

THE OHIO STATE UNIVERSITY

TOPIC: Fiscal Year 2025 Interim Financial Report – September 30, 2024

CONTEXT: The purpose of this report is to provide an update of financial results for the three months ending September 30, 2024.

FINANCIAL SUMMARY

The university's overall financial position remains strong. Operating revenues increased \$197 million in the first quarter of fiscal year 2025 compared to the first quarter of fiscal year 2024, driven primarily by strong growth in healthcare revenues. Specific impacts include:

- A \$182 million increase in healthcare revenues, driven primarily by growth in outpatient volumes.
- A \$36 million decrease in auxiliary revenues, primarily due to fewer stadium shows for Schottenstein Center in the first quarter of fiscal year 2025 compared to the first quarter of fiscal year 2024.
- A \$32 million increase in grants and contracts, primarily due to increases in federal grants of \$14 million, private grants of \$10 million and state grants of \$8 million.
- A \$17 million increase in student tuition, due primarily to increases in enrollment and resident and non-resident rate increases.

The year-to-date increase in net position was \$383 million, a swing of \$542 million compared to the prior year's decrease in net position of \$159 million. The change relates primarily to year-to-date net investment income of \$457 million in the first quarter of fiscal year 2025, compared to a \$32 million net investment loss in the first quarter of fiscal year 2024. Additional details on university revenues, expenses, cash and investments, debt, and cash flows are provided below.

Revenues

Student tuition and fees, net - increased \$17 million or 8%, to \$230 million for the first quarter of fiscal year 2025 compared to the first quarter of fiscal year 2024, due primarily to an increase in gross tuition and other student fees of \$29 million, offset by an increase in scholarship allowances of \$12 million. The increase in gross tuition revenue is primarily driven by both increases in enrollment and rate increases in instructional and non-resident surcharges. Overall university autumn enrollments increased 2.3%. New freshmen enrollment (all campuses) increased 15%. Instructional and general fees increased 3% for undergraduates and graduate students in the AU24 Tuition Guarantee Group. Non-resident fees increased 5% for undergraduates and 4% for graduate students.

Grants and contracts – increased \$32 million in the first quarter of fiscal year 2025 compared to the first quarter of fiscal year 2024 due primarily to increases in federal grants of \$14 million, private grants of \$10 million and state grants of \$8 million. The increases in federal grants and contracts relate primarily to increases from the National Institutes of Health, Department of Transportation, Department of Defense and National Science Foundation.

Gifts – increased \$1 million over the prior year due primarily to increases in current use gifts of \$4 million, which were partially offset by decreases in private capital gifts (down \$2 million) and endowment gifts (down \$1 million).

Sales and services of auxiliary enterprises - decreased \$36 million over the prior year due primarily to a \$40 million decrease in Schottenstein Center revenue due to fewer stadium shows in fiscal year 2025. This decrease was partially offset by increases in Student Life, Athletics and Fawcett Center revenues totaling \$3 million.

Sales and services of the OSU Health System and OSU Physicians, Inc. - increased \$182 million to \$1,589 million. Health System revenues increased \$157 million, driven by growth in outpatient volumes. Additionally, outpatient infusion, radiology, and procedural volumes contributed to the strong margin in the first quarter. OSU Physicians revenues increased \$25 million due to continued investment in primary care and community outreach services, growth of specialty services, expansion in regional outpatient clinics, and increased surgical capacity with the expansion of operating hours and investment in community anesthesia providers.

Expenses

University – expenses increased \$21 million to \$936 million in the first quarter of fiscal year 2025. Salaries increased \$25 million, or 6%, primarily due to a 3.5% increase in faculty and staff salary guidelines and additional investments in human capital related to strategic investments in academic excellence and research and to address market wage pressures. Benefits increased \$6 million, primarily due to increases in salary guidelines and composite benefit rates. Supplies and services decreased \$17 million, primarily due to decreases in non-capital project expenditures. Depreciation increased \$9 million compared to the prior year primarily due to new assets being placed in service and interest expense decreased by \$2 million.

OSU Health System and OSU Physicians – expenses, including depreciation and interest expenses, increased \$190 million to \$1,545 million in the first quarter of fiscal year 2025. The Health System continues to focus on throughput, workforce retention and recruiting. The Health System's expense and labor management was strong and in line with volumes for the first quarter of FY2025. OSU Physicians increased \$28 million, primarily due to higher provider expenses associated with investment in patient care services growth and access improvement.

Auxiliary – expenses decreased \$20 million to \$120 million in the first quarter of fiscal year 2025, primarily reflecting a \$27 million decrease in Schottenstein Center expenses due to fewer stadium shows in fiscal year 2025.

Cash and Investments

For the quarter ending September 30, 2024, total university cash and investments increased \$524 million to \$12,043 million compared to June 30, 2024, primarily due to increases in temporary investments of \$356 million and increases in Long-Term Investment Pool of \$284 million, offset by decreases in cash and cash equivalents of \$104 million. Additional details for the Long-Term Investment Pool and temporary investments are provided below.

Long-Term Investment Pool and Temporary Investments

For the quarter ending September 30, 2024, the fair value of the university's Long-Term Investment Pool increased by \$284 million to \$8,216 million. Changes in total valuation compared to the prior year are summarized below:

| | FY2025 | FY2024 |
|------------------------------|--------------|--------------|
| Market Value at July 1 | \$ 7,931,714 | \$ 7,383,676 |
| Net Principal Additions | 9,719 | 8,864 |
| Change in Market Value | 338,751 | (96,368) |
| Income Earned | 52,475 | 50,180 |
| Distributions | (78,950) | (75,910) |
| Expenses | (37,812) | (26,853) |
| Market Value at September 30 | \$ 8,215,897 | \$ 7,243,589 |

Net principal additions include new endowment gifts (\$10.7 million), reinvestment of unused endowment distributions (\$5.0 million), and other net transfers of university monies (-\$8.0 million). Change in fair value includes realized gains (losses) on the sale of investment assets and unrealized gains (losses) associated with assets held in the pool on September 30, 2024. Income earned includes interest and dividends and is used primarily to help fund distributions. Expenses include investment management expenses (\$20.7 million), University Development related expenses (\$15.0 million) and other administrative-related expenses (\$0.2 million).

LTIP Investment Returns

For the quarter ending September 30, 2024, the LTIP earned a return, net of investment fees, of 4.69%. The comparable quarter ending September 30, 2023, saw a net investment return of -0.91%.

Temporary Investments

For the quarter ending September 30, 2024, the Tier 1 Investments (0-1 Year maturity) earned a return of 1.38%, underperforming the blended benchmark of ICE Bofa 6m US Treasury Bill benchmark and Bank of America ML 91-day T-Bill (1.43%) by 0.05%. Tier 2 Investments (1-5 Year maturity) earned 3.40%, outperforming the blended benchmark of ICE Bofa US Corp & Govt 1-3 Years, BBG US Govt/Credit 1-5 Years, and ICE Bofa 6m US Treasury Bill (3.29%) by 0.11%.

For the comparable quarter ending September 30, 2023, the Tier 1 Investments earned a return of 1.41%. Tier 2 Investments returned 0.69% for the same time period.

Other Assets and Liabilities

Accounts receivable increased \$59 million, primarily reflecting a combination of increases in Health System patient care receivables and tuition receivables. Prepaid expenses increased \$175 million, primarily due to scholarships and fee authorizations for graduate associates, which are recognized as expenses over the course of the semester. Deposits and advance payments for goods and services were up \$475 million, primarily due to increases of \$429 million for tuition and fees and \$72 million in Student Life Housing and Dining receipts for fall semester. These amounts will be recognized over the course of the semester. These increases were offset by a decrease of \$17 million in Athletics and Business Advancement.

Debt

On September 4, 2024, the university issued \$64 million of tax-exempt fixed-rate General Receipts Refunding Bonds, Series 2024A. The Series 2024A Bonds are structured with serial maturities due in 2025 through 2039. The interest rate coupons on the Series 2024A Bonds are 5.00%. The proceeds of the 2024A Bonds were used to refund certain maturities of the outstanding General Receipt Bonds, Series 2014A and to pay the cost of issuance of the 2024A Bonds.

Cash Flows

University cash and cash equivalents decreased \$115 million in the first quarter of fiscal year 2025. Net cash provided by operating activities was \$50 million, compared to net cash used by operating activities of \$66 million in the first quarter of the prior year. The decrease in cash usage relates primarily to increases in receipts from sales and services and tuition, partially offset by payments made to employees and vendors. Net cash provided by noncapital financing activities was \$238 million in the first quarter of fiscal year 2025, compared to \$201 million for the prior year. The increase is due primarily to increases in state line-item appropriations due to year-over-year timing of receipts. Net cash used by capital financing activities was \$219 million in the first quarter of fiscal year 2025 due primarily to capital expenditures. Net cash used by investing activities was \$184 million, primarily due to purchases of investments.

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

| | As of September 2024 | As of June 2024 | Increase/(Decrease) | |
|--|-------------------------|----------------------|---------------------|--------------|
| | | | Dollars | % |
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 953,020 | \$ 1,056,657 | \$ (103,637) | -9.8% |
| Temporary investments | 2,572,190 | 2,215,831 | 356,359 | 16.1% |
| Accounts receivable, net | 1,147,549 | 1,088,072 | 59,477 | 5.5% |
| Notes receivable - current portion, net | 6,456 | 6,456 | - | 0.0% |
| Pledges receivable - current portion, net | 62,107 | 62,107 | - | 0.0% |
| Accrued interest receivable | 24,296 | 22,637 | 1,659 | 7.3% |
| Inventories, prepaid expenses, and other assets | 397,094 | 222,616 | 174,478 | 78.4% |
| Total Current Assets | <u>5,162,712</u> | <u>4,674,376</u> | <u>488,336</u> | <u>10.4%</u> |
| Noncurrent Assets: | | | | |
| Unexpended bond proceeds | 98,852 | 109,975 | (11,123) | -10.1% |
| Notes receivable, net | 26,168 | 27,410 | (1,242) | -4.5% |
| Pledges receivable, net | 172,377 | 172,377 | - | 0.0% |
| Net other post-employment benefit asset | 194,698 | 194,698 | - | 0.0% |
| Long-term investment pool | 8,215,897 | 7,931,714 | 284,183 | 3.6% |
| Other long-term investments | 202,895 | 204,539 | (1,644) | -0.8% |
| Leases receivable, net | 43,103 | 43,103 | - | 0.0% |
| Other noncurrent assets | 305,701 | 305,701 | - | 0.0% |
| Capital assets, net | 9,066,680 | 9,008,416 | 58,264 | 0.6% |
| Total Noncurrent Assets | <u>18,326,371</u> | <u>17,997,933</u> | <u>328,438</u> | <u>1.8%</u> |
| Total Assets | <u>23,489,083</u> | <u>22,672,309</u> | <u>816,774</u> | <u>3.6%</u> |
| Deferred Outflows: | | | | |
| Pension | 888,530 | 888,530 | - | 0.0% |
| Other post-employment benefits | 95,656 | 95,656 | - | 0.0% |
| Other deferred outflows | 19,725 | 20,034 | (309) | -1.5% |
| Total Assets and Deferred Outflows | <u>\$ 24,492,994</u> | <u>\$ 23,676,529</u> | <u>\$ 816,465</u> | <u>3.4%</u> |
| LIABILITIES AND NET POSITION: | | | | |
| Current Liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 864,990 | \$ 888,944 | \$ (23,954) | -2.7% |
| Deposits and advance payments for goods and services | 887,001 | 412,407 | 474,594 | 115.1% |
| Current portion of bonds, notes and leases payable | 128,398 | 128,398 | - | 0.0% |
| Long-term bonds payable, subject to remarketing | 603,820 | 603,820 | - | 0.0% |
| Other current liabilities | 116,069 | 119,295 | (3,226) | -2.7% |
| Total Current Liabilities | <u>2,600,278</u> | <u>2,152,864</u> | <u>447,414</u> | <u>20.8%</u> |
| Noncurrent Liabilities: | | | | |
| Bonds, notes and leases payable | 3,167,696 | 3,176,520 | (8,824) | -0.3% |
| Concessionaire payable | 460,133 | 466,671 | (6,538) | -1.4% |
| Net pension liability | 3,869,225 | 3,869,225 | - | 0.0% |
| Net other post-employment benefit liability | 22,970 | 22,970 | - | 0.0% |
| Compensated absences | 239,966 | 239,488 | 478 | 0.2% |
| Self-insurance accruals | 86,996 | 87,290 | (294) | -0.3% |
| Amounts due to third-party payors - Health System | 79,153 | 79,153 | - | 0.0% |
| Irrevocable split-interest agreements | 34,252 | 33,123 | 1,129 | 3.4% |
| Refundable advances for Federal Perkins loans | 18,085 | 18,141 | (56) | -0.3% |
| Advance from concessionaire | 937,420 | 943,319 | (5,899) | -0.6% |
| Other noncurrent liabilities | 363,789 | 359,726 | 4,063 | 1.1% |
| Total Noncurrent Liabilities | <u>9,279,685</u> | <u>9,295,626</u> | <u>(15,941)</u> | <u>-0.2%</u> |
| Total Liabilities | <u>11,879,963</u> | <u>11,448,490</u> | <u>431,473</u> | <u>3.8%</u> |
| Deferred Inflows: | | | | |
| Parking service concession arrangement | 435,982 | 438,390 | (2,408) | -0.5% |
| Pension | 81,069 | 81,069 | - | 0.0% |
| Other post-employment benefits | 133,721 | 133,721 | - | 0.0% |
| Other deferred inflows | 436,423 | 431,653 | 4,770 | 1.1% |
| Total Deferred Inflows | <u>1,087,195</u> | <u>1,084,833</u> | <u>2,362</u> | <u>0.2%</u> |
| Total Net Position | <u>11,525,836</u> | <u>11,143,206</u> | <u>382,630</u> | <u>3.4%</u> |
| Total Liabilities, Deferred Inflows, and Net Position | <u>\$ 24,492,994</u> | <u>\$ 23,676,529</u> | <u>\$ 816,465</u> | <u>3.4%</u> |

THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - UNAUDITED
For the Three Months Ended September 30, 2024 and September 30, 2023
(in thousands)

| | September | September | Increase/(Decrease) | |
|---|------------------|------------------|---------------------|----------------|
| | 2024 | 2023 | Dollars | % |
| Operating Revenues: | | | | |
| Student tuition and fees, net | \$ 229,822 | \$ 212,391 | \$ 17,431 | 8.2% |
| Federal grants and contracts | 133,413 | 119,722 | 13,691 | 11.4% |
| State grants and contracts | 28,783 | 20,551 | 8,232 | 40.1% |
| Local grants and contracts | 7,127 | 7,617 | (490) | -6.4% |
| Private grants and contracts | 105,056 | 94,811 | 10,245 | 10.8% |
| Sales and services of educational departments | 55,177 | 55,248 | (71) | -0.1% |
| Sales and services of auxiliary enterprises | 95,122 | 131,455 | (36,333) | -27.6% |
| Sales and services of the OSU Health System, net | 1,306,289 | 1,148,563 | 157,726 | 13.7% |
| Sales and services of OSU Physicians, Inc., net | 282,755 | 258,178 | 24,577 | 9.5% |
| Other operating revenues | 16,867 | 14,629 | 2,238 | 15.3% |
| Total Operating Revenues | 2,260,411 | 2,063,165 | 197,246 | 9.6% |
| Operating Expenses: | | | | |
| Educational and General: | | | | |
| Instruction and departmental research | 310,279 | 302,599 | 7,680 | 2.5% |
| Separately budgeted research | 171,733 | 163,884 | 7,849 | 4.8% |
| Public service | 58,984 | 54,748 | 4,236 | 7.7% |
| Academic support | 84,212 | 83,452 | 760 | 0.9% |
| Student services | 31,369 | 29,643 | 1,726 | 5.8% |
| Institutional support | 111,448 | 105,609 | 5,839 | 5.5% |
| Operation and maintenance of plant | 31,645 | 43,018 | (11,373) | -26.4% |
| Scholarships and fellowships | 26,828 | 28,706 | (1,878) | -6.5% |
| Auxiliary enterprises | 120,244 | 140,428 | (20,184) | -14.4% |
| OSU Health System | 1,186,282 | 1,033,894 | 152,388 | 14.7% |
| OSU Physicians, Inc. | 278,683 | 250,298 | 28,385 | 11.3% |
| Depreciation | 150,278 | 134,748 | 15,530 | 11.5% |
| Total Operating Expenses | 2,561,985 | 2,371,027 | 190,958 | 8.1% |
| Operating Loss | (301,574) | (307,862) | 6,288 | -2.0% |
| Non-operating Revenues (Expenses): | | | | |
| State share of instruction and line-item appropriations | 139,158 | 107,058 | 32,100 | 30.0% |
| Federal subsidies for Build America Bonds interest | 2,830 | 2,830 | - | 0.0% |
| Federal non-exchange grants | 48,027 | 39,379 | 8,648 | 22.0% |
| Federal COVID-19 assistance programs | - | 6,484 | (6,484) | -100.0% |
| State non-exchange grants | 4,641 | 3,678 | 963 | 26.2% |
| Gifts | 33,337 | 29,556 | 3,781 | 12.8% |
| Net investment income (loss) | 456,952 | (32,326) | 489,278 | -1513.6% |
| Interest expense | (39,140) | (39,203) | 63 | -0.2% |
| Other non-operating revenues (expenses) | 96 | (4,017) | 4,113 | -102.4% |
| Net Non-operating Revenues (Expenses) | 645,901 | 113,439 | 532,462 | 469.4% |
| Income (loss) before changes in net position | 344,327 | (194,423) | 538,750 | -277.1% |
| Changes in Net Position | | | | |
| State capital appropriations | 20,770 | 15,049 | 5,721 | 38.0% |
| Private capital gifts | 6,847 | 8,571 | (1,724) | -20.1% |
| Additions to permanent endowments | 10,686 | 11,739 | (1,053) | -9.0% |
| Total Changes in Net Position | 38,303 | 35,359 | 2,944 | 8.3% |
| Increase (decrease) in Net Position | 382,630 | (159,064) | \$ 541,694 | -340.6% |
| Net Position - Beginning of Year | 11,143,206 | 10,269,857 | | |
| Net Position - End of Period | \$ 11,525,836 | \$ 10,110,793 | | |

THE OHIO STATE UNIVERSITY
STATEMENTS OF CASH FLOWS - UNAUDITED
For the Three Months Ended September 30, 2024 and September 30, 2023
(in thousands)

| | September 2024 | September 2023 | Increase/(Decrease) | |
|---|---------------------------|---------------------------|----------------------------|----------------|
| | | | Dollars | % |
| Cash Flows from Operating Activities: | | | | |
| Tuition and fee receipts | \$ 480,453 | \$ 383,331 | \$ 97,122 | 25.3% |
| Grant and contract receipts | 284,990 | 238,438 | 46,552 | 19.5% |
| Receipts for sales and services | 1,785,919 | 1,543,486 | 242,433 | 15.7% |
| Payments to or on behalf of employees | (1,166,821) | (1,067,867) | (98,954) | -9.3% |
| University employee benefit payments | (329,970) | (246,901) | (83,069) | -33.6% |
| Payments to vendors for supplies and services | (1,016,408) | (902,587) | (113,821) | -12.6% |
| Payments to students and fellows | (22,186) | (24,868) | 2,682 | 10.8% |
| Student loans issued | (831) | (526) | (305) | -58.0% |
| Student loans collected | 2,167 | 7,803 | (5,636) | -72.2% |
| Student loan interest and fees collected | 562 | 415 | 147 | 35.4% |
| Other receipts | 32,579 | 2,976 | 29,603 | 994.7% |
| Net cash provided (used) by operating activities | <u>50,454</u> | <u>(66,300)</u> | <u>116,754</u> | <u>176.1%</u> |
| Cash Flows from Noncapital Financing Activities: | | | | |
| State share of instruction and line-item appropriations | 139,158 | 107,058 | 32,100 | 30.0% |
| Non-exchange grant receipts | 52,668 | 43,057 | 9,611 | 22.3% |
| Federal COVID-19 assistance programs | - | 6,484 | (6,484) | -100.0% |
| Gift receipts for current use | 33,337 | 29,556 | 3,781 | 12.8% |
| Additions to permanent endowments | 10,686 | 11,739 | (1,053) | -9.0% |
| Drawdowns of federal direct loan proceeds | 133,000 | 137,150 | (4,150) | -3.0% |
| Disbursements of federal direct loans to students | (133,000) | (135,259) | 2,259 | 1.7% |
| Amounts received from irrevocable split-interest agreements | 1,561 | 894 | 667 | 74.6% |
| Amounts paid to annuitants and life beneficiaries | (431) | (532) | 101 | 19.0% |
| Agency funds receipts | 6,466 | 6,454 | 12 | 0.2% |
| Agency funds disbursements | (5,742) | (5,279) | (463) | -8.8% |
| Other receipts (payments) | - | 85 | (85) | 100.0% |
| Net cash provided by noncapital financing activities | <u>237,703</u> | <u>201,407</u> | <u>36,296</u> | <u>18.0%</u> |
| Cash Flows from Capital Financing Activities: | | | | |
| Proceeds from capital debt and leases | - | 301,736 | (301,736) | 100.0% |
| Gift receipts for capital projects | 6,847 | 8,571 | (1,724) | -20.1% |
| Payments for purchase or construction of capital assets | (202,075) | (226,695) | 24,620 | 10.9% |
| Principal payments on capital debt and leases | (6,538) | (5,793) | (745) | -12.9% |
| Interest payments on capital debt and leases | (17,547) | (12,160) | (5,387) | -44.3% |
| Net cash provided (used) by capital financing activities | <u>(219,313)</u> | <u>65,659</u> | <u>(284,972)</u> | <u>-434.0%</u> |
| Cash Flows from Investing Activities: | | | | |
| Purchases of investments | (3,484,719) | (1,183,150) | (2,301,569) | -194.5% |
| Proceeds from sales and maturities of investments | 3,217,613 | 953,724 | 2,263,889 | 237.4% |
| Investment income | 83,502 | 58,021 | 25,481 | 43.9% |
| Net cash used by investing activities | <u>(183,604)</u> | <u>(171,405)</u> | <u>(12,199)</u> | <u>-7.1%</u> |
| Net Increase (Decrease) in Cash | (114,760) | 29,361 | \$ (144,121) | -490.9% |
| Cash and Cash Equivalents - Beginning of Year | <u>1,166,632</u> | <u>1,239,560</u> | | |
| Cash and Cash Equivalents - End of Period | <u>\$ 1,051,872</u> | <u>\$ 1,268,921</u> | | |