

# Annual University Financial Overview

Michael Papadakis, Senior Vice President and CFO

Financial & Investments Committee | August 18, 2022



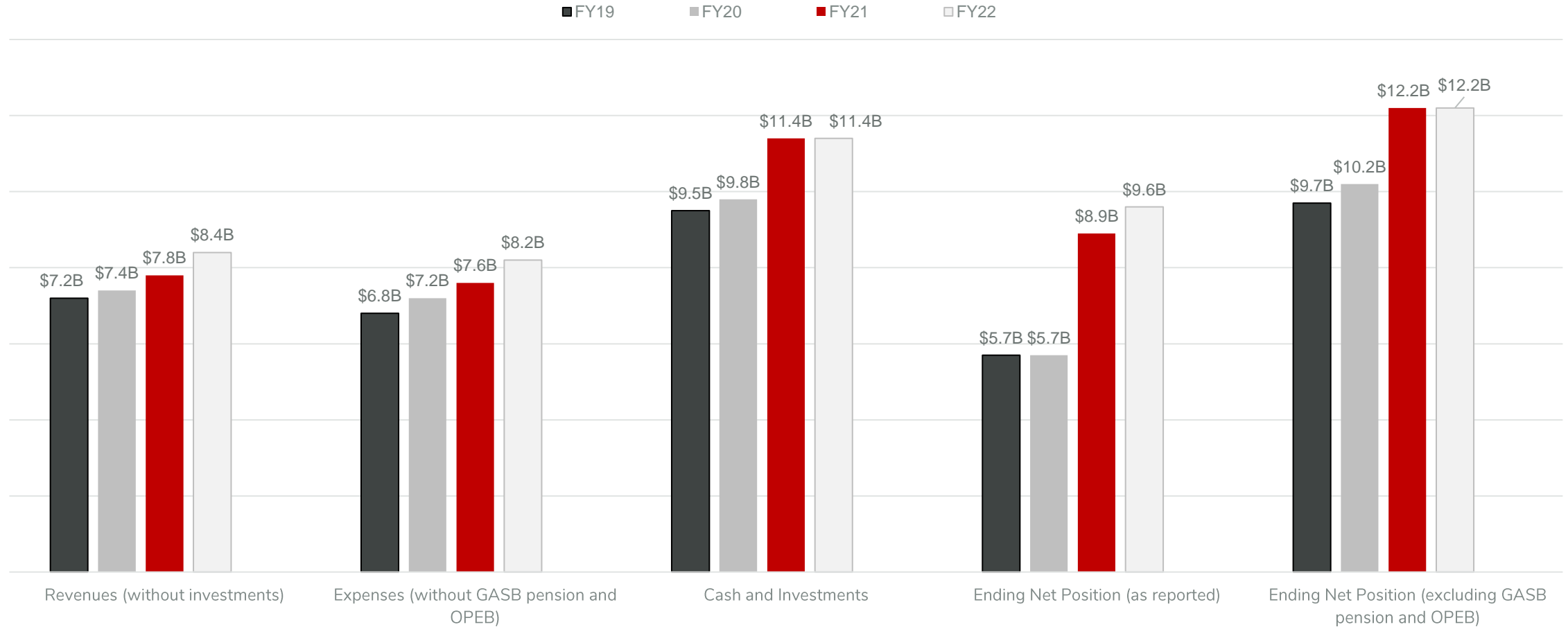
# Financial Performance Highlights

## Performance, Health & Stability

- Our overall financial position has continued to improve over the last four years, including throughout the pandemic. Our size, diversity of operations and financial discipline have enabled us to grow and improve our overall financial position during this unprecedented time in the university's history.
- Since 2020, our total assets have grown by 21% (\$3.7B) to \$21.3B, driven mainly by strong operational performance at the University and OSUWMC, improved investment performance and a historically unprecedented capital asset construction period.
- In the same time period, our total liabilities have decreased by 1% (\$158M) to \$11.7B, driven mainly by a decline in pension and OPEB liabilities, offset by additional debt issuance.
- From an Income Statement perspective, operating revenues for both the university and OSUWMC have largely recovered to pre-pandemic levels with another increase expected in FY23.
- Achieved record year of fundraising with \$743.2M in gifts & pledges and \$510.6M in cash receipts.
- Another important driver of our overall financial performance and health has been the continuation and enhancement of our strong financial controls and our continuous drive to identify and realize significant operating and capital efficiencies across the enterprise.
- The university also took advantage of the historically low interest rate environment last fall and issued \$600M of tax-exempt debt. The university achieved an all-in financing cost of 2.456%, its lowest ever borrowing rate, and generated \$715.3M of net proceeds. The transaction was the second largest tax-exempt transaction of 2021 and achieved the university's first-ever 'Green Bonds' designation, reflecting the green building features of the inpatient hospital project and OSU's robust energy efficiency standards.
- The university also continues to embrace fin-tech solutions that drive efficiencies and support our constituencies wherever possible. As such, the university accepted its first crypto-currency gift in June of 2022 and continues to make progress toward a cashless campus, instituting cashless athletic events last fall.
- Finalized Income-Tax and Property Tax Incentive agreements with the City of Columbus that will help facilitate the buildout of the Innovation District.
- University liquidity has remained very strong throughout the pandemic and continues to exceed our applicable policy and target benchmarks.
- University credit ratings of AA/AA/Aa1 were affirmed once again in FY22 and are continued evidence of our overall financial strength.

# Financial Metrics Demonstrate Positive Momentum

Comparison of Financial Metrics



# Consolidated Balance Sheet (as of the fiscal year ended June 30, 2022)

Assets and Liabilities (\$ in millions)	2022		2021		2020	
Cash and cash equivalents	\$	911	\$	1,214	\$	2,433
Total investments	\$	10,466	\$	10,204	\$	7,405
Capital assets, net	\$	7,320	\$	6,744	\$	5,922
Pension and OPEB assets and deferred outflows	\$	1,060	\$	743	\$	795
Other assets	\$	1,543	\$	1,566	\$	996
<b>Total Assets</b>	\$	21,300	\$	20,471	\$	17,551
Accounts payable and other current liabilities	\$	1,651	\$	1,690	\$	1,358
Debt	\$	3,933	\$	3,293	\$	3,125
Pension and OPEB liabilities and deferred inflows	\$	3,860	\$	4,258	\$	5,299
Concessionaire and other liabilities	\$	2,267	\$	2,345	\$	2,087
<b>Total Liabilities</b>	\$	11,711	\$	11,586	\$	11,869

Net Position (\$ in millions)	2022		2021		2020	
Ending net position (eliminate pension and OPEB)	\$	12,211	\$	12,226	\$	10,189
Ending net position - pension and OPEB	\$	(2,622)	\$	(3,341)	\$	(4,507)
<b>Total Net Position</b>	\$	9,589	\$	8,885	\$	5,682

# Consolidated Income Statement

Total Revenue (\$ in millions)	2022	2021	2020
Tuition and Fees	\$ 1,003	\$ 870	\$ 954
Grants and Contracts	\$ 1,140	\$ 1,070	\$ 1,042
Sales and Services	\$ 544	\$ 355	\$ 450
Health System & OSUP Sales and Services	\$ 4,819	\$ 4,600	\$ 4,034
State Subsidies and Capital Appropriations	\$ 546	\$ 550	\$ 532
Gifts and Additions to Permanent Endowments	\$ 314	\$ 272	\$ 299
Other Revenues	\$ 70	\$ 72	\$ 115
Total Revenues (w/o investments)	\$ 8,436	\$ 7,789	\$ 7,426
Investment income	\$ (287)	\$ 1,861	\$ 233
<b>Total Revenues (w/ investments)</b>	<b>\$ 8,149</b>	<b>\$ 9,650</b>	<b>\$ 7,659</b>

Total Expenses (\$ in millions)	2022	2021	2020
University Education and General Expenses	\$ 2,889	\$ 2,732	\$ 2,717
Auxiliary Sales and Services	\$ 377	\$ 263	\$ 307
Health System & OSUP	\$ 4,236	\$ 4,020	\$ 3,645
Depreciation	\$ 508	\$ 471	\$ 435
Interest Expense on Plant Debt	\$ 155	\$ 127	\$ 118
<b>Total Expenses (w/o pension and OPEB)</b>	<b>\$ 8,165</b>	<b>\$ 7,613</b>	<b>\$ 7,222</b>
Net Margin	\$ (16)	\$ 2,037	\$ 437
Pension and OPEB expense	\$ (720)	\$ (1,166)	\$ 428
<b>Total Expenses (w/ pension and OPEB)</b>	<b>\$ 7,445</b>	<b>\$ 6,447</b>	<b>\$ 7,650</b>
<b>Change in Net Position</b>	<b>\$ 704</b>	<b>\$ 3,203</b>	<b>\$ 9</b>

# Consolidated Cash Flow Statement

Cash Flow From: (\$ in millions)	2022	2021	2020
Receipts from Tuition and Grants	\$ 1,754	\$ 1,583	\$ 1,671
Receipts from Sales and Services	\$ 5,436	\$ 4,827	\$ 4,577
Payments to or on Behalf of Employees, including benefits	\$ (4,433)	\$ (4,090)	\$ (3,910)
Payments to Suppliers	\$ (3,058)	\$ (2,444)	\$ (2,159)
Other payments	\$ (90)	\$ (160)	\$ (113)
<b>Total Operating Activities</b>	<b>\$ (391)</b>	<b>\$ (284)</b>	<b>\$ 66</b>
State Share of Instruction and appropriations	\$ 546	\$ 553	\$ 533
CARES Assistance and other non-exchange grants	\$ 279	\$ 224	\$ 246
Gift receipts and additions to permanent endowments	\$ 311	\$ 235	\$ 246
Payments for purchase or construction of capital assets	\$ (1,076)	\$ (958)	\$ (795)
Principal and interest payments on capital debt and leases	\$ (230)	\$ (198)	\$ (190)
Other receipts	\$ 725	\$ 44	\$ 50
<b>Total Financing Activities</b>	<b>\$ 555</b>	<b>\$ (100)</b>	<b>\$ 90</b>
Net purchases, proceeds, and maturities from investments	\$ (477)	\$ (1,206)	\$ (73)
Investment income	\$ 10	\$ 371	\$ 144
<b>Total Investing Activities</b>	<b>\$ (467)</b>	<b>\$ (835)</b>	<b>\$ 71</b>
<b>Net change in cash</b>	<b>\$ (303)</b>	<b>\$ (1,219)</b>	<b>\$ 227</b>
Beginning Cash and Cash Equivalent Balance	\$ 1,214	\$ 2,433	\$ 2,206
<b>Ending Cash Balance</b>	<b>\$ 911</b>	<b>\$ 1,214</b>	<b>\$ 2,433</b>



# Medical Center Consolidated Activity Summary FY22

OSUWMC Consolidated Activity Summary	Actual	Budget	Actual-Budget Variance	Budget % Variance	Prior Year	Prior Year % Variance
Admissions	58,320	66,121	(7,801)	-11.8%	62,921	-7.3%
Patient Days	434,956	448,078	(13,122)	-2.9%	437,512	-0.6%
Surgeries	51,388	52,483	(1,095)	-2.1%	50,740	1.3%
Outpatient Visits	2,255,167	2,166,176	88,991	4.1%	2,116,454	6.6%
Telehealth Visits (Includes OSUP)	165,068	-	165,068	0.0%	279,296	-40.9%
Average Length of Stay	7.42	6.76	(0.66)	-9.8%	6.94	-6.9%
Case Mix Index (CMI)	2.07	2.09	(0.02)	-0.8%	2.09	-0.9%

Operations - Health System (\$ in millions)	Actual	Budget	Actual-Budget Variance	Budget % Variance	Prior Year	Prior Year % Variance
Total Operating Revenue	\$ 3,808	\$ 3,751	\$ 56	1.5%	\$ 3,616	5.3%
Total Operating Expense	3,443	3,486	43	4.5%	3,128	-10.1%
<b>Excess of Revenue over Expense</b>	<b>\$ 365</b>	<b>\$ 265</b>	<b>\$ 100</b>	<b>37.6%</b>	<b>\$ 489</b>	<b>-25.3%</b>

Adjusted Admissions	128,975	137,020	(8,045)	-5.9%	130,125	-0.9%
Operating Revenue per AA	\$ 29,524	\$ 27,379	\$ 2,145	7.8%	\$ 27,790	6.2%
Operating Expense per AA	\$ 26,274	\$ 24,319	\$ (1,955)	-8.0%	\$ 24,323	-8.0%

OSUP Change in Net Assets	\$ 8.7	\$ 3.9	\$ 4.8	125.0%	\$ 9.7	-9.9%
---------------------------	--------	--------	--------	--------	--------	-------

# Investments

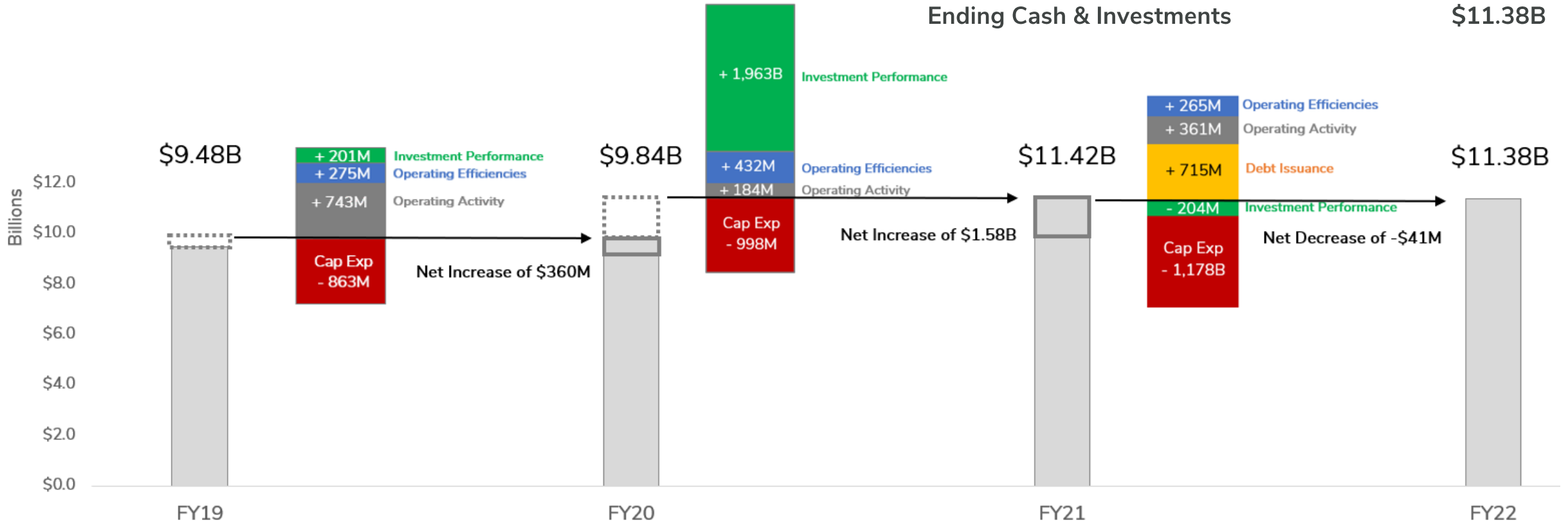




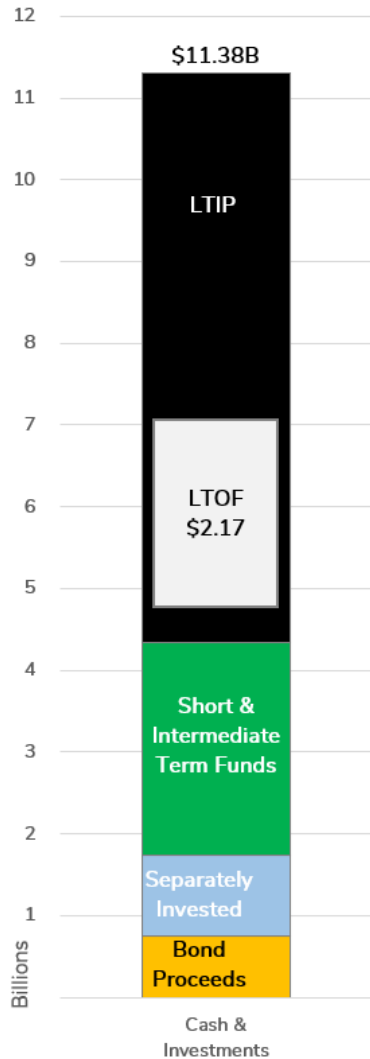
# Cash & Investments

Significant impacts to cash and investments

3-YEAR SUMMARY	
Beginning Cash & Investments	\$9.48B
Investment Performance	+ \$1.96B
Operating Activities	+ \$1.29B
Operating Efficiencies	+ \$972M
Debt Issuance	+ \$715M
Capital Expenditures	- \$3.04B
<b>Ending Cash &amp; Investments</b>	<b>\$11.38B</b>



# University Total Cash and Investments (as of 6/30/2022)



Long Term Investment Pool		\$6.96B
Gifted Endowments	University	\$1.26B
	Foundation	\$1.34B
Quasi Endowments	Designated	\$2.18B
Tier 3 - Long Term Operating Funds	University	\$1.74B
	Health System	\$430M

Short & Intermediate Term Funds		\$2.74B
Tier 2	Fixed Income Investments	\$1.99B
	Operating Accounts	\$349M
Tier 1	Bank Deposit Accounts	\$13M
	Money Market Funds	\$5M
	Ultra-Short Investments	\$385M

Other Separately Invested Funds	\$933M
---------------------------------	--------

Bond Proceeds and Project Funds	\$745M
---------------------------------	--------

- As of the end of FY22, the university had \$11.38B in cash and investments. Its primary components include:

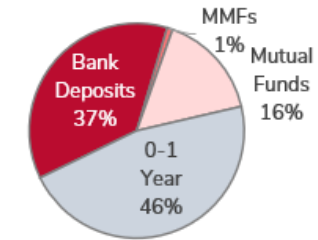
Gifted Endowments	\$2.61B	23%
Quasi Endowments (excluding LTOF)	\$2.18B	19%
Long Term Operating Funds	\$2.17B	19%
Short Term Operating Funds	\$2.74B	24%
Other Separately Invested Funds	\$933M	8%
Bond Proceeds and Project Funds	\$745M	7%
<b>\$11.38B</b>		

- Total value of cash and investments has remained stable year over year. Sizeable outflows for capital projects have been offset by \$600M in tax-exempt bonds issued in September of 2021.

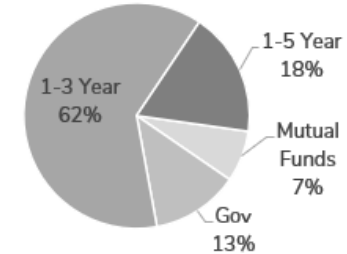
# Operating Fund Portfolio Performance Summary (as of 6/30/2022)

- FY22 has been a challenging year for market participants given the historically high volatility. This has come in the form of inflationary pressures, an unprecedented rate hike pace by the Fed, and credit spreads widening from all time tight to levels in excess of their 12-year average.
- The operating fund portfolio has outperformed its composite benchmark across 3- and 5-year time horizons.

	MV	FY22 (1 yr)	FY21	3 yr	5 yr
<b>Tier 1</b> Short Term Working Capital Pool  <b>13%</b>	<b>Consolidated Yield \$617M</b>	<b>-0.56%</b>	<b>0.36%</b>	<b>0.62%</b>	<b>1.03%</b>
	<i>Composite Benchmark</i>	0.10%	0.10%	0.66%	1.13%
	Excess Yield	-0.66%	0.26%	-0.04%	-0.10%
<i>Investment Objective:</i> Liquidity and principal preservation.					
<i>Composition:</i> Collateralized bank deposits, AAA rated MMFs, State of Ohio local gov't investment pool, ultra-short comingled bond funds.					

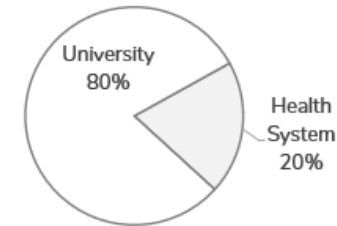


	MV	Duration	FY22 (1 yr)	FY21	3 yr	5 yr
<b>Tier 2</b> Intermediate Term Investment Pool  <b>42%</b>	<b>Consolidated Return \$1.99B</b>	<b>2.03</b>	<b>-3.73%</b>	<b>2.10%</b>	<b>0.88%</b>	<b>1.61%</b>
	<i>Composite Benchmark</i>	1.92	-3.31%	0.51%	0.46%	1.19%
	Excess Return		-0.42%	1.59%	0.42%	0.42%
<i>Investment Objective:</i> Return and principal preservation.						
<i>Composition:</i> A+/A1 portfolio of fixed income securities, separately custodied, and externally managed - treasuries, agencies, asset backed securities and high-grade corporate credits.						



Operating Funds (Tier 1+2) Return	\$2.60B	-2.49%	1.00%	0.72%	1.24%
-----------------------------------	---------	--------	-------	-------	-------

	MV	FY22 (1 yr)	FY21	3 yr	5 yr
<b>Tier 3</b> Long Term Operating Funds (LTOF) In LTIP  <b>45%</b>	<b>Consolidated Return \$2.17B</b>	<b>0.98%</b>	<b>29.24%</b>	<b>9.67%</b>	<b>7.53%</b>
	<i>Composite Benchmark*</i>	-5.54%	25.47%	7.43%	7.34%
	Excess Return	6.52%	3.77%	2.24%	0.19%
Equity investments managed as a part of the endowment strategy.					
*Tier 3 composite benchmark returns are preliminary					

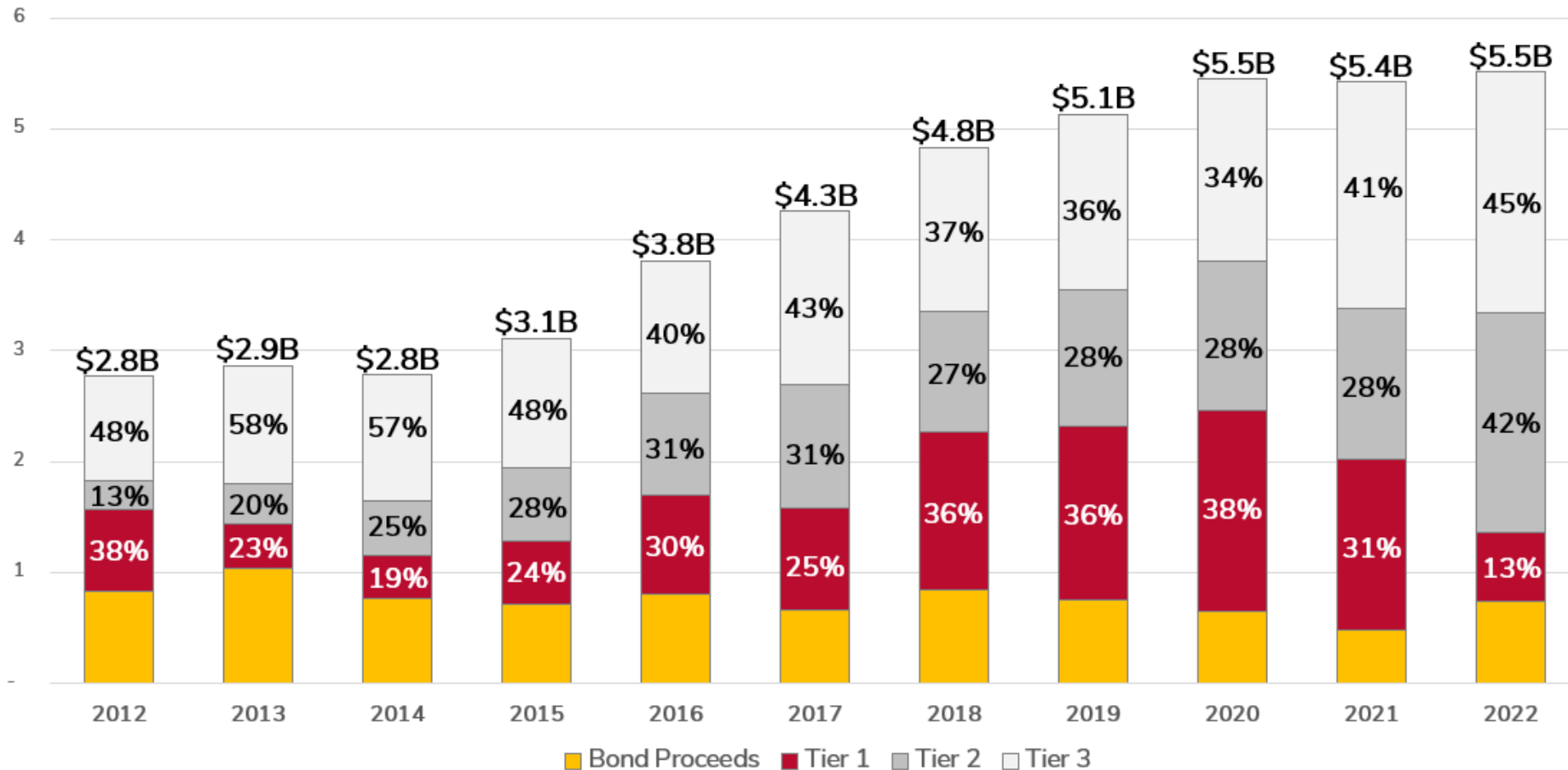


Operating Fund Portfolio (Tier 1+2+3) Return	\$4.78B	-1.02%	11.21%	4.06%	3.51%
--	---------	--------	--------	-------	-------

Bond Proceeds & Project Funds	\$745M	-0.58%	0.42%	0.89%	1.39%
-------------------------------	--------	--------	-------	-------	-------

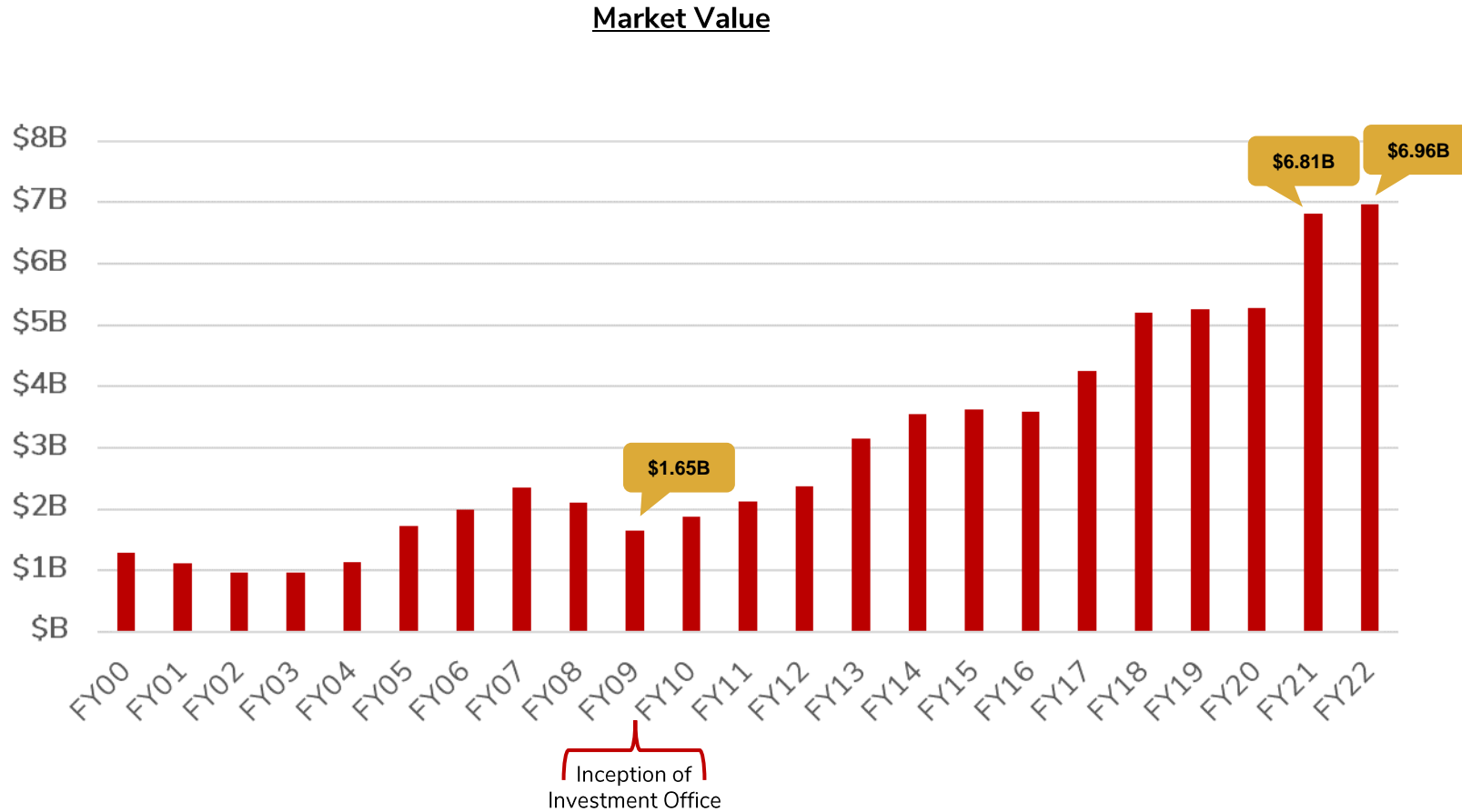
# University Operating Funds (as of 6/30/2022)

- The university's Operating Fund Portfolio has remained stable over the last 3 years despite increased capital spending. This is a result of strong appreciation of the long-term investment pool (Tier 3) in FY21 and the issuance of \$600M in tax-exempt bonds in September 2021.
- The portfolio is forecasted to shrink by \$400M in FY23 to fund the university's capital plan.



# LTIP Market Value

For the full year FY22, the LTIP increased in value from \$6.81B to \$6.96B and generated \$63M in investment income.

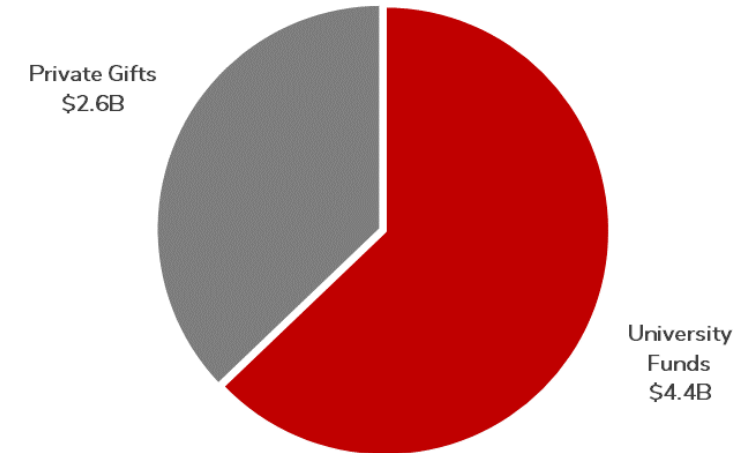


# LTIP Summary and Overview

## Performance

	Performance					
	Qtr	1 Year	3 Year	5 Year	10 Year	7/09-6/22
Public Equity	-13.4%	-15.8%	4.6%			
<i>MSCI ACWI - ND</i>	-15.7%	-15.8%	6.2%			
Private Equity (Including Buyouts, Growth & Venture Capital)	2.2%	27.0%	26.0%			
<i>MSCI ACWI - ND w/one quarter lag</i>	-5.4%	7.3%	13.8%			
Real Estate & Infrastructure	-5.3%	13.3%	13.0%			
<i>Cambridge Associates Real Estate (50%) &amp; Infrastructure (50%)</i>	4.9%	22.4%	13.6%			
Legacy Investments	4.2%	13.7%	4.7%			
<i>Return of Actual Underlying Funds</i>	4.2%	13.7%	4.7%			
Hedge Funds (Including Liquid Credit & Illiquid Credit)	-1.7%	4.4%	7.4%			
<i>HFRI FOF Composite</i>	-4.1%	-5.7%	3.9%			
Cash & High-Grade Bonds	-1.1%	-3.2%	1.4%			
<i>Bloomberg Barclays US Aggregate Bond Index</i>	-4.7%	-10.3%	-0.9%			
<b>LTIP Return</b>	<b>-5.2%</b>	<b>1.0%</b>	<b>9.7%</b>	<b>7.5%</b>	<b>7.7%</b>	<b>8.4%</b>
<b>Total Consolidated Benchmark</b>	<b>-8.5%</b>	<b>-5.5%</b>	<b>7.4%</b>	<b>7.3%</b>	<b>7.2%</b>	<b>7.6%</b>

## LTIP Fund Composition

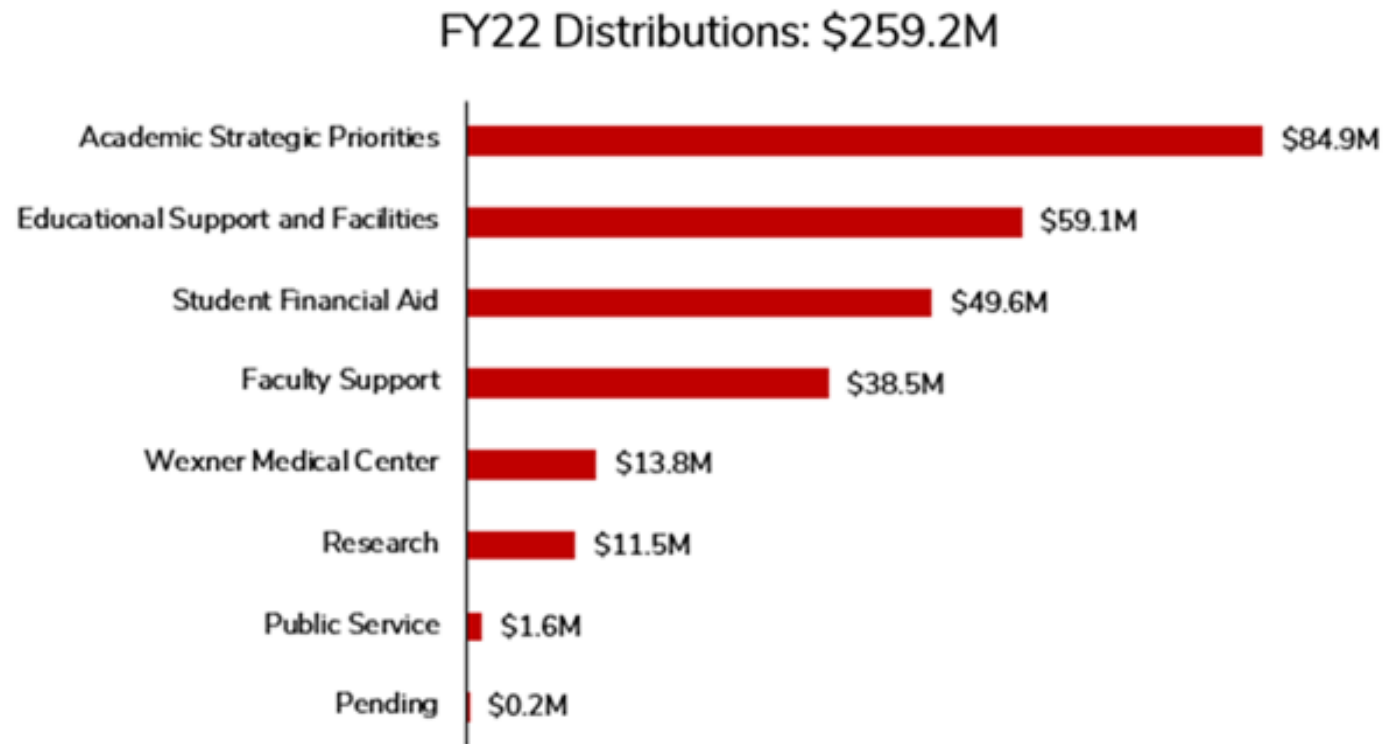


Note: Results and benchmarks for illiquid categories both reflect a lag of one quarter.

# Distributions from the LTIP

Historically annual payments were determined based on a seven-year average. Going forward they will be based on a five-year average.

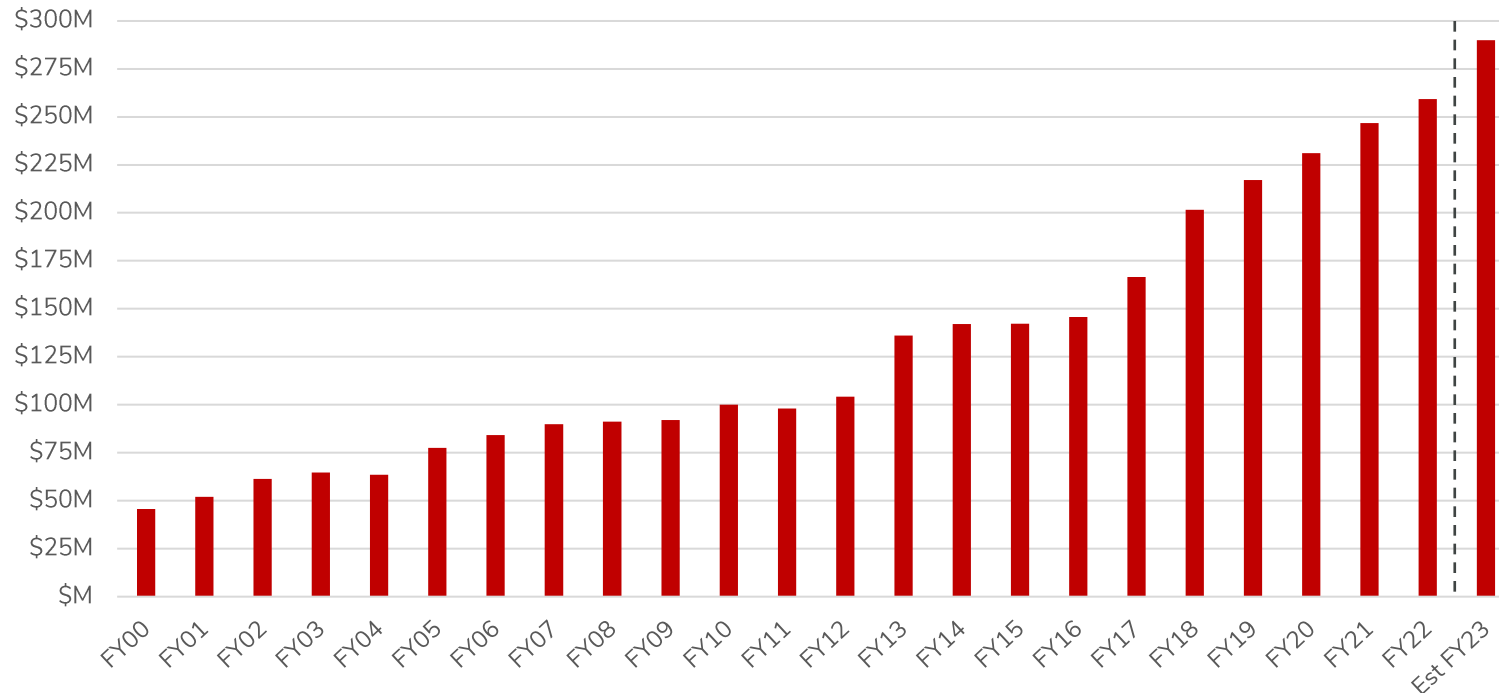
- 4.5% distributed on an annual basis.
- Policy provides steady, reliable funding for campus priorities.



# LTIP Historical and Projected Distributions

- Since FY 2000, annual distributions from the LTIP to support university priorities have grown more than five-fold from \$46M to \$259M.
- Based on FY22 LTIP performance, FY23 distribution is estimated to be \$290M.

Annual Distributions





# Efficiency & Benchmarking



---

# Operational Excellence

# \$2.3B

**Enterprise Efficiencies  
from FY12 - FY22**



# Operational Efficiency Progress Report

## FY22 Operational Efficiency Progress Report

Efficiency Savings	FY22 Target	FY22 Actual	Progress to Goal	Status
University	\$35M	\$88.3M	252%	
OSUWMC	\$30M	\$115.0M	383%	
Capital Efficiencies	\$25M	\$61.6M	246%	

## Annual Impact – Operational Efficiency

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
University Efficiencies	\$5.2M	\$20.2M	\$33.4M	\$55.3M	\$53.0M	\$52.7M	\$194.8M	\$88.3M
OSUWMC		\$18.1M	\$40.2M	\$23.1M	\$23.7M	\$45.3M	\$103.7M	\$115.0M
Capital Efficiencies	NA	NA	NA	\$33.8M	\$54.1M	\$11.1M	\$44.7M	\$61.6M

## FY12-FY22 Total Efficiency Savings

	Target	Actual
University Operational Efficiencies	\$375M	\$502.7M
OSUWMC Operational Efficiencies	\$261.6M	\$440.2M
Capital Efficiencies	\$158M	\$205.3M
Enterprise Procurement Savings	\$620M	\$689.9M
Operational Excellence@OSU (Lean Six Sigma)	\$90M	\$96.5M
OSUWMC Pharmacy, Revenue Cycle & Other	\$255M	\$355.9M

**FY12 – FY22 Enterprise Efficiencies: \$2.3B**

# New 3-Year Efficiency Target Detail



# Conclusion



# Financial State of the University

- The university's overall financial position is strong driven by a variety of factors, including our diversity of operations and our continued focus on operating and capital efficiencies.
- Operating revenues increased \$591 million in fiscal year 2022, driven primarily by strong growth in the Health System and a return to more normal operations on the university side.
- Administrative efficiencies enabled us to re-direct funds to our core mission of access, affordability, academic excellence and patient care during the pandemic.
- University credit ratings of AA/AA/Aa1 were affirmed in FY22 and are evidence of our continued financial strength.

