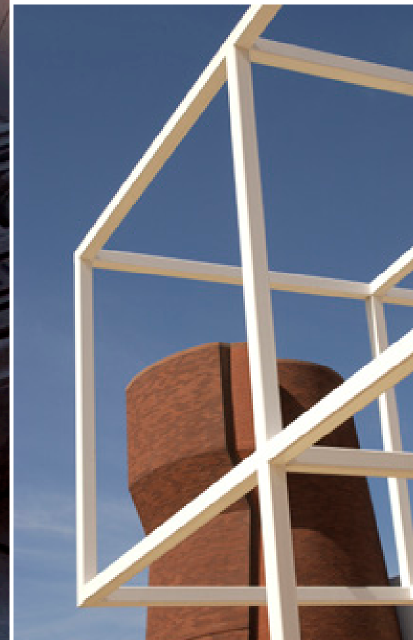
THE OHIO STATE UNIVERSITY



2011 Financial Report

Contents

Acknowledgements

The 2011 Financial Report and the included financial statements are prepared by the staff of the Office of the Controller, Division of Accounting.

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Cover, clockwise from left: Thompson Library, Orton Hall, Wexner Center for the Arts, the Oval
This page: Ohio Union doors
Images courtesy of Ohio State Photo Services.

Message from Leslie H. Wexner

Chair of the Board of Trustees

It has been said that Ohio State is the economic engine of Ohio. It is surely that, but I also believe the University is much, much more.

In looking at the work of our students, alumni, faculty, and staff, Ohio State is also the intellectual engine of the state, a research giant, a health sciences leader, and a powerhouse in agriculture and food safety, the arts and culture, and so much more. As we close one fiscal year and begin another, I remain optimistic about our ability to continue that role and help to lead Ohio forward.

First and foremost, Ohio State remains financially sound and stable. With a well-balanced budget of $4.7 billion, we have focused our attention during the past year on making the kinds of short- and long-term investments to sustain this University, through these times of great economic uncertainty. These investments have been made possible through the support of many partners both at Ohio State and in the greater community. During the last fiscal year alone, 143 new funds were established and more than $32 million was donated to endowments at the University, supporting everything from scholarships and research to teaching and public service.

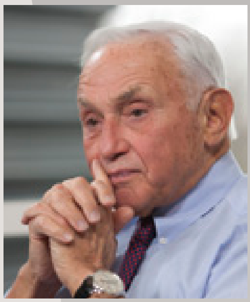
At the same time, our students are finding that their investment in Ohio State is paying dividends for years to come. Ohio State consistently ranks among the nation's best values in higher education by *Forbes*, *Princeton Review*, and *Kiplinger's Personal Finance*. More than 78 percent of our students go on to earn a diploma – well above the national average of 57 percent. Those students have gone into the wider world with skills that have changed industries and organizations, from earning Fulbright awards to leading Fortune 500 companies.

From a faculty perspective, Ohio State is getting better in most categories. Not only are we among the top universities in the country for faculty named as fellows to the American Association for the Advancement of Science (AAAS), but our faculty have also been named to prestigious academies in the arts, sciences, and medicine. Their discoveries have helped Ohio State become the nation's second-leading university in industry-sponsored research, while also leading to more partnerships with universities and organizations across the world and extending Ohio State's reach in untold ways.

As we close one year and begin another, it is time to appreciate the achievements of the people of this University – our faculty, staff, students, and alumni; my colleagues on the Board; and to all those who support us – while acknowledging that we have an obligation to make the University better. Ohio State is a leader, both in higher education and in the state, and it is our duty to build upon that leadership for both this generation and the many more to follow.

Sincerely,

Leslie H. Wexner
Chairman and CEO of Limited Brands
Chair, The Ohio State University Board of Trustees



First and foremost, Ohio State remains financially sound and stable.…We have focused our attention during the past year on making the kinds of short- and long-term investments to sustain this University, through these times of great economic uncertainty.

Message from the President

of The Ohio State University

At this moment, when higher education is called on to address significant individual need and large social challenges, we must also seek new ways to fund our core academic purposes in a financially sustainable manner.

It is with great pleasure that I share this report on The Ohio State University. During the past year, my enthusiasm and love for this great University have continued to grow.

I have seen firsthand the profound impact of our faculty, staff, and students, and remain convinced that Ohio State is a source of help, optimism, and opportunity to our state, our nation, and the world.

Few things give me greater satisfaction than our work nurturing more than 64,000 students, whose academic preparedness and accomplishments have never been greater. Hailing from some 50 states and 100 different countries, our students have redefined what a college education means. They have taken part in national competitions to engineer more efficient homes and automobiles. They have worked shoulder-to-shoulder with distinguished physicians and researchers in our Medical Center. They have gained an understanding of the world and their place in it. And, nearly 16,000 of these men and women have become graduates of The Ohio State University in the past academic year.

Success in the classroom is only possible because of the wealth of talented and dedicated faculty at Ohio State. Among the most distinguished in the country, our faculty continue to earn national and international awards for teaching, scholarship, and leadership in their fields. The University's research expenditures this year – a record $829 million – fueled significant projects exploring everything from cancer treatments to foodborne illness to viable energy sources. Other faculty are exploring the works of Shakespeare from new angles and helping new democracies take hold on the other side of the globe. And some of the most brilliant physicians in the country are not only training the next generation of doctors, but also making our academic Medical Center one of the 10 best in the country.

At this moment, when higher education is called on to address significant individual need and large social challenges, we must also seek new ways to fund our core academic purposes in a financially sustainable manner. Ohio State is moving quickly to capitalize on promising opportunities that will secure our founding mission and our growing excellence for generations to come. My driving purpose is clear. We are the most comprehensive University in the country. We are the University that is solving humankind's most pressing problems. And we are the people who will change the world.

Sincerely,

E. Gordon Gee
President

Thompson Library on Ohio State's Columbus campus

Report

from the Chief Financial Officer

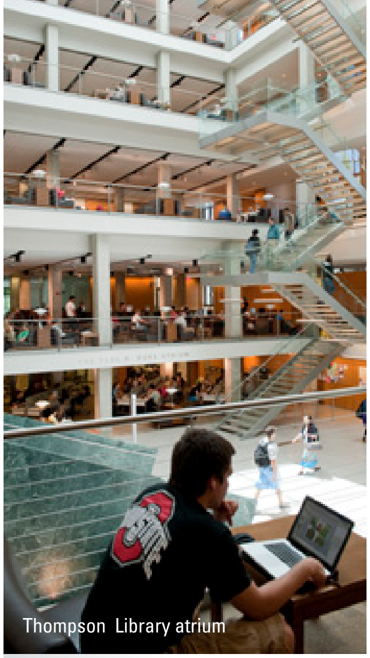
Geoffrey S. Chatas
Senior Vice President for
Business and Finance
and CFO

Fiscal year 2011 was a year of both challenge and progress for The Ohio State University. Despite continuing economic difficulties, both in the state of Ohio and nationally, the university welcomed its most highly qualified freshman class in history, our faculty won a significant increase in federal research awards, our endowment investments beat key performance benchmarks, the OSU Health System continued its strong performance, and construction accelerated on our $1.1 billion Medical Center expansion project.

Given the economic challenges facing the State of Ohio and the need to moderate tuition increases, it is imperative that the university seek new and innovative ways to finance our continued academic progress. On the revenue side, this means growing new revenue sources, building up our endowment, and unlocking the financial potential of the inventions and new knowledge that are created every day by our talented faculty and staff. On the expense side, this means working smarter, standardizing processes, and leveraging the university's considerable purchasing power.

The need for innovative approaches also extends to maintaining and improving our facilities for teaching, research, student life, and patient care. The university's current capital plan calls for $2 billion of capital expenditures between 2010 and 2015. Cost effective financing for these capital expenditures is critical. Last fall, the university completed three debt issues totaling $893 million, including $655 million of federally taxable Build America Bonds. The federal government provides a subsidy equal to 35% of the interest on these bonds, reducing their effective interest rate to 3.19%. This fall, the university became the first public university to issue "century bonds." This $500 million debt issuance, which matures in the year 2111, allows the university to lock in a historically low cost of capital (4.80%) for a very long time.

The following sections of this report describe how we are managing the university's finances to support Ohio State's move from excellence to eminence.

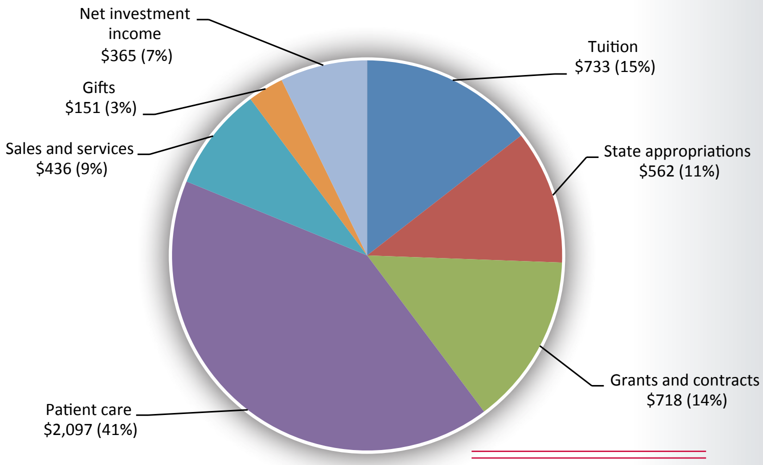

Thompson Library atrium

Growing and Diversifying University Revenues

The university experienced relatively strong revenue growth in 2011. Total operating and non-operating revenues increased $341 million, to $5.06 billion, led by increases in consolidated OSU Health System revenues (up $93 million) and tuition (up $69 million). The chart to the right provides a break-out of total 2011 revenues.

Total University Revenues – 2011

June 30, 2011 ($ in millions)



Total Revenues $5.06 Billion

Over the past two fiscal years, federal stimulus dollars received through the American Recovery and Reinvestment Act (ARRA) have been helpful in maintaining financial stability for both the university and the State of Ohio. In 2010 and 2011, our state appropriations included federal fiscal stabilization funds of $59 million and $60 million, respectively. In the absence of this one-time funding, we anticipate that the university's unrestricted subsidies for 2012 will decline by 15.7%. To address these anticipated reductions in funding, the university is increasing instructional and general fees for in-state undergraduates by 3.5% in 2012. This increase is controlled by the tuition cap included in the State of Ohio's 2012-2013 biennial budget bill. Student financial aid is being increased proportionally, so that access is maintained for qualified students. It should be noted that—even with the 2012 tuition increase—Ohio State is still expected to have the second lowest student fees among the six selective Ohio peer institutions and the highest ranking of the six in *U.S. News & World Report*. This makes Ohio State an excellent value for students and taxpayers.

The university also made impressive gains in research funding, underlining the strength of our faculty and the quality of their research efforts. Total research expenditures administered by the Office of Sponsored Programs increased $61 million, to $480 million in 2011. Funding from the National Institutes of Health accounted for $24 million of the overall increase. Indirect cost recoveries—which are an increasingly important source of unrestricted (general) funds—exceeded $100 million, a significant milestone for the university.

Looking ahead, the university will need to work aggressively to diversify its revenues. Gifts and investment income, which are discussed in more detail below, will become increasingly critical sources of the funding required to move Ohio State from excellence to eminence. In addition, we are re-inventing our technology transfer function to unlock the tremendous potential value of the discoveries, inventions, and accumulated knowledge of our talented faculty and staff. Our Technology Commercialization and Knowledge Transfer office now reports to the Chief Financial Officer. The office will be a place where researchers can bring in an idea, invention, or piece of knowledge, have the team examine the idea for all aspects of marketability, and provide timely feedback. We will help researchers obtain grant funding, support product development, find interns to help move the idea forward, and seek patent

Gifts and investment income will become increasingly critical sources of the funding required to move Ohio State from excellence to eminence.

protection. Profit from these activities may be four to six years away, so we have an interest in getting the process started as quickly as possible. As President Gee recently noted, "Today, more than ever, the momentum we seek as a university must be our own making. And it begins when we see past the financial problems directly in front of us and look forward to new solutions, a new model for sustaining a public university."

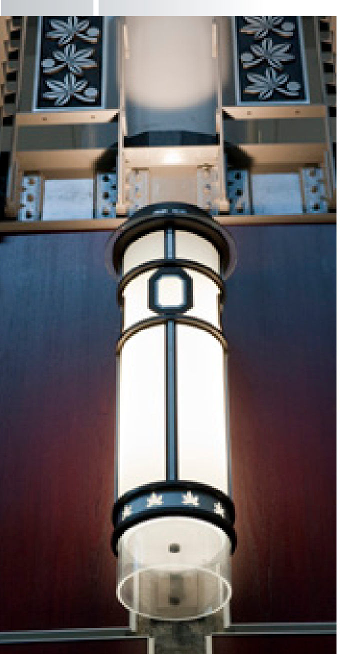
Focus on Operating Efficiency and Effectiveness

Although growing the university's revenues is critical to our future progress, it is equally important that we use these resources as efficiently and as effectively as possible. We have a number of initiatives underway, which fall into two broad categories—strategic sourcing and streamlining.

We are finding significant efficiencies through strategic sourcing—leveraging the combined purchasing power of the university's colleges and vice presidential units to lower costs and improve service. One area in which we have seen great collaboration and progress is among the facilities groups around campus. They have identified a number of opportunities to improve efficiencies and reduce the cost of services.

Streamlining represents an additional opportunity to realize efficiencies and improve our effectiveness. A number of initiatives are underway in this area, including efforts to reduce the number of vendor relationships, consolidate some of our over 100 e-mail systems, reduce the number of job classifications in our Human Resources system, and (through the creation of web-based front-ends to our administrative systems) limit the number of users with direct access to our core systems. We also are working closely with the colleges and vice presidential units to implement service centers for administrative processing and to standardize the procedures used in those service centers.


RPAC




Ohio Union grand hall

Investing in our Mission – Capital Expenditures and Debt

To provide the teaching, research, patient care, and auxiliary facilities required to succeed as a top-tier public university and academic medical center, the university invests (on average) $300-$400 million each year in capital expenditures. Major projects completed in recent years include the Thompson Library renovation, the Recreation and Physical Activity Center (RPAC), the new Ohio Union, the Student Academic Services building, and a variety of infrastructure improvements. The university's current (2010-2015) capital plan calls for almost $2 billion in new capital investments. This total includes the $1 billion Medical Center expansion—the largest capital project ever undertaken by the university. A summary of the 2010-2015 Capital Plan is presented on the following page.

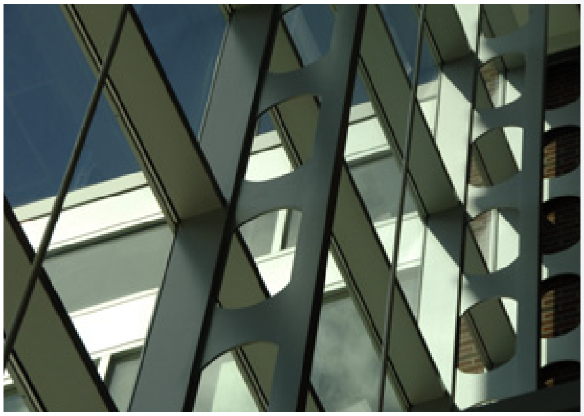
Although we have been fortunate over the years to receive capital appropriations from the State of Ohio to fund a significant portion of our capital expenditures,

2010–2015 Capital Plan Summary of Major Projects

($ in millions)

Major Project	Approved Project Budget
Medical Center Expansion*	$ 1,000
North Academic Core	200
Student Housing	372
Supporting Infrastructure	366
Other	48
Total	$ 1,986

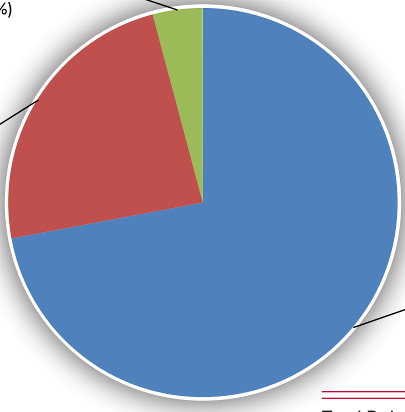
* Total project budget is now $1.1 billion, reflecting federal grant funding awarded subsequent to the approval of the 2010-2015 Capital Plan.



it is necessary to look to other sources to meet the university's capital needs. Chief among these other sources is cost effective debt. During fiscal year 2011, the university completed three debt issues totaling $893 million, including $655 million of federally taxable Build America Bonds. The federal government provides a subsidy payment on these bonds equal to 35% of the interest, reducing the effective interest rate on the bonds to 3.19%. In addition, the university issued $88 million in fixed-rate General Receipts bonds and $150 million in Variable Rate Demand General Receipts bonds. A portion of the bond proceeds was used to retire outstanding commercial paper and to refund existing bond obligations. As a result of these financings, the university's debt is now more heavily weighted towards fixed-rate obligations (below).

Total University Debt – 2011

June 30, 2011 ($ in millions)



Total Debt $1.97 Billion

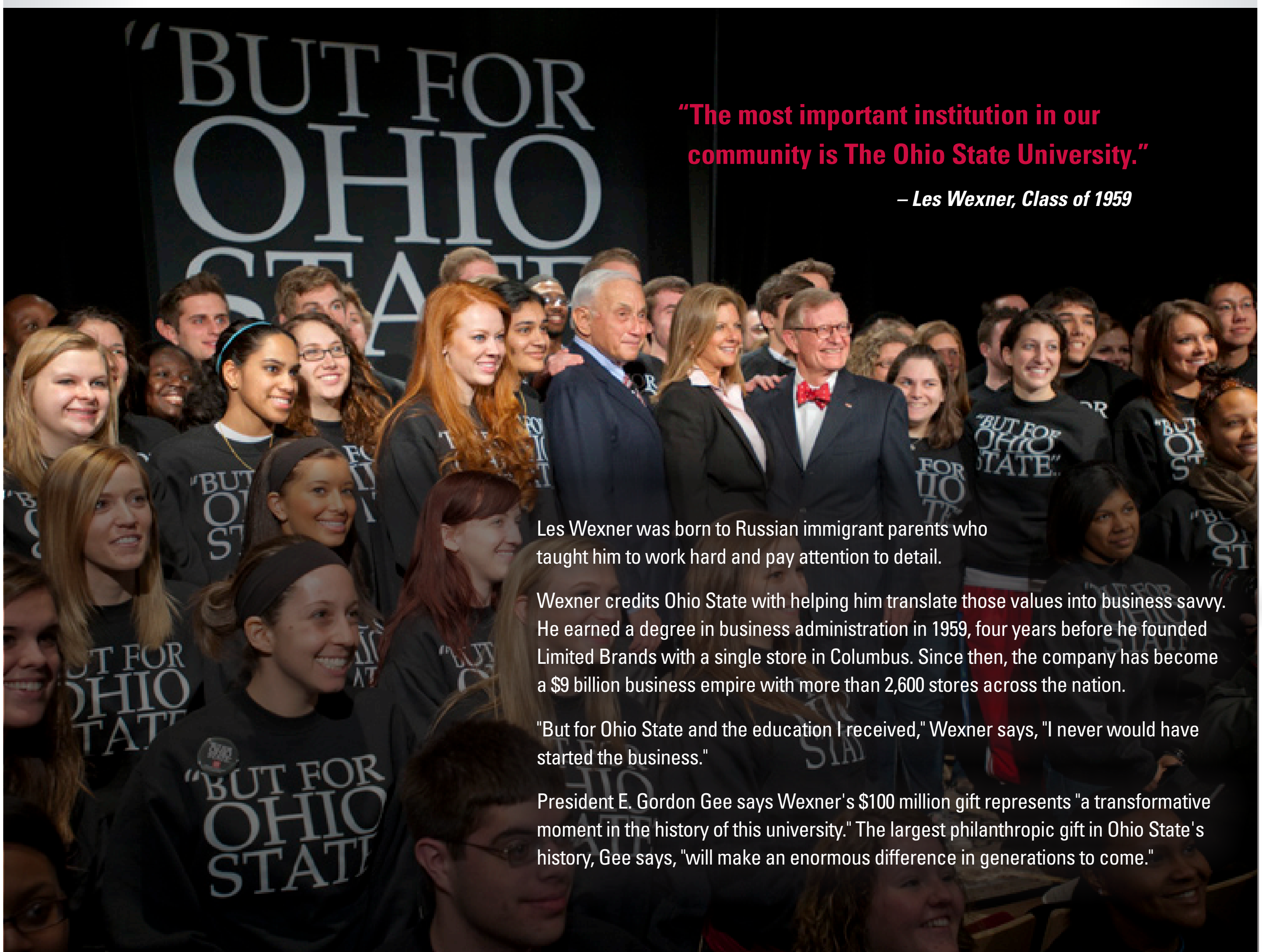
Subsequent to year end, the university completed a $500 million issuance of taxable fixed-rate "century bonds." As the name suggests, these obligations have a 100-year maturity (principal is due in the year 2111). The century bonds allow the university to continue to diversify its debt portfolio along the yield curve, capturing a historically low cost of capital for a very long time. The century bond structure provides an effective hedge against inflation and potentially illiquid future capital markets. In addition, the century bonds are a more permanent component of our capital structure, thus allowing us additional balance sheet flexibility. Due to the extraordinary market conditions and favorable investor response to our offering, we were able to obtain the lowest century bond interest rate (4.80%) ever, beating USC's 5.25% rate from August 2011. We also are pleased to report that, as part of this process, the debt rating agencies reaffirmed all of our ratings (AA for S&P, Aa1 for Moody's, and AA for Fitch). The successful issuance of the century bonds significantly accelerates our progress in funding the 2010-2015 Capital Plan.

Gifts and Endowment Investments – The Power of Philanthropy

The university depends on a global network of over 450,000 alumni and friends to provide the significant, consistent and permanent funding needed to move the institution from excellence to eminence. During fiscal year 2011, a new record of 177,322 donors made gifts to the university, breaking last year's record of 144,016. Total gift revenues increased $11 million, to $151 million. 143 new endowment funds were established, bringing the total number of endowed funds to 4,542.

I am thrilled and honored to report that, in February 2011, the university received the largest gift commitment in its history—$100 million to benefit The Ohio State University Medical Center, the Arthur G. James Cancer Hospital and Richard J. Solove Research Institute, and Ohio State's Wexner Center for the Arts—from Leslie and Abigail Wexner and the Limited Brands Foundation. As President Gee noted at the time, this gift marks a transformative moment in the history of this university and will make an enormous difference in generations to come.

Endowments are invested in the university's Long-Term Investment Pool (LTIP), which is a unitized investment pool consisting of endowment funds of the university, endowment funds of the OSU Foundation, and operating funds that have been internally designated to function as endowments. The LTIP operates with a long-term investment goal of preserving and maintaining the real purchasing power of the principal while allowing for an annual distribution. It is invested according to a thematic asset allocation model that groups investments into four categories—Market Exposure, Risk Reducers, Return Enhancers, and Inflation Hedges. The Market Exposure category includes domestic, international, and emerging market equities, and long/short equity managers. The Risk Reducers category includes fixed income and low volatility absolute return managers. The Return Enhancers category includes private equities, distressed debt, and opportunistic funds. The Inflation Hedges category includes real estate, natural resources, commodities, and infrastructure. The current allocation of the LTIP among these asset categories is presented on the following page.



"The most important institution in our community is The Ohio State University."

– Les Wexner, Class of 1959

Les Wexner was born to Russian immigrant parents who taught him to work hard and pay attention to detail.

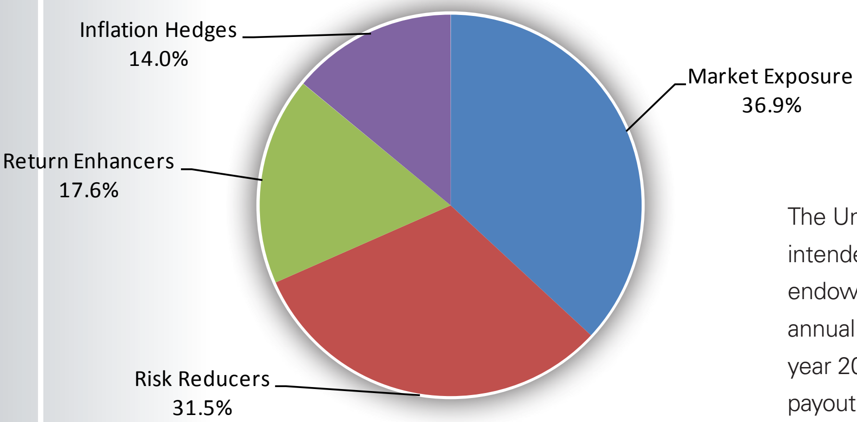
Wexner credits Ohio State with helping him translate those values into business savvy. He earned a degree in business administration in 1959, four years before he founded Limited Brands with a single store in Columbus. Since then, the company has become a $9 billion business empire with more than 2,600 stores across the nation.

"But for Ohio State and the education I received," Wexner says, "I never would have started the business."

President E. Gordon Gee says Wexner's $100 million gift represents "a transformative moment in the history of this university." The largest philanthropic gift in Ohio State's history, Gee says, "will make an enormous difference in generations to come."

Long-Term Investment Pool Asset Allocation

June 30, 2011



We are pleased to report that the fiscal year 2011 investment return for the LTIP was 16.8%, which exceeds university benchmarks. The annualized investment returns for the three-year and five-year periods were 1.1% and 2.3%, respectively. The LTIP is structured to produce competitive returns within a strong risk-controlled framework. The portfolio is designed to provide strong absolute returns, but it will not match the returns of equity markets in a bull market, such as we experienced in fiscal year 2011. Conversely, the LTIP is less volatile than the equity markets and is expected to produce more consistent, reliable absolute returns.

During the past fiscal year we established an Advisory Group consisting of three outside investment professionals and a faculty member from The Fisher College of Business to assist with the investment of the LTIP. The group meets several times a year with the Chief Investment Officer and the Chief Financial Officer to review investment policy and strategy. The group serves in an advisory capacity only, with The Board of Trustees retaining final authority over the LTIP.

The University's endowment distribution policy is intended to preserve the purchasing power of the endowment and to provide a predictable stream of annual distributions to university departments. In fiscal year 2011, the annual distribution was set at 4.25% payout rate for all funds. The collar was eliminated and replaced with a temporary one-year floor limiting the total distribution decline to 3% for any college or area. In fiscal year 2011, the annual distribution was set at 4.25% of the average market value per share over the most recent seven-year period. Total distributions were $97.9 million and $100 million for fiscal years 2011 and 2010, respectively. A summary of the 2011 distributions by designated use is presented below.

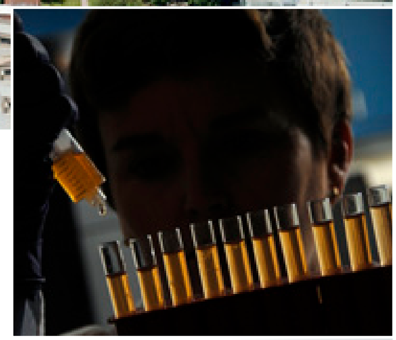
Long-Term Investment Pool Distributions by Designated Use

($ in millions)

Designated Use	2011 Distribution
Chairs, Professorships, and Eminent Scholars	$ 17.4
Public Service	1.2
Scholarships, Fellowships, and Loans	17.9
Research	7.7
Administrative Support	5.1
General Educational Support and Libraries	15.2
Unrestricted – Long-Term Operating Funds	33.4
Total	**$ 97.9**

The OSU Medical Center – Meeting the Challenges of a Changing Health Care Landscape

The Ohio State University Medical Center, which includes the College of Medicine, OSU Health System, and OSU Physicians, is one of the largest and most diverse academic medical centers in the country and the only academic medical center in central Ohio. 2011 was a financially successful year for the Health System in spite of a challenging economic environment. Inpatient and observation volumes increased 1.2% over the prior year, surgeries grew 4.6% over the prior year, and outpatient



visits grew 5.6%. Operating margin increased 8.5% over 2010, and the Health System met its targets for margin, cash growth, and debt service coverage.

A total of $83.5 million was reinvested into recruitments, new programs, and research, and approximately $83 million was invested in medical equipment, infrastructure, and renovations. We continue construction on the $1.1 billion Medical Center expansion (the largest capital project in OSU history) and are on target and on budget to open in 2014. When complete, the new Arthur G. James Cancer Hospital and Richard J. Solove Research Institute, a new critical care building, 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.

Financial challenges for all health care organizations are on the horizon. Reimbursements are under significant pressure as government payers and managed care organizations attempt to reduce health care expenditures using a combination of value-based purchasing programs and rate reductions. The Medical Center is using a series of strategies to deal with the uncertain economic landscape. The Medical Center has a strong history of cost control and will continue aggressively managing costs in the future of declining reimbursements. Integration of OSU Physicians into an Ohio State employment model is well under way and will help us manage costs, as incentives will move toward a combined physician/hospital payment model. Integration of the OSU Managed Health Care Plan into the Medical Center allows us to create opportunities in the evolving environment of accountable care organizations. The College of Medicine educates a large percentage of the region's physicians, which helps our ability to grow our volumes through referrals.

As the focus in health care moves from treating sickness to managing wellness, we have positioned ourselves as a national leader in developing Personalized Medicine, whose goal is the creation of a value-based, patient-centric health care system based on individuals' unique needs. At the same time, we continue to deliver leading- edge clinical services, including focus on six signature programs—Cancer, Critical Care, Heart, Imaging, Neuroscience, and Transplantation—and we actively market services unique to OSU across the state of Ohio.

Conclusions

I hope this report has provided you with some insights into the great work that is being performed every day by our dedicated faculty, staff, and students. As a business and finance organization, we are focused on our core goal of 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. We encourage you to read the accompanying financial report, and we welcome your interest in this great university. Go Bucks!

Very truly yours,

Geoffrey S. Chatas
Senior Vice President for Business and Finance
and Chief Financial Officer

Report of Independent Auditors

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

In our opinion, the accompanying consolidated statement of net assets and the related statement of revenues, expenses and changes in net assets and statement of cash flows present fairly, in all material respects, the financial position of The Ohio State University (the "University"), a component unit of the State of Ohio, as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of the University as of June 30, 2010 and for the year then ended were audited by other auditors whose report dated November 8, 2010 expressed an unqualified opinion on those statements.

The accompanying management's discussion and analysis on pages 11 through 21 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The Supplementary Information on the Long-Term Investment Pool on pages 53-54 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

PricewaterhouseCoopers LLP

October 31, 2011

PricewaterhouseCoopers LLP, 41 South High Street, Suite 2500, Columbus, OH 43215
T: (614) 225 8700, F: (614) 224 1044, www.pwc.com

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, 2011, with comparative information for the years ended June 30, 2010 and June 30, 2009. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

Management's Discussion and Analysis

for the Year Ended June 30, 2011 (Unaudited)

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 64,000 students, 6,000 faculty members and 22,000 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 170 undergraduate majors, 143 master's degree programs, 106 doctoral programs and seven professional degree programs. The university operates one of the nation's leading academic medical centers, which includes the OSU Health System. The Health System 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, Dodd Rehabilitation Hospital, three comprehensive outpatient care centers, an ambulatory surgery center, a comprehensive breast treatment center, and 23 clinics. The Health System provided services to more than 56,000 adult inpatients and 1,096,000 outpatients during Fiscal Year 2011.

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, two independent schools, the OSU Health System 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 and net assets (equity) of the university, the OSU Health System, the Ohio Agricultural Research and Development Center and the Ohio Supercomputer Center. In addition, these statements include consolidated financial results for a number of legally separate entities subject to Board control, including:

- The OSU Foundation (a fundraising foundation operating exclusively for the benefit of the university)
- OSU Physicians, Inc. (the central 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)
- OSU Health Plan (a non-profit organization – formerly known as OSU Managed Health Care Systems—that administers university health care benefits)

The entities listed above meet the "financial accountability" criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. A complete listing of the entities that are included in the university's financial report is provided in the Basis of Presentation section of the footnotes.

About the Financial Statements

The university presents its financial reports 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 report includes a Statement of Net Assets, a Statement of Revenues, Expenses and Other Changes in Net Assets, a Statement of Cash Flows and Notes to the Financial Statements.

The **Statement of Net Assets** is the university's balance sheet. It reflects the total assets, liabilities and net assets (equity) of the university as of June 30, 2011, with comparative information as of June 30, 2010. 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 assets are 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 Assets** is the university's income statement. It details how net assets have increased (or decreased) during the year ended June 30, 2011, with comparative information for Fiscal Year 2010. Tuition revenue is shown net of scholarship allowances, 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, 2011, with comparative information for Fiscal Year 2010. 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 assets 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 university net assets (equity) increased $530 million, to $5.25 billion at June 30, 2011, primarily due to investment gains and strong operating results for the OSU Health System. Three September 2010 bond issues increased total university plant debt by $620 million, to $1.97 billion. Total unrestricted and restricted-expendable net assets increased $301 million, to $2.05 billion.

Demand for an Ohio State education remains strong, and student outcomes continue to improve. 64,077 students were enrolled in Autumn 2010, up from 63,217 in Autumn 2009. 92.8% of the freshmen enrolled in Autumn 2009 returned to OSU in Autumn 2010. Over the past five years, four-year graduation rates have increased from 40% to 53%, and six-year graduation rates have increased from 68% to 78%.

The following sections provide additional details on the university's 2011 financial results and a look ahead at significant economic conditions that are expected to affect the university in the future.

I. Statement of Net Assets

Total university **cash, restricted cash and temporary investment** balances increased $761 million in 2011, reflecting proceeds from the September 2010 bond issues and increased net cash flows from operating and noncapital financing activities. The Statement of Cash Flows, which is discussed in more detail below, provides additional details on sources and uses of university cash. The university holds the bulk of its working capital in short and intermediate-term investment funds. These funds are invested in a diversified portfolio of money-market instruments as well as short and intermediate-term fixed income securities. The average maturity of the portfolio is typically less than one year.

The market value of the university's **long-term investment pool** increased $233 million, to $2.12 billion at June 30, 2011, primarily due to a combination of realized and unrealized gains, which totaled $110 million and $175 million, respectively. 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 equities, fixed income, real estate, hedge funds, private equity, venture capital and natural resources that is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support the university's mission.

Other long-term investments are non-unitized investments that relate primarily to gift arrangements between donors and the OSU Foundation. These investments increased $4 million, to $68 million at June 30, 2011.

Capital assets, which include the university's land, buildings, improvements, equipment and library books, grew $234 million, to $3.47 billion at June 30, 2011. 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).

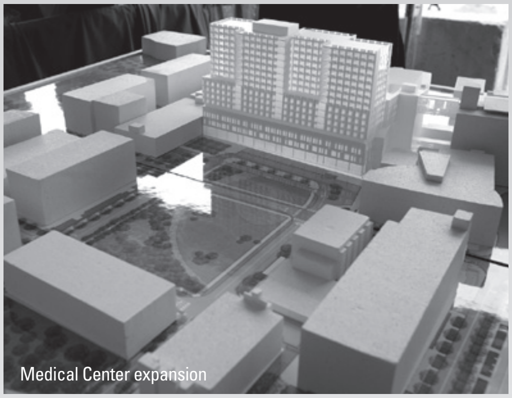
Major projects completed in 2011 include the North Campus Chilled Water Extension, Woody Hayes – Football Practice Fields and the Jones Graduate Tower Renovation. In addition, several major construction projects are currently underway or in advanced planning stages, including:

- **Medical Center Expansion** – The university continues to move forward on a $1 billion Medical Center expansion project formerly known as ProjectOne. Construction of the new James Cancer Hospital and Solove Research Institute and the Critical Care Center continues and most of the foundation work was completed in Summer 2011. This allowed for the installation of steel to begin

I. Summary Statements of Net Assets

(in thousands)

	2011	2010	2009
Cash and temporary investments	$1,516,357	$1,218,665	$1,083,651
Current receivables, inventories, and prepaid expenses	552,548	572,436	525,105
Total current assets	2,068,905	1,791,101	1,608,756
Restricted cash	488,361	25,278	89,245
Noncurrent notes and pledges receivable	82,138	81,424	70,017
Long-term investment pool	2,120,714	1,887,568	1,662,729
Other long-term investments	68,283	64,232	69,894
Capital assets, net of accumulated depreciation	3,465,010	3,231,134	3,119,928
Total noncurrent assets	6,224,506	5,289,636	5,011,813
Total assets	$8,293,411	$7,080,737	$6,620,569
Accounts payable and accrued expenses	$ 440,372	$ 423,397	$ 408,112
Deferred revenues and deposits	228,550	208,579	186,436
Commercial paper and current portion of bonds, notes, and lease obligations	542,903	505,842	631,604
Other current liabilities	12,265	11,575	9,828
Total current liabilities	1,224,090	1,149,393	1,235,980
Noncurrent portion of bonds, notes, and lease obligations	1,430,980	848,417	728,641
Other noncurrent liabilities	387,637	362,298	340,743
Total noncurrent liabilities	1,818,617	1,210,715	1,069,384
Total liabilities	$3,042,707	$2,360,108	$2,305,364
Invested in capital assets, net of related debt	$1,979,373	$1,875,977	$1,759,683
Restricted–nonexpendable net assets	1,217,323	1,091,825	868,466
Restricted–expendable net assets	592,082	487,237	468,122
Unrestricted net assets	1,461,926	1,265,590	1,218,934
Total net assets	$5,250,704	$4,720,629	$4,315,205


Medical Center expansion

in August 2011. The project is expected to be completed in 2014. The university plans to finance the project with a combination of bonds ($925 million) and private gifts ($75 million). The University also received a ($100 million) Federal Grant to assist with the cost of these projects.

- **South High Rises Renovation and Addition** – Work continues on the $172 million project to renovate five student housing facilities in the south campus area and to construct two building additions, which will include approximately 360 new beds. The project is expected to be completed in 2012.
- **William H. Hall Complex Expansion** – Work continues on the $51 million project to construct a new suite-style housing facility as part of the William H. Hall housing complex. The new facility will provide approximately 537 new beds and is expected to be completed in 2012.
- **Infrastructure Improvements** – Work continues on several major infrastructure projects, including construction of a $58 million electrical substation to meet current and future campus electrical needs, a $73 million south campus central chiller plant to support the Medical Center expansion and a $41 million east regional chiller plant to serve buildings east of the Oval. The electrical substation and south campus chiller projects are expected to be completed in 2012. The east regional chiller project is expected to be completed in 2014.
- **Chemical and Bio-molecular Engineering and Chemistry Building** – The $126 million project for the Chemistry and Chemical and Bio-molecular Engineering departments has moved into the design stage. The building will contain research and teaching laboratories, faculty offices, and seminar rooms. Construction is projected to begin by June 2012 and be completed by January 2015.
- **Sullivant Hall Renovation** – The $26 million project will renovate Sullivant Hall and create a new location for the Billy Ireland Cartoon Library and Museum. The design phase and the bidding process for phase 1 has begun.
- **Biomedical Research Tower, Three Floor Build Out** – The $29 million project will build out the 4th, 5th and 6th floors similar to the construction previously completed on 7th, 8th and 9th floors. Construction is underway and completion is projected for May 2012.
- **Cunz Hall Renovation** – The $24 million project will renovate Cunz Hall including an addition and will be the future home of the College of Public Health. Construction began late in 2010 and will be completed by August 2011.

The university's estimated future capital commitments, based on contracts and purchase orders, total approximately $884 million at June 30, 2011.

Accounts payable and accrued expenses increased $17 million, to $440 million in 2011, primarily due to increases in payables related to capital projects.

Total university debt, in the form of **commercial paper, bonds, notes and capital lease obligations**, increased $620 million, to $1.97 billion at June 30, 2011. During 2011, the university issued $655 million in federally taxable fixed-rate Build America Bonds. The federal government provides a subsidy payment on these bonds equal to 35% of the interest, reducing the university's effective interest rate on the bonds to 3.19%. In addition, the university issued $88 million in fixed-rate General Receipts Bonds and $150 million in Variable Rate Demand General Receipts Bonds. A portion of the bond proceeds were used to retire outstanding commercial paper and to refund existing bond obligations.

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 asset 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 $470 million and $329 million at June 30, 2011 and 2010, respectively.

Prior-Year Highlights: ***In 2010***, total unrestricted and restricted-expendable net

II. Summary of Revenues, Expenses, and Other Changes in Net Assets

(in thousands)

	2011	2010	2009
Operating Revenues:			
Tuition and fees, net	$ 732,688	$ 664,184	$ 622,857
Grants and contracts	644,437	619,873	613,017
Auxiliary enterprises sales and services, net	232,482	204,676	194,862
OSU Health System sales and services, net	1,785,329	1,692,532	1,578,401
OSU Physicians sales and services, net	311,476	309,815	286,490
Departmental sales and other operating revenues	197,432	182,503	161,063
Total operating revenues	3,903,844	3,673,583	3,456,690
Operating Expenses:			
Educational and general	2,132,418	2,041,362	1,919,678
Auxiliary enterprises	244,787	223,704	214,807
OSU Health System	1,563,697	1,483,573	1,407,701
OSU Physicians	293,731	284,720	262,131
Depreciation	239,351	231,744	222,308
Total operating expenses	4,473,984	4,265,103	4,026,625
Net operating income (loss)	(570,140)	(591,520)	(569,935)
Non-operating revenues (expenses):			
State share of instruction and line-item appropriations	439,576	443,337	497,601
Federal fiscal stabilization funds	60,063	59,234	-
Gifts – current use	103,754	90,743	77,255
Net investment income (loss)	365,108	323,944	(435,898)
Grants, interest expense, and other non-operating	21,749	(2,264)	2,884
Income (loss) before other revenues, expenses, gains, or losses	420,110	323,474	(428,093)
State capital appropriations	62,732	33,042	47,227
Private capital gifts	16,398	15,545	18,960
Additions to permanent endowments	30,835	33,363	35,816
Increase (decrease) in net assets	530,075	405,424	(326,090)
Net assets – beginning of year	4,720,629	4,315,205	4,641,295
Net assets – end of year	$ 5,250,704	$ 4,720,629	$ 4,315,205

assets increased $66 million, to $1.75 billion. Total university plant debt was stable at $1.35 billion. ***In 2009***, total unrestricted and restricted-expendable net assets increased $138 million, to $1.69 billion. Total university plant debt increased $284 million, to $1.36 billion, primarily due to two 2009 bond issues.

II. Statement of Revenues, Expenses, and Other Changes in Net Assets

Net **tuition and fees** increased $69 million, to $733 million in 2011, primarily due to increases in tuition and undergraduate enrollments. In Summer Quarter 2010, undergraduate instructional and general fees were increased 3.1%, followed by an additional 3.4% increase in Autumn Quarter 2010.

Operating **grant and contract revenues** increased $25 million, to $644 million in 2011, primarily due to increases in federally-funded research grants and contracts. Revenues for sponsored research programs administered by the Office of Sponsored Programs (formerly known as the OSU Research Foundation) increased $48 million, to $471 million.

Educational and general expenses increased 4.5%, to $2.13 billion in 2011. Additional details are provided to the right.

Total **instructional and departmental research** expenses increased $14 million in 2011, primarily due to faculty/staff salary increases. 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** expenses increased $21 million, reflecting increases in federally-funded research grants. **Institutional support** increased $52 million, primarily due to central accruals for employee health care costs, increases in investment management costs and increases in Health Sciences administrative expenses.

Sales and service revenues of the university's **Auxiliary Enterprises** increased $28 million, to $232 million in 2011, primarily due to increases in Athletics and Housing, Food Service and Event Center revenues. Auxiliary expenses increased $21 million.

Educational and General Expenses

(in thousands)

	2011	2010	2009
Instruction and departmental research	$ 883,307	$ 869,418	$ 840,697
Separately budgeted research	440,756	419,982	392,033
Public service	110,357	118,585	120,015
Academic support	147,845	140,255	132,912
Student services	88,604	87,603	87,993
Institutional support	243,827	191,532	164,210
Operation and maintenance of plant	115,091	109,440	112,097
Scholarships and fellowships	102,631	104,547	69,721
Total	$ 2,132,418	$ 2,041,362	$ 1,919,678

The Ohio State University Health System continued to expand its community presence and improve patient access with the opening of CarePoint Lewis Center, CarePoint East, and the James Cancer Breast Center on Olentangy River Road. The expanded Electrophysiology lab on the second floor of the Ross Heart Hospital is scheduled for completion in August 2011 and the new James Cancer Hospital and Solove Research Institute and the Critical Care Center are under construction and scheduled to open in 2014.

Health System adult inpatient admissions and observation patient volumes increased 1.2% from the prior year and outpatient visits grew by 5.6%. Consolidated Health System Total Operating Revenues increased $93 million (5.5%) due to volume increases along with selective rate increases. Expenses for the consolidated Health System (excluding depreciation, interest and interfund transfers) increased $80 million (5.4%). Salaries and benefits increased 5.9% due to increased patient activity, the opening of new outpatient sites, and a competitive labor market. Supplies increased 3.2% due to volume, medical advances, inflation and more intensive patient care services. Services increased 2.2% due to maintenance and repair of buildings and equipment and from space rentals. The Health System's Excess of Revenue over Expense for 2011 was $144.5 million. After investing $83.5 million in research and education and receiving $9.0 million in contributions for capital acquisitions, the change in net assets was $70.0 million. The change in net assets was further reduced by $12.8 million to a net increase of $57.2 million when two self insurance funds for malpractice were eliminated from the consolidated Health System reporting unit.

Looking ahead, the OSU Health System will be challenged by the national trend to meet the increase in demand for health services arising from an aging population and increasing consumer expectations. However, given our integrated structure that aligns the hospitals, college, practice plan, and OSU Health Plan, we feel we are well positioned to continue our growth. While facing the uncertainties of the economy and healthcare reform, the Health System expects Fiscal Year 12 revenues to increase by 9.3% with focus on the six signature programs: Cancer, Critical Care, Heart, Imaging, Neuroscience and Transplantation. To increase its market share across Ohio, clinical services, such as Transplantation and Deep Brain Stimulation which are unique to Ohio State, are being promoted in selected markets statewide. To continue the growth in referrals, the Health System is also partnering with several hospitals to provide Emergency Telemedicine services and testing expansion of the electronic medical record to other hospitals.

The Health System continues to invest in the Medical Center's research and teaching initiatives, resulting in the delivery of additional leading edge clinical services while fulfilling its academic mission. In response to the increased demand for services, the Health System continues planning for significant expansion of its clinical facilities in the next several years. Despite the challenges and the changing healthcare environment, the Health System expects to improve its financial position during the upcoming year, and will continue to play a key role in supporting the Medical Center and in its status as a leading academic medical center.

Revenues and operating expenses of **OSU Physicians, Inc.**, the University's central practice group for physician faculty members of the College of Medicine and Public Health, continued to grow in 2011. Total operating revenues grew from $310 million to $311 million as a result of volume increases as well as increased rates from contract negotiations, and support from the university. Total OSUP expenses (excluding depreciation, interest and interfund transfers) grew from $285 million to $294 million.

OSUP is the single member of 17 limited liability companies ("LLCs"). As of June 30, 2011, only 15 of the limited liability companies were active. Two of the LLCs (Anesthesiology and Orthopedics) have been created but had no 2011 activity.

State share of instruction and line-item appropriations were relatively stable, declining $4 million, to $440 million in 2011. To offset this decrease in state funding for the 2010-2011 biennium, the Ohio Board of Regents allocated $60 million in **federal fiscal stabilization funds** to the university. These funds were provided by the federal government under the American Recovery and Reinvestment Act (ARRA) of 2009.

Non-endowment gifts to the university (including gifts for current use and gifts to capital projects) increased $14 million, to $120 million in 2011. New gift **additions to permanent endowments** decreased $3 million, to $30 million. During 2011 a new record of 177,322 donors made gifts to the university; the next highest year was 2010 at 144,016.

University investments yielded $365 million of **net investment income** in 2011, building on the gains experienced in 2010. The net investment income figure includes $69 million of interest and dividend income and $296 million net appreciation in the fair market value of university investments.

The university's Long Term Investment Pool finished a strong year in 2011. Equity markets experienced a strong upsurge throughout most of the year. The Long-Term Investment Pool finished the fiscal year with an investment return of 16.8%, which exceeds university benchmarks.

Prior-Year Highlights: ***In 2010***, university investments yielded $324 million of net investment income, recovering a significant portion of the net investment loss experienced in 2009. Total Health System operating revenues increased $114 million. ***In 2009***, the university's investment portfolio was hit hard by the meltdown in the financial markets, resulting in a $436 million net investment loss. University operating results were stable, with growth in operating revenues and state support offsetting similar increases in operating expenses.

III. Statement of Cash Flows

Total university cash and cash equivalents increased $400 million in 2011. Net cash flows from operating activities increased $93 million, with increases in sales and service and tuition receipts more than offsetting increases in payments for wages, benefits and supplies and services. Net cash flows from noncapital financing activities increased $41 million, primarily due to increases in current-use gift receipts and drawdowns of federal direct lending proceeds. Net cash provided by capital financing activities was $198 million, reflecting the proceeds from the 2011 bond issues. Total cash used by investing activities was $239 million, primarily due to net purchases of temporary investments.

III. University Cash Flows Summary

(in thousands)

	2011	2010	2009
Net cash flows from operating activities	$(262,829)	$(356,277)	$(301,434)
Net cash flows from noncapital financing activities	704,276	663,725	647,253
Capital appropriations and gifts for capital projects	79,099	41,334	70,227
Proceeds from issuance of bonds and notes payable	902,117	337,113	427,138
Payments for purchase and construction of capital assets	(445,460)	(332,448)	(394,788)
Principal and interest payments on capital debt, net of federal Build America Bond interest subsidies	(337,668)	(385,506)	(184,192)
Net cash flows from investing activities	(239,169)	(24,130)	61,882
Net increase (decrease) in cash	$ 400,366	$ (56,189)	$ 326,086

Subsequent Events

On October 26, 2011, the university issued an offering statement for $500 million in Fixed Rate General Receipts Bonds, Series 2011A. The Series 2011A bonds are federally taxable and will be used to fund capital projects. The bonds mature in whole on June 1, 2111.

Economic Factors That Will Affect the Future

As Fiscal Year 2011 ended, the nation continued to slowly recover from its deepest recession in 50 years. Because of strong financial support from the Governor and the General Assembly, the receipt of federal stimulus funding under ARRA, and prudent fund management and planning, The Ohio State University was able to continue to improve its academic standing and remain relatively affordable to Ohio residents.

In 2010 and 2011, stimulus funding helped to maintain the financial stability of both the university and the State of Ohio. However, with the expiration of this funding, the university faces a Fiscal Year 2012 decrease in unrestricted subsidies of 15.7%. Undergraduate instructional and general fees will increase 3.5% for Autumn Quarter 2011. Annual tuition increases are capped at this level by the state's 2012-2013 biennial budget bill. These increases are a necessary component of the university's strategy to address shortfalls in state funding. Student financial aid has been increased proportionally in FY2012 so that access will be maintained for qualified students.

The university's Fiscal Year 2012 budget is structured to support the following strategic goals:

- ***One University*** – Create one university where everyone is driven by a shared common vision, aligned by a strategic planning process and one integrated Master Plan.
- ***Students First*** – Develop and execute strategies to put students first and move Ohio State rapidly into the academic front ranks of American public universities.
- ***Faculty and Staff Talent and Culture*** – Recruit, support, hire and retain a world-class faculty and staff. Our goal is to transform into a high-performance culture driven by our institutional principles and high standards of ethics and compliance.
- ***Research Prominence*** – Support and encourage innovative and ground-breaking research, both to enhance the university's reputation and to contribute to the quality of life in Ohio and beyond.
- ***Outreach and Collaboration*** – Develop public and public-private partnerships focusing on economic development, and develop ventures that establish our international leadership.
- ***Operating and Financial Soundness and Simplicity*** – Move the university to a more robust financial position and new levels of productivity and return on investment, using simple and non-bureaucratic systems.

The 2012 operating budget also includes continued support for additional efficiency savings in the following areas:

- Energy Sustainability
- Strategic Purchasing
- Enterprise-wide Systems
- Business Process Streamlining

Despite the economic challenges facing Ohio and the nation, we remain committed to building upon current efforts to enhance the university's academic reputation, diversify our revenue base, realize operating efficiencies and effectively manage our financial risks. By doing so, we feel The Ohio State University will maintain its sound financial position while continuing its progress towards becoming a top-tier public research university.

Consolidated Statements of Net Assets

June 30, 2011 and 2010
(in thousands)

	2011	2010
ASSETS:		
Current Assets:		
Cash and cash equivalents	$ 568,420	$ 631,137
Temporary investments	947,937	587,528
Accounts receivable, net	402,181	441,468
Notes receivable – current portion, net	16,014	13,533
Pledges receivable – current portion, net	26,054	22,912
Accrued interest receivable	26,601	18,856
Inventories and prepaid expenses	81,698	75,667
Total Current Assets	2,068,905	1,791,101
Noncurrent Assets:		
Restricted cash	488,361	25,278
Notes receivable, net	57,028	57,984
Pledges receivable, net	25,110	23,440
Long-term investment pool	2,120,714	1,887,568
Other long-term investments	68,283	64,232
Capital assets not being depreciated	609,921	347,152
Capital assets being depreciated, net	2,855,089	2,883,982
Total Noncurrent Assets	6,224,506	5,289,636
Total Assets	**$ 8,293,411**	**$ 7,080,737**
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued expenses	$ 440,372	$ 423,397
Deposits and deferred revenues	228,550	208,579
Commercial paper and current portion of bonds, notes, and leases payable	542,903	505,842
Compensated absences – current portion	8,287	7,788
Obligations under annuity and life income agreements – current portion	3,978	3,787
Total Current Liabilities	1,224,090	1,149,393
Noncurrent Liabilities:		
Bonds, notes, and leases payable	1,430,980	848,417
Compensated absences	116,400	101,200
Self-insurance accruals	117,531	116,163
Obligations under annuity and life income agreements	35,540	34,263
Refundable advances for federal Perkins loans	28,887	28,955
Other noncurrent liabilities	89,279	81,717
Total Noncurrent Liabilities	1,818,617	1,210,715
Total Liabilities	**3,042,707**	**2,360,108**
Net Assets:		
Invested in capital assets, net of related debt	1,979,373	1,875,977
Restricted:		
Nonexpendable	1,217,323	1,091,825
Expendable	592,082	487,237
Unrestricted	1,461,926	1,265,590
Total Net Assets	**5,250,704**	**4,720,629**
Total Liabilities and Net Assets	**$ 8,293,411**	**$ 7,080,737**

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

Consolidated Statements of Revenues, Expenses, and Other Changes in Net Assets

Years Ended June 30, 2011 and 2010
(in thousands)

	2011	2010
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of $137,334 and $121,229, respectively)	$ 732,688	$ 664,184
Federal grants and contracts	345,277	322,157
State grants and contracts	42,212	43,524
Local grants and contracts	18,029	20,801
Private grants and contracts	238,919	233,391
Sales and services of educational departments	121,773	115,766
Sales and services of auxiliary enterprises (net of scholarship allowances of $18,153 and $15,791, respectively)	232,482	204,676
Sales and services of the OSU Health System (net of charity care of $218,988 and $196,896, respectively)	1,785,329	1,692,532
Sales and services of OSU Physicians, Inc. (net of charity care of $11,704 and $7,678, respectively)	311,476	309,815
Other operating revenues	75,659	66,737
Total Operating Revenues	3,903,844	3,673,583
Operating Expenses:		
Educational and General:		
Instruction and departmental research	883,307	869,418
Separately budgeted research	440,756	419,982
Public service	110,357	118,585
Academic support	147,845	140,255
Student services	88,604	87,603
Institutional support	243,827	191,532
Operation and maintenance of plant	115,091	109,440
Scholarships and fellowships	102,631	104,547
Auxiliary enterprises	244,787	223,704
OSU Health System	1,563,697	1,483,573
OSU Physicians, Inc.	293,731	284,720
Depreciation	239,351	231,744
Total Operating Expenses	4,473,984	4,265,103
Operating Loss	(570,140)	(591,520)
Non-operating Revenues (Expenses):		
State share of instruction and line-item appropriations	439,576	443,337
Federal fiscal stabilization funds	60,063	59,234
Federal subsidies for Build America Bonds interest	8,283	-
Federal non-exchange grants	59,244	55,203
State non-exchange grants	6,359	8,086
Gifts	103,754	90,743
Net investment income	365,108	323,944
Interest expense on plant debt	(57,847)	(49,993)
Other non-operating revenues (expenses)	5,710	(15,560)
Net Non-operating Revenue	990,250	914,994
Income before Other Revenues, Expenses, Gains, or Losses	420,110	323,474
Other Changes in Net Assets:		
State capital appropriations	62,732	33,042
Private capital gifts	16,398	15,545
Additions to permanent endowments	30,835	33,363
Total Other Changes in Net Assets	109,965	81,950
Increase in Net Assets	530,075	405,424
Net Assets – Beginning of Year	4,720,629	4,315,205
Net Assets – End of Year	$5,250,704	$4,720,629

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

Consolidated Statements of Cash Flows

Years Ended June 30, 2011 and 2010
(in thousands)

	2011	2010
Cash Flows from Operating Activities:		
Tuition and fee receipts	$ 636,664	$ 572,719
Grant and contract receipts	656,237	612,655
Receipts for sales and services	2,491,890	2,338,983
Payments to or on behalf of employees	(2,088,464)	(2,000,832)
University employee benefit payments	(566,773)	(524,650)
Payments to vendors for supplies and services	(1,377,082)	(1,328,157)
Payments to students and fellows	(92,651)	(96,022)
Student loans issued	(10,717)	(7,347)
Student loans collected	9,450	7,961
Student loan interest and fees collected	2,274	1,119
Other receipts	76,343	67,294
Net cash used in operating activities	(262,829)	(356,277)
Cash Flows from Noncapital Financing Activities:		
State share of instruction and line-item appropriations	439,576	443,337
Federal fiscal stabilization funds	60,063	59,234
Non-exchange grant receipts	65,603	63,289
Gift receipts for current use	98,942	79,344
Additions to permanent endowments	30,833	33,363
Drawdowns of federal direct loan proceeds	410,355	386,000
Disbursements of federal direct loans to students	(401,346)	(399,608)
Disbursement of loan proceeds to related organization	(2,268)	(760)
Repayment of loans to related organization	1,068	-
Amounts received for annuity and life income funds	5,301	3,072
Amounts paid to annuitants and life beneficiaries	(3,833)	(3,866)
Agency funds receipts	2,780	5,781
Agency funds disbursements	(2,798)	(5,461)
Net cash provided by noncapital financing activities	704,276	663,725
Cash Flows from Capital Financing Activities:		
Proceeds from capital debt	902,117	337,113
State capital appropriations	62,701	25,789
Gift receipts for capital projects	16,398	15,545
Payments for purchase or construction of capital assets	(445,460)	(332,448)
Principal payments on capital debt and leases	(282,492)	(320,761)
Interest payments on capital debt and leases	(62,522)	(64,745)
Federal subsidies for Build America Bonds interest	7,346	-
Net cash provided (used) by capital financing activities	198,088	(339,507)

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Continued

	2011	2010
Cash Flows from Investing Activities:		
Net (purchases) sales of temporary investments	(360,409)	(118,117)
Proceeds from sales and maturities of long-term investments	1,262,273	1,588,757
Investment income	54,370	65,846
Purchases of long-term investments	(1,195,403)	(1,560,616)
Net cash used in investing activities	(239,169)	(24,130)
Net Increase (Decrease) in Cash	400,366	(56,189)
Cash and Cash Equivalents – Beginning of Year	656,415	712,604
Cash and Cash Equivalents – End of Year	$ 1,056,781	$ 656,415
Reconciliation of Net Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Operating loss	$ (570,140)	$ (591,520)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities:		
Depreciation expense	239,351	231,744
Changes in assets and liabilities:		
Accounts receivable, net	31,245	(12,996)
Notes receivable, net	(325)	1,820
Accrued interest receivable	(1,074)	(555)
Inventories and prepaid expenses	(6,031)	(12,298)
Accounts payable and accrued liabilities	(261)	6,170
Self-insurance accruals	1,368	(6,575)
Deposits and deferred credits	19,845	21,750
Compensated absences	15,699	5,407
Refundable advances for federal Perkins loans	(68)	(952)
Other noncurrent liabilities	7,562	1,728
Net cash used in operating activities	$ (262,829)	$ (356,277)
Non Cash Transactions:		
Equipment	$ -	$ 2,150
Capital lease	-	(2,150)

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

Notes to Financial Statements

for the Years Ended June 30, 2011 and 2010

All dollar figures stated in these Notes are 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:

- The Ohio State University and its hospitals and clinics;
- The Ohio State University Foundation, a not-for-profit fundraising organization operating exclusively for the benefit of The Ohio State University;
- Two separate statutory entities for which the university has special responsibility
  - Ohio Agricultural Research and Development Center
  - Ohio Supercomputer Center
- Thirteen legally independent corporations engaged in activities related to the university
  - The Ohio State University Research Foundation
  - The Ohio State University Student Loan Foundation, Inc.
  - Transportation Research Center of Ohio, Inc.
  - Campus Partners for Community Urban Redevelopment, Inc.
  - Reading Recovery and Early Literacy, Inc.
  - Ohio State University Retirees Association
  - OSU Health Plan, Inc.
  - The Ohio State University Physicians, Inc.
  - Prologue Research International, Inc.
  - Oval Limited
  - Adria Kravinsky Foundation
  - Dental Faculty Practice Association, Inc.
  - OSU China Gateway, LLC

Component units (legally separate organizations for which the university is financially accountable) comprise, in part, the university's reporting entity. Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, 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

The legally separate organizations listed above meet the financial accountability criteria set forth in GASB Statement No. 14. In addition, these organizations 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.

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). 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; a Consolidated Statement of Net Assets; a Consolidated Statement of Revenues, Expenses and Other Changes in Net Assets; a Consolidated Statement of Cash Flows; and Notes to the Financial Statements.

The university follows all GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The university has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

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

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. These balances are maintained in the plant funds in the university's detailed accounting records.

- **Restricted - nonexpendable:** Net assets subject to externally-imposed stipulations that they be maintained in perpetuity by the university. These assets primarily consist of the university's permanent endowment funds.

- **Restricted - expendable:** Net assets 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. These resources include the current restricted funds, student loan funds, certain plant funds, annuity and life income funds.

- **Unrestricted:** Net assets that are not subject to externally-imposed stipulations. These resources include educational and general funds, auxiliary funds, hospitals funds, and certain plant funds. Substantially all unrestricted net assets 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 net assets 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, and savings accounts. Restricted cash consists of bond proceeds restricted for capital expenditures.

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 fair value of private equity investments is based on estimated current values. 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. Methods for determining estimated fair values include discounted cash flows and estimates provided by general partners. 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, 2011, the university has made commitments to limited partnerships totaling $474,000 that have not yet been funded. In the prior fiscal year, the university had made commitments to limited partnerships totaling $496,000 that had not yet been funded as of June 30, 2010.

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, 2011 are $3,862 and $14,474, respectively. The carrying and market values of real estate at June 30, 2010 are $4,280 and $14,627, 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 4,400 named 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, as adopted in Ohio, permits the university's Board of Trustees to appropriate an amount of realized and unrealized endowment appreciation as the Board deems prudent. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the Long Term Investment Pool.

Annual distributions to named funds in the Long Term Investment Pool are computed using the share method of accounting for pooled investments. For fiscal year 2009, annual distribution was based on the average market value per share of the Long Term Investment Pool over the previous five year period multiplied by a stated rate. For funds established prior to June 30, 2004, the stated rate was 4.5%. For funds established after June 30, 2004, the stated rate was 4%. To minimize volatility in the year-to-year distribution amounts, a "collar" was also in place to ensure that distribution per share did not increase greater than 3% a year or decrease more than 1% a year.

After the significant market decline in fiscal year 2009, the Board of Trustees revised the distribution policy. In fiscal year 2010, the two pools (named funds established before or after the June 30, 2004 cutoff date) were combined into one, resulting in one payout rate for all funds. The collar was eliminated and replaced with a temporary one year floor limiting the total distribution decline to 3% for any college or area. Based on these two methods, undistributed gains were transferred from the Long Term Investment Pool to current funds. These transfers total $97,954 and $99,966 in fiscal years 2011 and 2010, respectively.

Beginning in fiscal year 2011, 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, 2010, the market value of the university's gifted endowments was $1,239,653, which is $53,026 above the historical dollar value of $1,186,627. At June 30, 2011, the market value of the university's gifted endowments was $1,405,646, which is $170,967 above the historical dollar value of $1,234,679. Although the market value of the gifted endowments in total exceeds the historical cost at June 30, 2011, there are 2,316 named funds that remain underwater. The market value of these underwater funds at June 30, 2011 is $655,321, which is $101,372 below the historical dollar value of $756,692.

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.

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 hospitals, 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 and furniture	5 to 15 years
Library books	10 years

Interest incurred during the construction of capital assets is included in the cost of the asset when capitalized. $15,674 and $10,584 of interest was capitalized in the years ended June 30, 2011 and 2010, respectively. 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.

Deferred Revenues

Deferred revenues 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 quarter 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 assets 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 consolidated statement of operations and changes in net assets as a component of 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 Assets, 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 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 Hospitals 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. 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 assets. 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.

Hospital Revenue

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 hospitals contest 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 hospitals recognize settlements of protested adjustments or appeals upon resolution of the matters. Patient revenues are recorded net of contractual allowances and bad debt expenses.

OSU Physicians Revenue

Net patient service revenue represents amounts received and the estimated net realizable amounts due from patients and third-party payers for services rendered. OSU Physicians 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 consolidated financial statements for estimated contractual adjustments, representing the difference between the customary charges for services rendered and related reimbursement.

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.

Newly Issued Accounting Pronouncements

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This Statement amends provisions in Statements No. 45 and 43 related to measurement and actuarial valuation of other post employment benefits. In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, the provisions of Statement No. 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011.

University management has not yet determined the impact that implementation of GASB Statement No. 57 will have on the university's financial statements.

Other

The university is exempt from income taxes as a non-profit organization under Internal Revenue Code §115 and Internal Revenue Service regulations. Any unrelated business income is taxable.

NOTE 2 — CASH AND CASH EQUIVALENTS

At June 30, 2011, the carrying amount of the university's cash, cash equivalents and restricted cash for all funds is $1,056,781 as compared to bank balances of $1,109,855. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, $7,973 is covered by federal deposit insurance and $1,101,882 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

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. Under the university's investment policies, Temporary Investment funds may be invested in the following instruments:

- Obligations of the U. S. Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- Certificates of deposit
- Repurchase agreements
- Mutual funds and mutual fund pools
- Money market 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 operating funds which have been internally designated to function as endowments (referred to below as the Operating Endowment). 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 an annual distribution. In April 2009, 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
Market Exposure	10-50%	50%(Russell 3000) + 50%(EAFE)
Risk Reducers	25-50%	90 Day T-Bill + 4%
Return Enhancers	10-25%	120%(80% Russell 3000 + 20% EM Index)
Inflation Hedges	10-25%	75%(CPI+4%) + 25% (NACREIF Real Estate Index)

The Market Exposure category includes domestic equities, international equities and long biased long/short managers. The Risk Reducers category includes fixed income and low volatility absolute return managers. The Return Enhancers category includes private equities, higher volatility hedge funds and emerging market equities. The Inflation Hedges category includes real estate, timber, energy, TIPS, agriculture, commodities and infrastructure.

Mutual funds held by the university include a wide range of investments, including hedge funds. These hedge funds 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 hedge funds 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, 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, money market instruments, mutual funds and other investments are invested through trust agreements with banks who keep the investments in their safekeeping accounts at the Depository Trust Company, JPMorgan Chase or State Street in "book entry" form. The banks internally designate the securities as owned by or pledged to the university.

Total university investments by major category at June 30, 2011 and 2010 are as follows:

	2011	2010
Temporary Investments	$ 947,937	$ 587,528
Long-Term Investment Pool:		
Gifted Endowment – university	921,219	828,833
Gifted Endowment – OSU Foundation	484,427	410,820
Operating Endowment	715,068	647,915
Total Long-Term Investment Pool	2,120,714	1,887,568
Other Long-Term Investments	68,283	64,232
Total Investments	$ 3,136,934	$ 2,539,328

Total University investments by investment type at June 30, 2011 are as follows:

	Temporary Investments	Long-Term Investment Pool	Other Long-Term Investments	Total
Common stock	$ 16	$ 286,538	$ -	$ 286,554
Equity mutual funds	57,693	81,735	22,432	161,860
U.S. government obligations	122,691	10,504	3,818	137,013
U.S. government agency obligations	166,553	13,008	-	179,561
Repurchase agreements	258,424	33,000	-	291,424
Corporate bonds and notes	232,438	96,562	278	329,278
Bond mutual funds	84,964	-	20,169	105,133
Foreign government bonds	3,004	33,132	-	36,136
Real estate	146	-	3,747	3,893
Partnerships and hedge funds	-	1,505,590	1,045	1,506,635
Cash and cash equivalents	-	55,010	-	55,010
Other	22,008	5,635	16,794	44,437
Total	$ 947,937	$ 2,120,714	$ 68,283	$ 3,136,934

Total University investments by investment type at June 30, 2010 are as follows:

	Temporary Investments	Long-Term Investment Pool	Other Long-Term Investments	Total
Common stock	$ 21	$ 312,446	$ 53	$ 312,520
Equity mutual funds	40,959	47,361	19,277	107,597
U.S. government obligations	76,338	6,451	3,968	86,757
U.S. government agency obligations	96,552	594	-	97,146
Repurchase agreements	87,996	1,000	-	88,996
Corporate bonds and notes	146,887	76,973	286	224,146
Bond mutual funds	119,811	119,852	22,218	261,881
International bonds	11	555	-	566
Real estate	146	-	3,899	4,045
Partnerships and hedge funds	-	1,242,427	-	1,242,427
Cash and cash equivalents	-	79,909	-	79,909
Other	18,807	-	14,531	33,338
Total	$ 587,528	$ 1,887,568	$ 64,232	$ 2,539,328

Net appreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. During the year ended June 30, 2011, the university realized a net gain of $115,965 from the sale of investments. The calculation of realized gains and losses is independent of the net appreciation in the fair value of investments held at year-end. Realized gains and losses on investments that had been held for more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year. The net appreciation in the fair value of investments during the year ended June 30, 2011, was $296,536. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year. The unrealized appreciation during the year on investments was $180,571.

The components of the net investment income (loss) are as follows:

	Interest and Dividends (net)	Net Appreciation (Depreciation) in Market Value of Investments	Net Investment Income (Loss)
Temporary Investments	$ 21,690	$ 4,380	$ 26,070
Long-Term Investment Pool	44,772	285,812	330,584
Other Long-Term Investments	2,110	6,344	8,454
Total 2011	$ 68,572	$ 296,536	$ 365,108
Total 2010	$ 67,101	$ 256,843	$ 323,944

Additional Risk Disclosures for Investments

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

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

The maturities of the university's interest-bearing investments at June 30, 2011 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	$ 137,013	$ 19,602	$ 111,093	$ 5,044	$ 1,274
U.S. agency obligations	179,561	14,362	123,632	20,586	20,981
Repurchase agreements	291,424	291,424	-	-	-
Corporate bonds	329,278	25,764	231,847	46,323	25,344
Bond mutual funds	105,133	11,337	55,295	26,093	12,408
Other government bonds	6,432	797	-	221	5,414
Foreign government bonds	36,136	6,290	12,038	15,326	2,482
Total	$1,084,977	$ 369,576	$ 533,905	$ 113,593	$ 67,903

The maturities of the university's interest-bearing investments at June 30, 2010 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	$ 86,757	$ 21,041	$ 57,516	$ 1,750	$ 6,450
U.S. agency obligations	97,146	12,172	61,079	15,697	8,198
Repurchase agreements	88,996	88,996	-	-	-
Corporate bonds	224,146	21,937	136,166	54,459	11,584
Bond mutual funds	261,881	67,191	103,534	68,266	22,890
International bonds	566	-	11	555	-
Total	$ 759,492	$ 211,337	$ 358,306	$ 140,727	$ 49,122

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

The credit ratings of the university's interest-bearing investments at June 30, 2011 are as follows:

Credit Rating (S&P)	Total	U.S. Government and Agency Obligations	Repurchase Agreements	Corporate Bonds	Bond Mutual Funds	Other Government Bonds	International Bonds
AAA	$ 783,397	$ 314,669	$ 291,424	$ 90,068	$ 75,968	$ 1,162	$ 10,106
AA	67,108	-	-	39,003	12,212	3,255	12,638
A	131,078	-	-	115,881	10,082	2,015	3,100
BBB	75,312	1,905	-	66,556	5,562	-	1,289
BB	6,502	-	-	6,469	33	-	-
B	1,114	-	-	1,017	97	-	-
CCC	922	-	-	379	543	-	-
CC	73	-	-	-	73	-	-
C	180	-	-	-	180	-	-
Not Rated	19,291	-	-	9,905	383	-	9,003
Total	$ 1,084,977	$ 316,574	$ 291,424	$ 329,278	$ 105,133	$ 6,432	$ 36,136

The credit ratings of the university's interest-bearing investments at June 30, 2010 are as follows:

Credit Rating (S&P)	Total	U.S. Government and Agency Obligations	Repurchase Agreements	Corporate Bonds	Bond Mutual Funds	International Bonds
AAA	$ 473,610	$ 183,709	$ 88,996	$ 43,619	$ 157,286	-
AA	50,390	-	-	36,331	14,059	-
A	159,440	-	-	90,350	69,090	-
BBB	69,248	194	-	51,156	17,343	$ 555
BB	3,489	-	-	1,467	2,022	-
B	426	-	-	195	231	-
CCC	1,314	-	-	-	1,314	-
CC	-	-	-	-	-	-
C	-	-	-	-	-	-
Not Rated	1,575	-	-	1,028	536	11
Total	$ 759,492	$ 183,903	$ 88,996	$ 224,146	$ 261,881	$ 566

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, 2011, the university's exposure to foreign currency risk is as follows:

Currency	Common Stock	Equity Mutual Funds	Bond Mutual Funds	Corporate Bonds	Foreign Government Bonds	Private Equity
Australian dollar	$ 56	$ 3,442	$ 74	$ (7)	$ 1,018	$ 28,818
Brazilian real	2,362	1,038	-	(64)	-	-
Canadian dollar	-	2,068	199	-	4,698	-
Chilean peso	-	126	-	-	-	-
Chinese yuan	-	1,105	287	-	-	-
Columbian peso	-	46	-	-	-	-
Czech Republic koruna	1,340	340	-	-	-	-
Danish krone	-	225	74	-	-	-
Egyptian pound	837	20	-	-	-	-
Euro	6,187	17,372	2,861	14,628	8,691	21,151
Great Britain pound sterling	9,214	20,493	632	577	4,650	-
Hong Kong dollar	5,308	2,081	-	-	-	-
Hungarian forint	-	26	-	-	-	-
Indian rupee	1,592	577	7	-	-	-
Indonesian rupiah	-	159	15	-	-	-
Israeli shekel	-	140	-	-	7	-
Japanese yen	1,064	17,879	3,346	(44)	8,733	-
Malaysian ringgit	-	1,259	15	-	-	-
Mexican peso	1,479	998	7	24	2,345	-
Moroccan dirham	-	-	-	-	-	-
New Taiwan dollar	6,602	729	7	-	-	-
New Zealand dollar	-	29	7	-	-	-
Norwegian krone	-	176	-	-	-	-
Peruvian nuevo sol	-	26	-	-	-	-
Phillippine peso	-	26	15	-	-	-
Polish zloty	-	106	-	-	-	-
Russian ruble	-	417	-	-	-	-
Singapore dollar	1,109	4,425	7	-	-	-
South African rand	8,069	509		-	-	-
South Korean won	10,153	986	-	-	-	-
Swedish krona	-	2,956	44	-	-	-
Swiss franc	7,509	4,576	-	-	-	-
Thailand bhat	467	1,398	-	-	-	-
Turkish lira	1,445	86	-	-	-	-
Total	$ 64,793	$ 85,839	$ 7,597	$ 15,114	$ 30,142	$ 49,969

At June 30, 2010, the university's exposure to foreign currency risk is as follows:

Currency	Common Stock	Equity Mutual Funds	Bond Mutual Funds	Corporate Bonds	International Bonds	Private Equity
Australian dollar	$ 2,339	$ 928	$ 522	$ 1,311	-	$ 21,917
Brazilian real	5,195	591	8,985	1	-	-
Canadian dollar	8,621	772	8,179	-	-	-
Chilean peso	-	60	-	-	-	-
Chinese yuan	-	708	-	-	-	-
Columbian peso	-	7	-	-	-	-
Czech Republic koruna	811	15	-	-	-	-
Danish krone	966	129	-	-	-	-
Egyptian pound	806	7	-	-	-	-
Euro	31,153	3,503	14,614	-	-	12,632
Great Britain pound sterling	17,570	2,370	4,606	-	-	-
Hong Kong dollar	6,073	335	-	-	-	-
Hungarian forint	172	15	-	-	-	-
Indian rupee	2,600	367	-	-	-	-
Indonesian rupiah	3,489	90	-	-	-	-
Israeli shekel	524	103	-	-	$ 11	-
Japanese yen	20,037	2,585	2,840	-	-	-
Jordanian dinar	-	-	-	-	-	-
Malaysian ringgit	192	128	-	-	-	-
Mexican peso	1,011	174	3,438	-	555	-
Moroccan dirham	-	1	-	-	-	-
New Taiwan dollar	5,947	391	-	-	-	-
New Zealand dollar	183	17	-	-	-	-
Norwegian krone	1,377	90	-	-	-	-
Peruvian nuevo sol	-	21	-	-	-	-
Phillippine peso	-	15	-	-	-	-
Polish zloty	159	45	225	-	-	-
Russian ruble	-	247	-	-	-	-
Singapore dollar	945	210	-	-	-	-
South African rand	7,266	287	-	-	-	-
South Korean won	11,744	516	-	-	-	-
Swedish krona	3,240	329	-	-	-	-
Swiss franc	4,289	908	-	-	-	-
Thailand bhat	1,828	51	-	-	-	-
Turkish lira	1,273	52	-	-	-	-
Total	$ 139,810	$ 16,067	$ 43,409	$ 1,312	$ 566	$ 34,549

NOTE 4 — ACCOUNTS, NOTES AND PLEDGES RECEIVABLE

Accounts receivable at June 30, 2011 and 2010 consist of the following:

	2011	2010
Patient receivables – OSU Health System	$ 765,750	$ 702,655
Patient receivables – OSU Physicians, Inc.	87,046	96,309
Grant and contract receivables	71,453	75,786
Tuition and fees receivable	55,172	42,464
Receivables for departmental and auxiliary sales and services	72,166	81,441
State and federal receivables	19,917	27,958
Other receivables	60	1,241
Total receivables	1,071,564	1,027,854
Less: Allowances for doubtful accounts	669,383	586,386
Total receivables, net	$ 402,181	$ 441,468

Allowances for doubtful accounts consist primarily of patient receivables of the OSU Health System and OSU Physicians, Inc.

Notes receivable consist primarily of Perkins Loans and are net of an allowance for doubtful accounts of $19,000 at June 30, 2011 and $18,050 at June 30, 2010. 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 $59,879 in non-endowment pledges receivable at June 30, 2011 and a related allowance for doubtful accounts of $8,715. The university recorded $54,464 in non-endowment pledges receivable and a related allowance for doubtful accounts of $8,112 at June 30, 2010.

NOTE 5 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 73,926	$ 87	-	$ 74,013
Construction in progress	273,226	262,682	-	535,908
Total non depreciable assets	347,152	262,769	-	609,921
Capital assets being depreciated:				
Improvements other than buildings	281,996	27,301	-	309,297
Buildings and fixed equipment	3,939,159	86,882	$ 5,453	4,020,588
Movable equipment, furniture and software	922,719	96,928	55,591	964,056
Library books	163,012	4,755	8,226	159,541
Total	5,306,886	215,866	69,270	5,453,482
Less: Accumulated depreciation	2,422,904	239,351	63,862	2,598,393
Total depreciable assets, net	2,883,982	(23,485)	5,408	2,855,089
Capital assets, net	$ 3,231,134	$ 239,284	$ 5,408	$ 3,465,010

Capital assets activity for the year ended June 30, 2010 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 74,118	$ 70	$ 262	$ 73,926
Construction in progress	386,184	(112,958)	-	273,226
Total non depreciable assets	460,302	(112,888)	262	347,152
Capital assets being depreciated:				
Improvements other than buildings	279,732	2,416	152	281,996
Buildings and fixed equipment	3,607,824	333,440	2,105	3,939,159
Movable equipment, furniture, and software	900,585	137,173	115,039	922,719
Library books	162,335	2,449	1,772	163,012
Total	4,950,476	475,478	119,068	5,306,886
Less: Accumulated depreciation	2,290,850	231,744	99,690	2,422,904
Total depreciable assets, net	2,659,626	243,734	19,378	2,883,982
Capital assets, net	$ 3,119,928	$ 130,846	$ 19,640	$ 3,231,134

In the above tables, additions to construction in progress represent expenditures for new projects, net of the amount of capital assets placed in service.

NOTE 6 — ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2011 and 2010 consist of the following:

	2011	2010
Payables to vendors for supplies and services	$ 212,561	$ 194,017
Accrued compensation and benefits	114,887	127,462
Retirement system contributions payable	35,730	38,131
Current portion of self-insurance accruals:		
Medical malpractice	3,100	2,700
Employee health insurance	29,507	25,950
Current portion of amounts due to third-party payers – OSU Health System	15,489	18,278
Other accrued expenses	29,098	16,859
	$ 440,372	$ 423,397

NOTE 7 – DEPOSITS AND DEFERRED REVENUES

Deposits and deferred revenues at June 30, 2011 and 2010 consist of the following:

	2011	2010
Tuition and fees	$ 59,141	$ 53,351
Departmental and auxiliary sales and services	87,599	82,633
Grants and contract advances	70,311	62,844
Other deposits and deferred revenues	11,499	9,751
	$ 228,550	$ 208,579

NOTE 8 – SELF-INSURANCE ACCRUALS

The Hospitals have 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)
7/1/06 – 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. A portion of the risks written by Oval Limited to date is reinsured by two reinsurance companies. Oval Limited retains 50% of the first $15 million of risk and cedes the remainder plus the second $15 million to Berkley Medical Excess Underwriters (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 fund are based upon an independent actuarial determination as of June 30, 2011. OSU Physicians, Inc. participates in the university self-insurance fund for professional medical malpractice liability claims. OSU Physicians premiums incurred and paid to the university were $4,347 and $5,443 during the years ended June 30, 2011 and 2010, respectively.

The Hospitals' 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, 2011 of the anticipated future payments on gross claims is estimated at its present value of $84,997 discounted at an estimated rate of 3.0% (university funds) and an additional $35,634 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 $179,892 are more than the recorded liability at June 30, 2011, and the surplus of $59,261 is included in unrestricted net assets.

The university is also self-insured for employee health insurance. As of June 30, 2011, $29,507 is recorded as a liability relating to both claims received but not paid and estimates of claims incurred but not yet reported.

Changes in the reported liabilities since June 30, 2009 result from the following activities:

	Malpractice		Health	
	2011	2010	2011	2010
Liability at beginning of fiscal year	$ 118,863	$ 125,938	$ 25,950	$ 22,539
Current year claims, changes in estimates	5,143	(3,939)	281,744	214,048
Claim payments	(3,375)	(3,136)	(278,187)	(210,637)
Balance at fiscal year end	$ 120,631	$ 118,863	$ 29,507	$ 25,950

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 year ended June 30, 2011 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Commercial Paper:					
Series J	$ 121,000	-	$ 121,000	-	-
Notes:					
WOSU	-	$ 3,450	125	3,325	250
Transportation Research Center – Capital One Funding Corporation, due through 2014	1,201	-	268	933	290
OSU Physicians – Fifth Third Note, due through 2012	1,610	-	196	1,414	1,414
OSU Physicians – Fifth Third Note, due through 2035	17,440	250	660	17,030	660
OSU Physicians – Fifth Third Note, due through 2013	-	186	56	130	53
Campus Partners - ESIC	10,833	-	400	10,433	10,433
Campus Partners - UDCDE Note A	22,373	-	249	22,124	265
Campus Partners - UDCDE Note B	10,376	-	-	10,376	-
Campus Partners – Mortgage Payable	411	-	411	-	-
Campus Partners – CCF Loan, City of Columbus	125	-	-	125	125
Campus Partners – Affordable Housing Trust Loan	-	500	-	500	500
Clifton Holding LLC	906	-	906	-	-
General Receipts Bonds – Fixed Rate:					
2002A, due serially through 2031	66,100	-	53,320	12,780	8,650
2003B, due serially through 2033	88,880	-	52,445	36,435	7,135
2005A, due serially through 2035	215,640	-	17,385	198,255	18,225
2008A, due serially through 2028	205,505	-	12,400	193,105	12,840
2010A, due serially through 2020	241,170	-	2,080	239,090	7,130
2010C, due 2040	-	654,785	-	654,785	-
2010D, due serially through 2032	-	88,335	-	88,335	-
General Receipts Bonds – Variable Rate:					
1997, due serially through 2027	18,410	-	1,250	17,160	17,160
1999B1, due serially through 2029	15,500	-	3,700	11,800	11,800
2001, due serially through 2032	56,540	-	-	56,540	56,540
2003C, due serially through 2031	57,605	-	4,375	53,230	53,230
2005B, due serially through 2035	78,735	-	-	78,735	78,735
2008B, due serially through 2028	102,235	-	-	102,235	102,235
2010E, due serially through 2035	-	150,000	-	150,000	150,000
Capital Lease Obligations	21,664	422	7,078	15,008	5,233
	$ 1,354,259	$ 897,928	$ 278,304	$ 1,973,883	$ 542,903

Debt activity for the year ended June 30, 2010 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Commercial Paper:					
Series I	$ 50,000	-	$ 50,000	-	-
Series J	-	$ 121,000	-	$ 121,000	$ 121,000
Notes:					
Transportation Research Center – Capital One Funding Corporation, due through 2014	1,453	-	252	1,201	252
OSU Physicians – Fifth Third Note, due through 2012	1,792	-	182	1,610	196
OSU Physicians – Fifth Third Note, due through 2039	15,389	3,154	18,543	-	-
OSU Physicians – Fifth Third Note, due through 2035	-	17,636	196	17,440	410
Campus Partners – ESIC	11,233	-	400	10,833	400
Campus Partners – UDCDE Note A	22,603	-	230	22,373	249
Campus Partners – UDCDE Note B	10,376	-	-	10,376	-
Campus Partners – Mortgage Payable	424	-	13	411	13
Campus Partners – CCF Loan, City of Columbus	125	-	-	125	-
Adria Kravinsky Foundation – Notes Payable	698	-	698	-	-
Clifton Holding LLC	1,726	-	820	906	906
General Receipts Bonds – Fixed Rate:					
1999A, due serially through 2029	2,920	-	2,920	-	-
2002A, due serially through 2031	105,855	-	39,755	66,100	8,190
2003B, due serially through 2033	149,210	-	60,330	88,880	6,860
2005A, due serially through 2035	229,370	-	13,730	215,640	17,385
2008A, due serially through 2028	217,595	-	12,090	205,505	12,400
2010A, due serially through 2020	-	241,170	-	241,170	2,080
General Receipts Bonds – Variable Rate:					
1997, due serially through 2027	29,760	-	11,350	18,410	18,410
1999B1, due serially through 2029	45,200	-	29,700	15,500	15,500
2001, due serially through 2032	76,950	-	20,410	56,540	56,540
2003C, due serially through 2031	101,530	-	43,925	57,605	57,605
2005B, due serially through 2035	129,990	-	51,255	78,735	78,735
2008B, due serially through 2028	127,770	-	25,535	102,235	102,235
Capital Lease Obligations	28,276	2,150	8,762	21,664	6,476
	$ 1,360,245	$ 385,110	$ 391,096	$ 1,354,259	$ 505,842

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 2035. Maturities and interest on debt obligations for the next five years and in five-year periods are as follows:

	Principal	Interest	Total
2012	$ 542,903	$ 48,503	$ 591,406
2013	81,789	44,395	126,184
2014	60,144	42,149	102,293
2015	60,780	40,620	101,400
2016	60,753	39,210	99,963
2017-2021	246,284	180,043	426,327
2022-2026	147,604	147,901	295,505
2027-2031	91,265	118,617	209,882
2032-2037	17,200	105,633	122,833
2038-2042	665,161	83,591	748,752
	$ 1,973,883	$ 850,662	$ 2,824,545

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 $108,248 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 are as follows:

	Amount Defeased	Amount Outstanding at June 30, 2011
Revenue Bonds:		
Series 2002A	$ 77,140	$ 77,140
Series 2003B	98,220	98,220
	$ 175,360	$ 175,360

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

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, 2011 are as follows:

Series:	Interest Rate Not to Exceed	Effective Average Interest Rate
1997	12%	2.081%
1999B1	12%	1.848%
2001	12%	1.620%
2003C	12%	1.877%
2005B	12%	1.775%
2008B	12%	0.590%
2010E	8%	0.184%

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 asset 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 $469,700 and $329,025 at June 30, 2011 and 2010, respectively.

Commercial Paper

The General Receipts Commercial Paper Notes (the "Notes") are limited obligations of the university secured by a pledge of the General Receipts of the university. The Notes are not debts or bonded indebtedness of the State of Ohio and are not general obligations of the State of Ohio or the university, and neither the full faith and credit of the State of Ohio nor the university are pledged to the payment of the Notes. The Notes have been issued to provide for interim financing of various projects approved by the Board of Trustees. It is the university's intention to roll each maturity into new Notes as they mature and to issue additional Notes as project expenditures are incurred. It is the university's intention ultimately to roll the Notes into permanent tax exempt bonds.

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, 2011 are $43,012 and $15,008, respectively. The original cost and lease obligations related to these capital leases as of June 30, 2010 are $53,932 and $21,664, respectively.

Interest Rate Swap Agreements

The university has two interest rate swap agreements that are not considered hedges under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

On January 6, 2009, OSUP entered into an interest rate swap (the "swap") agreement. The swap is used to offset the variable interest rate on a portion of the 2010 bond financing obtained for the ambulatory facility in the amount of $17,440. Under the agreement, OSUP pays a fixed rate of 4.09% to the bank and receives 30-day BMA rate in effect at the beginning of the month. The transaction is designed to manage OSUP's interest costs and risks associated with the variable interest rate debt. OSUP settles with the bank monthly for the difference between the 4.09% and the 30-day BMA rate in effect at the beginning of the month. The estimated fair value of this agreement, based on various factors contained in the related swap agreement and interest rates including the notional amount of $14,513, represents an unrealized loss of $1,800 included in other liabilities as of June 30, 2011. OSUP records changes in fair value of the swap each quarter through the statements of operations and changes in net assets ($28 for fiscal year 2011). The swap is settled monthly with net payments or receipts under the swap agreement being reflected as interest expense. The termination date of the swap is September 1, 2018. The estimated fair value of this agreement, based on various factors contained in the related swap agreement and interest rates including the notional amount of $14,966, represents an unrealized loss of $1,800 included in other liabilities as of June 30, 2010.

On March 2, 2007, OSU Internal Medicine, LLC (OSUIM) entered into the swap agreement fixing the interest rate on a $2,169 term loan which was used to fund a 40% interest in the Fresenius Partnership. Under the agreement IM pays a fixed rate of 5.29% to the bank and receives 30-day LIBOR in effect at the beginning of the month. The transaction is designed to manage OSUIM's interest costs and risks associated with the variable interest rate debt. IM settles with the bank monthly for the difference between the 5.29% and the 30-day LIBOR in effect at the beginning of the month. The estimated fair value of this agreement, based on various factors contained in the related interest rate swap agreement and interest rates, including the notional amount of $1,414, represents an unrealized loss of $46 included in other liabilities as of June 30, 2011. OSUIM records changes in fair value of the swap each quarter through the statements of operations and changes in net assets ($63 for fiscal year 2011). The swap is settled monthly with net payments or receipts under the swap agreement being reflected as interest expense. The termination date of the swap is February 28, 2012. The estimated fair value of this agreement, based on various factors contained in the related interest rate swap agreement and interest rates, including the notional amount of $1,610, represents an unrealized loss of $112 included in other liabilities as of June 30, 2010.

OSUP did not hold any other position in a derivative instrument and did not have any other hedges outstanding in the current year. OSUP believes the swap value represents fair value under GASB Statement No. 53.

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 assets. The total rental expense under these agreements was $34,722 and $32,802 for the years ended June 30, 2011 and 2010, respectively.

Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2011 are as follows:

Year Ending June 30,	
2012	$ 26,805
2013	19,898
2014	15,292
2015	13,889
2016	11,811
2017-2021	44,365
2022-2026	20,928
2027-2031	15,927
2032-2036	642
2037-2041	633
2042-2046	633
2047-2051	633
Total minimum lease payments	$ 171,456

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

NOTE 12 — NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 108,988	$ 23,986	$ 8,287	$ 124,687	$ 8,287
Self-insurance accruals, noncurrent	116,163	282,930	281,562	117,531	-
Amounts due to third party payors, noncurrent	26,416	41,727	44,694	23,449	-
Obligations under life income agreements	38,050	5,301	3,833	39,518	3,978
Refundable advances for Federal Perkins loans	28,955	-	68	28,887	-
Unamortized bond premium	49,826	14,193	4,189	59,830	-
Other noncurrent liabilities	5,475	525	-	6,000	-
	$ 373,873	$ 368,662	$ 342,633	$ 399,902	$ 12,265

Noncurrent liability activity for the year ended June 30, 2010 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 103,581	$ 13,195	$ 7,788	$ 108,988	$ 7,788
Self-insurance accruals, noncurrent	122,738	207,198	213,773	116,163	-
Amounts due to third party payors, noncurrent	22,418	25,986	21,988	26,416	-
Obligations under life income agreements	38,844	3,071	3,865	38,050	3,787
Refundable advances for Federal Perkins loans	29,907	-	952	28,955	-
Unamortized bond premium	25,338	28,058	3,570	49,826	-
Other noncurrent liabilities	7,745	-	2,270	5,475	-
	$ 350,571	$ 277,508	$ 254,206	$ 373,873	$ 11,575

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 is as follows:

Year Ending June 30,	
2012	$ 2,560
2013	1,460
2014	1,233
2015	882
2016	601
2017-2021	1,956
2022-2026	645
2027-2031	639
2032-2036	155
Total minimum future rentals	$ 10,131

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 Assets. Operating expenses by object for the years ended June 30, 2011 and 2010 are summarized as follows:

Year Ended June 30, 2011	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 771,192	$ 112,115	-	-	$ 883,307
Separately budgeted research	289,792	150,964	-	-	440,756
Public service	79,555	30,802	-	-	110,357
Academic support	113,916	33,929	-	-	147,845
Student services	66,363	22,241	-	-	88,604
Institutional support	151,816	92,011	-	-	243,827
Operation and maintenance of plant	37,677	77,414	-	-	115,091
Scholarships and fellowships	6,154	3,826	$ 92,651	-	102,631
Auxiliary enterprises	133,781	111,006	-	-	244,787
OSU Health System	894,055	669,642	-	-	1,563,697
OSU Physicians, Inc.	217,425	76,306	-	-	293,731
Depreciation	-	-	-	$ 239,351	239,351
Total operating expenses	$ 2,761,726	$ 1,380,256	$ 92,651	$ 239,351	$ 4,473,984

Year Ended June 30, 2010	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 748,265	$ 121,153	-	-	$ 869,418
Separately budgeted research	277,060	142,922	-	-	419,982
Public service	84,256	34,329	-	-	118,585
Academic support	115,780	24,475	-	-	140,255
Student services	65,902	21,701	-	-	87,603
Institutional support	102,556	88,976	-	-	191,532
Operation and maintenance of plant	42,965	66,475	-	-	109,440
Scholarships and fellowships	5,028	3,497	$ 96,022	-	104,547
Auxiliary enterprises	122,905	100,799	-	-	223,704
OSU Health System	849,363	634,210	-	-	1,483,573
OSU Physicians, Inc.	208,462	76,258	-	-	284,720
Depreciation	-	-	-	$ 231,744	231,744
Total operating expenses	$ 2,622,542	$ 1,314,795	$ 96,022	$ 231,744	$ 4,265,103

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

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

OPERS currently provides postemployment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings.

OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under the Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For the period March 1, 2010 through December 31, 2010 (the latest period for which information is available), OPERS allocated 5.0% of the employer contribution rate to fund the health care program for retirees.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. In response to skyrocketing health care costs, the HCPP restructured OPERS' health care coverage to improve the financial solvency of the fund by creating a separate investment pool for health care assets.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. HCPP incorporates a cafeteria approach, offering a broad range of health care options which allows benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

STRS Ohio currently provides access to health care coverage to retirees who participated in the deferred benefit or combined plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to ORC, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of monthly premiums. Under ORC, medical costs paid from the funds of STRS Ohio are included in the employer contribution rate. For the fiscal year ended June 30, 2010, STRS Ohio allocated employer contributions equal to 1.0% of covered payroll to a Health Care Stabilization Fund (HCSF) from which payments for health care benefits are paid.

Postemployment 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, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, postretirement 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 postretirement 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 postretirement 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 postretirement health care benefits. OPERS provides retirement, disability, survivor and postretirement health benefits to qualifying members of the combined plan.

OPERS currently provides postemployment 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 the period March 1, 2010 through December 31, 2010 (the latest period for which information is available), OPERS allocated 4.23% of the employer contribution rate to fund the health care program for retirees.

Funding Policy

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

	STRS Ohio	OPERS	ARP
Faculty:			
Plan member (entire year)	10.00%		10.00%
University (entire year)	14.00%		14.00%*
Staff:			
Plan member (entire year)		10.00%	10.00%
University (entire year)		14.00%	14.00%**
Law enforcement staff:			
Plan member (entire year)		11.10%	11.10%
University (entire year)		17.87%	17.87%

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

The university's contributions, which represent 100% of required employer contributions, for the year ended June 30, 2011 and for each of the two preceding years are as follows:

Year Ended June 30,	STRS Ohio Annual Required Contribution	OPERS Annual Required Contribution	ARP Annual Required Contribution
2009	$ 50,227	$ 132,620	$ 36,924
2010	$ 52,500	$ 141,815	$ 39,014
2011	$ 54,725	$ 148,120	$ 40,835

Retirement benefits are provided for the employees of OSU Physicians (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 $17,746 and $14,960 for the years ended June 30, 2011 and 2010, respectively.

NOTE 16 — CAPITAL PROJECT COMMITMENTS

At June 30, 2011, the university is committed to future contractual obligations for capital expenditures of approximately $884,160.

These projects are funded by the following sources:

State appropriations	$ 63,280
Internal and other sources	820,880
Total	$ 884,160

NOTE 17 — CONTINGENCIES AND RISK 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 Hospitals professional malpractice liability, employee health benefits, 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 — SUBSEQUENT EVENT

On October 26, 2011, the university issued an offering statement for $500,000 in Fixed Rate General Receipts Bonds, Series 2011A. The Series 2011A bonds are federally taxable and will be used to fund capital projects. The bonds mature in whole on June 1, 2111 and have an interest rate of 4.800%. The bonds will have semi-annual interest payments and are subject to optional redemption prior to maturity at a make-whole redemption price.

Supplementary Information on the Long-Term Investment Pool

for the Year Ended June 30, 2011

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 2011, the market value of the university's Long-Term Investment Pool, which includes both gifted endowments and long-term investments of university operating funds, increased $233 million, to $2.12 billion at June 30, 2011. Changes in market value for 2011 are summarized below:

Long-Term Investment Pool Activity

(in thousands)

	Gifted Endowments		Long-Term	
	University	Foundation	Operating	Total
Market value at June 30, 2010	**$ 828,833**	**$ 410,820**	**$ 647,915**	**$ 1,887,568**
Net principal additions/(withdrawals)	13,610	34,431	5,580	53,621
Change in market value:				
Realized gains/(losses)	48,385	24,280	37,826	110,491
Unrealized gains/(losses)	76,752	38,564	60,003	175,319
Income earned	19,560	9,939	15,273	44,772
Distributions	(42,721)	(21,819)	(33,414)	(97,954)
Expenses	(23,200)	(11,788)	(18,115)	(53,103)
Market value at June 30, 2011	**$ 921,219**	**$ 484,427**	**$ 715,068**	**$ 2,120,714**

Net principal additions (withdrawals) include new endowment gifts, reinvestment of unused endowment distribution and transfers of operating funds to (from) the pool. **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, 2011. **Income earned** includes interest and dividends and is used primarily to fund **distributions**. **Expenses** include investment management expenses ($38 million), University Development related expenses ($14 million) and other investment related expenses ($1 million).

Investment Returns and Expenses

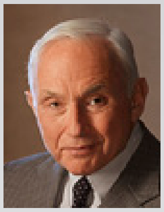
The investment return for the Long-Term Investment Pool was 16.8% for fiscal year 2011, exceeding university benchmarks. The annualized investment returns for the three-year and five-year periods were 1.1% and 2.3%, respectively. These returns—which are net of investment management expenses as defined by Cambridge Associates for its annual survey—are used for comparison purposes with other endowments and various benchmarks. In addition to the $38 million of investment management expenses, which reduced the pool by 2.2% in fiscal year 2011, the $14 million of University Development expenses and $1 million of other investment related expenses further reduced the pool by 0.8%.

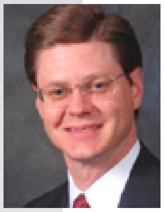
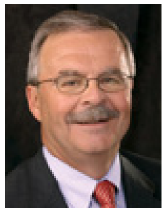
Additional Information

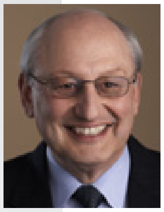
Additional details on university endowments, including balances for individual funds, are available on the Office of Financial Services website at: **financialservices.ohio-state.edu/endowment/endowment.html**.

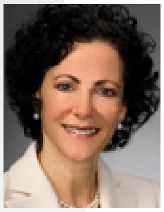
Board of Trustees: 2010-2011

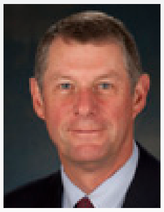
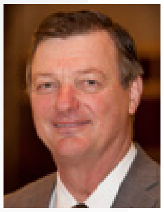
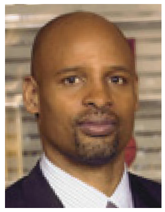
The expiration date of each trustee's term is given in parentheses.

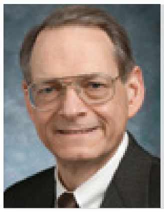
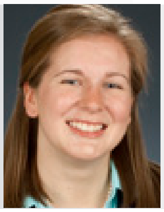
  

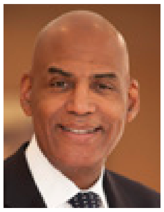
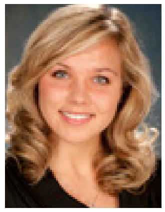
  

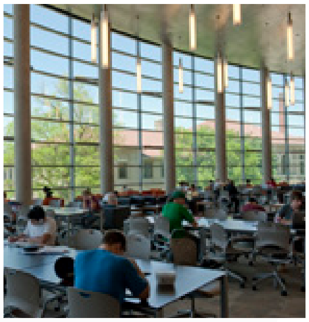
  

New Trustees: 2011-2012

Institutional Highlights



- Ohio State's 2011 enrolled class (Columbus campus) of 6,904 set **record highs** in average ACT (27.8) and SAT (1235) scores and in the percentage of students graduating in the top 10 percent of their high school classes (54).
- Ohio State has been recognized among the top producers of **U.S. Fulbright recipients** for 2010–11, according to the *Chronicle of Higher Education*.
- Ohio State's graduation rate is at an **all-time high** of 78 percent, well above the national average of 57 percent. In addition, 93 percent of first-year students return after their freshman year.
- Ohio State **leads the country** in the number of faculty elected as Fellows of the American Association for the Advancement of Science in 2011. The university has ranked first or second each year for the past decade for the number of scholars chosen for this award.
- Ohio State is ranked 17th among the nation's **best public universities** in *U.S. News & World Report*'s 2012 edition of "America's Best Colleges," which links first-year student programs and internships to student success. Ohio State is again the state's top university.
- The annual *Princeton Review* college rankings recognize Ohio State as one of the **top 50 Best Value Public Colleges** for 2011, and one of the Best Midwestern Colleges.
- A *Wall Street Journal* survey of corporate recruiters ranked Ohio State 12th in the nation among the country's **most highly sought-after graduates**.
- The Ohio State University Medical Center was named one of "**America's Best Hospitals**" for the 19th consecutive year.
- Last year, nearly 20,000 Ohio State students gave 638,112 hours in service to the community, earning the university a spot on the 2010 President's **Higher Education Community Service Honor Roll**.
- Ohio State holds a **five-star rating** in the LGBT-Friendly Campus Climate Index, based on gay-friendly policies, programs, and practices among 200 higher education institutions.
- Ohio State ranks **first in the Big Ten conference** for policies that support faculty career flexibility and work-life integration, according to a recent article in the *Journal of Women's Health*.
- *Men's Fitness* magazine has given Ohio State the **top spot for 2011** in its annual Fittest Colleges in America list.

If you would like information about making a gift to support The Ohio State University, please visit **giveto.osu.edu**. Thank you for helping to provide the resources that enable us to ensure continued access to education for Ohio State students.

THE OHIO STATE UNIVERSITY

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a new standard would not have been set for financing public higher education.

On October 19, 2011, The Ohio State University became the first public university to issue century bonds, valued at $500 million. The innovative approach to ensuring the university's long-term financial strength and funding the academic work of students and faculty met huge investor demand, demonstrating confidence in the university for the next century. The bonds are part of a forward-thinking strategy to ensure Ohio State remains both an economic powerhouse and the University of the American Dream.

Learn more about one of America's premier public research universities at osu.edu.

OHIO STATE

The $500 million in taxable general receipt bonds featured 100-year maturity. The proceeds will be used to help finance a portion of the $2 billion in university capital projects currently under way, including a $1.1 billion Medical Center expansion and enhanced student housing.

THE OHIO STATE UNIVERSITY

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