

## THE OHIO STATE UNIVERSITY

**TOPIC:** Fiscal Year 2024 Interim Financial Report – September 30, 2023

**CONTEXT:** The purpose of this report is to provide an update of financial results for the three months ending September 30, 2023.

### FINANCIAL SUMMARY

The university's overall financial position remains strong. Operating revenues increased \$168 million in the first quarter of fiscal year 2024 compared to the first quarter of fiscal year 2023, driven primarily by strong growth in healthcare revenues, increases in auxiliary enterprises, higher grant and contract revenues, and increased tuition and fees. Specific impacts include:

- A \$120 million increase in healthcare revenues, reflecting strong growth in both oncology and non-oncology infusions and practice expansion.
- A \$30 million increase in auxiliary revenues, primarily due to more stadium shows for Schottenstein Center in the first quarter of fiscal year 2024 compared to the first quarter of fiscal year 2023.
- A \$19 million increase in grants and contracts, primarily due to increases in private grants of \$9 million, federal grants of \$8 million, state grants of \$1 million, and local grants of \$1 million.
- A \$11 million increase in student tuition, due primarily to resident and non-resident rate increases and a rate increase to those undergraduate students not in the Ohio State Tuition Guarantee.

The year-to-date decrease in net position was \$159 million, which is \$163 million less than the prior year's decrease in net position of \$322 million. The change relates primarily to year-to-date net investment losses, which declined from \$219 million loss in the first quarter of fiscal year 2023 to \$32 million 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 \$11 million or 5.2%, to \$212 million for the first quarter of fiscal year 2024 compared to the first quarter of fiscal year 2023, due primarily to an increase in gross tuition and other student fees of \$15 million, offset by an increase in scholarship allowances of \$4 million. The increase in gross tuition revenue is primarily driven by the increase in instructional and non-resident surcharge. While overall university Autumn enrollments declined by 0.6%, rate increases for the incoming (undergraduate) tuition guarantee cohort and graduate students, combined with an increasing share of non-resident students continue to help offset the declining revenues caused by declining enrollment.

*Grants and contracts* – increased \$19 million in the first quarter of fiscal year 2024 compared to the first quarter of fiscal year 2023 due primarily to increases in private grants and contracts of \$9 million, federal grants and contracts of \$8 million, state grants and contracts of \$1 million, and local grants and contracts of \$1 million. The increases from federal grants and contracts are primarily due to increases from the Department of Defense, National Institutes of Health, and the Department of Agriculture.

*Gifts* – increased \$6 million over the prior year due primarily to increases in current use gifts of \$6 million.

*Sales and services of auxiliary enterprises* - increased \$30 million over the prior year due primarily to a \$44 million increase in Schottenstein Center revenue due to more events in fiscal year 2024. This increase was partially offset by a \$15 million decrease in Athletics revenue, mainly attributable to two fewer home football games in September.

*Sales and services of the OSU Health System and OSU Physicians, Inc* - increased \$120 million to \$1,407 million. The Health System experienced growth in both oncology and non-oncology infusions contributing to the strong margin. OSU Physicians revenues increased \$19 million due primarily to practice expansion and integration of the departments from the Health System to OSU Physicians.

*Other operating revenues* – decreased \$11 million primarily due to decreases in one time royalty revenues generated in 2022.

#### Expenses

*University* – expenses increased \$50 million to \$915 million in the first quarter of fiscal year 2024. Salaries increased \$26 million, or 7%, primarily due to a 3% 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 \$13 million, primarily due to increases in salary guidelines and composite benefit rates as well as strategic hiring. Supplies and services increased \$7 million, or 3%, primarily due to inflation. Depreciation increased \$4 million compared to prior year primarily due to new assets being placed in service. Other University expense changes include a \$2 million increase in graduate fee authorizations, a \$1 million increase in student aid, and a \$3 million decrease in interest expense.

*OSU Health System and OSU Physicians* – expenses, including depreciation and interest expenses, increased \$104 million to \$1,355 million in the first quarter of fiscal year 2024. The Health System continues to focus on throughput, workforce retention, and recruiting. While not immune to the challenges that continue to face the healthcare industry, the Health System's expense management was strong and below budget in the first quarter of fiscal year 2024.

*Auxiliary* – expenses increased \$28 million to \$140 million in the first quarter of fiscal year 2024, primarily due to increases in Schottenstein Center of \$27 million and Athletics of \$2 million.

## Cash and Investments

For the quarter ending September 30, 2023, total university cash and investments increased \$167 million to \$10,958 million compared to June 30, 2023, primarily due to increases in unexpended bond proceeds of \$192 million, temporary investments of \$79 million, cash and cash equivalents of \$29 million, and other long-term investments of \$7 million, offset by decreases in Long-Term Investment Pool of \$140 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, 2023, the fair value of the university's Long-Term Investment Pool decreased by \$140 million to \$7,244 million. Changes in total valuation compared to the prior year are summarized below:

	2024	2023
Market Value at July 1	\$ 7,383,676	\$ 6,960,782
Net Principal Additions	8,864	104,971
Change in Market Value	(96,368)	(217,443)
Income Earned	50,180	41,750
Distributions	(75,910)	(71,335)
Expenses	(26,853)	(24,586)
Market Value at September 30	\$ 7,243,589	\$ 6,794,139

Net principal additions include new endowment gifts (\$11.7 million), reinvestment of unused endowment distributions (\$3.5 million), and net transfers of quasi-endowment funds (-\$7.3 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 September 30, 2023. Income earned includes interest and dividends and is used primarily to help fund distributions. Expenses include investment management expenses (\$19.9 million), University Development related expenses (\$6.0 million), and other administrative-related expenses (\$0.2 million).

## LTIP Investment Returns

For the quarter ending September 30, 2023, the LTIP earned a return, net of investment fees, of -0.91%. The comparable quarter ending September 30, 2022 saw a net investment return of -2.76%.

## Temporary Investments

For the quarter ending September 30, 2023, the Tier 1 Investments (weighted average duration is < 1 year) earned a return of 1.41%, outperforming the blended benchmark of ICE Bofa 6m US Treasury Bill benchmark and Bank of America ML 91-day T-Bill (1.31%) by 0.10%. Tier 2 Investments (weighted average duration is < 5 years) earned 0.69%, outperforming the blended benchmark of ICE Bofa US Corp & Govt 1-3 Years, BBG US Govt/Credit 1-5 Years, and BBG US Ag Gvt/Cr Intrmd (0.57%) by 0.12%.

For the comparable quarter ending September 30, 2022, the Tier 1 Investments earned a return of 0.48%. Tier 2 Investments returned -1.21% for the same time-period.

## Other Assets and Liabilities

Accounts receivable increased \$143 million, primarily reflecting a combination of increases in Health System patient care receivables and tuition receivables. Prepaid expenses increased \$158 million, primarily due to scholarships and fee authorizations for graduate associates, which are recognized as expense over the course of the semester. Unexpended bond proceeds increased \$192 million, reflecting new bond issuance offset by expenditures for capital projects. Deposits and advance payments for goods and services were up \$427 million, primarily reflecting tuition and fee receipts for fall semester. These amounts will be recognized as tuition revenue over the course of the semester.

## Debt

In September, the university closed on four bond issues, Series 2023B, Series 2023C, Series 2023D-1 and Series 2023D-2. The proceeds of the \$266 million of tax-exempt fixed rate General Receipts Bonds, Series 2023B, will be used to fund construction of the Wexner Medical Center's new Inpatient Hospital. The proceeds of the \$112 million of tax-exempt fixed rate General Receipts Refunding Bonds, Series 2023C, were used to refund portions of the Series 2016A bonds and to pay for costs of issuance. The proceeds of the \$125 million of tax-exempt Variable Rate Demand General Receipts Refunding bonds, Series 2023D-1, and the \$150 million of tax-exempt Variable Rate Demand General Receipts Refunding bonds, Series 2023D-2, were used to refund the Series 2010E bonds and Series 2014B bonds, respectively, and to pay for costs of issuance.

## Cash Flows

University cash and cash equivalents increased \$29 million in the first quarter of fiscal year 2024 compared to June 30, 2023. Net cash used in operating activities was \$66 million, compared to net cash used by operating activities of \$112 million in the first quarter of the prior year. The decrease in cash usage relates primarily to increases in receipts from sales and services, partially offset by payments made to employees and vendors. Net cash provided by noncapital financing activities was \$201 million in the first quarter of fiscal year 2024, compared to \$212 million for the prior year. The decrease is due primarily to decreases in state line-item appropriations due to year over year timing of receipts. Net cash provided by capital financing activities was \$66 million in the first

quarter of fiscal year 2024 due primarily to proceeds from bond issuance. Net cash used by investing activities was \$171 million, primarily due to purchases of investment.

**THE OHIO STATE UNIVERSITY**  
**CONSOLIDATED STATEMENTS OF NET POSITION - UNAUDITED**  
September 30, 2023 and June 30, 2023  
(in thousands)

	<u>As of September</u> <u>2023</u>	<u>As of June</u> <u>2023</u>	<u>Increase/(Decrease)</u>	
			Dollars	%
<b>ASSETS:</b>				
Current Assets:				
Cash and cash equivalents	\$ 1,268,921	\$ 1,239,560	\$ 29,361	2.4%
Temporary investments	1,804,013	1,725,226	78,787	4.6%
Accounts receivable, net	1,053,652	910,506	143,146	15.7%
Notes receivable - current portion, net	6,387	6,387	-	0.0%
Pledges receivable - current portion, net	73,297	73,297	-	0.0%
Accrued interest receivable	23,295	22,065	1,230	5.6%
Inventories, prepaid expenses, and other assets	361,121	193,515	167,606	86.6%
<b>Total Current Assets</b>	<u>4,590,686</u>	<u>4,170,556</u>	<u>420,130</u>	<u>10.1%</u>
Noncurrent Assets:				
Unexpended bond proceeds	402,174	210,358	191,816	91.2%
Notes receivable, net	29,032	30,330	(1,298)	-4.3%
Pledges receivable, net	136,110	136,110	-	0.0%
Net other post-employment benefit asset	128,942	128,942	-	0.0%
Long-term investment pool	7,243,589	7,383,676	(140,087)	-1.9%
Other long-term investments	239,218	231,885	7,333	3.2%
Leases receivable, net	49,129	49,129	-	0.0%
Other noncurrent assets	268,713	268,713	-	0.0%
Capital assets, net	8,573,710	8,493,717	79,993	0.9%
<b>Total Noncurrent Assets</b>	<u>17,070,617</u>	<u>16,932,860</u>	<u>137,757</u>	<u>0.8%</u>
<b>Total Assets</b>	<u>21,661,303</u>	<u>21,103,416</u>	<u>557,887</u>	<u>2.6%</u>
Deferred Outflows:				
Pension	1,474,386	1,474,386	-	0.0%
Other post-employment benefits	213,518	213,518	-	0.0%
Other deferred outflows	20,963	21,271	(308)	-1.4%
<b>Total Assets and Deferred Outflows</b>	<u>\$ 23,370,170</u>	<u>\$ 22,812,591</u>	<u>\$ 557,579</u>	<u>2.4%</u>
<b>LIABILITIES AND NET POSITION:</b>				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 801,901	\$ 783,124	\$ 18,777	2.4%
Deposits and advance payments for goods and services	876,980	449,707	427,273	95.0%
Current portion of bonds, notes and leases payable	121,951	121,951	-	0.0%
Long-term bonds payable, subject to remarketing	603,820	603,820	-	0.0%
Other current liabilities	78,785	92,197	(13,412)	-14.5%
<b>Total Current Liabilities</b>	<u>2,483,437</u>	<u>2,050,799</u>	<u>432,638</u>	<u>21.1%</u>
Noncurrent Liabilities:				
Bonds, notes and leases payable	3,265,832	2,989,009	276,823	9.3%
Concessionaire payable	425,815	431,608	(5,793)	-1.3%
Net pension liability	4,214,821	4,214,821	-	0.0%
Net other post-employment benefit liability	92,020	92,020	-	0.0%
Compensated absences	216,167	213,689	2,478	1.2%
Self-insurance accruals	83,432	84,980	(1,548)	-1.8%
Amounts due to third-party payors - Health System	74,697	74,697	-	0.0%
Irrevocable split-interest agreements	33,370	33,008	362	1.1%
Refundable advances for Federal Perkins loans	20,821	20,821	-	0.0%
Advance from concessionaire	952,917	958,816	(5,899)	-0.6%
Other noncurrent liabilities	307,493	308,943	(1,450)	-0.5%
<b>Total Noncurrent Liabilities</b>	<u>9,687,385</u>	<u>9,422,412</u>	<u>264,973</u>	<u>2.8%</u>
<b>Total Liabilities</b>	<u>12,170,822</u>	<u>11,473,211</u>	<u>697,611</u>	<u>6.1%</u>
Deferred Inflows:				
Parking service concession arrangement	375,613	378,021	(2,408)	-0.6%
Pension	109,418	109,418	-	0.0%
Other post-employment benefits	133,209	133,209	-	0.0%
Other deferred inflows	470,315	448,875	21,440	4.8%
<b>Total Deferred Inflows</b>	<u>1,088,555</u>	<u>1,069,523</u>	<u>19,032</u>	<u>1.8%</u>
<b>Total Net Position</b>	<u>10,110,793</u>	<u>10,269,857</u>	<u>(159,064)</u>	<u>-1.5%</u>
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	<u>\$ 23,370,170</u>	<u>\$ 22,812,591</u>	<u>\$ 557,579</u>	<u>2.4%</u>

**THE OHIO STATE UNIVERSITY**  
**CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION - UNAUDITED**  
**For the Three Months Ended September 30, 2023 and September 30, 2022**  
**(in thousands)**

	September		Increase/(Decrease)	
	2023	2022	Dollars	%
Operating Revenues:				
Student tuition and fees, net	\$ 212,391	\$ 201,813	\$ 10,578	5.2%
Federal grants and contracts	119,722	111,461	8,261	7.4%
State grants and contracts	20,551	19,363	1,188	6.1%
Local grants and contracts	7,617	6,765	852	12.6%
Private grants and contracts	94,811	85,701	9,110	10.6%
Sales and services of educational departments	55,248	56,173	(925)	-1.6%
Sales and services of auxiliary enterprises	131,455	101,326	30,129	29.7%
Sales and services of the OSU Health System, net	1,148,563	1,047,768	100,795	9.6%
Sales and services of OSU Physicians, Inc., net	258,178	239,463	18,715	7.8%
Other operating revenues	14,629	25,489	(10,860)	-42.6%
<b>Total Operating Revenues</b>	<b>2,063,165</b>	<b>1,895,322</b>	<b>167,843</b>	<b>8.9%</b>
Operating Expenses:				
Educational and General:				
Instruction and departmental research	302,599	282,729	19,870	7.0%
Separately budgeted research	163,884	151,036	12,848	8.5%
Public service	54,748	52,337	2,411	4.6%
Academic support	83,452	70,025	13,427	19.2%
Student services	29,643	26,920	2,723	10.1%
Institutional support	105,609	112,772	(7,163)	-6.4%
Operation and maintenance of plant	43,018	39,009	4,009	10.3%
Scholarships and fellowships	28,706	27,688	1,018	3.7%
Auxiliary enterprises	140,428	112,115	28,313	25.3%
OSU Health System	1,033,894	955,226	78,668	8.2%
OSU Physicians, Inc.	250,298	228,802	21,496	9.4%
Depreciation	134,748	126,508	8,240	6.5%
<b>Total Operating Expenses</b>	<b>2,371,027</b>	<b>2,185,167</b>	<b>185,860</b>	<b>8.5%</b>
<b>Operating Loss</b>	<b>(307,862)</b>	<b>(289,845)</b>	<b>(18,017)</b>	<b>-6.2%</b>
Non-operating Revenues (Expenses):				
State share of instruction and line-item appropriations	107,058	127,235	(20,177)	-15.9%
Federal subsidies for Build America Bonds interest	2,830	2,863	(33)	-1.2%
Federal non-exchange grants	39,379	35,264	4,115	11.7%
Federal COVID-19 assistance programs	6,484	9,259	(2,775)	-30.0%
State non-exchange grants	3,678	3,445	233	6.8%
Gifts	29,556	23,926	5,630	23.5%
Net investment income (loss)	(32,326)	(218,691)	186,365	85.2%
Interest expense	(39,203)	(42,734)	3,531	8.3%
Other non-operating revenues (expenses)	(4,017)	(2,809)	(1,208)	-43.0%
<b>Net Non-operating Revenues (Expenses)</b>	<b>113,439</b>	<b>(62,242)</b>	<b>175,681</b>	<b>282.3%</b>
<b>Income (loss) before changes in net position</b>	<b>(194,423)</b>	<b>(352,087)</b>	<b>157,664</b>	<b>44.8%</b>
Changes in Net Position				
State capital appropriations	15,049	10,658	4,391	41.2%
Private capital gifts	8,571	8,807	(236)	-2.7%
Additions to permanent endowments	11,739	10,856	883	8.1%
<b>Total Changes in Net Position</b>	<b>35,359</b>	<b>30,321</b>	<b>5,038</b>	<b>16.6%</b>
<b>Increase (decrease) in Net Position</b>	<b>(159,064)</b>	<b>(321,766)</b>	<b>\$ 162,702</b>	<b>50.6%</b>
Net Position - Beginning of Year	10,269,857	9,591,695		
Net Position - End of Period	\$ 10,110,793	\$ 9,269,929		

**THE OHIO STATE UNIVERSITY**  
**STATEMENTS OF CASH FLOWS - UNAUDITED**  
**For the Three Months Ended September 30, 2023 and September 30, 2022**  
(in thousands)

	<b>September 2023</b>	<b>September 2022</b>	<b>Increase/(Decrease)</b>	
			<b>Dollars</b>	<b>%</b>
<b>Cash Flows from Operating Activities:</b>				
Tuition and fee receipts	\$ 383,331	\$ 379,422	\$ 3,909	1.0%
Grant and contract receipts	238,438	236,438	2,000	0.8%
Receipts for sales and services	1,543,486	1,331,711	211,775	15.9%
Payments to or on behalf of employees	(1,067,867)	(985,223)	(82,644)	-8.4%
University employee benefit payments	(246,901)	(275,460)	28,559	10.4%
Payments to vendors for supplies and services	(902,587)	(814,958)	(87,629)	-10.8%
Payments to students and fellows	(24,868)	(23,843)	(1,025)	-4.3%
Student loans issued	(526)	(1,023)	497	48.6%
Student loans collected	7,803	6,604	1,199	18.2%
Student loan interest and fees collected	415	359	56	15.6%
Other receipts (payments)	2,976	34,370	(31,394)	-91.3%
Net cash provided (used) by operating activities	<u>(66,300)</u>	<u>(111,603)</u>	<u>45,303</u>	<u>40.6%</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
State share of instruction and line-item appropriations	107,058	127,235	(20,177)	-15.9%
Non-exchange grant receipts	43,057	38,709	4,348	11.2%
Federal COVID-19 assistance programs	6,484	9,259	(2,775)	-30.0%
Gift receipts for current use	29,556	23,926	5,630	23.5%
Additions to permanent endowments	11,739	10,856	883	8.1%
Drawdowns of federal direct loan proceeds	137,150	132,040	5,110	3.9%
Disbursements of federal direct loans to students	(135,259)	(128,587)	(6,672)	-5.2%
Repayment of loans from related organization	-	(1,011)	1,011	100.0%
Amounts received for annuity and life income funds	894	517	377	72.9%
Amounts paid to annuitants and life beneficiaries	(532)	(1,644)	1,112	67.6%
Agency funds receipts	6,454	6,616	(162)	-2.4%
Agency funds disbursements	(5,279)	(5,588)	309	5.5%
Other receipts	85	-	85	100.0%
Net cash provided by noncapital financing activities	<u>201,407</u>	<u>212,328</u>	<u>(10,921)</u>	<u>-5.1%</u>
<b>Cash Flows from Capital Financing Activities:</b>				
Proceeds from capital debt and leases	301,736	-	301,736	100.0%
Gift receipts for capital projects	8,571	8,807	(236)	-2.7%
Payments for purchase or construction of capital assets	(226,695)	(214,294)	(12,401)	-5.8%
Principal payments on capital debt and leases	(5,793)	(4,688)	(1,105)	-23.6%
Interest payments on capital debt and leases	(12,160)	(7,893)	(4,267)	-54.1%
Net cash provided (used) by capital financing activities	<u>65,659</u>	<u>(218,068)</u>	<u>283,727</u>	<u>130.1%</u>
<b>Cash Flows from Investing Activities:</b>				
Purchases of investments	(1,183,150)	(2,976,553)	1,793,403	60.3%
Proceeds from sales and maturities of investments	953,724	3,257,965	(2,304,241)	-70.7%
Investment income	58,021	28,364	29,657	104.6%
Net cash provided (used) by investing activities	<u>(171,405)</u>	<u>309,776</u>	<u>(481,181)</u>	<u>-155.3%</u>
<b>Net Increase (Decrease) in Cash</b>	<b>29,361</b>	<b>192,433</b>	<b>\$ (163,072)</b>	<b>-84.7%</b>
Cash and Cash Equivalents - Beginning of Year	<u>1,239,560</u>	<u>479,601</u>		
Cash and Cash Equivalents - End of Period	<u>\$ 1,268,921</u>	<u>\$ 672,034</u>		