

THE OHIO STATE UNIVERSITY

TOPIC: Fiscal Year 2025 Interim Financial Report – December 31, 2024

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

FINANCIAL SUMMARY

The university's overall financial position remains strong. Operating revenues increased \$449 million in the first six months of fiscal year 2025 compared to the first six months of fiscal year 2024, driven primarily by strong growth in healthcare revenues. Specific impacts include:

- A \$376 million increase in healthcare revenues, driven primarily by growth in outpatient volumes.
- A \$40 million increase in gift revenues, driven primarily by a \$23 million increase in current-use gifts
- A \$21 million decrease in auxiliary revenues, primarily due to fewer stadium shows for Schottenstein Center in the first six months of fiscal year 2025 compared to the first six months of fiscal year 2024.
- A \$36 million increase in grants and contracts, primarily due to increases in federal grants of \$7 million, private grants of \$16 million and state grants of \$12 million.
- A \$32 million increase in net student tuition, due primarily to increases in enrollment and resident and non-resident rate increases.

The year-to-date increase in net position was \$505 million, an \$87 million increase compared to the prior year. The \$87 million increase relates primarily to a \$57 million reduction in net operating loss and the \$40 million increase in total gift revenues. The reduction in net operating loss primarily reflects increases in healthcare revenues, which outpaced increases in healthcare expenses. Healthcare margins, excluding endowment distributions, depreciation and interest, increased \$55 million over the prior year.

Revenues

Student tuition and fees, net - increased \$32 million or 6%, to \$588 million for the first six months of fiscal year 2025 compared to the first six months of fiscal year 2024, due primarily to an increase in gross tuition and other student fees of \$53 million, offset by an increase in scholarship allowances of \$21 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 in the AU24 Tuition Guarantee Group and 3% for graduate students. Non-resident fees increased 5% for undergraduates and 4% for graduate students.

Grants and contracts – increased \$36 million in the first six months of fiscal year 2025 compared to the first six months of fiscal year 2024 due primarily to increases in federal grants of \$7 million, private grants of \$16 million and state grants of \$12 million. The increases in federal grants and contracts relate primarily to increases from the National Institutes of Health, Department of Transportation and Department of Defense.

Gifts – increased \$40 million over the prior year, reflecting increases in current use gifts (up \$23 million), capital gifts (up \$4 million) and endowment gifts (up \$12 million).

Sales and services of auxiliary enterprises - decreased \$21 million over the prior year due primarily to a \$38 million decrease in Schottenstein Center revenue due to fewer stadium shows in fiscal year 2025. This decrease was partially offset by a \$16 million increase in Athletics revenues, primarily due to eight home football games in FY2025 compared to six home games in FY2024.

Sales and services of the OSU Health System and OSU Physicians, Inc. - increased \$376 million to \$3,239 million. Health System revenues increased \$324 million, driven by growth in outpatient volumes. Total surgical volumes grew over the prior year by 6.1% with outpatient surgeries exceeding budget by 2.7% and the prior year by 10.6%. Additionally, chemotherapy, outpatient infusion, radiology, and procedural volumes contributed to the strong results. OSU Physicians revenues increased \$52 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 \$59 million to \$1,942 million in the first six months of fiscal year 2025. Salaries increased \$58 million, or 7%, 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 \$11 million, primarily due to increases in salary guidelines and composite benefit rates. Supplies and services decreased \$7 million, primarily due to decreases in utility expenses. Depreciation increased \$12 million compared to the prior year primarily due to new assets being placed in service and interest expense increased by \$2 million.

OSU Health System and OSU Physicians – expenses, including depreciation and interest expense, increased \$337 million to \$3,129 million in the first six months 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 six months of FY2025. OSU Physicians increased \$53 million, primarily due to higher provider expenses associated with investment in patient care services growth and access improvement.

Auxiliary – expenses increased \$3 million to \$261 million in the first six months of fiscal year 2025. The increase primarily reflects increases in Student Life Housing and Dining and Athletics expenses, offset by decreases in Schottenstein Center expenses due to fewer stadium shows.

Cash and Investments

For the six months ending December 31, 2024, total university cash and investments increased \$561 million to \$12,079 million compared to June 30, 2024, primarily due to increases in temporary investments of \$418 million and increases in Long-Term Investment Pool of \$199 million, offset by decreases in unexpended bond proceeds of \$56 million. Additional details for the Long-Term Investment Pool and temporary investments are provided below.

Long-Term Investment Pool and Temporary Investments

For the six months ending December 31, 2024, the fair value of the university's Long-Term Investment Pool increased by \$199 million to \$8,131 million. Changes in total valuation compared to the prior year are summarized below:

	2025	2024
Market Value at July 1	\$ 7,931,714	\$ 7,383,676
Net Principal Additions	60,355	39,569
Change in Market Value	260,134	279,464
Income Earned	112,990	103,686
Distributions	(158,300)	(151,985)
Expenses	(75,742)	(53,274)
Market Value at December 31	\$ 8,131,151	\$ 7,601,136

Net principal additions include new endowment gifts (\$47.2 million), reinvestment of unused endowment distributions (\$9.5 million), and other net transfers of university monies (-\$0.3 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 December 31, 2024. Income earned includes interest and dividends and is used primarily to help fund distributions. Expenses include investment management expenses (\$41.6 million), University Development related expenses (\$29.9 million), and other administrative-related expenses (\$0.3 million).

LTIP Investment Returns

For the six months ending December 31, 2024, the LTIP earned a return, net of investment fees, of 4.19%. The comparable six months ending December 31, 2023 saw a net investment return of 4.72%.

Temporary Investments

For the six months ending December 31, 2024, the Tier 1 Investments (0-1 Year maturity) earned a return of 2.67%, outperforming the Bank of America ML 90-day T-Bill (2.53%) by 0.14%. Tier 2 Investments (1-5 Year maturity) earned 3.08%, 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 (2.71%) by 0.37%.

For the comparable six months ending December 31, 2023, the Tier 1 Investments earned a return of 2.85%. Tier 2 Investments returned 4.03% for the same time period.

Other Assets and Liabilities

Accounts receivable increased \$104 million, primarily due to increases of \$89 million in tuition and student-related fee receivables and \$16 million in housing & dining receivables for spring semester. Prepaid expenses increased \$249 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 \$672 million, primarily due to increases of \$615 million for tuition and fees and \$109 million in Student Life Housing and Dining receipts for spring semester. These amounts will be recognized as earned over the course of the semester. These increases were offset by a decrease of \$40 million in advance payments for 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 \$52 million in the first six months of fiscal year 2025. Net cash provided by operating activities was \$171 million, compared to net cash used by operating activities of \$256 million in the first six months of the prior year. The increase in net operating cash flows 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 \$503 million in the first six months of fiscal year 2025, compared to \$449 million for the prior year. The increase is due primarily to increases in gift receipts and non-exchange grant receipts. Net cash used by capital financing activities was \$542 million in the first six months 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
December 31, 2024 and June 30, 2024
(in thousands)

	<u>As of December 2024</u>	<u>As of June 2024</u>	<u>Increase/(Decrease)</u>	
			Dollars	%
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 1,060,788	\$ 1,056,657	\$ 4,131	0.4%
Temporary investments	2,634,168	2,215,831	418,337	18.9%
Accounts receivable, net	1,192,541	1,088,072	104,469	9.6%
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	24,806	22,637	2,169	9.6%
Inventories, prepaid expenses, and other assets	498,127	222,616	275,511	123.8%
Total Current Assets	<u>5,478,993</u>	<u>4,674,376</u>	<u>804,617</u>	<u>17.2%</u>
Noncurrent Assets:				
Unexpended bond proceeds	53,650	109,975	(56,325)	-51.2%
Notes receivable, net	27,314	27,410	(96)	-0.4%
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	8,131,151	7,931,714	199,437	2.5%
Other long-term investments	199,731	204,539	(4,808)	-2.4%
Leases receivable, net	43,103	43,103	-	0.0%
Other noncurrent assets	305,701	305,701	-	0.0%
Capital assets, net	9,139,724	9,008,416	131,308	1.5%
Total Noncurrent Assets	<u>18,267,449</u>	<u>17,997,933</u>	<u>269,516</u>	<u>1.5%</u>
Total Assets	<u>23,746,442</u>	<u>22,672,309</u>	<u>1,074,133</u>	<u>4.7%</u>
Deferred Outflows:				
Pension	888,530	888,530	-	0.0%
Other post-employment benefits	95,656	95,656	-	0.0%
Other deferred outflows	19,417	20,034	(617)	-3.1%
Total Assets and Deferred Outflows	<u>\$ 24,750,045</u>	<u>\$ 23,676,529</u>	<u>\$ 1,073,516</u>	<u>4.5%</u>
LIABILITIES AND NET POSITION:				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 888,665	\$ 888,944	\$ (279)	0.0%
Deposits and advance payments for goods and services	1,084,109	412,407	671,702	162.9%
Current portion of bonds, notes and leases payable	128,415	128,398	17	0.0%
Long-term bonds payable, subject to remarketing	603,820	603,820	-	0.0%
Other current liabilities	111,632	119,295	(7,663)	-6.4%
Total Current Liabilities	<u>2,816,641</u>	<u>2,152,864</u>	<u>663,777</u>	<u>30.8%</u>
Noncurrent Liabilities:				
Bonds, notes and leases payable	3,110,147	3,176,520	(66,373)	-2.1%
Concessionaire payable	451,417	466,671	(15,254)	-3.3%
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	241,382	239,488	1,894	0.8%
Self-insurance accruals	80,947	87,290	(6,343)	-7.3%
Amounts due to third-party payors - Health System	78,692	79,153	(461)	-0.6%
Irrevocable split-interest agreements	32,732	33,123	(391)	-1.2%
Refundable advances for Federal Perkins loans	18,085	18,141	(56)	-0.3%
Advance from concessionaire	931,521	943,319	(11,798)	-1.3%
Other noncurrent liabilities	364,064	359,726	4,338	1.2%
Total Noncurrent Liabilities	<u>9,201,182</u>	<u>9,295,626</u>	<u>(94,444)</u>	<u>-1.0%</u>
Total Liabilities	<u>12,017,823</u>	<u>11,448,490</u>	<u>569,333</u>	<u>5.0%</u>
Deferred Inflows:				
Parking service concession arrangement	433,574	438,390	(4,816)	-1.1%
Pension	81,069	81,069	-	0.0%
Other post-employment benefits	133,721	133,721	-	0.0%
Other deferred inflows	435,843	431,653	4,190	1.0%
Total Deferred Inflows	<u>1,084,207</u>	<u>1,084,833</u>	<u>(626)</u>	<u>-0.1%</u>
Total Net Position	<u>11,648,015</u>	<u>11,143,206</u>	<u>504,809</u>	<u>4.5%</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 24,750,045</u>	<u>\$ 23,676,529</u>	<u>\$ 1,073,516</u>	<u>4.5%</u>

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

	December		Increase/(Decrease)	
	2024	2023	Dollars	%
Operating Revenues:				
Student tuition and fees, net	\$ 588,239	\$ 555,696	\$ 32,543	5.9%
Federal grants and contracts	271,231	264,149	7,082	2.7%
State grants and contracts	55,411	43,135	12,276	28.5%
Local grants and contracts	15,212	14,173	1,039	7.3%
Private grants and contracts	213,472	197,489	15,983	8.1%
Sales and services of educational departments	121,236	105,905	15,331	14.5%
Sales and services of auxiliary enterprises	268,457	289,132	(20,675)	-7.2%
Sales and services of the OSU Health System, net	2,657,636	2,333,606	324,030	13.9%
Sales and services of OSU Physicians, Inc., net	581,679	529,773	51,906	9.8%
Other operating revenues	54,776	45,026	9,750	21.7%
Total Operating Revenues	4,827,349	4,378,084	449,265	10.3%
Operating Expenses:				
Educational and General:				
Instruction and departmental research	686,360	653,287	33,073	5.1%
Separately budgeted research	345,843	330,503	15,340	4.6%
Public service	105,050	99,723	5,327	5.3%
Academic support	166,978	162,178	4,800	3.0%
Student services	65,373	62,504	2,869	4.6%
Institutional support	205,548	205,700	(152)	-0.1%
Operation and maintenance of plant	75,927	73,962	1,965	2.7%
Scholarships and fellowships	66,655	85,346	(18,691)	-21.9%
Auxiliary enterprises	260,815	258,147	2,668	1.0%
OSU Health System	2,397,822	2,130,089	267,733	12.6%
OSU Physicians, Inc.	573,119	519,664	53,455	10.3%
Depreciation	293,871	270,130	23,741	8.8%
Total Operating Expenses	5,243,361	4,851,233	392,128	8.1%
Operating Loss	(416,012)	(473,149)	57,137	-12.1%
Non-operating Revenues (Expenses):				
State share of instruction and line-item appropriations	272,910	261,431	11,479	4.4%
Federal subsidies for Build America Bonds interest	5,661	5,661	-	0.0%
Federal non-exchange grants	50,177	41,505	8,672	20.9%
Federal COVID-19 assistance programs	-	8,998	(8,998)	-100.0%
State non-exchange grants	26,171	16,713	9,458	56.6%
Gifts	106,154	82,737	23,417	28.3%
Net investment income (loss)	431,496	468,022	(36,526)	-7.8%
Interest expense	(88,051)	(81,807)	(6,244)	7.6%
Other non-operating revenues (expenses)	(1,819)	(3,626)	1,807	-49.8%
Net Non-operating Revenues (Expenses)	802,699	799,634	3,065	0.4%
Income (loss) before changes in net position	386,687	326,485	60,202	18.4%
Changes in Net Position				
State capital appropriations	39,113	28,906	10,207	35.3%
Private capital gifts	31,774	27,733	4,041	14.6%
Additions to permanent endowments	47,235	35,040	12,195	34.8%
Total Changes in Net Position	118,122	91,679	26,443	28.8%
Increase (decrease) in Net Position	504,809	418,164	\$ 86,645	20.7%
Net Position - Beginning of Year	11,143,206	10,269,857		
Net Position - End of Period	<u>\$ 11,648,015</u>	<u>\$ 10,688,021</u>		

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

	December 2024	December 2023	Increase/(Decrease)	
			Dollars	%
Cash Flows from Operating Activities:				
Tuition and fee receipts	\$ 813,697	\$ 609,975	\$ 203,722	33.4%
Grant and contract receipts	535,237	493,956	41,281	8.4%
Receipts for sales and services	3,765,007	3,125,134	639,873	20.5%
Payments to or on behalf of employees	(2,356,370)	(2,163,645)	(192,725)	-8.9%
University employee benefit payments	(660,800)	(526,874)	(133,926)	-25.4%
Payments to vendors for supplies and services	(1,934,548)	(1,758,128)	(176,420)	-10.0%
Payments to students and fellows	(57,840)	(77,409)	19,569	25.3%
Student loans issued	(1,662)	(1,053)	(609)	-57.8%
Student loans collected	4,320	10,256	(5,936)	-57.9%
Student loan interest and fees collected	1,125	830	295	35.5%
Other receipts	62,926	31,003	31,923	103.0%
Net cash provided (used) by operating activities	<u>171,092</u>	<u>(255,955)</u>	<u>427,047</u>	<u>166.8%</u>
Cash Flows from Noncapital Financing Activities:				
State share of instruction and line-item appropriations	272,910	261,431	11,479	4.4%
Non-exchange grant receipts	76,348	58,218	18,130	31.1%
Federal COVID-19 assistance programs	-	8,998	(8,998)	-100.0%
Gift receipts for current use	106,154	82,787	23,367	28.2%
Additions to permanent endowments	47,235	35,040	12,195	34.8%
Drawdowns of federal direct loan proceeds	264,050	143,150	120,900	84.5%
Disbursements of federal direct loans to students	(264,050)	(141,259)	(122,791)	-86.9%
Amounts received from irrevocable split-interest agreements	472	257	215	83.7%
Amounts paid to annuitants and life beneficiaries	(862)	(1,064)	202	19.0%
Agency funds receipts	6,276	6,256	20	0.3%
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>502,791</u>	<u>448,620</u>	<u>54,171</u>	<u>12.1%</u>
Cash Flows from Capital Financing Activities:				
Proceeds from capital debt and leases	-	301,736	(301,736)	100.0%
Gift receipts for capital projects	31,774	27,733	4,041	14.6%
Payments for purchase or construction of capital assets	(409,915)	(506,920)	97,005	19.1%
Principal payments on capital debt and leases	(67,604)	(61,085)	(6,519)	-10.7%
Interest payments on capital debt and leases	(102,163)	(84,480)	(17,683)	-20.9%
Federal subsidies for Build America Bonds interest	5,469	5,635	(166)	-2.9%
Net cash provided (used) by capital financing activities	<u>(542,439)</u>	<u>(317,381)</u>	<u>(225,058)</u>	<u>-70.9%</u>
Cash Flows from Investing Activities:				
Purchases of investments	(7,356,593)	(2,598,770)	(4,757,823)	-183.1%
Proceeds from sales and maturities of investments	7,020,464	2,655,294	4,365,170	164.4%
Investment income	152,491	224,413	(71,922)	-32.0%
Net cash used by investing activities	<u>(183,638)</u>	<u>280,937</u>	<u>(464,575)</u>	<u>-165.4%</u>
Net Increase (Decrease) in Cash	<u>(52,194)</u>	<u>156,221</u>	<u>\$ (208,415)</u>	<u>-133.4%</u>
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>\$ 1,114,438</u>	<u>\$ 1,395,781</u>		