

THE OHIO STATE UNIVERSITY

TOPIC: Fiscal Year 2020 Unaudited Financial Report – June 30, 2020

CONTEXT: The purpose of this report is to provide an update of financial results for the year ending June 30, 2020.

FINANCIAL SUMMARY

Fiscal year 2020 was trending up for the first three quarters. The fourth quarter was negatively impacted by the COVID-19 pandemic. The university continues to operate under a state of emergency due to the COVID-19 outbreak. Impacts include:

- Students moved out of residence halls and were refunded \$35 million for housing, dining, and recreational fees in April.
- Classes transitioned to virtual learning for Summer 2020 term.
- Major facilities on campus were closed beginning in March, continuing through the summer.
- OSU Wexner Medical Center postponed elective surgeries and outpatient procedures beginning March 19 through April 27. Operations have shifted to focus on resumption of non-critical procedures, maintaining widespread telemedicine procedures, and a focus on testing and treating patients with COVID-19.
- Planning has started for a safe return to campuses this autumn.

Year-to-date decrease in net position was \$72 million, down \$232 million compared to prior year. The decrease is primarily due to a \$389 million increase in net operating loss, offset by a \$155 million increase in non-operating revenues (due to the receipt of \$170 million of the Coronavirus Aid, Relief, and Economic Security (CARES) Act). Other activities for the year ending June 30, 2020 impacting our financial position include:

Revenues

Student tuition and fees, net - decreased \$16 million or 1.7%, to \$954 million over the same period of fiscal year 2019, due primarily to an increase in gross tuition of \$4 million, offset by \$20 million increase in scholarship allowances. Gross tuition increases for Autumn and Spring of \$26 million were offset by decreases in Summer of \$14 million and student fees of \$8 million. Summer tuition decreased due to non-resident fees of \$9 million and a one-week delay in the start of classes of \$5 million both due to COVID-19 pandemic. The decrease in Summer tuition was offset by expense reductions of \$14 million in graduate fee authorizations as classes shifted to online. The increase in scholarship allowance reflects budgeted increases in undergraduate student financial aid.

Grants and contracts - increased \$12 million, or 1.6%, to \$795 million, due primarily to increases in federal grants of \$18 million, private grants of \$1.5 million, and local grants of \$1.5 million, offset by decreases in state grants of \$9 million. Grants managed by the Office of Sponsored Programs increased \$10 million. Awarded dollars, which can be considered a leading indicator of the state of the research enterprise, are up 10.1% overall compared to this time last year, including a 7.6% increase in federal awarded dollars. To date, awarded dollars from our two top funders, the National Institutes of Health (NIH) and the National Science Foundation (NSF) are up by 8.4% and 38.3% over last year, respectively.

Gifts - increased \$24 million over prior year due primarily to increases in permanent endowment gifts of \$18 million and current use gifts of \$7 million, offset by decreases in private capital gifts of \$1 million.

Sales and services of auxiliary enterprises - decreased \$42 million due primarily to revenue losses associated with the campus closure beginning in March including decreases in Student Life housing and dining revenues of \$36 million and Business Advancement (Schottenstein Center and Blackwell) of \$14 million, offset by increases in Athletics of \$8 million.

Educational departments - decreased \$15 million primarily from decreases in over 130 earnings funds and 70 conference funds reflecting impacts of campus closure in March.

Sales and services of the OSU Health System and OSU Physicians, Inc - increased \$1 million to \$3,993 million. The Health System decreased \$23 million. The Health System was trending ahead of prior year by \$147 million through March but that growth was offset by 4th quarter revenue declines of \$170 million due to the COVID pandemic. OSU Physicians experienced a similar trend with a year over year increase of \$24 million even though they were trending ahead of prior year by \$47 million through March then revenues declined in the 4th quarter. Overall margins have improved due to the CARES Act relief funds of \$155 million. Outpatient visits year to date decreased 4.9% compared to budget and decreased 2.5% compared to prior year. Total surgeries year to date were 5.8% below budget and 4.2% below prior year.

Non-exchange grants - increased \$2 million due primarily to increases in Ohio College Opportunity Grants of \$3 million and Pell Grants of \$1 million, offset by decreases in Federal Work Study of \$2 million.

CARES Act assistance – increased \$170 million due to the receipt of \$155 million in Health Care Provider Relief funds (\$143 million to the Health System and \$12 million to OSU Physicians), \$14.4 million Emergency Grants to Students, and \$335,205 to WOSU for public media aid.

Expenses

University - expenses of \$3,319 million for the year ending June 30, 2020 increased \$178 million, or 5.7%, compared to the same period in 2019 primarily due to increases in salaries of \$62 million, legal settlements of \$72 million, benefits (includes year-end accruals for pension and other post-employment benefits) of \$50 million, student aid of \$8 million, offset by decreases in supplies and services of \$14 million. Supplies and services expenses were ahead of prior year through third quarter but cost containment efforts to business

essential spend in the 4th quarter saved \$72 million which resulted in net reduction over prior year of \$14 million. Salary increases are due to a 2.5% merit pool and new hires in certain areas due to strategic investments in faculty and staff.

OSU Health System and OSU Physicians - expenses of \$3,807 million increased \$190 million, or 5.3%, primarily due to increases in operating expenses driven by increased patient volumes as well as higher cost of drugs of \$67 million or 12.6%, offset by decreases in year-end accruals for pension and other post-employment benefits of \$38 million.

Auxiliary - expenses of \$322 million for the year ending June 30, 2020 decreased \$40 million, or 11%, compared to the same period of fiscal year 2019 primarily due to decreases in year-end accruals for pension and other post-employment benefits of \$22 million, Student Life housing and dining of \$12 million, and Business Advancement (Schottenstein Center and Blackwell) of \$7 million.

Cash and Investments

Total university cash and investments increased \$408 million, to \$9,840 million on June 30, 2020, compared to the same period of last year. Total cash and temporary investments increased \$292 million compared to June 30, 2019 primarily due to increases in payments of \$275 million from the Accelerated and Advance Payment Program (Medicare advance payment program) and \$143 million from the Health and Human Services CARES Act Provider Relief Fund. Gifted endowment and long-term investments increased \$116 million primarily due to unrealized gains in alternatives and private equity capital calls.

Long-Term Investment Pool

For the year ending June 30, 2020, the fair value of the university's Long-Term Investment Pool increased \$30.4 million to \$5,287 million. Changes in total valuation compared to prior year are summarized below:

	2020	2019
Beginning Fair Value	\$ 5,256,759	\$ 5,211,434
Net principal additions	228,653	223,348
Change in fair value	(10,923)	7,063
Income earned	119,271	106,636
Distributions	(234,042)	(220,016)
Expenses	(72,587)	(71,706)
Fair Value at June 30	<u>\$ 5,287,131</u>	<u>\$ 5,256,759</u>

Net principal additions include new endowment gifts (\$63.7 million), reinvestment of unused endowment distributions (\$50.2 million), and other net transfers of University monies (\$114.8 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 June 30, 2020. Income earned includes interest and dividends and is used primarily to help fund distributions. Expenses include investment management expenses (\$52.8 million), University Development related expenses (\$19.1 million) and other administrative related expenses (\$0.7 million).

LTIP Investment Returns

For the year ending June 30, 2020, the LTIP earned a net of investment fee return of 1.07% versus a Policy Benchmark of 4.63%, resulting in underperformance of 3.56%. During that period, our Global Fixed Income returned 4.82%, followed by Global Equities at -0.38% and Real Assets at -0.39%.

The comparable year ending June 30, 2019 saw a net of investment fee return of 1.18% versus a Policy Benchmark of 6.99%, resulting in underperformance of 5.81%. During that period, our Global Fixed Income returned 2.76%, followed by Global Equities at 1.90%, and Real Assets at -7.73%.

Temporary Investments

For the year ending June 30, 2020 (FYTD) the Intermediate Investments earned a return of 4.75% (+\$45.9 million) outperforming the Bank of America ML 1-3 Year US Gov't/Credit benchmark (+4.18%) by 0.57%. Short-Term Investments earned 3.08% (+\$18.4 million) outperforming the 90 Day T-Bill benchmark (+1.27%) by 1.81%.

The comparable year ending June 30, 2019, saw Intermediate Investments earn a return of 4.78% (+\$43.3 million). Short-Term Investments returned 2.61% (+\$15.2 million) for this same period.

Statement of Net Position

The Consolidated Statement of Net Position for balances as of June 30, 2020, compared to June 30, 2019, decreased by \$72 million. The decrease is primarily due to decreases of net pension and other post-employment benefit assets of \$445 million and liabilities of \$12 million for changes in benefit plan assets and liabilities held by OPERS and STRS, offset by increased investments in property, plant, and equipment of \$425 million, net of depreciation. Capital assets increased \$425 million from \$342 million for University academic, infrastructure, and auxiliary projects, \$321 million for Health System projects and equipment expenditures, concessionaire utility projects of \$119 million, University equipment purchases of \$63 million, offset by \$420 million in depreciation expense.

THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF NET POSITION - UNAUDITED
June 30, 2020 (unaudited) and June 30, 2019 (audited)

	<u>As of June 2020</u>	<u>As of June 2019</u>	<u>Increase/Decrease</u>	
			Dollars	%
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 2,048,368	\$ 1,709,100	\$ 339,268	19.9%
Temporary investments	1,812,053	1,754,520	57,533	3.3%
Accounts receivable, net	579,421	698,327	(118,906)	-17.0%
Notes receivable - current portion, net	25,317	25,318	(1)	0.0%
Pledges receivable - current portion, net	37,890	31,540	6,350	20.1%
Accrued interest receivable	21,321	25,050	(3,729)	-14.9%
Inventories and prepaid expenses	159,711	138,121	21,590	15.6%
Investments held under securities lending program	12,092	44,391	(32,299)	-72.8%
Total Current Assets	<u>4,696,173</u>	<u>4,426,367</u>	<u>269,806</u>	<u>6.1%</u>
Noncurrent Assets:				
Restricted cash	400,603	492,033	(91,430)	-18.6%
Notes receivable, net	45,427	63,211	(17,784)	-28.1%
Pledges receivable, net	64,151	64,151	-	0.0%
Net other post-employment benefit asset	77,901	74,520	3,381	100.0%
Long-term investment pool	5,287,131	5,256,759	30,372	0.6%
Other long-term investments	304,562	219,455	85,107	38.8%
Capital assets, net	5,835,690	5,410,355	425,335	7.9%
Total Noncurrent Assets	<u>12,015,465</u>	<u>11,580,484</u>	<u>434,981</u>	<u>3.8%</u>
Total Assets	<u>16,711,638</u>	<u>16,006,851</u>	<u>704,787</u>	<u>4.4%</u>
Deferred Outflows:				
Pension	445,787	1,017,388	(571,601)	-56.2%
Other post-employment benefits	239,635	116,173	123,462	106.3%
Other deferred outflows	32,037	22,198	9,839	44.3%
Total Assets and Deferred Outflows	<u>\$ 17,429,097</u>	<u>\$ 17,162,610</u>	<u>\$ 266,487</u>	<u>1.6%</u>
LIABILITIES AND NET POSITION:				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 964,395	\$ 611,891	\$ 352,504	57.6%
Deposits and advance payments for goods and services	257,416	283,997	(26,581)	-9.4%
Current portion of bonds, notes and leases payable	44,970	44,970	-	0.0%
Long-term bonds payable, subject to remarketing	574,675	574,675	-	0.0%
Liability under securities lending program	12,092	44,391	(32,299)	-72.8%
Other current liabilities	98,159	95,549	2,610	2.7%
Total Current Liabilities	<u>1,951,707</u>	<u>1,655,473</u>	<u>296,234</u>	<u>17.9%</u>
Noncurrent Liabilities:				
Bonds, notes and leases payable	2,491,043	2,561,521	(70,478)	-2.8%
Concessionaire payable	155,898	39,121	116,777	298.5%
Net pension liability	3,025,165	3,715,194	(690,029)	-18.6%
Net other post-employment benefit liability	1,459,633	1,339,443	120,190	9.0%
Compensated absences	210,652	177,672	32,980	18.6%
Self-insurance accruals	64,926	82,507	(17,581)	-21.3%
Amounts due to third-party payors - Health System	60,233	49,374	10,859	22.0%
Irrevocable split-interest agreements	31,853	28,463	3,390	11.9%
Refundable advances for Federal Perkins loans	29,695	33,478	(3,783)	-11.3%
Advance from concessionaire	1,002,769	1,024,555	(21,786)	-2.1%
Other noncurrent liabilities	142,246	124,735	17,511	14.0%
Total Noncurrent Liabilities	<u>8,674,110</u>	<u>9,176,063</u>	<u>(501,950)</u>	<u>-5.5%</u>
Total Liabilities	<u>10,625,817</u>	<u>10,831,536</u>	<u>(205,719)</u>	<u>-1.9%</u>
Deferred Inflows:				
Parking service concession arrangement	406,914	416,545	(9,631)	-2.3%
Pension	487,358	110,003	377,355	343.0%
Other post-employment benefits	298,466	117,982	180,484	153.0%
Other deferred inflows	28,671	32,529	(3,858)	-11.9%
Total Deferred Inflows	<u>1,221,409</u>	<u>677,059</u>	<u>544,350</u>	<u>80.4%</u>
Net Position:				
Net investment in capital assets	3,190,738	2,749,111	441,627	16.1%
Restricted:				
Nonexpendable	1,796,540	1,580,115	216,425	13.7%
Expendable	982,409	1,303,269	(320,860)	-24.6%
Unrestricted	(387,816)	21,520	(409,336)	-1902.1%
Total Net Position	<u>5,581,871</u>	<u>5,654,015</u>	<u>(72,144)</u>	<u>-1.3%</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 17,429,097</u>	<u>\$ 17,162,610</u>	<u>\$ 266,487</u>	<u>1.6%</u>

**THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - UNAUDITED**

Comparative Year-To-Date

June 30, 2020 (unaudited) and June 30, 2019 (audited)

	June		Increase/Decrease	
	2020	2019	Dollars	%
Operating Revenues:				
Student tuition and fees, net	\$ 953,569	\$ 969,633	\$ (16,064)	-1.7%
Federal grants and contracts	385,988	367,748	18,240	5.0%
State grants and contracts	74,894	83,651	(8,757)	-10.5%
Local grants and contracts	27,015	25,608	1,407	5.5%
Private grants and contracts	306,655	305,227	1,428	0.5%
Sales and services of educational departments	151,711	166,361	(14,650)	-8.8%
Sales and services of auxiliary enterprises	298,064	339,615	(41,551)	-12.2%
Sales and services of the OSU Health System, net	3,409,131	3,432,271	(23,140)	-0.7%
Sales and services of OSU Physicians, Inc., net	584,314	560,322	23,992	4.3%
Other operating revenues	43,233	44,862	(1,629)	-3.6%
Total Operating Revenues	6,234,574	6,295,298	(60,724)	-1.0%
Operating Expenses:				
Educational and General:				
Instruction and departmental research	1,122,185	1,079,695	42,490	3.9%
Separately budgeted research	563,833	503,125	60,708	12.1%
Public service	197,032	192,381	4,651	2.4%
Academic support	251,045	242,960	8,085	3.3%
Student services	96,663	109,166	(12,503)	-11.5%
Institutional support	408,187	330,327	77,860	23.6%
Operation and maintenance of plant	119,905	136,006	(16,101)	-11.8%
Scholarships and fellowships	140,376	127,384	12,992	10.2%
Auxiliary enterprises	321,631	361,346	(39,715)	-11.0%
OSU Health System	3,234,628	3,109,070	125,558	4.0%
OSU Physicians, Inc.	571,946	507,366	64,580	12.7%
Depreciation	420,017	420,506	(489)	-0.1%
Total Operating Expenses	7,447,448	7,119,332	328,116	4.6%
Operating Loss	(1,212,874)	(824,034)	(388,840)	47.2%
Non-operating Revenues (Expenses):				
State share of instruction and line-item appropriations	461,838	469,679	(7,841)	-1.7%
Federal subsidies for Build America Bonds interest	10,987	10,619	368	3.5%
Federal non-exchange grants	61,531	63,042	(1,511)	-2.4%
CARES Assistance	169,858	-	169,858	100.0%
State non-exchange grants	14,702	11,119	3,583	32.2%
Gifts	167,233	160,102	7,131	4.5%
Net investment income (loss)	240,041	232,287	7,754	3.3%
Interest expense on plant debt	(121,458)	(116,044)	(5,414)	4.7%
Other non-operating revenues(expenses)	(18,529)	(7,547)	(10,982)	145.5%
Net Non-operating Revenue (Expense)	986,203	823,257	162,946	19.8%
Income (Loss) before Other Revenues, Expenses, Gains or Losses	(226,671)	(777)	(225,894)	29072.6%
Changes in Net Position				
State capital appropriations	67,584	64,900	2,684	4.1%
Private capital gifts	25,333	26,565	(1,232)	-4.6%
Additions to permanent endowments	63,695	45,533	18,162	39.9%
Capital contributions and other changes in net position	(2,085)	23,163	(25,248)	-9.0%
Total Changes in Net Position	154,527	160,161	(5,634)	-3.5%
Increase (Decrease) in Net Position	(72,144)	159,384	\$ (231,528)	-145.3%
Net Position - Beginning of Year				
Beginning of year	5,654,015	5,494,631		
Net Position - End of Period	\$ 5,581,871	\$ 5,654,015		

THE OHIO STATE UNIVERSITY
STATEMENTS OF CASH FLOWS - UNAUDITED
Years Ended June 30, 2020 (unaudited) and June 30, 2019 (audited)
(in thousands)

	<u>June 2020</u>	<u>June 2019</u>	<u>Incr/(Decr) to Cash Dollars</u>	<u>%</u>
Cash Flows from Operating Activities:				
Tuition and fee receipts	\$ 838,750	\$ 848,524	\$ (9,774)	-1.2%
Grant and contract receipts	813,128	783,766	29,362	3.7%
Receipts for sales and services	4,545,615	4,452,825	92,790	2.1%
Payments to or on behalf of employees	(3,099,159)	(2,907,810)	(191,349)	6.6%
University employee benefit payments	(799,007)	(748,547)	(50,460)	6.7%
Payments to vendors for supplies and services	(2,114,349)	(2,300,841)	186,492	-8.1%
Payments to students and fellows	(165,171)	(118,803)	(46,368)	39.0%
Student loans issued	(3,249)	(4,001)	752	-18.8%
Student loans collected	9,061	8,848	213	2.4%
Student loan interest and fees collected	1,949	2,184	(235)	-10.8%
Other receipts, net	11,853	21,995	(10,142)	-46.1%
Net cash provided by operating activities	<u>39,421</u>	<u>38,140</u>	<u>1,281</u>	<u>3.4%</u>
Cash Flows from Noncapital Financing Activities:				
State share of instruction and line-item appropriations	461,838	469,679	(7,841)	-1.7%
Non-exchange grant receipts	76,233	74,161	2,072	2.8%
CARES Assistance	169,858	-	169,858	100.0%
Gift receipts for current use	160,883	173,649	(12,766)	-7.4%
Additions to permanent endowments	63,695	45,533	18,162	39.9%
Drawdowns of federal direct loan proceeds	332,591	353,493	(20,902)	-5.9%
Disbursements of federal direct loans to students	(330,525)	(339,227)	8,702	-2.6%
Repayment of loans from related organization	9,092	691	8,401	1215.8%
Amounts received for annuity and life income funds	1,532	734	798	108.7%
Amounts paid to annuitants and life beneficiaries	(1,797)	(1,735)	(62)	3.6%
Agency funds receipts	4,554	5,566	(1,012)	-18.2%
Agency funds disbursements	(5,565)	(5,387)	(178)	3.3%
Net cash provided by noncapital financing activities	<u>942,389</u>	<u>772,861</u>	<u>169,528</u>	<u>21.9%</u>
Cash Flows from Capital Financing Activities:				
Proceeds from capital debt and leases	232,024	7,806	224,218	2872.4%
State capital appropriations	71,605	64,788	6,817	10.5%
Gift receipts for capital projects	25,333	34,326	(8,993)	-26.2%
Payments for purchase or construction of capital assets	(716,531)	(639,565)	(76,966)	12.0%
Principal payments on capital debt and leases	(300,146)	(67,986)	(232,160)	341.5%
Interest payments on capital debt and leases	(122,313)	(124,634)	2,321	-1.9%
Federal subsidies for Build America Bonds interest	5,327	10,620	(5,293)	-49.8%
Net cash (used) by capital financing activities	<u>(804,701)</u>	<u>(714,645)</u>	<u>(90,056)</u>	<u>12.6%</u>
Cash Flows from Investing Activities:				
Net (purchases) sales of temporary investments	(57,533)	(116,324)	58,791	-50.5%
Proceeds from sales and maturities of long-term investments	3,022,940	3,559,482	(536,542)	-15.1%
Investment income	259,394	145,321	114,073	78.5%
Purchases of long-term investments	(3,154,072)	(3,597,184)	443,112	-12.3%
Net cash provided (used) by investing activities	<u>70,729</u>	<u>(8,705)</u>	<u>79,434</u>	<u>-912.5%</u>
Net Increase (Decrease) in Cash	<u>247,838</u>	<u>87,651</u>	<u>\$ 160,187</u>	<u>182.8%</u>
Cash and Cash Equivalents - Beginning of Year	<u>2,201,133</u>	<u>2,113,482</u>		
Cash and Cash Equivalents - End of Period	<u>\$ 2,448,971</u>	<u>\$ 2,201,133</u>		