

The Ohio State University
Department of Athletics
(A Department of the Ohio State University)
Financial Statements as of and for the
Years ended June 30, 2016 and 2015
Reports of Independent Auditors



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Auditor's* of The Ohio State University Department of Athletics, Franklin County, prepared by Pricewaterhouse Coopers LLP, for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 8, 2016

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Report of Independent Auditors

To the Board of Trustees of
The Ohio State University

We have audited the financial statements of The Ohio State University Department of Athletics (“Athletics”), a department of The Ohio State University, appearing on pages 9 to 36, which consist of the statements of net position as of June 30, 2016 and June 30, 2015, the related statements of revenues, expenses, and other changes in net position and of cash flows and the related notes to the financial statements for the years then ended, which collectively comprise Athletics’ 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 an opinion 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 financial position of Athletics as of June 30, 2016 and June 30, 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note 1, the financial statements of Athletics are intended to present the net financial position, the changes in net financial position and, where applicable, cash flows of only that portion of The Ohio State University that is attributable to the transactions of Athletics. They do not purport to, and do not, present fairly the net financial position of The Ohio State University as of June 30, 2016 or June 30, 2015, the changes in its net financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 3 through 8 and the Required Supplementary Information on GASB 68 Pension Liabilities on page 38 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016 on our consideration of Athletics' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2016. 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 Athletics' internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

November 28, 2016

The Ohio State University Department of Athletics Management's Discussion and Analysis (Unaudited) As of and for the Year Ended June 30, 2016

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of The Ohio State University Department of Athletics ("Athletics") for the year ended June 30, 2016, with comparative information for the years ended June 30, 2015 and June 30, 2014. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About the Department of Athletics:

The Ohio State University Department of Athletics is recognized as one of the most comprehensive intercollegiate athletics programs in the nation, with over 1,000 student-athletes competing in 36 sports. Athletics operates under the governance of The Ohio State University Board of Trustees and is included in the financial statements of The Ohio State University ("the university"). All organizations controlled by Athletics, consisting of its various departments, are included in the financial statements; organizations not controlled by Athletics, such as certain booster and alumni organizations, are not included in the financial statements.

About the Financial Statements:

Athletics presents its financial statements in a "business type activity" format, in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic – 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 report includes 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 as of and for the years ended June 30, 2016 and June 30, 2015.

Financial Highlights:

Athletics net position decreased \$2 million, to \$203 million at June 30, 2016. Operating revenues increased \$3 million. Operating expenses increased \$19 million reflecting increases in several areas. Salaries and benefits increased 13% due to contractual obligations and expansion within the department. Scholarship expense increased 13% reflecting increased awarding as well as a change in the NCAA regulations related to cost of attendance. Supplies and Services increased 16% in part due to costs associated with team championships and post season tournaments. Several teams completed successful seasons with eight regular season Championships earned by Men's Soccer, Fencing, Women's Golf, Men's Gymnastics, Men's Tennis, Women's Tennis, Men's Volleyball, and Rowing, and four Conference Tournament Championships for Men's Volleyball, Baseball, Men's Tennis and Women's Tennis. In addition, the Football team traveled to Arizona for the post season Fiesta Bowl.

In 2016, the university entered into a 15-year extension of its current equipment supply, appearance and licensing agreements with Nike. As part of the deal, Athletics received a \$10 million upfront payment and access to an additional \$5 million in products. The payment was recorded as unearned revenue and will be recognized ratably over the period of the extension beginning in 2018. The cash receipt was invested in the university's Long-Term Investment Pool and is reflected in the increased value at June 30, 2016.

**The Ohio State University Department of Athletics
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2016**

**Summary Statement of Net Position
(in thousands)**

| | 2016 | 2015 | 2014 |
|---|-------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 83,557 | \$ 82,251 | \$ 73,748 |
| Other current assets | 29,461 | 31,759 | 30,210 |
| Total current assets | 113,018 | 114,010 | 103,958 |
| Endowment Investments | 79,055 | 68,039 | 64,788 |
| Capital assets, net of accumulated depreciation | 239,253 | 244,116 | 251,032 |
| Other noncurrent assets | 31,755 | 37,516 | 40,258 |
| Total noncurrent assets | 350,063 | 349,671 | 356,078 |
| Total assets | 463,081 | 463,681 | 460,036 |
| Deferred outflows-pension | 8,737 | 2,218 | |
| Total Assets and Deferred Outflows | \$ 471,818 | \$ 465,899 | \$ 460,036 |
| Unearned revenue for advance sales of game tickets | \$ 41,296 | \$ 46,546 | \$ 47,196 |
| Current portion of notes payable to university | 5,049 | 10,476 | 10,851 |
| Other current liabilities | 10,634 | 9,704 | 17,959 |
| Total current liabilities | 56,979 | 66,726 | 76,006 |
| Notes payable to university | 173,512 | 174,123 | 180,324 |
| Accrued compensated absences | 3,017 | 2,889 | 2,737 |
| Other unearned revenue and deposits | 10,000 | - | - |
| Net pension liability | 24,782 | 16,618 | - |
| Total noncurrent liabilities | 211,311 | 193,630 | 183,061 |
| Total liabilities | 268,290 | 260,356 | 259,067 |
| Deferred Inflows-pension | 539 | 351 | |
| Total liabilities and deferred inflows | 268,829 | 260,707 | 259,067 |
| Net investment in capital assets | \$ 59,625 | \$ 63,678 | \$ 64,346 |
| Restricted - nonexpendable | 64,683 | 61,661 | 59,245 |
| Restricted - expendable | 68,858 | 69,995 | 61,588 |
| Unrestricted | 9,823 | 9,858 | 15,790 |
| Total net position | 202,989 | 205,192 | 200,969 |
| Total Liabilities, Deferred Inflows and Net Position | \$ 471,818 | \$ 465,899 | \$ 460,036 |

Cash and cash equivalents increased \$2 million, to \$84 million at June 30, 2016, primarily due to the \$10 million upfront payment from Nike. The Statement of Cash Flows provides additional details on sources and uses of Athletics cash.

Contributions receivable, which consist of gift receipts held by the university but not yet transferred to Athletics gift funds, decreased \$2 million to \$10 million. **Pledges receivable** increased \$2 million, to \$40 million.

**The Ohio State University Department of Athletics
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2016**

Endowment investments increased \$11 million, to \$79 million, reflecting new endowment gifts and investment of the \$10 million upfront payment from Nike.

Capital assets decreased \$5 million, to \$239 million, as depreciation expense outpaced additional project costs in 2016. Capital assets reported on Athletics' Statement of Net Position include Ohio Stadium, Woody Hayes Athletic Center, McCorkle Aquatic Pavilion, Jesse Owens Memorial Stadium, Buckeye Field (Women's Softball), Bill Davis Baseball Stadium, St. John Arena and other facilities to support its 36 sports programs. Also reported are various land and land improvement assets, including the Scarlet and Gray golf courses, capitalized equipment and construction in progress.

With the exception of the new basketball practice facility, which was funded by Athletics and completed in summer 2013, the Schottenstein Center is not reported as a capital asset of the department because it is used for a wide range of university purposes. In exchange for the use of the facility, Athletics provides marketing, ticket sales and information technology services and an annual payment to the university.

Unearned revenue for advance sales of game tickets decreased \$6 million to \$41 million. Ticket sales for a segment of season ticket holders was moved to July which caused the decrease as of June 30, 2016.

Athletics enters into internal loan agreements with the university to finance the construction and renovation of athletic facilities. In 2016, two of the existing agreements were restructured, extending the due date. The loans have maturities ranging from 2017 to 2047 and bear interest rates ranging from 2.25% to 4.75%. These **notes payable to the university** totaled \$179 million at June 30, 2016, down \$6 million from the prior year. Internal transfers for debt service totaled \$14 million and \$20 million in 2016 and 2015, respectively.

**The Ohio State University Department of Athletics
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2016**

**Statement of Revenues, Expenses and Other Changes in Net Position
(in thousands)**

| | 2016 | 2015 | 2014 |
|--|-------------------|-------------------|-------------------|
| Operating Revenues: | | | |
| Ticket sales | \$ 59,100 | \$ 60,324 | \$ 56,003 |
| Television, broadcast rights and sponsorships | 32,285 | 32,129 | 29,146 |
| Royalty and affinity revenue | 4,343 | 3,816 | 3,663 |
| Bowl and NCAA tournament distributions | 15,807 | 12,877 | 8,494 |
| Sports camp entry fee | 2,705 | 2,762 | 2,996 |
| Golf course revenues | 4,184 | 3,418 | 3,543 |
| Other operating revenues | 11,207 | 11,611 | 11,029 |
| Total operating revenues | <u>129,631</u> | <u>126,937</u> | <u>114,874</u> |
| Operating Expenses | | | |
| Salaries and wages | 47,078 | 42,996 | 40,839 |
| Employee benefits | 15,852 | 12,808 | 12,095 |
| Supplies and services | 70,848 | 61,366 | 58,450 |
| Scholarships | 21,189 | 18,748 | 17,923 |
| Depreciation | 15,465 | 14,868 | 13,819 |
| Total operating expense | <u>170,432</u> | <u>150,786</u> | <u>143,126</u> |
| Net operating loss | (40,801) | (23,849) | (28,252) |
| Nonoperating Revenues (Expenses) | | | |
| Current-use gifts | 32,313 | 32,085 | 27,632 |
| University distribution | 6,587 | 7,183 | 5,638 |
| Interest expense | (8,266) | (8,193) | (7,381) |
| Net investment income (loss) | (1,955) | 3,189 | 9,195 |
| Contributions related to capital assets | 834 | - | - |
| Net non operating revenue | <u>29,513</u> | <u>34,264</u> | <u>35,084</u> |
| Income (loss) before other changes in net position | (11,288) | 10,415 | 6,832 |
| Capital gifts | 7,586 | 9,288 | 5,177 |
| Additions to permanent endowments | 5,913 | 2,733 | 2,658 |
| Equity transfers to the university | (4,414) | (3,162) | (2,641) |
| Increase (decrease) in net position | (2,203) | 19,274 | 12,026 |
| Net Position - Beginning of Year | | | |
| Beginning of the year previously recorded | 205,192 | 200,969 | 188,943 |
| Cumulative effect of accounting changes | | (15,051) | |
| Net position - end of year | <u>\$ 202,989</u> | <u>\$ 205,192</u> | <u>\$ 200,969</u> |

Ticket sales revenues for Athletics events decreased \$1 million, to \$59 million in 2016, due to one postseason game for Football compared to two in the previous year. Increases in **royalty and affinity** revenue and **bowl and NCAA tournament distributions** offset the decrease in ticket sales, resulting in a \$3 million overall increase in operating revenues.

The \$19 million increase in total operating expense reflects additional costs associated with postseason and tournament participation and budgeted increases in overall spending.

**The Ohio State University Department of Athletics
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2016**

Gifts to Athletics represent a key source of financial support for the department's operating and capital needs. **Current use gifts** remained level at \$32 million, in 2016. These gifts are used primarily to fund scholarships for student-athletes. **Capital gifts** decreased \$1 million to \$8 million. **Additions to permanent endowments** increased \$3 million to \$6 million.

**Statement of Cash Flows
(in thousands)**

| | 2016 | 2015 | 2014 |
|---|------------------------|------------------------|-------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Net cash flows used in operating activities | \$ (16,492) | \$ (10,072) | \$ (11,576) |
| Net cash flows from noncapital financing activities | 42,221 | 36,739 | 31,602 |
| Payments for purchase or construction of capital assets | (6,975) | (14,587) | (14,665) |
| Principal and interest payments on notes payable to the university | (14,460) | (19,848) | (17,453) |
| Other cash flows from capital financing activities | 6,155 | 8,479 | 37,046 |
| Net cash flows provided (used) by investing activities | <u>(9,143)</u> | <u>7,792</u> | <u>(12,305)</u> |
| Net increase (decrease) in cash | <u>\$ 1,306</u> | <u>\$ 8,503</u> | <u>\$ 12,649</u> |

Total Athletics cash increased \$2 million, to \$84 million at June 30, 2016. Total cash used by operating activities increased from \$10 million to \$16 million, reflecting increases in salaries and benefits, supplies and services, and scholarships. Total operating receipts increased \$12 million, reflecting increases in royalty and affinity revenue and bowl and NCAA tournament distributions revenue. Total operating expenses increased \$18 million due to budgeted increases in overall spending and post season activity. Net cash flows from noncapital financing activities increased \$5 million to \$42 million as additions to permanent endowments increased.

**The Ohio State University Department of Athletics
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2016**

Economic Factors That Will Affect the Future:

The Department of Athletics is a national leader and one of the most visible, respected and accomplished intercollegiate athletics programs in the nation. In the pursuit of competitive excellence, Athletics affirms A Higher Purpose. The department exists to motivate student-athletes to develop into exemplary champions, who in turn inspire future Buckeyes. The department also is committed to financial self-sufficiency while contributing to the university's academic priorities.

Athletics' strategic plan, which was adopted in 2010, focuses on three core values:

- To provide teachable moments for gifted young student-athletes ... The People
- To excel competitively and enhance its proud championship history ... The Tradition
- To serve as a leader in intercollegiate athletics in every way ... The Excellence

In 2016, the university proposed and received approval to move permanently to a variable ticket pricing model for its football program. This strategy allows for pricing each game independently, within a minimum and maximum range among the games. This has allowed Athletics to align pricing to the market and has been an effective revenue generating tool for the department. These pricing strategies have also been successful in regard to maintaining high demand for tickets and have had a positive response from ticket purchasers.

A new equipment and apparel agreement was completed with NIKE this year resulting in future proceeds above the current contract. In the coming years, Athletics will be entering into new multi-year agreements in the areas of media rights and sponsorships, which are also expected to provide greater financial benefits. These arrangements are driven and supported in large part by the current and anticipated success of the football program.

The department will also embark on the building of three new facilities along with a comprehensive upgrade of Ohio Stadium beginning in 2017. Fund raising efforts to date for these facilities have gone very well. Athletics will continue to consult with its stakeholders on the pricing of its tickets, and will continue to seek out of new revenue opportunities for football and other sports within the department.

Athletics leadership remains committed to its strategic plan, vision, and core values. The department is confident it will be able to maintain its sound financial position.

The Ohio State University Department of Athletics
Statements of Net Position
Years Ended June 30, 2016 and June 30, 2015

(In thousands)

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Assets and Deferred outflows | | |
| Current assets | | |
| Cash and cash equivalents | \$ 83,557 | \$ 82,251 |
| Accounts receivable, net | 4,931 | 9,969 |
| Inventories | 222 | 195 |
| Contributions receivable | 9,601 | 11,676 |
| Current portion of pledges receivable, net | 12,445 | 9,383 |
| Current portion of prepaid expenses | 2,262 | 536 |
| Total current assets | <u>113,018</u> | <u>114,010</u> |
| Noncurrent assets | | |
| Assets Whose Use Is Limited | 334 | 4,161 |
| Endowment investments | 79,055 | 68,039 |
| Pledges receivable, net | 27,229 | 28,607 |
| Prepaid expenses | 4,192 | 4,748 |
| Capital assets, net | 239,253 | 244,116 |
| Total noncurrent assets | <u>350,063</u> | <u>349,671</u> |
| Total assets | <u>463,081</u> | <u>463,681</u> |
| Deferred outflows-pension | 8,737 | 2,218 |
| Total assets and deferred outflows | <u>\$ 471,818</u> | <u>\$ 465,899</u> |
| Liabilities, Deferred inflows and Net Position | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 2,287 | \$ 1,467 |
| Accounts payable related to capital assets | 1,401 | - |
| Current portion of accrued compensated absences | 332 | 323 |
| Unearned revenue for advance sales of game tickets | 41,296 | 46,546 |
| Current portion of other unearned revenues and deposits | 6,614 | 7,914 |
| Current portion of notes payable to the university | 5,049 | 10,476 |
| Total current liabilities | <u>56,979</u> | <u>66,726</u> |
| Noncurrent liabilities | | |
| Notes payable to the university | 173,512 | 174,123 |
| Accrued compensated absences | 3,017 | 2,889 |
| Other unearned revenues and deposits | 10,000 | - |
| Net pension liability | 24,782 | 16,618 |
| Total noncurrent liabilities | <u>211,311</u> | <u>193,630</u> |
| Total liabilities | <u>268,290</u> | <u>260,356</u> |
| Deferred inflows-pension | 539 | 351 |
| Total liabilities and deferred inflows | <u>268,829</u> | <u>260,707</u> |
| Net Position | | |
| Net investment in capital assets | 59,625 | 63,678 |
| Restricted | | |
| Nonexpendable | 64,683 | 61,661 |
| Expendable | 68,858 | 69,995 |
| Unrestricted | 9,823 | 9,858 |
| Total net position | <u>202,989</u> | <u>205,192</u> |
| Total liabilities, deferred inflows and net position | <u>\$ 471,818</u> | <u>\$ 465,899</u> |

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics
Statements of Revenues, Expenses and Other Changes in Net Position
For the Years Ended June 30, 2016 and June 30, 2015

(In thousands)

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Operating Revenues | | |
| Ticket sales | \$ 59,100 | \$ 60,324 |
| Television, broadcast rights and sponsorships | 32,285 | 32,129 |
| Royalty and affinity revenue | 4,343 | 3,816 |
| Bowl and NCAA tournament distributions | 15,807 | 12,877 |
| Parking | 2,369 | 2,484 |
| Sports camp entry fees | 2,705 | 2,762 |
| Golf course revenues | 4,184 | 3,418 |
| Private grants and contracts | 825 | 797 |
| In kind revenues | 2,378 | 2,434 |
| Other operating revenues | 5,635 | 5,896 |
| Total Operating Revenue | <u>129,631</u> | <u>126,937</u> |
| Operating Expenses | | |
| Salaries and wages | 47,078 | 42,996 |
| Employee benefits | 15,852 | 12,808 |
| Supplies and services | 68,871 | 59,513 |
| Scholarships | 21,189 | 18,748 |
| In kind supplies and services | 1,977 | 1,853 |
| Depreciation | 15,465 | 14,868 |
| Total Operating Expense | <u>170,432</u> | <u>150,786</u> |
| Operating Loss | (40,801) | (23,849) |
| Non-operating Revenues (Expense) | | |
| Current-use gifts | 32,313 | 32,085 |
| University distribution | 6,587 | 7,183 |
| Contributions related to capital assets | 834 | - |
| Investment income | 3,029 | 3,013 |
| Net unrealized gain (loss) on investments | (4,984) | 176 |
| Interest expense on plant debt | (8,266) | (8,193) |
| Net Non-operating Revenue | <u>29,513</u> | <u>34,264</u> |
| Income (Loss) before Other Revenues and Transfers | (11,288) | 10,415 |
| Other Revenues | | |
| Capital gifts | 7,586 | 9,288 |
| Additions to permanent endowments | 5,913 | 2,733 |
| Net Revenues before Transfers | 2,211 | 22,436 |
| Equity transfers to the university | (4,414) | (3,162) |
| Increase (Decrease) in Net Position | (2,203) | 19,274 |
| Net Position, Beginning of Year | | |
| Beginning of year, as previously reported | 205,192 | 200,969 |
| Cumulative effect of accounting changes | - | (15,051) |
| Net Position, End of Year | <u>\$ 202,989</u> | <u>\$ 205,192</u> |

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics
Statements of Cash Flows
For the Years Ended June 30, 2016 and June 30, 2015

(In thousands)

| | 2016 | 2015 |
|---|------------------|------------------|
| Cash Flows from Operating Activities | | |
| Ticket sales | \$ 59,579 | \$ 59,179 |
| Television, broadcast rights and sponsorships | 32,058 | 31,743 |
| Royalty and affinity revenue | 3,945 | 3,816 |
| Bowl and NCAA tournament distributions | 14,243 | 12,684 |
| Parking | 2,369 | 2,398 |
| Sports camp entry fees | 2,759 | 2,842 |
| Golf course revenues | 4,143 | 3,306 |
| Private grants and contracts | 825 | 797 |
| Payments to or on behalf of employees | (46,941) | (42,774) |
| University employee benefit payments | (14,019) | (13,108) |
| Payments to vendors for supplies and services | (68,232) | (58,289) |
| Payments for student financial aid | (22,206) | (18,748) |
| Other receipts | 14,985 | 6,082 |
| Net cash provided (used) by operating activities | <u>(16,492)</u> | <u>(10,072)</u> |
| Cash Flows from Noncapital Financing Activities | | |
| Current-use gifts | 34,135 | 29,984 |
| Additions to permanent endowments | 5,913 | 2,734 |
| Equity transfers to the University | (4,414) | (3,162) |
| Other nonoperating receipts | 6,587 | 7,183 |
| Net cash provided (used) by noncapital financing activities | <u>42,221</u> | <u>36,739</u> |
| Cash Flows from Capital Financing Activities | | |
| Proceeds from capital debt | - | 4,488 |
| Capital gifts | 6,155 | 3,991 |
| Payments for purchase or construction of capital assets | (6,975) | (14,587) |
| Principal payments on capital debt and leases | (6,038) | (11,064) |
| Interest payments on capital debt and leases | (8,422) | (8,784) |
| Net cash provided (used) by capital financing activities | <u>(15,280)</u> | <u>(25,956)</u> |
| Cash Flows from Investing Activities | | |
| Investment income | 3,029 | 3,013 |
| Purchases of Investments | (15,999) | (3,076) |
| Assets whose use is limited | 3,827 | 7,855 |
| Net cash provided (used) by investing activities | <u>(9,143)</u> | <u>7,792</u> |
| Net increase (decrease) in cash | 1,306 | 8,503 |
| Cash and cash equivalents - Beginning of Year | <u>82,251</u> | <u>73,748</u> |
| Cash and cash equivalents - End of Year | <u>\$ 83,557</u> | <u>\$ 82,251</u> |

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics
Statements of Cash Flows - continued
For the Years Ended June 30, 2016 and June 30, 2015

(In thousands)

| | 2016 | 2015 |
|--|--------------------|--------------------|
| Reconciliation of Net Operating Loss to Net Cash Provided (Used) by Operating Activities | | |
| Operating loss | \$ (40,801) | \$ (23,849) |
| Adjustments to reconcile net operating loss to net cash provided (used) by operating activities: | | |
| Depreciation expense | 15,465 | 14,868 |
| Non cash activity related to unearned revenues: | | |
| Net in kind revenue related to capital assets | (401) | (581) |
| Changes in assets and liabilities: | | |
| Accounts receivable, net | 5,038 | 121 |
| Inventories | (27) | 4 |
| Prepaid expenses | (1,171) | 611 |
| Accounts payable and accrued liabilities | 820 | 609 |
| Other unearned revenues and deposits. | 2,614 | (1,777) |
| Compensated absences | 137 | 222 |
| Net pension liability | 8,164 | 273 |
| Deferred outflows-pensions | (6,518) | (924) |
| Deferred inflows-pensions | 188 | 351 |
| | <u>\$ (16,492)</u> | <u>\$ (10,072)</u> |
| Non cash activity: | | |
| Capitalized Interest | \$ (156) | \$ (591) |
| Increase/(Decrease) in accounts payable related to construction | 1,401 | (7,527) |
| Unrealized loss/(gain) on investments | 4,984 | (176) |
| Assets financed by seller | 836 | (280) |
| Contributions related to capital assets | (834) | - |

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics

Notes to Financial Statements

For the Years Ended June 30, 2016 and June 30, 2015

(In thousands)

1 ORGANIZATION

The Ohio State University Department of Athletics ("Athletics") operates under the governance of The Ohio State University Board of Trustees and is included in the financial statements of The Ohio State University ("the university"). As a department of the university, Athletics is exempt from income taxes under Internal Revenue Code Section 115. All organizations controlled by Athletics, consisting of its various departments, are included in the financial statements; organizations not controlled by Athletics, such as certain booster and alumni organizations, are not included in the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of Athletics have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Athletics reports as a special purpose government engaged solely in "business type activities" under GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Athletics' financial resources are classified for accounting and reporting purposes into the following four net position categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation, cash restricted for capital projects, accounts payable for construction 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. These assets primarily consist of permanent endowments.
- Restricted - expendable: Amounts whose use is subject to externally-imposed stipulations that can be fulfilled by actions of Athletics pursuant to those stipulations or that expire by the passage of time.
- Unrestricted: Amounts which are not subject to externally-imposed stipulations. Substantially all unrestricted balances are internally designated for the operating needs of Athletics in order to support the student athletes and the teams they represent and to provide for unanticipated shortfalls in revenues.

Basis of Accounting

The financial statements of Athletics have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they are considered to be a legal or contractual obligation to pay. Athletics' practice is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted funds are available.

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(In thousands)

Cash and Cash Equivalents

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

Contributions Receivable

Contributions receivable of \$9,601 and \$11,676 as of June 30, 2016 and 2015, respectively, consist of gifts received by the university's Office of Advancement but not transferred to the operating accounts of Athletics. Amounts are deemed fully collectible.

Pledges Receivable

Athletics receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, endowment pledges are not recorded as assets until the related gift is received. Athletics reduces pledges receivable to estimated net realizable value by recording an allowance for uncollectible pledges based on management's judgement of potential uncollectible amounts and includes such factors as prior collection history and type of gift. For the years ended June 30, 2016 and 2015, Athletics recorded allowances against pledges receivable of \$1,026 and \$987 respectively.

Prepaid Expenses

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

Endowment Investments

All investments consist of amounts invested in The Ohio State University Long Term Investment Pool and are recorded at fair value. Endowment funds are managed by the Office of Financial Services of the university, which commingles the funds with other university-related organizations. Earned investment income is allocated to each organization based on its share of the total funds invested at the beginning of each year. Investments are carried at fair value in accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools* as amended by GASB Statement 72, *Fair value Measurement and Application*. The net increases in the value of investments during the years ended June 30, 2016 and 2015 are \$11,015 and \$3,252 respectively. These amounts take into account all changes in fair value (including purchase and sales) that occurred during each respective year. The increase for the current year is due in part to a \$10,000 advance payment received as part of a renewed sponsorship agreement.

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2016 and June 30, 2015

(In thousands)

The calculation of unrealized gain or loss is independent of the calculation of the net increase in fair value of investments. As of June 30, 2016, there is a cumulative unrealized loss on investments of \$2,235. As of June 30, 2015, there was a cumulative unrealized gain on investments of \$2,749. 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.

At June 30, 2016, the market value of Athletics gifted endowments is \$67,787 which is \$2,480 below the historical dollar value of \$70,267. Although the market value of certain gifted endowments exceeded the historical cost of June 30, 2016, there were 249 named funds that were underwater. The market value of these underwater funds at June 30, 2016 is \$48,130, which is \$5,584 below the historical dollar value of \$53,714.

At June 30, 2015, the market value of the university's gifted endowments was \$66,961, which was \$2,666 above the historical dollar value of \$64,294. Although the fair value of the gifted endowments in total exceeds the historical cost at June 30, 2015, there were 159 named funds that were underwater. The market value of these underwater funds at June 30, 2015 was \$29,406 which was \$2,649 below the historical dollar value of \$32,055.

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.

Assets Whose Use Is Limited

Assets whose use is limited represent cash and cash equivalents set aside for future capital improvements. Control of these assets is maintained by Athletics who may at their discretion subsequently use these assets for other purposes.

Capital Assets

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

Unearned Revenues

Unearned revenues primarily consist of receipts related to athletic events, golf course memberships and sports camp entry fees received in advance of the services to be provided. Athletics will recognize revenue to the extent these services are provided over the coming fiscal year. Certain unearned revenues related to sponsorship agreements are longer in term and will be recognized ratably over the life of the agreements.

Operating and Non-Operating Activities

Athletics 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

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2016 and June 30, 2015

(In thousands)

for goods or services received. With the exception of interest expense on long-term indebtedness, substantially all Athletics 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 university distributions to support operations, current-use gifts, and net investment income.

Equity transfers to the university

Transfers to the university represent non exchange transactions whereby Athletics generated revenues or reserves are contributed to the university in support of institutional initiatives. Current year transfers include funds to support a university wide cost containment program, support for the marching and athletic bands, and a donation to the Thompson Library for renovations.

Sponsorship Agreement

Athletics has various sponsorship agreements that provide for in kind contributions of apparel, footwear, sports equipment and the use of certain athletic related equipment. For the years ended June 30, 2016 and, 2015, in kind revenues were \$2,378 and \$2,434 respectively.

Management Estimates

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

Implementation of GASB Statement No. 68

In FY2015, the university implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71*, GASB 68 requires employers participating in cost-sharing multiple-employer pension plans to recognize a proportionate share of the net pension liabilities of the plans. A proportionate share of the university's net pension liabilities has been allocated to Athletics based on retirement plan contributions for Athletics employees. The cumulative effect of adopting GASB 68 was a \$15,051 reduction in Athletics' net position as of July 1, 2014. Additional information regarding net pension liabilities, related deferrals and pension expense is provided in Note 9.

Newly Issued Accounting Pronouncements

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 (FY2016)—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016 (FY2017).

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Notes to Financial Statements
For the Years Ended June 30, 2016 and June 30, 2015

(In thousands)

In June 2015, the GASB issued Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statements 74 and 75 establish new accounting and reporting standards for other postemployment benefits (OPEB), such as health insurance provided to retirees. Under the new standards, governments that participate in OPEB plans will be required to report in their statement of net position a net OPEB liability, which is the difference between the total OPEB liability and the assets set aside to pay OPEB. Statement 74, which applies to plans (such as OPERS and STRS-Ohio), is effective for periods beginning after June 15, 2016 (FY2017). Statement 75, which applies to plan participants (including the university), is effective for periods beginning after June 15, 2017 (FY2018).

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This standard amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The standard is effective for financial statements for fiscal years beginning after December 15, 2015 (FY2017).

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. Statement 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. These criteria were formerly based on SEC regulations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015 (FY2016), except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015 (FY2017).

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. This standard expands the blending criteria in Statement 14 to require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The standard is effective for financial statements for fiscal years beginning after June 15, 2016 (FY2017).

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This standard requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. It also requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. In general, revenue recognition related to these agreements will be delayed until a specified event occurs (such as the death of the lead beneficiary). The standard is effective for financial statements for fiscal years beginning after December 15, 2016 (FY2018).

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In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. This standard addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The standard is effective for financial statements for fiscal years beginning after June 15, 2016 (FY2017).

University management has elected to early-implement Statement 82 in FY2016 and is currently assessing the impact that implementation of GASB Statements 73, 74, 75, 78, 79, 80 and 81 will have on Athletics' financial statements.

Other

As a Department of the university, Athletics 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.

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2016 and June 30, 2015

(In thousands)

3. INVESTMENTS

Athletics endowment investments are maintained in the university's Long-Term Investment Pool, and as such, all endowment investments are held by the University. The pool consists of more than 5,275 named funds. Each named fund in the Long-Term Investment Pool 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 Athletics' mission.

The university holds certain types of alternative investment funds, including limited partnerships and private equity, which are carried at the net assets value provided by the management of these funds. 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 investment held by the fund.

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, 2016, the original cost and market value of Athletics' endowment investments were \$81,290 and \$79,055 respectively. At June 30, 2015, the original cost and market value of Athletics' endowment investments were \$65,219 and \$68,039 respectively

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2016 and June 30, 2015

(In thousands)

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 is summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--------------------------------|------------------------------|------------------|-------------------|---------------------------|
| Improvements | \$ 40,271 | \$ 5,227 | \$ - | \$ 45,498 |
| Buildings | 374,611 | 3,265 | - | 377,876 |
| Moveable equipment | 8,691 | 1,639 | (442) | 9,888 |
| Construction in progress | 662 | 8,478 | (7,993) | 1,147 |
| | <u>424,235</u> | <u>18,609</u> | <u>(8,435)</u> | <u>434,409</u> |
| Less: accumulated depreciation | | | | |
| Improvements | 19,068 | 2,207 | - | 21,275 |
| Buildings | 156,227 | 12,545 | - | 168,772 |
| Moveable equipment | 4,824 | 713 | (428) | 5,109 |
| | <u>180,119</u> | <u>15,465</u> | <u>(428)</u> | <u>195,156</u> |
| Capital assets, net | <u>\$ 244,116</u> | <u>\$ 3,144</u> | <u>\$ (8,007)</u> | <u>\$ 239,253</u> |

Capital asset activity for the year ended June 30, 2015 is summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--------------------------------|------------------------------|------------------|--------------------|---------------------------|
| Improvements | \$ 38,906 | \$ 1,365 | \$ - | \$ 40,271 |
| Buildings | 357,201 | 17,410 | - | 374,611 |
| Moveable equipment | 8,333 | 703 | (345) | 8,691 |
| Construction in progress | 12,205 | 7,436 | (18,979) | 662 |
| | <u>416,645</u> | <u>26,914</u> | <u>(19,325)</u> | <u>424,235</u> |
| Less: accumulated depreciation | | | | |
| Improvements | 16,804 | 2,264 | - | 19,068 |
| Buildings | 144,156 | 12,071 | - | 156,227 |
| Moveable equipment | 4,653 | 533 | (362) | 4,824 |
| | <u>165,613</u> | <u>14,868</u> | <u>(362)</u> | <u>180,119</u> |
| Capital assets, net | <u>\$ 251,032</u> | <u>\$ 12,046</u> | <u>\$ (18,963)</u> | <u>\$ 244,116</u> |

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2016 and June 30, 2015

(In thousands)

5. LONG-TERM DEBT

University Notes Payable

The university has issued notes payable to Athletics through Memorandums of Understanding ("MOUs") which document the principal, interest charges and repayment terms as well as any other conditions or covenants. The current notes have been issued at fixed interest rates with no premium or discount on the debt. At the end of fiscal year 2016, two notes were restructured with new interest and repayment terms.

Long-term debt activity for the year ended June 30, 2016 is summarized as follows:

| | Beginning | | | Ending | |
|---------------------------------|-------------------|------------------|-------------------|------------------|------------------------|
| | Balance | Additions | Reductions | Balance | Current Portion |
| Notes payable to the university | | | | | |
| 1999, 4.75% through 2046 | \$ 26,385 | \$ - | \$ 1,464 | \$ 24,921 | \$ 384 |
| 2002, 4.74% through 2031 | 5,389 | - | 221 | 5,168 | 231 |
| 2002, 4.75% through 2047 | 108,516 | - | - | 108,516 | - |
| 2005, 4.14% through 2030 | 12,836 | - | 621 | 12,215 | 648 |
| 2012, 4.25% through 2017 | 340 | - | 212 | 128 | 128 |
| 2014, 4.50% through 2023 | 3,594 | - | 368 | 3,226 | 385 |
| 2014, 4.00% through 2019 | 1,881 | - | 486 | 1,395 | 506 |
| 2014, 4.50% through 2021 | 2,979 | - | 472 | 2,507 | 494 |
| 2014, 4.50% through 2024 | 10,248 | - | 989 | 9,259 | 1,035 |
| 2014, 4.50% through 2024 | 7,875 | - | 781 | 7,094 | 817 |
| 2012, 2.25% through 2016 | 20 | - | 20 | - | - |
| 2014, 2.25% through 2019 | 115 | - | 28 | 87 | 28 |
| 2015, 2.25% through 2020 | 80 | - | 17 | 63 | 17 |
| 2015, 4.50% through 2025 | 4,341 | - | 359 | 3,982 | 376 |
| | <u>\$ 184,599</u> | <u>\$ -</u> | <u>\$ 6,038</u> | <u>\$178,561</u> | <u>\$ 5,049</u> |

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2016 and June 30, 2015

(In thousands)

Long-term debt activity for the year ended June 30, 2015 is summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|---------------------------------|------------------------------|------------------|-------------------|---------------------------|----------------------------|
| Notes payable to the university | | | | | |
| 1999, 5.14% through 2029 | \$ 27,810 | \$ - | \$ 1,425 | \$ 26,385 | \$ 1,465 |
| 2002, 4.74% through 2031 | 5,600 | - | 211 | 5,389 | 221 |
| 2002, 4.74% through 2031 | 112,755 | - | 4,239 | 108,516 | 4,444 |
| 2005, 4.14% through 2030 | 13,432 | - | 596 | 12,836 | 621 |
| 2009, 3.63% through 2014 | 148 | - | 148 | - | - |
| 2010, 3.63% through 2015 | 966 | - | 966 | - | - |
| 2012, 4.25% through 2017 | 543 | - | 203 | 340 | 212 |
| 2014, 4.50% through 2023 | 3,946 | - | 352 | 3,594 | 368 |
| 2014, 4.00% through 2019 | 2,348 | - | 467 | 1,881 | 486 |
| 2014, 4.50% through 2021 | 3,430 | - | 451 | 2,979 | 472 |
| 2014, 4.50% through 2024 | 11,194 | - | 946 | 10,248 | 989 |
| 2014, 4.50% through 2024 | 8,761 | - | 886 | 7,875 | 774 |
| 2010, 3.63% through 2015 | 36 | - | 36 | - | - |
| 2012, 2.25% through 2016 | 39 | - | 19 | 20 | 20 |
| 2012, 2.00% through 2015 | 25 | - | 25 | - | - |
| 2014, 2.25% through 2019 | 142 | - | 27 | 115 | 27 |
| 2015, 2.25% through 2020 | | 88 | 8 | 80 | 17 |
| 2015, 4.50% through 2025 | | 4,400 | 59 | 4,341 | 360 |
| | <u>\$ 191,175</u> | <u>\$ 4,488</u> | <u>\$ 11,064</u> | <u>\$ 184,599</u> | <u>\$ 10,476</u> |

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Notes to Financial Statements
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(In thousands)

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

| | Principal | Interest | Total |
|-----------------|-------------------|-------------------|-------------------|
| 2017 | \$ 5,049 | \$ 8,215 | \$ 13,264 |
| 2018 | 6,817 | 7,965 | 14,782 |
| 2019 | 6,945 | 7,653 | 14,598 |
| 2020 | 6,847 | 7,343 | 14,190 |
| 2021 | 6,956 | 7,026 | 13,982 |
| FY 2022-FY 2026 | 29,028 | 30,657 | 59,685 |
| FY 2027-FY 2031 | 23,945 | 24,931 | 48,876 |
| FY 2032-FY 2036 | 22,463 | 19,537 | 42,000 |
| FY 2037-FY 2041 | 28,176 | 13,588 | 41,764 |
| FY 2042-FY 2046 | 35,713 | 6,051 | 41,764 |
| 2047 | 6,622 | 173 | 6,795 |
| | <u>\$ 178,561</u> | <u>\$ 133,139</u> | <u>\$ 311,700</u> |

6. OPERATING LEASES

Athletics leases various buildings, office space and equipment under operating lease agreements. These facilities and equipment are not recorded as assets on the Statement of Net Position. The total rental expense under these agreements for the years ended June 30, 2016 and 2015 were \$4,701 and \$4,800, respectively. Total rental expense is reported in supplies and services on the Statements of Revenues, Expenses and Other Changes in Net Position.

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2016 and June 30, 2015

(In thousands)

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

Year ending June 30,

| | | |
|-----------------|----|--------------|
| 2017 | \$ | 4,870 |
| 2018 | | 300 |
| 2019 | | 145 |
| 2020 | | 145 |
| 2021 | | 145 |
| FY 2022-FY 2026 | | 723 |
| FY 2027-FY 2031 | | 723 |
| FY 2032-FY 2036 | | 723 |
| FY 2037-FY 2041 | | 723 |
| FY 2041-FY 2045 | | 723 |
| FY 2046-FY 2048 | | 289 |
| | \$ | <u>9,509</u> |

7. COMPENSATED ABSENCES

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

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

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

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

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Notes to Financial Statements
For the Years Ended June 30, 2016 and June 30, 2015

(In thousands)

The following schedule summarizes compensated absence activity for the year ended June 30, 2016:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|-----------------------|------------------------------|------------------|-------------------|---------------------------|
| Compensated absences | \$ 3,212 | \$ 469 | \$ 332 | \$ 3,349 |
| Less: current portion | <u>323</u> | | | <u>332</u> |
| | <u>\$ 2,889</u> | | | <u>\$ 3,017</u> |

The following schedule summarizes compensated absence activity for the year ended June 30, 2015:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|-----------------------|------------------------------|------------------|-------------------|---------------------------|
| Compensated absences | \$ 2,990 | \$ 545 | \$ 323 | \$ 3,212 |
| Less: current portion | <u>253</u> | | | <u>323</u> |
| | <u>\$ 2,737</u> | | | <u>\$ 2,889</u> |

8. RELATED PARTY TRANSACTIONS

The university charges Athletics for allocated overhead costs related to financial, student and development department costs and certain other expenses incurred by the university on behalf of Athletics.

Overhead charged to supplies and services expense for the years ended June 30, 2016 and 2015 was \$6,352 and \$6,326 respectively.

Athletics rents office space from the university in the Fawcett Center for Tomorrow located on Olentangy River Road. Lease payments reported in supplies and services for the years ended June 30, 2016 and 2015 were \$1,111 and \$1,079 respectively.

The Jerome Schottenstein Center is a 770,000 square foot multipurpose venue opened in 1998. The capital asset is not included on Athletics' financial statement as the facility is used for a wide range of university purposes. In exchange for the use of the Value City Arena, practice gyms, and office space, Athletics provides services in the areas of marketing, ticket sales, and information technology. Athletics also makes an annual payment under the agreement to the university which is reported in supplies and services. The amounts paid under this agreement for the years ended June 30, 2016 and 2015 were \$2,411 and \$2,363 respectively.

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2016 and June 30, 2015

(In thousands)

The Younkin Success center is a university wide collaboration to provide a variety of services supporting student success to faculty, staff and students. The Student-Athlete Support Services Office (SASSO) within Younkin provides access to service and programs that promote academic, personal and career development and facilitate graduation for over 1,000 student athletes. Athletics payments in support of SASSO for the years ended June 30, 2016 and 2015 were \$3,247 and \$3,037 respectively. The payments are reported in supplies and services.

Recognizing that the national reputation of the Athletics department brings exposure to the university and helps drive the market for licensed products, Athletics is included in the distribution of licensing revenue each year. Royalty and affinity revenue receipts, based on a formula driven allocation of net proceeds, for the years ended June 30, 2016 and 2015 were \$5,996 and \$6,628, respectively.

The Ohio State University Department of Athletics
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9. RETIREMENT PLANS

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

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

Defined Benefit Plans

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

STRS Ohio

275 East Broad Street

Columbus, OH 43215-3371

(614) 227-4090

(888) 227-7877

www.strsoh.org

OPERS

277 East Town Street

Columbus, OH 43215-4642

(614) 222-5601

(800) 222-7377

www.opers.org/investments/cafr.shtml

In accordance with GASB Statement No. 68, employers participating in cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective net pension liabilities of the plans. Although changes in the net pension liability generally are recognized as pension expense in the current period, GASB 68 requires certain items to be deferred and recognized as expense in future periods. Deferrals for differences between projected and actual investment returns are amortized to pension expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 3 to 9 years).

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The collective net pension liabilities of the retirement systems and Athletics' proportionate share of these net pension liabilities as of June 30, 2016 are as follows:

| | <u>STRS-Ohio</u> | <u>OPERS</u> | <u>Total</u> |
|---|------------------|---------------|--------------|
| Net pension liability - all employers | \$ 27,637,075 | \$ 17,272,216 | |
| Proportion of the net pension liability - Athletics | 0.001% | 0.142% | |
| Proportionate share of net pension liability | \$ 172 | \$ 24,610 | \$ 24,782 |

The collective net pension liabilities of the retirement systems and Athletics proportionate share of these net pension liabilities as of June 30, 2015 are as follows:

| | <u>STRS-Ohio</u> | <u>OPERS</u> | <u>Total</u> |
|---|------------------|---------------|--------------|
| Net pension liability - all employers | \$ 24,323,461 | \$ 12,022,615 | |
| Proportion of the net pension liability - Athletics | 0.001% | 0.137% | |
| Proportionate share of net pension liability | \$ 177 | \$ 16,441 | \$ 16,618 |

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2016:

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(In thousands)

| | <u>STRS-Ohio</u> | <u>OPERS</u> | <u>Total</u> |
|--|------------------|-----------------|-----------------|
| Deferred Outflows of Resources: | | | |
| Differences between expected and actual experience | \$ 8 | \$ 5 | \$ 13 |
| Net difference between projected and actual earnings on pension plan investments | - | 7,301 | 7,301 |
| Changes in proportion of university contributions | - | 21 | 21 |
| Employer contributions subsequent to the measurement date | 9 | 1,393 | 1,402 |
| Total | \$ 17 | \$ 8,720 | \$ 8,737 |

| | | | |
|--|--------------|---------------|---------------|
| Deferred Inflows of Resources: | | | |
| Differences between expected and actual experience | \$ - | \$ 526 | \$ 526 |
| Net difference between projected and actual earnings on pension plan investments | 12 | - | 12 |
| Changes in proportion of university contributions | - | 1 | 1 |
| Total | \$ 12 | \$ 527 | \$ 539 |

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2015:

| | <u>STRS-Ohio</u> | <u>OPERS</u> | <u>Total</u> |
|--|------------------|-----------------|-----------------|
| Deferred Outflows of Resources: | | | |
| Differences between expected and actual experience | \$ 2 | \$ - | \$ 2 |
| Net difference between projected and actual earnings on pension plan investments | - | 888 | 888 |
| Employer contributions subsequent to the measurement date | 10 | 1,318 | 1,328 |
| Total | \$ 12 | \$ 2,206 | \$ 2,218 |
| Deferred Inflows of Resources: | | | |
| Differences between expected and actual experience | \$ - | \$ 318 | \$ 318 |
| Net difference between projected and actual earnings on pension plan investments | 33 | - | 33 |
| Total | \$ 33 | \$ 318 | \$ 351 |

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(In thousands)

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ending June 30 as follows:

| | <u>STRS-Ohio</u> | <u>OPERS</u> | <u>Total</u> |
|---------------------|------------------|-----------------|-----------------|
| 2017 | 7 | 2,996 | 3,003 |
| 2018 | (3) | 1,717 | 1,714 |
| 2019 | (3) | 1,853 | 1,850 |
| 2020 | 4 | 1,649 | 1,653 |
| 2021 | - | (6) | (6) |
| 2022 and Thereafter | - | (16) | (16) |
| Total | \$ 5 | \$ 8,193 | \$ 8,198 |

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The following table provides additional details on the pension benefit formulas, contribution requirements and significant assumptions used in the measurement of total pension liabilities for the retirement systems.

| | STRS-Ohio | OPERS |
|-----------------------------------|---|--|
| Statutory Authority | Ohio Revised Code Chapter 3307 | Ohio Revised Code Chapter 145 |
| Benefit Formula | <p>The annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service.</p> <p>Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 and five years of service on August 1, 2026.</p> | <p>Benefits are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.</p> <p>The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.</p> |
| Cost-of-Living Adjustments | <p>With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. For members retiring Aug. 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit.</p> | <p>Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit.</p> |

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2016 and June 30, 2015

(In thousands)

| | STRS-Ohio | OPERS |
|--------------------------------------|---|--|
| Contribution Rates | Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2015, the employer rate was 14% and the member rate was 12% of covered payroll. The statutory employer rate for fiscal 2016 and subsequent years is 14%. The statutory member contribution rate increased to 13% on July 1, 2015 and will increase to 14% on July 1, 2016. | Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 2015, employer rates for the State and Local Divisions were 14% of covered payroll (and 18.1% for the Law Enforcement and Public Safety Divisions). Member rates for the State and Local Divisions were 10% of covered payroll (13% for Law Enforcement and 12% for Public Safety). |
| Measurement Date | June 30, 2015 | December 31, 2015 |
| Actuarial Assumptions | Valuation Date: July 1, 2015 Actuarial Cost Method: Individual entry age Investment Rate of Return: 7.75% Inflation: 2.75% Projected Salary Increases: 2.75% - 12.25% Cost-of-Living Adjustments: 2.00% Simple | Valuation Date: December 31, 2015 Actuarial Cost Method: Individual entry age Investment Rate of Return: 8.00% Inflation: 3.75% Projected Salary Increases: 4.25% - 10.05% Cost-of-Living Adjustments: 3.00% Simple |
| Mortality Rates | RP-2000 Combined Mortality Table (Projection 2022–Scale AA) for Males and Females. Males' ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above. | RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used. |
| Date of Last Experience Study | July 1, 2012 | December 31, 2010 |

The Ohio State University Department of Athletics
Notes to Financial Statements
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(In thousands)

| | STRS-Ohio | OPERS | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------------|--|-----------------------------------|--------------------------|-----------------------------------|-----------------|-------|-------|----------------------|-------|-------|--------------|-------|-------|--------------|-------|-------|-------------|-------|-------|--------------------|------|-------|--------------|-------------|--|--|--------------------|--------------------------|-----------------------------------|--------------|-------|-------|-----------------|-------|-------|-------------|-------|-------|----------------|-------|-------|----------------------|-------|-------|-------------------|-------|-------|--------------|---------------|--|
| Investment Return Assumptions | <p>The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and long-term expected real rate of return for each major asset class are summarized as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Asset Class</th> <th style="text-align: center;">Target Allocation</th> <th style="text-align: center;">Long Term Expected Return*</th> </tr> </thead> <tbody> <tr> <td>Domestic Equity</td> <td style="text-align: center;">31.0%</td> <td style="text-align: center;">8.00%</td> </tr> <tr> <td>International Equity</td> <td style="text-align: center;">26.0%</td> <td style="text-align: center;">7.85%</td> </tr> <tr> <td>Alternatives</td> <td style="text-align: center;">14.0%</td> <td style="text-align: center;">8.00%</td> </tr> <tr> <td>Fixed Income</td> <td style="text-align: center;">18.0%</td> <td style="text-align: center;">3.75%</td> </tr> <tr> <td>Real Estate</td> <td style="text-align: center;">10.0%</td> <td style="text-align: center;">6.75%</td> </tr> <tr> <td>Liquidity Reserves</td> <td style="text-align: center;">1.0%</td> <td style="text-align: center;">3.00%</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">100%</td> <td></td> </tr> </tbody> </table> <p>* Returns presented as geometric means</p> | Asset Class | Target Allocation | Long Term Expected Return* | Domestic Equity | 31.0% | 8.00% | International Equity | 26.0% | 7.85% | Alternatives | 14.0% | 8.00% | Fixed Income | 18.0% | 3.75% | Real Estate | 10.0% | 6.75% | Liquidity Reserves | 1.0% | 3.00% | Total | 100% | | <p>The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The following table displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Asset Class</th> <th style="text-align: center;">Target Allocation</th> <th style="text-align: center;">Long Term Expected Return*</th> </tr> </thead> <tbody> <tr> <td>Fixed Income</td> <td style="text-align: center;">23.0%</td> <td style="text-align: center;">2.31%</td> </tr> <tr> <td>Domestic Equity</td> <td style="text-align: center;">20.7%</td> <td style="text-align: center;">5.84%</td> </tr> <tr> <td>Real Estate</td> <td style="text-align: center;">10.0%</td> <td style="text-align: center;">4.25%</td> </tr> <tr> <td>Private Equity</td> <td style="text-align: center;">10.0%</td> <td style="text-align: center;">9.25%</td> </tr> <tr> <td>International Equity</td> <td style="text-align: center;">18.3%</td> <td style="text-align: center;">7.40%</td> </tr> <tr> <td>Other Investments</td> <td style="text-align: center;">18.0%</td> <td style="text-align: center;">4.59%</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">100.0%</td> <td></td> </tr> </tbody> </table> <p>* Returns presented as arithmetic means</p> | Asset Class | Target Allocation | Long Term Expected Return* | Fixed Income | 23.0% | 2.31% | Domestic Equity | 20.7% | 5.84% | Real Estate | 10.0% | 4.25% | Private Equity | 10.0% | 9.25% | International Equity | 18.3% | 7.40% | Other Investments | 18.0% | 4.59% | Total | 100.0% | |
| Asset Class | Target Allocation | Long Term Expected Return* | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Domestic Equity | 31.0% | 8.00% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| International Equity | 26.0% | 7.85% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Alternatives | 14.0% | 8.00% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fixed Income | 18.0% | 3.75% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Real Estate | 10.0% | 6.75% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Liquidity Reserves | 1.0% | 3.00% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Asset Class | Target Allocation | Long Term Expected Return* | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fixed Income | 23.0% | 2.31% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Domestic Equity | 20.7% | 5.84% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Real Estate | 10.0% | 4.25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Private Equity | 10.0% | 9.25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| International Equity | 18.3% | 7.40% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other Investments | 18.0% | 4.59% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 100.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2016 and June 30, 2015

(In thousands)

| | STRS-Ohio | OPERS | | | | | | | | | | | | |
|---|--|---|-------------------------|------------------------|--------|--------|--------|--|------------------------|-------------------------|------------------------|-----------|-----------|-----------|
| Discount Rate | The discount rate used to measure the total pension liability was 7.75% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015. | The discount rate used to measure the total pension liability was 8.0% for the Traditional Pension Plan, the Combined Plan and the Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. | | | | | | | | | | | | |
| Sensitivity of Net Pension Liability to Changes in Discount Rate | <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">1% Decrease (6.75%)</th> <th style="text-align: center;">Current Rate (7.75%)</th> <th style="text-align: center;">1% Increase (8.75%)</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">\$ 239</td> <td style="text-align: right;">\$ 172</td> <td style="text-align: right;">\$ 115</td> </tr> </tbody> </table> | 1% Decrease (6.75%) | Current Rate (7.75%) | 1% Increase (8.75%) | \$ 239 | \$ 172 | \$ 115 | <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">1% Decrease (7.00%)</th> <th style="text-align: center;">Current Rate (8.00%)</th> <th style="text-align: center;">1% Increase (9.00%)</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">\$ 39,321</td> <td style="text-align: right;">\$ 24,610</td> <td style="text-align: right;">\$ 12,205</td> </tr> </tbody> </table> | 1% Decrease (7.00%) | Current Rate (8.00%) | 1% Increase (9.00%) | \$ 39,321 | \$ 24,610 | \$ 12,205 |
| 1% Decrease (6.75%) | Current Rate (7.75%) | 1% Increase (8.75%) | | | | | | | | | | | | |
| \$ 239 | \$ 172 | \$ 115 | | | | | | | | | | | | |
| 1% Decrease (7.00%) | Current Rate (8.00%) | 1% Increase (9.00%) | | | | | | | | | | | | |
| \$ 39,321 | \$ 24,610 | \$ 12,205 | | | | | | | | | | | | |

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

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(In thousands)

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 9.5% 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.

Summary of Employer Pension Expense

Total pension expense for the year ended June 30, 2016, including employer contributions and accruals associated with recognition of net pension liabilities and related deferrals, is presented below.

| | STRS-Ohio | OPERS | ARP | Total |
|------------------------|------------------|-----------------|-----------------|-----------------|
| Employer Contributions | \$ - | \$ 2,883 | \$ 1,288 | \$ 4,171 |
| GASB 68 Accruals | (30) | 1,863 | | 1,833 |
| Total Pension Expense | \$ (30) | \$ 4,746 | \$ 1,288 | \$ 6,004 |

The Ohio State University Department of Athletics
Notes to Financial Statements
For the Years Ended June 30, 2016 and June 30, 2015

(In thousands)

Total pension expense for the year ended June 30, 2015, including employer contributions and accruals associated with recognition of net pension liabilities and related deferrals, is presented below.

| | STRS-Ohio | OPERS | ARP | Total |
|------------------------|------------------|-----------------|-----------------|-----------------|
| Employer Contributions | \$ 8 | \$ 2,769 | \$ 1,193 | \$ 3,970 |
| GASB 68 Accruals | (3) | (297) | | (300) |
| Total Pension Expense | \$ 5 | \$ 2,472 | \$ 1,193 | \$ 3,670 |

Pension expense is allocated to institutional functions on the Statement of Revenues, Expenses and Other Changes in Net Position.

Post-Retirement Health Care Benefits

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, 2015, STRS Ohio made no allocation of employer contributions for post-employment health care.

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 2015, OPERS allocated 2.0% of the employer contribution rate to fund the health care program for retirees.

**The Ohio State University Department of Athletics
Required Supplementary Information on GASB 68 Pension Liabilities
For the Years Ended June 30, 2016 and June 30, 2015**

(in thousands)

REQUIRED SUPPLEMENTARY INFORMATION

**The Ohio State University Department of Athletics
Required Supplementary Information on GASB 68 Pension Liabilities
For the Years Ended June 30, 2016 and June 30, 2015**

(in thousands)

The Schedule of Athletics' proportionate shares of STRS-Ohio and OPERS net pension liabilities are presented below:

| | 2016 | | 2015 | |
|---|-----------|-----------|-----------|-----------|
| | STRS-Ohio | OPERS | STRS-Ohio | OPERS |
| Schedule of Proportionate Share of the Net Pension Liability | | | | |
| Athletics proportion of the collective net pension liability | 0.001% | 0.142% | 0.001% | 0.137% |
| Athletics proportionate share of the net pension liability | \$ 172 | \$ 24,610 | \$ 177 | \$ 16,441 |
| Athletics covered payroll | \$ 54 | \$ 19,585 | \$ 63 | \$ 18,471 |
| Athletics proportionate share of the net pension liability as a percentage of its covered payroll | 319% | 126% | 281% | 89% |
| Plan fiduciary net position as a percentage of the total pension liability | 72.1% | 81.1% | 74.7% | 86.5% |
| Schedule of Athletics' Contributions | | | | |
| Contractually required contribution | \$ - | \$ 2,883 | \$ 8 | \$ 2,769 |
| Contributions in relation to the contractually required contribution | \$ - | \$ 2,883 | \$ 8 | \$ 2,769 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Athletics covered payroll | \$ - | \$ 20,055 | \$ 54 | \$ 19,283 |
| Contributions as a percentage of covered payroll | | 14.4% | 14.0% | 14.4% |



Report of Independent Auditors 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:

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 Ohio State University Department of Athletics (“Athletics”), a department of The Ohio State University, as of and for the year ended June 30, 2016, appearing on pages 9 to 36, 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 Athletics’ basic financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Athletics’ basic 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.

PricewaterhouseCoopers LLP

November 28, 2016

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The Ohio State University

**Report of Independent Accountants' on
Agreed-Upon Procedures Performed on the
Intercollegiate Athletic Department as
Required by NCAA Bylaw 3.2.4.15 for the
Year Ended June 30, 2016**

The Ohio State University Intercollegiate Athletics Department

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June 30, 2016

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Report of Independent Accountants

To Dr. Michael V. Drake, President
The Ohio State University

We have performed the procedures enumerated below, which were agreed to by the Sr. Vice President for Business and Finance & Chief Financial Officer of The Ohio State University (the "University"), solely to assist you in evaluating whether the accompanying statement of revenues and expenditures for the University's Intercollegiate Athletics Department and related notes to the financial statement for the year ended June 30, 2016 (the "Statement") is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.15 for the year ended June 30, 2016. Management of the University is responsible for the Statement and the compliance with the NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

As discussed in Appendix D to the "2016 Agreed upon Procedures" NCAA guidelines, if a specific reporting category is less than 0.5% of the total revenues or expenditures, no procedures are required to be performed for that specific category, and no procedures were performed.

For purposes of performing these agreed-upon procedures, no exceptions will be reported for differences of \$1,000 or less resulting solely from the rounding of amounts disclosed.

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

1. We obtained from University management the accompanying statement of revenues and expenditures for the year ended June 30, 2016. We obtained University prepared worksheets for each operating revenue and expenditure category on the Statement, which management stated are generated from its general ledger.
 - a. We mathematically recalculated the totals and subtotals included on the Statement.
 - b. We mathematically recalculated the totals and subtotals included in the University prepared worksheets.
 - c. We agreed the unadjusted amounts for each operating revenue and expenditure category included in the University prepared worksheets to the University's General Ledger (Fund Groups 020 and 050 – accounts that begin with a 4 for revenues and accounts that begin with a 6 for expenditures).
 - d. We compared and agreed the amounts for each operating revenue and expenditure category included on the Statement to the adjusted amounts in the University prepared worksheets.
 - e. We inquired of University management as to the nature of the reconciling adjustments reflected in the University prepared worksheets; however no additional procedures were



performed in relation to the reconciling adjustments, nor do we comment as to the completeness or accuracy of the reconciling adjustments reflected by management.

- f. We mathematically recalculated the adjusted amounts (as the sum of the unadjusted amounts and University identified adjustments) for each operating revenue and expenditure category included in the University prepared worksheet.

No exceptions were noted as a result of performing these procedures.

2. We obtained from University management a detailed listing of other operating revenue transactions included in the Statement for the year ended June 30, 2016.
 - a. We mathematically recalculated the totals of each other operating revenue category in the detailed listing.
 - b. We compared and agreed the total of each operating revenue category in the detailed listing to the Statement.
 - c. We haphazardly selected a sample of 15 other operating revenue transactions from the detailed listing and obtained supporting invoices, schedules or underlying agreements from University management. We compared the dollar amount, name, transaction date, and description of the revenue transaction from the detailed listing to the supporting documentation maintained by the University.

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

3. We obtained from University management the June 30, 2016 budget for unrestricted funds and the statement of revenue and expenditures as of June 30, 2015.
 - a. We compared the current year 2016 amounts of each operating revenue and expenditure category included in the Statement to the current year budgeted amounts for unrestricted funds included in the budget obtained from University management.
 - b. We compared the current year 2016 amounts of each operating revenue and expenditure category included in the Statement to the prior year amounts included in the prior year statement of revenue and expenditures.
 - c. For each major revenue account (greater than 10% of total revenues) with variances for either procedure a) or b) over the lesser of \$1,000,000 or 10% of the total revenues, we obtained written explanations from management. We make no comment as to the completeness or accuracy of those explanations.
 - d. For each major expenditure account (greater than 10% of total expenses) with variances for either procedure a) or b) over the lesser of \$1,000,000 or 10% of the total expenses, we obtained written explanations from management. We make no comment as to the completeness or accuracy of those explanations.

Refer to Exhibit B for a listing of variances and the corresponding explanations obtained from University management.

4. We obtained from University management a detailed listing of ticket office sales reports comprising ticket sales revenue for football, men's basketball and women's basketball, including



tickets sold, complimentary tickets provided during the reporting period, and unsold tickets included in the Statement for the year ended June 30, 2016.

- a. We mathematically recalculated the total dollar value and the total attendance figures of the detailed listing.
- b. We compared and agreed the total dollar amount of the detailed listing to the amount of ticket sales included in the Statement.

No exceptions were noted as a result of performing these procedures.

5. We inquired of University management about the University's policy for allocating student fees to intercollegiate athletic programs during the year ended June 30, 2016. Per inquiry with management student fees were not allocated to intercollegiate athletic programs during the year ended June 30, 2016.
6. As the Guarantees (Away Game Sales) revenue category in the Statement is less than 0.5% of the total operating revenues, no procedures were performed for this revenue category, which is in accordance with Appendix D to the "2016 Agreed upon Procedures" NCAA guidelines.
7. We obtained from University management a detailed listing of all contributions received by the University's athletics department during the year ended June 30, 2016.
 - a. We mathematically recalculated the total dollar amount of the detailed listing.
 - b. We compared and agreed the total dollar amount from the detailed listing to the total dollar amount in the "Contributions" line item of the Statement.
 - c. No individual contributions in the detailed listing were greater than 10% of the total contributions; therefore no additional procedures were performed.

No exceptions were noted as a result of performing these procedures.

8. We inquired of University management regarding contributions received by the University's athletics department during the year ended June 30, 2016 that would be categorized as "In Kind" contributions. Per inquiry with management there were no in-kind contributions received by the University's athletics department during the year ended June 30, 2016 that would fall under the category "In Kind" contributions.
9. We inquired of University management regarding documentation or letters received by the University from the state during the year ended June 30, 2016 that would be categorized as "Direct State and Other Government Support". Per inquiry with management there were no such documentation or letters received in support of intercollegiate athletic programs during the year ended June 30, 2016 that would fall under the category "Direct State and Other Government Support."
10. As the Direct Institutional Support revenue category in the Statement is less than 0.5% of the total operating revenues, no procedures were performed for this revenue category, which is in accordance with Appendix D to the "2016 Agreed upon Procedures" NCAA guidelines.



11. As the Transfers to Institution revenue category in the Statement is less than 0.5% of the total operating revenues, no procedures were performed for this category, which is in accordance with Appendix D to the "2016 Agreed upon Procedures" NCAA guidelines.
12. We inquired of University management regarding institutional authorizations issued by University management during the year ended June 30, 2016 that would be categorized as "Indirect Institutional Support". Per inquiry with management there were no institutional authorizations issued by University management to intercollegiate athletic programs during the year ended June 30, 2016 that would fall under the category "Indirect Institutional Support."
13. We obtained from University management a detailed listing of revenue from the University's participation in conference and other tournaments for the year ended June 30, 2016.
 - a. We mathematically recalculated the total dollar value of the detailed listing.
 - b. We compared and agreed the total revenue for the University's participation in conference and other tournaments in the detailed listing to the corresponding amount in the line item "Conference Distributions" included in the Statement.
 - c. We haphazardly selected 5 agreements from the detailed listing and obtained the agreements from University management. We compared and agreed the revenue per the agreement to the detailed listing.

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

14. We obtained from University management a detailed listing of revenue and expense for NCAA distributions for the year ended June 30, 2016. We compared and agreed the dollar amount of NCAA distributions to the "NCAA Distributions" line item in the Statement and to other supporting documentation.

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

15. We obtained from University management a detailed listing of media rights (including broadcast, radio, and television) revenue included in the Statement for the year ended June 30, 2016.
 - a. We mathematically recalculated the total dollar amount of the detailed listing.
 - b. We compared and agreed the total dollar value of the media rights in the detailed listing to the corresponding amount in the line item "Media Rights" included in the Statement.
 - c. We haphazardly selected a sample of 10 transactions from the detailed listing. For each such revenue transaction selected, we obtained the supporting contracts (where applicable) and other supporting documentation from University management and compared and agreed the dollar amounts in the supporting contracts to the amount per the detailed listing.

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



16. We obtained from University management a detailed listing of revenue from the University's royalties, licensing, advertisements and sponsorship agreements for the year ended June 30, 2016.
 - a. We mathematically recalculated the total of the detailed listing.
 - b. We compared and agreed total revenue in the detailed listing to the corresponding amount in the line item "Royalties, Licensing, Advertisements, and Sponsorships" included in the Statement.
 - c. We haphazardly selected a sample of 10 items from the detailed listing and obtained the supporting agreements from University management. We compared and agreed the dollar amount of each selection to the applicable royalty, licensing, advertisement, and sponsorship agreements or other supporting documentation obtained from University management.

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

17. We obtained from University management a detailed listing of revenue from the University's program sales, concessions, novelty sales, and parking for the year ended June 30, 2016.
 - a. We mathematically recalculated the total of the detailed listing.
 - b. We compared and agreed total revenue in the detailed listing to the corresponding amount in the line item "Program Sales, Concessions, Novelty Sales and Parking" included in the Statement.
 - c. We haphazardly selected a sample of 10 items from the detailed listing and obtained the supporting agreements or other supporting documentation from University management. We compared and agreed the dollar amount of each selection to the applicable program sales, concessions, novelty sales, and parking receipt.

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

18. We obtained from University management a summary of revenue related to sports camps included in the caption "Sports Camp Revenues" for the year ended June 30, 2016.
 - a. We mathematically recalculated the total dollar amount of the detailed listing.
 - b. We compared and agreed the total dollar amount of the detailed listing to the line item "Sports Camp Revenue" included in the Statement.
 - c. We haphazardly selected 5 sports camps from the detailed listing and obtained the detailed listing of camp participant from University management. We then haphazardly selected 5 sports camp participants from each of these detailed participant listings and obtained the sports camp registrations from University management (total sample of 25 participants). We compared and agreed the dollar amount of the registration to the dollar amount included in the detailed listing by camp participant.
 - d. For the 5 sports camps selected above, we obtained a detailed listing of cash receipts by camp participants for the year ended June 30, 2016
 - e. We mathematically recalculated the total of the detailed listing of cash receipts by camp participants for those 5 sports camps.



- f. For the 25 camp participants selected above, we obtained a copy of the check or on-line receipt from University management and compared and agreed the dollar amount to the detailed listing of cash receipts by camp participants.

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

19. As the Compensation and Benefits provided by a third party revenue category in the Statement is less than 0.5% of the total operating revenues, no procedures were performed for this category, which is in accordance with Appendix D to the "2016 Agreed upon Procedures" NCAA guidelines.
20. We obtained from University management a detailed listing of athletics restricted endowment accounts and their related activity for the year ended June 30, 2016.
 - a. We mathematically recalculated the total of the detailed listing.
 - b. We compared and agreed the total of the detailed listing to the line item "Athletics Restricted Endowment and Investment Income" included in the Statement.
 - c. We haphazardly selected 10 endowment accounts and obtained the endowment agreements from University management. We compared the classification per the detailed listing to the related endowment agreements based on the existence or absence of donor-imposed restrictions.

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

21. We obtained from University Management a detailed listing of all bowl revenues from post-season bowl participation for the year ended June 30, 2016.
 - a. We mathematically recalculated the total of the detailed listing.
 - b. We compared and agreed the grand total dollar amount to the line item "Bowl Revenues" included in the Statement
 - c. We haphazardly selected 5 bowl revenue transactions from the detail listing and obtained the applicable contracts from University management. We compared and agreed the bowl revenue per the revenue transaction detail to amounts specified in the contracts.

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

22. We obtained from University management a detailed listing of all student athletes who received Institutional Financial Aid and the related dollar amount of the financial aid received for the year ended June 30, 2016 for each sport.
 - a. We mathematically recalculated the grand total of the detailed listing.
 - b. We compared and agreed the grand total dollar amount to the line item "Athletic Student Aid" included in the Statement.



- c. We obtained representations from University management stating the University does not use NCAA's Compliance Assistant Software to prepare athletic aid detail.
- d. As the University doesn't use NCAA's Compliance Assistant Software to populate the NCAA Revenue and Expense report, we haphazardly selected 157 student athletes (20% of total 783 student athletes on athletic aid) from the detailed listing provided by University management. From University management, we then obtained the related student's account detail and award letter (the grant-in-aid agreement referred to as the "tender") for each selected student. We compared and agreed the award dollar amount per the student's account detail to the dollar amount of the award recorded in the University's student information system. We noted that most award letters do not contain a dollar amount but instead contain the % of the full grant awarded to each student, from which the dollar amount of the award can be calculated. We compared the dollar amount of the award per the student's account detail to the dollar amount of award due to the student as calculated using the award letter, noting the dollar amount of charges as reported on the student account detail did not exceed the calculated dollar amount of the award per the award letter.

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

- 23. We obtained from University management a detailed listing of home game guarantee expenses for the year ended June 30, 2016.
 - a. We mathematically recalculated the total dollar amount of the detailed listing.
 - b. We compared and agreed the total dollar amount of the expense for home game guarantees in the detailed listing to the corresponding amount in the expense line item "Guarantees" included in the Statement.
 - c. We haphazardly selected 10 home game guarantee expense from the detailed listing, obtained the related contracts or invoices from University management, and compared and agreed the dollar amount of the guarantee expense on the detailed schedule to dollar amounts specified in the related contracts or invoices.

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

- 24. We obtained from University management a detailed listing of all sports coaches employed by the University and their related salaries for the year ended June 30, 2016.
 - a. We mathematically recalculated the total dollar amount of the detailed listing.
 - b. We compared and agreed the total dollar amount of expense for coaches' salaries in the detailed listing to the corresponding amount in the line item "Coaching Salaries, Benefits, and Bonuses Paid by the University" included in the Statement.
 - c. From the listing of sports coaches employed by the University, we selected the head coaches for football, men's basketball, and women's basketball, and we haphazardly selected 7 of the remaining coaches. We obtained from University management the payroll summary registers for the reporting year for each of the coaches selected and compared and agreed to the related expenses in the detailed listing.
 - d. We obtained from University management the related employment contracts for each of the coaches selected. We compared and agreed the coaches' salaries per the contracts to the



amounts included in the detailed schedule. For any salaries that did not agree, we obtained explanations from management. We make no comment as to the appropriateness of the reconciling items or sufficiency of explanations obtained.

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

25. We obtained from University management a detailed listing of all support staff for athletics and their salaries for the year ended June 30, 2016.
 - a. We mathematically recalculated the total of the detailed listing.
 - b. We compared and agreed the total expense for support staff salaries in the detailed listing to the amount in the line item "Support Staff / Administrative Salaries, Benefits, and Bonuses Paid by the University" included in the Statement.
 - c. We haphazardly selected 25 support staff paid by the University from the detailed listing and obtained the respective contracts from University management. We compared and agreed the dollar amount of the recorded salary and bonus expense per the detailed listing to the respective contracts.
 - d. We obtained and compared and agreed the payroll summary registers for the reporting year for each of the support staff selections to the related expenses in the detailed listing.

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

26. We inquired of University management regarding severance payments issued during the year ended June 30, 2016 that would be categorized as "Severance Payments" within the Statement. Per inquiry with management there were no severance payments made during the year ended June 30, 2016.
27. We obtained from University management a detailed listing of recruiting expenses for the year ended June 30, 2016.
 - a. We mathematically recalculated the total of the detailed listing.
 - b. We compared and agreed the total dollar amount of recruiting expense to the corresponding amount in the line item "Recruiting" included in the Statement.
 - c. Per inquiry with management, the University does not have a separate recruiting policy but has adopted the Big Ten Conference and NCAA recruiting guidelines. We make no comment as to the appropriateness of these policies.

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

28. We obtained from University management a detailed listing of team travel expenses for the year ended June 30, 2016.
 - a. We mathematically recalculated the total of the detailed listing.
 - b. We compared and agreed the total dollar amount of travel expense to the corresponding amount in the line item "Team Travel" included in the Statement.



- c. We obtained a copy of the University's travel policy from University management. We compared the index of the University's travel policies to the NCAA policies to observe that the University policies included each of the topics included in the NCAA policies such as: mode of transportation, vehicle rentals, meal types/team meals, and lodging. We make no comment as to the appropriateness of the detailed policy.

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

29. We obtained from University management a detailed listing of equipment, uniforms and supplies expense for the year ended June 30, 2016.
 - a. We mathematically recalculated the total of the detailed listing.
 - b. We compared and agreed the total dollar amount of equipment, uniforms and supplies expense to the corresponding amount in the line item "Sports Equipment, Uniforms and Supplies" included in the Statement.
 - c. We haphazardly selected 5 transactions from the detailed listing. For each item selected, we obtained the related invoice or other supporting documentation from University management. We compared the dollar amount, name, transaction date, and description of the expense transaction from the detailed listing to the supporting invoice or other supporting documentation maintained by the University.

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

30. We obtained from University management a detailed listing of game expenses for the year ended June 30, 2016.
 - a. We mathematically recalculated the total of the detailed listing.
 - b. We compared and agreed the total dollar amount of game expense to the corresponding amount in the line item "Game Expenses" included in the Statement.
 - c. We haphazardly selected 5 transactions from the detailed listing, and for each item selected, we obtained the related invoice or other supporting documentation from University management. We compared the dollar amount, name, transaction date, and description of the expense transaction from the detailed listing to the supporting invoice or other supporting documentation maintained by the University.

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

31. We obtained from University management a detailed listing of fund raising, marketing, and promotion expense for the year ended June 30, 2016.
 - a. We mathematically recalculated the total of the detailed listing.
 - b. We compared and agreed the total dollar amount of the expense to the corresponding amount in the line item "Fund Raising, Marketing, and Promotion" included in the Statement.
 - c. We haphazardly selected 5 transactions from the detailed listing, and for each item selected, we obtained the related invoice or other supporting documentation from University



management. We compared the dollar amount, name, transaction date, and description of the expense transaction from the detailed listing to the supporting invoice or other supporting documentation maintained by the University.

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

32. We obtained from University management a detailed listing of sports camp expense for the year ended June 30, 2016.
 - a. We mathematically recalculated the total of the detailed listing.
 - b. We compared and agreed the total dollar amount of the expense to the corresponding amount in the line item "Sports Camp Expenses" included in the Statement.
 - c. We haphazardly selected 5 transactions from the detailed listing, and for each item selected, we obtained the related invoice or other supporting documentation from University management. We compared the dollar amount, name, transaction date, and description of the expense transaction from the detailed listing to the supporting invoice or other supporting documentation maintained by the University.

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

33. As the Spirit Groups expenditure category in the Statement is less than 0.5% of the total expenditures, no procedures were performed for this expenditure category, which is in accordance with Appendix D to the "2016 Agreed upon Procedures" NCAA guidelines.
34. We obtained from University management a detailed listing of direct overhead and administrative expense for the year ended June 30, 2016.
 - a. We mathematically recalculated the total of the detailed listing.
 - b. We compared and agreed the total dollar amount of the expense to the corresponding amount in the line item "Direct Overhead and Administrative Expense" included in the Statement.
 - c. We haphazardly selected 10 transactions from the detailed listing, and for each item selected, we obtained the related invoice or other supporting documentation from University management. We compared the dollar amount, name, transaction date, and description of the expense transaction from the detailed listing to the supporting documentation maintained by the University.

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

35. We obtained from University management repayment schedules for all athletic facilities debt service, leases, and rental fees attributable to the University's athletics department as of June 30, 2016.
 - a. We mathematically recalculated the repayment schedules.



- b. We compared the annual maturities of debt to the Memorandums of Understanding provided by University management.
- c. We compared and agreed the total debt outstanding as of June 30, 2016 appearing in the Notes to the Statement to the University's general ledger as of June 30, 2016.
- d. We selected the top two highest facility payments and haphazardly selected 8 additional facility payments from the schedule we obtained from management. We compared the dollar amount, name, and transaction date from the listing to the supporting Memorandums of Understanding or Lease Agreements maintained by the University.

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

36. We obtained from University management a detailed listing of medical expenses and medical insurance for the year ended June 30, 2016.
- a. We mathematically recalculated the total of the detailed listing.
 - b. We compared and agreed the total dollar amount of the expense to the corresponding amount in the line item "Medical Expenses and Medical Insurance" included in the Statement.
 - c. We haphazardly selected 5 transactions from the detailed listing, and for each item selected, we obtained the related invoices or other supporting documentation from University management. We compared the dollar amount, name, transaction date, and description of the expense transaction from the detailed listing to the supporting invoices or other supporting documentation maintained by the University.

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

37. As Membership and Dues expenditure category in the Statement is less than 0.5% of the total expenditures, no procedures were performed for this expense category, which is in accordance with Appendix D to the "2016 Agreed upon Procedures" NCAA guidelines.

38. We obtained from University management a detailed listing of other operating expense transactions included in the Statement for the year ended June 30, 2016.
- a. We mathematically recalculated the totals of each other operating expense category in the detailed listing.
 - b. We compared and agreed the total for other operating expense in the detailed listing to the corresponding amount in the line item "Other Operating Expenses" included in the Statement.
 - c. We haphazardly selected a sample of 15 other operating expense transactions from the detailed listing and obtained invoices from University management. We compared the dollar amount, name, transaction date, and description of the expense transaction from the detailed listing to the supporting documentation maintained by the University.

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



39. As the Support Staff Administrative Salaries Benefits and Bonus Paid by a Third Party expenditure category in the Statement is less than 0.5% of the total expenditures, no procedures were performed for this expenditure category, which is in accordance with Appendix D to the “2016 Agreed upon Procedures” NCAA guidelines.

40. We inquired of University management regarding transactions during the year ended June 30, 2016 that would be categorized as “Coaching Other Compensation and Benefits Paid by a Third Party”. Per inquiry with management there were no such benefits paid during the year ended June 30, 2016 that would fall under the category “Coaching Other Compensation and Benefits Paid by a Third Party.”

41. We inquired of University management regarding transactions during the year ended June 30, 2016 that would be categorized as “Indirect Institutional Support”. Per inquiry with management there were no such transactions during the year ended June 30, 2016 that would fall under the category “Indirect Institutional Support.”

42. We obtained from University management a detailed listing of transfers to institution for the year ended June 30, 2016.
 - a. We mathematically recalculated the total of the detailed listing.
 - b. We compared and agreed the total dollar amount of the transfer to the corresponding amount in the line item “Transfers to Institution” included in the Statement.
 - c. We haphazardly selected 4 transfers from the detailed listing, and for each item selected, we obtained the related agreement or other supporting documentation from University management. We compared the dollar amount, name, transaction date, and description of the transfer from the detailed listing to the supporting agreement or other supporting documentation maintained by the University.

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

43. We obtained a detailed listing of student-athletic meals (non-travel) expenses from University management as of June 30, 2016.
 - a. We mathematically recalculated the total of the detailed listing.
 - b. We compared and agreed the total dollar amount of the expenses to the corresponding amount in the line item “Student-Athlete Meals” included within the Statement.
 - c. We haphazardly selected 5 transactions from the detailed listing. For each item selected, we obtained the related invoice or other corresponding supporting documentation from University management. We compared the dollar amount, name, transaction date, and description of the expense transaction from the detailed listing to the supporting invoice or other supporting documentation maintained by the University.

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



44. We obtained a detailed listing of bowl expenses from University management as of June 30, 2016.
- a. We mathematically recalculated the total of the detailed listing.
 - b. We compared and agreed the total dollar amount of the expenses to the corresponding amount in the line item "Bowl Expense" included within the Statement.
 - c. We haphazardly selected 5 transactions from the detailed listing. For each item selected, we obtained the related invoice or other corresponding supporting documentation from University management. We compared the dollar amount, name, transaction date, and description of the expense transaction from the detailed listing to the supporting invoice or other supporting documentation maintained by the University.

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

45. We obtained the listing of the sports sponsored reported in the NCAA Membership Financial Reporting System and compared and agreed the listing to the squad lists obtained from University management. There were no variances between the NCAA Membership Financial Reporting System and the squad list provided by University management.

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

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

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Statement of Revenues and Expenditures of The Ohio State University as of June 30, 2016. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of The Ohio State University and is not intended to be and should not be used by anyone other than this party.

PricewaterhouseCoopers LLP

November 28, 2016

The Ohio State University Intercollegiate Athletics Department
Statement of Revenues and Expenditures
For the Year Ended June 30, 2016 (unaudited)

| | Football | Men's Basketball | Women's Basketball | Other Sports | Nonprogram Specific | Total |
|---|------------|---------------------|-----------------------|--------------|------------------------|---------------|
| Revenues | | | | | | |
| 1 Ticket Sales | 51,499,114 | 5,958,164 | 422,576 | 745,092 | 2,737,375 | 61,362,320 |
| 2 Direct State or Other Support | - | - | - | - | - | - |
| 3 Student Fees | - | - | - | - | - | - |
| 4 Direct Institutional Support | - | - | 1,874 | 1,392 | 73,873 | 77,139 |
| 5 Less-Transfers to Institution | - | - | (1,874) | (1,392) | (73,873) | (77,139) |
| 6 Indirect Institutional Support | - | - | - | - | - | - |
| Indirect Institutional Support-Athletic Facilities Debt | - | - | - | - | - | - |
| 6A Service, Lease and Rental Fees | - | - | - | - | - | - |
| 7 Guarantees | 350,000 | 225,000 | - | - | - | 575,000 |
| 8 Contributions | 904,266 | 2,143,944 | 159,043 | 1,857,396 | 28,073,456 | 33,138,103 |
| 9 In-Kind | - | - | - | - | - | - |
| 10 Compensation and Benefits provided by a third party | - | - | - | - | 43,772 | 43,772 |
| 11 Media Rights | 18,928,652 | 5,352,011 | - | - | 389,970 | 24,670,633 |
| 12 NCAA Distributions | - | 4,285,133 | 70,485 | 261,434 | 83,786 | 4,700,838 |
| 13 Conference Distributions | 6,627,834 | 765,149 | - | - | - | 7,392,983 |
| 14 Program, Novelty, Parking and Concession Sales | 4,285,402 | 852,574 | 120,189 | 261,882 | 962,201 | 6,482,248 |
| 15 Royalties, Licensing, Advertisements and Sponsorships | 471,435 | 79,199 | 73,874 | 800,204 | 15,757,798 | 17,182,510 |
| 16 Sports Camps Revenues | 542,671 | 79,017 | 48,445 | 1,787,414 | 247,287 | 2,704,834 |
| 17 Athletics Restricted Endowment and Investments Income | 599,697 | 132,536 | 31,323 | 615,969 | 1,539,131 | 2,918,657 |
| 18 Other Operating Revenue | - | - | 149,987 | 178,352 | 6,852,538 | 7,180,877 |
| 19 Bowl Revenues | 2,436,990 | - | - | - | - | 2,436,990 |
| Total Operating Revenues | 86,646,062 | 19,872,727 | 1,075,922 | 6,507,743 | 56,687,313 | 170,789,767 |
| Expenses | | | | | | |
| 20 Athletic Student Aid | 4,026,931 | 530,645 | 677,347 | 13,604,608 | 376,744 | 19,216,275 |
| 21 Guarantees | 3,745,000 | 796,484 | 79,322 | 83,228 | - | 4,704,034 |
| Coaching Salaries, Benefits and Bonuses Paid by the | | | | | | |
| 22 University | 13,008,758 | 4,746,993 | 1,956,148 | 10,626,253 | 0 | 30,338,152 |
| Coaching Other Compensation and Benefits Paid by a | | | | | | |
| 23 Third Party | - | - | - | - | - | - |
| Support Staff Administrative Salaries Benefits and Bonus | | | | | | |
| 24 Paid by the University | 2,899,916 | 542,228 | 378,714 | 1,127,037 | 26,430,596 | 31,378,491 |
| Support Staff Administrative Salaries Benefits and Bonus | | | | | | |
| 25 Paid by a Third Party | - | - | - | - | 43,772 | 43,772 |
| 26 Severance Payments | - | - | - | - | - | - |
| 27 Recruiting | 622,210 | 208,004 | 262,435 | 828,988 | 0 | 1,921,637 |
| 28 Team Travel | 2,016,389 | 1,082,523 | 1,119,262 | 5,354,020 | 247,593 | 9,819,787 |
| 29 Sports Equipment, Uniforms and Supplies | 1,133,503 | 94,560 | 78,109 | 1,993,154 | 432,502 | 3,731,827 |
| 30 Game Expenses | 2,730,248 | 726,823 | 227,814 | 651,087 | 541,928 | 4,877,900 |
| 31 Fund Raising, Marketing and Promotion | - | - | - | - | 1,047,061 | 1,047,061 |
| 32 Sports Camp Expenses | 529,203 | 81,209 | 71,444 | 1,138,453 | 79,321 | 1,899,631 |
| 33 Spirit Groups | - | - | - | - | 265,328 | 265,328 |
| 34 Athletic Facilities Debt Service, Leases and Rental Fees | - | 440,932 | - | 1,489,084 | 15,963,952 | 17,893,968 |
| 35 Direct Overhead and Administrative Expenses | 673,214 | 100,342 | 70,123 | 369,916 | 23,093,778 | 24,307,373 |
| 36 Indirect Institutional Support | - | - | - | - | - | - |
| 37 Medical Expenses and Insurance | - | - | - | - | 1,567,841 | 1,567,841 |
| 38 Memberships and Dues | 7,610 | 140 | 885 | 30,723 | 287,513 | 326,871 |
| 39 Student-Athlete Meals | 1,842,523 | 52,238 | 21,969 | 241,839 | 450,832 | 2,609,401 |
| 40 Other Operating Expenses | 411,536 | 152,361 | 152,878 | 657,698 | 5,654,894 | 7,029,366 |
| 41 Bowl Expense | 3,832,303 | - | - | - | - | 3,832,303 |
| | 37,479,345 | 9,555,482 | 5,096,449 | 38,196,089 | 76,483,654 | 166,811,019 |
| Revenues less Expenses | 49,166,717 | 10,317,245 | (4,020,527) | (31,688,346) | (19,796,341) | 3,978,748 |
| 50 Transfer to Institution | - | - | - | - | 2,418,273 | 2,418,273 |
| 51 Conference Realignment Expense | - | - | - | - | - | - |
| 52 Total Athletics Related Debt | - | - | - | - | 178,560,800 | 178,560,800 |
| 53 Total Institutional Debt | - | - | - | - | 3,373,259,754 | 3,373,259,754 |
| 54 Value of Athletics Dedicated Endowments | - | - | - | - | 79,054,846 | 79,054,846 |
| 55 Value of Institutional Endowments | - | - | - | - | 3,616,562,386 | 3,616,562,386 |
| 56 Total Athletics Related Capital Expenditures | - | - | - | - | 10,615,710 | 10,615,710 |

The Ohio State University Intercollegiate Athletics Department
Notes to Financial Statement
For the Year Ended June 30, 2016 (unaudited)

1. Summary of Presentation Policies

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

2. Contributions

Contribution revenue included in the statement of revenues and expenditures represents gifts given to the Intercollegiate Athletic Department by individuals, corporations, associations, foundations or other organizations during the current reporting year. The amount recorded includes unrestricted gifts and gifts whose donor-imposed restrictions have been met.

3. Athletics Restricted Endowment and Investments Income

The value of endowment distributions and restricted investment income is the total portion allocated to Athletics by the University in the reporting year.

4. Other Sports

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

5. Other Forms of Compensation

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

6. Property, Plant and Equipment

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

The Ohio State University Intercollegiate Athletics Department
Notes to Financial Statement
For the Year Ended June 30, 2016 (unaudited)

Capital Asset activity for the year ended June 30, 2016 as summarized as follows:

| | Balance 6/30/2015 | Additions | Transfers In (Out) | Disposals | Ending 6/30/2016 |
|---|----------------------|--------------|-----------------------|-------------|---------------------|
| Capital assets not being depreciated | | | | | |
| Construction in progress | \$ 663,836 | \$ 8,478,046 | \$ (7,994,038) | \$ - | \$ 1,147,844 |
| Total capital assets not being depreciated | 663,836 | 8,478,046 | (7,994,038) | - | 1,147,844 |
| Capital assets being depreciated | | | | | |
| Buildings | 374,610,389 | 3,265,340 | - | - | 377,875,729 |
| Capital Improvements | 40,270,371 | 5,226,990 | - | - | 45,497,361 |
| Machinery and equipment | 8,690,607 | 1,639,373 | - | (442,011) | 9,887,969 |
| Total capital assets being depreciated | 423,571,367 | 10,131,703 | - | (442,011) | 433,261,059 |
| Total capital assets | 424,235,203 | 18,609,749 | (7,994,038) | (442,011) | 434,408,903 |
| Less: Accumulated Depreciation | | | | | |
| Buildings | 156,226,377 | 12,544,677 | - | - | 168,771,054 |
| Capital Improvements | 9,069,108 | 2,207,098 | - | - | 21,276,206 |
| Machinery and equipment | 4,823,901 | 712,957 | - | (427,809) | 5,109,049 |
| Total accumulated depreciation | 180,119,386 | 15,464,732 | - | (427,809) | 195,156,309 |
| Total capital assets being depreciated, net | 243,451,981 | (5,333,029) | - | (14,202) | 238,104,750 |
| Capital assets, net | \$ 244,115,817 | \$ 3,145,017 | \$ (7,994,038) | \$ (14,202) | \$ 239,252,594 |

7. Long-Term Debt

University Notes Payable

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

| | Principal | Interest | Total |
|------------|----------------|----------------|----------------|
| 2017 | \$ 5,049,054 | \$ 8,215,305 | \$ 13,264,359 |
| 2018 | 6,817,178 | 7,964,935 | 14,782,113 |
| 2019 | 6,944,930 | 7,653,019 | 14,597,948 |
| 2020 | 6,847,372 | 7,342,896 | 14,190,268 |
| 2021 | 6,956,196 | 7,025,928 | 13,982,124 |
| 2022- 2026 | 29,027,536 | 30,656,741 | 59,684,277 |
| 2027- 2031 | 23,945,341 | 24,931,375 | 48,876,716 |
| 2032- 2036 | 22,462,708 | 19,537,455 | 42,000,162 |
| 2037- 2041 | 28,176,296 | 13,588,092 | 41,764,388 |
| 2042- 2046 | 35,712,909 | 6,051,479 | 41,764,388 |
| | 6,621,280 | 171,594 | 6,792,874 |
| | \$ 178,560,800 | \$ 133,138,819 | \$ 311,699,619 |

Exhibits

The Ohio State University Intercollegiate Athletics Department
Exhibit A
Other Operating Revenues

| Description | Exception (Y/N) |
|-------------------------------|----------------------------|
| 1. Rental Income | N |
| 2. Miscellaneous | N |
| 3. Miscellaneous | N |
| 4. Miscellaneous | N |
| 5. Fees & Membership Revenue | N |
| 6. Fees & Membership Revenue | N |
| 7. Instructions | N |
| 8. Food Sales | N |
| 9. Food Sales | N |
| 10. Rental Income | N |
| 11. Miscellaneous | N |
| 12. Fees & Membership Revenue | N |
| 13. Miscellaneous | N |
| 14. Miscellaneous | N |
| 15. Miscellaneous | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit B
Fluctuation Analysis
2016 as compared to 2015

| Line Item | Change | % Change | Management Explanation |
|---|---------------|-----------------|--|
| Operating Revenues: | | | |
| Ticket Sales | (1,787,617) | -3% | Men's basketball decrease largely due to the following contributing factors: strength of schedule and non-conference performance. |
| Operating Expenses: | | | |
| Athletic Student Aid | 1,046,924 | 6% | Increase was caused by the increase in Full Grant-in-Aid amounts allocated to students to cover the cost of attendance. The NCAA passed a new rule in Jan 2015 that became effective for FY16. |
| Coaching Salaries, Benefits and Bonuses Paid by the University | 2,228,624 | 8% | Salaries and benefits increased in FY16 based upon some contractual obligations and championships. |
| Support Staff Administrative Salaries Benefits and Bonus Paid by the University | 3,779,386 | 14% | Includes a \$1.8M adjustment for pension liability in addition to other contractual increases and obligations. |
| Athletic Facilities Debt Service, Leases and Rental Fees | (10,706,422) | -37% | Decrease is due to a shift in FY16 to interest-only payments on Ohio Stadium debt and FY15 repayment of other debts (together totaling \$5.1M), and the reallocation of approximately \$5.6M to the Direct OH & Admin Expenses line in FY16. |
| Direct Overhead and Administrative Expenses | 7,422,471 | 100% | More items were applied to this line in FY16 that were previously included in Athletics Facilities Debt Service, Leases and Rental Fees and Other Operating Expenses. |

The Ohio State University Intercollegiate Athletics Department
Exhibit B
Fluctuation Analysis (continued)
2016 revenues and expenditures, as compared to 2016 unrestricted budget

| Line Item | Change | % Change | Management Explanation |
|---|---------------|-----------------|---|
| Operating Revenues: | | | |
| Ticket Sales | 3,167,866 | 5% | \$3.5M ticket surcharge is not part of the unrestricted budget that gets entered in Peoplesoft; however, the surcharge amount is included within actuals |
| Contributions | 33,138,103 | 100% | Contributions are accounted for in restricted funds, which are not included in the unrestricted budget. |
| Royalties, Licensing, Advertisements and Sponsorships | 9,573,738 | 126% | Royalties of \$6M account for the largest portion of the variance since they are not part of the unrestricted budget entered into Peoplesoft. In addition, there was approximately \$3M in top-side adjustments related to sponsorship agreements that included in-kind equipment and transfers that were reallocated to revenue not originally captured within budgeted figures. |
| Operating Expenses: | | | |
| Athletic Student Aid | 18,719,833 | 12000% | Athletic student aid is paid out of restricted funds, which are not included in the unrestricted budget. |
| Coaching Salaries, Benefits and Bonuses Paid by the University | 30,338,152 | 100% | Coaches and other salaries are budgeted differently than the NCAA report |
| Support Staff Administrative Salaries Benefits and Bonus Paid by the University | (27,510,474) | -47% | Coaches and other salaries are budgeted differently than the NCAA report |
| Athletic Facilities Debt Service, Leases and Rental Fees | 12,337,807 | 222% | \$14.5M debt service is paid out of restricted funds, which are not included in the unrestricted budget. There was also approximately \$2.2M in transfers that were budgeted in this line but were reallocated to another line in FY16 for actuals. |
| Direct Overhead and Administrative Expenses | 6,015,725 | 33% | Some transfer lines were reallocated to this expense line which contributed to the fluctuation. |

The Ohio State University Intercollegiate Athletics Department

Exhibit C

Conference Distributions

| Description | Exception (Y/N) |
|----------------------------------|--------------------|
| 1. Big Ten Revenue Sharing | N |
| 2. MMB Big Ten Rev Sharing | N |
| 3. Big Ten Bowl Dist | N |
| 4. BT FB Champ Game Distribution | N |
| 5. 2016 BigTen MBB Tourn Distrib | N |

The Ohio State University Intercollegiate Athletics Department

Exhibit D

Media Rights

| Description | Exception (Y/N) |
|---|--------------------|
| 1. Big Ten – September ABC/ESPN | N |
| 2. BTN 1 st Quarter Distribution | N |
| 3. B1G Ten TV Dist. - October | N |
| 4. ABC/ESPN Nov TV Rights Fees | N |
| 5. B1G TV Media Rights ESPN/ABC | N |
| 6. B1G FB Champ Game TV – Fox | N |
| 7. BTN 3 rd Qtr Distribution | N |
| 8. BTN 4 th Qtr Distribution | N |
| 9. IMG/WBNS | N |
| 10. IMG WBNS | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit E
Royalties, Licensing, Advertisements and Sponsorships

| Description | Exception (Y/N) |
|---|----------------------------|
| 1. IMG - 1 st Qtr. Rights Fee | N |
| 2. IMG 2 nd Quarter FY16 | N |
| 3. 2015-2016 Med Ctr & The James | N |
| 4. Jan 2016 Nike Supply Agreement | N |
| 5. FY16 IMG Ribbon Board | N |
| 6. IMG FY16 4 TH QTR ~Athletis | N |
| 7. Nike Sponsorship | N |
| 8. FY16 Coke Hold Harmless | N |
| 9. Tickermaster LLC | N |
| 10. Gatorade | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit F
Program, Novelty, Parking and Concession Sales

| Description | Exception (Y/N) |
|---------------------------------|----------------------------|
| 1. Football – WMU Food & Bev | N |
| 2. Levy Concessions ~ May | N |
| 3. Levy ~ Feb 2016 | N |
| 4. WVolleyball Sept. Food & Bev | N |
| 5. Food & Bev WIH October | N |
| 6. FB PARKING | N |
| 7. FB PARKING | N |
| 8. Levy Concessions~June | N |
| 9. Wsoccer Campstore 06/28 | N |
| 10. Ice Rink 11/19 | N |

The Ohio State University Intercollegiate Athletics Department

Exhibit G

Sports Camp Revenues

| Description | Exception (Y/N) |
|---|--------------------|
| 1. Football : Youth Camp (FB) | N |
| 2. Football : Youth Camp (FB) | N |
| 3. Football : Youth Camp (FB) | N |
| 4. Football : Youth Camp (FB) | N |
| 5. Football : Youth Camp (FB) | N |
| 6. Women's Soccer : Elite College ID Clinic I (WSOC) | N |
| 7. Women's Soccer : Elite College ID Clinic I (WSOC) | N |
| 8. Women's Soccer : Elite College ID Clinic I (WSOC) | N |
| 9. Women's Soccer : Elite College ID Clinic I (WSOC) | N |
| 10. Women's Soccer : Elite College ID Clinic I (WSOC) | N |
| 11. Cheerleading : Coed Stunt and College Prep Clinic (Cheer) | N |
| 12. Cheerleading : Coed Stunt and College Prep Clinic (Cheer) | N |
| 13. Cheerleading : Coed Stunt and College Prep Clinic (Cheer) | N |
| 14. Cheerleading : Coed Stunt and College Prep Clinic (Cheer) | N |
| 15. Cheerleading : Coed Stunt and College Prep Clinic (Cheer) | N |
| 16. Men's Wrestling : Turn & Pin Camp (WR) | N |
| 17. Men's Wrestling : Turn & Pin Camp (WR) | N |
| 18. Men's Wrestling : Turn & Pin Camp (WR) | N |
| 19. Men's Wrestling : Turn & Pin Camp (WR) | N |
| 20. Men's Wrestling : Turn & Pin Camp (WR) | N |
| 21. Men's Lacrosse : Young Bucks Camp Session I (MLAX) | N |
| 22. Men's Lacrosse : Young Bucks Camp Session I (MLAX) | N |
| 23. Men's Lacrosse : Young Bucks Camp Session I (MLAX) | N |
| 24. Men's Lacrosse : Young Bucks Camp Session I (MLAX) | N |
| 25. Men's Lacrosse : Young Bucks Camp Session I (MLAX) | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit H
Athletics Restricted Endowment and Investments Income

| Description | Exception (Y/N) |
|--------------------------------------|----------------------------|
| 1. AUTH-Athletics Discretionary E | N |
| 2. AD-BAKER ATHLETIC SCHOL | N |
| 3. AD-BASEBALL ATHL SCH | N |
| 4. AD-BASEBALL SUPPORT FD | N |
| 5. AD-LIFE SKILLS ENDOW FD | N |
| 6. AD-FND-CARDINAL HEALTH | N |
| 7. AD-PHIPPS GOLF COURSE IMPROVEMENT | N |
| 8. AD-Reinhard J&D Wrestling Sch | N |
| 9. AD-Schumaker Trott Ath Sch | N |
| 10. AD-Wirtanen Family Athletic Sc | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit I
Athletics Restricted Endowment and Investments Income

| Description | Exception (Y/N) |
|------------------------------------|----------------------------|
| 1. Conference Distributions | N |
| 2. General Public 111-Ticket Sales | N |
| 3. General Public 111-Ticket Sales | N |
| 4. Miscellaneous | N |
| 5. General Public 111-Ticket Sales | N |

The Ohio State University Intercollegiate Athletics Department

Exhibit J

Athletic Student Aid

| Sel # | Sport | Exception (Y/N) |
|--------------|------------------|----------------------------|
| 1. | Lacrosse | N |
| 2. | Soccer | N |
| 3. | Women's Swimming | N |
| 4. | Lacrosse | N |
| 5. | Golf | N |
| 6. | Golf | N |
| 7. | Gymnastics | N |
| 8. | Gymnastics | N |
| 9. | Ice Hockey | N |
| 10. | Lacrosse | N |
| 11. | Lacrosse | N |
| 12. | Lacrosse | N |
| 13. | Lacrosse | N |
| 14. | Soccer | N |
| 15. | Soccer | N |
| 16. | Soccer | N |
| 17. | Soccer | N |
| 18. | Soccer | N |
| 19. | Tennis | N |
| 20. | Tennis | N |
| 21. | Track | N |
| 22. | Track | N |
| 23. | Volleyball | N |
| 24. | Gymnastics | N |

The Ohio State University Intercollegiate Athletics Department

Exhibit J

Athletic Student Aid

| | | |
|-----|--------------|---|
| 25. | Field Hockey | N |
| 26. | Swimming | N |
| 27. | Swimming | N |
| 28. | Track | N |
| 29. | Track | N |
| 30. | Track | N |
| 31. | Track | N |
| 32. | Soccer | N |
| 33. | Soccer | N |
| 34. | Pistol | N |
| 35. | Rifle | N |
| 36. | Swimming | N |
| 37. | Swimming | N |
| 38. | Diving | N |
| 39. | Softball | N |
| 40. | Gymnastics | N |
| 41. | Track | N |
| 42. | Rowing | N |
| 43. | Baseball | N |
| 44. | Swimming | N |
| 45. | Swimming | N |
| 46. | Softball | N |
| 47. | Soccer | N |
| 48. | Rowing | N |
| 49. | Rowing | N |

The Ohio State University Intercollegiate Athletics Department

Exhibit J

Athletic Student Aid

| | | |
|-----|-----------------------|---|
| 50. | Lacrosse | N |
| 51. | Lacrosse | N |
| 52. | Rifle | N |
| 53. | Rifle | N |
| 54. | Soccer | N |
| 55. | Swimming | N |
| 56. | Field Hockey | N |
| 57. | Field Hockey | N |
| 58. | Swimming | N |
| 59. | Swimming | N |
| 60. | Swimming | N |
| 61. | Rowing | N |
| 62. | Rowing | N |
| 63. | Rowing | N |
| 64. | Rowing | N |
| 65. | Rowing | N |
| 66. | Rowing | N |
| 67. | Baseball | N |
| 68. | Lacrosse | N |
| 69. | Synchronized Swimming | N |
| 70. | Track | N |
| 71. | Lacrosse | N |
| 72. | Lacrosse | N |
| 73. | Lacrosse | N |
| 74. | Lacrosse | N |

The Ohio State University Intercollegiate Athletics Department

Exhibit J

Athletic Student Aid

| | | |
|-----|------------|---|
| 75. | Lacrosse | N |
| 76. | Lacrosse | N |
| 77. | Lacrosse | N |
| 78. | Ice Hockey | N |
| 79. | Track | N |
| 80. | Ice Hockey | N |
| 81. | Ice Hockey | N |
| 82. | Lacrosse | N |
| 83. | Lacrosse | N |
| 84. | Track | N |
| 85. | Lacrosse | N |
| 86. | Ice Hockey | N |
| 87. | Lacrosse | N |
| 88. | Lacrosse | N |
| 89. | Pistol | N |
| 90. | Soccer | N |
| 91. | Track | N |
| 92. | Soccer | N |
| 93. | Baseball | N |
| 94. | Volleyball | N |
| 95. | Volleyball | N |
| 96. | Wrestling | N |
| 97. | Softball | N |
| 98. | Gymnastics | N |
| 99. | Pistol | N |

The Ohio State University Intercollegiate Athletics Department

Exhibit J

Athletic Student Aid

| | | |
|------|-----------------------|---|
| 100. | Pistol | N |
| 101. | Swimming | N |
| 102. | Tennis | N |
| 103. | Track | N |
| 104. | Lacrosse | N |
| 105. | Lacrosse | N |
| 106. | Fencing | N |
| 107. | Baseball | N |
| 108. | Baseball | N |
| 109. | Rifle | N |
| 110. | Fencing | N |
| 111. | Field Hockey | N |
| 112. | Synchronized Swimming | N |
| 113. | Ice Hockey | N |
| 114. | Baseball | N |
| 115. | Baseball | N |
| 116. | Wrestling | N |
| 117. | Rowing | N |
| 118. | Volleyball | N |
| 119. | Fencing | N |
| 120. | Baseball | N |
| 121. | Women's Swimming | N |
| 122. | Women's Swimming | N |
| 123. | Women's Cross Country | N |
| 124. | Synchronized Swimming | N |

The Ohio State University Intercollegiate Athletics Department

Exhibit J

Athletic Student Aid

| | | |
|------|----------------------|---|
| 125. | Football | N |
| 126. | Wrestling | N |
| 127. | Baseball | N |
| 128. | Women's Field Hockey | N |
| 129. | Women's Lacrosse | N |
| 130. | Football | N |
| 131. | Fencing | N |
| 132. | Golf | N |
| 133. | Football | N |
| 134. | Football | N |
| 135. | Fencing | N |
| 136. | Rowing | N |
| 137. | Fencing | N |
| 138. | Rowing | N |
| 139. | Rowing | N |
| 140. | Rowing | N |
| 141. | Soccer | N |
| 142. | Soccer | N |
| 143. | Rowing | N |
| 144. | Soccer | N |
| 145. | Swimming | N |
| 146. | Swimming | N |
| 147. | Women's Lacrosse | N |
| 148. | Lacrosse | N |
| 149. | Women's Swimming | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit J
Athletic Student Aid

| | | |
|-------------|------------------|---|
| 150. | Football | N |
| 151. | Football | N |
| 152. | Women's Swimming | N |
| 153. | Track | N |
| 154. | Swimming | N |
| 155. | Field Hockey | N |
| 156. | Tennis | N |
| 157. | Fencing | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit K
Guarantees (expenses)

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

The Ohio State University Intercollegiate Athletics Department
Exhibit L
Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities

| Sport | Exception (Y/N) |
|----------------------------------|----------------------------|
| 1. Athletics Football | N |
| 2. Athletics Basketball - Men | N |
| 3. Athletics Basketball – Women | N |
| 4. Athletics Baseball – Men | N |
| 5. Athletics Football | N |
| 6. Athletics Golf – Women | N |
| 7. Athletics Gymnastics – Men | N |
| 8. Athletics Soccer – Men | N |
| 9. Athletics Tennis – Women | N |
| 10. Athletics Volleyball - Women | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit M
Support Staff / Administrative Salaries, Benefits, and Bonuses Paid by the
University and Related Entities

| Where employee works within Athletics | Exception (Y/N) |
|--|----------------------------|
| 1. Athletics Football | N |
| 2. Athletics Development Office | N |
| 3. Athletics Basketball – Men | N |
| 4. Athletics Admin and Gen | N |
| 5. Athletics Medical Services | N |
| 6. Athletics Compliance | N |
| 7. Athletics Equipment Care | N |
| 8. Athletics Communication | N |
| 9. Ath Strength/Conditioning | N |
| 10. Event Management | N |
| 11. Athletics Football | N |
| 12. Athletics Football | N |
| 13. Athletics Stadium Maintenance | N |
| 14. Athletics Video Services | N |
| 15. Athletics Admin and Gen | N |
| 16. Athletics Football | N |
| 17. Athletics Ice Hockey – Men | N |
| 18. Woody Hayes Athletic Complex | N |
| 19. Event Management | N |
| 20. Athletics Basketball – Men | N |
| 21. Athletics Basketball – Men | N |
| 22. Athletics Football | N |
| 23. Athletics Ticket Office | N |
| 24. Athletics Football | N |
| 25. Athletics Admin and Gen | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit N
Equipment, Uniforms and Supplies

| Description | Exception (Y/N) |
|----------------------------------|----------------------------|
| 1. Other Supplies | N |
| 2. Other Supplies | N |
| 3. Clinical Supplies | N |
| 4. Equipment and Clothing | N |
| 5. Capitalized Equipment - Other | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit O
Game Expenses

| Description | Exception (Y/N) |
|----------------------|--------------------|
| 1. Police | N |
| 2. Game Day Expenses | N |
| 3. Game Officials | N |
| 4. Game Day Expenses | N |
| 5. Game Day Expenses | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit P
Fundraising, Marketing and Promotion

| Description | Exception (Y/N) |
|----------------------------------|----------------------------|
| 1. Purchased Services – General | N |
| 2. Printing | N |
| 3. Business Meals | N |
| 1. A-21 Entertainment & Gifts | N |
| 2. Capitalized Equipment - Other | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit Q
Sports Camp Expenses

| Description | Exception (Y/N) |
|---------------------------------|--------------------|
| 1. Equipment Rental | N |
| 2. Game Day Expenses | N |
| 3. Insurance | N |
| 4. Space Rentals | N |
| 5. Purchased Services - General | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit R
Direct Overhead and Administrative Expense

| Description | Exception (Y/N) |
|---------------------------------|----------------------------|
| 1. Printing | N |
| 2. Other Supplies | N |
| 3. University Overhead | N |
| 4. University Overhead | N |
| 5. Physical Plant Assessments | N |
| 6. Electricity | N |
| 7. Natural Gas | N |
| 8. Vehicle Repair & Maintenance | N |
| 9. Motor Vehicle Supplies | N |
| 10. Other Supplies | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit S
Athletic Facilities Debt Service, Leases and Rental Fees

| Description | Exception (Y/N) |
|----------------------------------|----------------------------|
| 1. Ohio Stadium Renovation | N |
| 2. Ohio Stadium Renovation | N |
| 3. Ohio Stadium | N |
| 4. Athletics Stadium WP/Concrete | N |
| 5. Stadium Lighting and Seats | N |
| 6. Larkins Hall - Athletics | N |
| 7. Indoor Golf Facility | N |
| 8. Jesse Owens Track | N |
| 9. Space Rentals | N |
| 10. Space Rentals | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit T
Medical Expenses and Medical Insurance

| Description | Exception (Y/N) |
|---------------------------------|----------------------------|
| 1. Clinical Supplies | N |
| 2. Purchased Medical Services | N |
| 3. Health System Transfer-Other | N |
| 4. Clinical Supplies | N |
| 5. Clinical Supplies | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit U
Other Operating Expenses

| Description | Exception (Y/N) |
|------------------------------------|----------------------------|
| 1. Non-Cap Computer Equip | N |
| 2. Travel | N |
| 3. Purchased Services – General | N |
| 4. Seminar & Training Registration | N |
| 5. Business Meals | N |
| 6. COS-Merchandise for Resale | N |
| 7. COS-Merchandise for Resale | N |
| 8. COS-Merchandise for Resale | N |
| 9. COS-Merchandise for Resale | N |
| 10. COS-Merchandise for Resale | N |
| 11. COS-Merchandise for Resale | N |
| 12. COS-Merchandise for Resale | N |
| 13. COS-Printing/Binding | N |
| 14. Laundry & Dry Cleaning | N |
| 15. Purchased Services - General | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit V
Transfers to Institution

| Description | Exception (Y/N) |
|--|----------------------------|
| 1. Cost Containment FY16-Q3 | N |
| 2. 50% of Annual Band Funding / Final 50% Annual Band Funding | N |
| 3. 2016 Library Donation (Part 1) / 2016 Library Donation (Part 2) | N |
| 4. Cost Containment FY16-Q2 | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit W
Student-Athlete Meals

| Vendor | Exception (Y/N) |
|-----------------------------------|----------------------------|
| 1. Levy Restaurants | N |
| 2. Levy Restaurants | N |
| 3. Levy Restaurants | N |
| 4. Levy Restaurants | N |
| 5. Dairy Enterprises Incorporated | N |

The Ohio State University Intercollegiate Athletics Department
Exhibit X
Bowl Expense

| Description | Exception (Y/N) |
|---------------------------------|----------------------------|
| 1. Printing | N |
| 2. Travel | N |
| 3. Student Activity Travel | N |
| 4. Student Activity Travel | N |
| 5. Purchased Services - General | N |

The Ohio State University

Report of Independent Accountants' on Agreed-Upon Procedures Performed on the Statements and Records of Booster Organizations' Expenditures for or on Behalf of the Intercollegiate Athletic Department Required by NCAA Bylaw 3.2.4.15 for the Year Ended June 30, 2016

The Ohio State University Department of Athletics

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June 30, 2016

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Report of Independent Accountants

To Dr. Michael V. Drake, President
The Ohio State University

We have performed the procedures enumerated below, which were agreed to by the Sr. Vice President for Business and Finance & Chief Financial Officer of The Ohio State University (the "University"), solely to assist you in evaluating whether the accompanying statement of receipts/revenues and disbursements/expenditures for affiliated and outside organizations acting on behalf of the department of athletics of the University for the year ended June 30, 2016 (the "Statement") is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.15 for the year ended June 30, 2016. Management of the University is responsible for the Statement and the compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

1. We obtained from University management a list of all University booster group activities, for both independent and affiliated organizations (including alumni organizations), that have a principal purpose of generating funds for the University's athletics department, during the year ended June 30, 2016. Refer below for the listing obtained from management. The procedures listed below were performed for all organizations identified by management as having been active for all or a portion of the fiscal year ended June 30, 2016.
 - a. We requested of management and obtained the financial statements for affiliated organizations as of June 30, 2016 and compared and agreed each of the cash receipts/revenue and disbursements/expenditure amounts appearing in the financial statements of the affiliated organizations to the corresponding amounts included in the accompanying Statement. No exceptions were noted as a result of performing this procedure.
 - b. For five organizations on the listing, we mailed confirmations directly to the officials of each organization requesting they confirm directly back to us the cash receipts/revenue and disbursements/expenditure amounts included in the accompanying Statement. Of the five confirmation requests received, no exceptions were identified. A confirmation was not requested in relation to the Varsity "O" Program Support Fund, as per inquiry of management, this organization is considered to be part of the University. Instead, the cash receipts and disbursements for The Varsity "O" Program Support fund as presented in the



accompanying Statement, were compared and agreed to the University’s general ledger without exception. Refer below for a listing of the organizations subject to these procedures and the results of the procedures performed.

- c. We received a representation letter signed by the Director of Athletics and each of the 30 head coaches of the men’s and women’s varsity sports programs that the booster groups, as listed below, are the only booster groups that support the Department of Athletics as defined in the National Collegiate Athletic Association (“NCAA”) Financial Audit Guidelines. No exceptions were noted.

Listing of Booster Groups/Alumni Organizations

| Name | Exception (Y/N)? |
|---|---------------------|
| 1. The Ohio State University Varsity "O" Women ^{a,d} | N |
| 2. The Buckeye Diamond Club, Inc. | N |
| 3. The Rebounders Club | N |
| 4. The Ohio State University Varsity "O" Men ^{b,d} | N |
| 5. Buckeye Boosters, Inc. | N |
| 6. The Varsity “O” Program Support Fund ^{c,d} | N |

^a – Per inquiry of management, as of January 1, 2016 this organization was no longer affiliated with The Ohio State University.

^b – Per inquiry of management, as of January 1, 2016 this organization was no longer active.

^c – Per inquiry of management, as of January 1, 2016 this organization became affiliated with The Ohio State University.

^d – We make no comment as to the completeness or accuracy of these explanations.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying statement of receipts/revenues and disbursements/expenditures for affiliated and outside organizations acting on behalf of the department of athletics as of June 30, 2016. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of The Ohio State University, and is not intended to be and should not be used by anyone other than this party.

PricewaterhouseCoopers LLP

November 28, 2016

**The Ohio State University Department of Athletics
Receipts/Revenues and Disbursements/Expenditures for
Affiliated and Outside Organizations Acting on Behalf of the Department of
Athletics
For the Year Ended June 30, 2016 (unaudited)**

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

Organizations reporting on a cash receipts and disbursements basis for the year ended June 30, 2016, are as follows:

| Organization | Cash Receipts / Disbursements | | | | | Ending Cash Balance |
|--------------------------------------|-------------------------------|------------------|---|-------------|----|---------------------------|
| | Beginning Cash Balance | Cash Receipts | Contributions To or On Behalf of Program | Other | | |
| The Buckeye Diamond Club | \$ 306,483 | \$ 148,006 | \$ - | \$ (72,782) | \$ | 381,708 |
| The Rebounders Club | 4,723 | 81,542 | (37,500) | (44,436) | | 4,330 |
| Varsity "O" Women | 46,961 | 84,429 | (10,000) | (6,364) | | 115,027 |
| The Varsity "O" Program Support Fund | - | 43,655 | (2,500) | (13,615) | | 27,540 |

Organizations reporting revenues and expenditures for the year ended June 30, 2016, are as follows:

| Organization | Revenues / Expenditures | | | | Net Income (Loss) |
|------------------------|-------------------------|----------------------------------|--------------|----|----------------------|
| | Revenues | To or On Behalf of Program | Other | | |
| Buckeye Boosters, Inc. | \$ 829,918 | \$ (175,000) | \$ (589,204) | \$ | 65,714 |
| The Varsity "O" Men | 14,741 | (400,843) | (41,240) | | (427,342) |

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Dave Yost • Auditor of State

THE OHIO STATE UNIVERSITY DEPARTMENT OF ATHLETICS

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 20, 2016