The Ohio State University Department of Athletics

(A Department of The Ohio State University)

For the Years ended June 30, 2013 and 2012 and Report on Internal Controls over Financial Reporting and of Compliance and Other Matters Based on an Audit Performed in Accordance with Government Auditing Standards

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

We have reviewed the *Report of Independent Auditors* of The Ohio State University Department of Athletics, Franklin County, prepared by Pricewaterhouse Coopers LLP, for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

January 6, 2014

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Report of Independent Auditors

To The Ohio State University Department of Athletics:

Report on the Financial Statements

We have audited the accompanying financial statements of The Ohio State University Department of Athletics ("Athletics"), a department of The Ohio State University, which comprise the statements of net position as of June 30, 2013 and June 30, 2012, and the related statements of revenues, expenses and changes in net position and of cash flows for the year ended June 30, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Athletics as of June 30, 2013 and June 30, 2012, and the changes in net position and cash flows for the year ended June 30, 2013 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 present only the financial position, changes in financial position, and cash flows of that portion of the financial reporting entity of The Ohio State University that is attributable to the transactions of Athletics. They do not purport to, and do not, present fairly the financial position of The Ohio State University at June 30, 2013 and June 30, 2012, and the changes in its financial position or its cash flows for the year ended June 30, 2013 in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013 on our consideration of the Athletics' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 4, 2013

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, 2013, with comparative information for the year ended June 30, 2012. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About the 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 consolidated 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' financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles. 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 and a Statement of Cash Flows. The Statement of Net Position is Athletics' balance sheet. It reflects the total assets, liabilities and net position (equity) of Athletics as of June 30, 2013, with comparable information as of June 30, 2012. The Statement of Revenues, Expenses and Other Changes in Net Position is Athletics' income statement. It details how net position has increased (or decreased) during the year ended June 30, 2013, with comparable information for the year ended June 30, 2012. The Statement of Cash Flows details how cash has increased (or decreased) during the year ended June 30, 2013, with comparable information for the year ended June 30, 2012.

Financial Highlights:

Athletics net position increased $20 million, to $197 million at June 30, 2013. Operating revenues were up $5 million due to increased ticket revenues from an eight home-game football season. Operating expenses increased $7 million, reflecting transition costs associated with head coaching changes and bonus payments to football coaching staff. In November 2012, Athletics announced a $10 million capital gift pledge from Covelli Enterprises owner and CEO Sam Covelli, to assist in the funding of the construction of a new multi-sport arena.

Statement of Net Position:

Summary Statement of Net Position
(in thousands)

	2013	2012
Cash	$ 64,885	$ 77,920
Other current assets	22,243	26,406
Total current assets	87,128	104,326
Endowment investments	55,303	48,693
Capital assets, net of accumulated depreciation	239,297	231,001
Other noncurrent assets	28,887	20,022
Total noncurrent assets	323,487	299,716
Total assets	$ 410,615	$ 404,042
Unearned revenue for advance sales of game tickets	$ 37,608	$ 42,178
Current portion of notes payable to the university	7,987	7,690
Other current liabilities	4,310	5,873
Total current liabilities	49,905	55,741
Notes payable to the university	161,355	169,342
Accrued compensated absences	2,528	2,256
Total noncurrent liabilities	163,883	171,598
Total liabilities	$ 213,788	$ 227,339
Invested in capital assets, net of related debt	69,953	53,969
Restricted - nonexpendable	54,821	48,238
Restricted - expendable	54,774	48,025
Unrestricted	17,279	26,471
Total net position	$ 196,827	$ 176,703

Cash and cash equivalents decreased $13 million, to $65 million at June 30, 2013, primarily due to capital expenditures for a new basketball practice facility and new scoreboards in Ohio Stadium. The Statement of Cash Flows provides additional details on sources and uses of Athletics cash. **Accounts receivable** decreased $5 million, to $4 million, primarily due to timing differences in the distribution of NCAA tournament proceeds.

Contributions receivable, which consist of gift receipts held by the university but not yet transferred to Athletics gift funds, decreased $1 million, to $11 million. **Pledges receivable** increased $11 million, to $31 million, primarily due to the $10 million Covelli capital gift pledge. **Endowment investments** increased $7 million, to $55 million, reflecting new endowment gifts and gains in market value.

Capital assets increased $8 million, to $239 million, reflecting capital expenditures for the new basketball practice facility at the Schottenstein Center and new scoreboards in Ohio Stadium. 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 $38 million, reflecting a reduction in the number of home football games from eight in the 2012 season to seven in the 2013 season.

Athletics enters into internal loan agreements with the university to finance the construction and renovation of athletic facilities. The loans have maturities ranging from 2013 to 2031 and bear interest rates ranging from 2.00% to 5.14%. These **notes payable to the university** totaled $169 million at June 30, 2013, down $8 million from the prior year. Internal transfers for debt service totaled $16 million in 2013 and 2012, respectively.

Statement of Revenues, Expenses and Other Changes in Net Position:

Summary Statement of Revenues, Expenses and Other Changes in Net Position *(in thousands)*	**2013**	**2012**
Operating Revenues		
Ticket sales	$ 54,630	$ 50,007
Television, broadcast rights and sponsorships	27,625	28,118
Royalty and affinity revenue	5,000	4,046
Bowl and NCAA tournament distributions	5,969	6,881
Sports camp entry fees	3,169	2,849
Golf course revenues	3,892	3,896
Other operating revenues	8,849	8,737
Total Operating Revenue	109,134	104,534
Operating Expenses		
Salaries and wages	41,932	36,995
Employee benefits	11,488	9,966
Supplies and services	46,594	46,848
Scholarships	16,333	15,871
Depreciation	12,900	11,832
Total Operating Expense	129,247	121,512
Net operating income (loss)	(20,113)	(16,978)
Non-operating Revenues (Expense)		
Current-use gifts	26,687	26,123
Interest expense on plant debt	(8,192)	(8,498)
Other non-operating revenues (expenses)	2,687	5,169
Income (Loss) before other changes in net position	1,069	5,816
Capital gifts	12,704	6,964
Additions to permanent endowments	3,165	3,709
Equity transfers from (to) the University	3,186	476
Increase (decrease) in net position	20,124	16,965
Net position, beginning of year	176,703	159,738
Net position, end of year	$ 196,827	$ 176,703

Ticket sales revenues for Athletics events increased $5 million, to $55 million in 2013, due to an additional (eighth) home football game in the 2012 season, compared to seven home football games in the 2011 season. The additional home game generated approximately $5.5 million of ticket revenue. **Total television, broadcast rights and sponsorship revenues** were stable at $28 million, with increases in Big Ten TV rights fees offsetting decreases in income from Athletics' marketing agreement with IMG. **Royalty and affinity revenue**, which includes income from merchandise bearing OSU Athletics logos, increased $1 million, to $5 million, due to the extra home football game and fan interest generated by Urban Meyer in his first year as head football coach. **Bowl and NCAA tournament distributions** decreased $1 million, to $6 million, due to the football team's ineligibility to participate in a bowl game at the end of the 2012 season. **Parking revenues** increased $669,000, to $2.5 million, in 2013. As part of the university's parking lease and concession agreement in

September 2012, Athletics now has direct oversight and retains all revenues for football day-of-game parking. **Sports camp entry fees** and **golf course revenues** were stable compared with 2012.

Total **salary and benefits expenses** for Athletics increased $6 million, to $53 million. In addition to budgeted salary and benefit increases of 4.5% in 2013, Athletics incurred approximately $1.3 million in transition and contract buyout payments for head coaching changes in Men's Ice Hockey and Women's Basketball and $1.2 million in bonus payments for the football coaching staff. Other operating expenses were relatively stable compared with 2012.

Gifts to Athletics represent a key source of financial support for the department's operating and capital needs. **Current use gifts** increased $1 million, to $27 million, in 2013. These gifts are used primarily to fund scholarships for student-athletes. **Capital gifts** increased $6 million, to $13 million, reflecting the new Covelli capital gift pledge. **Additions to permanent endowments** decreased $1 million, to $3 million.

Statement of Cash Flows:

Summary Statement of Cash Flows
(in thousands)

	2013	2012
Net cash flows from operating activities	$ (7,851)	$ (6,790)
Net cash flows from noncapital financing activities	27,043	31,166
Payments for purchase or construction of capital assets	(21,196)	(5,544)
Principal and interest payments on notes payable to the university	(15,882)	(15,768)
Other cash flows from capital financing activities	2,164	7,113
Net cash flows from investing activities	2,687	2,601
Net increase (decrease) in cash	$ (13,035)	$ 12,778

Total Athletics cash decreased $13 million, to $65 million, at June 30, 2013. Total cash used by operating activities increased from $7 million to $8 million. Total operating receipts were relatively stable, with decreases in ticket receipts offsetting increases in bowl and NCAA tournament distributions. Disbursements for salaries and benefits increased $6 million, reflecting payments for the head coaching transitions and bonuses for football coaching staff. Payments for purchase or construction of capital assets increased $16 million, to $21 million, due to capital expenditures for the new basketball practice facility and Stadium scoreboard improvements.

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

The long-range plan centers on the development of an Athletic District. The building of the multi-purpose, 4000 seat Covelli arena will be the first building for this area. Other facilities will include a wrestling practice facility, a student-athlete performance center, an indoor track facility, a 4000 seat ice hockey arena as well as additional grass and turf practice fields.

A major portion of Athletics revenue, such as conference media contracts and corporate sponsorship agreements, is contractually defined for a number of years in the future. However, a significant portion of Athletics' revenue base, including gifts and ticket sales, is directly tied to its football program. Historically, Athletics has experienced very strong demand for football season tickets and premium seats. However, there is no guarantee that the historical economic success of the football program will continue in the future. New challenges arise, whether they relate to Big Ten Conference expansion, viability of the current NCAA structure, revenue distribution from the football playoffs or the discussion related to monthly stipends for student-athletes. Also, the transition to a nine-game Big Ten conference season in 2014 will limit OSU to seven home football games. In consultation with its stakeholders, Athletics continues to evolve its ticket pricing for football and other revenue-generating sports. Premium game pricing was implemented for one game in 2013 season, plans for the 2014 season to include two premium priced games.

Despite these uncertainties, Athletics leadership remains committed to executing its long-range strategic plan and anticipates that the department will maintain its current sound financial position.

The Ohio State University Department of Athletics
Statements of Net Position
June 30, 2013 and 2012

(in thousands)

	2013	2012
Assets		
Current assets		
Cash	$ 64,885	$ 77,920
Accounts receivable, net	3,917	8,688
Inventories	456	430
Contributions receivable	10,994	11,691
Current portion of pledges receivable, net	6,279	4,667
Current portion of prepaid expenses	597	930
Total current assets	87,128	104,326
Noncurrent assets		
Endowment investments	55,303	48,693
Pledges receivable, net	24,262	15,252
Prepaid expenses	4,625	4,770
Capital assets, net	239,297	231,001
Total noncurrent assets	323,487	299,716
Total assets	$ 410,615	$ 404,042
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 590	$ 1,011
Current portion of accrued compensated absences	219	215
Unearned revenue for advance sales of game tickets	37,608	42,178
Other unearned revenues and deposits	3,501	4,647
Current portion of notes payable to the university	7,987	7,690
Total current liabilities	49,905	55,741
Noncurrent liabilities		
Notes payable to the university	161,355	169,342
Accrued compensated absences	2,528	2,256
Total current liabilities	163,883	171,598
Total liabilities	213,788	227,339
Net Position		
Invested in capital assets, net of related debt	69,953	53,969
Restricted		
Nonexpendable	54,821	48,238
Expendable	54,774	48,025
Unrestricted	17,279	26,471
Total net position	196,827	176,703
Total liabilities and net position	$ 410,615	$ 404,042

The accompanying notes are an integral part of these financial statements

The Ohio State University Department of Athletics
Statement of Revenues, Expenses and Other Changes in Net Position
June 30, 2013 and 2012

(in thousands)

		2013
Operating Revenues		
Ticket sales	$	54,630
Television, broadcast rights and sponsorships		27,625
Royalty and affinity revenue		5,000
Bowl and NCAA tournament distributions		5,969
Parking		2,454
Sports camp entry fees		3,169
Golf course revenues		3,892
Private grants and contracts		712
Other operating revenues		5,683
Total Operating Revenue		109,134
Operating Expenses		
Salaries and wages		41,932
Employee benefits		11,488
Supplies and services		46,594
Scholarships		16,333
Depreciation		12,900
Total Operating Expense		129,247
Operating Loss		(20,113)
Non-operating Revenues (Expense)		
Current-use gifts		26,687
Net investment income (loss)		2,687
Interest expense on plant debt		(8,192)
Net Non-operating Revenue (Expense)		21,182
Income (Loss) before Other Revenues and Transfers		1,069
Other Revenues		
Capital gifts		12,704
Additions to permanent endowments		3,165
Net Revenues before Transfers		16,938
Equity transfers from (to) the University		3,186
Increase in Net Position		20,124
Net Position, Beginning of Year		176,703
Net Position, End of Year	$	196,827

The accompanying notes are an integral part of this financial statement

The Ohio State University Department of Athletics
Statement of Cash Flows
June 30, 2013 and 2012

(in thousands)

		2013
Cash Flows from Operating Activites		
Ticket sales	$	50,060
Television, broadcast rights and sponsorships		27,625
Royalty and affinity revenue		5,000
Bowl and NCAA tournament distributions		10,740
Parking		2,454
Sports camp entry fees		3,169
Golf course revenues		3,892
Private grants and contracts		712
Payments to or on behalf of employees		(41,770)
University employee benefit payments		(11,488)
Payments to vendors for supplies and services		(46,449)
Payments for student financial aid		(16,333)
Other receipts (payments)		4,537
Net cash provided (used) by operating activities		(7,851)
Cash Flows from Noncapital Financing Activities		
Current-use gifts		27,303
Additions to permanent endowments		3,165
Equity transfers from (to) the University		(3,425)
Net cash provided (used) by noncapital financing activities		27,043
Cash Flows from Capital Financing Activities		
Capital gifts		2,164
Payments for purchase or construction of capital assets		(21,196)
Principal payments on capital debt and leases		(7,690)
Interest payments on capital debt and leases		(8,192)
Net cash provided (used) by capital financing activities		(34,914)
Cash Flows from Investing Activities		
Investment income		2,687
Net cash provided (used) by investing activities		2,687
Net increase (decrease) in cash		(13,035)
Cash and cash equivalents - Beginning of Year		77,920
Cash and cash equivalents - End of June	$	64,885
Reconciliation of Net Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Operating loss	$	(20,113)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities:		
Depreciation expense		12,900
Changes in assets and liabilities:		
Accounts receivable, net		4,771
Inventories		(26)
Prepaid expenses		478
Accounts payable and accrued liabilities		(421)
Deposits and deferred revenues		(5,716)
Compensated absences		276
Net cash provided (used) by operating activities	$	(7,851)

The accompanying notes are an integral part of this financial statement

(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 consolidated financial statements of The Ohio State University (“the university”). As a department of the university, Athletics is exempt from income taxes under Internal Revenue Code Section 115.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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:

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

- Restricted - nonexpendable: Amounts subject to externally-imposed stipulations that they be maintained in perpetuity and invested for the purpose of generating present and future income, which may either be expended or added to the principal. 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 use by university departments to support working capital needs, to fund related academic or research programs, and to provide for unanticipated shortfalls in revenues and deviations in enrollment.

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.

Cash

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

(in thousands)

Contributions Receivable
Contributions receivable of $10,994 and $11,691 as of June 30, 2013 and 2012, respectively, consist of gifts received by the university's Development Office but not transferred to the operating accounts of Athletics. Amounts are deemed fully collectible.

Pledges Receivable
Athletics receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, endowment pledges are not recorded as assets until the related gift is received. Athletics reduces pledges receivable to estimated net realizable value by recording an allowance for uncollectible pledges. The allowance is estimated using a four-year rolling average of canceled pledges divided by net pledges receivable. For the years ended June 30, 2013 and 2012, Athletics recorded allowances against pledges receivable of $1,049 and $946, respectively.

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

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

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

(in thousands)

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.

Operating and Non-Operating Activities
Operating activities reported in the Statement of Revenues, Expenses and Other Changes in Net Position are those that generally result from exchange transactions, such as sales of tickets for games and payments made for services or goods received. Non-exchange transactions are reported as non-operating activities.

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

Newly Issued Accounting Pronouncements
In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

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

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

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

(in thousands)

In April 2013, the GASB issued Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*. Statement No. 70 requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. The standard also requires guarantors or issuers to disclose information about the amounts and nature of nonexchange financial guarantees. It is effective for periods beginning after June 15, 2013.

Management is currently assessing the impact that implementation of GASB Statements No. 65, 66, 67, 68, 69 and 70 will have on Athletics' financial statements.

Revision

The statement of net position for the year ended June 30, 2012 has been revised to include capital assets that were inadvertently omitted. Athletics management has concluded that the impact of this error was not material to the previously issued financial statement, but has elected to revise these balances for comparability purposes. The following table summarizes the effect of this revision on the statement of net position.

	As originally reported	Adjustments	As Adjusted
Assets			
Capital assets, net	$ 227,067	$ 3,934	$ 231,001
Total Assets	400,108	3,934	404,042
Net Position			
Invested in capital assets, net of related debt	(50,035)	(3,934)	(53,969)
Total Net Position	$ (172,769)	$ (3,934)	$ (176,703)

3. ENDOWMENT INVESTMENTS

Athletics endowments are invested in the University Long-Term Investment Pool, which consists of more than 5,100 named funds. Each named fund is assigned a number of shares, based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. The pool is invested in a diversified portfolio of equities, fixed income, real estate, hedge funds, private equity, venture capital and natural resources that is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support Athletics mission. For donor-restricted endowments, the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), as adopted in Ohio, permits the university's Board of Trustees to appropriate an amount of realized and unrealized endowment appreciation, as the Board deems prudent. Net realized and unrealized appreciation (depreciation) is retained in the University Long-Term Investment Pool.

(in thousands)

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

Annual distributions to named funds in the Long Term Investment Pool are computed using the share method of accounting for pooled investments. The annual distribution per share is 4.25% of the average market value per share of the Long Term Investment Pool over the most recent seven year period. At June 30, 2013, the original cost and market value of Athletics' endowment investments were $59,185 and $55,303 respectively. At June 30, 2012, the original cost and market value of Athletics' endowment investments were $55,544 and $48,693 respectively.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Improvements	$ 27,622	$ 6,932	$ -	34,554
Buildings	325,062	5,780	-	330,841
Moveable equipment	6,978	540	(310)	7,208
Construction in progress	8,866	7,960	-	16,826
	368,528	21,211	(310)	389,428
Less: Accumulated Depreciation				
Improvements	10,479	1,946	-	12,425
Buildings	122,621	10,518	-	133,140
Moveable equipment	4,426	437	(295)	4,567
	137,527	12,900	(295)	150,131
Capital assets, net	$ 231,001	$ 8,310	$ (15)	$ 239,297

(in thousands)

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

	Beginning Balance	Additions	Retirements	Ending Balance
Improvements	$ 34,079	$ 59	$ 6,516	27,622
Buildings	323,915	1,147	-	325,062
Moveable equipment	6,449	703	173	6,979
Construction in progress	2,422	6,444	-	8,865
	366,865	8,352	6,690	368,528
Less: Accumulated Depreciation				
Improvements	12,757	1,469	3,747	10,479
Buildings	112,709	9,912	-	122,621
Moveable equipment	4,134	450	158	4,426
	129,599	11,832	3,904	137,527
Capital assets, net	$ 237,266	$ (3,479)	$ 2,785	$ 231,001

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.

Long-term debt activity for the year ended June 30, 2013 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable to the university:					
1999, 5.14% through 2029	$ 30,549	$ -	$ 1,352	$ 29,197	$ 1,387
2002, 4.74% through 2031	5,992	-	192	5,800	201
2002, 4.74% through 2031	120,654	-	3,856	116,798	4,043
2005, 4.14% through 2030	14,553	-	549	14,004	572
2009, 3.63% through 2014	1,288	-	559	729	580
2010, 3.63% through 2015	2,797	-	899	1,898	932
2012, 4.25% through 2017	925	-	187	738	195
2010, 3.63% through 2013	21	-	21	-	-
2010, 3.63% through 2015	104	-	33	71	35
2012, 2.25% through 2016	76	-	18	58	18
2012, 2.00% through 2015	73	-	24	49	24
	$ 177,032	$ -	$ 7,690	$ 169,342	$ 7,987

(in thousands)

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

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

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

	Principal	Interest	Total
2014	$ 7,987	$ 7,841	$ 15,828
2015	7,868	7,482	15,350
2016	6,982	7,140	14,122
2017	7,173	6,806	13,979
2018	7,354	6,465	13,819
2019-2023	41,969	26,661	68,630
2024-2028	52,343	15,515	67,858
2029-2033	37,666	3,038	40,704
	$ 169,342	$ 80,948	$ 250,290

6. OPERATING LEASES

Athletics leases various buildings, office space and equipment under operating lease agreements. These facilities and equipment are not recorded as assets on the balance sheet. The total rental expense under these agreements for the years ended June 30, 2013 and 2012 were $1,723 and $1,678, respectively.

(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,		
2014	$	1,598
2015		550
2016		550
2017		550
2018		292
FY 2019-FY 2023		723
FY 2024-FY 2028		723
FY 2029-FY 2033		723
FY 2034-FY 2038		723
FY 2039-FY 2043		723
FY 2044-FY 2048		723
Total Minimum Lease Payments	$	7,878

7. COMPENSATED ABSENCES

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

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

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

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

(in thousands)

The following schedule summarizes compensated absence activity for the year ended June 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated Absences	$ 2,471	$ 537	$ 261	$ 2,747
Less: Current Portion	215			219
	$ 2,256			$ 2,528

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

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

8. RELATED PARTY TRANSACTIONS

Athletics purchases employee benefits, utilities, mail services, and construction project management services from the university. Additionally, Athletics pays university overhead, which includes such services as payroll processing, public safety, auditing, and insurance. Overhead charged to operations for the years ended June 30, 2013 and 2012 were $5,546 and $5,357 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. The amounts paid under this agreement for the years ended June 30, 2013 and 2012 were $2,153 and $2,090 respectively.

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 services 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, 2013 and 2012 were $2,616 and $2,384 respectively.

(in thousands)

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. Receipts based on a formula driven allocation of net proceeds for the years ended June 30, 2013 and 2012 were $5,021 and $4,599 respectively.

9. RETIREMENT PLANS

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

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

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

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

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

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

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 the Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For calendar year 2012, OPERS allocated 4.0% of the employer contribution rate to fund the health care program for retirees, and this rate was reduced to 1% for calendar year 2013 as recommended by the OPERS actuary.

(in thousands)

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

STRS Ohio currently provides access to health care coverage to retirees who participated in the deferred benefit or combined plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to ORC, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of monthly premiums. Under ORC, medical costs paid from the funds of STRS Ohio are included in the employer contribution rate. For the fiscal year ended June 30, 2012, STRS Ohio allocated employer contributions equal to 1% of covered payroll for post-employment health care.

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

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

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

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

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

(in thousands)

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

OPERS currently provides post-employment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For calendar year 2012, OPERS allocated 6.05% of the employer contribution rate to fund the health care program for retirees, and this rate was reduced to 1% for calendar year 2013 as recommended by the OPERS actuary.

Funding Policy

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

	STRS Ohio	OPERS	ARP
Faculty:			
Plan member (entire year)	10.00%		10.00%
University (entire year)	14.00%		14.00%*
Staff:			
Plan member (entire year)		10.00%	10.00%
University (entire year)		14.00%	14.00%**
Law Enforcement:			
Plan member (entire year)		12.10%	12.10%
University (entire year)		18.10%	17.33%**

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

Athletics' employer contributions to PERS, STRS, and ARP for the years ended June 30, 2013 and 2012 were $3,894 and $3,858, respectively, which is equal to 100% of the required contribution.

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

To The Ohio State University Department of Athletics:

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"), which comprise the statement of net position as June 30, 2013, and the related statement of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 4, 2013.

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. We identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency. This deficiency is:

1. **Capital Asset Accounting**

    - *New/Recurring Issue:* Recurring

- *Observation:* When preparing the 2013 property, plant and equipment working papers for the Athletics stand-alone audit, management identified that as of 6/30/2012 it had inadvertently excluded $3.9M in property, plant, and equipment from the statement of position. The error was driven by the fact that the omitted CIP projects were not specifically coded to the "NCAA" in the property, plant, and equipment sub ledger. This was despite the fact that they were Athletics' projects.

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

- *Classification*: Significant Deficiency

- *Recommendation*: Management should continue to formalize the review processes over capital assets to address this finding.

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

Athletics' response to the finding above was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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' 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*.

We noted certain matters that we reported to management of Athletics in a separate letter dated November 4, 2013.

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 4, 2013

The Ohio State University

Report of Independent Accountants' on Agreed-Upon Procedures Performed on the Intercollegiate Athletic Department as Required by NCAA Bylaw 3.2.4.16 for the Year Ended June 30, 2013

The Ohio State University Intercollegiate Athletics Department
Index
June 30, 2013

Report of Independent Accountants

To Dr. Joseph Alutto, Interim President
The Ohio State University

We have performed the procedures enumerated below, which were agreed to by the administration of The Ohio State University (the "University"), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenditures (the "Statement") of the University is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.16 for the year ended June 30, 2013. Management of the University is responsible for the Statement and the Statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

1. We obtained from University management the accompanying statement of revenue and expenses for the year ended June 30, 2013. We obtained management's reconciliation of the Statement to its general ledger.

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

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

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

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

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

2. We obtained from University management a detailed listing of operating revenue transactions included in the Statement for the year ended June 30, 2013 from University management.

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

    b. We agreed the total of the accounts selected for testing (accounts 40301, 41072, 41080, and 41335) to the general ledger.

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

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

3. We obtained from University management the June 30, 2013 budget for unrestricted funds and the Statement as of June 30, 2013.

    a. We compared the current year 2013 amounts of each operating revenue and expenditure category included in the Statement to budgeted amounts included in the budget obtained from University management.

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

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

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

4. We obtained from University management a listing of ticket office sales reports for football, men's basketball and women's basketball comprising ticket sales revenue for all sports included in the Statement for the year ended June 30, 2013.

    a. We mathematically checked the total of the listing.

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

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

    d. We haphazardly selected from the listing 25 ticket office sales reports during the year ended June 30, 2013 and obtained the related ticket office sales report from University management. We mathematically checked the revenue totals per each of the ticket office sales report related to tickets sold and agreed the totals per each of the ticket office sales reports to journal entries recorded for the sales.

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

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

Football – Management was able to provide reconciliation with explanations reconciling the difference to $213,076 (.50% of the football ticket sales revenue per the general ledger). Reconciling items (items representing differences between the Statement and sales reports) include ticket surcharges for debt service from stadium renovations, away game compensated ticket payments, and a write-off. We make no comment as to the adequacy of the explanations.

Men's Basketball – Management was able to provide reconciliation with explanations reconciling the difference to $3,048 (.05% of the men's basketball ticket sales per the general ledger). Reconciling items (items representing differences between the Statement and sales reports) include Big Ten Conference revenue sharing and a payment to another University. We make no comment as to the adequacy of the explanations.

Women's Basketball - The event audit reports received had a variance from the general ledger of $7,022 (2.04% of the women's basketball ticket sales revenue per the general ledger). This variance was considered immaterial for further investigation.

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

5. We obtained from University management a summary schedule of settlement reports for away game guarantees for the year ended June 30, 2013.

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

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

   c. We selected 3 of 3 guarantee settlement reports for away games for the year ended June 30, 2013 from the summary schedule and obtained the applicable contracts from University management. We agreed the guarantee revenue on the settlement report to amounts specified in the contracts.

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

6. We obtained from University management a listing of all contributions received by the University's athletics department during the year ended June 30, 2013.

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

   b. We reconciled gift revenue received per the listing to the general ledger within $52,872 (an amount considered immaterial for the 2013 athletics department financial statement audit) as part of our financial statement audit. We also obtained management's reconciliation of the general ledger gift revenue to the Statement. We make no comment as to the adequacy of the explanations.

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

7. We obtained from University management a summary schedule detailing revenues from the University's participation in conference and other tournaments for the year ended June 30, 2013.

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

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

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

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

8. We obtained from University management a detail of broadcast, radio, television and internet rights revenue included in the Statement for the year ended June 30, 2013.

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

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

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

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

9. We obtained from University management a summary schedule detailing revenues from the University's royalties, licensing, advertisements and sponsorship agreements for the year ended June 30, 2013.

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

   b. We agreed the total revenues in the summary schedule to the general ledger account 41141.

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

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

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

10. We obtained from University management a listing of deposit detail for the year ended June 30, 2013 that agreed to the Statement.

    a. We haphazardly selected 5 deposits and then 25 sports camp participants from these deposits the listing and agreed the amount per the registration form to the amount received by the University.

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

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

12. We obtained from University management a detailed listing of expenditures for the year ended June 30, 2013 covering the following captions on the Statement: travel, food, cost of sales, maintenance, recruiting, and equipment.

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

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

    c. We haphazardly selected a sample of 25 expense transactions from the detailed listing of expenses for the year ended June 30, 2013. The following expense types were included in this sample: travel, equipment purchases, recruiting, cost of sales, and food. We obtained supporting documentation, such as vendor invoices and check copies, from University management. We agreed the dollar amount of each expense transaction to the supporting documentation.

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

13. We obtained from University management a listing of all student athletes who received Institutional Financial Aid and the related dollar amount of the financial aid received for the year ended June 30, 2013.

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

    b. We agreed the total dollar amount to the line item “Financial Aid” included in the Statement

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

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

14. We obtained from University management a detailed schedule of home game guarantee expenses for the year ended June 30, 2013.

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

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

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

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

15. We obtained from University management a listing of all sports coaches employed by the University for the year ended June 30, 2013.

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

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

    c. We also obtained the related employment contracts for each of the coaches selected. We agreed the coaches' salaries per the contracts to the amounts included in the general ledger (combination of accounts 60044, 60111, 60121, and 60122). For any salaries that did not agree, we obtained written explanations from management. We make no comment as to the appropriateness of the reconciling items or sufficiency of explanations obtained. After obtaining explanations from management for the initial variances identified between the coaches' contracts and the general ledger, no variances greater than .001% remained.

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

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

16. We obtained from University management a listing of all support staff for athletics for the year ended June 30, 2013.

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

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

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

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

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

17. We obtained from University management a summary schedule of severance payments for the year ended June 30, 2013.

    a. We mathematically checked the total of the detailed severance schedule. The detailed schedule is certain activity in D-Org 54141 and D-Org 54143 within general ledger account 60111.

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

    c. We haphazardly selected 3 coaches' severance amounts for fiscal 2013 from the detail received, and for each item selected, we obtained the related severance agreement from University management. We agreed the total dollar amount of payments related to each agreement for fiscal 2013 to the severance agreements. For two selections, we obtained explanations from management for variances between the total dollar amount of payments and the severance agreements. We make no comment as to the appropriateness of the sufficiency of explanations obtained.

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

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

19. We obtained from University management the University's policy for allocating internal costs during the year ended June 30, 2013. We observed the University policy contained a section related to the allocation of indirect facilities and administrative support. We recalculated the overhead allocation charged to Athletics in fiscal 2013 by the University and agreed the total to the Athletics general ledger (account 66901). We noted per inquiry of management that the corresponding revenue is not included in the Statement as it is recorded to an intra-University revenue account, which is excluded from the Statement. We make no comment regarding management's response.

20. We obtained from University management repayment schedules for all debt attributable to the University's athletics department as of June 30, 2013.

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

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

    c. We agreed the total debt outstanding as of June 30, 2013 appearing in the Notes to the Statement to the University's general ledger as of June 30, 2013.

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

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

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Statement for the year ended June 30, 2013. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

PricewaterhouseCoopers LLP

November 4, 2013

Exhibit A
General Revenues

Description	Exception (Y/N)
1. Individual Gifts	N
2. Individual Gifts	N
3. Individual Gifts	N
4. Individual Gifts	N
5. Individual Gifts	N
6. Individual Gifts	N
7. Individual Gifts	N
8. Individual Gifts	N
9. Individual Gifts	N
10. Individual Gifts	N
11. Concessions	N
12. Concessions	N
13. Concessions	N
14. Concessions	N
15. Concessions	N
16. Merchandise Sales	N
17. Merchandise Sales	N
18. Merchandise Sales	N
19. Merchandise Sales	N
20. Merchandise Sales	N
21. Miscellaneous	N
22. Miscellaneous	N
23. Miscellaneous	N
24. Miscellaneous	N
25. Miscellaneous	N

pwc

Exhibit B

Fluctuation Analysis

2013 as compared to 2012

Line Item	$ Change	% Change	Management's Explanation
Operating Revenues:			
Ticket Sales	5,491,892	11%	8 home football games in FY13 vs. 7 home games in FY12. Extra game is approx. $5.5 M
Post Season Event	(1,390,006)	-19%	OSU football team was not eligible to play in a bowl game
Program Sales	2,626	100%	Program sales from an NCAA event hosted by OSU
Novelty Sales	310,651	17%	Extra home football game and revitalized interest in the football program due to the hiring of Urban Meyer
Radio and T.V. Rights	1,400,835	7%	Big Ten T.V. rights fees increased by approx. $1.4M
Gifts:			
Restricted	8,119,467	42%	In reviewing the cumulative difference for FY13 & FY12 ($29.8M vs. $34.1M), there was a change in Royalty distribution schedule and in FY12 there were 2 distributions which
Grant-in-Aid	(12,461,016)	-83%	accounts for the $4.3M in additional in revenue that did not recur in 2013.
Parking	669,459	38%	With the CAMPUS PARC transition, Athletics now has oversight for all Day-of-Game parking lots
Investment Income:			
Unrestricted	(87,090)	-58%	University's investment return rate decreased from 0.5% to 0.2%
Advertising	(1,896,347)	-23%	FY12 was the final year that included 'signing bonus' revenue of approx. $1.9 M
Entry Fees	320,364	11%	Deferred Revenue accounting change for camp revenue; we now recognize June camp revenue instead of deferring it to the next fiscal year.
Operating Expenditures:			
Coaches' Salaries	3,700,563	13%	In general, the "Salary and Benefits" budgets increased 4.5% over FY12. We also had men's ice hockey and women's basketball head coaching changes. There were transition
Other Salaries	2,758,633	15%	payments associated with former coaches and contract buyout payments. The football staff also received bonus's due to the team's success.
Travel:			
Recruiting	443,490	34%	Football was over budget $80K and men's basketball was over budget $214K due to efforts to recruit the top talent.
Guarantees-net	952,001	30%	There were 8 home football games in FY13 vs. 7 home games in FY12, which lead to increased guarantee payments.
Financial Aid	454,996	3%	Attributable to the annual increase in tuition and room & board
Equipment Purchases	(114,253)	-11%	In FY12, we incurred higher capital equipment than we typically have. FY13 is more in-line with normal costs.
Advertising	189,582	102%	Men's Lacrosse in an effort to grow attendance.
Insurance	(73,215)	-60%	In FY13, we received an $96,303 insurance settlement for damage from a broken water pipe in Ohio Stadium.
Telephone	56,085	10%	Administrative budget was $27K over due to usage in excess of planned amounts.
Lodging	(183,667)	-52%	With the change to semesters, fall housing cost decreased significantly for athletes reporting early.

Exhibit B

Fluctuation Analysis (continued)

2013 unrestricted funds as compared to 2013 unrestricted budget

Line Item	$ Change	% Change	Management's Explanation
Operating Revenues:			
Ticket Sales	3,446,287	7%	The "Actual" Ticket Sales number includes the "Ticket Surcharge" amount while the "Budget" does not reflect Ticket Surcharge budget of $4,16
Program Sales	2,626	100%	Program sales from an NCAA event hosted by OSU
Concessions	(562,336)	-16%	"Budget " includes "Food Sales" from Golf Course - Restaurant; "Actual" income does not
Parking	529,118	27%	With the CAMPUS PARC transition, Athletics now has oversight for all Day-of-Game parking lots resulting in higher Day-of-Game revenues
Investment Income:			
Unrestricted	(117,897)	-65%	University's investment return rate decreased from 0 .5% to 0.2%; Market investment rates are also low.
Entry Fees	323,687	11%	Deferred Revenue accounting change for camp revenue; we now recognize June camp revenue instead of deferring it to the next fiscal year.
Facility Rentals	(113,205)	-24%	"Budget " includes $158,000 Facility Rental from Ice Rink; Revenue recorded under "Ice Rink"
Miscellaneous	338,314	6%	The variance is a result of the fact that the budget includes amounts associated with the Schottenstein Center (not part of Athletics).
Operating Expenditures:			
Coaches' Salaries	9,444,012	42%	In general, the "Salary and Benefits" budgets increased 4.5% over FY12. We also had men's ice hockey and women's basketball head coaching changes. There were transition payments associated with former coaches and contract buyout payments. The football staff also received bonus's due to the team's success.
Other Salaries	(4,614,816)	-18%	
Travel:			
Team and other	770,637	12%	The variance from budget is a result of travel expenses in excess of amounts originally planned as follows: Football $22K; Men's Basketball $169K; Baseball $85K; Men's Lacrosse $20K; and Women's Basketball $20K over. Expenditures in excess of budget are associated with travel in excess of plan to due the actual travel needs once schedules are finalized.
Recruiting	377,346	28%	Football was over budget $80K and Men's Basketball was over budget by $214K. This is due to efforts to recruit the top talent.
Guarantees-net	533,102	15%	Guarantee for Alabama - Birmingham game was higher than budgeted and we also expected a larger revenue sharing distribution from Big Ten than actually received.
Advertising	(80,640)	-18%	In FY13, we realized a significant increase advertising expense but did not use the entire budget
Insurance	(85,280)	-63%	In FY13, we received an $96,303 insurance settlement for damage from broke water pipe in Stadium
Insurance	(35,066)	-22%	New student-athlete supplemental premium was less than anticipated
Lodging	(138,384)	-45%	With the change to semesters, fall housing cost decreased significantly for athletes reporting early

Exhibit C

Ticket Sales

Game	**Exception (Y/N)**
1. Football - Home versus Miami Ohio	N
2. Football - Home versus California	N
3. Football - Home versus Purdue	N
4. Football - Home versus Illinois	N
5. Football - Home versus Michigan	N
6. Football - Away versus Michigan State	N
7. Football – Away versus Wisconsin	N
8. Men's Basketball - Home versus Northern Kentucky	N
9. Men's Basketball - Home versus Savannah State	N
10. Men's Basketball - Home versus Kansas	N
11. Men's Basketball - Home versus Michigan	N
12. Men's Basketball - Home versus Indiana	N
13. Home versus Minnesota	N
14. Men's Basketball – Home versus Michigan State	N
15. Men's Basketball – Home versus Illinois	N
16. Men's Basketball – Away versus Rhode	N
Island	N
17. Men's Basketball - Away versus Duke	N
18. Men's Basketball - Away versus Penn State	
19. Men's Basketball - Away versus Wisconsin	N
20. Women's Basketball – Home versus Winthrop	N
21. Women's Basketball – Home versus Lafayette	N
22. Women's Basketball – Home versus Howard	N
23. Women's Basketball – Home versus Indiana	N
24. Women's Basketball – Home versus Nebraska	N
25. Women's Basketball – Home versus Wisconsin	N

Exhibit D

Away Games & Guarantees

Sport	Exception (Y/N)
1. 2012 Big Ten Settlement	N
2. Big Ten Football Championship	N
3. Big Ten Revenue Sharing	N

Exhibit E
NCAA/Conference Distribution Including All Tournaments

Description	Exception (Y/N)
1. NCAA Broad Based Distribution	N
2. Supplemental Distribution	N
3. 2013 NCAA Distribution	N
4. NCAA Broad Based Distribution	N
5. Athletics Bowl Games	N

Exhibit F
Television and Broadcast Rights

Description	Exception (Y/N)
Television:	
1. Sept ESPN-ABC Installment	N
2. BTN 1st Qtr Distribution	N
3. Big Ten Dist. October 2012	N
4. Big Ten Dist. - November 2012	N
5. Big Ten Dist. December ESPN	N
6. BTN 2nd Qtr Distribution	N
7. Big Ten - Fox TV Distribution	N
8. Big Ten Network - 3rd Qtr Dist	N
9. BTN 4th Qtr Distribution	N
Broadcast	
1. IMG Rights Fees	N
2. IMG Rights Fees	N

Exhibit G
Royalties, Advertisements and Sponsorships

Description	Exception (Y/N)
1. IMG 1st Rights Fees	N
2. BOA Affinity Agreement	N
3. Gatorade 2012-13	N
4. Gatorade 2012-13	N
5. IMG 2nd Qtr Rights Fee	N
6. Med Center and The James	N
7. Nike 1st Payment	N
8. Coke tickets FY12-FY13	N
9. IMG	N
10. Schott -IMG 3rd Qtr Rights Fee	N
11. SPRING FB GAME	N
12. IMG 4th QTR Rights FEE	N
13. Nike 2nd Payment	N
14. Broadcast Revenue Distribution	N
15. CBS Sports Online	Y - 1

N - 1 – Agreed selection to check received or other support provided by The University (and not underlying agreement).

Y – 1 – $25,000 variance noted between agreement and the amount recorded

Exhibit H
Sports Camp Revenues

Description	Exception (Y/N)
1. Day Camp (WSOC)	N
2. Residential Camp (WSOC)	N
3. Residential Camp (WSOC)	N
4. Half Day Camp II (WSOC)	N
5. Half Day Camp II (WSOC)	N
6. Junior Buckeyes Camp (WLA)	N
7. Instructional Camp (WLA)	N
8. Youth Spring Training Camp (MBA)	N
9. Youth Spring Training Camp (MBA)	N
10. Youth Spring Training Camp (MBA)	N
11. Youth Spring Training Camp (MBA)	N
12. Youth Spring Training Camp (MBA)	N
13. Youth Spring Training Camp (MBA)	N
14. Youth Spring Training Camp (MBA)	N
15. Youth Spring Training Camp (MBA)	N
16. Youth Spring Training Camp (MBA)	N
17. Winter Prep Clinic (Cheer)	N
18. Winter Prep Clinic (Cheer)	N
19. Prep Clinic 3 (Cheer)	N
20. Prep Clinic 3 (Cheer)	N
21. Prep Clinic 2 (Cheer)	N
22. Prep Clinic 3 (Cheer)	N
23. Prep Clinic 3 (Cheer)	N
24. Summer Camp (CC)	N
25. Summer Camp (CC)	N

Exhibit I
Other Expenses

Description	Exception (Y/N)
1. Student Activity Travel	N
2. Student Activity Travel	N
3. Student Activity Travel	N
4. Student Activity Travel	N
5. Student Activity Travel	N
6. Student Activity Travel	N
7. Student Activity Travel	N
8. Student Activity Travel	N
9. Student Activity Travel	N
10. Student Activity Travel	N
11. Student Activity Travel	N
12. Student Activity Travel	N
13. Student Activity Travel	N
14. Student Activity Travel	N
15. Student Activity Travel	N
16. Travel	N
17. Capitalized Equipment	N
18. Recruiting	N
19. Recruiting	N
20. Recruiting	N
21. Cost of Sales	N
22. Cost of Sales	N
23. Cost of Sales	N
24. Business Meals	N
25. Business Meals	N

Exhibit J
Athletic Student Aid

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

Exhibit K
Home Game Guarantees

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

Y – 1 – $10 variance noted between agreement and the amount recorded

Exhibit L

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

Sport	Exception (Y/N)
1. Football	N
2. Men's Basketball	N
3. Women's Basketball	N
4. Women's Basketball	N
5. Football - Assistant	N
6. Women's Ice Hockey	N
7. Diving	N
8. Fencing - Assistant	N
9. Men's Tennis	N
10. Women's Gymnastics - Assistant	N

Exhibit M

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

Where employee works within Athletics	Exception (Y/N)
1. Compliance	N
2. Jack Nicklaus Museum	N
3. Medical Services	N
4. Athletic Communications	N
5. Facility Operations	N
6. Facility Operations	N
7. Compliance	N
8. Fawcett Center	N
9. Woody Hayes Athletic Center	N
10. Player Development	N
11. Fan Experience & Promotions	N
12. Golf Pro Course Shop	N
13. Equipment	N
14. Fawcett Center	N
15. Athletics Ticket Office	N
16. Facility Operations	N
17. Creative Services	N
18. Woody Hayes Athletic Center	N
19. Strength & Conditioning	N
20. Golf Course Pro Shop	N
21. Fawcett Center	N
22. Camps	N
23. Jack Nicklaus Museum	N
24. Women's Ice Hockey	N
25. Women's Track & Field	N

Exhibit N
Severance

Severed Employees' Title	Exception (Y/N)
1. Women's Basketball Coach	N
2. Men's Ice Hockey Coach	N
3. Assistant Football Coach	N

The Ohio State University Intercollegiate Athletics Department
Statement of Revenues and Expenditures
For the Year Ended June 30, 2013 (unaudited)

Statement of Revenues and Expenditures

	Football	Men's Basketball	Women's Basketball	Other Sports Men	Other Sports Women	Nonprogram Specific	Total
Operating Revenues:							
Ticket Sales	$ 46,317,719	$ 6,567,083	$ 344,577	$ 555,812	$ 64,857	$ 748,859	$ 54,598,907
Post Season Event	2,260,130	3,708,447	-	-	-	-	5,968,577
Program Sales	-	-	-	-	-	2,626	2,626
Novelty Sales	-	-	-	-	-	2,096,524	2,096,524
Radio and T.V. Rights	13,790,891	7,427,727	-	-	-	-	21,218,618
Concessions	1,879,718	574,287	71,650	186,882	28,963	161,665	2,903,165
Gifts:							
Restricted	425,443	2,298,701	54,698	1,333,252	608,933	22,504,743	27,225,770
Grant-in-Aid	534,758	124,351	30,879	517,484	107,024	1,284,552	2,599,048
Parking	2,208,819	171,797	73,627	-	-	-	2,454,243
Investment Income:							
Unrestricted	-	-	-	-	-	62,103	62,103
Endowment Income:							
Restricted	-	-	-	-	-	-	-
Postage\Service Charges	-	-	-	-	-	1,837,421	1,837,421
Advertising	-	-	-	-	-	6,404,094	6,404,094
Entry Fees	-	-	-	1,550	2,725	3,164,412	3,168,687
Facility Rentals	-	-	-	-	-	352,195	352,195
Miscellaneous	(56)	386,824	157,998	150,363	7,111	2,443,035	3,145,275
Golf Course	-	-	-	-	-	3,892,374	3,892,374
Ice Rink	-	-	-	-	-	345,180	345,180
Total Operating Revenues	$67,417,422	$21,259,217	$ 733,429	$ 2,745,343	$ 819,613	$45,299,783	$138,274,807
Operating Expenditures:							
Coaches' Salaries	$ 6,493,007	$ 2,073,485	$ 1,699,475	$ 3,784,840	$ 3,711,628	$ 14,426,025	$ 32,188,460
Other Salaries	1,517,723	313,326	169,629	491,879	270,016	18,468,976	21,231,549
Travel:							
Team and other	1,109,954	879,732	797,850	1,629,113	1,591,572	1,115,189	7,123,410
Recruiting	563,377	374,844	115,500	339,877	344,260	(1,605)	1,736,253
Guarantees-net	3,638,803	221,072	254,119	35,657	9,292	-	4,158,943
Financial Aid	3,243,001	488,387	569,296	4,248,174	6,808,351	-	15,357,209
Maintenance\General	2,575,172	555,578	210,668	1,216,984	1,476,971	18,349,815	24,385,188
Equipment Purchases	235,835	36,704	2,314	(3,817)	48,125	571,151	890,312
Advertising	-	-	-	-	-	375,460	375,460
Insurance	-	-	-	-	-	49,720	49,720
Telephone	74,671	21,352	18,483	69,720	70,698	385,976	640,900
Food	448,512	62,926	28,015	95,712	83,190	908,306	1,626,661
Lodging	48,817	8,125	6,500	13,730	15,836	77,738	170,746
Indirect Overhead	-	-	-	-	-	5,545,902	5,545,902
Physical Facilities	-	-	-	-	-	470,616	470,616
Total Operating Expenditures	$ 19,948,872	$ 5,035,531	$ 3,871,849	$ 11,921,869	$ 14,429,939	$ 60,743,269	$ 115,951,329
Excess (Deficiency) of Revenues over Expenditures	$ 47,468,550	$ 16,223,686	$ (3,138,420)	$ (9,176,526)	$(13,610,326)	$(15,443,486)	$ 22,323,478

1. Summary of Presentation Policies

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

2. Other Sports

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

3. Gifts

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

There were no individual contributions in excess of 10% of all contributions received for the Intercollegiate Athletic Department for the year ended June 30, 2013.

4. Other Forms of Compensation

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

5. Property, Plant and Equipment

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

Capital Asset activity for the year ended June 30, 2013 as summarized as follows:

	Balance 6/30/2012	Additions	Transfers In (Out)	Disposals	Balance 6/30/2013
Capital assets not being depreciated					
Construction in progress	$ 8,866,110	$ 23,020,775	$ (15,061,187)	$ -	$ 16,825,698
Total capital assets not being depreciated	8,866,110	23,020,775	(15,061,187)	-	16,825,698
Capital assets being depreciated:					
Buildings	325,061,737	5,779,539	-	-	330,841,276
Capital improvements	27,621,604	6,931,946	-	-	34,553,550
Machinery and equipment	6,978,099	539,884	-	(310,450)	7,207,533
Total capital assets being depreciated	359,661,440	13,251,369	-	(310,450)	372,602,359
Total capital assets	368,527,550	36,272,144	(15,061,187)	(310,450)	389,428,057
Less: Accumulated depreciation					
Buildings	122,621,331	10,309,139	209,205	-	133,139,675
Capital improvements	10,479,204	1,945,513	-	-	12,424,717
Machinery and equipment	4,425,989	436,619	-	(295,575)	4,567,033
Total accumulated depreciation	137,526,524	12,691,271	209,205	(295,575)	150,131,425
Total capital assets being depreciated, net	222,134,916	560,098	(209,205)	(14,875)	222,470,934
Capital assets, net	$ 231,001,026	$ 23,580,873	$ (15,270,392)	$ (14,875)	$239,296,632

6. LONG-TERM DEBT

University Notes Payable

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

	Principal	Interest	Total
2014	$ 7,987,143	$ 7,841,422	$ 15,828,565
2015	7,867,865	7,482,275	15,350,140
2016	6,982,465	7,140,456	14,122,921
2017	7,173,142	6,806,302	13,979,444
2018	7,354,260	6,464,570	13,818,830
2019-2023	41,969,150	26,661,395	68,630,545
2024-2028	52,343,049	15,514,822	67,857,871
2029-2033	37,665,244	3,037,595	40,702,839
	$169,342,318	$ 80,948,837	$250,291,155

The Ohio State University

Report of Independent Accountants' on Agreed-Upon Procedures Performed on the Statements and Records of Booster Organizations' Expenditures for or on Behalf of the Intercollegiate Athletic Department Required by NCAA Bylaw 3.2.4.16 for the Year Ended June 30, 2013

The Ohio State University Department of Athletics
Index
June 30, 2013

Report of Independent Accountants

Dr. Joseph Alutto, Interim President
The Ohio State University

We have performed the procedures enumerated below, which were agreed to by the administration of The Ohio State University (the "University"), solely to assist you in evaluating whether the accompanying Statement of Receipts/Revenues and Disbursements/Expenditures for Outside Organizations Acting on Behalf of the Department of Athletics (the "Statement") is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.16 for the year ended June 30, 2013. Management of the University is responsible for the Statement and the Statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

1. We obtained from University management a list of all University booster group activities, for both independent and affiliated organizations (including alumni organizations), that have a principal purpose of generating funds for the University's athletics department, during the year ended June 30, 2013.

    a. We obtained the financial statements for affiliated organizations as of June 30, 2013 and agreed each of the revenue and expense amounts appearing in the financial statements of the affiliated organizations to the corresponding amounts included in the Statement. No exceptions were noted as a result of performing this procedure.

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

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

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Statement for the year ended June 30, 2013. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

PricewaterhouseCoopers LLP

November 4, 2013

The Ohio State University Department of Athletics
Receipts/Revenues and Disbursements/Expenditures for
Outside Organizations Acting on Behalf of the Department of Athletics
For the Year Ended June 30, 2013 (unaudited)

Exhibit A - Listing of Booster Groups/Alumni Organizations

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

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

Organizations reporting on a cash receipts and disbursements basis for the year ended June 30, 2013, are as follows:

			Cash Disbursements		
Organization	Beginning Cash Balance	Cash Receipts	Contributions To or on Behalf of Program	Other	Ending Cash Balance
The Buckeye Diamond Club	$ 152,436	137,262	13,378	40,248	$ 236,072
The Buckeye Sideliners	282	10,261	2,500	7,244	799
The Rebounders Club	7,011	66,442	15,000	53,656	4,797
Varsity "O" Women	23,748	13,806	-	18,352	19,203

Organizations reporting revenues and expenditures for the year ended June 30, 2013, are as follows:

		Expenditures/Contributions		
Organization	Revenues	To or on Behalf of Program	Other	Net Income (Loss)
Buckeye Boosters Inc.	$ 385,823	-	(404,158)	$ (18,335)
Varsity "O" Men	125,329	(43,000)	(103,858)	(21,529)

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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
JANUARY 16, 2014

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