2014 Annual Financial Report

The Ohio State University

Contents

Message from the President

Dr. Michael V. Drake

There are few institutions in the world more important to the higher education community than The Ohio State University. I am honored to have joined the university as its 15th president.

As a land-grant institution, Ohio State is committed to academic excellence as well as affordability and access. Indeed, these land-grant tenets are foundational to our academic mission. It is our responsibility to provide the absolute best education possible to the greatest number of students from all socioeconomic backgrounds. In order to accomplish that mission, we must ensure that the university's financial foundation is robust and secure.

Over the past five years, we have developed innovative revenue streams to support our academic mission, including landmark partnerships with Nationwide Insurance and Huntington Bank to foster community revitalization, fund scholarships and create internships. Meanwhile, we are on track to exceed our *But for Ohio State* Campaign goal of $2.5 billion, with a record number of alumni and friends investing in our future.

Leasing our parking operations in 2012 resulted in a $483 million infusion into our endowment, which has translated into $62 million so far to support new scholarships, hire exceptional faculty and grow the university's arts district. And we have recently proposed a comprehensive approach to energy management that has great potential to support faculty and student activities while helping to meet our ambitious energy-efficiency goals.

Higher education is changing before our eyes. With our academic mission supported by innovative financial strategies, Ohio State is well positioned to serve as a model for other institutions while fulfilling our historic land-grant mission.

Sincerely,

Michael V. Drake

Michael V. Drake, MD
President

Letter from the Chair of the Board of Trustees

Jeffrey Wadsworth

As the new board chair, I want to welcome our 15th president, Dr. Michael Drake, and his wife Brenda, to the Ohio State family. As it does every year, that family now includes new students, faculty, staff and alumni.

The Ohio State University is proud to continue its tradition of excellence throughout the state of Ohio, as well as across the nation and worldwide for the past 144 years. We propel advancements in research, teaching and outreach that enrich and cultivate the education of the individuals we serve, making a stronger country for us all. Ohio State is continuously creating new knowledge that is being used to confront worldwide challenges every single day.

We strive to base everything we do on a standard of excellence that spreads well beyond what is expected from a public university. Research and teaching, systems and processes, behaviors and values all contribute toward building a truly great university experience.

As we strive for the quality of our work to stand out, we are still dedicated to the noble mission of the Morrill Act of 1862. We firmly believe that accessibility of education is our fundamental priority and our responsibility as a state institution is to ensure affordability. Access and affordability require that we constantly seek new revenue streams and continue to operate more efficiently.

Along with our core goals, we also would like to be a part of growing and strengthening Ohio's economy — from entrepreneurial startups in rural Ohio to Fortune 500 companies right here in Columbus. Another key goal is to work toward making our public institutions more sound, from our local city hall to the legislative bodies of the world.

As a university, we are faced with a time of transition. We have a new president, a changing political landscape, a recovering economy and a tremendously uncertain world. However, Ohio State is strong and solid leadership is in place. Our financial foundation is solid and is making life-changing education attainable for all those who seek higher education. Together as a university, we are able to instill the expectation of excellence — in whatever pursuit its students, faculty and staff choose — and bring it into reality. The future of the 21st century at Ohio State is nothing short of remarkable.

Jeffrey Wadsworth

Jeffrey Wadsworth

Chair

Transformation in Action

Report from the Chief Financial Officer

Geoff Chatas

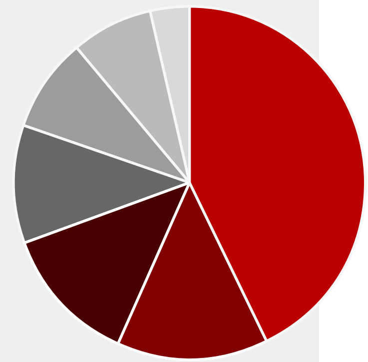
The Ohio State University is marching forward on an innovative financial strategy that supports academic excellence and college affordability. Our progress is visible on multiple fronts: We're tapping new revenue streams, driving efficiencies and capturing more private support to focus our resources on the best teaching, learning and research.

In just the past fiscal year, Ohio State has signed a $17.1 million affinity agreement with Nationwide Insurance, saved $41 million through strategic procurement strategies and successfully managed the final stages of construction of our new $1.1 billion comprehensive cancer center.

Revenues Sources
Fiscal 2014 University Budget

(in millions)

Patient care	$ 2,477
Tuition	816
Grants and contracts	734
Net investment income	621
State appropriations	496
Sales and services	445
Gifts	198
Total Revenues	**$ 5,787**



We know we must do more. That's why Ohio State continues to invest in our long-term financial plan, despite our significant efforts to date and some rebound in our economic climate. As another step in this direction, Ohio State has begun to evaluate the way in which the university advances sustainability goals. By exploring a new comprehensive approach to energy management, Ohio State will consider ways to make progress on our energy goals while providing additional support for academic priorities.

In the letter and report that follows, I am pleased to share highlights from this very successful year, which we will use to continue our groundbreaking efforts to support our students, faculty and research mission.

Discovery Themes Initiative

Creating the Solutions-based University of the Future

To find durable solutions to the world's most compelling issues, Ohio State has launched the Discovery Themes Initiative, a significant investment in three thematic areas in which the university will make a global impact: health and wellness, food production and security, and energy and the environment.

The FY14 budget plan marked the beginning of our Discovery Themes investment to increase the size of the university's tenure-track faculty by 8 to 10 percent. To date, nearly 40 new tenure-track positions focused on Problem Solving through Data Analytics and Decision Science have been authorized. Also, $52.8 million in capital funding from the state of Ohio is transforming two historic campus buildings that will be devoted to Data Analytics efforts. Building on the university's existing strengths, we will continue planning in seven strategic Discovery Themes investment areas:

- Problem Solving through Data Analytics and Decision Science Detecting
- Treating and Preventing Emerging and Re-emerging Infectious Diseases
- Preventing and Treating Chronic Brain Injuries
- Personalizing Food and Nutritional Metabolic Profiling to Improve Health
- Promoting Resilient, Sustainable and Global Food Security for Health
- Advancing Sustainability Science for Materials Innovation
- Accelerating Global Sustainability through Translational Materials and Innovation

Endowment Growth

Ohio State's $3.6 billion long-term investment pool generated strong returns in fiscal 2014, growing by 14.4 percent net of investment fees. Market gains were particularly strong in our global equity (up 18 percent) and private capital (up 16.8 percent) investments. The continued strength of the investment pool produced $142 million in distributions for university priorities.

The university continues to benefit from the successful lease of our parking operations, which added $483 million to the long-term investment pool in fiscal 2013. Since then, that investment has grown to more than $555 million and generated $62 million in distributions to support teaching, learning, research, the arts and transportation. Over the 50-year term of the agreement, proceeds are expected to provide $3.1 billion in investment earnings and add $4.9 billion to the investment pool balance.

The long-term pool ranks as the sixth largest among public universities, according to the National Association of College and University Business Officers.

Finally, we are pleased to share that John C. Lane joined our team in late October as vice president and chief investment officer. He joins the university from the Ohio Public Employees Retirement System, where he oversaw an $89 billion fund as director of investments. Lane has demonstrated excellent results throughout his career and we expect him to lead us to a new level of performance.

Comprehensive Energy Management

We believe that a comprehensive approach to energy management could advance support for our aggressive energy goals while also delivering a significant opportunity to enhance our academic mission.

This is the initial, exploratory phase to determine the feasibility of leasing our energy infrastructure to a private entity that would operate our energy assets. The same partner also would be responsible for funding and accomplishing measures to conserve energy campus-wide. All proceeds from the lease, combined with savings created by efficiencies, would be invested to directly support our core mission: teaching, learning and research.

Our consideration of this project reflects our long-term strategy to be good stewards of our resources, both financially and from a sustainability standpoint. The university is committed to working through the governance process and hearing from all parties. We expect to work through the process of evaluating this project in the coming year.

The Ohio State University Comprehensive Cancer Center – James Cancer Hospital and Solove Research Institute

I am incredibly pleased to report the on-time and on-budget opening of the new Ohio State University Comprehensive Cancer Center – James Cancer Hospital and Solove Research Institute in December. At $1.1 billion, this project represents the largest single construction project in Ohio State's 152-year history and the third largest cancer hospital in the nation. Most important, this project represents Ohio State's commitment to a cancer-free world and the future of medicine.

At a time when many universities halted or canceled building programs due to the economy, Ohio State's strong financial status allowed us to approve, construct and complete a facility that will continue to set Ohio State apart as a global innovator in health care. The new James will strengthen what is already a center of world-class research and create an unparalleled patient care environment through a convergence of research, clinical and educational paces and teams.

To facilitate this project, we took full advantage of both government support and the generosity of the community. The project received a $100 million grant from the U.S. Department of Health and Human Services — the largest single award ever received by Ohio State.

The Ohio Board of Regents chose the expansion project as a construction reform demonstration project. This allowed Ohio State to reinvest a significant amount of savings (approximately $78 million) back into the project for design enhancements and more buying power ($87 million in cost avoidance). It also allowed the inclusion of additional revenue-generating space for the hospital that was not possible in the original scope (worth approximately $25 million).

Portions of the project would not have been possible without the participation of members of the community. In total, $75 million in auxiliary and philanthropic financing was necessary to fully fund the expansion.

Nationwide®

INCREMENTAL COST SAVINGS IN 2014

$41 MILLION

UP FROM $30.2M IN 2013

Affinity and Licensing Agreements

Continuing a successful run of agreements with Huntington Bank, J. America and Nike, the university announced a 10-year agreement in March 2014 that established Nationwide Insurance as the official insurance sponsor for the university community. The $17.1 million agreement includes benefits that extend far beyond the provision of insurance. Nationwide committed:

- to create 40 internships on an annual basis for qualifying Ohio State students in various fields.
- to underwrite the Risk Institute at Ohio State for an additional five years. Housed in the Fisher College of Business, the Risk Institute combines educational research and academic leadership with practical business application so students can make a real impact on the business community.
- to partner with Ohio State on a new co-investment fund designed to support entrepreneurial and venture-capital projects.

Through agreements such as the Nationwide one, the university is positioned to continue making investments that will advance our core mission of teaching, learning, research and service.

Efficiently Managing Expenses

Our laser focus on efficiency saved another $41 million in procurement costs in fiscal 2014, freeing resources that are being redirected to serve the university's core mission. That figure represents a 36 percent increase over the previous year and brings Ohio State's three-year savings to $93 million.

Our strategic procurement program has significantly streamlined the number of vendors used by Ohio State and allowed us to maximize our purchasing power to lower costs.

Looking Ahead

We have been bold in our efforts to generate revenue, build new efficiencies and find innovative ways to fund our academic mission. We are confronting a new normal in the world of higher education funding, and we will continue to work to be ahead of it. We will be even more aggressive in our pursuit of affordability for our students and to ensure the long-term financial health of this great university.

In the pages that follow, you will find our financial statements to help you gain a deeper understanding of how the financial strategies I have briefly covered are making a difference in the lives of our students and faculty as they work to have a positive impact on our community, our state and the world.

Sincerely,

Geoff Chatas
Chief Financial Officer and Senior Vice President
Office of Business and Finance

Independent Auditor’s Report

Independent Auditor’s Report

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

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

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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Independent Auditor's Report

Opinions

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

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 11 through 22 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matter

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying Supplementary Information on the Long-Term Investment Pool on page 62 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

PricewaterhouseCoopers LLP

October 30, 2014

Management's Discussion and Analysis | Year ended June 30, 2014 (unaudited) | The Ohio State University

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

About The Ohio State University

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

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

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

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

> The university operates one of the nation's leading academic medical centers, The Ohio State University Wexner Medical Center.

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

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

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

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

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

About the Financial Statements

The university presents its financial statements in a "business type activity" format, in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. In addition to this MD&A section, the financial statements include a

Condensed financial information for both blended and discretely presented component units is provided in the Notes to the Financial Statements.

Statement of Net Position, a Statement of Revenues, Expenses and Other Changes in Net Position, a Statement of Cash Flows and Notes to the Financial Statements. Separate columns are presented for the primary institution (which includes the primary government and the blended component units), discretely presented component units and the total university. Unless otherwise specified, the amounts presented in this MD&A are for the primary institution.

The **Statement of Net Position** is the university's balance sheet. It reflects the total assets, liabilities and net position (equity) of the university as of June 30, 2014, with comparative information as of June 30, 2013. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as non-current. Investment assets are carried at market value. Capital assets, which include the university's land, buildings, improvements, and equipment, are shown net of accumulated depreciation. Net position is grouped in the following categories:

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

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

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

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

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

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

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

Financial Highlights and Key Trends

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

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

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

Statement of Net Position

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

Accounts receivable increased $54 million, to $440 million at June 30, 2014, primarily due to increases in patient care receivables of the Health System. **Inventories and prepaid expenses** increased $31 million, to $115 million, reflecting increases in software inventories at OARnet (up $6 million), increases in prepayments for library subscription services by OhioLink ($13 million) and deferred charges for summer term scholarships (up $9 million).

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

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

Statement of Net Position (in thousands)

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

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

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

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

- Medical Center Expansion – Construction of a 21-story, $1.1 billion new facility for the James Cancer Hospital and Solove Research Institute and the Critical Care Center is proceeding on time and on budget for completion in December 2014. The university is financing the project with a combination of bonds ($925 million), private gifts ($75 million) and a $100 million federal grant.
- Chemical and Bio-molecular Engineering and Chemistry Building – Construction is underway on a $126 million facility for the Chemistry and Chemical and Bio-molecular Engineering departments. The 225,000 square-foot building will contain research and teaching laboratories, faculty offices, and seminar rooms. Construction is projected to be completed in January 2015.
- Infrastructure Improvements – Work continues on the $41 million east regional chiller plant to serve buildings east of the Oval. The east regional chiller project is expected to be completed in fiscal year 2015. A $21 million steam and condensate upgrade project will upgrade deteriorated lines and increase capacity and distribution in the mid-west campus area from McCracken Power Plant to near the Drake Union.
- North Residential District Transformation (NRDT) – The $370 million NRDT project will construct new housing and support facilities for sophomore students in the north campus area. Enabling project work began Summer 2013, and the project is slated for completion Fall Semester 2016.
- Veterinary Hospital– Currently in its design phase, the $30 million project will renovate approximately 97,000 square feet of the existing facility and will add 12,000 square feet of new space.

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

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

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

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

Although it is the university's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the university does not have "take-out agreements" in place per the GASB Interpretation 1 requirements. Accordingly, the university has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. These obligations totaled $446 million at June 30, 2014 and June 30, 2013.

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

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

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

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

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

Statement of Revenues, Expenses and Other Changes in Net Position

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

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

Educational and general expenses increased $122 million, or 6%, to $2.28 billion in 2014. Additional details are provided on the following page.

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

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

Consolidated **Health System** operating revenues grew $102 million, to $2.12 billion in 2014, driven primarily by growth in outpatient revenues and a strong patient mix. Consolidated operating expenses (excluding

Summary of Revenues, Expenses and Changes in Net Position (in thousands)

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

Educational and General Expenses (in thousands)

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

depreciation, interest and transfers) increased $43 million, to $1.84 billion, reflecting efforts to maintain expenses in line with activity levels. An in-depth look at the Health System is provided below.

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

A $1.1 billion construction project broke ground in 2010, representing the largest development project in the history of The Ohio State University. The new Arthur G. James Cancer Hospital and Richard J. Solove Research Institute, a Critical Care Center, and integrated, state-of-the-art research facilities will provide scientists, researchers and clinicians with a single collaborative environment for research, education and patient care. This 1.1 million square foot building will include 276 cancer beds and 72 critical care beds and will have capacity for an additional 72 critical care beds for future growth. The new 21-level tower will open in December 2014, and it is estimated that more than 310,000 patients will be served annually.

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

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

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

The Health System is focusing on efficiency and cost reduction as reimbursements come under pressure. Key in these initiatives is the creation of value through continued use of evidenced based practice, effective patient management during and after the hospital experience, and the use of our electronic medical record systems to reduce unnecessary treatment and costs. We have effectively controlled and reduced costs of supplies and will continue to do so through aggressive contracting, standardization, and strategic sourcing. Significant effort is being placed in streamlining and refining revenue cycle activities. Ohio State University Physicians (OSUP) implemented the Epic Physician Billing system in July 2014 and is integrating it with the Health System's Epic patient and revenue cycle systems. Activities such as centralized patient scheduling, insurance precertification, payment at point of service and other administrative activities will be consolidated across the Medical Center.

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

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

Despite the challenges and the changing healthcare environment, the Health System

University investments yielded $621 million of **net investment income** in 2014.

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

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

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

Total **gifts** to the university decreased $23 million, to $198 million in 2014. The decrease relates primarily to private capital gifts; three major capital pledges, totaling $28 million, were recognized in 2013. During 2014, over 233,000 alumni and friends made gifts to the university, up from 228,000 in 2013.

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

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

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

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

University Cash Flows Summary (in thousands)

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

Statement of Cash Flows

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

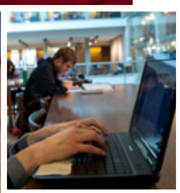
Economic Factors That Will Affect the Future

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

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

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

Based on what is now known regarding the university's financial outlook, university management anticipates that Ohio State will maintain its sound financial position in Fiscal Year 2015. However, the university does face certain financial challenges, including limited growth in state operating support



and tuition revenues, continued pressure on government expenditures for research and student financial aid, and uncertainties related to the impact of healthcare reform. State share of institution (SSI) is expected to decrease $1 million, to $354 million in 2015, and restricted line-item appropriations are expected to be flat. Tuition revenues are expected to increase 1.9% in 2015, primarily driven by both an increased proportion of non-resident students and increased fees. Undergraduate instructional and mandatory fees will not increase in 2015. Revenue for sponsored research projects administered by the Office of Sponsored Programs is expected to decrease $3 million, to $487 million in 2015. The impact of insurance exchanges, changes in managed care rates, and Medicaid expansion will continue to cause uncertainty in the environment for the Wexner Medical Center and hospitals nationwide.

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

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

Statements of NET POSITION

June 30, 2014 and June 30, 2013
(in thousands)

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

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

Statements of REVENUES, EXPENSES, AND OTHER CHANGES IN NET POSITION

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

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

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

Statements of CASH FLOWS

Years Ended June 30, 2014 and June 30, 2013
(in thousands)

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

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

Statements of CASH FLOWS (continued)

Years Ended June 30, 2014 and June 30, 2013
(in thousands)

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

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

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization

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

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

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

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

Basis of Presentation

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

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

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

- Appointment of a voting majority of an organization's governing authority and the ability of the primary government (i.e. the university) to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or;
- An organization is fiscally dependent on the primary government and provides specific financial benefits to, or imposes specific financial burdens on, the primary government.

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

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

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

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

- **The Ohio State University Physicians, Inc.** – The university appoints a voting majority of the board of the medical practice group for physician faculty members in the Colleges of Medicine and Public Health.

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

Summary financial statement information for the university's blended and discretely presented component units is provided in Notes 19 and 20. Audited financial statements for component units considered to be material to the university may be obtained from the Office of the Controller. A total university column in the financial statements is provided as memorandum only for purposes of additional analysis by users.

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

Basis of Accounting

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

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

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation, cash restricted for capital projects and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted - nonexpendable:** Amounts subject to externally-imposed stipulations that they be maintained in perpetuity and invested for the purpose of generating present and future income, which may either be expended or added to the principal by the university. These assets primarily consist of the university's permanent endowments.
- **Restricted - expendable:** Amounts whose use is subject to externally-imposed stipulations that can be fulfilled by actions of the university pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted:** Amounts which are not subject to externally-imposed stipulations. Substantially all unrestricted balances are internally designated for use by university departments to support working capital needs, to fund related academic or research programs, and to provide for unanticipated shortfalls in revenues and deviations in enrollment.

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

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

Cash and Investments

Cash and cash equivalents consist primarily of petty cash, demand deposit accounts, money market accounts, savings accounts and investments with original maturities of ninety days or less at the time of purchase. Such investments consist primarily of U.S. Government obligations, U.S. Agency obligations, repurchase agreements and money market funds. Restricted cash consists of bond proceeds restricted for capital expenditures. For purposes of the Statement of Cash Flows, "cash" is defined as the total of these two line items.

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

The university holds investments in limited partnerships, private equity and other investments, which are carried at estimated fair value provided by the management of these funds. The purpose of this alternative investment class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes. Investments in these funds are fair valued based on the university's proportional share of the net asset value of the total fund. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. As of June 30, 2014, the university has made commitments to limited partnerships totaling $775,000 that have not yet been funded. These commitments may extend for a maximum of thirteen years. As of June 30, 2013, the university had made commitments to limited partnerships totaling $624,000 that had not yet been funded.

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

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

Endowment Policy

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

Annual distributions to named funds in the Long Term Investment Pool are computed using the share method of accounting for pooled investments. The annual distribution per share is 4.25% of the average market value per share of the Long Term Investment Pool over the most recent seven year period.

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

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

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

Gift Pledges Receivable

The university receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, endowment pledges are not recorded as assets until the related gift is received. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts and includes such factors as prior collection history, type of gift and nature of fundraising.

Inventories

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

Capital Assets and Collections

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

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

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

Advance Payments for Goods and Services

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

Derivative Instruments and Hedging Activities

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

Operating and Non-Operating Revenues

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

Tuition, Room and Board

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

State Support

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

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

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

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

These facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund and future payments to be received by such fund, which is established in the custody of the Treasurer of State.

Government Grants and Contracts

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

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

OSU Health System Revenue

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

OSU Physicians Revenue

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

Charity Care and Community Benefit

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

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

Management Estimates

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

Implementation of GASB Statement No. 65

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

The retrospectively adjusted amounts are summarized below:

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

Newly Issued Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability, which is the difference between the total pension liability and the assets set aside to pay pension benefits. Statement No. 68 also requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. It is effective for periods beginning after June 15, 2014.

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

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

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

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

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

Other

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

Revision

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

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

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

NOTE 2 — CASH AND CASH EQUIVALENTS

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

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

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

At June 30, 2013, the carrying amount of the discretely presented component units' cash, cash equivalents and restricted cash for all funds is $52,495 as compared to bank balances of $48,927. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, $5,619 is covered by federal deposit insurance and $43,308 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

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

NOTE 3 — INVESTMENTS

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

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

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

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

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

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

Mutual funds held by the university invest in a wide range of alternative investments. These investments may include, but are not limited to, investments in equity securities, mutual funds, limited and general partnerships, foreign securities, short sales positions, distressed securities, fixed income securities, options, currencies, commodities, futures and derivatives. The university's objective for investing in these assets is to provide stable, absolute returns that are uncorrelated to fluctuations in the stock and bond markets.

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

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

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

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

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

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

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

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

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

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

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

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

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

Additional Risk Disclosures for Investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 4 — ACCOUNTS, NOTES AND PLEDGES RECEIVABLE

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

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

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

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

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

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

NOTE 5 — CAPITAL ASSETS

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

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

Primary Institution

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

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

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

Primary Institution

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

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

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

Discretely Presented Component Units

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

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

Discretely Presented Component Units

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

Notes to Financial Statements | Years Ended June 30, 2014 and 2013 (dollars in thousands) 2014 Financial Report | The Ohio State University

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

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

NOTE 7 – DEPOSITS AND ADVANCE PAYMENTS FOR GOODS AND SERVICES

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

	2014	2013
Current deposits and advance payments:		
Tuition and fees	$ 44,947	$ 41,026
Departmental and auxiliary sales and services	83,143	70,642
Parking service concession	9,350	-
Grants and contracts advances	78,378	56,723
Other deposits and advance payments	13,712	11,045
Total current deposits and advance payments	$ 229,530	$ 179,436
Other non-current deposits and advance payments	$ 58,297	$ 25,219

NOTE 8 – SELF-INSURANCE ACCRUALS

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

Medical Malpractice

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

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

The limits are in excess of underlying policies with limits ranging from $4 million to $10 million per occurrence and $14 million in the aggregate. A portion of the risks written by Oval Limited to date is reinsured by three reinsurance companies. Oval Limited retains 50% of the first $15 million of risk and cedes the remainder to Berkley Medical Excess Underwriters (rated A+ by A.M. Best). The next $20 million is fully ceded to Lexington Insurance Company (rated A by A.M. Best). Above that, Oval Limited cedes the remaining $20 million of risk to Endurance Specialty Insurance Ltd. (rated A by A.M. Best). The estimated liability and the related contributions to the trustee fund are based upon an independent actuarial determination as of June 30, 2014. OSUP participates in the university self-insurance fund for professional medical malpractice liability claims.

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

The university's estimate of professional malpractice liability includes provisions for known claims and actuarially determined estimates of incurred but not reported claims and incidents. This liability at June 30, 2014 of the anticipated future payments on gross claims is estimated at its present value of $69,806 discounted at an estimated rate of 3.0% (university funds) and an additional $31,771 discounted at an estimated rate of 3.0% (Oval Limited).

Although actual experience upon the ultimate disposition of the claims may vary from this estimate, the self-insurance fund assets of $177,023 (which primarily consist of bond and equity mutual funds, money market funds and U.S. treasury notes) are more than the recorded liability at June 30, 2014, and the surplus of $75,446 is included in unrestricted net position.

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

Employee Health Insurance

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

Workers' Compensation

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

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

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

Notes to Financial Statements | Years Ended June 30, 2014 and 2013 (dollars in thousands)   2014 Financial Report | The Ohio State University

NOTE 9 — DEBT

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

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

Primary Institution

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

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

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

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

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

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

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

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

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

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

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

Primary Institution

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

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

Discretely Presented Component Units

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

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

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

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

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

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

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

Special-Purpose General Receipts Bonds

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

Variable Rate Demand Bonds

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

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

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

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

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

Capital Lease Obligations

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

Interest Rate Swap Agreements

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

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

Capitalization of Interest

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

NOTE 10 — OPERATING LEASES

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

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

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

NOTE 11 — COMPENSATED ABSENCES

University employees earn vacation and sick leave on a monthly basis.

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

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

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

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

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

NOTE 12 — OTHER LIABILITIES

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

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

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

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

NOTE 13 – RENTALS UNDER OPERATING LEASES

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

Year Ending June 30,

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

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

NOTE 14 – OPERATING EXPENSES BY OBJECT

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

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 814,020	$ 124,365	$ -	$ -	$ 938,385
Separately budgeted research	278,517	158,980	-	-	437,497
Public service	78,556	52,833	-	-	131,389
Academic support	150,312	38,329	-	-	188,641
Student services	74,007	22,885	-	-	96,892
Institutional support	169,025	109,027	-	-	278,052
Operation and maintenance of plant	35,920	62,758	-	-	98,678
Scholarships and fellowships	7,190	2,160	101,251	-	110,601
Auxiliary enterprises	137,691	104,224	-	-	241,915
OSU Health System	1,026,145	813,500	-	-	1,839,645
Depreciation	-	-	-	260,367	260,367
Total operating expenses	$ 2,771,383	$ 1,489,061	$ 101,251	$ 260,367	$ 4,622,062

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

NOTE 15 — RETIREMENT PLANS

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

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

Defined Benefit Plans

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

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

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

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

OPERS currently provides post-employment health care benefits to age-and-service retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under the Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For calendar year 2013, OPERS allocated 1.0% of the employer contribution rate to fund the health care program for retirees, and this rate was increased to 2.0% for calendar year 2014 as recommended by the OPERS actuary.

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

STRS Ohio currently provides access to health care coverage to retirees who participated in the defined benefit or combined plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to ORC, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care costs in the form of monthly premiums. Under ORC, medical costs paid from the funds of STRS Ohio are included in the employer contribution rate. For the fiscal year ended June 30, 2013, STRS Ohio allocated employer contributions equal to 1.0% of covered payroll for post-employment health care.

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

Defined Contribution Plans

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

Notes to Financial Statements | Years Ended June 30, 2014 and 2013 (dollars in thousands) 2014 Financial Report | The Ohio State University

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

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

Combined Plans

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

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

OPERS provides retirement, disability, survivor and post-retirement health benefits to qualifying members of the combined plan.

OPERS currently provides post-employment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For calendar year 2013, OPERS allocated 1.0% of the employer contribution rate to fund the health care program for retirees, and this rate was increased to 2.0% for calendar year 2014 as recommended by the OPERS actuary.

Funding Policy

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

	STRS Ohio	OPERS	ARP
Faculty:			
Plan member (entire year)	11.00%		11.00%
University (entire year)	14.00%		14.00%*
Staff:			
Plan member (entire year)		10.00%	10.00%
University (entire year)		14.00%	14.00%**
Law Enforcement:			
Plan member (7/1/13-12/31/13)		12.60%	12.60%
Plan member (1/1/14-6/30/14)		13.00%	13.00%
University (entire year)		18.10%	17.33%**

* Employer contributions include 4.5% paid to STRS Ohio.
** Employer contributions include .77% paid to OPERS.
The remaining amount is credited to employee's ARP account.

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

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

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

OSU Physicians Retirement Plan

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

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

NOTE 16 — CAPITAL PROJECT COMMITMENTS

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

These projects are funded by the following sources:

State appropriations	$ 35,777
Internal and other sources	328,901
Total	$ 364,678

MANAGEMENT

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

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

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

NOTE 18 — PARKING LEASE AND CONCESSION AGREEMENT

On September 21, 2012, the university entered into a 50-year lease and concession agreement with QIC Global Infrastructure (QIC GI). CampusParc LP, a QIC GI affiliate, owns and operates the university's parking concession on QIC GI's behalf. Under the agreement, CampusParc will operate, maintain and retain parking revenues from the university's parking lots and garages. This agreement also regulates the parking rates that may be charged and future increases in these rates. The university received lump-sum payments totaling $483,000 from QIC GI and used the proceeds to establish endowment funds, with income distributions internally designated to support student scholarships, faculty initiatives and research, transportation and sustainability and the university arts district. The university reports the parking lots and garages as capital assets with a carrying amount of $124,511 at June 30, 2014 and reports a deferred inflow of resources in the amount of $464,701 at June 30, 2014, pursuant to the service concession arrangement. The university reports the parking lots and garages as capital assets with a carrying amount of $124,009 at June 30, 2013 and reports a deferred inflow of resources in the amount of $474,332 at June 30, 2013, pursuant to the service concession arrangement.

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

NOTE 19 – COMBINING INFORMATION FOR BLENDED COMPONENT UNITS

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

Condensed Combining Information – Year Ended June 30, 2014

	OSU Foundation	OSU Health Plan	Oval Limited
Condensed statements of net position:			
Current assets	$ 43,096	$ 3,770	$ 51,807
Capital assets, net	3,784	478	-
Other assets	829,398	7212	-
Amounts receivable from the university	-	-	-
Deferred outflows	-	-	-
Total assets and deferred inflows	$ 876,278	$ 4,969	$ 51,807
Current liabilities	$ 9,675	$ 1,162	$ 37
Noncurrent liabilities	32,267	-	31,772
Amounts payable to the university	158	348	-
Deferred inflows	-	-	-
Total liabilities and deferred inflows	42,100	1,510	31,809
Invested in capital assets, net of related debt	3,784	478	-
Restricted:			
Nonexpendable	662,094	-	-
Expendable	156,931	-	-
Unrestricted	11,369	2,981	19,998
Total net position	834,178	3,459	19,998
Total liabilities, deferred inflows and net position	$ 876,278	$ 4,969	$ 51,807

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

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

Condensed Combining Information – Year Ended June 30, 2013

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

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

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

NOTE 20 – COMBINING INFORMATION FOR DISCRETELY PRESENTED COMPONENT UNITS

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

Condensed Combining Information – Year Ended June 30, 2014

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

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

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

Condensed Combining Information – Year Ended June 30, 2013

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

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

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

NOTE 21 – SEGMENT INFORMATION

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

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

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

Segment Disclosure Information – Year Ended June 30, 2014

	2013	2012
Condensed Statement of Net Position		
Assets and deferred outflows:		
Current assets	$ 24,141	$ 33,264
Capital assets	451,921	419,281
Other assets	309,430	-
Amounts receivable from the university	-	-
Deferred outflows	-	-
Total assets and deferred inflows	$ 785,492	$ 452,545
Liabilities and deferred inflows:		
Current liabilities	$ 5,805	$ 5,644
Noncurrent liabilities	-	-
Amounts payable to the university	817,238	293,147
Deferred inflows	-	-
Total liabilities and deferred inflows	823,043	298,791
Net position:		
Invested in capital assets, net of related debt	(55,886)	126,135
Restricted:		
Nonexpendable	-	-
Expendable	-	-
Unrestricted	18,335	27,619
Total net position	(37,551)	153,754
Total liabilities, deferred inflows and net position	$ 785,492	$ 452,545
Condensed Statement of Revenues, Expenses and Changes in Net Position		
Special-purpose pledged revenues - operating	$ 163,347	$ 147,956
Operating expenses, excluding depreciation	(119,540)	(116,060)
Depreciation expense	(24,002)	(16,375)
Operating income	19,805	15,521
Nonoperating revenues, net	(17,687)	(13,569)
Net income (loss) before transfers	2,118	1,952
Transfers from (to) other university units, net	(193,423)	79,874
Increase (decrease) in net assets	(191,305)	81,826
Beginning net position	153,754	71,928
Ending net position	$ (37,551)	$ 153,754
Condensed Statement of Cash Flows		
Net cash provided (used) by:		
Operating activities	$ 33,704	$ 29,370
Noncapital financing activities	-	-
Capital and related financing activities	266,940	(21,409)
Investing activities	107	105
Net increase (decrease) in cash	300,751	8,066
Beginning cash and cash equivalents	31,761	23,695
Ending cash and cash equivalents	$ 332,512	$ 31,761

NOTE 22 – SUBSEQUENT EVENTS

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

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

Supplementary Information on the Long-Term Investment Pool | Year Ended June 30, 2014

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

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

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

Investment Returns and Expenses:

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

Additional Information:

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

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

Long-Term Investment Pool Activity (in thousands)

	Gifted Endowments– University	Gifted Endowments– Foundation	Quasi-Endowments– Operating	Quasi-Endowments– Designated	Total
Market Value at June 30, 2013	**$ 941,032**	**$ 589,702**	**$ 1,055,698**	**$ 562,737**	**$ 3,149,169**
Net Principal Additions (Withdrawals)	10,413	51,731	(15,035)	56,417	103,526
Change in Market Value	147,534	95,787	163,689	93,040	500,050
Income Earned	22,693	14,619	25,098	14,112	76,522
Distributions	(42,089)	(26,851)	(46,775)	(26,267)	(141,982)
Expenses	(21,773)	(14,027)	(24,080)	(13,539)	(73,419)
Market Value at June 30, 2014	**$ 1,057,810**	**$ 710,961**	**$ 1,158,595**	**$ 686,500**	**$ 3,613,866**

Acknowledgements

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

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