Ohio State University Physicians, Inc. and Subsidiaries

(A component unit of The Ohio State University)

Consolidated Financial Statements as of and
for the Years Ended June 30, 2012 and 2011, Supplemental Consolidating Schedules as of and
for the Years Ended June 30, 2012 and 2011, and
Independent Auditors' Report

Dave Yost • Auditor of State

Board of Directors
Ohio State University Physicians, Inc. and Subsidiaries
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210

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

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

Dave Yost

Dave Yost
Auditor of State

December 21, 2012

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OHIO STATE UNIVERSITY PHYSICIANS, INC. AND SUBSIDIARIES
(A COMPONENT UNIT OF THE OHIO STATE UNIVERSITY)

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Report of Independent Auditors

To the Board of Directors of
Ohio State University Physicians, Inc.

In our opinion, the accompanying consolidated statements of net assets and the related statements of revenues, expenses, and changes in net assets, and cash flows present fairly, in all material respects, the financial position of The Ohio State University Physicians, Inc. ("OSUP"), a component unit of The Ohio State University as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the OSUP management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2012 on our consideration of OSUP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 3 through 6 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise OSUP's basic financial statements. The consolidating information on pages 30 and 31 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information on pages 30 and 31 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

November 9, 2012

Management's Discussion and Analysis for the Year Ended June 30, 2012 and June 30, 2011 (Unaudited)

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of Ohio State University Physicians, Inc. for the years ended June 30, 2012 and June 30, 2011. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About Ohio State University Physicians

Ohio State University Physicians, Inc. and Subsidiaries ("OSUP"), located in Columbus, Ohio, is a 501c (3) tax-exempt physician organization for the physicians providing medical care, supporting medical research and supporting medical education at The Ohio State University ("the University" or "OSU"). It was incorporated in Ohio in 2002, and the physicians primarily serve communities within the Central Ohio region.

OSUP is the single member of 18 limited liability companies (LLCs). As of June 30, 2012, only 16 of the LLCs are active and included in OSUP's consolidated financial statements and the accompanying supplemental consolidating schedules. In the year ended June 30, 2012 a new LLC was added, OSU Plastic Surgery, which was created out of the OSU Surgery LLC. Two of the LLCs (Anesthesiology and Orthopedics) have been created, but had no business activity through June 30, 2012.

OSUP is governed by a board of trustees who are responsible for oversight of clinical programs, budgets, general administration, and employment of faculty and staff. Effective January 1, 2011 all new faculty members are employed through The Ohio State University Faculty Group Practice (FGP) and are leased back to OSUP. Physicians currently and previously employed through OSUP began integrating through the FGP effective July 1, 2011 and will do so up through January 1, 2013. These physicians will be leased back to OSUP in the same manner as new hires that started after January 1, 2011. This will continue until the integration with OSU FGP is complete, creating an integrated health, research and educational system. Approximately 25 physicians have not integrated and still remain outside of the FGP as of July 1, 2012; more than 830 have integrated.

The following financial statements reflect all assets, liabilities and net assets (equity) of the OSUP. The complete set of entities that are included in the financial report is provided in the Basis of Presentation section of the footnotes to consolidated financial statements.

About the Financial Statements

OSUP presents its financial reports in a "business type activity" format, in accordance with GASB Statement No. 34, Basic Financial Statements – Management's Discussion an Analysis. In addition to this MD&A section, the financial report includes a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, a Statement of Cash Flows and Notes to the Financial Statements.

The Consolidated Statement of Net Assets is OSUP's balance sheet. It reflects the total assets, liabilities and net assets (equity) as of June 30, 2012 and 2011. Liabilities due within one year, and assets available to pay those liabilities are classified as current. Other assets and liabilities are classified as non-current. Investment assets are carried at market value. Capital assets, which include the land, buildings, improvements, and equipment, are shown net of accumulated depreciation.

The Consolidated Statement of Revenue, Expenses and Changes in Net Assets is OSUP's income statement. It details how net assets have increased during the years ended June 30, 2012 and June 30, 2011. Patient care revenue is shown net of allowances for collectability, depreciation is provided for capital assets, and there are required subtotals for operating income and nonoperating income.

The Consolidated Statement of Cash Flows details how cash has increased (or decreased) during the years ended June 30, 2012 and June 30, 2011. It breaks out the sources and uses of OSUP cash into logical categories such as, operating activities, capital financing activities, and investing activities.

Management's Discussion and Analysis for the Year Ended June 30, 2012 and June 30, 2011 (Unaudited)

The Notes to the Consolidated Financial Statements, which follow the financial statements, provide additional details on the numbers in the financial statements. Behind the notes is a section that provides supplemental information to assist the reader in a better understanding of operations.

Financial Highlights and Key Trends

OSUP's net assets (equity) increased $10.3 million to $75.8 million at June 30, 2012, primarily due to increases in patient care revenues of $7.0 million, and increases in other revenue of $7.7 million. The prior year increase in net assets was $7.9 million. Operating expenses grew year over year by $11 million.

Condensed Consolidated Statements of Net Assets

	June 30, 2012	June 30, 2011
Assets		
Current assets	$101,199,109	$89,508,397
Non-current assets	37,777,054	40,999,258
Total assets	$138,976,163	$130,507,655
Liabilities		
Current liabilities	$36,393,970	$34,428,170
Long term liabilities	26,798,328	30,608,563
Total Liabilities	63,192,298	65,036,733
Net Assets		
Unrestricted	75,783,865	65,470,922
Total Net Assets	$138,976,163	$130,507,655

Current assets consist of cash and cash equivalents, short-term investments, accounts receivable, and other assets that are expected to be collected within the year following the balance sheet date. Noncurrent assets consist of property, plant, furnitures, and equipment and other long-term assets with more than a one year expected lifespan. Current liabilities consist of debt that is expected to be liquidated within the year, and long-term liabilities consist of long term debt associated with long term assets with a lifespan of greater than one year.

Cash and cash equivalents decreased $3.4 million verses prior year. The primary reasons for decrease were: the $5.1 million increase in short term investments as funds were moved between investment categories, the $6.2 million increase in accounts receivable- patient care, and the $5 million increase in accounts receivable- other, both net of allowances.

Accounts receivable- patient care, net of allowance increased by $6.2 million which was directly attributable to the implementation of a new electronic medical record system and the growth in net patient care revenue. Accounts receivable- other, net of allowance increased by $5 million associated with the amount receivable from Medicare for "meaningful use" of the electronic medical record system which was implemented in October 2011.

Management's Discussion and Analysis for the Year Ended June 30, 2012 and June 30, 2011 (Unaudited)

Property, plant, furniture, and equipment, net ("PP&E") decreased $1.6 million for the year primarily based upon depreciation taken in excess of assets purchased. PP&E purchases were approximately $1.1 million for the year. Depreciation expense on these assets was $2.5 million.

Investment in affiliates and other assets decreased by $3.2 million in total primarily related to the sale of the Fresenius and Pediatric Academic Associates investments of approximately $3.8 million, and the addition of long term investments primarily in long term CD's.

EPIC ambulatory electronic medical record use agreement is accounted for similar to a lease arrangement and amortized over the useful life of the asset. The physicians of OSUP will fund approximately $11.3 million into this joint project with OSU Health System, and subsequently receive Medicare funding to offset the cost over the next 5 years.

The increase in Current Liabilities as of June 30, 2012 by $2 million came primarily from the growth in amounts due to affiliated entities, primarily The Ohio State University, and are based upon agreements between the LLC's and OSU.

Long term Liabilities decreased $3.8 million associated with payments on the debts associated with buildings, the reduction of debt for the Fresenius investment sale, and the decrease in long term amounts due to affiliated organizations within The Ohio State University.

Statement of Revenue, Expenses, and Changes in Net Assets

The Consolidated Statement of Revenue, Expenses, and Changes in Net Assets presents OSUP's results of operations. A comparison for the years ended June 30, 2012 and 2011 are summarized as follows:

	2012	2011
Patient care revenue - net of bad debt expense	$ 229,278,113	$ 222,230,840
Other revenue	76,026,052	68,370,163
Total Operating Expense	(296,843,494)	(285,826,611)
Operating income	$ 8,460,671	$ 4,774,392
Nonoperating income	1,852,272	3,128,677
Increase in net assets	$ 10,312,943	$ 7,903,069

Average monthly patient visit volumes increased slightly from 140,919 per month in the fiscal year ended June 30, 2011 to 141,007 per month in the fiscal year ended June 30, 2012. Patient volume changes were relatively flat between years.

Other revenue represents both revenue associated with outside health related organizations, and support payments associated with funding of programs deemed important through The Ohio State University. Additionally nonoperating income decreased $1.3 million primarily related to the following sources and uses: rental income increased by $0.6 million, the Columbus Tax abatement increased $0.2 million, the market to market adjustment (non-cash expense) on our swap agreement increased $0.6 million as interest rates dropped, and contributions to the OSU development fund increased by $1 million in Surgery and $0.3 million in Pathology. Additionally Pediatric Academic Associates 49% interest was divested at a loss of $0.9 million. The Fresenius investment of 40% interest was sold at a gain of $1.7 million. OSUP's income from Pediatric Academic Associates and Fresenius in prior year totaled $1.0 million.

Increases in patient care revenues are associated with changes in rates charged and paid for services, service mix changes, as well as volume changes. Patient care revenue increased $7.0 million from FY 2011 to FY 2012.

Operating expenses increased by $11.0 million between June 30, 2012 and June 30, 2011. Approximately $11.7 million of that increase came in physician- related costs. New physicians entering the practice generally take 1-2 years of service to grow their clinical practice before they are considered a mature practice. FYE June 30, 2012 included an increase of 46 physicians into the OSUP/FGP practice, and the prior year added 32 new physicians.

Management's Discussion and Analysis for the Year Ended June 30, 2012 and June 30, 2011 (Unaudited)

Part of our mission is to provide support for The Ohio State University's academic medical services. The community benefit derived by the support to the University in the amounts of $65,086,989 and $60,939,873 as of June 30, 2012 and 2011, respectively, was in support of this mission.

Economic Factors That Will Affect the Future

As in prior years, the Medicare program has automatic cuts that if implemented would mean significant reductions of income for clinical services. Historically Congress has found support to eliminate these automatic cuts before they have become law. For January 1, 2013 these cuts would approximate $16 million annually at the 27.4% reduction in the current law.

Healthcare reform is a source of concern as estimates of payment reductions over time based upon all commercial payers moving to Medicare payment rates would result in as much as a $55 million dollar negative annual impact on revenue. This is phased in over a number of years which will allow time to adjust, however significant operational changes would be necessary to handle such change.

As of July 1, 2012, in excess of 830 physicians have or will integrate into the OSU FGP, which is designed to integrate services across The Ohio State University. These changes will give the organization an improved way to deal with the coming changes in healthcare reimbursement and research funding.

Immediately preceding and after the June 30, 2011 year end, several of the physician practice locations became hospital-based structures which has transferred the cost and reimbursement for the facility component of physician reimbursement over to the OSU Medical Center. These changes have thus far had a positive impact on the bottom line of OSUP and the Medical Center. Net patient care revenue was reduced, as were operating expenses, with these hospital based structures within OSUP.

Future governmental funding for our investment in an electronic medical record system (EPIC) will net OSUP significant funding to pay for the $11.3 million cost incurred by OSUP. The expectation is to recoup more than the direct $11.3 million in system cost over the next 5 years from the stimulus funding set by Congress in prior years. We have received our first payments of approximately $378,000 as of June 30, 2012. Over the next year, we are expecting approximately $5 million in CMS year 1 funding, which began January 1, 2012, for OSUP.

OHIO STATE UNIVERSITY PHYSICIANS, INC. AND SUBSIDIARIES
(A component unit of The Ohio State University)
CONSOLIDATED STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 39,502,576	$ 42,877,674
Short-term investments	7,826,510	2,699,935
Accounts receivable — patient care — net of allowance	38,816,263	32,634,380
Accounts receivable — other — net of allowance	6,932,546	1,948,216
Due from affiliates	6,439,715	6,793,725
Inventories	786,286	1,033,759
Prepaid expenses	894,363	1,518,458
Other current assets	850	2,250
Total current assets	101,199,109	89,508,397
NONCURRENT ASSETS:		
Property, plant, furnitures, and equipment — net of accumulated depreciation ($15,428,940 in 2012 and $13,143,565 in 2011)	23,282,745	24,865,364
Long-term investments	5,106,341	2,050,495
EPIC ambulatory electronic medical record use agreement	7,257,303	8,734,194
Investment in affiliates	-	3,768,449
Other assets	2,130,665	1,580,756
Total noncurrent assets	37,777,054	40,999,258
TOTAL	$ 138,976,163	$ 130,507,655
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 2,992,908	$ 3,227,628
Accrued expenses	1,676,404	763,924
Accrued salaries and wages	9,214,076	13,050,569
Due to affiliates-current portion	14,896,635	9,411,028
Notes payable and capital leases-current portion	810,546	2,187,306
Retirement and health plan accrual	597,821	1,657,602
Other current liabilities	6,205,580	4,130,113
Total current liabilities	36,393,970	34,428,170
LONG TERM LIABILITIES:		
Notes payable and capital leases-less current portion	15,400,102	16,550,648
Due to affiliaties and other- less current portion	7,019,841	9,607,043
Other long term liabilities	4,378,385	4,450,872
Total long term liabilities	26,798,328	30,608,563
COMMITMENTS AND CONTINGENICES(Note 11)		
NET ASSETS- UNRESTRICTED	75,783,865	65,470,922
TOTAL	$ 138,976,163	$ 130,507,655

See notes to consolidated financial statements

OHIO STATE UNIVERSITY PHYSICIANS, INC. AND SUBSIDIARIES

(A component unit of The Ohio State University)

CONSOLIDATED STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

	2012	2011
OPERATING REVENUE:		
Patient care revenue - net of bad debt expense ($17,403,541 in 2012 and $29,598,417 in 2011)	$ 229,278,113	$ 222,230,840
Other revenue	76,026,052	68,370,163
Total operating revenue	305,304,165	290,601,003
OPERATING EXPENSES:		
Salaries and benefits	230,022,389	218,052,827
Supplies and pharmaceuticals	21,038,727	24,351,817
Services	21,868,587	17,056,083
Malpractice	2,683,070	4,346,570
Dean's tax	6,455,058	7,203,989
Occupancy and utilities	6,873,749	7,437,355
Amortization and depreciation	4,178,262	3,470,965
Interest	764,386	996,377
Other expenses	2,959,266	2,910,628
Total operating expenses	296,843,494	285,826,611
Operating income	8,460,671	4,774,392
NONOPERATING INCOME (EXPENSES):		
Interest income	81,681	90,342
Nonoperating income	3,084,433	2,403,869
Income from investments	784,738	969,364
(Loss) on sale of assets	(7,464)	(36,259)
Nonoperating expense	(2,091,116)	(298,639)
Total nonoperating income	1,852,272	3,128,677
INCREASE IN NET ASSETS	10,312,943	7,903,069
NET ASSETS- Beginning of year	65,470,922	57,567,853
NET ASSETS- End of year	$ 75,783,865	$ 65,470,922

See notes to consolidated financial statements

OHIO STATE UNIVERSITY PHYSICIANS, INC. AND SUBSIDIARIES

(A component unit of The Ohio State University)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 and 2011

	2012	2011
Cash flow from operating activites:		
Patient receipts-net	$ 223,350,223	$ 224,538,226
Other receipts	72,840,974	68,603,247
Payments to and on behalf of employees	(234,614,920)	(218,659,317)
Payments to vendors for supplies and services	(38,854,929)	(41,644,318)
Payments on malpractice and dean's tax	(8,741,380)	(13,204,167)
Payments on occupancy and utilities	(6,873,749)	(7,437,355)
Payments on other expenses	(2,552,709)	(2,910,628)
Net cash provided by operating activities	4,553,510	9,285,688
Cash flows from capital financing activities:		
Purchase of capital assets	(1,096,013)	(1,348,890)
Proceeds from sale of capital assets	221,796	-
Proceeds from debt	-	208,778
Payments on capital debts and leases	(2,527,306)	(745,262)
Payments on interest	(764,386)	(996,377)
Net cash used in capital financing activities	(4,165,909)	(2,881,751)
Cash flows from investing activities		
Purchase of other assets	(1,172,864)	(401,867)
Purchase of investments	(16,575,537)	(12,401,932)
Proceeds from sale of investments	8,393,116	13,167,479
Procceds from sale of other assets	5,499	-
Interest income	81,681	90,342
Rental income	2,334,393	2,403,869
Non operating expense	(1,400,399)	(298,639)
Proceeds from sale of affiliate investment	4,571,412	-
Net cash provided by (used in) investing activities	(3,762,699)	2,559,252
Net Increase (Decrease) in Cash	(3,375,098)	8,963,189
Cash and cash equivalents- Beginning of year	42,877,674	33,914,485
Cash and cash equivalents-End of year	$ 39,502,576	$ 42,877,674

See notes to consolidated financial statements

OHIO STATE UNIVERSITY PHYSICIANS, INC. AND SUBSIDIARIES

(A component unit of The Ohio State University)
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED JUNE 30, 2012 and 2011

	2012	2011
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 8,460,671	$ 4,774,392
Adjustments to reconcile net operating income to net cash		
Amortization and depreciation	4,178,262	3,470,965
Interest	764,386	996,377
Bad debt-non patient	406,557	-
Changes in assets and liabilities:		
Accounts receivable-patient care - net of allowance	(6,181,883)	1,725,767
Accounts receivable- other - net of allowance	(4,984,330)	581,619
Due from affiliates	354,010	278,305
Note receivable	1,400	5,612
Inventories	247,473	30,087
Prepaid expenses	624,095	(680,988)
Accounts payable	(234,720)	54,292
Due to affiliates	2,898,405	(1,653,608)
Accrued salaries and wages	(3,836,493)	(113,566)
Retirement and health plans accrual	(1,059,781)	(492,924)
Accrued expenses	912,480	354,579
Other liabilities	2,002,978	(45,221)
Net cash provided by operating activities	$ 4,553,510	$ 9,285,688

See notes to consolidated financial statements

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Ohio State University Physicians, Inc. and subsidiaries ("OSUP") located in Columbus, Ohio, is a 501c (3) tax-exempt physician organization for the physicians providing medical care and supporting medical research and medical education at The Ohio State University (the University). It was incorporated in Ohio in 2002, and the physicians primarily serve communities within the Central Ohio region.

OSUP is the single member of 18 limited liability companies (LLCs). As of June 30, 2012, only 16 of the LLCs are active and included in the consolidated financial statements and the accompanying supplemental consolidating schedules. Two of the LLCs (Anesthesiology and Orthopedics) have been created, but had no business activity through June 30, 2012.

Basis of Presentation - The accompanying financial statements present the activity of the following entities:

Practice Plan	**2012**	**2011**
Family Medicine Foundation, LLC ("FM")	X	X
OSU Emergency Medicine, LLC ("EM")	X	X
OSU Eye Physicians and Surgeons, LLC ("Eye")	X	X
OSU GYN and OB Consultants, LLC ("OBGYN")	X	X
OSU Internal Medicine, LLC ("IM")	X	X
OSU Neuroscience Center, LLC ("Neurology")	X	X
OSU Otolaryngology-Head and Neck Surgery, LLC ("Otolaryngology")	X	X
OSU Pathology, LLC ("Pathology")	X	X
OSU Physical Medicine and Rehabilitation ("Phys Med")	X	X
OSU Plastic Surgery, LLC ("Plastics")	X	
OSU Psychiatry, LLC ("Psychiatry")	X	X
OSU Radiation Oncology, LLC ("Radiation Oncology")	X	X
OSU Radiology, LLC ("Radiology")	X	X
OSU Surgery, LLC ("Surgery")	X	X
OSU Urology, LLC ("Urology")	X	X

OSUP obtains certain unique benefits from its association with the University. The consolidated financial statements of OSUP may not necessarily be indicative of the conditions that would have existed or the results of operations if OSUP had been operated without its affiliation with the University. On October 1, 2011, OSU Plastic Surgery, LLC, a former division of OSU Surgery, LLC, commenced operations as its own separate practice plan.

Principles of Consolidation - The consolidated financial statements include the accounts of OSUP, which are then included in the financial statements of the University because OSUP is a component unit of the University for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39. All significant LLC intercompany balances and transactions have been eliminated in consolidation.

OSUP is reporting as a special purpose entity engaged in business type activities (BTA). Business type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. In accordance with BTA reporting, OSUP presents Management's Discussion and Analysis; Consolidated Statements of Net Assets; Consolidated Statements of Revenue, Expense, and Changes in Net Assets; Consolidated Statements of Cash Flows; and Notes to the Financial Statements.

The financial statements 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"). OSUP has the option of applying pronouncements issued by the Financial Accounting Standards Board ("FASB") after November 30, 1989, provided that such pronouncements do not conflict or contradict GASB pronouncements. OSUP has elected not to apply any FASB pronouncements that conflict with GASB pronouncements after the applicable date.

Certain amounts have been reclassified from the prior year to conform to the current year presentation. These reclassifications had no material impact on the previously reported consolidated financials statements.

Cash and Cash Equivalents — Cash and cash equivalents consist of petty cash, demand deposit accounts, money market accounts, savings accounts and investments with original maturities of three months or less, stated at cost which approximates fair market value.

Short Term and Long Term Investments — OSUP holds investments in money market funds, certificates of deposit extending beyond three months, and corporate bonds. Carrying values approximate fair value as all investments trade at par given the nature of the underlying investments. Fair values for these investments are based on market quotes as applicable, in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Realized gains and losses are calculated based on the type of investment and are included in income (loss) from investments in nonoperating income (expense).

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

Patient Care Accounts Receivable and Net Patient Care Revenues — Net patient care revenue represents amounts received and the estimated net realizable amounts due from patients and third-party payors for services rendered. OSUP provides care to patients under various reimbursable agreements, including Medicare and Medicaid. These arrangements provide for payment of covered services at agreed-upon rates and under certain fee schedules and various discounts from charges. Provisions have been made in the consolidated financial statements for estimated contractual adjustments, representing the difference between the customary charges for services rendered and related reimbursement.

OSUP utilizes the allowance method for providing for the possibility of uncollectible accounts. The allowance is provided based on management's estimate of the collectibility of the accounts receivable as of June 30, 2012 and 2011. The estimates take into consideration historical trends, payment history, and current economic conditions. Actual results could vary from the estimate. Accounts are charged against the allowance when management deems them to be uncollectible. Interest is not charged by OSUP on past due accounts.

Inventories — OSUP's inventory, which consists primarily of prescription drugs and medical supplies, is valued at cost on a first-in, first-out basis.

Property, Plant, Furniture, and Equipment, net — Property, plant, furnitures, and equipment are stated at cost and include assets leased under capitalized lease obligations. Depreciation and amortization are calculated on the straight-line method. The depreciation and amortization methods are designed to amortize the assets over their estimated useful lives. Capitalized lease amortization is included in depreciation expense. Ranges for useful lives by fixed asset category are shown below:

Land and land improvements	2-29 years
Buildings	5-40 years
Furniture and fixtures	5-15 years
Construction in progress	N/A

Maintenance and repairs are charged to expense as incurred. Upon retirement of equipment, the cost is removed from the asset accounts and the related depreciation allowance is adjusted with the difference being charged or credited to non-operating income.

EPIC ambulatory electronic medical record use agreement- OSUP entered into a Software System Use agreement with OSU Medical Center for the purchase of an electronic medical records system (i.e. EPIC). The agreement, treated for accounting purposes similar to a capital lease, was between OSU Health System and OSUP. The total acquisition cost related to OSUP's share of the software and implementation was approximately $11.3 million; these costs were discounted using a rate of 2.5% as of June 30, 2012 and 2011, respectively. This cost is being amortized over no more than seven years, to begin upon effective implementation within a physician's group. At June 30, 2012 and 2011, accumulated amortization was $3.1 million and $1.7 million, respectively

Long-Lived Assets — OSUP continually evaluates whether circumstances have occurred that would indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of such assets may not be recoverable. When factors indicate that such assets should be evaluated for possible impairment, OSUP uses an estimate of the undiscounted cash flows over the remaining life of the asset in measuring whether the asset is recoverable. To date, no such impairments have been necessary.

Professional and General Insurance — On July 1, 2003, OSUP joined with the University Health System, a consolidating organization within The Ohio State University to establish a new self-insurance fund for professional liability claims (Fund II), covering the OSUP physicians as well as Hospitals. The assets and liabilities of Fund II are not reflected in OSUP's financial statements as a result of the retained risk being held by the University. Annual insurance costs are allocated to OSUP by the University and reflected in the Consolidated Statement of Revenue, Expenses, and Changes in Net Assets.

The University has also established a pure captive insurer (Oval Limited) that provides excess coverage over Fund II. Fund II has retention of $4,000,000 per occurrence. Unique to Fund II is aggregate loss of $14,000,000 per year for fiscal years 2010 through 2013. Oval Limited covers up to $55,000,000 per occurrence with a $55,000,000 annual aggregate limit. A portion of the risk written to date is reinsured by a combination of three reinsurance companies rated A by A. M. Best. Oval Limited's net retention is 50% of the first $15,000,000 and 0% for the remaining $40,000,000 per occurrence. Oval Limited's assets and liabilities are consolidated in the financial statements of the University, but are not included in OSUP's financial statements.

There have been no settlements in the past 3 fiscal years which have exceeded the coverage provided by Fund II or Oval Limited. OSUP has not made any additional contributions in the last 3 years beyond its actuarially determined and Self Insurance Board approved premiums.

Derivative Instruments and Hedging Activities — OSUP accounts for all derivative instruments on the balance sheets at fair value. Changes in the fair value (i.e., gains or losses) of OSUP's interest rate swap derivative are recorded each period in the consolidated statements of operations and changes in net assets as a component of non-operating expense.

Operating and Non-Operating Revenues

Net Patient Care Revenue- Net patient care revenue represents amounts received and estimated net realizable amounts due from patients and third-party payers for services rendered. OSUP provides care to patients under various reimbursement agreements, including Medicare and Medicaid. These arrangements provide for payment on covered services at agreed-upon rates, which may result in discounts from charges. Provisions have been made in the consolidated financial statements for estimated contractual adjustments, representing the difference between customary charges and related reimbursements. Additionally charity care, bad debts and other administrative adjustments are recorded as a reduction of gross patient revenues to calculate net patient revenue. Amounts recorded for FY12 and FY11 were as follows:

	2012	2011
Contractual adjustments	$ 375,701,209	$ 344,538,371
Administrative adjustments	5,624,311	5,836,922
Bad debts	17,403,541	29,598,417
Charity care adjustments	26,829,818	11,849,496
	$ 425,558,879	$ 391,823,206

Changes between years for bad debts and charity care adjustments were a result of better upfront identification of patients that qualify for charity care.

Other Revenue — Other revenue (non-patient care revenue) includes contract services, rent, salary recovery, educational and research revenue. This revenue is recognized in accordance with the underlying agreement when it is earned. Based on management's analysis, it was determined that OSUP acts as a principal in these types of transactions. As such, income is shown gross of related expenses in accordance with the applicable accounting guidance.

Charity Care — Care is provided to patients regardless of their ability to pay. A patient is classified as charity care in accordance with policies established by the OSU Health System and OSUP. Because collection of amounts determined to qualify as charity care are not pursued, such amounts are written off as administrative adjustments and not reported as net patient care revenue. OSUP maintains records to identify and monitor the level of charity care provided, including the amount of charges foregone for services furnished. Charity care provision costs as of June 30, 2012 and 2011 are $12,295,683 and $5,632,871, respectively. The cost of charity care is calculated by taking the ratio of operating expenses divided by gross patient revenue.

Federal Income Taxes — OSUP is a not-for-profit corporation and has been recognized as tax exempt pursuant to Section 501c (3) of the Internal Revenue Code. Under a now disregarded legal entity name, OSUP obtained its determination letter on October 21, 1996, in which the Internal Revenue Service stated that the organization was in compliance with applicable requirements of the Internal Revenue Code. OSUP management and legal counsel believe that the organization is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. OSUP has determined no provision for income taxes is necessary nor has been included in the accompanying consolidated financial statements. Any unrelated business income is taxable.

Management Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets including estimated uncollectibles for accounts receivable and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimated Fair Value of Financial Instruments — Carrying values of cash and cash equivalents, receivables, accounts payable, accrued liabilities, and other current liabilities are estimated at approximate fair value because of the short-term maturity. Carrying values of notes payable approximate the fair value due to their variable interest rates. The fair value of derivative instruments are determined based on the terms of the agreement and the underlying data and inputs related to the instrument.

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

1. Financial Accounting Statements Board (FASB) Statements and Interpretations

2. Accounting Principles Board Opinions

3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure

Meaningful Use- The America Recovery and Reinvestment Act of 2009 ("ARRA") established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified electronic health record ("EHR") technology. OSUP recognizes its' EHR incentive payments using a government grant recognition model. OSUP determined the EHR incentive payments are similar to grants that are related to income and recognizes the incentive payments ratably over each meaningful use period. OSUP recognizes the incentive payments when there is reasonable assurance that it will comply with the conditions attached to them and that the grants will be received. The recognition of the income related to the EHR incentive payments is based on management's best estimates and the amounts are subject to change, with such changes impacting the operations in the period in which they occur. Any material changes would be disclosed by OSUP as a change in accounting estimate. OSUP recognized $4.3 million in Other Revenue in the fiscal year ended June 30, 2012.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

During fiscal years 2012 and 2011, cash in accounts that are subject to the Federal Depository Insurance Corporation (FDIC) limits are spread across multiple financial institutions to limit the potential exposure to losses. Noninterest bearing accounts are covered under FDIC for unlimited balances. Amounts invested in interest bearing accounts are spread through other banks primarily in certificate of deposits in amounts less than $250,000.

Maturity of these instruments is generally less than 90 days. As of June 30, 2012 and 2011, no losses have been experienced on these accounts.

OSUP Investments are grouped into two major categories for financial reporting purposes: Short term investments and Long term investments. Short Term Investments are investments that have a maturity of between 90 days and 1 year. Long Term Investments have a maturity of greater than 1 year. All Long Term Investments held at June 30, 2012 and 2011 mature within five years.

	Cash and Cash Equivalents	Short Term Investments	Long Term Investments
2012			
Demand Deposits & Cash	$ 31,422,656	$ -	$ -
Money Market Fund	3,780,563	-	-
Certificates of Deposits (maturing 2012-2014)	4,299,357	7,076,727	2,688,521
Corporate Bonds	-	749,783	2,352,295
Mutual Funds	-	-	65,525
	$ 39,502,576	$ 7,826,510	$ 5,106,341
2011			
Demand Deposits & Cash	$ 28,931,818	$ -	$ -
Money Market Fund	8,185,137	-	-
Certificates of Deposits (maturing 2011-2012)	5,760,719	2,636,103	504,880
Corporate Bonds	-	-	1,545,615
Mutual Funds	-	63,832	-
	$ 42,877,674	$ 2,699,935	$ 2,050,495

Additional Risk Disclosures for Investments

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

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

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

The credit ratings of OSUP's interest-bearing investments at June 30, 2012 and 2011 are as follows:

Credit Rating (S&P)	Total	U.S. Government-FDIC Insured	Corporate Bonds	Mutual Funds
2012				
AAA	$ 12,912,276	$ 9,765,248	$ 3,102,078	$ 44,950
Not Rated	20,575	-	-	20,575
TOTAL	**$ 12,932,851**	**$ 9,765,248**	**$ 3,102,078**	**$ 65,525**
2011				
AAA	$ 4,742,132	$ 3,140,983	$ 1,545,615	$ 55,534
Not Rated	8,298	-	-	8,298
TOTAL	**$ 4,750,430**	**$ 3,140,983**	**$ 1,545,615**	**$ 63,832**

NOTE 3 - PATIENT ACCOUNTS RECEIVABLE AND CONCENTRATIONS OF CREDIT RISK

OSUP grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. Receivables are pledged as a part of the 2010A Bond financing. Patient accounts receivable as of June 30, 2012 and 2011 consist of the following:

	2012	2011
Gross patient accounts receivable	$ 99,550,955	$ 87,677,420
Allowance for contractual adjustments	(51,603,674)	(46,111,947)
Allowance for bad debt	(9,131,018)	(8,931,093)
Total	$ 38,816,263	$ 32,634,380

Risk of loss for third party payors would be based upon contractual obligations, legislative changes, or bankruptcy of the payor. Risk of loss for the patient mix of receivables is related to economic factors of the individual, and thus has a higher reserve for loss based upon our historical indicators. The mix of receivables from patients and third-party payors as of June 30, 2012 and 2011 are as follows:

	2012	2011
Medicare	25%	23%
Medicaid	13%	13%
Commercial/other third-party payors	47%	49%
Patient	15%	15%
Total	100%	100%

Note 4 - PROPERTY, PLANT, FURNITURES, AND EQUIPMENT

The composition of property, plant, furniture, and equipment as of June 30, 2012 is as follows:

	Beginning Balance	Additions	Retirements/ Reductions	Ending Balance
Property, Plant, and Equipment, not being depreciated:				
Land	$ 2,090,595	$ -	$ -	$ 2,090,595
Construction in progress	1,302,963	-	1,302,963	-
Total non-depreciable assets	3,393,558	-	1,302,963	2,090,595
Property, Plant, and Equipment, being depreciated:				
Land improvements	$ 3,150,008	$ 113,857	$ 37,299	$ 3,226,566
Buildings	17,762,256	26,254	-	17,788,510
Equipment	11,192,149	2,111,698	187,552	13,116,295
Furniture and Fixtures	2,510,958	440,495	461,734	2,489,719
Total	$ 34,615,371	$ 2,692,304	$ 686,585	$ 36,621,090
Less: Accumulated Depreciation	(13,143,565)	(2,456,838)	(171,463)	(15,428,940)
Total depreciable assets, net	21,471,806	235,466	515,122	21,192,150
Property, Plant, and Equipment, Net	**$ 24,865,364**	**$ 235,466**	**$ 1,818,085**	**$ 23,282,745**

Depreciation expense for the year ending June 30, 2012 was $2,456,838.

Additions to property, plant, furniture, and equipment, net of retirements and reductions, include $1,302,963 of transfers from construction in progress.

The composition of property, plant, furniture, and equipment as of June 30, 2011 is as follows:

	Beginning Balance	Additions	Retirements/ Reductions	Ending Balance
Property, Plant, and Equipment not being depreciated:				
Land	$ 2,090,595	$ -	$ -	$ 2,090,595
Construction in progress	727,379	702,524	126,940	1,302,963
Total non-depreciable assets	2,817,974	702,524	126,940	3,393,558
Property, Plant, and Equipment being depreciated:				
Land improvements	$ 2,977,059	$ 190,979	$ 18,030	$ 3,150,008
Buildings	18,088,484	38,424	364,652	17,762,256
Equipment	10,849,372	668,358	325,581	11,192,149
Furniture and Fixtures	2,497,998	62,265	49,305	2,510,958
Total	34,412,913	960,026	757,568	34,615,371
Less: Accumulated Depreciation	(11,471,149)	(2,207,803)	(535,387)	(13,143,565)
Total depreciable assets, net	22,941,764	(1,247,777)	222,181	21,471,806
Property, Plant, and Equipment Net	**$ 25,759,738**	**$ (545,253)**	**$ 349,121**	**$ 24,865,364**

Depreciation expense for the year ending June 30, 2011 was $2,207,803.

NOTE 5 - NOTE PAYABLE — LINE OF CREDIT AND LONG TERM DEBT

LINE OF CREDIT - On November 30, 2007, OSUP and each LLC existing at that time, individually and collectively entered into a line of credit agreement with a bank (the "Agreement"). On October 13, 2010, borrowers amended the agreement to extend the maturity of the line of credit to September 30, 2011 and not to make OSU Urology, LLC, per their request, a party to the Agreement on a going forward basis and to have its ability to borrow under the Agreement terminated. In addition, borrowers have agreed to reduce the revolving credit commitment not to exceed $4 million collectively, down from $5 million in 2010, as well as modify the borrowing limits individually. On October 9, 2012, the agreement was amended again to extend the maturity of the line of credit to September 30, 2013. A joinder agreement was executed in fiscal year 2012 adding OSU Plastic Surgery, LLC to the agreement. Each individual LLC is limited to borrow as follows, which are the same amounts as of June 30, 2011, with the exception of OSU Plastic Surgery, LLC discussed above:

	June 30, 2012
OSUP- Corporate	$ 750,000
Family Medicine Foundation, LLC	150,000
OSU Emergency Medicine, LLC	500,000
OSU Eye Physicians and Surgeons, LLC	400,000
OSU GYN and OB Consultants, LLC	500,000
OSU Internal Medicine, LLC	2,000,000
OSU Neuroscience Center, LLC	250,000
OSU Otolaryngology - Head and Neck Surgery, LLC	500,000
OSU Pathology, LLC	500,000
OSU Physical Medicine and Rehabilitation, LLC	100,000
OSU Plastic Surgery, LLC	500,000
OSU Psychiatry, LLC	100,000
OSU Radiation Oncology, LLC	100,000
OSU Radiology, LLC	500,000
OSU Sugery, LLC	1,000,000
OSU Urology, LLC	-

The agreements require monthly interest payments at the bank’s prime rate, less 0.75% (2.75% at June 30, 2012, and 2.69% at June 30, 2011). This agreement is secured by accounts receivable, inventory, deposits, and equipment (not including OSU Eye Physicians & Surgeons, LLC), and is subject to certain restrictive and financial covenants. There were no borrowings on the line of credit as of June 30, 2012 and 2011.

LONG TERM DEBT - A summary of long term debt as of June 30, 2012 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Series 2010A and 2010B Adjustable Rate Demand Healthcare Facilities Revenue Bonds payable to County of Franklin, Ohio. Semiannual installments of principal and interest based on Bond Market Association Index (BMA). Rate as of June 30, 2012 was 4.09%. Bonds due July, 2035	$ 17,030,000	$ -	$ 1,000,000	$ 16,030,000	$ 695,000
Note payable due to monthly installments of principal and interest (LIBOR plus 1.85% as of June 30, 2011), due in February, 2012	1,414,200	-	1,414,200	-	-
Line of credit	-	-	-	-	-
Note payable due in monthly installments of $4,444 principal and interest (LIBOR plus 3.85%, 4.1% as of June 30, 2012) due October, 2013	128,889	-	53,334	75,555	53,333
Capital lease obligations	164,865	-	59,772	105,093	62,213
	$ 18,737,954	$ -	$ 2,527,306	$ 16,210,648	$ 810,546

A summary of long term debt as of June 30, 2011 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Series 2010A and 2010B Adjustable Rate Demand Healthcare Facilities Revenue Bonds payable to County of Franklin, Ohio. Semiannual installments of principal and interest based on Bond Market Association Index (BMA). Rate as of June 30, 2011 was 4.09%. Bonds due July 2035.	$ 17,440,000	$ -	$ 410,000	$ 17,030,000	$ 660,000
Note payable due in monthly installments of principal and interest (LIBOR plus 1.85% as of June 30, 2011), due in February 2012.	1,609,800	-	195,600	1,414,200	1,414,200
Line of credit	-	23,000	23,000	-	-
Note payable due in monthly installments of $4,444 principal and interest (LIBOR plus 3.85%, 4.1% as of June 30, 2011) due October, 2013.	-	185,778	56,889	128,889	53,333
Capital lease obligations	224,638	-	59,773	164,865	59,773
	$ 19,274,438	$ 208,778	$ 745,262	$ 18,737,954	$ 2,187,306

The agreements are secured by accounts receivable, equipment, and fixtures and were subject to certain restrictive and financial covenants. OSUP's $17.0 million bond payable requires a minimum debt service coverage ratio of 1.25 to 1.50 quarterly, which was met for all quarters during 2012 and 2011 and at June 30, 2012 and 2011.

On January 6, 2009, OSUP entered into an interest rate swap (the "swap") agreement. The swap is used to offset the variable interest rate on a portion of the 2010 bond financing obtained for the ambulatory facility in the amount of $16.0 million. Under the agreement, OSUP pays a fixed rate of 4.09% to the bank and receives 30-day BMA rate in effect at the beginning of the month. The transaction is designed to manage OSUP's interest costs and risks associated with the variable interest rate debt. OSUP settles with the bank monthly for the difference between the 4.09% and the 30-day BMA rate in effect at the beginning of the month. The estimated fair value of this agreement, based on various factors contained in the related swap agreement and interest rates including the notional amount of $14.0 million at June 30, 2012 and $14.5 million at June 30, 2011, represents an unrealized loss of $2.4 million and $1.8 million included in other liabilities as of June 30, 2012 and June 30, 2011, respectively.

OSUP records changes in fair value of the swap each quarter in the nonoperating expense section of the Consolidated Statement of Revenue, Expenses, and Changes in Net Assets. For fiscal years 2012 and 2011 a loss of $560,401 and a gain of $28,000 were recorded, respectively. The swap is settled monthly with net payments or receipts under the swap agreement being reflected as interest expense. The termination date of the swap is September 1, 2018.

On March 2, 2007, Internal Medicine entered into a swap agreement fixing the interest rate on a $2,169,000 term loan which was used to fund a 40% interest in the Fresenius Partnership. In July 2011, Internal Medicine sold their investment in Fresenius using a portion of the proceeds from the sale to pay off the $1.4 million loan and swap with Fifth Third (see Note 8).

OSUP did not hold any other position in a derivative instrument and did not have any other hedges outstanding in the current year as defined by GASB 53, *Accounting and Financial Reporting for Derivative Instruments*. OSUP believes the swap value represents fair value.

On September 30, 2010, OSU Otolaryngology-Head and Neck Surgery, LLC issued $160,000, 3.85% plus one month LIBOR rate fixed by the British Bankers Association note for the purpose of purchasing equipment. The note was issued for a 36 month period with a final maturity of October 31, 2013.

Scheduled principal repayments on long term debt as of June 30, 2012, are as follows:

	Principal	Interest	Total
2013	$ 748,333	$ 584,116	$ 1,332,449
2014	747,222	556,514	1,303,736
2015	755,000	529,306	1,284,306
2016	775,000	501,414	1,276,414
2017	800,000	472,788	1,272,788
2018-2022	3,185,000	1,969,598	5,154,598
2023-2027	3,350,000	1,401,482	4,751,482
2028-2032	3,475,000	764,736	4,239,736
2033-2035	2,270,000	148,818	2,418,818
	$ 16,105,555	$ 6,928,772	$ 23,034,327

CAPITAL LEASE OBLIGATIONS

OSUP has capital lease obligations that have varying maturity dates through 2014 and carry implicit interest rates ranging from 4.75% to 12.1%. Lease arrangements are being used to provide partial financing for certain movable equipment. Capital asset balances, net of accumulated amortization of $98,459 and $160,032 as of June 30, 2012 and 2011, respectively, are financed under capital leases. The scheduled maturities of these leases as of June 30, 2012, are as follows:

Years Ending June 30	Capital Lease Obligations
2013	$ 65,290
2014	43,527
Capital lease obligation	108,817
Less amount representing interest under capital leases obligations	(3,724)
Total	$ 105,093

NOTE 6 – OTHER CURRENT AND LONG TERM LIABILITIES

Other liabilities includes deferred revenue, interest rate swap mark to market adjustments, retention bonuses, and due to others. Deferred revenue includes tenant allowances provided to assist with remodeling rented spaces and medical center investments received but not yet earned. Due to others includes patient credit balances prior to refunding. Other current and long term liability activity as of June 30, 2012 and 2011, respectively, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2012					
Deferred Revenue	$ 1,999,264	$ 8,403,719	$ 6,722,675	$ 3,680,308	$ 2,822,499
Interest Rate Swap	1,809,665	609,310	48,909	2,370,066	-
Retention Bonuses	1,334,000	861,368	537,000	1,658,368	835,016
Due to Others	3,438,056	10,722,062	11,284,895	2,875,223	2,548,065
	$ 8,580,985	$ 20,596,459	$ 18,593,479	$ 10,583,965	$ 6,205,580
2011					
Deferred Revenue	$ 2,048,465	$ 1,082,740	$ 1,131,941	$ 1,999,264	$ 1,001,026
Interest Rate Swap	1,837,534	586,280	614,149	1,809,665	-
Retention Bonuses	774,000	560,000	-	1,334,000	-
Due to Others	2,967,192	21,667,969	21,197,105	3,438,056	3,129,087
	$ 7,627,191	$ 23,896,989	$ 22,943,195	$ 8,580,985	$ 4,130,113

NOTE 7 - RELATED-PARTY TRANSACTIONS AND INTERCOMPANY RECEIVABLES AND PAYABLES

OSUP is a component unit of the University. Due to this relationship with the University, related-party transactions are pervasive throughout the Consolidated Statements of Revenues, Expenses and Changes in Net Assets. A summary of the nature of these transactions and related due to/from affiliate balances reported in the Consolidated Statement of Net Assets as of June 30, 2012 and 2011, are as follows:

Due From:

The Ohio State University Health System (the "Health System") — OSUP provides staffing, coding support, and medical directorships at The Ohio State University Hospital and The Ohio State University Hospital East. Also, the Health System has allocated costs for its share of OSUP administration and information services overhead and billed for physician billing services provided to Health System physicians by OSUP's billing services.

The Ohio State University and The Ohio State University College of Medicine and Public Health (COMPH) — OSUP provides staffing, coding support, and medical directorships at The University.

Balances due from each affiliate as of June 30, 2012 and 2011 are as follows:

	2012	2011
Due from the Health System	$ 4,939,820	$ 4,459,627
Due from COMPH	1,506,614	2,348,924
Due from Other	(6,719)	(14,826)
	$ 6,439,715	$ 6,793,725

Due To:

Health System — OSUP pays premiums for the USIF (malpractice) and health insurance to the University Office of the Treasurer. Additionally, OSUP is responsible for certain costs of the EPIC ambulatory electronic medical record (EMR) implementation coordinated through the Health System. As of June 30, 2012 and 2011, OSUP has $10.3 million payable to the Health System for the EPIC EMR implementation. Interest of approximately $543,000 has been accrued through June 30, 2012 on the amount due to the Health System.

COMPH — Under the College of Medicine Medical Practice Plan, OSUP is obligated to contribute to the OSU College of Medicine Academic Enrichment Fund, Teaching and Research Fund ("Academic Enrichment"), and Strategic Initiative Fund. Academic Enrichment is paid to the Dean's office for support of the academic, research, and clinical missions of the College. The Strategic Initiative Fund is comprised of various funds established by the College to support resident education. These funds are paid periodically during the year. Dean's tax and strategic initiative expense as of June 30, 2012 and 2011 are $6,455,057 and $7,203,989, respectively

Balances due to each affiliate as of June 30, 2012 and 2011 are as follows:

	2012	2011
Due to the Health System	$ 14,783,495	$ 11,602,977
Due to COMPH	7,005,850	7,506,842
Due to Other	127,131	(91,748)
	$ 21,916,476	$ 19,018,071

NOTE 8 -INVESTMENT IN OTHER LIMITED LIABILITY CORPORATIONS (LLC)

OSUP had a 40% ownership interest in Fresenius Medical Care-OSUIM Kidney Centers, LLC. In July, 2011, the investment was sold for $4.6 million in proceeds. A gain of $1.7 million, which netted the proceeds against the investment amount of $2.9 million, was recognized in Income from investments on the statement of revenue, expenses, and changes in net assets. A portion of the proceeds were used to pay off the $1.4 million loan held with Fifth Third, including paying off of the swap instrument in place.

OSUP had a 49% ownership interest with Children's Hospital and OSU-Children's Pediatrics, LLC. On December 29, 2011, OSU-Children's Pediatrics LLC was divested, with no proceeds received. A loss of $932 thousand was recorded in Income from investments on the statement of revenue, expenses, and changes of net assets, representing the amount of investment at the time of the divesture.

NOTE 9 - MEDICAL MALPRACTICE CLAIMS

OSUP purchases professional and general liability insurance to cover medical malpractice claims through the University. The University has established a trusteed self-insurance fund for professional liability claims. The University's estimated liability and the related contributions to the University's self-insurance fund for professional liability claims are based upon an independent actuarial determination as of June 30, 2012 and 2011. Premiums are assessed to OSUP based on the physician's specialty and the types of procedures performed. Premiums paid for the years ended June 30, 2012 and 2011 were $2,683,070 and $4,346,570, respectively, net of rebates received.

NOTE 10 - RETIREMENT AND HEALTH PLANS

Retirement benefits are provided for the employees of OSUP through a tax-sheltered 403(b) and 401(a) defined contribution plan administered by an insurance company. OSUP is required to make nondiscretionary contributions of no less than 7.5% under the Interim Retirement Plan; however, some LLCs make an additional discretionary contribution of up to 17.5%, for a range of total employer contributions of 7.5% to 25%. Employees are allowed, but not required, to make contributions to the 403(b) plan. OSUP's share of the cost of these benefits was $7,118,539 and $17,745,927 for the years ended June 30, 2012 and 2011, respectively. Employee contributions were $1,895,792 and $4,755,284 for the years ended June 30, 2012 and 2011, respectively. The reduction in FY12 was directly related to physician integration into the Faculty Practice Group.

OSUP participates in a health insurance plan covering substantially all non-physician employees. All physician employees and certain non-physician employees receive benefits through the health care plan sponsored by the University. Covered services under both plans include medical, dental, and vision benefits, life insurance, and long term disability.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Operating Leases — OSUP leases various equipment and facilities under operating leases expiring at various dates through September 2029. Total rental expense in 2012 and 2011 for all operating leases was approximately $6.1 million and $6.2 million, respectively, which includes leases that operate on a month-to-month basis.

The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2012, that have initial or remaining lease terms in excess of one year.

Year ended June 30	
2013	$ 5,343,371
2014	5,078,258
2015	4,736,543
2016	4,454,296
2017	3,739,078
2018-2022	6,377,839
2023-2027	3,672,603
2028-2029	1,169,165
TOTAL	$ 34,571,153

Litigation — OSUP is involved in litigation arising in the course of business. After consultation with legal counsel, management does not believe that claims and lawsuits individually or in the aggregate will have a material adverse effect on OSUP's future consolidated financial position or results from operations.

Health Care Legislation and Regulation — The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, and reimbursement for patient services. Federal and state government activity has continued with respect to investigations and allegations concerning possible violation of billing regulations by health care providers.

Violations of these regulations could result in the imposition of significant fines and penalties, as well as having a significant effect on reported net income or cash flows.

Management believes that OSUP is in compliance with applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

NOTE 12 - SUBSEQUENT EVENTS

OSUP evaluated events occurring between the end of our most recent fiscal year and November 9, 2012, the date the consolidated financial statements were issued.

* * * * * *

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 Directors of
Ohio State University Physicians, Inc.

We have audited the basic financial statements of The Ohio State University Physicians, Inc. ("OSUP"), a component unit of The Ohio State University, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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Compliance and Other Matters

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

We noted certain matters that we reported to management of OSUP in a separate letter dated October 26, 2012.

This report is intended solely for the information and use of OSUP's management, the Board of Directors, others within the University, and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

November 9, 2012

SUPPLEMENTAL CONSOLIDATING SCHEDULES

OHIO STATE UNIVERSITY PHYSICIANS INC., AND SUBSIDIARIES
(A component unit of The Ohio State University)
CONSOLIDATING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

	OSUP Corporate	FM	EM	Eye	OBGYN	IM	Neurology	Otolaryngology	Pathology	Phys Med
ASSETS										
CURRENT ASSETS:										
Cash and cash equivalents	$ 1,696,673	$ 647,641	$ 2,557,604	$ 2,447,650	$ 2,128,182	$ 6,593,735	$ 998,520	$ 1,617,337	$ 3,009,147	$ 647,386
Short-term investments	869,364	980,000	1,039,654	-	-	1,998,380	-	-	750,835	-
Accounts receivable — patient care - net of allowance	-	-	3,288,241	1,529,857	1,505,827	14,370,688	1,689,993	2,736,839	2,649,953	619,526
Accounts receivable — other - net of allowance	768,712	11,642	145,118	465,636	196,522	2,824,705	202,099	438,932	313,888	423,109
Due from affiliates	1,620,367	-	19,550	897,388	917,576	1,824,172	187,370	49,648	397,999	13,865
Inventories	33,960	-	-	109,975		331,889	247,348	-	-	63,114
Prepaid expenses	485,256	445	708	474	12,304	154,844	5,454	44,135	16,747	1,026
Other current assets	-	-	-	-	-	-	-	-	850	-
Total current assets	5,474,332	1,639,728	7,050,875	5,450,980	4,760,411	28,098,413	3,330,784	4,886,891	7,139,419	1,768,026
NONCURRENT ASSETS:										
Property, plant, furnitures, and equipment-net of accumulated depreciation	13,962,998	-	3,414	2,032,809	1,146,095	4,675,976	51,642	532,010	125,960	14,503
Long term investments	-	740,000	200,036	-	-	1,495,875	-	-	2,670,430	-
EPIC ambulatory electronic medical record use agreement	-	-	457,300	296,101	330,612	2,802,899	365,874	197,050	708,316	209,791
Investment in affiliates	-	-	-	-	-	-	-	-	-	-
Other assets	2,645,834	16,477	40,897	19,683	602,050	181,656	62,537	285,268	834,971	78,926
Total noncurrent assets	16,608,832	756,477	701,647	2,348,593	2,078,757	9,156,406	480,053	1,014,328	4,339,677	303,220
TOTAL	22,083,164	2,396,205	7,752,522	7,799,573	6,839,168	37,254,819	3,810,837	5,901,219	11,479,096	2,071,246
LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES:										
Accounts payable	$ 238,276	$ 40	$ 21,933	$ 20,523	$ 154,997	$ 1,265,061	$ 492,757	$ 139,145	$ 186,522	$ 261,859
Accrued expenses	207,944	21,246	27,966	27,164	119,406	229,369	183,964	17,015	59,047	16,241
Accrued salaries and wages	1,045,330	29,216	151,404	267,905	135,135	2,136,229	270,006	1,294,326	1,489,315	252,594
Due to affiliates — current portion	1,376,988	149,421	1,367,760	3,545,543	630,169	3,519,837	528,354	201,847	1,124,202	487,120
Notes payable and capital leases — current portion	695,000	-	-	-	-	62,213	-	53,333	-	-
Retirement and health plans accrual	24,878	3,210	98,912	(2,081)	5,383	173,814	30,067	8,413	221,243	2,457
Other current liabilities	281,905	3,497	49,126	86,020	2,191,462	1,351,171	254,796	226,049	219,423	40,210
Total current liabilities	3,870,321	206,630	1,717,101	3,945,074	3,236,552	8,737,694	1,759,944	1,940,128	3,299,752	1,060,481
LONG-TERM LIABILITIES:										
Notes payable and capital leases — less current portion	15,335,000	-	-	-	-	42,880	-	22,222	-	-
Due to affiliates and other — less current portion	670,995	-	284,749	1,868,387	681,725	3,324,282	256,142	169,361	573,753	154,078
Other long term liabilities	3,122,783	-	-	-	437,978	-	-	-	-	-
Total long term liabilities	19,128,778	-	284,749	1,868,387	1,119,703	3,367,162	256,142	191,583	573,753	154,078
COMMITMENTS AND CONTINGENCIES (Note 11)										
NET ASSETS — Unrestricted	(915,935)	2,189,575	5,750,672	1,986,112	2,482,913	25,149,963	1,794,751	3,769,508	7,605,591	856,687
TOTAL	$ 22,083,164	$ 2,396,205	$ 7,752,522	$ 7,799,573	$ 6,839,168	$ 37,254,819	$ 3,810,837	$ 5,901,219	$ 11,479,096	$ 2,071,246

	Plastic Surgery	Psychiatry	Radiation Oncology	Radiology	Surgery	Urology	Aggregated	Eliminations	Total
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents	$ 1,177,722	$ 1,710,438	$ 4,414,521	$ 1,856,848	$ 4,932,404	$ 3,063,283	$ 39,499,091	$ 3,485	$ 39,502,576
Short-term investments	-	-	739,377	-	249,927	1,198,973	7,826,510	-	7,826,510
Accounts receivable — patient care - net of allowance	1,012,835	256,208	1,133,466	2,897,030	4,017,529	1,108,271	38,816,263	-	38,816,263
Accounts receivable — other - net of allowance	-	398,889	-	-	678,017	65,277	6,932,546	-	6,932,546
Due from affiliates	14,164	1,081,897	10,013	119,039	591,003	10,208	7,754,259	(1,314,544)	6,439,715
Inventories	-	-	-	-	-	-	786,286	-	786,286
Prepaid expenses	8,991	182	88	334	187,135	1,261	919,384	(25,021)	894,363
Other current assets	-	-	-	-	-	-	850	-	850
Total current assets	2,213,712	3,447,614	6,297,465	4,873,251	10,656,015	5,447,273	102,535,189	(1,336,080)	101,199,109
							-		-
NONCURRENT ASSETS:									
Property, plant, furnitures, and equipment-net of accumulated depreciation	93,314	-	-	-	372,183	271,841	23,282,745	-	23,282,745
Long term investments	-	-	-	-	-	-	5,106,341	-	5,106,341
EPIC ambulatory electronic medical record use agreement	119,737	404,906	70,620	505,800	684,216	104,081	7,257,303	-	7,257,303
Investment in affiliates	-	-	-	-	-	-	-	-	-
Other assets	-	17,674	8,530	48,702	83,103	-	4,926,308	(2,795,643)	2,130,665
Total noncurrent assets	213,051	422,580	79,150	554,502	1,139,502	375,922	40,572,697	(2,795,643)	37,777,054
TOTAL	2,426,763	3,870,194	6,376,615	5,427,753	11,795,517	5,823,195	143,107,886	(4,131,723)	138,976,163
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES:									
Accounts payable	$ 66,718	$ 12,357	$ -	$ 38,745	$ 84,780	$ 9,195	$ 2,992,908	-	$ 2,992,908
Accrued expenses	9,248	21,564	5,209	30,648	552,403	147,970	1,676,404	-	1,676,404
Accrued salaries and wages	69,044	76,417	14,093	45,410	1,910,634	27,018	9,214,076	-	9,214,076
Due to affiliates — current portion	544,586	275,448	128,268	557,098	1,426,014	345,039	16,207,694	(1,311,059)	14,896,635
Notes payable and capital leases — current portion	-	-	-	-	-	-	810,546	-	810,546
Retirement and health plans accrual	3,062	10,125	768	2,045	13,664	1,861	597,821	-	597,821
Other current liabilities	86,976	42,751	22,013	170,805	315,859	888,538	6,230,601	(25,021)	6,205,580
Total current liabilities	779,634	438,662	170,351	844,751	4,303,354	1,419,621	37,730,050	(1,336,080)	36,393,970
LONG-TERM LIABILITIES:									
Notes payable and capital leases — less current portion	-	-	-	-	-	-	15,400,102	-	15,400,102
Due to affiliates and other — less current portion	92,059	211,297	51,867	305,111	1,091,320	80,358	9,815,484	(2,795,643)	7,019,841
Other long term liabilities	-	-	-	-	-	817,624	4,378,385	-	4,378,385
Total long term liabilities	92,059	211,297	51,867	305,111	1,091,320	897,982	29,593,971	(2,795,643)	26,798,328
COMMITMENTS AND CONTINGENCIES (Note 11)									
NET ASSETS — Unrestricted	1,555,070	3,220,235	6,154,397	4,277,891	6,400,843	3,505,592	75,783,865	-	75,783,865
TOTAL	$ 2,426,763	$ 3,870,194	$ 6,376,615	$ 5,427,753	$ 11,795,517	$ 5,823,195	$ 143,107,886	$ (4,131,723)	$ 138,976,163

OHIO STATE UNIVERSITY PHYSICIANS INC., AND SUBSIDIARIES

(A component unit of The Ohio State University)

CONSOLIDATING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	OSUP Corporate	FM	EM	Eye	OBGYN	IM	Neurology	Otolaryngology	Pathology	Phys Med	Plastic Surgery	Psychiatry	Radiation Onocology	Radiology	Surgery	Urology	Aggregated	Eliminations	Total
OPERATING REVENUE:																			
Patient care revenue- net of bad debt expense	-	-	11,589,685	9,860,376	11,350,455	78,037,157	11,838,149	15,203,797	19,964,007	4,610,183	4,286,732	2,090,224	5,432,969	22,461,023	25,251,934	7,301,422	229,278,113	-	229,278,113
Other revenue	16,848,210	1,270,458	4,509,881	2,505,131	5,101,817	15,655,162	2,327,819	1,789,156	9,172,962	3,004,200	2,718,183	5,558,987	624,676	4,222,132	13,325,555	1,000,290	89,634,619	(13,608,567)	76,026,052
Total operating revenue	16,848,210	1,270,458	16,099,566	12,365,507	16,452,272	93,692,319	14,165,968	16,992,953	29,136,969	7,614,383	7,004,915	7,649,211	6,057,645	26,683,155	38,577,489	8,301,712	318,912,732	(13,608,567)	305,304,165
OPERATING EXPENSES:																			
Salaries and benefits	9,903,926	898,250	12,620,034	6,220,325	11,152,860	69,410,902	8,048,605	12,804,463	20,820,562	5,174,457	4,518,240	5,516,379	3,661,553	20,567,783	32,189,511	6,693,482	230,201,332	(178,943)	230,022,389
Supplies and pharmaceuticals	747,605	-	59,844	210,516	1,310,329	9,869,243	2,966,018	936,420	2,347,310	1,621,051	311,165	9,189	21,594	96,433	407,549	124,461	21,038,727	-	21,038,727
Services	5,434,180	28,699	892,379	4,313,540	1,486,447	4,986,517	779,434	1,024,599	2,906,739	214,243	350,474	414,390	227,084	2,046,436	1,361,394	239,877	26,706,432	(4,837,845)	21,868,587
Malpractice	-	152,315	403,305	66,509	87,710	596,457	125,613	165,204	73,919	54,831	30,343	28,382	40,033	257,532	558,605	42,312	2,683,070	-	2,683,070
Dean's tax	-	15,020	673,836	246,251	311,949	1,740,697	235,865	441,844	598,558	70,892	100,822	93,878	237,741	686,390	798,175	203,140	6,455,058		6,455,058
Occupancy and utilities	2,408,718	600	1,642	33,475	926,556	2,018,423	405,167	744,896	271,175	89,365	289,108	151,676	213	78,972	373,599	169,009	7,962,594	(1,088,845)	6,873,749
Amortization and depreciation	980,662	-	78,291	321,217	337,868	1,363,966	116,070	164,035	336,229	80,969	41,536	-	15,694	79,055	213,156	49,514	4,178,262	-	4,178,262
Interest	504,139	-	9,836	(30,038)	32,458	167,024	1,761	10,371	15,962	7,216	2,383	8,510	1,832	10,777	19,300	2,855	764,386	-	764,386
Other expenses	235,308	149,809	701,509	408,375	699,789	2,936,307	521,107	593,201	999,164	280,393	400,102	182,204	350,285	1,223,126	1,147,313	723,052	11,551,044	(8,591,778)	2,959,266
Total operating expenses	20,214,538	1,244,693	15,440,676	11,790,170	16,345,966	93,089,536	13,199,640	16,885,033	28,369,618	7,593,417	6,044,173	6,404,608	4,556,029	25,046,504	37,068,602	8,247,702	311,540,905	(14,697,411)	296,843,494
Operating income	(3,366,328)	25,765	658,890	575,337	106,306	602,783	966,328	107,920	767,351	20,966	960,742	1,244,603	1,501,616	1,636,651	1,508,887	54,010	7,371,827	1,088,844	8,460,671
NONOPERATING INCOME (EXPENSES):																			
Interest Income	3,699	11,976	4,827	1,271	-	7,398	-	-	40,072	-	-	-	905	-	3,675	7,858	81,681	-	81,681
Nonoperating income	3,422,465	-	-	-	273,593	476,728	-	-	-	-	-	491	-	-	-	-	4,173,277	(1,088,844)	3,084,433
Income from investments	(932,802)	-	265	-	-	1,726,214	-	-	(8,203)	-	-	-	(736)	-	-	-	784,738	-	784,738
(Loss) on sale of assets	-	-	-	-	-	(3,360)	-	-	-	(4,104)	-	-	-	-	-	-	(7,464)	-	(7,464)
Nonoperating expense	(559,924)	(500)	(600)	-	(10,775)	(1,500)	(3,000)	(2,525)	(311,710)	(131,078)	(750)	-	(6,150)	(2,750)	(1,050,114)	(9,740)	(2,091,116)	-	(2,091,116)
Total nonoperating income (expense)	1,933,438	11,476	4,492	1,271	262,818	2,205,480	(3,000)	(2,525)	(279,841)	(135,182)	(750)	491	(5,981)	(2,750)	(1,046,439)	(1,882)	2,941,116	(1,088,844)	1,852,272
(DECREASE) INCREASE IN NET ASSETS	(1,432,890)	37,241	663,382	576,608	369,124	2,808,263	963,328	105,395	487,510	(114,216)	959,992	1,245,094	1,495,635	1,633,901	462,448	52,128	10,312,943	-	10,312,943
Assets Received (Contributed)	-	-	-	-	-	-	-	-	-	-	595,078	-			(595,078)		-		-
NET ASSETS — Beginning of year	516,955	2,152,334	5,087,290	1,409,504	2,113,789	22,341,700	831,423	3,664,113	7,118,081	970,903	-	1,975,141	4,658,762	2,643,990	6,533,473	3,453,464	65,470,922	-	65,470,922
NET ASSETS — End of year	$ (915,935)	$ 2,189,575	$ 5,750,672	$ 1,986,112	$ 2,482,913	$ 25,149,963	$ 1,794,751	$ 3,769,508	$ 7,605,591	$ 856,687	$ 1,555,070	$ 3,220,235	$ 6,154,397	$ 4,277,891	$ 6,400,843	$ 3,505,592	$ 75,783,865	$ -	$ 75,783,865

Dave Yost • Auditor of State

OHIO STATE UNIVERSITY PHYSICIANS INC AND SUBSIDIARIES

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
JANUARY 3, 2013

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