 357,527,820</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Federal Expenditures
Student Financial Aid Cluster —		
Funds received directly from the following federal agencies:		
Department of Education		
84.007	Supplemental Educational Opportunity Grant	\$ 1,067,023
84.033	Federal Workstudy Program	2,829,533
84.037	Federal Perkins Loan Cancellations	202,526
84.038	Federal Perkins Loans	4,805,577
84.063	Federal Pell Grant Program	53,561,234
84.268	Federal Direct Lending	355,639,661
84.379	Teacher Ed Assistance for College and Higher Ed Grants	20,962
Total Department of Education Direct Awards		418,126,516
Department of Health and Human Services		
93.264	Nursing Faculty Loan	118,254
93.342	Health Professions Student Loans	2,479,118
93.364	Nursing Student Loan	246,895
Total Department of Health and Human Services Direct Awards		2,844,267
Subtotal Student Financial Aid Cluster		<u>\$ 420,970,783</u>
Economic Development Cluster —		
Funds received directly from the following federal agencies:		
Department of Commerce		
11.307	Econ Dev Admin	76,209
Total Department of Commerce Direct Awards		76,209
Subtotal Economic Development Cluster		<u>\$ 76,209</u>

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Federal Expenditures
Trio Cluster –		
Funds received directly from the following federal agencies:		
Department of Education		
84.042	US Department of Education	283,499
84.047	US Department of Education	515,510
Total Department of Education Direct Awards		<u>799,009</u>
Subtotal Trio Cluster		<u>\$ 799,009</u>
Teacher Quality Partnership Grants Cluster –		
Funds received directly from the following federal agencies:		
Department of Education		
84.336	US Department of Education	1,877,126
Total Department of Education Direct Awards		<u>1,877,126</u>
Subtotal Teacher Quality Partnership Grants Cluster		<u>\$ 1,877,126</u>

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Fish and Wildlife Cluster —				
Pass throughs from other sources:				
Department of the Interior				
15.605	US Fish and Wildlife Service	OH Division of Wildlife	26110100	1,484,502
15.611	US Fish and Wildlife Service	OH Division of Wildlife	26110100	35,949
Total Department of the Interior Pass-Through Awards				1,520,451
Subtotal Fish and Wildlife Cluster				\$ 1,520,451
Highway Planning and Construction Cluster —				
Pass throughs from other sources:				
Department of Transportation				
20.205	US Department of Transportation	OH Dept of Transportation	26010000	82,000
20.205	Federal Highway Administration	Univ of Cincinnati	22000074	26,838
20.205	Federal Highway Administration	OH Dept of Transportation	26010000	864,940
Total Department of Transportation Pass-Through Awards				973,778
Subtotal Highway Planning and construction Cluster				\$ 973,778
Highway Safety Cluster —				
Pass throughs from other sources:				
Department of Transportation				
20.600	Nat Highway Traffic Safety Admin	OH Dept of Public Safety	26400000	19,934
Total Department of Transportation Pass-Through Awards				19,934
Subtotal Highway Planning and construction Cluster				\$ 19,934

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Special Education (IDEA) Cluster –				
Pass throughs from other sources:				
Department of Education				
84.027	US Department of Education	OH Dept of Educ	26080000	46,251
84.027	US Department of Education	Univ of Dayton	22000008	163,593
84.027	US Department of Education	Utah State Office of Education	24000579	3,101
84.173	US Department of Education	OH Dept of Administrative Services	26180000	31,838
Total Department of Education Pass-Through Awards				244,783
Subtotal Special Education (IDEA) Cluster				\$ 244,783
School Improvement Grants Cluster –				
Pass throughs from other sources:				
Department of Education				
84.388	ARRA US Department of Education	OH Dept of Educ	26080000	193,885
84.388	ARRA US Department of Education	Tomorrow Center, The	20022018	51,689
Total Department of Education Pass-Through Awards				245,574
Subtotal School Improvement Grants Cluster				\$ 245,574
Medicaid Cluster –				
Pass throughs from other sources:				
Department of Health and Human Services				
93.778	Ctrs for Medicare & Medicaid Services	OH Board of Regents	26060000	(95,699)
93.778	Ctrs for Medicare & Medicaid Services	OH Dept of Educ	26080000	32,460
93.778	Ctrs for Medicare & Medicaid Services	OH Dept of Job & Family Services	26630000	10,276
93.778	Ctrs for Medicare & Medicaid Services	OH Dept of Medicaid	26680000	12,726,267
93.778	Ctrs for Medicare & Medicaid Services	Franklin County Dept of Health		330,371
Total Department of Health and Human Services Pass-Through Awards				13,003,675
Subtotal Medicaid Cluster				\$ 13,003,675

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Supplemental Nutrition Assistance Program Cluster – Pass throughs from other sources:				
Department of Agriculture				
10.561	USDA Food and Nutrition Service	OH Dept of Job & Family Services	26630000	2,634,310
Total Department of Agriculture Pass-Through Awards				2,634,310
Subtotal Supplemental Nutrition Assistance Program Cluster				\$ 2,634,310
CDBG Entitlements Grants Cluster – Pass throughs from other sources:				
Department of Housing and Urban Development				
14.218	Dept of Housing & Urban Dev	Cleveland Dept of Community Development	24000528	64,582
Total Department of Housing and Urban Development Pass-Through Awards				64,582
Subtotal CDBG Entitlements Grants Cluster				\$ 64,582
TANF Cluster – Pass throughs from other sources:				
Department of Health and Human Services				
93.558	Administration for Children and Families	Butler County Board of Commissioners	24000522	234,470
93.558	Administration for Children and Families	OH Gov Ofc Faith-Based & Comm Initiative	26000003	158,047
93.558	US Department of Health & Human Services	Central Ohio Workforce Investment Corp	20021603	(1,070)
93.558	Administration for Children and Families	OH Dept of Job & Family Services	26630000	1,158
93.558	Administration for Children and Families	After-School All-Stars Ohio	20022119	10,705
93.558	US Department of Health & Human Services	After-School All-Stars Ohio	20022119	23,522
Total Department of Health and Human Services Pass-Through Awards				426,832
Subtotal TANF Grants Cluster				\$ 426,832

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Federal Expenditures
Funds received directly from the following federal agencies		
Other Programs:		
Department of Agriculture		
10.025	Animal & Plant Health Inspection Service	84,923
10.055	Conservation Reserve Program	49,199
10.311	National Institute of Food & Agriculture	77,877
10.500	National Institute of Food & Agriculture	379,187
10.500	Cooperative Extension Service	13,062,461
Total Department of Agriculture Direct Awards		13,653,647
Department of Commerce		
11.302	Econ Dev Admin	71,321
11.550	Public Telecomm Facilities Planning and Construction	17,959
11.553	Public Telecomm Facilities Planning and Construction	30,279
Total Department of Commerce Direct Awards		119,559
Department of Defense		
12.50022801	Army Morale Welfare and Recreation	63,858
Total Department of Defense Direct Awards		63,858
Department of Housing and Urban Development		
14.246	Community Development Block Grants	\$ (42,659)
Total Department of Housing and Urban Development Direct Awards		(42,659)
Department of State		
19.009	Bureau of Educ & Cultural Affairs	20,843
19.040	US Department of State	52,181
19.700	US Department of State	12,478
Total Department of State Direct Awards		85,502

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Federal Expenditures
Funds received directly from the following federal agencies		
Other Programs:		
Department of Appalachian Regional Commission		
23.300701	Appalachian Regional Commission	(6,670)
Total Department of Appalachian Regional Commission Direct Awards		(6,670)
Department of National Endowment for the Humanities		
45.160	Faculty Research Abroad	146,795
45.164	National Endowment For The Humanities	33,906
Total Department of National Endowment for the Humanities Direct Awards		180,701
Department of Veterans Affairs		
64.011	Veterans Ooutpatient Care	16
64.125	Voc and Educ Counseling for Veterans	3,333
Total Department of Veterans Affairs Direct Awards		3,349
Department of Environmental Protection Agency		
66.469	Environmental Protection Agency	86,373
Total Department of Environmental Protection Agency Direct Awards		86,373
Department of Education		
84.015	US Department of Education	583,540
84.022A	Student Research Abroad	100,987
84.133	Ofc of Special Ed & Rehabilitative Svcs	45,815
84.215	Fund for the Improvement of Education	10,271
84.215x	Fund for the Improvement of Education	15,575
84.325	US Department of Education	127,799
84.327	US Department of Education	367,419
84.350	US Department of Education	305,672
Total Department of Education Direct Awards		1,557,078

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Federal Expenditures
Funds received directly from the following federal agencies		
Other Programs:		
Department of Health and Human Services		
93.243	Substance Abuse & Mental Health Servs Admin	3,139
93.249	Health Resources & Services Admin	265,506
93.283	CDCP Investigations and Technical Assistance	500
93.502	Health Resources & Services Admin	23,443,906
93.667	Social Services Block Grant	309,110
93.702	ARRA Nat Center for Research Resources	1,306,280
Total Department of Health and Human Services Direct Awards		25,328,441
Department of Homeland Security		
97.036	Disaster Grants - Public Assistance (Pres Declared Disasters)	5,770
Total Department of Homeland Security Direct Awards		5,770
Subtotal funds received directly from federal agencies		<u>\$ 41,034,949</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Pass-through from other sources:				
Other Programs:				
Department of Agriculture				
10.025	Animal & Plant Health Inspection Service	Ohio Department Of Agriculture	26390000 \$	6,682
10.215	National Institute of Food & Agriculture	Univ of Minnesota	22000067	17,272
10.303	National Institute of Food & Agriculture	Univ of Illinois	22000009	28,165
10.310	National Institute of Food & Agriculture	Univ of Wisconsin	22000006	3,167
10.319	National Institute of Food & Agriculture	North Dakota State Univ	22000263	4,846
10.319	National Institute of Food & Agriculture	Univ of Missouri	22000073	29,489
10.500	National Institute of Food & Agriculture	Iowa State Univ	22000047	3,853
10.500	National Institute of Food & Agriculture	Kansas State Univ	22000062	47,338
10.500	National Institute of Food & Agriculture	Pennsylvania State Univ	22000030	26,055
10.500	National Institute of Food & Agriculture	Purdue Univ	22000002	255,646
10.500	National Institute of Food & Agriculture	Univ of Minnesota	22000067	46,024
10.500	National Institute of Food & Agriculture	Univ of Nebraska	22000085	25,803
10.500	National Institute of Food & Agriculture	Ohio Ecological Food and Farm Assn	20021795	3,609
10.558	US Department of Agriculture	OH Dept of Educ	26080000	43,187
10.558	Child and Adult Care Food Program	OH Dept of Educ		101,011
10.575	USDA Food and Nutrition Service	Cleveland Metropolitan School District	24000189	20,792
10.664	USDA Forest Service	OH Dept of Natural Resources	26110000	40,002
10.680	USDA Forest Service	OH Dept of Natural Resources	26110000	2,410
10.680	USDA Forest Service	Purdue Univ	22000002	15,062
Total Department of Agriculture Pass-Through Awards				720,413
Department of Commerce				
11.557	ARRA Nat Telecommunications and Info Admin	Com Net, Inc.	10020267	460,270
11.557	ARRA US Department of Commerce	Connected Nation	20021994	564
11.557	ARRA US Department of Commerce	OneCommunity	20021975	20,372
Total Department of Commerce Pass-Through Awards				481,206

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Pass-through from other sources:				
Other Programs:				
Department of Housing and Urban Development				
14.700	Dept of Housing & Urban Dev	Cleveland Dept of Community Development	24000528	60,950
14.704	Dept of Housing & Urban Dev	Mid-OH Regional Planning Commission	26270000	26,454
Total Department of Housing and Urban Development Pass-Through Awards				87,404
Department of Justice				
16.575	Office of Justice Programs	Ohio Office of Attorney General	26310000	11,904
16.575	US Department of Justice	Ohio Office of Attorney General	26310000	66,737
16.726	Office of Justice Programs	National 4-H Council	20021037	101,833
Total Department of Justice Pass-Through Awards				180,474
Department of Labor				
17.268	US Department of Labor	OH Board of Regents	26060000	33,398
Total Department of Labor Pass-through Awards				33,398
National Endowment for the Humanities				
45.024	Grants to Organizations and Individuals	Wexner Center Foundation		40,000
45.025	National Endowment For The Arts	Arts Midwest	20020844	4,000
45.310	Institute Of Museum And Library Services	State Library Board	26040000	1,600,021
45.312	Institute Of Museum And Library Services	Wexner Center Foundation		2,000
Total National Endowment for the Humanities Pass-Through Awards				1,646,021
Small Business Administration				
59.061	Small Business Administration	OH Development Services Agency	26140000	48,799
Total Small Business Administration Pass-Through Awards				48,799

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Pass-through from other sources:				
Other Programs:				
Environmental Protection Agency				
66.469	Environmental Protection Agency	Conservation Technology Information Ctr	20021979	18,617
Total Environmental Protection Agency Pass-Through Awards				18,617
Department of Energy				
81.550	US Department of Energy	Battelle Energy Alliance, LLC	20021641	29,644
81.550	US Department of Energy	Pacific Northwest National Laboratory	20021070	140,484
Total Department of Energy Pass-Through Awards				170,128
Department of Education				
84.048	US Department of Education	OH Dept of Educ	26080000	(1,752)
84.367	US Department of Education	OH Board of Regents	26060000	86,678
Total Department of Education Pass-Through Awards				84,926
Department of Health and Human Services				
93.507	Centers for Disease Control & Prevention	Licking County Health Department	24000581	2,114
93.507	Centers for Disease Control & Prevention	Perry County Health Department	24000574	3,529
93.507	Centers for Disease Control & Prevention	Holmes County Health District	24000569	4,306
93.507	Centers for Disease Control & Prevention	Stark County Health Department	24000590	2,345
93.524	Centers for Disease Control & Prevention	Lucas County Health Department	24000554	10,912
93.564	Administration for Children and Families	OH Dept of Job & Family Services	26630000	9,164
93.600	Administration for Children and Families	Child Dev Cncl of Franklin County, Inc.	20021104	31,917
93.600	Administration for Children and Families	Vanderbilt Univ	22000296	10,772
93.600	US Department of Health & Human Services	Child Dev Cncl of Franklin County, Inc.	20021104	25,233
93.658	Foster Care Title IV-E	OH Dept of Job & Family Services		147,650
93.660	Centers for Disease Control & Prevention	Knox County Health Department	24000592	3,853
93.940	Centers for Disease Control & Prevention	Cols Public Health	24000032	(94)
93.988	Centers for Disease Control & Prevention	Friends of Congressional Glaucoma Caucus	20021914	6,670
93.991	Centers for Disease Control & Prevention	Cuyahoga County Board of Health	24000524	22,562

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

THE OHIO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Agency Sponsor	Pass-Through Sponsor	Pass-Through I.D. Number	Federal Expenditures
Pass-through from other sources:				
Other Programs:				
93.994	US Department of Health & Human Services	OH Dept of Health	26090000	39,405
				<u>320,338</u>
Total Department of Health and Human Services Pass-Through Awards				
Agency for International Development				
98.001	Agency for International Development	Indiana Univ	22000012	127,322
98.001	Agency for International Development	Michigan State Univ	22000044	171,964
				<u>299,286</u>
Total Agency for International Development Pass-Through Awards				
Subtotal pass-through from other sources				<u>4,091,010</u>
Total Federal Expenditures				<u><u>\$ 845,510,825</u></u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

The Ohio State University

Notes to Schedule of Expenditures of Federal Awards

June 30, 2014 and 2013

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the following entities, which constitute the primary institution for financial reporting purposes:

- The Ohio State University and its hospitals and clinics
- Ohio Agricultural Research and Development Center
- The Ohio Technology Consortium (OH-TECH)

In addition, the following university blended component units are included in the university's financial statements and schedule of expenditures of federal awards:

- The Ohio State University Foundation
- OSU Health Plan, Inc.
- Oval Limited

In addition to the blended component units above, the university's financial statements and schedule of expenditures of federal awards include the following discretely presented component units:

- The Ohio State University Physicians, Inc.
- Campus Partners for Community Urban Redevelopment, Inc.
- Transportation Research Center of Ohio, Inc.
- Dental Faculty Practice Association, Inc.

The schedule has been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America for state-assisted colleges and universities. Negative amounts represent current year adjustments of amounts reported in prior years, CFDA and pass-through entity numbers are included when available. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Reimbursement of Facilities and Administrative Costs

U.S. Office of Management and Budget (OMB) Circular A-21 ("A-21"), *Cost Principles for Educational Institutions*, requires submission of a Certificate of Facilities and Administrative Costs (the "Certificate") to an institution's cognizant agency. The certificate is prepared by the university and is used in negotiations with its cognizant agency, the Department of Health and Human Services ("DHHS"), in determining a rate at which the university and its Office of Sponsored Programs will be reimbursed for the facilities and administrative costs associated with the completion of sponsored research.

The Office of Sponsored Programs receives reimbursement of facilities and administrative costs as part of the granting agreement at either the rate negotiated with DHHS or at special

The Ohio State University
Notes to Schedule of Expenditures of Federal Awards
June 30, 2014 and 2013

rates negotiated with the granting agency. Facilities and administrative costs recovered by the Office of Sponsored Programs are remitted to the university.

On September 21, 2012, DHHS approved facilities and administrative cost recovery rates effective from July 1, 2012 through June 30, 2016. The facilities and administrative cost rate structure, including the rates submitted within the certificate, are as follows:

Rate Type	Negotiated Rates		
	FY14	FY15	FY16
Organized Research			
On campus	53.5%	54.0%	54.0%
Off campus	26.0%	26.0%	26.0%
Instruction			
On campus	52.0%	52.0%	52.0%
Off campus	26.0%	26.0%	26.0%
Other Sponsored Activities			
On campus	38.0%	38.0%	38.0%
Off campus	26.0%	26.0%	26.0%

3. Subrecipient Awards

Certain funds are passed through to subrecipient organizations by the university. Expenditures incurred by the subrecipients and reimbursed by the university are presented in the schedule of expenditures of federal awards.

During the fiscal year ended June 30, 2014, the university passed funds to sub-grantees for the following programs:

The Ohio State University
Notes to Schedule of Expenditures of Federal Awards
June 30, 2014 and 2013

CFDA Number	Program	Total
10.311	Beginning Farmer and Rancher Development	\$ 24,735
10.500	Cooperative Extension Service	229,919
15.605	Sport Fish Restoration Program	48,564
20.205	Highway Planning and Construction	254,836
45.164	Promotion of the Humanities Public Programs	25,549
84.388	School Improvement Grants	24,499
84.350	Teacher Quality Partnership Grants	92,186
93.249	Public Health Training Centers Program	11,429
93.778	Medical Assistance Program	8,606,078
Various	Research and Development	43,372,634
Total		<u><u>\$ 52,690,429</u></u>

It is not practical to determine the Research and Development funds passed to sub-grantees categorized by CFDA number.

4. Federal Direct Loan Program

Under the William D. Ford Federal Direct Loan Program, students and parents borrow funds directly from the federal government; the university is responsible for verifying student eligibility, electronically transmitting the loan records to the federal processor and distributing the loan funds directly to the student account or parent borrower. During the fiscal year ended June 30, 2014, the university's students and parents received the following amount of new loans under this program:

	CFDA Number	Amount Issued
Direct Student Loans	84.268	
Undergraduate subsidized		\$ 79,698,286
Undergraduate unsubsidized		202,134,038
Direct Parent Loans for Undergraduate Students	84.268	44,936,346
Direct Parent Loans for Graduate Students	84.268	28,870,991
		<u><u>\$ 355,639,661</u></u>

The university is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Programs and, accordingly, these loans are not included in the university's basic financial statements. It is not practical to determine the balance of loans outstanding under these programs at June 30, 2014.

The Ohio State University
Notes to Schedule of Expenditures of Federal Awards
June 30, 2014 and 2013

5. University-Administered Federal Loan Programs

The university had the following loan balances outstanding at June 30, 2014. These balances are not included in the schedule of federal expenditures.

	CFDA Number	Outstanding balance at June 30, 2014
Department of Education		
Federal Perkins Program	84.038	\$ 35,558,222
		<u>35,558,222</u>
Department of Health and Human Services		
Health Professions Student Loan Program	93.342	
Dentistry		8,994,770
Optometry		2,040,420
Medicine		39,488
Pharmacy		1,134,774
Veterinary		5,147,148
Primary Care Loan Program	93.342	
Medicine		1,720,430
Loans to Disadvantaged Student Program	93.342	
Dentistry		157,068
Optometry		28,000
Medicine		164,330
Veterinary		12,551
		<u>19,438,979</u>
Nursing Student Loan Program	93.364	<u>1,629,452</u>
ARRA - Nursing Faculty Loan Program	93.408	<u>21,260</u>
Nursing Faculty Loan Program	93.264	<u>528,361</u>
		<u>\$ 57,176,274</u>

The loan programs noted above are administered directly by the university, and balances and transactions relating to these programs are included in the University's basic financial statements. Loan cancellations, under CFDA Number 84.037, for the fiscal year ended June 30, 2014 were \$202,526. The schedule of expenditures of federal awards includes loan expenditures and disbursements to students and administrative costs of the loan program for the fiscal year ended June 30, 2014. In addition note that the university received administrative cost allowances and collection costs related to the Perkins Loan of \$331,741 and \$821,714, respectively, for the fiscal year ended June 30, 2014.

The Ohio State University
Notes to Schedule of Expenditures of Federal Awards
June 30, 2014 and 2013

The university issued the following amounts of new loans during the fiscal year ended June 30, 2014:

	CFDA Number	FY14 Loan Advances
Department of Education		
Federal Perkins Program	84.038	\$ 4,805,577
		<u>4,805,577</u>
Department of Health and Human Services		
Health Professions Student Loan Program	93.342	
Dentistry		1,124,811
Optometry		320,500
Pharmacy		138,000
Veterinary		808,884
Loans to Disadvantaged Student Program	93.342	
Dentistry		58,923
Medicine		-
Optometry		22,000
Veterinary		6,000
		<u>2,479,118</u>
Nursing Student Loan Program	93.364	<u>246,895</u>
Nursing Faculty Loan Program	93.264	<u>118,254</u>
Total Federal Loans Issued July 1, 2013 through June 30, 2014		<u>\$ 7,649,844</u>



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
The Ohio State University
Columbus, OH

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the primary institution and of the aggregate discretely presented component units of The Ohio State University (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2014, which consist of the statement of net position, the related statements of revenues, expenses and other changes in net position and of cash flows and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-1, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct

and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The University's Response to Finding

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

October 30, 2014



**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance with OMB Circular A-133**

To the Board of Trustees of
The Ohio State University
Columbus, OH:

Report on Compliance for Each Major Federal Program

We have audited The Ohio State University's (the "University") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of University's major federal programs for the year ended June 30, 2014. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.



Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

December 31, 2014

The Ohio State University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
Various	Research and Development Cluster
Various	Student Financial Aid Cluster
10.500	Cooperative Extension Service
93.502	Affordable Care Act (ACA) Infrastructure to Expand Access to Care
45.310	Grants to States - Institute of Museum and Library Services

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? Yes No

The Ohio State University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section II – Financial Statement Findings

Finding Number	2014-1 – Review of Patient Accounts Receivable Reserve Model
-----------------------	--

Criteria - In accordance with generally accepted accounting principles, contractual adjustments, discounts and an allowance for uncollectibles should be recorded to initially measure the receivables for health care services at net realizable value. Estimates of contractual adjustments, other adjustments, and the allowance for uncollectibles should be reported in the period during which the services are provided, even though the actual amounts may become known at a later date. Although the aggregate amount of receivables may include balances due from patients and third-party payors, including final settlements and appeals, the amounts due from third-party payors for retroactive adjustments of items such as final settlements or appeals should be reported separately in the financial statements.

Condition – The valuation of patient accounts receivable was materially misstated and a post-close adjustment was required to present the financial statements appropriately.

Context - Based on our audit procedures performed on the valuation of patient accounts receivable (“AR”), it was determined that certain search formulas, query logic and adjudication assumptions within the model were being applied to the June 30, 2014 AR data incorrectly, which resulted in post-close adjustments to the financial statements.

Effect – A post close adjustment was required to present the financial statements appropriately.

Cause – A detailed review of the inputs to the AR model was not successfully performed to ensure the accuracy of the contractual allowance and bad debt provision balances per the general ledger at year end.

Recommendation - We recommend management perform an appropriate level of review over the data inputs into the model. Furthermore, we recommend that management apply their reserve assumptions to the adjudicated AR (net) separate from the non-adjudicated AR (gross) within their model, especially as the volume of up front claim adjudication increases in future years.

Views of responsible officials and planned corrective actions – Refer to the University’s views and corrective action plan.

The Ohio State University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section III – Federal Award Findings and Questioned Costs

There are no federal award findings or questioned costs to be reported.

The Ohio State University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section IV – Summary Schedule of Prior Audit Findings

Number	Finding and Description	Status
2013-1	Davis-Bacon – Research and Development Cluster and CFDA 93.702 – From a sample of 5 construction projects (2 R&D, 3 CFDA 93.702), it was noted that the underlying University contracts did not include a reference that the contractor comply with the requirements of the Davis-Bacon Act and the Department of Labor Regulations.	No findings noted in current year.
2013-2	Allowable Costs - CFDA 93.249 – From a sample of 3 payroll transactions, it was noted that one selection related to reimbursement of student tuition and fees which were unallowable activities per the grant agreement.	No findings noted in current year.



Office of the Controller

2030 Blankenship Hall
901 Woody Hayes Drive
Columbus, OH 43210
Phone (614) 292-6220
Fax (614) 688-3572

December 19, 2014

RE: Corrective Action Plan

1. Name of the contact person responsible for corrective actions planned:

R. Michael Gray
University Controller
The Ohio State University
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, OH 43210-4016
Phone: 614-292-0741
Email: gray.1020@osu.edu

2. Corrective actions planned:

Finding Number 2014-1 – Review of Patient Accounts Receivable Reserve Model

Views of responsible officials and planned corrective actions - We agree with the recommendation. In September, we implemented separate models for adjudicated versus non-adjudicated claim processing and have refined data sources necessary to support the new approach.

Subsequent cash collections are the ultimate standard by which receivables valuation is measured and the University has a consistent record of valuing receivables accurately. We monitor cash collections daily, weekly and monthly for any indication of a change in receivable value. The changes implemented in September will provide additional strength to our existing receivables valuation process and will be important in the era of insurance exchanges and high deductible health plans.

The Ohio State University
Wexner Center for the Arts
Financial Statements
June 30, 2014 and 2013

The Ohio State University
Wexner Center for the Arts
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Review Report of Independent Accountants

To Management of
The Wexner Center for the Arts:

We have reviewed the accompanying statements of net position of the Wexner Center for the Arts, which is a component of The Ohio State University, as of June 30, 2014 and June 30 2013, and the related statements of revenue, expenses, and changes in net position and cash flows, for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 2 through 6 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. Such information was not audited, reviewed or compiled by us and accordingly, we do not express an opinion or provide any assurance on it.

The Supplemental Information on the Elimination of Building Contributed Capital Investment on pages 23 through 26 and the Supplemental Information related to the Ohio Arts Council Form M on pages 28 and 29 (collectively, the "Supplemental Information") accompanying the basic financial statements is presented for purposes of additional analysis and has been subject to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modification that should be made to such information.

PricewaterhouseCoopers LLP

October 3, 2014, except for the Supplemental Information related to the Ohio Arts Council Form M and related changes to Note 1, as to which the date is March 25, 2015

The Ohio State University

Wexner Center for the Arts

Management's Discussion and Analysis

Fiscal Years Ending June 30, 2014 and 2013

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of the Wexner Center for the Arts for the years ended June 30, 2014 and 2013. We encourage you to read this MD&A section in conjunction with the financial statements and footnotes appearing in this report.

About the Wexner Center

The Wexner Center for the Arts ("WCA" or the "Center"), which opened in November 1989, is a multi-disciplinary arts center located on the Columbus campus of The Ohio State University (the "university"). Conceived as a research laboratory for all the arts, it has emphasized commissions for new work and artist residencies since its inception. Its multidisciplinary programs encompass performing arts, exhibitions and media arts (film/video) and have focused on cutting-edge culture from around the globe. The WCA building is named in honor of Harry L. Wexner, the father of Leslie H. Wexner, chairman and founder of Limited Brands and a major donor to the Center.

The WCA receives significant financial support from the Wexner Center Foundation. The Foundation is a private, nonprofit organization established for the overall purpose of advancing the interests of the WCA. Its primary role is to provide trustee guidance and sustained support for WCA programming.

About the Financial Statements

The WCA presents its financial statements in a "business type activity" format, in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. In addition to this MD&A section, the financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Other Changes in Net Position, a Statement of Cash Flows and Notes to the Financial Statements.

Financial Highlights

The WCA's financial position improved in Fiscal Year 2014. Total net position increased \$565,112, primarily due to net appreciation on the \$15 million gift from Leslie H. and Abigail S. Wexner and the Wexner Family Charitable Fund, which was received in 2013. Expendable net position, which includes unrestricted and restricted-expendable net position, increased \$2,322,263.

Gift revenues totaled \$3,814,718 and \$19,503,059 for fiscal years 2014 and 2013, respectively. These gift figures include \$2,830,016 and \$2,699,650, respectively, in direct support from the Wexner Center Foundation. Gift revenue for the year ended June 30, 2013 includes a \$15 million gift from Leslie H. and Abigail S. Wexner and the Wexner Family Charitable Fund.

The following sections provide additional details on the WCA's 2014 financial results and a look ahead at significant economic conditions that are expected to affect the Center in the future.

**The Ohio State University
Wexner Center for the Arts
Management's Discussion and Analysis
Fiscal Years Ending June 30, 2014 and 2013**

Statements of Net Position

Statements of Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash	\$ 1,074,729	\$ 84,388	\$ -
Accounts receivable	32,930	216,175	400,348
Contributions receivable	1,332,056	2,036,926	1,612,185
Inventories and prepaid expenses	<u>593,729</u>	<u>744,462</u>	<u>1,022,210</u>
Total current assets	3,033,444	3,081,951	3,034,743
Endowments in OSU long-term investment pool	21,604,684	19,120,832	3,294,866
Property, plant & equipment, net	<u>33,802,995</u>	<u>36,169,566</u>	<u>38,343,904</u>
Total non-current assets	<u>55,407,679</u>	<u>55,290,398</u>	<u>41,638,770</u>
TOTAL ASSETS	\$ <u>58,441,123</u>	\$ <u>58,372,349</u>	\$ <u>44,673,513</u>
LIABILITIES			
Accounts payable	\$ 166,945	\$ 17,808	\$ 191,010
Due to university	-	-	157,058
Accrued salary and wages	2,782	4,535	6,082
Advance payments for goods and services - current	123,522	810,188	257,060
Accrued vacation and sick leave - current	<u>30,184</u>	<u>33,405</u>	<u>37,921</u>
Total current liabilities	323,433	865,936	649,131
Accrued vacation and sick leave - long term	431,681	385,516	396,947
Advance payments for goods and services - long term	<u>-</u>	<u>-</u>	<u>528,756</u>
Total non-current liabilities	431,681	385,516	925,703
TOTAL LIABILITIES	\$ <u>755,114</u>	\$ <u>1,251,452</u>	\$ <u>1,574,834</u>
Invested in capital assets	\$ 33,802,995	\$ 36,169,566	\$ 38,343,904
Restricted:			
Nonexpendable	19,090,920	18,481,500	3,245,519
Expendable	4,520,333	1,962,536	1,724,034
Unrestricted	<u>271,761</u>	<u>507,295</u>	<u>(214,778)</u>
TOTAL NET POSITION	\$ <u>57,686,009</u>	\$ <u>57,120,897</u>	\$ <u>43,098,679</u>

Total current assets decreased \$48,507, to \$3,033,444 at June 30, 2014, primarily due to a decrease in contributions receivable from the university's Development Office. The Statement of Cash Flows, which is discussed in more detail below, provides additional details on sources and uses of WCA cash.

Endowment investments in the university's long-term investment pool increased \$2,483,852, to \$21,604,684 at June 30, 2014, primarily due to increases in the market value of the \$15 million gift to WCA from Leslie H. and Abigail S. Wexner and the Wexner Family Charitable Fund which was received in 2013. The long-term investment pool is invested in a diversified portfolio of equities, fixed income, real estate, hedge funds, private equity, venture capital and natural resources that is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support the WCA's mission.

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The WCA's property, plant and equipment, net of accumulated depreciation, decreased \$2,366,571, to \$33,802,995, primarily due to building depreciation. University facilities assigned to the WCA include the WCA building and the adjacent Mershon Auditorium.

Current liabilities of the WCA decreased \$542,503, to \$323,433 at June 30, 2014, primarily due to expenses incurred in the current fiscal year in connection with a funding grant that had been recognized as an advance payment for goods and services in a prior year.

Statements of Revenues, Expenses and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:			
Sales and services	\$ 1,041,772	\$ 2,183,128	\$ 1,521,650
Grants and contracts	<u>943,565</u>	<u>328,159</u>	<u>570,039</u>
Total operating revenues	1,985,337	2,511,287	2,091,689
OPERATING EXPENSES:			
Salaries	4,662,130	4,426,151	4,391,394
Employee Benefits	1,754,559	1,575,191	1,597,357
Fees paid to performers and artists	201,560	311,723	399,626
Supplies and services	3,458,313	5,096,015	3,747,061
University overhead charges	32,810	48,575	42,919
Depreciation	<u>2,405,320</u>	<u>2,386,122</u>	<u>2,342,147</u>
Total operating expenses	12,514,692	13,843,777	12,520,504
OPERATING LOSS	<u>(10,529,355)</u>	<u>(11,332,490)</u>	<u>(10,428,815)</u>
NON-OPERATING REVENUES AND EXPENSES:			
University appropriations	4,190,469	4,419,213	4,189,209
Gifts	3,814,718	19,503,059	4,300,684
Endowment income distributions	854,645	456,959	161,583
Investment income	2,195,886	763,694	(196,170)
Transfers from University for capital projects	<u>38,749</u>	<u>211,783</u>	<u>166,865</u>
INCREASE (DECREASE) IN NET POSITION	565,112	14,022,218	(1,806,644)
NET POSITION -- Beginning of Year	<u>57,120,897</u>	<u>43,098,679</u>	<u>44,905,323</u>
NET POSITION -- End of Year	<u>\$ 57,686,009</u>	<u>\$ 57,120,897</u>	<u>\$ 43,098,679</u>

Total net position (equity) of the WCA increased \$565,112, to \$57,686,009 at June 30, 2014. It should be noted that the required subtotal for net operating income or loss will generally reflect a "loss", primarily due to the way operating and non-operating items are defined under GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating expenses include virtually all WCA expenses. Operating revenues, however, *exclude* certain significant revenue streams that the Center relies upon to fund current operations, including direct support from the University, current-use gifts and investment income.

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Statements of Cash Flows

Statements of Cash Flows

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash Provided by (Used in):			
Operating activities	\$ (8,286,395)	\$ (8,650,771)	\$ (8,394,264)
Noncapital financing activities	8,710,057	23,340,473	8,250,320
Capital and related financing activities	-	-	1,967
Investing activities	<u>566,679</u>	<u>(14,605,314)</u>	<u>141,977</u>
Net Increase in Cash	990,341	84,388	-
Cash - Beginning of Year	<u>84,388</u>	<u>-</u>	<u>-</u>
Cash - End of Year	<u>\$ 1,074,729</u>	<u>\$ 84,388</u>	<u>\$ -</u>

Total WCA cash increased \$990,341, to \$1,074,729 at June 30, 2014. Operating activities include cash flows associated with sales and services, grants and contracts, and operating expenses. Non-capital financing activities include direct operating support from the University and gifts. Capital and related financing activities include payments for purchase or construction of capital assets and transfers for capital projects from the University. Net cash provided by investing activities consists primarily of endowment income distributions, net of investment purchases.

Economic Factors That Will Affect the Future

Notwithstanding a steadily improving Ohio and national economy, a climate of uncertainty continues for all nonprofits, including higher education and cultural organizations. The Wexner Center for the Arts has been fortunate over the years to have not only established, but sustained a diversified financial base, which has contributed to a relative degree of fiscal health, even in the current economic climate.

Each year the Wexner Center strives to secure private contributions from local, national, and international corporations and foundations as well as from individuals residing in central Ohio and beyond. These private funds, along with other operating revenues and investment income streams, are supplemented by consistent public support from The Ohio State University and other public agencies. The Wexner Center remains financially stable having balanced its \$10+ million budget again this year. Going forward, the center will need an even stronger financial foundation to reduce the risk it will face from future economic fluctuations, the ebb and flow of annual gifts, and the potential diminishment of historically major funding sources.

In order to anticipate and counteract these fiscal challenges, the center has pursued new avenues of support, including the Columbus Foundation's Big Give initiative and the Greater Columbus Arts Council's power2give crowd-funding platform. At the same time, the center has become even more entrepreneurial with regard to securing niche sponsors and donors for both unique programmatic and institutional moments in the life of the center. For example, the center leveraged Sherri Geldin's 20th anniversary as director of the Wexner Center and raised \$600K for the Geldin Innovation Fund, increasing our endowments to over \$26M. Additionally, future pressures were alleviated further last spring when the Ohio Arts Council voted in favor of revised guidelines to acknowledge the center in the "over-\$1.5M" sustainability level, which results in approximately \$100K per year for the center, starting in FY2015-16.

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The center remains focused on its foremost priority to “preserve the core,” which simply means securing and sustaining the center’s current base of operations, principle audiences and funders, and present stature in the field. Simultaneously, the center is leveraging that base with strategic initiatives and selective investments designed to advance and enhance institutional capacity and standing.

In support of those priorities, the Wexner Center Foundation Board has formulated a \$60 million capital campaign focused on securing new and direct investment in capital infrastructure; enhanced investment in programs and community engagement; and a significant increase in sustaining endowments by 2016.

In addition to strengthening the capitalization of the center, the board and senior leadership will continue the financial practices and protocols that have built and maintained its solid financial position through the years, including careful budget planning, regular fiscal reviews throughout the year, strategic cost-containment measures, and continued efforts to seek new and alternative revenue streams.

The Ohio State University
Wexner Center for the Arts
Statement of Net Position
As of June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 1,074,729	\$ 84,388
Accounts receivable	32,930	216,175
Contributions receivable	1,332,056	2,036,926
Inventories and prepaid expenses	<u>593,729</u>	<u>744,462</u>
Total current assets	3,033,444	3,081,951
NON-CURRENT ASSETS:		
Endowments in OSU long-term investment pool	21,604,684	19,120,832
Property, plant & equipment, net	<u>33,802,995</u>	<u>36,169,566</u>
Total non-current assets	<u>55,407,679</u>	<u>55,290,398</u>
TOTAL ASSETS	\$ <u>58,441,123</u>	\$ <u>58,372,349</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 166,945	\$ 17,808
Accrued salary and wages	2,782	4,535
Advance payments for goods and services - current	123,522	810,188
Accrued vacation and sick leave - current	<u>30,184</u>	<u>33,405</u>
Total current liabilities	323,433	865,936
NON-CURRENT LIABILITIES:		
Accrued vacation and sick leave - long term	<u>431,681</u>	<u>385,516</u>
Total non-current liabilities	<u>431,681</u>	<u>385,516</u>
TOTAL LIABILITIES	<u>755,114</u>	<u>1,251,452</u>
NET POSITION:		
Invested in capital assets	33,802,995	36,169,566
Restricted:		
Nonexpendable	19,090,920	18,481,500
Expendable	4,520,333	1,962,536
Unrestricted	<u>271,761</u>	<u>507,295</u>
TOTAL NET POSITION	<u>57,686,009</u>	<u>57,120,897</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>58,441,123</u>	\$ <u>58,372,349</u>

The accompanying notes are an integral part of these financial statements
See Review Report of Independent Accountants

The Ohio State University
Wexner Center for the Arts
Statement of Revenues, Expenses and Changes in Net Position
Fiscal Years Ending June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Sales and services	\$ 1,041,772	\$ 2,183,128
Grants and contracts	943,565	328,159
	<u>1,985,337</u>	<u>2,511,287</u>
OPERATING EXPENSES:		
Salaries	4,662,130	4,426,151
Employee benefits	1,754,559	1,575,191
Fees paid to performers and artists	201,560	311,723
Supplies and services	3,458,313	5,096,015
University overhead charges	32,810	48,575
Depreciation	2,405,320	2,386,122
	<u>12,514,692</u>	<u>13,843,777</u>
NET OPERATING LOSS	(10,529,355)	(11,332,490)
NON-OPERATING REVENUES AND EXPENSES:		
University appropriations	4,190,469	4,419,213
Gifts	3,814,718	19,503,059
Endowment income distributions	854,645	456,959
Net investment income	2,195,886	763,694
Transfers from university for capital projects	38,749	211,783
	<u>565,112</u>	<u>14,022,218</u>
INCREASE IN NET POSITION	565,112	14,022,218
NET POSITION -- Beginning of Year	<u>57,120,897</u>	<u>43,098,679</u>
NET POSITION -- End of Year	\$ <u>57,686,009</u>	\$ <u>57,120,897</u>

The accompanying notes are an integral part of these financial statements
See Review Report of Independent Accountants

**The Ohio State University
Wexner Center for the Arts
Statement of Cash Flows
Fiscal Years Ending June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Grant and contract receipts	\$ 943,565	\$ (200,597)
Receipts for sales and services	538,351	2,920,429
Payments to or on behalf of employees	(4,663,883)	(4,427,698)
University employee benefit payments	(1,711,615)	(1,591,138)
Payments to artists and performers	(201,560)	(311,723)
Payments to vendors for supplies and services	(3,191,253)	(5,040,044)
Net cash used by operating activities	<u>(8,286,395)</u>	<u>(8,650,771)</u>
Cash Flows from Noncapital Financing Activities:		
University appropriations	4,190,469	4,419,213
Gifts	4,519,588	18,921,260
Net cash provided by noncapital financing activities	<u>8,710,057</u>	<u>23,340,473</u>
Cash Flows from Capital Financing Activities:		
Payments for purchase or construction of capital assets	(38,749)	(211,784)
Transfers from university for capital projects	38,749	211,784
Net cash provided (used) by capital financing activities	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:		
Investment purchases	(301,733)	(15,000,000)
Income and dividends received	868,412	394,686
Net cash provided (used) by investing activities	<u>566,679</u>	<u>(14,605,314)</u>
Net Increase in Cash	990,341	84,388
Cash - Beginning of Year	84,388	-
Cash - End of Year	<u>\$ 1,074,729</u>	<u>\$ 84,388</u>
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:		
Net operating loss	\$ (10,529,355)	\$ (11,332,490)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense	2,405,320	2,386,122
Changes in assets and liabilities:		
Accounts receivable, net	183,245	184,173
Inventories and prepaid expenses	150,733	277,748
Accounts payable and accrued expenses	149,137	(173,202)
Accrued salary and wages	(1,753)	(1,547)
Advance payments for goods and services	(686,666)	24,372
Compensated absences	42,944	(15,947)
Net cash used by operating activities	<u>\$ (8,286,395)</u>	<u>\$ (8,650,771)</u>

The accompanying notes are an integral part of these financial statements
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**The Ohio State University
Wexner Center for the Arts
Notes to the Financial Statements
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Entity

Wexner Center for the Arts (“WCA” or the “Center”) is a part of The Ohio State University (the “university”) financial reporting entity. The financial statements of the university contain more extensive disclosure of the significant accounting policies of the university as a whole.

Basis of Presentation

WCA complies with generally accepted accounting principles (“GAAP”). GAAP includes all relevant Governmental Accounting Standards Board (“GASB”) pronouncements. WCA reports as a special purpose government engaged solely in “business type activities” under GASB Statement No. 34.

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

Invested in capital assets, net of related debt

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted

Nonexpendable – Amounts subject to externally imposed stipulations that they be maintained permanently by WCA and invested for the purpose of generating present and future income, which may either be expended or added to the principal.

Expendable – Amounts whose use by WCA is subject to externally imposed stipulations that can be fulfilled by actions of WCA pursuant to those stipulations or that expire by the passage of time.

Unrestricted

Amounts whose use by WCA is not subject to externally imposed stipulations. Unrestricted amounts may be designated for specific purposes by action of management of the Board of Trustees.

It is WCA’s policy to apply restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

Basis of Accounting

The financial statements of WCA 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 of WCA is maintained by the university which commingles the funds with other university-related organizations.

**The Ohio State University
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Endowment Investments

All investments consist of amounts invested in The Ohio State University Long Term Investment Pool and are recorded at fair value. The university's Office of Financial Services 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 Financial Reporting for Certain Investments and for External Investment Pools*. The net change in the value of investments during the years ended June 30, 2014 and 2013 is an increase of \$2,483,852 and \$15,825,966, respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during each respective year. WCA received a \$15,000,000 gift during the year ended June 30, 2013 which accounts for substantially all of the increase in value of investments during that year.

The calculation of realized gain or loss is independent of the calculation of the net increase in fair value of investments. As of June 30, 2014, there is a cumulative unrealized gain on investments of \$2,359,828. As of June 30, 2013, there was a cumulative unrealized gain on investments of \$177,707.

Contributions Receivable

Contributions receivable of \$1,332,056 and \$2,036,926, as of June 30, 2014 and 2013, respectively, consist mostly of contributions received by the university's Advancement Office but not transferred to the operating accounts of WCA. Amounts are deemed fully collectible.

Inventory

Inventories consist primarily of textbooks, educational materials and merchandise sold by WCA bookstore and are stated at cost on the first-in-first-out ("FIFO") basis.

Capital Assets

Capital assets with a unit cost of over \$5,000 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. WCA does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are not encumbered or sold for financial gain. Consequently, such collections are not recorded as capital assets in the financial statements and are expensed in the years acquired. For the years ended June 30, 2014 and June 30, 2013 there were no works of art or historical treasures capitalized or expensed.

Revenue Recognition

All revenues from programmatic sources are considered to be operating revenues. Included in operating revenues are sales and service revenues generated from artist performance shows, exhibitions and merchandise sales. Included in non-operating revenues are university support, investment income, and gifts. Gift revenues are recorded 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. Grant funds are recorded as revenues when the grant's contractual requirements have been met. The principal expendable restricted resources of WCA are current-use gifts and investment income.

**The Ohio State University
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Support from the Wexner Center Foundation

The Wexner Center Foundation (“Foundation”) is a private, nonprofit organization established for the overall purpose of advancing the interests of WCA. Its primary role is to provide trustee guidance and sustained support for WCA programming. The Foundation provided \$2,830,016 and \$2,699,650 of support from corporations, foundations and individuals to WCA for the years ended June 30, 2014 and 2013, respectively. This support is included in gift revenues on the Statement of Revenues, Expenses and Changes in Net Position.

Donated Facilities and Administrative Support from The Ohio State University

The university charges WCA for allocated overhead costs associated with sales of goods and services. In addition, the university provides certain donated facilities and administrative services, which are not reflected in WCA’s revenues and expenses.

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 compensated absences, the valuation of investments and the collectability of receivables. Actual results could differ from those estimates.

Newly Issued Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position 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.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. Statement No. 69 requires mergers, which do not involve an exchange of consideration, to be accounted for using the carrying values of assets. Acquisitions are accounted for using acquisition values. The standard also provides guidance on reporting of disposals of government operations. It is effective for periods beginning after December 15, 2013.

In April 2013, the GASB issued Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*. Statement No. 70 requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. The standard also requires guarantors or issuers to disclose information about the amounts and nature of nonexchange financial guarantees. It is effective for periods beginning after June 15, 2013.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical

**The Ohio State University
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Notes to the Financial Statements
June 30, 2014**

to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

WCA management is current assessing the impact that implementation of GASB Statements No. 68, 69, 70 and 71 will have on the WCA's financial statements.

Revision

During 2014, WCA identified a misclassification of accumulated appreciation on donor restricted endowment funds, between restricted-nonexpendable net position and restricted-expendable net position, and a misclassification of unrestricted plant funds between restricted-nonexpendable net position and unrestricted net position. As a result, the June 30, 2013 restricted-nonexpendable, restricted-expendable and unrestricted net position have been revised to correct for the misclassification of these amounts. The following table summarizes the effect of these revisions:

	<u>As of June 30, 2013</u>		
	<u>As originally reported</u>	<u>Adjustment</u>	<u>As adjusted</u>
Statement of Net Position			
Restricted:			
Nonexpendable	19,288,106	(806,606)	18,481,500
Expendable	1,323,204	639,332	1,962,536
Unrestricted	340,021	167,274	507,295

The above adjustments are also reflected within the Supplementary Information on the Elimination of Building Contributed Capital Investment accompanying the basic financial statements.

These revisions had no impact on total net position as originally reported.

Supplemental Information for Ohio Arts Council

The statements include a supplemental schedule (Form M) required by the Ohio Arts Council ("OAC"). The revenues presented on Form M conform to the presentation required by the OAC as part of its grant application process. A reconciliation of the Form M presentation to the Statement of Revenues, Expenses and Other Changes in Net Position is also included in these statements.

2. INVESTMENTS

WCA's investments are maintained in the university's investment pool and as such, all collateralization is held by the university. The pool consists of more than 5,200 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 and fixed income securities, as well as a number of alternative investment funds, such as real estate limited partnerships, hedge funds, private equity funds, venture capital funds and natural resources funds. The pool is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support WCA's mission.

**The Ohio State University
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Notes to the Financial Statements
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Annual distributions to named funds in the university investment pool are computed using the share method of accounting for pooled investments. 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.

The market values of WCA's investments held in the university's investment pool were \$21,604,684 and \$19,120,832 at June 30, 2014 and 2013, respectively. The university holds certain types of alternative investments funds which are carried at the net assets value provided by the management of these funds, which represents estimated fair value. The purpose of this alternative investment fund class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes.

Management of the alternative investment funds, namely the general partner, use methods, such as discounted cash flows, recent transactions and other model-based calculations, to estimate the fair value of the investments held by the fund.

The following summarizes pooled shares and related values as of June 30, 2014:

Name of Fund	Number of Shares	Cost	Market Value
Haas, Carl Fund	34.49	\$ 155,130	\$ 216,580
Long, Ethel Manley	9.67	35,000	60,698
McKittrick Family Fund	1.09	5,393	6,828
Tappen Endowed Fund	2.62	15,000	16,458
Wexner Center Programs	5.33	25,000	33,500
Arnold SA Maint WCA	6.07	39,000	38,130
Fnd-Duke Performing Arts	385.01	2,539,706	2,417,686
Glimcher D&H Program Fd	24.52	140,000	153,946
Goldberg RiteRug WCA Prog	24.31	135,270	152,682
Lambert Family Lecture	76.25	498,334	478,837
Jean E Parish Endowment	36.23	207,330	227,503
Shumate Family Endowment	9.28	50,020	58,303
Wexner Center Program Endowment	2,758.82	15,000,000	17,323,904
Director's Dialogue	7.37	50,000	46,296
Fung Family Wexner Ctr	43.91	250,000	275,758
Fnd-Tuckerman Child	2.73	25,000	17,154
Mervis L&J Wexner Ctr	12.81	74,675	80,418
Total		\$ 19,244,856	\$ 21,604,684

**The Ohio State University
Wexner Center for the Arts
Notes to the Financial Statements
June 30, 2014**

The following summarizes pooled shares and related values as of June 30, 2013:

Name of Fund	Number of Shares	Cost	Market Value
Haas, Carl Fund	34.49	\$ 155,130	\$ 194,645
Long, Ethel Manley	9.67	35,000	54,550
McKittrick Family Fund	0.40	1,511	2,274
Tappen Endowed Fund	2.62	15,000	14,792
Wexner Center Programs	5.33	25,000	30,107
Arnold SA Maint WCA	5.74	37,000	32,371
Fnd-Duke Performing Arts	384.99	2,539,556	2,172,678
Glimcher D&H Program Fd	21.18	120,000	119,556
Goldberg RiteRug WCA Prog	21.19	116,900	119,594
Lambert Family Lecture	67.59	448,334	381,417
Shumate Family Endowment	9.28	50,020	52,398
Wexner Center Programs	2,758.85	15,000,000	15,569,323
Director's Dialogue	7.37	50,000	41,607
Fung Family Wexner Ctr	43.91	250,000	247,829
Fnd-Tuckerman Child	2.73	25,000	15,417
Mervis L&J Wexner Ctr	12.81	74,675	72,273
Total		<u>\$ 18,943,125</u>	<u>\$ 19,120,832</u>

3. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable assets:				
Construction in progress	\$ 157,782	\$ 5,498	\$ (14,611)	\$ 148,669
Depreciable assets:				
Buildings	75,317,341	-	-	75,317,341
Furniture and Equipment	1,249,629	47,862	-	1,297,491
Total cost of depreciable assets	<u>76,566,969</u>	<u>47,862</u>	<u>-</u>	<u>76,614,831</u>
Total cost of capital assets	76,724,752	53,360	(14,611)	76,763,501
Less accumulated depreciation	40,555,186	2,405,320	-	42,960,506
Net capital assets	<u>\$ 36,169,566</u>	<u>\$ (2,351,960)</u>	<u>\$ (14,611)</u>	<u>\$ 33,802,995</u>

**The Ohio State University
Wexner Center for the Arts
Notes to the Financial Statements
June 30, 2014**

Capital assets activity for the year ended June 30, 2013 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable assets				
Construction in progress	\$ 71,710	\$ 159,682	\$ (73,610)	\$ 157,782
Depreciable assets				
Buildings	75,317,341	-	-	75,317,341
Furniture and equipment	1,123,917	176,852	(51,140)	1,249,629
Total cost of depreciable assets	<u>76,441,258</u>	<u>176,852</u>	<u>(51,140)</u>	<u>76,566,970</u>
Total cost of capital assets	76,512,968	336,534	(124,750)	76,724,752
Less: accumulated depreciation	<u>38,169,063</u>	<u>2,408,699</u>	<u>(22,576)</u>	<u>40,555,186</u>
Net capital assets	<u>\$ 38,343,905</u>	<u>\$ (2,072,165)</u>	<u>\$ (102,174)</u>	<u>\$ 36,169,566</u>

The following estimated useful lives are used to compute depreciation:

Type of Asset	Estimated Useful Life
Buildings	20 to 40 years
Equipment and furniture	5 to 15 years

4. RETIREMENT PLAN

All WCA employees are employees of the university and are covered by either the Ohio Public Employees Retirement System ("OPERS"), Ohio State Teachers Retirement System ("STRS Ohio") or the Alternative Retirement Plan ("ARP"). Employees may opt out of OPERS or STRS Ohio and participate in the 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 eligible 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.

**The Ohio State University
Wexner Center for the Arts
Notes to the Financial Statements
June 30, 2014**

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

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.

**The Ohio State University
Wexner Center for the Arts
Notes to the Financial Statements
June 30, 2014**

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)	11.00%		11.00%
WCA (entire year)	14.00%		14.00% *
Staff			
Plan member (entire year)		10.00%	10.00%
WCA (entire year)		14.00%	14.00% **

* 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.

WCA's contributions, which represent 100% of required employer contributions, for the year ended June 30, 2014 and for each of the two preceding years are as follows:

Year ended June 30	STRS Ohio Annual Required Contribution	OPERS Annual Required Contribution	ARP Annual Required Contribution
2012	\$ 3,892	\$ 441,206	\$ 180,033
2013	9,121	439,962	167,313
2014	8,496	487,947	192,393

5. OTHER POSTEMPLOYMENT BENEFITS

OPERS also provides postretirement health care coverage to age-and-service retirees with ten or more years of qualifying Ohio service credit in the defined benefit and combined plans. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12, *Disclosure of Information of Postemployment Benefits other than Pension Benefits by State and Local Government Employers*.

**The Ohio State University
Wexner Center for the Arts
Notes to the Financial Statements
June 30, 2014**

ORC permits, but does not mandate, OPERS to provide OPEB to eligible members and beneficiaries. A portion of each contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions to OPERS. For OPERS' calendar year ended December 31, 2013, OPERS allocated 1.0% of the employer contribution rate to fund the health care program for retirees in the Traditional Plan and Combined Plan.

Changes to the health care plan were adopted by OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under Senate Bill 232 and the approved health care changes, OPERS expects to be able to allocate on a consistent basis 4% of the employer contributions toward the health care fund after the end of the transition period.

OPEB are not available to retirees enrolled in the OPERS member-directed plan or the ARP.

STRS Ohio provides access to health care coverage to eligible retirees who participated in the deferred benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. Pursuant to Chapter 3307 of ORC, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care enrollees, for the most recent year, pay a portion of the health care cost in the form of monthly premiums. Under ORC, funding for postemployment health care paid from the funds of STRS Ohio are included in the employer contribution rate. For the fiscal year ended June 30, 2013, STRS Ohio allocated employer contributions equal to 1.0% of covered payroll postemployment health care.

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

6. ACCRUED COMPENSATION AND COMPENSATED ABSENCES

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

**The Ohio State University
Wexner Center for the Arts
Notes to the Financial Statements
June 30, 2014**

WCA follows the university's policy for accruing sick leave liability. WCA accrues a sick leave liability for those employees who are currently eligible to receive termination payments along with 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, WCA utilizes the university's calculated rate, Sick Leave Termination Cost per Year Worked based on the university's actual historical experience of sick leave payouts to terminated employees. This ratio is then applied by WCA to the total year-of-service for WCA current employees.

Accrued salaries were \$2,782 and \$4,535 as of June 30, 2014 and 2013, respectively. Accrued vacation and sick leave liabilities were \$461,865 and \$418,921 as of June 30, 2014 and 2013, respectively.

Long term liabilities related to accrued compensated liabilities as of June 30, 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 418,921	\$ 73,128	\$ 30,184	\$ 461,865	\$ 30,184
	<u>\$ 418,921</u>	<u>\$ 73,128</u>	<u>\$ 30,184</u>	<u>\$ 461,865</u>	<u>\$ 30,184</u>

Long term liabilities related to accrued compensated liabilities as of June 30, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 434,868	\$ 17,458	\$ 33,405	\$ 418,921	\$ 33,405
	<u>\$ 434,868</u>	<u>\$ 17,458</u>	<u>\$ 33,405</u>	<u>\$ 418,921</u>	<u>\$ 33,405</u>

7. UNIVERSITY AND OTHER SUPPORT

The operations of WCA are supported in part by the general revenues of the university. The university provides for the general operating costs of WCA operations. The university's direct support amounted to \$4,229,218 and \$4,630,997 for the years ended June 30, 2014 and 2013, respectively. In addition, WCA staff provide support services to the Wexner Foundation

**The Ohio State University
Wexner Center for the Arts
Notes to the Financial Statements
June 30, 2014**

8. OPERATING LEASE OBLIGATION

WCA leases office space under an agreement with a 5 year occupancy term covering the period March 1, 2009 through February 28, 2014. The lease agreement was renewed for the period March 1, 2014 through February 28, 2016. Future minimum rental payments for this lease as of June 30, 2014 are as follows:

Year ending June 30

2015	\$ 123,396
2016	<u>82,264</u>
Total minimum lease payments	<u>\$ 205,660</u>

Rental expense charged to operations was \$160,675 and \$160,065 for the years ended June 30, 2014 and 2013, respectively.

WCA leases apartment space for visiting artists under an agreement with a one year occupancy term covering the period August 13, 2012 through July 28, 2013. The lease was renewed for the periods July 29, 2013 through July 28, 2014 and July 29, 2014 through July 28, 2015.

Future minimum rental payments for this lease as of June 30, 2014 are as follows:

Year ending June 30

2015	\$ 10,668
Total minimum lease payments	<u>\$ 10,668</u>

Rental expense charged to operations was \$6,720 and \$6,125 for the years ended June 30, 2014 and 2013, respectively.

WCA, as a lessor, leases space used as a café to a tenant under a licensing agreement. The monthly license fee owed to WCA is 2.8% of gross sales during year one. The percentage for year two has not yet been determined. The current lease expires July 31, 2015.

Rental income received to operations was \$15,775 and \$10,848 for the years ended June 30, 2014 and 2013, respectively.

Supplemental Information

**The Ohio State University
Wexner Center for the Arts
Supplemental Schedule of Net Position
June 30, 2014**

	Reviewed Balances 2014	Elimination of Building Contributed Capital Investment	Adjusted Balances 2014
ASSETS			
CURRENT ASSETS:			
Cash	\$ 1,074,729	\$ -	\$ 1,074,729
Accounts receivable	32,930	-	32,930
Contributions receivable	1,332,056	-	1,332,056
Inventories and prepaid expenses	<u>593,729</u>	<u>-</u>	<u>593,729</u>
Total current assets	3,033,444	-	3,033,444
NON-CURRENT ASSETS:			
Endowments in OSU long-term investment pool	21,604,684	-	21,604,684
Property, plant & equipment, net	<u>33,802,995</u>	<u>(33,802,995)</u>	<u>-</u>
Total non-current assets	<u>55,407,679</u>	<u>(33,802,995)</u>	<u>21,604,684</u>
TOTAL ASSETS	<u>\$ 58,441,123</u>	<u>\$ (33,802,995)</u>	<u>\$ 24,638,128</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$ 166,945	\$ -	\$ 166,945
Accrued salary and wages	2,782	-	2,782
Advance payments for goods and services - current	123,522	-	123,522
Accrued vacation and sick leave - current	<u>30,184</u>	<u>-</u>	<u>30,184</u>
Total current liabilities	323,433	-	323,433
NON-CURRENT LIABILITIES:			
Accrued vacation and sick leave - long term	<u>431,681</u>	<u>-</u>	<u>431,681</u>
Total non-current liabilities	<u>431,681</u>	<u>-</u>	<u>431,681</u>
TOTAL LIABILITIES	755,114	-	755,114
NET POSITION:			
Invested in capital assets	33,802,995	(33,802,995)	-
Restricted:			
Nonexpendable	19,090,920	-	19,090,920
Expendable	4,520,333	-	4,520,333
Unrestricted	<u>271,761</u>	<u>-</u>	<u>271,761</u>
TOTAL NET POSITION	<u>57,686,009</u>	<u>(33,802,995)</u>	<u>23,883,014</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 58,441,123</u>	<u>\$ (33,802,995)</u>	<u>\$ 24,638,128</u>

**The Ohio State University
Wexner Center for the Arts
Supplemental Schedule of Revenue, Expenses and Changes in Net Position
June 30, 2014**

	Reviewed Balances 2014	Elimination of Building Contributed Capital Investment	Adjusted Balances 2014
OPERATING REVENUES:			
Sales and services	\$ 1,041,772	-	\$ 1,041,772
Grants and contracts	943,565	-	943,565
Total operating revenues	1,985,337	-	1,985,337
OPERATING EXPENSES:			
Salaries	4,662,130	-	4,662,130
Employee Benefits	1,754,559	-	1,754,559
Fees paid to performers and artists	201,560	-	201,560
Supplies and services	3,458,313	-	3,458,313
University overhead charges	32,810	-	32,810
Depreciation	2,405,320	(2,405,320)	-
Total operating expenses	12,514,692	(2,405,320)	10,109,372
NET OPERATING LOSS	(10,529,355)	(2,405,320)	(8,124,035)
NON-OPERATING REVENUES AND EXPENSES:			
University appropriations	4,190,469	-	4,190,469
Gifts	3,814,718	-	3,814,718
Endowment income distributions	854,645	-	854,645
Investment income	2,195,886	-	2,195,886
Transfers from University for capital projects	38,749	-	38,749
INCREASE (DECREASE) IN NET POSITION	565,112	2,405,320	2,970,432
NET POSITION -- Beginning of Year	57,120,897	(36,208,315)	20,912,582
NET POSITION -- End of Year	\$ 57,686,009	\$ (33,802,995)	\$ 23,883,014

**The Ohio State University
Wexner Center for the Arts
Supplemental Schedule of Net Position
June 30, 2013**

	Reviewed Balances 2013	Elimination of Building Contributed Capital Investment	Adjusted Balances 2013
ASSETS			
CURRENT ASSETS:			
Cash	\$ 84,388	\$ -	\$ 84,388
Accounts receivable	216,175	-	216,175
Contributions receivable	2,036,926	-	2,036,926
Inventories and prepaid expenses	<u>744,462</u>	<u>-</u>	<u>744,462</u>
Total current assets	3,081,951	-	3,081,951
NON-CURRENT ASSETS:			
Endowments in OSU long-term investment pool	19,120,832	-	19,120,832
Property, plant & equipment, net	<u>36,169,566</u>	<u>(36,169,566)</u>	<u>-</u>
Total non-current assets	<u>55,290,398</u>	<u>(36,169,566)</u>	<u>19,120,832</u>
TOTAL ASSETS	<u>\$ 58,372,349</u>	<u>\$ (36,169,566)</u>	<u>\$ 22,202,783</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 17,808	\$ -	\$ 17,808
Accrued salary and wages	4,535	-	4,535
Advance payments for goods and services - current	810,188	-	810,188
Accrued vacation and sick leave - current	<u>33,405</u>	<u>-</u>	<u>33,405</u>
Total current liabilities	865,936	-	865,936
NON-CURRENT LIABILITIES:			
Accrued vacation and sick leave - long term	<u>385,516</u>	<u>-</u>	<u>385,516</u>
Total non-current liabilities	<u>385,516</u>	<u>-</u>	<u>385,516</u>
TOTAL LIABILITIES	1,251,452	-	1,251,452
NET POSITION:			
Invested in capital assets	36,169,566	(36,169,566)	-
Restricted:			
Nonexpendable	18,481,500	-	18,481,500
Expendable	1,962,536	-	1,962,536
Unrestricted	<u>507,295</u>	<u>-</u>	<u>507,295</u>
TOTAL NET POSITION	<u>57,120,897</u>	<u>(36,169,566)</u>	<u>20,951,331</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 58,372,349</u>	<u>\$ (36,169,566)</u>	<u>\$ 22,202,783</u>

**The Ohio State University
Wexner Center for the Arts
Supplemental Schedule of Revenue, Expenses and Changes in Net Position
June 30, 2013**

	Reviewed Balances 2013	Elimination of Building Contributed Capital Investment	Adjusted Balances 2013
OPERATING REVENUES:			
Sales and services	\$ 2,183,128	\$ -	\$ 2,183,128
Grants and contracts	328,159	-	328,159
	<hr/>	<hr/>	<hr/>
Total operating revenues	2,511,287	-	2,511,287
OPERATING EXPENSES:			
Salaries	4,426,151	-	4,426,151
Employee Benefits	1,575,191	-	1,575,191
Fees paid to performers and artists	311,723	-	311,723
Supplies and services	5,096,015	-	5,096,015
University overhead charges	48,575	-	48,575
Depreciation	2,386,122	(2,386,122)	-
	<hr/>	<hr/>	<hr/>
Total operating expenses	13,843,777	(2,386,122)	11,457,655
NET OPERATING LOSS	(11,332,490)	(2,386,122)	(8,946,368)
NON-OPERATING REVENUES AND EXPENSES:			
University appropriations	4,419,213	-	4,419,213
Gifts	19,503,059	-	19,503,059
Endowment income distributions	456,959	-	456,959
Investment income	763,694	-	763,694
Transfers from University for capital projects	211,783	-	211,783
	<hr/>	<hr/>	<hr/>
INCREASE (DECREASE) IN NET POSITION	14,022,218	2,386,122	16,408,340
NET POSITION -- Beginning of Year	43,098,679	(38,555,688)	4,542,991
	<hr/>	<hr/>	<hr/>
NET POSITION -- End of Year	\$ 57,120,897	\$ (36,169,566)	\$ 20,951,331
	<hr/>	<hr/>	<hr/>

Supplemental Information
for
Ohio Arts Council

**The Ohio State University
Wexner Center for the Arts
Ohio Arts Council Form M
June 30, 2014**

	<u>Amount</u>	<u>Financial Statement Cross Reference</u>
Revenues		
1. Admissions	\$ 225,585	A
2. Memberships	601,065	D
3. Contracted Services Revenues (fees, tuition, etc.)	20,872	A
4. Other Revenues (itemize):		
a. Concessions, Sales, Rentals, etc. (gross)	707,950	A
b. Benefits (gross)	99,623	A and D
c. Income on Investments and Endowments (net)	<u>854,645</u>	E
5. Total Revenues (add lines 1-4)	\$ 2,509,740	
Support		
6. Corporate Support	\$ 2,394,766	D
7. Foundation Support	253,025	D
8. Other Private Support (itemize)		
a. Individual Contributions/Sponsors	255,754	D
b. United Arts Fund		
c. Mellon Foundation	611,473	B
9. Government Support		
a. Federal	40,000	B
b. Local Government		
i. City	247,500	B
ii. County		
c. State/Regional Funds		
i. Ohio Arts Council (all grants)	40,592	B
ii. Other State/Regional	4,000	B
10. Other Support (itemize)		
a. University Appropriations	<u>4,190,469</u>	C
11. Total Support (add lines 6-10)	\$ 8,037,579	
12. Total Revenues and Support (add lines 5 and 11)	\$ 10,547,319	

**The Ohio State University
Wexner Center for the Arts
Reconciliation of Ohio Arts Council Form M
to Statement of Revenues, Expenses and Changes in Net Position
June 30, 2014**

A. Sales and Services Revenues:

Form M Line-Items:

1. Admissions	\$ 225,585
3. Contracted Services Revenue	20,872
4a. Concessions, Sales, Rentals, etc. (gross)	707,950
4b. Benefits (gross) ¹	<u>87,365</u>

Total Sales and Services per Income Statement \$ 1,041,772

B. Grant and Contract Revenues:

Form M Line-Items:

8c. Other Private Support - Mellon Foundation	\$ 611,473
9a. Government Support - Federal (NEA)	40,000
9bi. Government Support - Local Government (GCAC)	247,500
9ci. Government Support - State/Regional Funds (OAC)	40,592
9cii. Government Support - Other State/Regional (Arts Midwest)	<u>4,000</u>

Total Grants and Contracts per Income Statement \$ 943,565

C. University Appropriations:

Form M Line-Items:

10a. Other Support - University Appropriations	<u><u>\$ 4,190,469</u></u>
--	----------------------------

D. Gifts:

Form M Line-Items:

2. Memberships	\$ 601,065
6. Corporate Support	2,394,766
7. Foundation Support	253,025
8a. Other Private Support - Individual Contributions	255,754
4b. Benefits (gross) ¹	<u>12,258</u>
Subtotal - Gifts reported on Form M	<u>3,516,868</u>

Add: Endowment and Capital Gifts² 297,850

Total Gifts per Income Statement \$ 3,814,718

E. Endowment Income Distributions:

Form M Line-Items:

4c. Income on Investment and Endowments (net)	<u><u>\$ 854,645</u></u>
---	--------------------------

SUBTOTAL **10,845,169**

Less: Endowment and Capital Gifts² 297,850

TOTAL Revenues and Support - Form M \$ 10,547,319

¹ The \$99,623 benefit income is duly comprised of ticket and gift income

² For purposes of Form M, contributions to endowment principal and those designated for capital expenses are excluded



Dave Yost • Auditor of State

THE OHIO STATE UNIVERSITY

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
APRIL 14, 2015