

THE OHIO STATE UNIVERSITY

TOPIC: Fiscal Year 2024 Interim Financial Report – March 31, 2024

CONTEXT: The purpose of this report is to provide an update of financial results for the nine months ending March 31, 2024.

FINANCIAL SUMMARY

The university's overall financial position remains strong. Operating revenues increased \$540 million in the first nine months of fiscal year 2024 compared to the first nine months of fiscal year 2023, driven primarily by strong growth in healthcare revenues, higher grant and contract revenues, increased tuition and fees, and increases in auxiliary enterprises. Specific impacts include:

- A \$392 million increase in healthcare revenues, reflecting strong growth in both oncology and non-oncology infusions and practice expansion.
- A \$76 million increase in grants and contracts, primarily due to increases in federal grants and contracts of \$44 million, private grants and contracts of \$18 million, state grants and contracts of \$8 million, and local grants and contracts of \$6 million.
- A \$54 million increase in student tuition, due primarily to resident and non-resident rate increases and a rate increase to those undergraduate students not in the Ohio State Tuition Guarantee, along with a timing difference caused by a two-day shift in the academic calendar.
- A \$52 million increase in auxiliary revenues, primarily due to more stadium shows for Schottenstein Center in the first nine months of fiscal year 2024 compared to the first nine months of fiscal year 2023.

The year-to-date increase in net position was \$835 million, which is \$322 million higher than the prior year's increase in net position of \$513 million. The \$322 million change relates primarily to a \$448 million increase in net investment income and a \$32 million increase in state share of instruction and appropriations, which were partially offset by a \$115 million increase in operating loss, a \$25 million decrease in gift revenues, and a \$24 million decrease in federal COVID-19 assistance. Out of the \$115 million increase in operating loss, \$48 million is related to a student health insurance expense correcting entry posted by Student Life in the prior year, which lowered prior year's expense. Excluding this prior year correction, the year-over-year increase in operating loss is \$67 million. Additional details on university revenues, expenses, cash and investments, debt, and cash flows are provided below.

Revenues

Student tuition and fees, net - increased \$54 million or 6.2%, to \$919 million for the first nine months of fiscal year 2024 compared to the first nine months of fiscal year 2023, due primarily to an increase in gross tuition and other student fees of \$74 million, offset by an increase in scholarship allowances of \$21 million. The increase in gross tuition revenue is primarily driven by the increase in instructional and non-resident surcharge, along with a timing difference caused by a two-day shift in the academic calendar. Overall university Autumn enrollments declined by 0.6%, due to a combination of factors, including smaller undergraduate freshman class sizes in Autumn 22 and Autumn 23, and declining transfer and campus change students due to demographic changes. Rate increases for the incoming (undergraduate) tuition guarantee cohort and graduate students, combined with an increasing share of non-resident students continue to help offset the revenue impact of the declines in enrollments.

Grants and contracts – increased \$76 million in the first nine months of fiscal year 2024 compared to the first nine months of fiscal year 2023 due primarily to increases in federal grants and contracts of \$44 million, private grants and contracts of \$18 million, state grants and contracts of \$8 million, and local grants and contracts of \$6 million. The increases from federal grants and contracts are primarily due to increases from the National Institutes of Health of \$16 million, National Science Foundation of \$13 million, and the Department of Defense of \$11 million.

Gifts – decreased \$25 million over the prior year due primarily to decreases in private capital gifts of \$12 million, additions to permanent endowments of \$12 million, and current use gifts of \$1 million.

Sales and services of auxiliary enterprises - increased \$52 million over the prior year due primarily to a \$53 million increase in Schottenstein Center revenue due to more events in fiscal year 2024 and a \$4 million increase in Student Life due to higher housing and dining revenues. This increase was partially offset by a \$6 million decrease in Athletics revenue, mainly attributable to two fewer home football games and lack of premium games in fiscal year 2024.

Sales and services of the OSU Health System and OSU Physicians, Inc. - increased \$392 million to \$4,396 million. The Health System experienced growth in both oncology and non-oncology infusions contributing to the strong margin. Total surgical volumes have also exceeded the budget for the three quarters. Case Mix Index is higher year over year demonstrating increased acuity of inpatient activity. OSU Physicians revenues increased \$59 million due to continued investment in primary care and community outreach services, growth of specialty services, expansion in regional outpatient clinics, and increased surgical capacity with the opening of James Outpatient Care on West Campus plus expansion of operating hours and investment in community anesthesia providers.

Other operating revenues – decreased \$34 million primarily reflecting one-time royalty revenues that were recognized in the prior year.

Expenses

University – expenses increased \$211 million to \$2,881 million in the first nine months of fiscal year 2024. Salaries increased \$84 million, or 7%, primarily due to a 3% increase in faculty and staff salary guidelines, approximately 2% increase for market adjustments, and around 2% additional investments in human capital related to strategic investments in academic excellence and research. Benefits

increased by \$32 million, or 9%, primarily due to the 7% increase in salaries. The remainder of the increase is due to increases in composite benefit rates. Supplies and services increased \$70 million, or 12%, primarily due to a \$48 million student health insurance expense correcting entry posted by Student Life in the prior year, which lowered the prior year's expense, in addition to inflation. Depreciation increased \$5 million compared to prior year primarily due to new assets being placed in service. Other university expense changes include a \$14 million increase in both institutional and third-party aid and a \$5 million increase in graduate fee authorization primarily due to tuition increases.

OSU Health System and OSU Physicians – expenses, including depreciation and interest expenses, increased \$388 million to \$4,214 million in the first nine months of fiscal year 2024. The Health System continues to focus on throughput, workforce retention, and recruiting. While not immune to the challenges that continue to face the healthcare industry, the Health System's expense and labor management was strong and in line with volumes. OSU Physicians increased \$58 million, primarily due to higher provider expenses associated with investment in patient care services growth and access improvement.

Auxiliary – expenses increased \$55 million to \$391 million in the first nine months of fiscal year 2024, primarily due to increases in Schottenstein Center of \$46 million due to increased events and Athletics of \$11 million. A significant portion of the increase in Athletics' expenses is due to salaries and benefits, stemming from coaching contracts, staff changes, and salary guideline increases.

Cash and Investments

For the nine months ending March 31, 2024, total university cash and investments increased \$759 million to \$11,550 million compared to June 30, 2023, primarily due to increases in Long-Term Investment Pool of \$486 million, temporary investments of \$298 million, and investments held under securities lending program of \$19 million, offset by decreases in other long-term investments of \$23 million, unexpended bond proceeds of \$20 million, and cash and cash equivalents of \$1 million. Additional details for the Long-Term Investment Pool and temporary investments are provided below.

Long-Term Investment Pool and Temporary Investments

For the nine months ending March 31, 2024, the fair value of the university's Long-Term Investment Pool increased by \$486 million to \$7,870 million. Changes in total valuation compared to the prior year are summarized below:

	2024	2023
Market Value at July 1	\$ 7,383,676	\$ 6,960,782
Net Principal Additions	61,842	236,751
Change in Market Value	586,135	206,995
Income Earned	148,991	148,634
Distributions	(228,340)	(216,300)
Expenses	(82,257)	(74,535)
Market Value at March 31	\$ 7,870,047	\$ 7,262,327

Net principal additions include new endowment gifts (\$49.7 million), reinvestment of unused endowment distributions (\$10.7 million), and other net transfers of university monies (-\$0.9 million). Change in fair value includes realized gains (losses) on the sale of investment assets and unrealized gains (losses) associated with assets held in the pool on March 31, 2024. Income earned includes interest and dividends and is used primarily to help fund distributions. Expenses include investment management expenses (\$61.3 million), university development-related expenses (\$18.0 million), and other administrative-related expenses (\$0.5 million).

LTIP Investment Returns

For the nine months ending March 31, 2024, the LTIP earned a return, net of investment fees, of 9.28%. The comparable nine months ending March 31, 2023 saw a net investment return of 4.30%.

Temporary Investments

For the nine months ending March 31, 2024, the Tier 1 Investments (< 1-year duration) earned a return of 4.34%, outperforming the blended benchmark of ICE Bofa 6m US Treasury Bill benchmark and Bank of America ML 91-day T-Bill (4.00%) by 0.34%. Tier 2 Investments (<5 year duration) earned 4.72%, outperforming the blended benchmark of ICE Bofa US Corp & Govt 1-3 Years, BBG US Govt/Credit 1-5 Years, and BBG US Ag Gvt/Cr Intrmd (3.88%) by 0.84%.

For the comparable nine months ending March 31, 2023, the Tier 1 Investments earned a return of 2.59%. Tier 2 Investments returned 1.94% for the same time period.

Other Assets and Liabilities

Accounts receivable increased by \$218 million, primarily reflecting a combination of increases in healthcare receivables of \$154 million and tuition and fee receivables of \$92 million, partially offset by decreases in grants and contracts receivables of \$23 million and decreases in Athletics receivables of \$5 million. Prepaid expenses increased by \$54 million, primarily due to increases in scholarships and fee authorizations for graduate associates, which are recognized as expenses over the course of the semester, as well as increases in Healthcare prepaid expenses. Unexpended bond proceeds decreased by \$20 million, reflecting expenditures for capital projects offset by new bond issuances. Deposits and advance payments for goods and services increased by \$223 million, primarily reflecting receipts for tuition, fees, and housing and dining for the spring semester. These amounts will be recognized as

revenue over the course of the semester. Accounts payable and accrued expenses increased by \$105 million, primarily due to a \$65 million increase in retirement contribution and medical claims payables, mostly related to timing differences, and a \$36 million increase in interest payable that will be paid semiannually on June 1st.

Debt

In September 2023, the university closed on four bond issues, Series 2023B, Series 2023C, Series 2023D-1 and Series 2023D-2. The proceeds of the \$266 million of tax-exempt fixed-rate General Receipts Bonds, Series 2023B, will be used to fund construction of The Ohio State University Wexner Medical Center's new Inpatient Hospital. The proceeds of the \$112 million of tax-exempt fixed rate General Receipts Refunding Bonds, Series 2023C, were used to refund portions of the Series 2016A bonds and to pay for costs of issuance. The proceeds of the \$125 million of tax-exempt Variable Rate Demand General Receipts Refunding bonds, Series 2023D-1, and the \$150 million of tax-exempt Variable Rate Demand General Receipts Refunding bonds, Series 2023D-2, were used to refund the Series 2010E bonds and Series 2014B bonds, respectively, and to pay for costs of issuance.

Cash Flows

University cash and cash equivalents, including unexpended bond proceeds, increased \$189 million in the first nine months of fiscal year 2024 compared to June 30, 2023. Net cash used in operating activities was \$214 million, compared to net cash used by operating activities of \$362 million in the first nine months of the prior year. The decrease in cash usage relates primarily to increases in receipts from sales and services and grants and contracts, partially offset by increases in payments made to employees and vendors. Net cash provided by noncapital financing activities was \$675 million in the first nine months of fiscal year 2024, which is a \$28 million decrease compared to the prior year, primarily due to decreases in federal COVID-19 assistance. Net cash used by capital financing activities was \$556 million in the first nine months of fiscal year 2024 compared to \$865 million in the first nine months of fiscal year 2023. The decrease is due primarily to proceeds from bond issuance. Net cash provided by investing activities was \$285 million, primarily due to investment income.

THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF NET POSITION - UNAUDITED
March 31, 2024 and June 30, 2023
(in thousands)

	<u>As of March</u> <u>2024</u>	<u>As of June</u> <u>2023</u>	<u>Increase/(Decrease)</u>	
			Dollars	%
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 1,238,444	\$ 1,239,560	\$ (1,116)	-0.1%
Temporary investments	2,023,368	1,725,226	298,142	17.3%
Accounts receivable, net	1,128,305	910,506	217,799	23.9%
Notes receivable - current portion, net	6,387	6,387	-	0.0%
Pledges receivable - current portion, net	73,247	73,297	(50)	-0.1%
Accrued interest receivable	24,645	22,065	2,580	11.7%
Inventories, prepaid expenses, and other assets	259,817	193,515	66,302	34.3%
Investments held under securities lending program	19,513	-	19,513	100.0%
Total Current Assets	<u>4,773,726</u>	<u>4,170,556</u>	<u>603,170</u>	<u>14.5%</u>
Noncurrent Assets:				
Unexpended bond proceeds	189,997	210,358	(20,361)	-9.7%
Notes receivable, net	28,769	30,330	(1,561)	-5.1%
Pledges receivable, net	136,110	136,110	-	0.0%
Net other post-employment benefit asset	128,942	128,942	-	0.0%
Long-term investment pool	7,870,047	7,383,676	486,371	6.6%
Other long-term investments	208,528	231,885	(23,357)	-10.1%
Leases receivable, net	49,129	49,129	-	0.0%
Other noncurrent assets	268,713	268,713	-	0.0%
Capital assets, net	8,840,963	8,493,717	347,246	4.1%
Total Noncurrent Assets	<u>17,721,198</u>	<u>16,932,860</u>	<u>788,338</u>	<u>4.7%</u>
Total Assets	<u>22,494,924</u>	<u>21,103,416</u>	<u>1,391,508</u>	<u>6.6%</u>
Deferred Outflows:				
Pension	1,474,386	1,474,386	-	0.0%
Other post-employment benefits	213,518	213,518	-	0.0%
Other deferred outflows	20,346	21,271	(925)	-4.3%
Total Assets and Deferred Outflows	<u>\$ 24,203,174</u>	<u>\$ 22,812,591</u>	<u>\$ 1,390,583</u>	<u>6.1%</u>
LIABILITIES AND NET POSITION:				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 888,577	\$ 783,124	\$ 105,453	13.5%
Deposits and advance payments for goods and services	672,548	449,707	222,841	49.6%
Current portion of bonds, notes and leases payable	121,967	121,951	16	0.0%
Long-term bonds payable, subject to remarketing	603,820	603,820	-	0.0%
Liability under securities lending program	19,513	-	19,513	100.0%
Other current liabilities	91,155	92,197	(1,042)	-1.1%
Total Current Liabilities	<u>2,397,580</u>	<u>2,050,799</u>	<u>346,781</u>	<u>16.9%</u>
Noncurrent Liabilities:				
Bonds, notes and leases payable	3,208,638	2,989,009	219,629	7.3%
Concessionaire payable	412,297	431,608	(19,311)	-4.5%
Net pension liability	4,214,821	4,214,821	-	0.0%
Net other post-employment benefit liability	92,020	92,020	-	0.0%
Compensated absences	222,574	213,689	8,885	4.2%
Self-insurance accruals	81,839	84,980	(3,141)	-3.7%
Amounts due to third-party payors - Health System	88,475	74,697	13,778	18.4%
Irrevocable split-interest agreements	31,781	33,008	(1,227)	-3.7%
Refundable advances for Federal Perkins loans	17,523	20,821	(3,298)	-15.8%
Advance from concessionaire	941,119	958,816	(17,697)	-1.8%
Other noncurrent liabilities	307,167	308,943	(1,776)	-0.6%
Total Noncurrent Liabilities	<u>9,618,254</u>	<u>9,422,412</u>	<u>195,842</u>	<u>2.1%</u>
Total Liabilities	<u>12,015,834</u>	<u>11,473,211</u>	<u>542,623</u>	<u>4.7%</u>
Deferred Inflows:				
Parking service concession arrangement	370,798	378,021	(7,223)	-1.9%
Pension	109,418	109,418	-	0.0%
Other post-employment benefits	133,209	133,209	-	0.0%
Other deferred inflows	469,331	448,875	20,456	4.6%
Total Deferred Inflows	<u>1,082,756</u>	<u>1,069,523</u>	<u>13,233</u>	<u>1.2%</u>
Total Net Position	<u>11,104,584</u>	<u>10,269,857</u>	<u>834,727</u>	<u>8.1%</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 24,203,174</u>	<u>\$ 22,812,591</u>	<u>\$ 1,390,583</u>	<u>6.1%</u>

THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - UNAUDITED
For the Nine Months Ended March 31, 2024 and March 31, 2023
(in thousands)

	March	March	Increase/(Decrease)	
	2024	2023	Dollars	%
Operating Revenues:				
Student tuition and fees, net	\$ 919,089	\$ 865,403	\$ 53,686	6.2%
Federal grants and contracts	394,390	350,289	44,101	12.6%
State grants and contracts	76,573	69,013	7,560	11.0%
Local grants and contracts	23,310	17,177	6,133	35.7%
Private grants and contracts	293,610	275,510	18,100	6.6%
Sales and services of educational departments	151,820	151,113	707	0.5%
Sales and services of auxiliary enterprises	382,152	330,615	51,537	15.6%
Sales and services of the OSU Health System, net	3,586,021	3,253,104	332,917	10.2%
Sales and services of OSU Physicians, Inc., net	809,661	750,742	58,919	7.8%
Other operating revenues	63,372	96,876	(33,504)	-34.6%
Total Operating Revenues	<u>6,699,998</u>	<u>6,159,842</u>	<u>540,156</u>	<u>8.8%</u>
Operating Expenses:				
Educational and General:				
Instruction and departmental research	1,002,372	953,175	49,197	5.2%
Separately budgeted research	512,323	458,666	53,657	11.7%
Public service	143,262	136,384	6,878	5.0%
Academic support	247,021	216,054	30,967	14.3%
Student services	95,075	85,497	9,578	11.2%
Institutional support	287,896	244,560	43,336	17.7%
Operation and maintenance of plant	130,520	131,976	(1,456)	-1.1%
Scholarships and fellowships	146,739	133,095	13,644	10.3%
Auxiliary enterprises	391,346	336,562	54,784	16.3%
OSU Health System	3,214,987	2,896,446	318,541	11.0%
OSU Physicians, Inc.	784,724	726,833	57,891	8.0%
Depreciation	408,800	390,577	18,223	4.7%
Total Operating Expenses	<u>7,365,065</u>	<u>6,709,825</u>	<u>655,240</u>	<u>9.8%</u>
Operating Loss	(665,067)	(549,983)	(115,084)	-20.9%
Non-operating Revenues (Expenses):				
State share of instruction and line-item appropriations	397,384	381,237	16,147	4.2%
Federal subsidies for Build America Bonds interest	8,491	8,491	-	0.0%
Federal non-exchange grants	71,164	63,264	7,900	12.5%
Federal COVID-19 assistance programs	8,998	32,673	(23,675)	-72.5%
State non-exchange grants	19,014	24,154	(5,140)	-21.3%
Gifts	127,043	128,252	(1,209)	-0.9%
Net investment income	837,913	389,473	448,440	115.1%
Interest expense	(121,376)	(123,209)	1,833	1.5%
Other non-operating revenues (expenses)	12,976	11,800	1,176	10.0%
Net Non-operating Revenues (Expenses)	<u>1,361,607</u>	<u>916,135</u>	<u>445,472</u>	<u>48.6%</u>
Income (loss) before changes in net position	696,540	366,152	330,388	90.2%
Changes in Net Position				
State capital appropriations	49,078	33,587	15,491	46.1%
Private capital gifts	39,342	51,705	(12,363)	-23.9%
Additions to permanent endowments	49,767	61,375	(11,608)	-18.9%
Total Changes in Net Position	<u>138,187</u>	<u>146,667</u>	<u>(8,480)</u>	<u>-5.8%</u>
Increase (decrease) in Net Position	834,727	512,819	\$ 321,908	62.8%
Net Position - Beginning of Year	10,269,857	9,597,656		
Net Position - End of Period	<u>\$ 11,104,584</u>	<u>\$ 10,110,475</u>		

THE OHIO STATE UNIVERSITY
STATEMENTS OF CASH FLOWS - UNAUDITED
For the Nine Months Ended March 31, 2024 and March 31, 2023
(in thousands)

	<u>March 2024</u>	<u>March 2023</u>	<u>Increase/(Decrease)</u>	
			Dollars	%
Cash Flows from Operating Activities:				
Tuition and fee receipts	\$ 897,850	\$ 850,663	\$ 47,187	5.5%
Grant and contract receipts	820,819	653,193	167,626	25.7%
Receipts for sales and services	4,792,975	4,358,905	434,070	10.0%
Payments to or on behalf of employees	(3,236,291)	(3,035,020)	(201,271)	-6.6%
University employee benefit payments	(794,440)	(744,004)	(50,436)	-6.8%
Payments to vendors for supplies and services	(2,638,697)	(2,442,103)	(196,594)	-8.1%
Payments to students and fellows	(135,121)	(120,637)	(14,484)	-12.0%
Student loans issued	(1,579)	(3,069)	1,490	48.6%
Student loans collected	11,586	11,435	151	1.3%
Student loan interest and fees collected	1,244	1,078	166	15.4%
Other receipts	67,523	107,782	(40,259)	-37.4%
Net cash used by operating activities	<u>(214,131)</u>	<u>(361,777)</u>	<u>147,646</u>	<u>40.8%</u>
Cash Flows from Noncapital Financing Activities:				
State share of instruction and line-item appropriations	397,384	381,237	16,147	4.2%
Non-exchange grant receipts	90,178	94,418	(4,240)	-4.5%
Federal COVID-19 assistance programs	8,998	32,673	(23,675)	-72.5%
Gift receipts for current use	127,093	128,252	(1,159)	-0.9%
Additions to permanent endowments	49,767	61,375	(11,608)	-18.9%
Drawdowns of federal direct loan proceeds	283,478	289,102	(5,624)	-1.9%
Disbursements of federal direct loans to students	(281,587)	(285,649)	4,062	1.4%
Repayment of loans from related organization	-	1,131	(1,131)	-100.0%
Amounts received for annuity and life income funds	369	917	(548)	-59.8%
Amounts paid to annuitants and life beneficiaries	(1,596)	(1,644)	48	2.9%
Agency funds receipts	5,995	6,357	(362)	-5.7%
Agency funds disbursements	(5,279)	(5,588)	309	5.5%
Other receipts (payments)	85	-	85	100.0%
Net cash provided by noncapital financing activities	<u>674,885</u>	<u>702,581</u>	<u>(27,696)</u>	<u>-3.9%</u>
Cash Flows from Capital Financing Activities:				
Proceeds from capital debt and leases	301,736	-	301,736	100.0%
Gift receipts for capital projects	39,342	51,705	(12,363)	-23.9%
Payments for purchase or construction of capital assets	(737,247)	(755,264)	18,017	2.4%
Principal payments on capital debt and leases	(68,810)	(68,467)	(343)	-0.5%
Interest payments on capital debt and leases	(96,822)	(97,797)	975	1.0%
Federal subsidies for Build America Bonds interest	5,393	5,305	88	1.7%
Net cash used by capital financing activities	<u>(556,408)</u>	<u>(864,518)</u>	<u>308,110</u>	<u>35.6%</u>
Cash Flows from Investing Activities:				
Purchases of investments	(4,345,207)	(6,739,947)	2,394,740	35.5%
Proceeds from sales and maturities of investments	4,339,601	7,853,361	(3,513,760)	-44.7%
Investment income	290,141	139,700	150,441	107.7%
Net cash provided by investing activities	<u>284,535</u>	<u>1,253,114</u>	<u>(968,579)</u>	<u>-77.3%</u>
Net Increase (Decrease) in Cash	188,881	729,400	\$ (540,519)	-74.1%
Cash and Cash Equivalents - Beginning of Year	<u>1,239,560</u>	<u>479,601</u>		
Cash and Cash Equivalents - End of Period	<u>\$ 1,428,441</u>	<u>\$ 1,209,001</u>		