**NEW ISSUE** **RATINGS:** Moody's: "Aa1"
Book-Entry Only S&P: "AA"
Fitch: "AA"
See **RATINGS** herein.

*In the opinion of Bricker & Eckler LLP, Bond Counsel, under existing law and assuming compliance with certain covenants, interest on the Series 2014 A Bonds is excluded from gross income for federal income tax purposes, is not treated as an item of tax preference for purposes of the alternative minimum income tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended, and is exempt from certain taxes imposed by the State of Ohio. The Series 2014 A Bonds are not "private activity bonds" within the meaning of the Code. The University has not designated the Bonds as "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Code. Interest on the Series 2014 A Bonds may be subject to certain federal income taxes imposed on certain corporations, and certain taxpayers may have certain other adverse federal income tax consequences as a result of owning the Series 2014 A Bonds. See **TAX MATTERS** herein.*

# $135,985,000
# THE OHIO STATE UNIVERSITY
## (A State University of Ohio)
## General Receipts Bonds
## Series 2014 A
## (Tax Exempt)

**Dated: Date of Delivery** **Due: As shown on inside cover**

The General Receipts Bonds, Series 2014 A (Tax Exempt) (the "Series 2014 A Bonds" and sometimes the "Bonds") are special obligations of The Ohio State University (the "University") issued to pay costs of capital facilities and to pay costs of issuance of the Bonds. See **THE PROJECT AND PLAN OF FINANCE**.

The Bonds are issued pursuant to an Amended and Restated Trust Indenture dated as of December 1, 1999 between the University and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as amended and supplemented to date, including by a Series 2014 Supplement to Amended and Restated Trust Indenture dated as of October 1, 2014. Principal of, and interest and any premium on, the Bonds, and any other parity obligations, are payable solely from the General Receipts of the University and the Debt Service Fund. See **SECURITY AND SOURCES OF PAYMENTS**.

The Bonds are issuable in the denomination of $5,000 or any integral multiple thereof. The principal of the Bonds will be payable at the designated corporate trust office of the Trustee. Interest on the Bonds is payable semi-annually on June 1 and December 1, commencing December 1, 2014. The Bonds will be initially issued only as fully registered bonds issuable under a book-entry system and registered initially in the name of The Depository Trust Company or its nominee ("DTC"), which will initially act as securities depository for the Bonds as described herein. There will be no distribution of the Bonds to the owners of book-entry interests. So long as DTC or its nominee is the registered owner of the Bonds, references herein to the Bondholders or registered owners shall mean DTC or its nominee, and not the owners of book-entry interests in the Bonds. See **APPENDIX C – BOOK-ENTRY-ONLY SYSTEM**.

The Bonds are subject to mandatory and optional redemption prior to maturity as described herein. See **DESCRIPTION OF THE BONDS –Redemption**.

**The Bonds are not obligations of the State of Ohio, are not general obligations of the University, and the full faith and credit of the University is not pledged to their payment. The owners of the Bonds have no right to have any excises or taxes levied by the Ohio General Assembly for the payment of the principal, interest and redemption premium.**

***This cover page contains certain information for quick reference only. It is not intended to be a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.***

The Series 2014 A Bonds are offered when, as and if issued by the University and received by the Underwriters, subject to a receipt of an opinion on certain legal matters relating to their issuance by Bricker & Eckler LLP, bond counsel to the University. Certain legal matters will be passed upon for the University by its statutory counsel, the Attorney General of the State of Ohio, through Christopher Culley, Assistant Attorney General and General Counsel for the University, and by Tucker Ellis LLP. Certain legal matters in connection with the Bonds will be passed upon for the Underwriters by Thompson Hine LLP, counsel to the Underwriters. It is expected that the Bonds will be available in definitive form for delivery through the facilities of DTC in New York, New York on or about October 9, 2014.

| | | | |
|---|---|---|---|
| **Barclays[(1)]** | **J.P. Morgan[(1)]** | **KeyBanc Capital Markets[(1)]** | **RBC Capital Markets[(1)]** |
| **Loop Capital Markets** | **Morgan Stanley** | **US Bancorp** | **Wells Fargo Securities** |

This Official Statement is dated September 23, 2014.

(1) Joint Bookrunning Senior Managers

## MATURITY SCHEDULE

**$135,985,000**
**THE OHIO STATE UNIVERSITY**
**(A State University of Ohio)**
**General Receipts Bonds**
**Series 2014 A**
**(Tax Exempt)**

## SERIAL BONDS

| Maturity Date (December 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP† |
|---|---|---|---|---|---|
| 2015 | $2,190,000 | 2.000% | 0.180% | 102.079% | 677632B59 |
| 2016 | 2,235,000 | 2.000% | 0.400% | 103.412 | 677632B67 |
| 2017 | 2,315,000 | 5.000% | 0.650% | 113.516 | 677632B75 |
| 2018 | 2,435,000 | 5.000% | 0.950% | 116.419 | 677632B83 |
| 2019 | 2,560,000 | 5.000% | 1.270% | 118.516 | 677632B91 |
| 2020 | 2,690,000 | 5.000% | 1.560% | 120.078 | 677632C25 |
| 2021 | 2,825,000 | 5.000% | 1.850% | 120.988 | 677632C33 |
| 2022 | 2,970,000 | 5.000% | 2.090% | 121.686 | 677632C41 |
| 2023 | 3,125,000 | 5.000% | 2.250% | 122.611 | 677632C58 |
| 2024 | 3,285,000 | 5.000% | 2.380% | 123.486 | 677632C66 |
| 2025 | 3,455,000 | 5.000% | 2.490%* | 122.375 | 677632C74 |
| 2026 | 3,630,000 | 5.000% | 2.580%* | 121.475 | 677632C82 |
| 2027 | 3,815,000 | 5.000% | 2.690%* | 120.385 | 677632C90 |
| 2028 | 3,970,000 | 3.000% | 3.100% | 98.859 | 677632D24 |
| 2029 | 4,135,000 | 5.000% | 2.780%* | 119.503 | 677632D32 |
| 2030 | 4,325,000 | 4.000% | 3.240%* | 106.523 | 677632D40 |
| 2031 | 4,500,000 | 4.000% | 3.300%* | 105.989 | 677632D57 |
| 2032 | 4,685,000 | 4.000% | 3.360%* | 105.459 | 677632D65 |
| 2033 | 4,875,000 | 4.000% | 3.410%* | 105.020 | 677632D73 |
| 2034 | 5,100,000 | 5.000% | 3.110%* | 116.331 | 677632D81 |

## TERM BONDS

$29,700,000 5.000% Term Bond Maturing December 1, 2039, Yield 3.240%*, Price 115.109, CUSIP 677632D99†

$37,165,000 4.000% Term Bond Maturing December 1, 2044, Yield 3.740%*, Price 102.174, CUSIP 677632E23†



* Calculated to the December 1, 2024 par call date.

**THE OHIO STATE UNIVERSITY**
**BOARD OF TRUSTEES**



**PRESIDENT OF THE UNIVERSITY**
Dr. Michael V. Drake

**SECRETARY OF THE BOARD OF TRUSTEES**
Blake Thompson

**SENIOR VICE PRESIDENT OF BUSINESS AND FINANCE AND CHIEF FINANCIAL OFFICER OF THE UNIVERSITY**
Geoffrey S. Chatas

**VICE PRESIDENT OF FINANCIAL SERVICES AND TREASURER OF THE UNIVERSITY**
Michael Papadakis

**TRUSTEE BANK**
The Bank of New York Mellon Trust Company, N.A.
New Albany, Ohio

**BOND COUNSEL**
Bricker & Eckler LLP
Columbus, Ohio

**ISSUER COUNSEL**
Tucker Ellis LLP
Cleveland, Ohio

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## REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement, including the Appendices attached hereto, does not constitute an offering of any security other than the original offering by the University of the Bonds identified on the cover hereof. No dealer, broker, salesman or other person has been authorized by the University to give any information or to make any representation with respect to the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations not so authorized must not be relied upon as having been given or authorized by the University. This Official Statement, which includes the cover page and the Appendices attached hereto, does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and descriptions in this Official Statement do not purport to be comprehensive or definitive. Statements regarding specific documents, including the Bonds, are summaries of and subject to the detailed provisions of such documents and are qualified in their entirety by reference to each such document, copies of which will be made available, upon request, for examination in the offices of the Underwriters during the initial offer of the Bonds and thereafter at the designated corporate trust office of the Trustee.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the University since the date of this Official Statement.

Upon issuance, the Bonds will not be registered by the University under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities law. The Bonds will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, or other governmental entity or agency, except the University, will have passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale. Any representation to the contrary is a criminal offense.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1955, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "intend," "projection" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information in APPENDIX A – THE OHIO STATE UNIVERSITY. A number of important factors, including factors affecting the University's financial condition and factors which are otherwise unrelated thereto, could cause actual results to differ materially from those stated in such forward-looking statements. THE UNIVERSITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

The projections and preliminary financial data set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information and preliminary financial data, but, in the view of the University's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the University. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information and preliminary financial data. Neither the University's independent accountants, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information and preliminary financial data contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information and preliminary financial data.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**$135,985,000**
**THE OHIO STATE UNIVERSITY**
**(A State University of Ohio)**
**General Receipts Bonds**
**Series 2014 A**
**(Tax Exempt)**

## INTRODUCTORY STATEMENT

### General

This Official Statement has been prepared by The Ohio State University (the "University"), a state university of the State of Ohio, in connection with the issuance and sale by the University of $135,985,000 in aggregate principal amount of its General Receipts Bonds, Series 2014 A (Tax Exempt) (the "Bonds"). The Bonds are being issued for the purpose of paying costs of capital facilities and paying costs of the issuance of the Bonds, all described under **THE PROJECT AND PLAN OF FINANCE** herein.

The Bonds are being issued pursuant to Sections 3345.11 and 3345.12 of the Ohio Revised Code (the "Act"), the General Bond Resolution adopted by the Board on November 5, 1999 (the "1999 Bond Resolution") and the Series 2014 Bond Resolution (the "Series 2014 Bond Resolution"), adopted by the Board of Trustees of the University (the "Board") on June 9, 1999 and June 6, 2014, respectively, an Amended and Restated Trust Indenture (the "Amended and Restated Trust Indenture") dated as of December 1, 1999, as amended and supplemented to date, including by a Series 2014 Supplement to Amended and Restated Trust Indenture (the "Series 2014 Supplement"), dated as of October 1, 2014, both between the University and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"). The Series 2014 Bond Resolution, the Amended and Restated Trust Indenture and the Series 2014 Supplement are collectively referred to in this Official Statement as the "Indenture." Capitalized terms used herein which are not defined herein shall have the meanings described in the Indenture.

Pursuant to the Act, the University is authorized, among other things, to acquire, construct, improve and furnish certain "facilities" as defined in the Act, and to pay costs of those facilities by the issuance of obligations payable from the General Receipts of the University. The Indenture authorizes the issuance of obligations (as defined in the Indenture, the "Obligations") of the University to finance the costs of those authorized facilities (as defined in the Indenture, the "University Facilities"). The Series 2014 Supplement specifically authorizes the issuance of the Bonds.

The University has previously authorized and issued Obligations secured by the Indenture. The University expects to issue $150,000,000 of its Variable Rate Demand General Receipts Bonds, (Tax Exempt) Series 2014 B-1 and Series 2014 B-2 (collectively, the "Series 2014 B Bonds") simultaneously with the Series 2014 A Bonds. Upon issuance of the Series 2014 A Bonds and the Series 2014 B Bonds, there will be 18 series of General Receipts Bonds secured by the Indenture outstanding of which $2,442,560,000 in aggregate principal amount will be Senior Lien Obligations and $337,955,000 in aggregate principal amount will be subordinated Special Purpose General Receipts Obligations. Senior Lien Obligations, including the Bonds, are secured by General Receipts of the University. Special Purpose General Receipts Bonds are subordinated obligations of the University payable solely from Special Purpose

Pledged Revenues, as described herein (Senior Lien Obligations and Special Purpose General Receipts Obligations are collectively referred to herein as "Obligations"). See **GENERAL RECEIPTS OBLIGATIONS** and **OUTSTANDING GENERAL RECEIPTS BONDS** herein.

References to provisions of Ohio law, whether codified in the Ohio Revised Code or uncodified, or the Ohio Constitution are references to those current provisions. Those provisions may be amended, repealed or supplemented.

As used in this Official Statement, "Debt Service Charges" means principal (including any mandatory sinking fund requirements), interest and any redemption premium required to be paid by the University on the Obligations, and "Fiscal Year" means the University's fiscal year, currently the 12-month period from July 1 to June 30. Reference to a particular fiscal year (such as "Fiscal Year 2014") means the Fiscal Year that ends on June 30 in the indicated year. This Official Statement includes all Appendices hereto, which are incorporated herein.

## GENERAL RECEIPTS OBLIGATIONS

### General

The 1999 Bond Resolution and the Amended and Restated Trust Indenture are the basic documents pertaining to all Obligations and prescribe the conditions for the issuance of additional Obligations. For each issue of Obligations a Series Resolution, setting forth detailed provisions for that issue, is usually adopted. On June 6, 2014, the Board of Trustees of the University authorized by the Series 2014 Bond Resolution the issuance of not to exceed $500 million in General Receipts Bonds for the purpose of paying the costs of certain University Facilities and the costs of issuance. The Bonds are specifically authorized by the Series 2014 Bond Resolution and the Series 2014 Supplement.

The proceeds of all Obligations are to be applied solely to pay costs of University Facilities, including capitalized interest, to refund, fund or retire obligations issued for that purpose, as specifically provided and allocated in the applicable Series Resolution, and to pay issuance costs associated with the issuance of such Obligations.

University Facilities are defined in the Indenture as buildings, structures and other improvements, and equipment, real estate and interests in real estate therefor, all or any part of the costs of which are at any time authorized by the Act to be financed by the issuance of obligations. The Act authorizes the financing of "facilities," defined in the Act to include "auxiliary facilities" (student activity or student service facilities, housing and dining facilities, dining halls or other food service and preparation facilities, vehicular parking facilities, bookstores, athletic and recreational facilities, faculty centers, auditoriums, assembly and exhibition halls, hospitals, infirmaries and other medical and health facilities, research and continuing education facilities); "educational facilities" (classrooms, or other instructional facilities, libraries, administrative and office facilities, and other facilities, other than auxiliary facilities, to be used directly or indirectly for or in connection with the conduct of the institution of higher education); "housing and dining facilities" (dormitories or other living quarters and accommodations, or related dining halls or other food service and preparation facilities, for students, members of the faculty, officers, or employees of the institution of higher education, and their spouses and families); and any one, part of or any combination of those facilities.

**The Bonds are not obligations of the State of Ohio, are not general obligations of the University, and the full faith and credit of the University is not pledged to their payment. The owners of the Bonds have no right to have any excises or taxes levied by the Ohio General Assembly for the payment of the principal, interest and redemption premium.**

**Senior Lien Obligations**

The Bonds are being issued as Senior Lien Obligations. The University has previously issued Senior Lien Obligations and may at any time incur additional Senior Lien Obligations secured by a pledge and lien on all General Receipts of the University (which includes all Special Purpose Pledged Revenues, described below) and such pledge is senior in priority to the pledge and lien securing the Special Purpose General Receipts Obligations described below. Upon the issuance of the Series 2014 A Bonds and the Series 2014 B Bonds, Senior Lien Obligations will consist of $2,442,560,000 in principal amount of all outstanding General Receipts Bonds issued pursuant to the Indenture.

Senior Lien Obligations secured by General Receipts of the University represent a type of financing of facilities by state universities of Ohio authorized by an amendment to the Ohio Constitution as implemented by the Act. Significant elements of this financing are the broad scope and gross pledge character of the security afforded to the Senior Lien Obligations, and the simplicity and flexibility provided by permitting all authorized types of facilities to be financed under one open end trust indenture.

Security provisions include the pledge to secure the Senior Lien Obligations, on a gross pledge and first lien basis, of all General Receipts of the University. The General Receipts are defined in the Indenture and consist of all moneys received by the University including but not limited to all gross fees, deposits, charges, receipts and income from all or any part of the students of the University, whether designated as tuition, instructional fees, tuition surcharges, general fees, activity fees, health fees or other special purpose fees or otherwise designated; all gross income, revenues and receipts from the operation, ownership, or control of University Facilities; all grants, gifts, donations and pledges and receipts therefrom; and the proceeds of the sale of Obligations, including proceeds of Obligations issued to refund Obligations previously issued, to the extent and as allocated to the payment of Debt Service Charges under the proceedings authorizing those obligations.

The exclusions from the General Receipts consist of moneys raised by taxation and State appropriations until and unless their pledge to Debt Service Charges is authorized by law and is made by a supplemental trust agreement approved by the Board; any grants, gifts, donations and pledges, and receipts therefrom, which under restrictions imposed in the grant or promise or as a condition of the receipt are not available for payment of Debt Service Charges; moneys received in connection with branch campus operations; any special fee charged pursuant to Section 154.21(D) of the Ohio Revised Code and receipts therefrom (that fee, relating to bonds of the State issued by the Ohio Public Facilities Commission, has never been required to be imposed and is not anticipated to be required to be imposed).

Pursuant to the Act, upon their receipt by the University, the General Receipts are immediately subject to the lien of the pledge made by the Indenture, and the lien of that pledge is valid against all parties having claims of any kind, regardless of notice, and creates a perfected security interest without necessity for prior separation, physical delivery, filing or recording or further act by the University.

**Special Purpose General Receipts Obligations**

In 2013, the University issued its Special Purpose General Receipts Bonds, Series 2013 A (the "Series 2013 A Bonds") as subordinated obligations of the University, payable solely from the Special Purpose Pledged Revenues, as hereinafter described. Under the Indenture, the pledge and lien on Special Purpose Pledged Revenues is junior to the pledge and lien of Senior Lien Obligations issued by the University (currently consisting of 18 series of General Receipts Bonds, including the Series 2014 A Bonds and the Series 2014 B Bonds). The Indenture permits the University to issue additional obligations secured by a pledge and lien on Special Purpose Pledged Revenues, on a parity with, or subordinate in priority to, the pledge and lien securing the Series 2013 A Bonds. See **SECURITY AND SOURCES OF PAYMENTS – Annual Debt Service Charges and Coverage on Both Senior Lien Obligations and Special Purpose General Receipts Obligations** herein.

Subject to the terms and conditions of the Indenture, no payment on account of Debt Service Charges on any Special Purpose General Receipts Obligations shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of the Special Purpose General Receipts Obligations, unless full payment of amounts then due and payable for principal, purchase price, premium, if any, and interest on Senior Lien Obligations and for funding of sinking funds and reserve funds relating to Senior Lien Obligations has been made or duly provided for in accordance with the terms of the Indenture and such Senior Lien Obligations. No payment on account of Debt Service Charges on the Special Purpose General Receipts Obligations shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of the Special Purpose General Receipts Obligations, if, at the time of such payment or application or immediately after giving effect thereto, (i) there shall exist a default in the payment of principal, purchase price, premium, if any, with respect to any Senior Lien Obligations and for funding of sinking funds and reserve funds relating to Senior Lien Obligations, or (ii) there shall have occurred and be continuing an Event of Default (other than a default in the payment of principal, premium, if any, sinking funds or interest) with respect to any Senior Lien Obligations or in the Indenture, permitting the holders thereof to accelerate the maturity thereof.

The proceeds of the Series 2013 A Bonds and any additional obligations issued by the University as Special Purpose General Receipts Obligations are required to be applied solely to pay costs of acquisition, construction, improvement and renovation of certain student housing, dining and student recreation facilities of the University, including capitalized interest, as specifically provided and allocated in the applicable Series Resolution, and to pay issuance costs associated with the issuance of such Obligations.

Special Purpose Revenue Facilities are defined in the Series 2013 Supplement to the Amended and Restated Trust Indenture, dated as of January 1, 2013, between the University and The Bank of New York Mellon Trust Company, N.A., as successor trustee, as all housing and dining facilities and such auxiliary facilities as shall constitute recreation facilities owned by the University.

Special Purpose Pledged Revenues include all revenues, fees, rentals, rates, charges, insurance proceeds and other moneys derived by the University from the ownership or operation of Special Purpose Revenue Facilities, subject and subordinate to the lien on General Receipts securing any Senior Lien Obligation. See **SECURITY AND SOURCES OF PAYMENTS – Annual Debt Service Charges and Coverage on Both Senior Lien Obligations and Special Purpose General Receipts Obligations** herein.

**Constitutional and Statutory Authorization**

The Bonds are authorized pursuant to the Act, enacted under authority of the Ohio Constitution, and particularly Section 2i of Article VIII thereof, which provides that the General Assembly may authorize the issuance of revenue obligations and other obligations for capital improvements for state-supported and state-assisted institutions of higher education, which obligations may be secured by a pledge under law of all or such portion of receipts of those institutions as the General Assembly authorizes. Section 2i further provides that **the owners or holders of those obligations, such as the Bonds, are not given the right to have excises or taxes levied by the General Assembly for the payment of principal or interest.**

The Act implements the constitutional authority and authorizes the issuance by the University of obligations to pay all or part of the cost of "facilities" (as defined in the Indenture, the "University Facilities") and to refund, fund or retire obligations previously issued for the purpose; authorizes the pledge to the obligations of all or such part of the "available receipts" of the University as the University determines in the Bond proceedings (being the General Receipts); and provides that the pledge of and lien on General Receipts may, as provided for in the Indenture, be made prior to all other expenses, claims or payments.

## THE PROJECT AND PLAN OF FINANCE

The Series 2014 A Bonds are being issued for the purpose of paying a portion of the costs of the Project described below, and paying costs of the issuance of the Series 2014 A Bonds.

From time to time the University issues bonds, notes, and other obligations secured by the pledge of its General Receipts to pay a portion of the costs of acquiring, constructing and installing University Facilities. Additional sources of funding for such purposes include gifts, donations, State appropriations and other funds of the University. See **APPENDIX A – GENERAL – Physical Plant** for a detailed description of the University's facilities.

The University Facilities to be financed with the proceeds of the Bonds (the "Project") constitute the continuation of an ongoing program of improvement to the capital plant of the University. The Project will consist of new construction and improvements, upgrades, renovations and repairs to several broad categories of facilities, principally the expansion of The Ohio State University Wexner Medical Center, student life facilities, utilities, roads, grounds and other campus infrastructure. The responsibility of the University to maintain its General Receipts at a level sufficient to pay the Debt Service on the Bonds and any other Obligations is neither subject to nor conditioned by the completion of the Project or any portion thereof.

**Estimated Sources and Uses of Funds**

The estimated sources and uses of funds with respect to the Bonds are summarized below:

| | |
|---|---|
| Sources of Funds: | |
| Par Amount of Bonds | $135,985,000.00 |
| Net Original Issue Premium | 14,835,451.05 |
| Total Sources | $150,820,451.05 |
| | |
| Uses of Funds: | |
| Facilities Fund | $150,000,000.00 |
| Issuance Expenses(1) | 820,451.05 |
| Total Uses | $150,820,451.05 |

(1) To pay issuance expenses of the Bonds, including Underwriters' discount, legal fees, Trustee fees and miscellaneous costs.

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## DESCRIPTION OF THE BONDS

### General Terms

The Bonds will be dated as of the date of their issuance and delivery, as set forth in the cover page hereof. The Bonds will bear interest at the rate set forth in the cover page hereof, payable semi-annually on June 1 and December 1, commencing on December 1, 2014, and will mature on the date and in the principal amount set forth on the cover page of this Official Statement. The Bonds are issuable as fully registered bonds in denominations of $5,000 and integral multiples thereof. Interest on the Bonds will be calculated based on a year of 360 days, consisting of twelve 30-day months.

The principal is payable only to the registered owner, initially DTC or its nominee, at the designated corporate trust office of the Trustee. Except as otherwise provided in the agreement between DTC and the Trustee, interest will be paid on each June 1 and December 1 to the registered owner of a Bond at the close of the 15th day of the calendar month next preceding that interest payment date (the "Regular Record Date") (i) by check or draft mailed to the registered owner at the owner's address as it appears on the registration books maintained by the Trustee, or (ii) by wire transfer to such account, if any, as requested by such registered owner of $1,000,000 or more in aggregate principal amount of the Bonds, provided that notice of such request is given in writing by such owner to the Paying Agent not less than ten (10) days prior to an Interest Payment Date for which such notice shall be effective, such notice continuing in effect as to subsequent Interest Payment Dates until such time as an owner in writing notifies the Paying Agent to the contrary or until such time as such owner ceases to be an owner of the requisite principal amount of Bonds.

### Redemption

The Series 2014 A Bonds are subject to optional redemption as described below.

*Mandatory Sinking Fund Redemption*. The Series 2014 A Bonds term bonds maturing on December 1, 2039 (the "2039 Term Bonds") and on December 1, 2044 (the "2044 Term Bonds" and collectively with the 2039 Term Bonds, the "Term Bonds") are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

**2039 Term Bonds**

| Year | Principal Amount to be Redeemed |
|---|---|
| 2035 | $5,360,000 |
| 2036 | 5,635,000 |
| 2037 | 5,925,000 |
| 2038 | 6,230,000 |
| 2039 | 6,550,000+ |

\+ Maturity

**2044 Term Bonds**

| Year | Principal Amount to be Redeemed |
|---|---|
| 2040 | $6,850,000 |
| 2041 | 7,130,000 |
| 2042 | 7,420,000 |
| 2043 | 7,725,000 |
| 2044 | 8,040,000+ |

\+ Maturity

*Optional Redemption*. The Series 2014 A Bonds maturing on and after December 1, 2025 are subject to optional redemption by and at the sole option of the University, in whole or in part at any time on or after December 1, 2024, (in whole multiples of $5,000) at a redemption price equal to the principal amount redeemed plus accrued interest to the redemption date.

**Selection of Bonds to be Redeemed**

If fewer than all of the outstanding Series 2014 A Bonds are called for redemption at one time, the maturities of the Series 2014 A Bonds to be called shall be selected by the University.

If less than all of an outstanding Series 2014 A Bond of a single maturity under a book entry system is called for redemption, the Trustee shall only give notice of redemption to DTC as registered owner. The selection of the book entry interests in that Series 2014 A Bond to be redeemed is discussed below under **Notice of Redemption; Effect**.

If bond certificates are issued to the ultimate owners, and if fewer than all of the Series 2014 A Bonds of a single maturity are to be redeemed, the selection of Series 2014 A Bonds to be redeemed, or portions of Series 2014 A Bonds, shall be made by lot by the Trustee in any manner which the Trustee may determine.

In the case of a partial redemption by lot when Series 2014 A Bonds of denominations greater than $5,000 are then outstanding, each $5,000 unit of principal will be treated as if it were a separate Series 2014 A Bond in the denomination of $5,000.

**Notice of Redemption; Effect**

The Trustee is to cause notice of the call for redemption, identifying the Series 2014 A Bonds or portions of Series 2014 A Bonds to be redeemed, to be sent by first class mail, at least 30 days prior to the redemption date, to the registered owner (initially, DTC) of each Series 2014 A Bond to be redeemed at the address shown on the Register. Any defect in the notice or any failure to receive notice by mailing will not affect the validity of any proceedings for the redemption of any Series 2014 A Bonds.

On the date designated for redemption, Series 2014 A Bonds or portions of Series 2014 A Bonds called for redemption shall become due and payable. If the Trustee holds sufficient moneys for payment of debt service payable on that redemption date, interest on each Series 2014 A Bond (or portion of a Series 2014 A Bond) so called for redemption will cease to accrue on that date.

So long as all Series 2014 A Bonds are held under a book entry system by a securities depository (such as DTC), call notice is sent by the Trustee only to the depository or its nominee. Selection of book entry interests in the applicable series of Series 2014 A Bonds called, and giving notice of the call to the owners of those interests called, is the sole responsibility of the depository and of its Participants and Indirect Participants and will be done by lot or otherwise as determined by the depository. Any failure of the depository to advise any Participant, or of any Participant or any Indirect Participant to notify the book entry interest owners, of any such notice and in its content or effect will not affect the validity of any proceedings for the redemption of any Series 2014 A Bonds or portions of Series 2014 A Bonds. See **APPENDIX C – BOOK-ENTRY-ONLY SYSTEM**.

## SECURITY AND SOURCES OF PAYMENTS

### General

The Bonds are being issued as Senior Lien Obligations pursuant to, and will be secured by, the Indenture. All Senior Lien Obligations, including any outstanding Senior Lien Obligations, the Bonds and any additional Senior Lien Obligations, are and will be payable from and secured by a first pledge of and lien on the General Receipts of the University and the Debt Service Fund.

The University covenants in the Indenture to fix, make, adjust and collect fees, rates, rentals and charges as will produce at all times General Receipts sufficient to pay (i) Debt Service Charges, when due, and (ii) together with other monies lawfully available therefor, to pay all costs and expenses required to be paid under the Series 2014 A Bond proceedings, and all other costs and expenses necessary for the proper maintenance and successful and continuous operation of the University.

The Indenture establishes the Debt Service Fund, a special fund held by the Trustee, for the payment of Debt Service Charges on the Obligations. The University is to make payments to the Debt Service Fund in time and amount sufficient to pay Debt Service Charges when due.

The University may provide for bond insurance or other types of credit support, or a reserve fund or account, with respect to any one or more Obligations or series of Obligations and not with respect to any other Obligations or series of Obligations.

### General Receipts Pledged to the Bonds and Other Senior Lien Obligations

General Receipts pledged to the security of the Bonds include virtually all the receipts of the University, excepting only receipts expressly excluded by the Indenture. Among receipts expressly excluded are State appropriations, which for the University's Fiscal Year 2013 accounted for 9% of its total operating and non-operating revenues.

The General Receipts are defined in the Indenture and consist of all moneys received by the University including but not limited to all gross fees, deposits, charges, receipts and income from all or any part of the students of the University, whether designated as tuition, instructional fees, tuition surcharges, general fees, activity fees, health fees or other special purpose fees or otherwise designated; all gross income, revenues and receipts from the operation, ownership, or control of University Facilities; all grants, gifts, donations and pledges and receipts therefrom;

and the proceeds of the sale of Obligations, including proceeds of Obligations issued to refund Obligations previously issued, to the extent and as allocated to the payment of Debt Service Charges under the proceedings authorizing those Obligations.

The exclusions from the General Receipts consist of moneys raised by taxation and State appropriations until and unless their pledge to Debt Service Charges is authorized by law and is made by a supplemental trust agreement approved by the Board; any grants, gifts, donations and pledges, and receipts therefrom, which under restrictions imposed in the grant or promise or as a condition of the receipt are not available for payment of Debt Service Charges; moneys received in connection with branch campus operations; any special fee charged pursuant to Section 154.21(D) of the Ohio Revised Code and receipts therefrom (that fee, relating to bonds of the State issued by the Ohio Public Facilities Commission, has never been required to be imposed and is not anticipated to be required to be imposed).

Pursuant to the Act, upon their receipt by the University, the General Receipts are immediately subject to the lien of the pledge made by the Indenture, and the lien of that pledge is valid against all parties having claims of any kind, regardless of notice, and creates a perfected security interest without necessity for prior separation, physical delivery, filing or recording or further act by the University.

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General Receipts for the five most recent Fiscal Years were as follows (in thousands):

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Tuition, Fees and Other Student Charges | $739,214 | $785,414 | $870,021 | $930,482 | $970,997 |
| Unrestricted Government Grants & Contracts | 63,909 | 70,550 | 78,706 | 77,627 | 75,522 |
| Private Gifts and Grants | 28,156 | 33,355 | 23,182 | 22,481 | 24,967 |
| Unrestricted Endowment Income | 18,656 | 11,741 | 11,104 | 10,628 | 11,868 |
| Dept. & University Sales & Services | 101,730 | 115,473 | 121,773 | 111,983 | 135,900 |
| Auxiliary Sales & Services | 209,980 | 220,467 | 250,636 | 250,247 | 248,704 |
| Hospital Sales & Services | 1,585,934 | 1,699,664 | 1,791,207 | 1,927,064 | 2,033,381 |
| Other Sources | 47,845 | 54,622 | 56,350 | 54,161 | 49,815 |
| Total General Receipts | $2,795,424 | $2,991,286 | $3,202,979 | $3,384,673 | $3,551,155 |

Source: Audited financial statements of the University for the Fiscal Years ended June 30, 2009, 2010, 2011, 2012 and 2013.

Preliminary financial results of the University indicate that General Receipts for Fiscal Year 2014 are in excess of $3.7 billion.

**Debt Service Fund**

The University is required to make payments to the Trustee for deposit in the Debt Service Fund sufficient to pay Debt Service Charges on all Obligations when due. The Debt Service Fund and amounts therein are pledged as security for the payment of all Obligations, including the Bonds. The Debt Service Fund shall be invested, to the extent permitted by law, in Eligible Investments, as defined in the Indenture. See **THE INDENTURE - Debt Service Fund** herein.

**Facilities Fund**

The Indenture established the Facilities Fund to be held by the University and provides for certain proceeds of the Bonds to be deposited in the Project Account therein. The Facilities Fund shall be invested in accordance with the Investment Policy of the University (as such Policy may be amended from time to time by the University), and the Project Account may be disbursed by the University to pay costs of the Project and costs of the issuance of the Bonds, all in accordance with the Indenture. **The Facilities Fund is not held by the Trustee and is not pledged as security for the Bonds or any other Obligations.**

**Covenant as to Sufficiency of General Receipts**

The Bonds are further secured by the University's covenants in the Indenture that the University will fix, make, adjust and collect fees, rates, rentals and charges and other items of General Receipts as will produce at all times General Receipts sufficient to pay (i) Debt Service Charges on the Obligations when due and all other costs and expenses required to be paid under the Indenture and (ii) all other costs and expenses necessary for the proper maintenance and successful and continuous operation of the University.

**State Legislation Relative to University Fiscal Difficulties**

The Ohio General Assembly has enacted Sections 3345.70 to .78 of the Ohio Revised Code (hereinafter in this section the "Fiscal Watch Act") providing methods for dealing with fiscal difficulties of state-supported universities and colleges in Ohio.

Under the Fiscal Watch Act, a board of trustees of a state university may declare that the university is in a state of fiscal exigency. So long as such a state exists, the board (i) shall file minutes of their meetings and fiscal performance reports with the State Board of Regents, (ii) shall not use state funds to provide grants or scholarships to out-of-state students or subsidize off-campus housing or subsidize transportation to and from off-campus housing, and (iii) subject to any applicable bond proceedings and pledges, shall place all residence hall and meal fees in a rotary account dedicated to the upkeep and maintenance of dormitory buildings and to fund meal programs and place moneys for the operation of residence halls and meal programs in separately maintained auxiliary funds in the university accounting system.

The Fiscal Watch Act also requires the State's Office of Budget and Management to prepare rules for financial reporting by State-supported colleges and universities, establishing criteria for the State Board of Regents to determine when such a college or university is under a "fiscal watch," and specifying actions which must be taken by a college or university under a fiscal watch.

If the State Board of Regents determines that a fiscal watch exists, then the Governor of the State may, after consulting legislative leaders, appoint a conservator for the institution. Upon the making of such an appointment, all duties, responsibilities and powers of the institution's board of trustees are suspended and the management and control of the institution are assumed by the conservator, who also assumes custody of all property of the institution and the duties of the institution's president or chief executive officer. The conservator also conducts a preliminary performance evaluation of the institution's president or chief executive officer.

Within 30 days after the appointment of a conservator for such a college or university, the Governor must appoint, with the advice and consent of the State Senate, a five-member governance authority (the "Authority"). The Authority appoints an executive director and conducts a final evaluation of the institution's president or chief executive officer, who may be reinstated or terminated by the Authority. The Authority assumes management and control of the institution and its property from the conservator. The Authority also must prepare periodic reports about the institution including any progress in implementing reforms at the institution.

At least annually, the Authority must apply the fiscal watch criteria to the institution to determine whether sufficient fiscal stability has been achieved to warrant terminating the

Authority's governance of the institution, and if so, the Authority must certify such finding to the Governor. The Governor may then issue an order terminating the Authority and fill vacancies on the board of trustees of such institution, which board assumes management and control of the institution and its property from the Authority.

The University's administration has reviewed applicable portions of the Fiscal Watch Act and the applicable rules of the State Office of Budget and Management, as well as records pertaining to the University's circumstances with respect to the Fiscal Watch Act, and is of the opinion that, with respect to the University, no circumstances or conditions exist that will cause a fiscal watch condition to be determined to exist under the Fiscal Watch Act.

**Annual Debt Service Charges and Coverage on Both Senior Lien Obligations and Special Purpose General Receipts Obligations**

The following table represents the annual Fiscal Year Debt Service Charges for all outstanding Obligations (including the Series 2014 A Bonds, the Series 2014 B Bonds and all outstanding Senior Lien Obligations and Special Purpose General Receipts Obligations but excluding commercial paper notes, certificates of participation, other debt not issued under the Indenture and obligations defeased under the Indenture) upon the issuance of the Series 2014 A Bonds.

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**Debt Service Charges on all Senior Lien Obligations and Special Purpose General Receipts Obligations**

| Fiscal Year | Outstanding Senior Lien Obligations Debt Service [1, 2] | Outstanding Special Purpose General Receipts Bonds Debt Service | Series 2014A Principal | Series 2014A Interest | Series 2014A Total Debt Service | Series 2014B Total Debt Service[1] | Total Debt Service[1, 4] |
|---|---|---|---|---|---|---|---|
| 2015 | $137,405,624 | $14,879,450 | $ - | $3,887,031 | $3,887,031 | $2,655,822 | $158,827,927 |
| 2016 | 134,646,195 | 14,879,450 | 2,190,000 | 6,009,700 | 8,199,700 | 4,132,565 | 161,857,910 |
| 2017 | 134,973,169 | 14,879,450 | 2,235,000 | 5,965,450 | 8,200,450 | 4,117,435 | 162,170,504 |
| 2018 | 133,738,276 | 14,879,450 | 2,315,000 | 5,885,225 | 8,200,225 | 4,125,000 | 160,942,952 |
| 2019 | 130,965,829 | 14,879,450 | 2,435,000 | 5,766,475 | 8,201,475 | 4,125,000 | 158,171,754 |
| 2020 | 131,646,539 | 14,879,450 | 2,560,000 | 5,641,600 | 8,201,600 | 4,132,565 | 158,860,154 |
| 2021 | 125,670,456 | 14,879,450 | 2,690,000 | 5,510,350 | 8,200,350 | 4,117,435 | 152,867,691 |
| 2022 | 126,228,266 | 14,879,450 | 2,825,000 | 5,372,475 | 8,197,475 | 4,125,000 | 153,430,191 |
| 2023 | 123,903,559 | 25,074,450 | 2,970,000 | 5,227,600 | 8,197,600 | 4,125,000 | 161,300,609 |
| 2024 | 114,772,721 | 25,074,700 | 3,125,000 | 5,075,225 | 8,200,225 | 4,132,565 | 152,180,211 |
| 2025 | 112,282,682 | 25,074,450 | 3,285,000 | 4,914,975 | 8,199,975 | 4,117,435 | 149,674,542 |
| 2026 | 96,002,376 | 25,072,450 | 3,455,000 | 4,746,475 | 8,201,475 | 4,125,000 | 133,401,301 |
| 2027 | 96,146,235 | 25,073,450 | 3,630,000 | 4,569,350 | 8,199,350 | 4,125,000 | 133,544,035 |
| 2028 | 96,281,421 | 25,073,800 | 3,815,000 | 4,383,225 | 8,198,225 | 4,132,565 | 133,686,011 |
| 2029 | 94,146,338 | 25,072,800 | 3,970,000 | 4,228,300 | 8,198,300 | 4,117,435 | 131,534,872 |
| 2030 | 148,769,669 | 25,072,000 | 4,135,000 | 4,065,375 | 8,200,375 | 4,125,000 | 186,167,044 |
| 2031 | 65,189,295 | 25,075,200 | 4,325,000 | 3,875,500 | 8,200,500 | 4,125,000 | 102,589,995 |
| 2032 | 64,533,468 | 25,071,400 | 4,500,000 | 3,699,000 | 8,199,000 | 4,132,565 | 101,936,433 |
| 2033 | 52,310,535 | 25,075,000 | 4,685,000 | 3,515,300 | 8,200,300 | 4,117,435 | 89,703,270 |
| 2034 | 48,155,829 | 25,074,800 | 4,875,000 | 3,324,100 | 8,199,100 | 4,125,000 | 85,554,729 |
| 2035 | 123,158,229 | 25,070,850 | 5,100,000 | 3,099,100 | 8,199,100 | 53,439,384 | 209,867,563 |
| 2036 | 45,707,642 | 25,071,100 | 5,360,000 | 2,837,600 | 8,197,600 | 2,755,043 | 81,731,385 |
| 2037 | 45,707,642 | 25,073,625 | 5,635,000 | 2,562,725 | 8,197,725 | 2,744,957 | 81,723,948 |
| 2038 | 45,707,642 | 25,071,425 | 5,925,000 | 2,273,725 | 8,198,725 | 2,750,000 | 81,727,792 |
| 2039 | 45,707,642 | 25,073,800 | 6,230,000 | 1,969,850 | 8,199,850 | 2,750,000 | 81,731,292 |
| 2040 | 700,492,642 | 25,072,450 | 6,550,000 | 1,650,350 | 8,200,350 | 52,066,905 | 785,832,347 |
| 2041 | 24,000,000 | 25,075,050 | 6,850,000 | 1,349,600 | 8,199,600 | 1,372,478 | 58,647,128 |
| 2042 | 24,000,000 | 25,070,850 | 7,130,000 | 1,070,000 | 8,200,000 | 1,375,000 | 58,645,850 |
| 2043 | 24,000,000 | 25,073,250 | 7,420,000 | 779,000 | 8,199,000 | 1,375,000 | 58,647,250 |
| 2044 | 24,000,000 | - | 7,725,000 | 476,100 | 8,201,100 | 1,377,522 | 33,578,622 |
| 2045 | 24,000,000 | - | 8,040,000 | 160,800 | 8,200,800 | 50,687,500 | 82,888,300 |
| 2046-2110[3] | 24,000,000 | - | - | - | - | - | 24,000,000 |
| 2111 | 524,000,000 | - | - | | | | 524,000,000 |
| **Total[4]** | **$5,378,249,919** | **$645,572,500** | **$135,985,000** | **$113,891,581** | **$ 249,876,581** | **$253,724,612** | **$6,527,423,612** |

Notes:
1. Assumes a rate of 2.75% for the variable rate obligations of the University.
2. Net of federal subsidy payments (32.48% of interest) with respect to Build America Bonds issued by the University.
3. Debt Service on the Senior Lien Obligations beginning in Fiscal Year 2046 and ending in Fiscal Year 2110 is $24,000,000 per year and the aggregate debt service over the period is $1,560,000,000.
4. Interest and total amounts may vary slightly from actual amounts payable due to rounding variances.

The maximum annual Debt Service Charges on the outstanding Obligations, including the Series 2014 A Bonds and the Series 2014 B Bonds (assuming the assumptions stated in the above table), are $785,832,347 in Fiscal Year 2040. Prior to Fiscal Year 2040, the maximum annual Debt Service Charges on outstanding Obligations are $209,867,563 in Fiscal Year 2035. The University's General Receipts for Fiscal Year 2013, $3,551,155,000, are over 4.52 times the maximum annual Debt Service Charges in Fiscal Year 2040, and for the period prior to Fiscal Year 2040, over 16.92 times the maximum annual Debt Service Charges in Fiscal Year 2035. See **OUTSTANDING GENERAL RECEIPTS BONDS** below and **SECURITY AND SOURCES OF PAYMENT** above.

The University is not aware of any factors that would result in the amounts of General Receipts in any future Fiscal Year being significantly less than those for Fiscal Year 2013.

## OUTSTANDING GENERAL RECEIPTS BONDS

The University has issued from time to time Senior Lien Obligations consisting of bonds secured by the pledge of its General Receipts or revenue from income producing facilities, and Special Purpose General Receipts Obligations consisting of bonds secured solely by Special Purpose Pledged Revenue. The University has never failed to pay punctually and in full all amounts due on any indebtedness.

The University's General Receipts Bonds (including Senior Lien Obligations and Special Purpose General Receipts Obligations), upon the issuance of the Series 2014 A Bonds, will consist of the following:

| General Receipts Bonds | Original Amount | Amount Outstanding |
|---|---|---|
| Series 1997 Bonds | $ 79,540,000 | $ 17,160,000 |
| Series 1999 B1 Bonds | 83,400,000 | 10,765,000 |
| Series 2001 Bonds | 76,950,000 | 53,035,000 |
| Series 2003 C Bonds | 121,295,000 | 51,975,000 |
| Series 2005 A Bonds | 279,050,000 | 47,400,000 |
| Series 2005 B Bonds | 129,990,000 | 71,575,000 |
| Series 2008 A Bonds | 217,595,000 | 137,410,000 |
| Series 2008 B Bonds | 127,770,000 | 91,925,000 |
| Series 2010 A Bonds | 241,170,000 | 174,660,000 |
| Series 2010 C Bonds | 654,785,000 | 654,785,000 |
| Series 2010 D Bonds | 88,335,000 | 84,625,000 |
| Series 2010 E Bonds | 150,000,000 | 150,000,000 |
| Series 2011 A Bonds | 500,000,000 | 500,000,000 |
| Series 2012 A Bonds | 91,165,000 | 90,500,000 |
| Series 2012 B Bonds | 23,170,000 | 20,760,000 |
| Series 2013 A Bonds[(1)] | 337,955,000 | 337,955,000 |
| Series 2014 A Bonds | 135,985,000 | 135,985,000 |
| Series 2014 B Bonds | 150,000,000 | 150,000,000 |
| Total: | $3,488,155,000 | $2,780,515,000 |

[(1)] The Series 2013 A Bonds are currently the only outstanding series of Special Purpose General Receipts Obligations issued under the Indenture.

## THE INDENTURE

The Series 2014 A Bonds will be issued under the Series 2014 Bond Resolution, the Amended and Restated Trust Indenture and the Series 2014 Supplement. Reference is made to the Series 2014 Bond Resolution, the Amended and Restated Trust Indenture, the Series 2014 Supplement and the form of Bonds for the Series 2014 A Bonds for complete details of the terms of the Series 2014 A Bonds and security therefor. The following is a summary of certain provisions of the Indenture and should not be considered a full statement thereof.

### Debt Service Fund

Monies in the Debt Service Fund are used for the payment of current Debt Service Charges. Payments sufficient in time and amount to pay the Debt Service Charges on the Bonds as they become due are to be paid by the University directly to the Trustee and deposited in the Debt Service Fund to the extent monies in the Debt Service Fund are not otherwise available therefor.

If the University determines to direct the redemption of all or a part of the Bonds, the University must deliver to the Trustee, for deposit in the Debt Service Fund, to be credited to the Special Bond Service Account, prepayments in an amount equal to the redemption price to effect such redemption.

Moneys in the Debt Service Fund shall be invested and reinvested by the Trustee, to the extent permitted by applicable law, in: (i) (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged, (b) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of, premium, if any, and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) or (b) issued or held in book-entry form on the books of the Department of Treasury of the United States of America or Federal Reserve Bank), and (c) securities which represent an interest in the obligations described in (a) and (b) above; (ii) any bonds, participation certificates or other obligations of any agency or instrumentality of the United States, including obligations of the Federal Farm Credit Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Land Banks, Federal Home Loan Mortgage Corporation, Federal Home Loan Banks, Federal National Mortgage Association, Government National Mortgage Association and Student Loan Marketing Association; (iii) certificates of deposit of banks or trust companies, including the Trustee, organized under the laws of the United States or any state thereof, having a capital and surplus of $50,000,000 or more and which are members of the Federal Reserve System; (iv) repurchase agreements with banks or other financial institutions, including the Trustee, which are fully collateralized by obligations described in clauses (i) or (ii) above based upon market value, which obligations are in the possession of the Trustee or its agent and are free and clear of all security interests, liens or other rights of any third party, and in which obligations the Trustee has a first, perfected security interest; provided that any financial institution which is a broker-dealer must be a member of the Securities Investor Protection Corporation; (v) any no front end load money market mutual fund or collective investment fund, as defined in Section 1111.01(A) of the Ohio Revised Code, established by a bank, including the Trustee, in either case consisting exclusively of obligations of the United States or any agency thereof; (vi) the Ohio Subdivision’s Fund created by Section 135.45 of the Ohio Revised Code; and (vii) general or full faith and credit obligations of the State of Ohio and obligations of any state of the United States or any political subdivision thereof, the full payment of principal of and premium, if any, and interest on which are provided for by an irrevocable deposit in trust of obligations of the type specified in (i) above and which carry either of the two highest rating categories of Moody's Investors Service, Inc. and Standard & Poor's Rating Service or their respective successors.

**Facilities Fund**

The Indenture provides for the Facilities Fund to be held by the University and provides for certain proceeds of the Bonds to be deposited in the Project Account therein. The Indenture establishes the Project Account in the Facilities Fund from which the costs of the Project and the cost of the issuance of the Bonds will be paid. The Facilities Fund shall be invested in accordance with the Investment Policy (as such Policy may be amended from time to time by the University) of the University and may be disbursed by the University to pay costs of the Project in accordance with the Indenture. The Facilities Fund is neither held by the Trustee nor pledged as security for the Bonds or any other Obligations.

**Covenants of the University**

In the Indenture, the University covenants, among other things:

(a) to pay the Debt Service Charges on any Obligation according to their terms and the terms of the Indenture;

(b) to pay all the costs, charges and expenses incurred by the Trustee or any Holder, including reasonable attorneys' fees reasonably incurred or paid because of the failure on the part of the University to perform, comply with and abide with each and every one of the stipulations, agreements, conditions and covenants of the Obligations and the Indenture, or either of them;

(c) to fix, make, adjust and collect fees, rates, rentals and charges and other items of General Receipts as will produce at all times General Receipts sufficient to pay the Debt Service Charges when due, to establish and maintain amounts, if any required to be deposited in any Bond Reserve Fund, to pay all other costs and expenses for the proper maintenance and successful and continuous operation of the University and to pay any amounts due and payable to the provider of any insurance policy, guaranty, surety bond or letter of credit held in the Bond Reserve Fund; and

(d) to do any and all things necessary in order to maintain the pledge, assignment and grant of a lien on and security interest in the pledged General Receipts and Special Funds as valid, binding, effective and perfected, all as provided in the Indenture.

**Events of Default and Remedies**

Each of the following is declared in the Indenture to be an "Event of Default":

(a) Failure to pay any interest on any Obligation when and as the same shall become due and payable;

(b) Failure to pay the principal of or any redemption premium on any Obligation when and as the same shall become due and payable, whether at the stated maturity thereof or by redemption or acceleration or pursuant to any mandatory sinking fund requirements;

(c) Failure by the University to perform or observe any other covenant, agreement or condition on the part of the University contained in the Indenture or in the Obligations, which failure or default shall have continued for a period of 30 days after written notice, by registered or certified mail, given to the University by the Trustee, specifying the failure or default and requiring the same to be remedied, which notice shall be given by the Trustee upon the written request of the holders of not less than 25% in aggregate principal amount of the Obligations then outstanding, provided that the person or persons requesting such notice may agree in writing to a 90-day extension of such period prior to the expiration of the initial 30-day period; provided, further, however, that if the University shall proceed to take curative action which, if begun and prosecuted with due diligence, cannot be completed within a period of 90 days, then such period shall be increased without such written extension to such extent as shall be necessary to enable the University to diligently complete such curative action; or

(d) The University shall (i) admit in writing its inability to pay its debts generally as they become due, (ii) have an order for relief entered in any case commenced by or against it under federal bankruptcy laws, as now or hereafter in effect, (iii) commence a proceeding under any federal or state bankruptcy, insolvency, reorganization or similar laws, or have such a proceeding commenced against it and have either an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for 90 days, (iv) make an assignment for the benefit of creditors, or (v) have a receiver or trustee appointed for it or for the whole or substantial part of its property.

Upon the happening and continuance of any Event of Default, the Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of outstanding Obligations shall, upon being properly indemnified, take appropriate actions, in equity or at law including application to a court for the appointment of a receiver to receive and administer pledged General Receipts, to protect and enforce all the rights of the Trustee and the Obligation holder under the Indenture. In addition, in the event of the occurrence of any Event of Default, the Trustee may, and upon the request of the holders of at least 25% in aggregate principal amount of the then outstanding Obligations, shall so long as properly indemnified, by appropriate notice to the University, declare the principal of all the outstanding Obligations and the accrued interest thereon, immediately due and payable. Further provision is made for the rescission of such last declaration upon the payment of all amounts due, and for waivers in connection with events of default.

Furthermore, the Holders of a majority in aggregate principal amount of the Obligations then outstanding, shall, in accordance with the terms of the Indenture, have the right by written instrument delivered to the Trustee to direct the method and place of conducting any and all remedial proceedings under the Indenture, as to their respective interests.

As provided in the Indenture, before taking remedial action the Trustee may require that a satisfactory indemnity bond be provided for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its gross negligence or willful misconduct, by reason of any action so taken. The Trustee may act without such indemnity, in which case its expenses are reimbursable by the University from General Receipts available therefor.

The holders of the Obligations are not entitled to enforce the provisions of the Indenture or to institute, appear in or defend any suit, action or proceeding to enforce any rights, remedies or covenants granted or contained in the Indenture or to take any action with respect to any Event of Default under the Indenture, except as provided in the Indenture.

**Defeasance**

If there is paid or caused to be paid all Debt Service Charges due or to become due on outstanding Obligations, and provision is made for paying all other sums payable under the Indenture by the University, then the Indenture shall cease, determine and become null and void, and the covenants, agreements and other obligations of the University thereunder shall be discharged and satisfied. Thereupon, the Trustee shall release the Indenture and shall execute and deliver to the University such instruments to evidence such release and discharge as may be reasonably required by the University, and the Trustee and Paying Agents shall deliver to the University any property at the time subject to the lien of the Indenture which may then be in their possession except for amounts in the Debt Service Fund required to be held by the Trustee and Paying Agent, as required under the Indenture.

All Debt Service Charges due or to become due on any series of outstanding Obligations will be deemed to have been paid or caused to be paid for such purpose if:

(a) the Trustee and Paying Agents hold, in the Debt Service Fund in trust for and irrevocably committed thereto, sufficient monies, or

(b) the Trustee holds, in trust for and irrevocably committed thereto, in the Debt Service Fund, investments qualifying as Government Obligations (as defined in the Indenture) certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal or the interest earnings (likewise to be held in trust and committed, except as described below), be sufficient together with monies referred to in (a) above, for the payment at their maturity or redemption date, of all Debt Service Charges thereon to the date of maturity or redemption, as the case may be, or if default in such payment shall have occurred on such date of maturity or redemption, as the case may be, or if default in such payment shall have occurred on such date then to the date of the tender of such payment; provided, that if any such Obligations are to be redeemed prior to their maturity, notice of such redemption has been given or irrevocable provision satisfactory to the Trustee has been made for the giving of such notice.

Any monies held by the Trustee in accordance with provisions (a) or (b) above shall be invested only in investments qualifying as Government Obligations, the maturities or redemption dates of which, at the option of the holder, shall coincide as nearly as practicable with, but no later than, the time or times at which said monies will be required for such purposes. Any income or interest earned by, or increment to, such investments shall, to the extent not required for the applicable purposes, be transferred to the University free of any trust or lien.

In the event that the Indenture is satisfied and discharged in accordance with the two preceding paragraphs with respect to all Obligations, all Obligations then outstanding shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds held by the Trustee and the Paying Agents pursuant to such paragraphs or by the University (pursuant to the provisions for unclaimed monies described below), and such will be deemed not to be outstanding under the Indenture. It is the duty of the Trustee and the Paying Agents and the University to so hold such funds for the benefit of the holders of Obligations.

**Supplemental Indentures, Modifications**

The Trustee and the University may, from time to time, enter into Supplemental Indentures for any of the following purposes without the consent of or any action by the Holders:

(a) To cure any ambiguity, inconsistency or formal defect or omission in the Indenture or in any Supplemental Indenture;

(b) To grant or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority that may be lawfully granted to or conferred upon the Holders or the Trustee;

(c) To subject additional revenues or property to the lien and pledge of the Indenture or to provide for the partial release of General Receipts from the lien of the Indenture in accordance with the provisions thereof;

(d) To add to the covenants and agreements of the University contained in the Indenture other covenants and agreements thereafter to be observed for the protection of the Holders, or, if in the judgment of the Trustee such is not to the prejudice of the Trustee or the Holders, to surrender or limit any right, power or authority reserved to or conferred upon the University in the Indenture, including the limitation of rights of redemption so that in certain instances Obligations of different series will be redeemed in some prescribed relationship to one another;

(e) To evidence any succession to the University and the assumption by such successor of the covenants and agreements of the University contained in the Indenture or other instrument providing for the operation of the University or University Facilities, and the Obligations;

(f) In connection with the issuance of Obligations, all in accordance with the provisions of the Indenture;

(g) To permit the Trustee to comply with any obligations imposed upon it by law;

(h) To permit the exchange of Obligations, at the option of the Holder or Holders thereof, for coupon Obligations of the same series payable to bearer, in an aggregate principal amount not exceeding the unmatured and unredeemed principal amount of the Predecessor Obligations (as defined in the Indenture), bearing interest at the same rate or rates and maturing on the same date or dates, with coupons attached representing all unpaid interest due or to become due thereon if, in the opinion of nationally recognized bond counsel selected by the University and acceptable to the Trustee, that exchange would not result in the interest on any of the Obligations outstanding becoming subject to federal income taxation;

(i) To specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar and any Authenticating Agents or Paying Agents (all as defined in the Indenture);

(j) To achieve compliance of the Indenture with any applicable federal or Ohio laws, including tax laws; and

(k) In connection with any other change to the Indenture which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Obligations.

Exclusive of Supplemental Indentures referred to above, and subject to terms, provisions and limitations contained in the Indenture, the Holders of a majority in aggregate principal amount of the Obligations then outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the University and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the University for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided that nothing in the Indenture or elsewhere shall permit, or be construed as permitting, a Supplemental Indenture providing for (a) (i) a reduction in the percentage of Obligations the consent of the Holders of which is required to consent to such Supplemental Indenture or (ii) a preference or priority of any Obligation or Obligations over any other Obligation or Obligations, without the consent of the Holders of all Obligations then outstanding, (b) effect a change in the times, amount or currency of payment of the principal of, premium, if any, on or interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of each such Obligation so affected, or (c) modify the right of the holders of not less than twenty-five percent in aggregate principal amount of the Obligations then outstanding and in default as to payment of principal, premium or interest to compel the Trustee to declare the principal of all Obligations to be due and payable, without the consent of the Holders of a majority in aggregate principal amount of the Obligations then outstanding.

**Additional Obligations; Partial Release of General Receipts**

Additional Obligations, as the same may from time to time be authorized by Series Resolutions, are issuable on parity with or subordinate to all other Obligations, including the Bonds, subject to the conditions set forth in the Indenture. The Indenture provides that, except when necessary or appropriate in the opinion of the Trustee to avoid an Event of Default, no Obligations shall be issued unless (i) no Event of Default exists with respect to any covenants or obligations of the University contained in the Indenture or in the Obligations and the authentication and delivery of those Obligations will not result in any such Event of Default and (ii) the General Receipts of the University for the most recently completed Fiscal Year are at least one and one half times the Maximum Annual Debt Service on all Obligations outstanding and to be outstanding after the issuance of the Obligations then under consideration.

The University may incur indebtedness payable from General Receipts other than pursuant to the Indenture as long as such indebtedness is expressly subordinate to indebtedness incurred under and subject to the lien of the Indenture ("Subordinated Indebtedness"). The Indenture may be amended and supplemented to release specified sources or portions of General Receipts from the pledge and lien of the Indenture; *provided* that, the General Receipts for the most recently completed Fiscal Year are certified to be at least equal to the sum of the highest annual Debt Service Charges for any future Fiscal Years with respect to all Obligations and Subordinated Indebtedness then outstanding and to be outstanding after the issuance of any Subordinated Indebtedness then under consideration.

**Enforcement by Mandamus**

The Act establishes the duties of the University, the University officers and the University employees as duties enforceable by mandamus, and a covenant to that effect is contained in the 1999 Bond Resolution.

**Trustee**

The Trustee, The Bank of New York Mellon Trust Company, N.A., as successor trustee, with its designated corporate trust office located in New Albany, Ohio, is a national banking association organized and existing under the laws of the United States, and is authorized to exercise corporate trust powers in the State of Ohio. The Trustee is among the banks that serve as depositories for University monies.

## TAX MATTERS

In the opinion of Bricker & Eckler LLP, Bond Counsel, under existing law interest on the Series 2014 A Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted current earnings for purposes of the corporate alternative minimum tax. Further, the Series 2014 A Bonds are not "private activity bonds" as defined in Section 141(a) of the Code.

The Series 2014 A Bonds and the interest, transfer and any profit made on the sale or other disposition thereof are exempt from taxes levied by the State of Ohio and its political subdivisions. For purposes of this paragraph, "taxes" means any direct or indirect taxes, including income, ad valorem, transfer, excise taxes, commercial activities tax and the corporate franchise tax measured by net income of a corporation, but "taxes" does not mean or include: (i) the corporate franchise tax measured by net worth of a corporation; (ii) the estate tax; (iii) the taxes levied on insurance companies and dealers in intangibles pursuant to Chapter 5725 of the Ohio Revised Code; and (iv) the tax on shares of and capital employed by dealers in intangibles pursuant to Section 5707.03 of the Ohio Revised Code. Bond Counsel will express no opinion and make no representation regarding other federal, state or local income tax consequences resulting from the receipt or accrual of interest on the Series 2014 A Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications made by the University and others, and the compliance with certain covenants of the University, to be contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Series 2014 A Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel has not and will not independently verify the accuracy of such certifications and representations.

The University has not designated the Series 2014 A Bonds as "qualified tax exempt obligations" as defined in Section 265(b)(3) of the Code.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and remain excluded from gross income for federal income tax purposes, some of which, including provisions for the rebate by the University of certain investment earnings to the federal government, require future or continued compliance after issuance of the obligations in order for the interest to be and continue to be so excluded from the date of issuance. Noncompliance with these requirements could cause the interest on the Series 2014 A Bonds to be included in gross income for federal income tax purposes and thus to be subject to regular federal income tax retroactively to the date of their issuance. The University covenants in the Indenture to take such actions that may be required of it for the interest on the Series 2014 A Bonds to be and remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

Under the Code, interest on the Series 2014 A Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States of America, and a tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes can have certain adverse federal income tax consequences on items of income or deductions for certain taxpayers, including among them financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, and those that are deemed to incur or continue indebtedness to acquire or carry tax exempt obligations and individuals otherwise eligible for the earned income credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status or other items of income and expenses of the owners of the Series 2014 A Bonds. Bond Counsel will express no opinion and make no representation regarding such consequences.

General information reporting requirements will apply to interest payments made on the Series 2014 A Bonds. Recipients of interest payments must furnish their social security number or employer identification number and certify that it is correct (utilizing Form W-9, request for Taxpayer Identification Number and Certification or other form). Backup withholding will apply to such interest payments if the owner fails to provide accurate taxpayer identification number information or if notified by the Internal Revenue Service that backup withholding is required.

**Original Issue Discount and Original Issue Premium**

Certain of the Series 2014 A Bonds (“Discount Bonds”) as indicated on the inside front cover of this Official Statement were offered and sold to the public at an original issue discount (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bond of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2014 Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. The amount of OID that accrues each year to a corporate owner of a Discount Bond is taken into account in computing the corporation's liability for federal alternative minimum tax. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the inside front cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Series 2014 A Bonds ("Premium Bonds") as indicated on the inside front cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of Premium Bonds callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the inside front cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

***Owners of Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of bond premium properly accruable or amortizable in any period with respect to the Premium Bonds and as to other federal tax consequences and the treatment of bond premium for purposes of state and local taxes on, or based on, income.***

## TRANSCRIPT AND CLOSING DOCUMENTS

A complete transcript of proceedings and a certificate (described under **LITIGATION**) relating to litigation will be delivered by the University when the Bonds are delivered by the University to the Underwriters. The University at that time will also provide to the Underwriters a certificate, signed by the University officials who sign this Official Statement and addressed to the Underwriters, relating to the accuracy and completeness of this Official Statement and to it being a "final official statement" in the judgment of the University for purposes of paragraph (b)(3) of the Rule (as hereinafter defined).

## LEGAL MATTERS

Legal matters incident to the validity of the Bonds and certain other matters regarding the Bonds are subject to the legal opinion of Bricker & Eckler LLP, Bond Counsel. See **TAX MATTERS** herein. The legal opinion, dated and premised on law in effect as of the date of issuance and delivery of the Bonds, will be delivered to the Underwriters at the time of original delivery. The proposed text of the opinion of Bond Counsel is attached as **APPENDIX D** herein. The legal opinion to be delivered to the Underwriters at the time of issuance and delivery of the Bonds may vary from that text if necessary to reflect facts and law on the date of issuance and delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expressed any opinion concerning any of the matters referred to in the opinion subsequent to its date.

In addition to rendering the legal opinion, Bond Counsel will assist the University in the preparation of and advise the University concerning documents for the bond transcript.

Certain legal matters will be passed upon for the University by its statutory counsel, the Attorney General of the State of Ohio, through Christopher Culley, Assistant Attorney General and General Counsel for the University, and by Tucker Ellis LLP. Tucker Ellis LLP serves as issuer counsel to the University in connection with the issuance and sale of the Bonds. In addition, certain other legal matters will be passed upon for the Underwriters by their counsel, Thompson Hine LLP.

## LITIGATION

There is no litigation or administrative action or proceeding pending or threatened to restrain or enjoin, or seeking to restrain or enjoin, the issuance and delivery of the Bonds or to question the proceedings and authority under which the Bonds are authorized and are to be issued, sold executed or delivered, or the validity of the Bonds. A no-litigation certificate to such effect will be delivered by the University at the time of issuance and delivery of the Bonds.

The University is a party to various legal proceedings seeking damages or injunctive relief and generally incidental to its operations but unrelated to the Bonds. The ultimate disposition of such proceedings is not presently determinable, but will not, in the opinion of appropriate University officials, have a material adverse effect on the Bonds or the security for the Bonds.

## INDEPENDENT ACCOUNTANTS

The financial statements of the University as of June 30, 2013 and 2012 and for the years then ended, included in this Official Statement as **APPENDIX B**, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report, appearing in **APPENDIX B**.

Any preliminary June 30, 2014 results of the University and forward looking information with respect to the University included in this Official Statement have been prepared by, and are the responsibility of, the University's management. PricewaterhouseCoopers LLP has not performed an audit, review, or compilation with respect to the preliminary June 30, 2014 results. PricewaterhouseCoopers LLP has neither examined, compiled, nor performed any procedures with respect to any forward looking information contained in **APPENDIX A**. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect to any preliminary June 30, 2014 results or forward looking information contained in **APPENDIX A**.

## RATINGS

Moody's Investors Service, Inc., Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. and Fitch Ratings have assigned the Bonds ratings of "Aa1", "AA" and "AA," respectively. No application for a rating has been made by the University to any other rating service.

The ratings reflect only the respective views of the rating services and any explanation of the meaning or significance of the ratings may only be obtained from the respective rating service. The ratings are not recommendations to buy, sell or hold securities. The University furnished to each rating service certain information and materials, some of which may not have been included in this Official Statement, relating to the Bonds and the University. Generally, rating services base their ratings on such information and materials and on their own investigations, studies and assumptions. Each rating should be evaluated independently of any other rating. There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating service if in its judgment circumstances so warrant. Any lowering or withdrawal of a rating may have an adverse effect on the marketability or market price of the Bonds.

The University expects to furnish the rating services with information and materials that may be requested. However, the University assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Bonds.

## CONTINUING DISCLOSURE AGREEMENT

In accordance with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule"), the University (the "Obligated Person") will agree pursuant to a Continuing Disclosure Agreement to cause the following information to be provided:

(i) to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System ("EMMA"), certain annual financial information, including financial statements, generally consistent with the information contained under the captions **SECURITY AND SOURCES OF PAYMENTS - General Receipts Pledged to the Bonds and Other Senior Lien Obligations; OUTSTANDING GENERAL RECEIPTS BONDS;** and in **APPENDIX A - GENERAL, - Academic Structure, - Faculty and Employees, - Retirement Plans, - Enrollment, - Admissions, - Fees and Charges (but only information therein with respect to the University), - Financial Aid, - Physical Plant, - The Ohio State University Wexner Medical Center,** and **FINANCIAL OPERATIONS OF THE UNIVERSITY;** such information shall be provided not later than the 180th day following the end of the Fiscal Year (or, if that is not a University business day, the next University business day), and with respect to audited financial statements, no later than thirty (30) days after the date on which such audited financial statements are accepted by the Ohio Auditor of State, commencing with the annual financial information and audited financial statements for Fiscal Year 2014.

(ii) to EMMA, in a timely manner (but not in excess of 10 business days after the occurrence of the event), notice of the occurrence of any of the following events with respect to the Bonds:

(a) Principal and interest payment delinquencies;

(b) Non-payment related defaults, if material;

(c) Unscheduled draws on debt service reserves reflecting financial difficulties;

(d) Unscheduled draws on credit enhancements reflecting financial difficulties;

(e) Substitution of credit or liquidity providers, or their failure to perform;

(f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(g) Modifications to rights of holders of the Bonds, if material;

(h) Bond calls (other than mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event), if material, and tender offers;

(i) Defeasances of the Indenture or the Series 2014 Supplement entirely, as to all or a portion of the Bonds;

(j) Release, substitution or sale of property securing repayment of the securities, if material;

(k) Rating changes;

(l) Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

(m) The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(n) Appointment of a successor or additional trustee or the change of the name of a trustee, if material.

(iii) to EMMA, notice of a failure (of which the Obligated Person has knowledge) of an Obligated Person to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

For purposes of this transaction with respect to events as set forth in the Rule:

(a) there are no debt service reserve funds, credit enhancements, or liquidity providers applicable to the Bonds; and

(b) there is no property securing the repayment of the Bonds.

The University reserves the right to amend the Continuing Disclosure Agreement, and to obtain the waiver of noncompliance with any provision of the Continuing Disclosure Agreement, as may be necessary or appropriate to achieve its compliance with any applicable federal securities law or rules, to cure any ambiguity, inconsistency or formal defect or omission, and to address any change in circumstances arising from a change in legal requirements, change in law, or change in the identity, nature, or status of the University. Any such amendment or waiver will not be effective unless the Continuing Disclosure Agreement (as amended or taking into account such waiver) would have complied with the requirements of the Rule at the time of the "primary offering" (within the meaning of the Rule) of the Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until the University shall have received either (i) a written opinion of bond counsel or other qualified independent special counsel selected by the University that the amendment or waiver would not materially impair the interest of holders or beneficial owners of the Bonds, or (ii) the written consent to the amendment, or waiver, by the holders of at least a majority of the aggregate outstanding principal amount of the Bonds.

The Continuing Disclosure Agreement, by provision in the Series 2014 Supplement, will be solely for the benefit of the holders and beneficial owners of the Bonds including holders of book-entry interests in them. The right to enforce the provisions of the Continuing Disclosure Agreement may be limited to a right of the holders or beneficial owners to enforce to the extent permitted by law (by mandamus, or other suit, action or proceedings at law or in equity) the obligations and duties under it.

Any noncompliance with the Continuing Disclosure Agreement will not be a default or failure to comply for purposes of the default provisions of the Indenture. The Trustee has no responsibility for monitoring compliance with the Continuing Disclosure Agreement.

The performance by the University, as the only Obligated Person with respect to the Bonds, of the Continuing Disclosure Agreement will be subject to the annual appropriation by the Board of moneys for the applicable purposes.

The Continuing Disclosure Agreement will remain in effect only for such period that the Bonds are outstanding in accordance with their terms and the University remains an Obligated Person with respect to the Bonds within the meaning of the Rule.

From time to time, the University has not fully complied with all terms of its existing continuing disclosure undertakings. Specifically, while the University has filed its audited annual financial statements with respect to each of the past five years, prior to July 11, 2012 it had not filed with EMMA or its predecessors any documents specifically addressing the items of information corresponding to the annual information described above. On July 11, 2012, the University made a corrective filing with EMMA. In addition, the University's annual information statement for the fiscal year ending June 30, 2012 was filed with EMMA on January 4, 2013, which date was eight days later than the filing date specified in the University's continuing disclosure agreements. The University has designated an individual in the Office of the Treasurer to oversee timely compliance with its continuing disclosure obligations in the future.

The Trustee will not be responsible for, or for determining, the University's compliance with the Continuing Disclosure Agreement.

**UNDERWRITING**

The University has entered into a purchase contract with the Underwriters listed on the cover hereof for whom Barclays Capital Inc. is acting as a representative, and the Underwriters have agreed to purchase the Bonds from the University at an aggregate discount of $479,928.65 from the public offering price set forth on the cover page hereof.

The purchase contract pursuant to which the Bonds are being sold provides that the Underwriters will purchase not less than all of the Bonds. The Underwriters' obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters may offer and sell the Bonds to certain dealers and others at a price lower than the initial offering price. The offering price of Bonds may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment and commercial banking services for the University, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the University.

In additional, certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the University as Underwriters) for the distribution of the Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into a negotiated dealer agreement ("Dealer Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreement (if applicable to this transaction), CS&Co. will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Loop Capital Markets LLC ("LCM"), one of the Underwriters of the Bonds, has entered into distribution agreements (each an "LCM Distribution Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Deutsche Bank Securities Inc. ("DBS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each LCM Distribution Agreement, each of UBSFS and DBS will purchase Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

"US Bancorp" is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is serving as an Underwriter of the Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Bonds, has entered into an agreement (the "WFBNA Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFBNA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLCC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution of capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

## ELIGIBILITY FOR INVESTMENT AND AS PUBLIC MONEYS SECURITY

To the extent that the matter as to the particular investor is governed by Ohio law, and subject to any applicable limitations under other provisions of Ohio law, the Bonds are lawful investments for banks, societies for savings, savings and loan associations, deposit guaranty associations, trust companies, trustees, fiduciaries, insurance companies (including domestic life and domestic not for life), trustees or other officers having charge of sinking and bond retirement or other funds of political subdivisions and taxing districts of the State, the Commissioners of the Sinking Fund of the State, the administrator of Workers' Compensation in accordance with applicable investment policies, and State retirement systems (Teachers, Public Employees, Public School Employees, and Police and Firemen's), notwithstanding any other provisions of the Ohio Revised Code with respect to investments by them.

The Act provides that the Bonds are acceptable under Ohio law as security for the deposit of public moneys.

Owners of book-entry interests in the Bonds should make their own determination as to such matters as legality of investment in or pledgeability of book-entry interests.

## CONCLUDING STATEMENT

Quotations in this Official Statement taken from, and summaries and explanations of, the provisions of the Ohio Constitution, the Ohio Revised Code and other laws, the Series 2014 Bond Resolution, the Amended and Restated Trust Indenture, the Series 2014 Supplement and the Continuing Disclosure Agreement, do not purport to be complete, and reference is made to the pertinent provisions of the Constitution, Ohio Revised Code and other laws and those documents for all complete statements of their provisions. Such documents are available for review at the University during regular business hours at the office of the Treasurer of the University. During the initial offering period, copies of the documents will also be available for review at the offices of the Underwriters.

To the extent that any statements in this Official Statement involve matters of estimate or opinion, whether or not expressly stated to be such, those statements are made as such and not as representations of fact or certainty, and no representation is made that any of those statements will be realized. Information in this Official Statement has been derived by the University from official and other sources and is believed by the University to be reliable, but information other than that obtained from official records of the University has not been independently confirmed or verified by the University and its accuracy is not guaranteed.

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This Official Statement is not to be construed as or as part of a contract or agreement with the original purchasers or holders of the Bonds.

This Official Statement has been duly prepared and delivered by the University, and executed for, and on behalf of, the University by the official identified below.

THE OHIO STATE UNIVERSITY

By: */s/ Geoffrey S. Chatas*
Geoffrey S. Chatas, Senior Vice President for Business and Finance

## APPENDIX A

THE OHIO STATE UNIVERSITY

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## APPENDIX A

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## NOTICE REGARDING FORWARD-LOOKING STATEMENTS

### Forward-Looking Statements

Certain statements included or incorporated by reference in this Appendix A constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “intend,” “projection” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information in this Appendix A. A number of important factors, including factors affecting the University’s financial condition and factors which are otherwise unrelated thereto could cause actual results to differ materially from those stated in such forward-looking statements. THE OHIO STATE UNIVERSITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

### Projections and Preliminary Financial Data

The projections and preliminary financial data set forth in this Appendix A were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information and preliminary financial data, but, in the view of the University’s management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management’s knowledge and belief, the expected course of action and the expected future financial performance of the University. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Appendix A are cautioned not to place undue reliance on the prospective financial information and preliminary financial data. Neither the University’s independent accountants, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information and preliminary financial data contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information and preliminary financial data.

Any preliminary June 30, 2014 results of the University and forward looking information with respect to the University included in this Offering Memorandum have been prepared by, and are the responsibility of, the University’s management. PricewaterhouseCoopers LLP has not performed an audit, review, or compilation with respect to the preliminary June 30, 2014 results. PricewaterhouseCoopers LLP has neither examined, compiled, nor performed any procedures with respect to any forward looking information contained in APPENDIX A. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect to any preliminary June 30, 2014 results or forward looking information contained in APPENDIX A.

## APPENDIX A

## THE OHIO STATE UNIVERSITY

## GENERAL

The Ohio State University (the "University") was founded in 1870 by the Ohio General Assembly under provisions of the Morrill Act as the Ohio Agricultural and Mechanical College (the "College"). The College was located on 331 acres of land approximately two miles north of Columbus. In 1878, the General Assembly designated the College a university and changed its name to The Ohio State University. That same year, the University graduated its first class. Through August 2014, the University has awarded over 696,220 undergraduate and graduate degrees.

The University is one of 13 state-supported universities in Ohio. It is declared by statute to be a body politic and corporate. The University's main campus is located in the City of Columbus on a 1,904-acre site containing 571 buildings (the "Columbus Campus"). Also in Columbus, the University owns two 18-hole regulation golf courses and the Don Scott Airport on 1,684 acres. In addition to the Columbus Campus, the University operates educational programs at Extended Campuses located in Lima, Mansfield, Marion, and Newark (collectively, the "Extended Campuses") housed in 76 buildings on 1,482 acres. The University also operates an Agricultural Technical Institute, the Ohio Agricultural Research and Development Center ("OARDC") in Wooster, Ohio and the Molly Caren Agriculture Center in London, Ohio, along with eight other research farms throughout Ohio collectively comprising 10,722 acres and 444 buildings. An additional 126 buildings are located on 684 acres at various other locations across Ohio.

The Columbus Campus is the third largest individual campus of any university or college in the United States in terms of both head count enrollment and full-time equivalent (FTE) enrollment. The enrollment for Autumn 2013 was 57,466 students for the Columbus Campus and 6,498 for the Extended Campuses, bringing the total enrollment for all campuses at that time to 63,964 students. During the academic year ending June 30, 2014, the University awarded a total of 15,003 degrees consisting of 10,195 baccalaureate degrees, 2,595 master's degrees, 857 professional degrees, 747 doctorate degrees, 599 associate degrees, and 10 post-baccalaureate degrees. The University has nearly 500,000 living alumni. The University has the largest Athletics Department in the country with 36 varsity sports. The Athletics Department is self-supported and generated approximately $140 million in revenues in Fiscal Year 2014. As of Autumn 2013, the University employed a total of 43,630 faculty and staff (including student employees) among its campuses.

### The Board of Trustees

The University is governed by a Board of Trustees (the "Board") which, under Ohio law, is directed and granted authority to do all things necessary for the proper maintenance and successful and continuous operation of the University. Two of the Trustees must be students at the University. The Trustees, other than the charter Trustees and student Trustees, are appointed by the Governor with the advice and consent of the State Senate for overlapping nine-year terms. The student Trustees are appointed by the Governor with the advice and consent of the State Senate for overlapping two-year terms. The student Trustees have no voting power on the Board and are not considered as members of the Board in determining whether a quorum is present. The charter Trustees, who are not residents of Ohio, are appointed by the other members of the Board for three-year terms. There may be up to three charter Trustees. Like student Trustees, charter Trustees have no voting privileges on the Board and are not considered as members of the Board when determining whether a quorum is present.

The current officers and members of the Board, and the years in which their respective terms expire, are:

| | |
|---|---|
| Jeffrey Wadsworth, Chair (2019) | Battelle Memorial Institute, President and Chief Executive Officer |
| Ronald A. Ratner, Vice Chair (2015) | Forest City Enterprises, Inc., Executive Vice President and Director, President of Forest City Residential Group |
| Alex Shumate, Vice Chair (2020) | Squire Patton Boggs (U.S.) LLP, Managing Partner, Columbus Office |
| Algenon L. Marbley (2016) | United States District Judge for the Southern District of Ohio |
| Linda S. Kass (2017) | Chair of the Countrywide Champion of Children Initiative and Board Chair of the Bexley Education Foundation |
| Janet B. Reid (2018) | Global Novations, Founder and former Managing Partner and Director |
| W. G. Jurgensen (2018) | Retired Chief Executive Officer of Nationwide Mutual Insurance Company |
| Clark C. Kellogg (2019) | Lead College Basketball Analyst for CBS Sports and Vice President of Player Relations for Indiana Pacers |
| Timothy P. Smucker (2020) | The J.M. Smucker Company, Chairman of the Board |
| Cheryl L. Krueger (2021) | KRUEGER+CO. Consulting, Inc., Chief Executive Officer |
| Michael J. Gasser (2021) | Greif, Inc., Executive Chairman of the Board |
| Brent R. Porteus (2022) | Blair Porteus & Sons, Managing Partner |
| Erin Hoeflinger (2022) | Anthem Blue Cross and Blue Shield of Ohio, President |
| Alex R. Fischer (2023) | Columbus Partnership, President and Chief Executive Officer |
| Abigail S. Wexner (2023) | Whitebarn Associates, Chairman and Chief Executive Officer |
| G. Gilbert Cloyd, Charter Trustee (2015) | The Procter & Gamble Company, former Chief Technology Officer |
| Corbett A. Price, Charter Trustee (2017) | Quantix Health Capital, LLC, Chairman and Chief Executive Officer; Kurron Capital, LLC, Chief Executive Officer, and Kurron & Company, Inc., Chairman |
| Alan VanderMolen, Charter Trustee (2017) | DJE Holdings, Vice Chairman |
| Stacie E. Seger, Student (2015) | Undergraduate Student Trustee |
| Steven M. Loborec, Student (2016) | Graduate/Professional Student Trustee |

The secretary of the Board is Blake Thompson.

**Senior Management**

Biographical information regarding certain individuals who are part of the current senior management of the University is set forth below.

Dr. Michael V. Drake serves as President of the University. He previously served as chancellor of the University of California, Irvine, from July 2005 through June 2014. Prior to Dr. Drake's arrival at UC Irvine, he served for five years as vice president for health affairs for the University of California system, overseeing academic program policy at the system's 15 health sciences schools, located on seven campuses. Dr. Drake earned his bachelor's degree from Stanford University and his medical degree from UC San Francisco.

Dr. Joseph Steinmetz serves as Executive Vice President and Provost at the University. He previously served as the University's Executive Dean of the College of Arts and Sciences and Provost of Arts and Sciences, and he is a professor of psychology and neuroscience. Prior to coming to the University, he was dean of the College of Liberal Arts and Sciences at the University of Kansas, and served 19 years at Indiana University, where he was executive associate dean for the College of Arts and Sciences and chair of the Department of Psychology. Dr. Steinmetz earned his bachelor's and master's degrees at Central Michigan University and his doctorate at Ohio University in Athens, Ohio.

Dr. Herb B. Asher serves as Senior Vice President of Government Affairs at the University. He also serves as Professor Emeritus of Political Science and Counselor to the President of the University. He is frequently called upon as an expert political analyst by local and national media. Dr. Asher received his Bachelor of Science in Mathematics from Bucknell University as well as his Master's and Ph.D. degrees from the University of Michigan.

Geoffrey S. Chatas serves as Senior Vice President for Business and Finance and Chief Financial Officer at the University. In early 2014, Mr. Chatas assumed an additional role at the Ohio State University Wexner Medical Center as Senior Vice President for Optimization and Integration and Medical Center Chief Transformation Officer. Prior to joining the University in February of 2010, he was with JP Morgan Asset Management as an acquisitions officer for the Infrastructure Investments Group. Prior to JP Morgan, Mr. Chatas served as CFO at Progress Energy and served at American Electric Power, overseeing the financial aspects of investments in infrastructure assets. Mr. Chatas earned a Bachelor of Arts in Economics from Georgetown University, a Master's Degree from Oxford University and a Master's of Business Administration from INSEAD.

Christopher M. Culley serves as Senior Vice President and General Counsel for the University. He joined the University in February of 1998 as Deputy General Counsel and became General Counsel in December 2004. Mr. Culley is a member of the Columbus Bar Association, the Ohio State Bar Association and the National Association of College and University Attorneys. Mr. Culley earned his bachelor's degree at the University and his J.D. at the University of Dayton College of Law.

Dr. Steven G. Gabbe is Senior Vice President for Health Sciences at the University and Chief Executive Officer at the Wexner Medical Center. Prior to his appointment, Dr. Gabbe served as Dean of Vanderbilt University School of Medicine. He chaired the Department of Obstetrics and Gynecology at the University from 1987 to 1996. From 1978 to 1987 Dr. Gabbe was on the faculty in the Department of Obstetrics, Gynecology and Pediatrics at the University of Pennsylvania School of Medicine and was Director of the Division of Fetal Medicine. Dr. Gabbe earned his undergraduate degree from Princeton University and his medical degree from Cornell University Medical College.

Archie Griffin is President and Chief Executive Officer of the Ohio State Alumni Association and serves as the Senior Vice President for Alumni Relations. He has also served as Special Assistant to the Director of Athletics, Assistant Director of Athletics and External Affairs, and Associate Director of Athletics. Mr. Griffin is a graduate of the University.

Jay Kasey serves as Senior Vice President for Administration and Planning at the University. Prior to his appointment to this post, Mr. Kasey had management responsibility for elements of the five hospitals making up the OSU Health System (University Hospital, James Cancer Hospital, University Hospital East, OSU Harding Hospital, and Ross Heart Hospital). He has also been instrumental in leading the medical center expansion project. Jay has worked in senior level healthcare positions since 1985. After serving as the COO or CEO of two different five-hundred bed community hospitals, Mr. Kasey joined The Hunter Group, a consulting firm specializing in hospital and health systems operations.

Michael Eicher was named Senior Vice President for Advancement in September 2012. He oversees the full integration of the University's fundraising, alumni relations, and communications efforts. He joined the University from The John Hopkins University, where he served as Senior Vice President for External Affairs and Development. Prior to working at Johns Hopkins, Mr. Eicher was vice chancellor at the University of California, Los Angeles. Mr. Eicher graduated from the University of California, San Diego.

Andraea "AJ" Douglass serves as the Senior Vice President of Talent, Culture and Human Resources at the University. In this role, Ms. Douglass provides leadership, guidance, direction, and oversight to the University's complex human resource functions, which serve more than 40,000 employees across the University and Wexner Medical Center. Prior to joining the university, Ms. Douglass served as a Strategic Account Leader for Senn Delaney, where she led large-scale cultural transformation efforts and served as an executive coach for targeted leaders. Ms. Douglass received her Bachelor of Science degree from Bellevue University.

**Academic Structure**

The academic organization of the University consists of 14 colleges, 11 schools, the Graduate School and the Agricultural Technical Institute. The University offers 175 undergraduate majors, 133 programs leading to the master's degree, 112 programs leading to the doctoral degree, and over 12,000 different courses.

The 14 colleges within the University are:

| | |
|---|---|
| Arts and Sciences | Medicine |
| Business | Nursing |
| Dentistry | Optometry |
| Education and Human Ecology | Pharmacy |
| Engineering | Public Health |
| Food, Agricultural and Environmental Sciences | Social Work |
| Law | Veterinary Medicine |

The 11 schools within the University's colleges are:

| | |
|---|---|
| Health and Rehabilitation Sciences | Educational Policy and Leadership |
| Architecture | John Glenn School of Public Affairs |
| Biomedical Science | Physical Activity and Educational Services |
| Communication | Music |
| Earth Sciences | Teaching and Learning |
| Environment and Natural Resources | |

University Libraries consists of the Thompson Library and ten department library and special collections locations on the Columbus campus. The University Libraries research collection is rich in distinctive content, including rare and primary sources provided in digital and physical formats. The system holds approximately 7.1 million volumes. University Libraries is ranked fifth among the public university members of the Association of Research Libraries ("ARL") and fourteenth among all ARL member libraries.

**Accreditations and Memberships**

The University is fully accredited in all of its professional colleges and departments by the North Central Association of Colleges and Schools. The University is also a member of both the Higher Learning Commission of the Association of American Universities and the National Association of State Universities and Land-Grant Colleges. Individual Colleges and Schools are fully accredited by their respective accrediting associations.

**Faculty and Employees**

As of September 30, 2013, the University had a faculty and non-instructional staff of 43,630 full and part-time employees on all campuses. The numbers of staff members for the Columbus Campus and the Extended Campuses as of September 2013 were as follows:

| | Columbus Campus | Extended Campuses | Total University |
|---|---|---|---|
| **Instructional Staff** | | | |
| Regular Faculty[(1)]: | | | |
| Professor | 1,143 | 40 | 1,183 |
| Associate Professor | 859 | 133 | 992 |
| Assistant Professor | 571 | 95 | 666 |
| Instructor | 6 | 1 | 7 |
| Total Regular Faculty | 2,579 | 269 | 2,848 |
| Other Faculty: | | | |
| Clinical Faculty[(2)] | 1,035 | 0 | 1,035 |
| Auxiliary Faculty[(3)] | 2,370 | 306 | 2,676 |
| Research Faculty[(4)] | 99 | 0 | 99 |
| Total Other Faculty | 3,504 | 306 | 3,810 |
| Total Instructional | 6,083 | 575 | 6,658 |
| **Non-Instructional Staff** | | | |
| Unclassified Staff | 17,296 | 738 | 18,034 |
| Classified Civil Service Staff | 4,752 | 398 | 5,150 |
| Professional & Technical Staff | 56 | 0 | 56 |
| Graduate Associates | 4,487 | 20 | 4,507 |
| Other Students | 8,782 | 443 | 9,225 |
| **Total Non-Instructional Staff** | 35,373 | 1,599 | 36,972 |
| **Total Staff** | 41,456 | 2,174 | 43,630 |

(1) Regular faculty are tenure track with at least 50% FTE.
(2) Clinical faculty includes the following titles: Professor-Clinical, Associate Professor-Clinical, Assistant Professor-Clinical, and Instructor Clinical with at least 10% FTE.
(3) Auxiliary faculty includes all other instructional staff including Lecturers, House Staff and Visiting Faculty.
(4) Research faculty includes the following titles: Research Professor, Research Associate Professor, and Research Assistant Professor with at least 50% FTE.

The University faculty membership in distinguished academic societies includes the National Academy of Sciences (11 members), the National Academy of Engineering (13 members), and the Institute of Medicine (8 members). The faculty also includes 209 fellows of the American Association for the Advancement of Science. Many Fulbright Fellowships have been awarded to University faculty and graduate students each year. Professors are holders of prestigious awards in the humanities and sciences, including one who holds the Nobel Prize in physics.

The University is a party to collective bargaining agreements with the Communications Workers of America, the Fraternal Order of Police and the Ohio Nurses Association, which agreements cover only some of its employees. The remaining University employees, including faculty and other instructional staff, have not elected to join a bargaining unit.

**Retirement Plans**

The University participates in contributory retirement plans administered by the State Teachers Retirement System of Ohio ("STRS") and the Ohio Public Employees Retirement System ("OPERS"). As an alternative to STRS and OPERS, eligible employees may elect to participate in the University's Alternative Retirement Plan ("ARP"). The ARP was adopted by the University's Board of Trustees on February 5, 1999. As of July 2014, the number of employees contributing to OPERS was 28,302, to STRS was 4,260 and to the ARP was 4,908.

STRS and OPERS are two of five statewide public employee retirement systems created by and operating pursuant to Ohio law, all of which currently have unfunded actuarial accrued liabilities. The Ohio General Assembly has the power to amend the format of those systems and to revise rates and methods of contributions to be made by public employers and their employees and eligibility criteria, benefits or benefit levels for members.

STRS and OPERS both offer three separate retirement plans: a defined benefit plan, a defined contribution plan, and a combined plan.

- The STRS and OPERS defined benefit plans are cost-sharing multiple-employer defined benefit pension plans. Subject to eligibility requirements, the defined benefit plans currently provide for retirement benefits, disability benefits, postretirement health care coverage, and death benefits.

- The STRS and OPERS defined contribution plans are plans in which the member selects where both member and employer contributions are invested.

- The STRS and OPERS combined plans have features of both a defined contribution plan and a defined benefit plan. Under the combined plans, the employee contributions are invested in self-directed investments, and the employer contributions are used to provide a reduced defined benefit. Subject to eligibility requirements, the combined plans currently provide for retirement benefits, disability benefits, postretirement health care coverage, and death benefits.

Ohio law requires the University to offer the ARP to certain employees. The ARP is a tax-qualified, defined contribution plan under Section 401(a) of the Internal Revenue Code and is maintained for eligible full-time faculty and staff.

STRS, OPERS and the ARP are funded by both employee and employer contributions at rates established under Ohio law. Currently, the statutory employee contribution rate is 10% of eligible compensation for OPERS and 12% of eligible compensation for STRS and the employer contribution rate is 14% of eligible compensation for both OPERS and STRS. Law enforcement employees contribute 13% of eligible compensation to OPERS and the University contributes 18.1%. Employee and employer contributions to the ARP are equal to the amount the University would have contributed to STRS or OPERS, as applicable to the employee, less any amount required to be paid by the University to the applicable state retirement system ("mitigating rate"). The mitigating rate is charged independently by OPERS and STRS and may differ between OPERS and STRS. Contributions to STRS, OPERS and the ARP are subject to limits under the Internal Revenue Code.

The University also maintains a tax-qualified retirement plan and a related Section 415(m) plan for eligible employees whose contributions to STRS, OPERS or the ARP are limited under the Internal Revenue Code. Contributions may be funded from both employer and employee contributions. In addition, optional supplemental retirement programs (403(b) and 457(b) plans) are available for eligible employees.

Federal law requires University employees hired after March 31, 1986, to participate in the federal Medicare program. The current rate for Medicare is 1.45% of covered wages for both the employer and the employee. Otherwise, University employees do not currently contribute to the federal Social Security system.

New accounting rules are expected to have a potentially significant impact on the University's reported financial position and results of operations. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is effective Fiscal Year 2015, requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability, which is the difference between the total pension liability and the net assets set aside to pay pension benefits. For cost-sharing employers, the net pension liability is equal to the employer's proportionate share of the collective net pension liability for the plan. The University participates in two cost-sharing defined benefit pension plans, which are administered by STRS and OPERS. Based on information provided in the most recently available financial reports for the pension plans, University management anticipates that Statement No. 68 will result in the recognition of significant liabilities in the University's financial statements.

**Enrollment**

The University attracts students from a variety of backgrounds and geographical locations, with representation in the Autumn Semester of 2013 from all 50 states and more than 110 foreign countries. Ohio residents represent 79% of the University's enrollment, while 12% are from other states and 9% are international students. The head count enrollment (full-time and part-time students) for each of the Columbus Campus and the Extended Campuses of the University for the Autumn Quarters or Semesters of 2009 through 2013 is shown below:

| Academic Year | Columbus Campus | Extended Campuses | Total Enrollment |
|---|---|---|---|
| 2009-10 | 55,014 | 8,203 | 63,217 |
| 2010-11 | 56,064 | 8,013 | 64,077 |
| 2011-12 | 56,867 | 7,562 | 64,429 |
| 2012-13 | 56,387 | 6,671 | 63,058 |
| 2013-14 | 57,466 | 6,498 | 63,964 |

The following table shows the total Autumn head count enrollment for undergraduate and graduate students for all campuses, and for students enrolled in professional programs, as well as the aggregate FTE enrollment for all campuses.

| Academic Year | Graduate and Undergraduate | Professional | Total | Full-Time Equivalent |
|---|---|---|---|---|
| 2009-10 | 59,936 | 3,281 | 63,217 | 61,116 |
| 2010-11 | 60,760 | 3,317 | 64,077 | 62,221 |
| 2011-12 | 61,053 | 3,376 | 64,429 | 62,805 |
| 2012-13 | 59,763 | 3,295 | 63,058 | 56,552 |
| 2013-14 | 60,712 | 3,252 | 63,964 | 57,796 |

The enrollment decline in 2012-2013 is attributed to the switch from a quarter system to a semester system. The University experienced a record number of graduations in the year prior to the conversion.

In 1969, the General Assembly, upon recommendation of the Ohio Board of Regents, set enrollment limitations for several of the larger state universities. The limitation for the Columbus Campus is 42,000 FTE resident undergraduate enrollment. Excluded from this enrollment calculation is the FTE enrollment in certain categories, including Medical Sciences (Medicine, Dentistry, Veterinary Medicine, Nursing, Allied Medicine and Optometry) and Agriculture programs, and part-time commuter students in evening courses. With these exclusions, the FTE enrollment for the Columbus Campus is substantially below the enrollment limitation.

Prior to 1987, the University practiced open admissions for freshmen, accepting applications on a first-come, first-served basis. Admissions would "close" when the number of applications received reached the FTE enrollment limitation. Because of increased demands for the Columbus Campus, the University adopted a selective admissions policy beginning with applications for Autumn Quarter 1987.

The application deadline is fixed at February 1st of each year. All resident and nonresident applicants are considered within a competitive process. Primary criteria for admission are the applicant's high school college preparatory program and performance as measured by class rank, and standardized test scores. Other factors include courses exceeding the minimum in mathematics, natural sciences and foreign languages, competitiveness of high school, leadership, special talents, or special circumstances. In addition, special consideration is given to students who will provide cultural, racial, economic, and geographic diversity to the University.

**Admissions**

The table below sets forth, for the Columbus Campus, the number of completed freshman applications received and accepted, the percentage of applicants accepted for admission, the number of freshmen enrolled, the percentage of accepted applicants who enrolled and the average ACT scores and retention rates of enrollees in the Autumn Quarters or Semesters of the academic years indicated.

| Academic Year | Applications Completed | Applicants Accepted | Percent Accepted | Applicants Enrolled | Percent Enrolled | Average ACT | Retention Rate |
|---|---|---|---|---|---|---|---|
| 2009-10 | 20,041 | 13,705 | 68.4% | 6,607 | 48.2% | 27.5 | 92.8% |
| 2010-11 | 24,247 | 16,448 | 67.8% | 6,549 | 39.8% | 27.8 | 92.8% |
| 2011-12 | 26,029 | 16,362 | 62.9% | 6,904 | 42.2% | 28.0 | 91.6% |
| 2012-13 | 25,806 | 16,514 | 64.0% | 7,186 | 43.5% | 28.1 | 92.4% |
| 2013-14 | 31,323 | 17,375 | 55.5% | 7,083 | 40.8% | 28.5 | N/A |

The average freshman composite scores on the Scholastic Aptitude Test (SAT) for the Columbus Campus was 1,256 for the Autumn Semester 2013; the average ACT Composite was 28.5. These averages have increased dramatically over the past decade as the University invested in strategic recruitment initiatives. The ACT average was 24.0 for Autumn 1997 compared with 28.5 in 2013. Per the goals of the University Strategic Enrollment Plan, the composition of the freshman class has become increasingly more diverse. Non-Ohio resident student enrollment has increased to 28%. The University expects non-resident enrollment to be greater than 28% for the Academic Year 2014-2015.

**Fees and Charges**

In April 2009, the Board voted to change the academic calendar from the quarter system to the semester system. The University, along with seventeen other public universities in Ohio, converted the academic calendar in 2012-13. The actual cost for this conversion process, for expenses such as technology modifications, course redesign, and curriculum alignment, was approximately $12.8 million.

Having converted to semesters in Summer 2012, the University now operates its programs on a two-semester academic year, a May term and summer session. Instructional and general fees vary by campus and curriculum. Payment in full of all fees is required to be made by students prior to official enrollment in any class of instruction.

The conversion to semesters has allowed the University to better integrate with other universities, making it easier to facilitate the transfer of credits and students. The conversion has also initiated opportunities for student research, international study, internships, service learning and other specialized learning experiences for both undergraduate and graduate students.

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The per student instructional and general fees (including the tuition surcharge paid by non-resident students) for the Columbus Campus for academic years 2010-11 through 2014-15 are shown below.

**Total Instructional and General Fees for Full-Time Students**
**(Per Academic Year)**

| | | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|---|---|---|---|---|---|
| **Columbus Campus** | | | | | | |
| Resident | Undergraduate | $8,994 | $9,309 | $9,615 | $9,615 | $9,615 |
| | Graduate | 10,800 | 11,325 | 11,704 | 11,928 | 11,928 |
| | MHRM (Formerly MLHR) | 11,595 | 12,600 | 13,456 | 14,368 | 15,208 |
| | MBA | 24,375 | 26,055 | 27,336 | 28,688 | 29,536 |
| | Working Professional MBA | 23,235 | 24,375 | 22,720 | 23,840 | 24,544 |
| | EMBA | 42,450 | 47,124 | 46,414 | 43,012 | 44,428 |
| | M. of Accounting | 26,490 | 27,795 | 29,160 | 30,600 | 31,208 |
| | Masters of Audiology | 11,100 | 11,640 | 12,032 | 12,264 | 12,504 |
| | MSLP | 11,100 | 11,640 | 12,032 | 12,264 | 12,504 |
| | M. of Health Admin. | 12,735 | 13,350 | 13,800 | 14,064 | 14,336 |
| | M. of Public Health | 11,325 | 11,880 | 12,280 | 12,520 | 12,760 |
| | Public Health PEP | 11,325 | 11,880 | 12,280 | 12,520 | 12,760 |
| | MPT/DPT | 12,120 | 13,170 | 12,376 | 12,616 | 12,864 |
| | MOT - Ranks 1-2 | NA | NA | 11,144 | 11,360 | 11,576 |
| | MOT - Rank 3 | NA | NA | 8,660 | NA | NA |
| | MOT - All Ranks | 11,865 | 12,435 | NA | NA | NA |
| | MSW | 11,190 | 11,730 | 12,128 | 12,360 | 12,600 |
| | MBOE | 27,990 | 39,450 | 23,887 | 31,448 | 32,314 |
| | SMB Finance | NA | 47,979 | 50,472 | 51,976 | 53,976 |
| | MBLE | 24,375 | 26,055 | 24,296 | 25,496 | 26,256 |
| | MAEE-DL | NA | NA | NA | 14,432 | 14,712 |
| | GC Med | NA | NA | NA | NA | 19,504 |
| | GMB | NA | NA | NA | NA | 13,204 |
| | MGEL | NA | NA | NA | NA | 17,144 |
| Non-Resident | Undergraduate | 23,178 | 24,204 | 25,023 | 25,335 | 26,115 |
| | Graduate | 26,730 | 28,050 | 29,016 | 29,592 | 30,472 |
| | MHRM (Formerly MLHR) | 27,525 | 28,530 | 29,384 | 30,616 | 32,264 |
| | MBA | 40,305 | 42,780 | 44,648 | 46,352 | 48,080 |
| | Working Professional MBA | 39,165 | 41,100 | 38,104 | 39,536 | 41,024 |
| | EMBA | NA | 47,139 | 46,424 | 43,022 | 44,438 |
| | M. of Accounting | 42,420 | 44,520 | 46,472 | 48,264 | 49,752 |
| | Masters of Audiology | 27,030 | 28,365 | 29,344 | 29,928 | 31,048 |
| | MSLP | 27,030 | 28,365 | 29,344 | 29,928 | 31,048 |
| | M. of Health Admin. | 28,665 | 30,075 | 31,112 | 31,728 | 32,880 |
| | M. of Public Health | 27,255 | 28,605 | 29,592 | 30,184 | 31,304 |
| | Public Health PEP | 27,255 | 28,605 | 29,592 | 30,184 | 31,304 |
| | MPT/DPT | 28,050 | 29,895 | 27,760 | 28,312 | 29,344 |
| | MOT - Ranks 1-2 | NA | NA | 26,528 | 27,056 | 28,056 |
| | MOT - Rank 3 | NA | NA | 24,044 | NA | NA |
| | MOT - All Ranks | 27,795 | 29,160 | NA | NA | NA |
| | MSW | 27,120 | 28,455 | 29,440 | 30,024 | 31,144 |
| | MBOE | NA | 39,465 | 23,897 | 31,458 | 32,324 |
| | SMB Finance | NA | 47,994 | 50,482 | 51,986 | 53,986 |
| | MBLE | 40,305 | 42,780 | 39,680 | 41,192 | 42,736 |
| | MAEE-DL | NA | NA | NA | 14,442 | 14,722 |
| | GC Med | NA | NA | NA | NA | 39,504 |
| | GMB | NA | NA | NA | NA | 13,214 |
| | MGEL | NA | NA | NA | NA | 17,154 |

| | | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|---|---|---|---|---|---|
| **Professional Schools** | | | | | | |
| Resident | Law | 23,970 | 25,620 | 27,000 | 27,536 | 28,080 |
| | Medicine – Rank 1 | NA | NA | 28,512 | 29,072 | 29,648 |
| | Medicine – Rank 2 | NA | NA | 27,432 | 29,072 | 29,648 |
| | Medicine – Rank 3 | NA | NA | 25,624 | 27,976 | 29,648 |
| | Medicine – Rank 4 | NA | NA | 22,008 | 26,128 | 28,528 |
| | Medicine – All Ranks | 30,300 | 31,800 | NA | NA | NA |
| | Dentistry – Rank 1 | NA | NA | 30,952 | 31,560 | 32,184 |
| | Dentistry – Ranks 2-4 | NA | NA | 27,448 | 27,992 | 28,544 |
| | Dentistry – All Ranks | 28,515 | 29,925 | NA | NA | NA |
| | Optometry – Ranks 1-2 | NA | NA | 23,824 | 24,296 | 24,776 |
| | Optometry – Ranks 3-4 | NA | NA | 21,160 | 21,576 | 22,000 |
| | Optometry – All Ranks | 20,850 | 22,290 | NA | NA | NA |
| | Veterinary Medicine – Ranks 1-3 | NA | NA | 27,568 | 28,112 | 28,664 |
| | Veterinary Medicine – Rank 4 | NA | NA | 21,448 | 21,872 | 22,304 |
| | Veterinary Medicine | 25,410 | 26,655 | NA | NA | NA |
| | Pharmacy – Ranks 1-3 | NA | NA | 19,592 | 19,976 | 20,560 |
| | Pharmacy – Rank 4 | NA | NA | 14,368 | 14,648 | 15,080 |
| | Pharmacy – All Ranks | 17,325 | 18,510 | NA | NA | NA |
| Non-Resident | Law | 38,920 | 40,570 | 41,952 | 42,488 | 43,032 |
| | Medicine – Rank 1 | NA | NA | 45,968 | 46,880 | 48,344 |
| | Medicine – Rank 2 | NA | NA | 44,888 | 46,880 | 48,344 |
| | Medicine – Rank 3 | NA | NA | 43,080 | 45,784 | 48,344 |
| | Medicine – Rank 4 | NA | NA | 39,464 | 43,936 | 47,224 |
| | Medicine – All Ranks | 46,350 | 48,660 | NA | NA | NA |
| | Dentistry – Rank 1 | NA | NA | 66,136 | 67,448 | 69,864 |
| | Dentistry – Ranks 2-4 | NA | NA | 58,640 | 59,808 | 61,952 |
| | Dentistry – All Ranks | 60,885 | 63,915 | NA | NA | NA |
| | Optometry – Ranks 1-2 | NA | NA | 52,880 | 53,352 | 53,832 |
| | Optometry – Ranks 3-4 | NA | NA | 46,984 | 47,400 | 47,824 |
| | Optometry – All Ranks | 49,905 | 51,345 | NA | NA | NA |
| | Veterinary Medicine – Ranks 1-3 | NA | NA | 61,032 | 62,240 | 64,496 |
| | Veterinary Medicine – Rank 4 | NA | NA | 47,484 | 48,432 | 50,192 |
| | Veterinary Medicine | 58,875 | 60,120 | NA | NA | NA |
| | Pharmacy – Ranks 1-3 | NA | NA | 37,824 | 38,576 | 40,088 |
| | Pharmacy – Rank 4 | NA | NA | 27,728 | 28,272 | 29,384 |
| | Pharmacy – All Ranks | 34,095 | 36,120 | NA | NA | NA |
| **Extended Campuses** | | | | | | |
| Resident | Undergraduate | 6,678 | 6,903 | 7,140 | 7,140 | 7,140 |
| | Graduate | 10,605 | 11,130 | 11,512 | 11,736 | 11,736 |
| | ATI | 6,660 | 6,885 | 7,104 | 7,104 | 7,104 |
| Non-Resident | Undergraduate | 20,862 | 21,798 | 22,548 | 22,860 | 23,640 |
| | Graduate | 26,535 | 27,855 | 28,824 | 29,400 | 30,280 |
| | ATI | 20,844 | 21,780 | 22,512 | 22,824 | 23,604 |

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The average cost of room and board for undergraduate students at the Columbus Campus for the 2013-14 academic year was $9,850. Comparative information concerning the academic year 2013-14 instructional and general fees charged Ohio residents by the University and the other state universities, and room and board charges are set forth below.

**Instructional and General Fees***
**2013-2014**

| Institution | Undergraduate | Graduate | Room and Board** |
|---|---|---|---|
| Bowling Green State University | $10,590 | $11,662 | $8,244 |
| Central State University | 6,058 | 6,372 | 9,046 |
| Cleveland State University | 9,548 | 13,595 | 10,206 |
| Kent State University | 9,816 | 10,444 | 9,536 |
| Miami University | 13,748 | 13,054 | 10,900 |
| **The Ohio State University** | **10,037** | **12,425** | **9,850** |
| Ohio University | 10,446 | 9,510 | 10,850 |
| Shawnee State University | 7,176 | 8,795 | 8,865 |
| University of Akron | 10,056 | 8,739 | 10,382 |
| University of Cincinnati | 10,784 | 14,182 | 10,290 |
| University of Toledo | 9,054 | 14,226 | 10,076 |
| Wright State University | 8,542 | 12,514 | 8,076 |
| Youngstown State University | 8,130 | 10,565 | 8,475 |

* Based on Fall 2013 full-time charges or 15 credit hours and 2 semesters. Amounts shown include both instructional and General Facilities Fees and exclude certain other fees that are not uniform to all state universities.

** Rates are computed on average Fall 2013 double-occupancy room rates, a certain number of meals each week and 2 semesters.

Source: Ohio Board of Regents Fall 2013 Survey of Student Charges. Comparative information for academic year 2014-2015 is not yet available.

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The following student budget has been used by the University's Office of Financial Aid and represents estimated average undergraduate student costs at the Columbus Campus for academic year 2014-2015.

**Estimated Annual Expenses 2014-15**

| Basic Fees | Per Student |
|---|---|
| Tuition and fees for In-State Residents | $10,010 |
| Tuition and fees for Out-of-State-Residents* | 26,510 |
| Room and Board** | 11,820 |
| Books and Supplies | 1,248 |
| Miscellaneous Costs, Personal Expenses, Phone, etc. | 2,680 |
| Additional Out-of-State Travel | 666 |
| **Total In-State Expenses** | $25,758 |
| **Total Out-of-State Expenses** | $42,924 |

* Includes the non-resident tuition surcharge
** Based on the most popular room and board plan

**Financial Aid**

Approximately 80% of the students of the University receive some form of financial assistance. The primary responsibility for this function is placed with the office of Student Financial Aid. During the Fiscal Year 2014, students received total assistance amounting to $1.04 billion. The primary sources included the Pell Grant Program, Ford Federal Direct Student Loan Programs, Federal Work Study, Federal Supplemental Educational Opportunity Grants, Ohio College Opportunity Grants, and the University scholarships, loans, employment, and graduate student fee waivers.

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The following table summarizes the financial aid provided to the University students for the five Fiscal Years ended June 30, 2014. A portion of funds provided are derived from sources outside the University. All programs assisted by the federal and state governments are subject to appropriation and funding by those governments.

**Student Financial Aid**
**(dollars in thousands)**

| Source | 2010 | 2011 | 2012 | 2013 | 2014** |
|---|---|---|---|---|---|
| Scholarships and Grants | | | | | |
| University | $266,865 | $281,656 | $293,728 | $331,196 | $362,065 |
| State Funds | 13,832 | 13,148 | 11,205 | 12,995 | 13,441 |
| Pell Grants | 49,418 | 58,149 | 56,309 | 52,610 | 53,576 |
| Other Federal Grants | 6,645 | 7,331 | 3,378 | 3,181 | 2,689 |
| Other Funds | 42,440 | 36,328 | 40,050 | 41,849 | 42,905 |
| **Total Scholarships and Grants** | $379,200 | $396,612 | $404,670 | $441,831 | $474,676 |
| | | | | | |
| Loan | | | | | |
| University | $3,239 | $2,769 | $1,762 | $1,319 | $1,602 |
| Federal Perkins | 1,797 | 3,963 | 5,423 | 4,944 | 4,825 |
| Federal Stafford & PLUS | 385,477 | 406,322 | 407,283 | 366,355 | 354,546 |
| Other Loans | 36,625 | 35,121 | 38,360 | 38,953 | 43,035 |
| **Total Loans** | $427,138 | $448,175 | $452,828 | $411,571 | $404,008 |
| | | | | | |
| Student Employment | | | | | |
| Federal Work-Study | $6,069 | $3,191 | $3,753 | $3,844 | $3,197 |
| University Student Payroll | 141,603 | 148,013 | 150,601 | 158,599 | 159,271 |
| **Total Student Employment** | $147,672 | $151,204 | $154,354 | $162,443 | $162,468 |
| | | | | | |
| **Total Financial Assistance** | $954,010 | $995,991 | $1,011,852 | $1,015,845 | $1,041,152 |

**Preliminary

**Physical Plant**

In total the University consists of 1,217 buildings on 16,477 acres. The Columbus Campus programs are housed in 571 structures on the 1,904 acre campus. There are 76 additional University structures located on 1,482 acres at the University's Extended Campuses. The OARDC has 444 buildings on 8,630 acres in Wooster, Ohio and eight other research farms throughout Ohio. The Molly Caren Agricultural Center in London, Ohio comprises 22 buildings on 2,092 acres. An additional 104 buildings are located on 678 acres at other locations across Ohio. The total estimated replacement value of the University's buildings and infrastructure, all of which are either owned by the University or by the State for the use and benefit of the University, exceeds $8.2 billion. The replacement value of the Columbus Campus alone is in excess of $7.4 billion.

The Columbus Campus includes a 1,904-acre tract comprising the east and west academic campuses, a 289-acre 36-hole golf course and the 1,396-acre Don Scott Field. The Don Scott Field area contains the airport and experimental and demonstration farms and research areas on 801 acres and has 595 acres of undeveloped land. Columbus Campus facilities include numerous academic and laboratory buildings and facilities, a 1,106 licensed bed University Hospital (does not include 229 licensed beds at the Arthur G. James Cancer Hospital and Richard J. Solove Research Center or the 404 licensed beds at the University Hospital East), the nineteenth largest academic research library in North America, 34 residence hall buildings which can house 10,500 students and a 104,900-seat stadium.

In pursuit of its teaching, research, and public service missions, the University has made significant investments in its facilities. At June 30, 2014, the capitalized cost of the University's land, buildings, improvements, equipment, library books, and construction in progress exceeded $4.5 billion. Since 2013, total investment in the University's physical plant has increased by more than $300 million. In that period, the University completed construction of the following major facilities: south residence halls, south campus chiller and chemical and biomolecular engineering building.

**The Ohio State University Wexner Medical Center**

Part of one of the most comprehensive health sciences campuses in the country, The Ohio State University Wexner Medical Center includes the College of Medicine and its School of Health and Rehabilitation Sciences; the Office of Health Sciences; various research centers, programs and institutes; Ohio State University Physicians, Inc.; The Ohio State University Faculty Group Practice; The Ohio State University Comprehensive Cancer Center – Arthur G. James Cancer Hospital and Richard J. Solove Research Institute; and The Ohio State University Health System, which includes University Hospital, University Hospital East, OSU Harding Hospital, the Richard M. Ross Heart Hospital, Ohio State University Rehabilitation Services at Dodd Hall, the OSU Primary Care Network, The Stefanie Spielman Comprehensive Breast Center, the Eye and Ear Institute, Talbot Hall, CarePoint multispecialty outpatient facilities and the FastCare walk-in healthcare clinics. The University's Wexner Medical Center hospitals serve more than 57,000 adult inpatients and more than 1.5 million outpatients a year.

In 2014, U.S.News & World Report named the University's Wexner Medical Center to its list of "America's Best Hospitals," based on quality, outcomes and reputation, for the 22nd consecutive year. And the medical center had more treatments ranked – 18 – than any other central Ohio hospital in Healthgrades' 2013 national survey of clinical outcomes, patient satisfaction, patient safety and health conditions.

The Ohio State University Wexner Medical Center is at the forefront of medicine, where discovery and ingenuity in research laboratories, fueled by the sequencing of the human genome, interdisciplinary collaboration and emerging fields such as biomedical engineering and informatics, make unique, effective therapies available to patients months, even years, before other hospitals. The University's Wexner Medical Center is earning international distinction through its leadership in an approach known as personalized health care, which is care that is predictive, preventive, personalized and participatory.

University Hospital specialties include organ and tissue transplantation, women's health, digestive diseases, minimally invasive surgery, rehabilitation and neurosciences. In addition to having a Level I Trauma Center as designated by the American College of Surgeons, University Hospital is also home to a Level III Neonatal Intensive Care Unit, central Ohio's only adult burn center and the only adult solid organ transplant program in central Ohio. University Hospital has been redesignated a Magnet® hospital by the American Nurses Credentialing Center; only 2% of hospitals in the United States are redesignated Magnet® facilities. University Hospital was the first in central Ohio to receive Magnet® designation.

University Hospital East blends academic and community-based medicine at a licensed, 192-bed facility. University Hospital East provides a full range of services to patients throughout central Ohio, including rehabilitation, family medicine and emergency medicine. Additionally, patients at University Hospital East have access to central Ohio's leading alcohol and drug addiction recovery services, a wound-healing center, a sleep lab and outpatient oncology services.

The OSU Heart and Vascular Center comprises the Richard M. Ross Heart Hospital and Dorothy M. Davis Heart and Lung Research Institute (DHLRI) and is dedicated to advancing the field of cardiovascular medicine and surgery. The University's Ross Heart Hospital is a seven-story, 150-inpatient-bed facility that supports every type of cardiac care, from the latest catheterization techniques to central Ohio's only adult heart transplantation program. The DHLRI is one of the nation's few free-standing facilities devoted entirely to the research of diseases affecting the heart, lungs and blood vessels.

OSU Harding Hospital offers counseling services along with the most comprehensive inpatient and outpatient mental health and behavioral services in central Ohio. Programs are available for children and adolescents, adults and older adults. OSU Harding Hospital's team includes psychiatrists, psychologists, social workers, registered nurses, occupational therapists, recreational therapists, chaplains and licensed counselors.

The only free-standing cancer hospital in central Ohio and the first in the Midwest, the University's Comprehensive Cancer Center – Arthur G. James Cancer Hospital and Richard J. Solove Research Institute (OSUCCC – James) is a national and international leader in cancer prevention, detection and treatment. The OSUCCC – James is a 229-bed cancer hospital, one of only 41 comprehensive cancer centers designated by the National Cancer Institute ("NCI"), and one of only seven institutions nationally funded by the NCI to conduct both phase I and phase II clinical trials. The OSU – CCC achieved Magnet® status in 2013.

Ohio State University Physicians, Inc., ("OSUP") is a not-for-profit, multispecialty physician practice that has been designated by the University's trustees the faculty practice plan for the University's College of Medicine. The University's Faculty Group Practice ("FGP") is an organizational unit of the Office of Health Sciences that represents the majority of the physicians delivering care to patients at Ohio State's Wexner Medical Center. Both OSUP and FGP physicians have an employment relationship with the University's College of Medicine in support of its teaching, patient care and research mission areas.

The new James Cancer Hospital and Solove Research Institute is a $1.1-billion revitalization of research, education and patient care spaces, utilities, infrastructure and green spaces, includes construction of a new Critical Care Center and is scheduled to open in December 2014. The costs of the Wexner Medical Center expansion are currently projected to be paid by the issuance of $925 million of bonds, $100 million from a peer-reviewed competitive federal grant and $75 million of fundraising and/or local Wexner Medical Center funds.

The new 348-bed state-of-the-art facility – designed to place researchers, clinicians and educators in close working proximity – will further distinguish Ohio State as a national leader in innovative cancer care by enhancing collaborations in high-quality, evidence-based medicine. The 276 rooms in the new James Cancer Hospital will allow patients to receive nearly all of their treatment in the comfort of their own room. The 72 new critical care rooms will have comfort zones where loved ones can stay, sleep and shower. Its design combines research and education spaces on every patient care floor, which will accelerate the creation of new diagnostic tools and treatments. The new hospital will help to meet a projected 21% increase in patient admissions over the next 10 years. It is the largest expansion project in the University's history.

**Other Public Institutions**

Publicly owned higher education institutions in Ohio now include 13 state universities (with a total of 24 branches), one freestanding medical college (in addition to five at state universities) and 23 community and technical colleges. Those institutions all receive State assistance and conduct full-time educational programs in permanent facilities.

**Ohio Board of Regents**

The Chancellor of the Ohio Board of Regents is an appointee of the Governor, with the advice and consent of the State Senate, who serves a five-year term. The current Chancellor is John Carey. The Chancellor has statewide coordinating, recommendatory, advisory and directory powers with respect to state-supported and state-assisted institutions of higher education. Among the Chancellor's powers and responsibilities are to formulate and revise a state master plan for higher education; to make recommendations to the Governor and General Assembly concerning the development of state financed capital plans for higher education; to prepare a state plan for and be the state agency responsible for participation in federal programs relative to the construction of higher education academic facilities; to approve or disapprove the establishment of technical colleges, state institutions of higher education, community colleges and new branches or academic centers of state universities; to approve or disapprove all new degree programs at higher education institutions; to review and recommend the elimination of graduate and professional programs; and to review appropriation requests of those institutions and make recommendations to the General Assembly concerning the biennial higher education operating and capital appropriations.

The Ohio Board of Regents acts as an advisory board to the Chancellor. The Ohio Board of Regents consists of nine voting members appointed to six-year terms by the Governor with the advice and consent of the State Senate. Ex-officio non-voting members are the chairpersons of the respective education committees of the State Senate and the State House of Representatives.

## FINANCIAL OPERATIONS OF THE UNIVERSITY

### General

The financial statements of the University are prepared in a "business type activity" format in Governmental Accounting Standards Board (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*. GASB Statement No. 35 defines business type activities as those financed in whole or in part by fees charged to external parties for goods and services. Most public colleges and universities have elected to use the business type activity format. For further information see the audited financial statements of the University as of June 30, 2013 and 2012 and for the years then ended, included as **APPENDIX B**.

### Summary of Revenues, Expenses, and Other Changes in Net Assets

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 such as the University. 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.

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The following "Summary of Revenues, Expenses and Other Changes in Net Position" presents summary financial information for Fiscal Years 2009 through 2013.

**Summary of Revenues, Expenses and Changes in Net Position**
**(dollars in thousands)**

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | |
| Tuition and fees, net | $622,857 | $664,184 | $732,688 | $793,742 | $816,761 |
| Grants and contracts | 613,018 | 619,873 | 604,536 | 649,901 | 658,432 |
| Auxiliary enterprises sales and services, net | 194,862 | 204,676 | 232,482 | 233,020 | 222,014 |
| OSU Health System sales and services, net | 1,578,401 | 1,692,532 | 1,706,037 | 1,921,897 | 2,018,724 |
| OSU Physicians sales and services, net | 286,490 | 309,815 | 282,144 | 302,802 | 331,817 |
| Departmental sales and other operating revenues | 161,063 | 182,503 | 197,432 | 185,938 | 198,345 |
| Total operating revenues | $3,456,691 | $3,673,583 | 3,755,319 | 4,087,300 | 4,246,093 |
| **Operating Expenses:** | | | | | |
| Educational and general | $1,919,678 | $2,041,362 | 2,092,517 | 2,146,009 | 2,221,666 |
| Auxiliary enterprises | 214,807 | 223,704 | 244,787 | 239,570 | 242,376 |
| OSU Health System | 1,407,701 | 1,483,573 | 1,484,405 | 1,697,628 | 1,796,581 |
| OSU Physicians | 262,131 | 284,720 | 264,399 | 285,446 | 316,080 |
| Depreciation | 222,308 | 231,744 | 239,351 | 242,391 | 264,722 |
| Total operating expenses | $4,026,625 | $4,265,103 | $4,325,459 | $4,611,044 | $4,841,425 |
| Net operating income (loss) | ($569,934) | ($591,520) | ($570,140) | ($523,744) | ($595,332) |
| **Non-Operating Revenues (Expenses):** | | | | | |
| State share of instruction and line-item appropriations | $497,601 | $502,571 | $499,639 | $428,306 | $432,652 |
| Gifts - current use | 77,255 | 90,743 | 103,754 | 139,599 | 122,208 |
| Net investment income (loss) | (435,898) | 323,944 | 365,108 | 60,177 | 386,886 |
| Grants, interest expense and other non-operating | 2,884 | (2,264) | 21,749 | 21,350 | 3,359 |
| Income (loss) before other revenues, expenses gains or losses | (428,092) | 323,474 | 420,110 | 125,688 | 349,773 |
| State capital appropriations | 47,227 | 33,042 | 62,732 | 42,188 | 75,127 |
| Private capital gifts | 18,960 | 15,545 | 16,398 | 19,072 | 41,176 |
| Additions to permanent endowments | 35,816 | 33,363 | 30,835 | 41,299 | 57,480 |
| Increase (decrease) in net position | (326,089) | 405,424 | 530,075 | 228,247 | 523,556 |
| Net Position - beginning of year | 4,625,701 | 4,315,205 | 4,720,629 | 5,250,704 | 5,491,970 |
| Effect of GASB 51 Implementation | 15,593 | | | | |
| Effect of GASB 61 Implementation | | | | 13,019 | |
| Net Position-beginning of year, adjusted | 4,641,294 | | | 5,263,723 | |
| Net Position-end of year | $4,315,205 | $4,720,629 | $5,250,704 | $5,491,970 | $6,015,526 |

| **Break-out of State Operating Appropriations:** | 2011 | 2012 | 2013 |
|---|---|---|---|
| State share of instruction and line-item appropriations | $439,576 | $428,306 | $432,652 |
| Federal fiscal stabilization funds | 60,063 | - | - |
| **Total** | **$499,639** | **$428,306** | **$432,652** |

The following "Summary of Fund Balances" presents the unrestricted educational and general fund equity, unrestricted fund equity, restricted funds, endowment and the investment in plant funds for Fiscal Years 2009 through 2013.

**Summary of Fund Balances**
**(dollars in thousands)**

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Current Unrestricted Funds (E&G) | $613,115 | $638,513 | $703,131 | $710,140 | $619,948 |
| Current Unrestricted Fund (All funds) | 987,809 | 1,079,459 | 1,175,121 | 1,275,347 | 1,269,465 |
| Current Restricted Funds | 325,732 | 337,356 | 411,146 | 466,157 | 567,863 |
| Endowment & Similar Funds | 996,150 | 1,218,081 | 1,451,088 | 1,432,056 | 1,676,787 |
| Plant Funds (Unexpended and R&R) | 82,772 | 35,714 | 621,701 | 788,603 | 843,152 |
| Retirement of Indebtedness | 122,713 | 196,572 | 46,460 | 62,089 | (15,479) |
| Investment in Plant (net of accumulated depreciation)* | 1,759,683 | 1,901,255 | 1,494,899 | 1,435,181 | 1,627,558 |

* This is the "invested in capital assets, net of related debt" figure in the audited financials.

## General Budgeting Procedures

The University adopts a general funds operating budget for each Fiscal Year by allocating to the colleges the marginal increases in State Share of Instruction, student fees, and indirect cost recoveries collected on research projects. These allocations are based on the enrollments and research efforts adjusted for each college's share of administrative, space, research, and student services costs. Decisions concerning fees, salaries, benefits, other revenues and expenditures, as well as specific budget requests from the colleges and support units, are approved by the Board as developed by the President and senior staff in consultation with the Council of Deans, Senate Fiscal Committee, and other University constituencies.

The University's general fund operating revenues are derived from two primary sources: student fees and State appropriations. Over the last decade, student fees, which tend to be more stable, have increased at a faster pace than State appropriations and have become the University's largest source of General Funds revenue. Unrestricted State appropriations comprised 23.22% of the General Funds budget in Fiscal Year 2014 and are expected to comprise approximately 23.84% in Fiscal Year 2015. While the final State budget bill allowed for tuition increases of 2.0% for Fiscal Years 2014 and 2015, the university chose not to increase undergraduate instruction and general fees from Fiscal Year 2013 levels in order to make college more affordable to a greater number of Ohioans.

The University has outlined four Core Goals – Teaching and Learning, Research and Innovation, Outreach and Engagement, and Resource Stewardship – that support its three Discovery Themes – Health and Wellness, Energy and Environment, and Food Production and Security – all of which are supported by the University's operating funds budget.

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## Operating Budgets

The University divides its operating budget into a general fund budget (Columbus Campus and, separately, Regional Campuses and ATI), an earnings fund budget, and a restricted fund budget. The general fund budget includes instruction and departmental research, separately budgeted research, public service, student services, general administration, plant operation and maintenance, student aid, and reserves. The earnings fund budget includes all expenditures supported by the hospitals and student-generated revenues, including room and board, bookstore, intercollegiate athletics, and related income. The restricted fund budget includes all expenditures supported by revenues from grants, contracts, gifts, and donations, and appropriations from the State intended for specific purposes.

## Recent Developments

Total State General Revenue Fund appropriations are $31.6 billion for Fiscal Year 2015 (a 4.7% increase over Fiscal Year 2014). The budget included a total General Revenue Fund appropriation for higher education of $2.4 billion in Fiscal Year 2015 (an increase of 2.0% from Fiscal Year 2014).

For Fiscal Year 2014 and Fiscal Year 2015, Amended Substitute H.B. 59 allowed the University to increase resident instructional and general fees a maximum of 2.0% in Fiscal Year 2014 and another 2.0% in Fiscal Year 2015, though the university chose not to increase these fees. State appropriations legislation did not cap or otherwise limit increases in special fees, graduate instructional fees, nonresident tuition surcharges, or room and board charges. Among other exceptions to the statutory limitation on fee increases are provisions that the limitation does not apply to an institution's covenants related to its Obligations, such as the University's covenant to charge sufficient fees and to manage other items comprising the General Receipts to pay debt service charges, or to prior binding commitments to which an institution had identified fee increases as a source of funds such as the Ohio Union fee.

The economy of the State of Ohio is showing signs of recovery from the recent recession. Unemployment, which was at 8.9% in July 2011, was at 5.5% in June 2014. For Fiscal 2014 tax receipts to the State of Ohio were 0.9% above projections for the year. Income taxes were above expectations by 2.7%, while Sales and Uses taxes were below expectations by 0.3%.

The University remains committed to protecting and growing student financial aid and to increasing the compensation of University faculty to enhance the ability of the University to attract and retain outstanding faculty. The University will reallocate resources if necessary to meet these goals. The University will not reduce the amount of its General Receipts devoted to payment of debt service. It is the judgment of the University that while there will always be some uncertainty in the level of continued State support it receives, the period where the University faced the greatest potential for funding reductions has passed. These financial difficulties will not materially impair its ability to either satisfy its debt service obligations or carry out the educational mission of the University. The University adopts a general funds operating budget for each Fiscal Year by allocating to the colleges the marginal increases in State Share of Instruction, student fees, and indirect cost recoveries collected on research projects. These allocations are based on the enrollments and research efforts adjusted for each college's share of administrative, space, research, and student services costs. Decisions concerning fees, salaries, benefits, other revenues and expenditures, as well as specific budget requests from the colleges and support units, are approved by the Board as developed by the President and senior staff in consultation with the Council of Deans, Senate Fiscal Committee, and other University constituencies.

Every year, the University updates its five-year capital investment plan. Administrators work with colleges and central offices to prioritize capital needs, based on standing criteria and areas of emphasis, like Discovery Themes. This provides the basis for a State capital appropriations request which is submitted every other year to the Chancellor of the Ohio Board of Regents. The request identifies the projects proposed to be financed with State appropriations by the General Assembly and the purpose, priority, amount, and source of funds for those projects. The Chancellor of the Ohio Board of Regents and the General Assembly may approve, modify or disapprove aspects of the University's capital appropriation programs. In Fiscal Year 2012, Governor Kasich asked former President Gee to form a committee to transition the capital process for higher education from a formulaic approach to a more strategic one. This approach was continued for Fiscal Year 2013, with Ohio University

President Roderick McDavis chairing the Ohio Higher Education Funding Commission. In January 2014, the Commission delivered their recommendations to the Governor's office that were subsequently adopted by the State for Fiscal Years 2015 and 2016.

**State Appropriations to the University**

All State universities in Ohio receive financial assistance for both operations and designated capital improvements through appropriations by the General Assembly. These appropriations contribute substantially to the successful maintenance and operation of the University. State appropriations to the University are not included in General Receipts.

The majority of the University's State operating appropriations are received on the basis of student FTE multiplied by legislated subsidy allowances that vary by program. The following table shows historical State operating appropriations to the University for Fiscal Years 2010 through 2014 and preliminary receipts for Fiscal Year 2015.

| Fiscal Year | State Operating Appropriations* |
|---|---|
| 2010** | $502,571,000 |
| 2011** | 499,639,000 |
| 2012 | 428,306,000 |
| 2013 | 432,652,000 |
| 2014*** | 440,924,000 |
| 2015*** | 438,000,000 |

* Total University; figures include all campuses.

** In FY 2010, includes $59,234,000 and in FY 2011 includes $60,063,000 in Federal Fiscal Stabilization Funds.

*** Preliminary

The University also receives State capital improvement appropriations. The following table shows historical and preliminary State capital appropriations to the University for the Fiscal Bienniums 2005-06 through 2015-16:

| Fiscal Biennium Ended June 30 | State Capital Appropriations |
|---|---|
| 2006 | $177,911,000 |
| 2008 | 107,793,000 |
| 2010 | 105,889,734 |
| 2012 | 141,265,013 |
| 2014*** | 150,708,691 |
| 2016*** | 99,200,000 |

*** Preliminary

State appropriations constitute a substantial portion of the University's annual operating budget. Under the Ohio Constitution, an appropriation may not be made for more than a two-year period. The General Assembly is not under a legal obligation to make appropriations in accordance with the budget requests of the University.

There can be no assurance that State appropriated funds for operating or capital improvement purposes will be made available in the amounts from time to time requested or required by the University. The General Assembly has the responsibility of determining such appropriations biennially. State income and budget constraints may from time to time compel a stabilization or reduction of the level of State assistance and support for higher education in general and the University in particular. In addition, such appropriations (and all other similar appropriations) are subject to subsequent limitations pursuant to an Ohio Revised Code section, implemented by the Governor from time to time in the past, which provides in part that if the Governor ascertains that the available revenue receipts and balances for the current fiscal year will in all probability be less than the appropriations for the year, he shall issue such orders to the state agencies as will prevent their expenditures and incurred obligations from exceeding such revenue receipts and balances.

**Grants and Contracts**

During Fiscal Year 2013, the University's expenditures on research totaled $967 million. Almost half of these expenditures ($481 million) came from various federal agencies. The National Institutes of Health ($210 million), the National Science Foundation ($56 million), and the Departments of Defense and Education ($36 million each) were the primary federal sponsors. The remaining $486 million came from non-federal sources (industry, state, other non-governmental entities and institutional funds) with institutional funds ($262 million) and industrial sponsors ($111 million) being the primary sources.

The University's total research expenditures, as reported to the National Science Foundation, are managed by a number of administrative units. The primary administrative unit for external funding awarded to the University's investigators in Fiscal Year 2013 was the Ohio State University Office of Sponsored Programs, which managed the majority of the awards to academic units. In addition, some funds (primarily block grants from the U.S. Department of Agriculture) are administered by the OARDC. Research expenditures by the University's investigators at the Research Institute at Nationwide Children's Hospital and the Transportation Research Center are also included in the university's total research expenditures. Institutional funds reflect the University's investment in the research enterprise and include cost-sharing on grants for items such as facilities, equipment and graduate associate tuition.

The following tables show grant and contract expenditures for sponsored projects for Fiscal Years 2009-2013 by administering unit, and grant and contract awards for the same time period. Note that total awards and total expenditures will not precisely match, because awards often include multiple years of funding, whereas expenditures reflect activity in a single Fiscal Year. In addition, institutional contributions are not included in the awards table.

**Grant and Contract Expenditures by Administering Unit**
**(dollars in thousands)**

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| OSU Research Foundation | $412,192 | $453,586 | $532,470 | $498,605 | $519,179 |
| Ohio Agricultural R&D Center | 39,899 | 38,664 | 38,922 | 37,317 | 34,098 |
| Research Institute at Nationwide Children's Hospital | 45,127 | 49,964 | 60,882 | 53,656 | 61,096 |
| Transportation Research Center | 38,041 | 39,001 | 36,763 | 34,278 | 29,627 |
| Institutional Funds | 102,583 | 83,390 | 94,524 | 234,978 | 261,650 |
| Other | 78,619 | 90,589 | 68,564 | 75,194 | 61,333 |
| **Totals** | $716,461 | $755,194 | $832,126 | $934,028 | $966,983 |

**Grant and Contract Awards by Administering Unit**
**(dollars in thousands)**

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| OSU Research Foundation | $485,888 | $501,373 | $630,565 | $453,021 | $435,735 |
| Ohio Agricultural R&D Center | 40,512 | 39,388 | 40,929 | 37,317 | 38,643 |
| Research Institute at Nationwide Children's Hospital | 49,519 | 66,989 | 62,120 | 57,354 | 80,903 |
| Transportation Research Center | 38,041 | 39,001 | 36,763 | 34,278 | 29,627 |
| Other | 59,628 | 64,849 | 74,329 | 75,194 | 72,921 |
| **Totals** | $673,588 | $711,600 | $844,706 | $657,164 | $657,829 |

The following table shows grant and contract expenditures for Fiscal Years 2009-2013 by source of funds.

**Grant and Contract Expenditures by Source**
**(dollars in thousands)**

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| **Federal Sponsors** | | | | | |
| National Institutes of Health | $181,044 | $210,296 | $240,265 | $211,581 | $210,074 |
| National Science Foundation | 42,566 | 49,724 | 52,959 | 57,268 | 56,013 |
| Department of Education | 8,627 | 16,170 | 24,386 | 33,217 | 35,785 |
| Department of Defense | 29,210 | 34,110 | 39,596 | 38,432 | 36,248 |
| Department of Energy | 13,332 | 15,895 | 23,153 | 23,022 | 21,677 |
| Department of Labor | 6,285 | 6,108 | 5,488 | 5,300 | 4,439 |
| Department of Agriculture | 15,127 | 24,466 | 27,351 | 29,207 | 27,243 |
| National Aeronautics and Space Administration | 6,895 | 6,719 | 5,661 | 5,590 | 5,929 |
| Other Federal Agencies | 36,734 | 36,454 | 74,270 | 66,044 | 83,261 |
| **Total Federal Sources** | $339,820 | $399,942 | $493,130 | $469,661 | $480,669 |
| Industry | $119,599 | $121,481 | $105,579 | $100,986 | $110,618 |
| State of Ohio | 119,488 | 105,332 | 100,880 | 68,041 | 50,884 |
| Other Non-Federal Agencies | 34,970 | 45,049 | 38,013 | 60,362 | 63,162 |
| Institutional funds | 102,583 | 83,390 | 94,524 | 234,978 | 261,650 |
| **Total Non-Federal Sources** | $376,640 | $355,252 | $338,996 | $464,367 | $486,314 |
| **Total All Sources** | $716,461 | $755,194 | $832,126 | $934,028 | $966,983 |

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The following table shows total grant and contract awards for Fiscal Years 2009-2013 by source of funds.

**Grant and Contract Awards by Source**
**(dollars in thousands)**

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| **Federal Sponsors** | | | | | |
| National Institutes of Health | $189,588 | $265,804 | $225,450 | $201,381 | $210,525 |
| National Science Foundation | 53,824 | 58,317 | 63,393 | 61,590 | 47,998 |
| Department of Education | 14,922 | 23,505 | 71,308 | 30,859 | 21,254 |
| Department of Defense | 31,563 | 37,244 | 40,180 | 29,797 | 32,292 |
| Department of Energy | 14,173 | 30,850 | 23,268 | 19,237 | 18,777 |
| Department of Labor | 7,722 | 6,640 | 3,710 | 6,019 | 4,058 |
| Department of Agriculture | 21,531 | 29,193 | 31,028 | 28,067 | 34,101 |
| National Aeronautics and Space Administration | 7,201 | 7,028 | 4,093 | 5,219 | 5,555 |
| Other Federal Agencies | 35,850 | 39,567 | 145,205 | 50,964 | 69,013 |
| **Total Federal Sources** | $376,374 | $498,148 | $607,635 | $433,133 | $443,573 |
| | | | | | |
| Industry | $85,055 | $70,208 | $81,006 | 101,971 | $98,280 |
| State of Ohio | 178,112 | 112,542 | 124,475 | 59,083 | 45,276 |
| Other Non-Federal Agencies | 34,042 | 30,702 | 31,590 | 62,977 | 70,700 |
| **Total Non-Federal Sources** | $297,209 | $213,452 | $237,071 | $224,031 | $214,256 |
| | | | | | |
| **Total All Sources** | $673,583 | $711,600 | $844,706 | $657,164 | $657,829 |

**The Office of University Advancement**

The Ohio State University Foundation is the primary fundraising and gift receipting organization for the University. Through the Foundation and the Office of University Advancement, contributions to the University can be made for current use or to the Endowment Fund. The University will accept gifts and bequests of cash, securities, real estate, tangible and intangible property, life insurance, and life income programs such as pooled income funds, charitable remainder annuity trusts, or charitable remainder unitrusts and gift annuities.

The following table shows gifts and bequests to the University from individuals, businesses and other organizations during each of the Fiscal Years listed below (dollars in thousands):

| Fiscal Year | Gifts | Endowment Contributions | Private Capital Gifts | Total |
|---|---|---|---|---|
| 2010 | $90,743 | $33,363 | $15,545 | $139,651 |
| 2011 | $103,754 | $30,835 | $16,398 | $150,987 |
| 2012 | $139,599 | $41,299 | $19,072 | $199,970 |
| 2013 | $122,208 | $57,480 | $41,176 | $220,864 |
| 2014 | $137,075 | $55,643 | $15,717 | $208,435* |

*Preliminary

### The University Endowment Fund

The University Endowment Fund is comprised of 2,713 individual funds and contains all endowment funds that were established before April 1985. The Fund is invested in the Long-Term Investment Pool and is comprised of a diversified portfolio consisting of equity, fixed income and alternative investments. The market value of the Fund at the end of each of the past five Fiscal Years was:

| Fiscal Year | Market Value |
|---|---|
| 2010 | $828,833,352 |
| 2011 | $921,219,450 |
| 2012 | $878,706,677 |
| 2013 | $941,031,291 |
| 2014 | $1,038,403,050* |

*Preliminary

### The Ohio State University Foundation

The Ohio State University Foundation (the "Foundation") is a not-for-profit organization formed in April 1985 which operates exclusively for the benefit of the University. The Foundation administers Unrestricted, Restricted, Endowment and Trusts and Pooled Income Funds for the benefit of the University. The market value of the 2,211 endowment funds held by the Foundation that are invested in the Long-Term Investment Pool at June 30 for the past five Fiscal Years was:

| Fiscal Year | Market Value |
|---|---|
| 2010 | $410,819,594 |
| 2011 | $484,426,575 |
| 2012 | $500,824,488 |
| 2013 | $589,702,215 |
| 2014 | $697,918,176* |

*Preliminary

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**The Long-Term Investment Pool**

The University's Long-Term Investment Pool (which includes the University Endowment Fund, Foundation Endowments and Operating Funds) is the sixth largest endowment fund of any public university or college in the United States based on information from the 2013 National Association of College and University Business Officers endowment study. As of June 30, 2014, the pool consisted of the following investment types and market values:

| Investment Type | Market Value* |
|---|---|
| Absolute Return/Hedge | $1,713,336,408 |
| Fixed Income | 103,488,008 |
| Cash | 72,527,573 |
| Equity | 600,837,924 |
| Private Equity | 463,989,487 |
| Real Assets | 593,386,465 |
| **Total** | $3,547,565,865 |

*Preliminary

The market value of the Long-Term Investment Pool at June 30 for the past five Fiscal Years was:

| Fiscal Year | Market Value |
|---|---|
| 2010 | $1,887,568,228 |
| 2011 | $2,120,714,246 |
| 2012 | $2,366,033,205 |
| 2013 | $3,149,169,176 |
| 2014 | $3,547,565,865* |

* Preliminary

The annualized total returns on the long-term portfolio for the period ending June 30, 2014 were:

| | |
|---|---|
| One year | 14.44%* |
| Three year | 8.45% |
| Five year | 11.48% |

* Preliminary

The University distributed approximately $142.0 and $136.1 million of endowment funds for operations as of June 30, 2014 (preliminary) and 2013, respectively.

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### The Short and Intermediate-Term Pool

The University's Short and Intermediate-Term Pool represents funds available for operating purposes. As of June 30, 2014 the Short and Intermediate-Term Pool consisted of the following investment types and market values:

| Investment Type | Market Value* |
|---|---|
| Bank Accounts & Repurchase | $713,797,000 |
| U.S. Gov't & Agency Bonds | 222,979,000 |
| Asset Backed Securities | 111,915,000 |
| Corporate Bonds | 549,938,000 |
| Municipal Bonds | 15,605,000 |
| Fixed Income Mutual Fund | 11,313,000 |
| Other Fixed Income | 16,742,000 |
| **Total** | $1,642,289,000 |

* Preliminary; rounded to the nearest $1,000.

### Insurance Coverage

All real and business property (buildings and contents) of the University are insured under a blanket (all risk) insurance policy. The policy insures all buildings and their contents on a replacement cost basis. The policy also includes business interruption, boilers and machinery. The University self-funds all deductibles. Buildings under construction are insured under builders risk policies obtained by the individual contractors or in some cases by builders risk policies owned by the University.

All owned, leased, rented or borrowed motor vehicles are self-insured for property damage. Liability coverage is provided by the University's Excess Liability Program subject to a self-insured retention.

All owned or leased aircraft are insured. The aircraft hulls are insured on a replacement cost basis. Liability insurance and property damage coverage are also provided for the airport.

The University maintains a self-insurance program for potential liabilities arising from operations of the University's Medical Center.

Workers' Compensation is self-insured by the University with the purchase of excess insurance for a catastrophic loss.

### Capital Programs and Additional Financing

The University has an on-going capital improvement program consisting of new construction and the remodeling/rehabilitation of existing facilities. Capital improvement projects are expected to be funded from a variety of sources, including gifts, state appropriations, debt financing and University funds.

As of June 30, 2014, the University had authorization for the following projects:

| Project Status | Number | Total Project Cost (dollars in thousands) |
|---|---|---|
| In Design | 97 | $201,600 |
| Under Construction | 138 | 1,510,000 |
| Emerging Projects* | 89 | 18,400 |
| **Total** | 324 | $1,730,000 |

* Projects not yet hired or designed

# APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

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# The Ohio State University

**(A Component Unit of the State of Ohio)**

## Consolidated Financial Statements

## As of and for the Years Ended June 30, 2013 and 2012

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## Independent Auditor's Report

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the primary institution and the aggregate discretely presented component units of The Ohio State University (the "University"), a component unit of the State of Ohio, which comprise the consolidated statements of net position as of June 30, 2013 and June 30, 2012, and the related consolidated statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table contents.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the primary institution and the aggregate discretely presented component units of the University as of June 30, 2013 and 2012, and the respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the University adopted GASB Statement 61, *The Financial Reporting Entity: Omnibus,* in 2013, applied retroactively, which modifies the determination of discretely presented component units. Our opinions are not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

The accompanying management's discussion and analysis on pages 3 through 18 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Matter*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Supplementary Information on the Long-Term Investment Pool on pages 73 through 74 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

PricewaterhouseCoopers LLP

October 22, 2013, except for the revision discussed in Note 1,
as to which the date is September 10, 2014

## Management's Discussion and Analysis for the Year Ended June 30, 2013 (Unaudited)

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, 2013, with comparative information for the years ended June 30, 2012 and June 30, 2011. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

**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 63,000 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 168 undergraduate majors, 115 master's degree programs, 93 doctoral programs and seven professional degree programs.

The university operates one of the nation's leading academic medical centers, The Ohio State University Wexner Medical Center. As a part of the Wexner Medical Center, the Health System operates under the governance of The Ohio State University Board of Trustees and 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, four comprehensive outpatient care centers, an ambulatory surgery center, a comprehensive breast treatment center, and twenty-nine clinics. The Health System provided services to more than 56,000 adult inpatients and 1,485,000 outpatients during Fiscal Year 2013.

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 Wexner Medical Center 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, deferred inflows/outflows and net position (equity) of the university, the Wexner Medical Center, the Ohio Agricultural Research and Development Center and OH-TECH (formerly known as OARnet and the Ohio Supercomputer Center). These entities constitute the "primary government" for financial reporting purposes. In addition, the financial statements include consolidated financial results for a number of "component units", which are legally separate entities that meet the financial accountability criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

In previous years, the university presented all of its component units in a single-column "blended presentation". This has changed, with the adoption of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. GASB 61 significantly narrows the criteria for a blended presentation. In particular, the GASB has indicated that the "exclusive benefit" criterion for blending is not met when a component unit provides services to parties external to the primary government. As a result, the university is now presenting the following component units in a discrete presentation:

- OSU Physicians, Inc. (the 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)
- Dental Faculty Practice Association (the practice group for faculty members of the College of Dentistry)

The remaining component units of the university, which are listed below, meet the revised exclusive benefit criteria under GASB 61 and will continue to be shown in a blended presentation:

- The OSU Foundation (a fundraising foundation operating exclusively for the benefit of the university)
- OSU Health Plan (a non-profit organization – formerly known as OSU Managed Health Care Systems -- that administers university health care benefits)
- Oval Limited (captive insurer that provides medical malpractice coverage to university hospitals and physicians)

Condensed financial information for both blended and discretely presented component units is provided in the Notes to the Financial Statements. The university is considered a component unit of the State of Ohio and is included in the State of Ohio's Comprehensive Annual Financial Report.

**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 Position, a Statement of Revenues, Expenses and Other Changes in Net Position, a Statement of Cash Flows and Notes to the Financial Statements. Separate columns are presented for the primary institution (which includes the primary government and the blended component units), discretely presented component units and the total university. Unless otherwise specified, the amounts presented in this MD&A are for the primary institution.

The **Statement of Net Position** is the university's balance sheet. It reflects the total assets, liabilities and net position (equity) of the university as of June 30, 2013, with comparative information as of June 30, 2012. 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 position is 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 Position** is the university's income statement. It details how net position has increased (or decreased) during the year ended June 30, 2013, with comparative information for Fiscal Year 2012. Tuition revenue is shown net of scholarship allowances, patient care revenue is shown net of contractual allowances, charity care and bad debt expense, 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, 2013, with comparative information for Fiscal Year 2012. 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 position 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 net position for the primary institution increased $513 million, to $5.94 billion at June 30, 2013. Net investment income accounted for $387 million of the increase, reflecting strong 2013 returns for the university's Long Term Investment Pool. In September 2012, the university entered into a 50-year lease and concession agreement with QIC Global Infrastructure to operate, maintain and retain parking revenues from the university's parking lots and garages. The proceeds from the agreement, which totaled $483 million, were used to establish quasi-endowment funds. In January 2013, the university issued $338 million of Special Purpose General Receipts Bonds, which are secured by a pledge of housing, dining and recreational facilities revenues. Total unrestricted and restricted-expendable net position increased $68 million, to $2.39 billion. With the exception of consolidated Health System revenues, which increased $97 million, total operating revenues were relatively flat compared with 2012.

Demand for an Ohio State education remains strong, and student outcomes continue to improve. 63,058 students were enrolled in Autumn 2012, down slightly from Autumn 2011. 92% of the freshmen enrolled in Autumn 2011 returned to OSU in Autumn 2012. Over the past five years, four-year graduation rates have increased from 46% to 61%, and six-year graduation rates have increased from 71% to 82%.

The following sections provide additional details on the university's 2013 financial results and a look ahead at significant economic conditions that are expected to affect the university in the future.

## Statement of Net Position

**Summary Statement of Net Position** *(in thousands)*

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Cash and temporary investments | $ 1,073,925 | $ 1,283,141 | $ 1,460,719 |
| Receivables, inventories, prepaids and other current assets | 528,165 | 560,913 | 489,908 |
| Total current assets | 1,602,090 | 1,844,054 | 1,950,626 |
| Restricted cash | 926,444 | 714,226 | 488,361 |
| Noncurrent notes and pledges receivable | 127,831 | 92,427 | 79,797 |
| Long-term investment pool | 3,149,169 | 2,366,033 | 2,120,714 |
| Other long-term investments | 69,358 | 71,663 | 68,283 |
| Capital assets, net of accumulated depreciation | 4,136,392 | 3,765,325 | 3,391,264 |
| Total noncurrent assets | 8,409,194 | 7,009,674 | 6,148,419 |
| **Total assets** | $ 10,011,284 | $ 8,853,728 | $ 8,099,045 |
| Accounts payable and accrued expenses | $ 385,006 | $ 413,995 | $ 358,845 |
| Deposits and advance payments for goods and services | 179,436 | 230,300 | 227,693 |
| Current portion of bonds, notes and lease obligations | 503,750 | 530,047 | 518,982 |
| Other current liabilities | 21,705 | 23,102 | 17,159 |
| Total current liabilities | 1,089,897 | 1,197,444 | 1,122,679 |
| Noncurrent portion of bonds, notes and lease obligations | 2,177,884 | 1,897,724 | 1,451,502 |
| Other noncurrent liabilities | 328,987 | 331,056 | 318,159 |
| Total noncurrent liabilities | 2,506,871 | 2,228,780 | 1,769,661 |
| **Total liabilities** | $ 3,596,768 | $ 3,426,224 | $ 2,892,340 |
| **Deferred inflows** - Parking service concession arrangement | $ 474,332 | $ - | $ - |
| Invested in capital assets, net of related debt | 2,394,141 | 2,056,993 | 1,987,366 |
| Restricted-nonexpendable net assets | 1,158,014 | 1,050,691 | 1,037,522 |
| Restricted-expendable net assets | 920,515 | 752,890 | 771,883 |
| Unrestricted net assets | 1,467,514 | 1,566,930 | 1,409,934 |
| **Total net position** | $ 5,940,184 | $ 5,427,504 | $ 5,206,705 |

**Cash and temporary investment** balances decreased $209 million, to $1.07 billion, primarily due to a reduction in net operating cashflows (excluding parking proceeds) and defeasance of parking-related debt. **Restricted cash** balances increased $212 million, to $926 million. These balances consist primarily of unspent proceeds from the Special Purpose General Receipts Bonds, which will be used to fund the North Residential District expansion project, and the Century Bonds, which are being used to fund the Medical Center expansion and other capital projects. The Statement of Cash Flows, which is discussed in more detail below, provides additional information 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.

**Accounts receivable** decreased $31 million, to $386 million at June 30, 2013, primarily due to decreases in patient care receivables for the Health System. The 2012 implementation of a new patient care information and billing system, EPIC, created one-time billing lags, which inflated prior-year receivable balances.

The market value of the university's **long-term investment pool** increased $783 million, to $3.15 billion at June 30, 2013, primarily due to the investment of the $483 million proceeds from the parking agreement and $372 million of net investment income. 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 decreased $2 million, to $69 million, at June 30, 2013.

**Capital assets**, which include the university's land, buildings, improvements, equipment and library books, grew $371 million, to $4.14 billion at June 30, 2013. 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 2013 include the $172 million renovation of five existing student housing facilities and construction of two new facilities. Smith, Steeb and Siebert Halls opened Fall Semester 2013 following major renovations and construction of new facilities between Smith and Steeb Halls. The Park and Stradley Halls portion of the project opened the previous academic year. Also completed was Phase II of the William H. Hall Complex, a suite-style housing facility with 537 student beds. Major infrastructure projects completed in 2013 include a $42 million electrical substation to meet growing electricity demand, a $74 million chilled water plant to support the Medical Center expansion, and the geothermal well project on South Oval, which will provide up to 50% of the heating and cooling for the Hall complex and south campus high rises.

In addition, several major construction projects are currently underway or in advanced planning stages, including:

- Medical Center Expansion – Construction of a 21-story, $1.1 billion new facility for the James Cancer Hospital and Solove Research Institute and the Critical Care Center is proceeding on time and on budget for completion late in 2014. The university is financing the project with a combination of bonds ($925 million), private gifts ($75 million) and a $100 million federal grant.

- Chemical and Bio-molecular Engineering and Chemistry Building – Construction is underway on a $126 million facility for the Chemistry and Chemical and Biomolecular Engineering departments. The 225,000 square-foot building will contain research and teaching laboratories, faculty offices, and seminar rooms. Construction is projected to be completed in January 2015.

- Sullivant Hall Renovation – Work is underway on a $26 million project to renovate Sullivant Hall, including creation of an entryway to High Street and the adjoining plaza. When completed in Fall 2013, the renovated facility will house the Advanced Computing Center for the Arts & Design, the Department of Dance, the Billy Ireland Cartoon Library & Museum and the Department of Art Education.

- Infrastructure Improvements – Work continues on several major infrastructure projects, including construction of a $41 million east regional chiller plant to serve buildings east of the Oval. The east regional chiller project is expected to be completed in 2014. A $21 million steam and condensate upgrade project will upgrade deteriorated lines and increase capacity and distribution in the mid-west campus area from McCracken Power Plant to near the Drake Union. Also underway at the McCracken Power Plant is a $20 million project to replace the existing aging water treatment system, and a $13 million project to replace high voltage electrical cable and related equipment.

- North Residential District Transformation (NRDT) – The $370 million NRDT project will construct new housing and support facilities for sophomore students in the north campus area. Enabling project work began Summer 2013, and the project is slated for completion Fall Semester 2016.

The university's estimated future capital commitments, based on contracts and purchase orders, total approximately $751 million at June 30, 2013.

**Accounts payable and accrued expenses** decreased $29 million, to $385 million at June 30, 2013, primarily due to decreases in vendor payables for operating expenses (down $37 million). **Deposits and advance payments for goods and services** decreased $51 million, to $179 million, reflecting the reclassification of a $22 million deposit for the parking agreement to deferred inflows in 2013, a $14 million decrease in advance payments for departmental and auxiliary sales and services and an $11 million decrease in advance payments for grants and contracts.

University debt, in the form of **bonds, notes and capital lease obligations**, increased $254 million, to $2.68 billion at June 30, 2013. In January 2013, the university issued $338 million of Special Purpose General Receipts Bonds, Series 2013A. These bonds are solely payable from, and secured by, a pledge of the gross revenues of the university's student housing, dining and recreational facilities. Offsetting the new bond issue were a $75 million defeasance of debt related to parking facilities and $52 million in principal payments.

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 position 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 $446 million and $470 million at June 30, 2013 and 2012, respectively.

**Other noncurrent liabilities** increased $32 million, primarily due to central accruals for university insurance programs.

In 2013, the university recognized a $474 million **deferred inflow** for the parking agreement. Deferred outflows and deferred inflows are new financial statement elements, which were introduced by GASB Statement No. No. 63*, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* The parking deferred inflow will be amortized to operating revenue on a straight-line basis over the 50-year life of the agreement.

**Prior-Year Highlights:** ***In 2012***, the university issued $500 million of federally taxable "Century Bonds", which mature in June 2111. Total plant debt increased $457 million, to $2.43 billion. Total unrestricted and restricted-expendable net position increased $138 million, to $2.32 billion. ***In 2011***, total unrestricted and restricted-expendable net position increased to $2.18 billion. Three September 2010 bond issues increased total plant debt by $630 million, to $1.97 billion.

## Statement of Revenues, Expenses and Other Changes in Net Position

**Summary of Revenues, Expenses and Changes in Net Position** *(in thousands)*

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Operating Revenues: | | | |
| Tuition and fees, net | $ 816,761 | $ 793,742 | $ 732,688 |
| Grants and contracts | 597,201 | 593,623 | 558,966 |
| Auxiliary enterprises sales and services, net | 222,014 | 233,020 | 232,482 |
| OSU Health System sales and services, net | 2,018,724 | 1,921,897 | 1,706,037 |
| Departmental sales and other operating revenues | 190,049 | 176,271 | 189,968 |
| Total operating revenues | 3,844,749 | 3,718,553 | 3,420,141 |
| Operating Expenses: | | | |
| Educational and general | 2,158,149 | 2,088,529 | 2,047,191 |
| Auxiliary enterprises | 242,376 | 239,570 | 244,787 |
| OSU Health System | 1,796,581 | 1,697,628 | 1,484,405 |
| Depreciation | 257,606 | 236,180 | 233,970 |
| Total operating expenses | 4,454,712 | 4,261,907 | 4,010,353 |
| Net operating income (loss) | (609,963) | (543,354) | (590,212) |
| Non-operating revenues (expenses): | | | |
| State share of instruction and line-item appropriations | 432,652 | 428,306 | 439,576 |
| Federal fiscal stabilization funds | - | - | 60,063 |
| Gifts - current use | 122,208 | 139,599 | 103,754 |
| Net investment income (loss) | 386,516 | 59,184 | 363,924 |
| Grants, interest expense and other non-operating | (8,483) | 24,644 | 21,466 |
| Income (loss) before other revenues, expenses gains or losses | 322,930 | 108,379 | 398,571 |
| State capital appropriations | 75,127 | 42,188 | 62,732 |
| Private capital gifts | 41,176 | 19,072 | 16,398 |
| Additions to permanent endowments | 57,480 | 41,299 | 30,835 |
| Transfers to primary institution | 15,967 | 9,861 | 20,746 |
| Increase (decrease) in net position | 512,680 | 220,799 | 529,282 |
| Net position - beginning of year | 5,427,504 | 5,206,705 | 4,677,423 |
| Net position - end of year | $ 5,940,184 | $ 5,427,504 | $ 5,206,705 |

Net **tuition and fees** increased $23 million, or 3%, to $817 million in 2013. The university completed its conversion from quarters to semesters in 2013. Total enrollments declined by 2%, as students accelerated graduation in order to avoid the conversion. The effect of these enrollment declines was offset by a 3.5% tuition increase for undergraduates and a 3% increase in enrollments of non-resident students, who are assessed an out-of-state surcharge.

Operating **grant and contract revenues** increased $4 million, to $597 million in 2013, primarily due to increases in private grant revenues (up $19 million). Federal grant and contract revenues declined $18 million, to $341 million, reflecting the winding down of grants funded under the American Recovery and Reinvestment Act of 2009 and the effects of federal sequestration. Revenues for sponsored research programs administered by the

Office of Sponsored Programs (formerly known as the OSU Research Foundation) increased $5 million, to $494 million.

**Educational and general expenses** increased 3%, to $2.16 billion in 2013. Additional details are provided below.

**Educational and General Expenses** *(in thousands)*

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Instruction and departmental research | $ 906,339 | $ 875,800 | $ 837,893 |
| Separately budgeted research | 413,985 | 429,276 | 419,394 |
| Public service | 96,578 | 98,686 | 101,326 |
| Academic support | 170,142 | 162,783 | 147,845 |
| Student services | 94,237 | 90,493 | 88,604 |
| Institutional support | 271,737 | 217,648 | 236,624 |
| Operation and maintenance of plant | 93,767 | 103,095 | 112,874 |
| Scholarships and fellowships | 111,364 | 110,748 | 102,631 |
| Total | $ 2,158,149 | $ 2,088,529 | $ 2,047,191 |

Total **instructional and departmental research** expenses increased $31 million in 2013, primarily due to faculty salary increases and increased benefit costs. 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** decreased $15 million, reflecting decreases in operating expenditures on sponsored programs. **Institutional support** increased $54 million, primarily due to central accruals for university insurance programs. **Operation and maintenance of plant** expense decreased $9 million, primarily due to a combination of lower utility and housekeeping costs and increased recharges of costs to university departments.

**Auxiliary revenues** decreased $11 million, to $222 million in 2013. Room and board fees increased $7 million, due to the re-opening of Park-Stradley Hall, increases in room and board rates and the addition of new dining plan options. Transportation and Parking revenues were down $20 million, due to the transfer of the parking operations to CampusParc (QIC Global Infrastructure's operating subsidiary) under the parking lease and concession agreement. **Auxiliary expenses** increased $3 million, to $242 million, with decreases in Transportation and Parking expenses partially offsetting increases in campus housing and dining expenses and Athletics expenses.

The **Health System** operates nearly 1,200 inpatient beds and serves as a major tertiary and quaternary referral center for Ohio and the Midwest. Its Signature programs in Cancer, Critical Care, Imaging, Heart, Neurosciences, and Transplantation provide personalized patient care. The Wexner Medical Center has been recognized by US News and World Report for 21 consecutive years as one of "America's Best Hospitals" and has 10 nationally ranked specialties. It is designated as a Level I Trauma Center, has the only adult burn center in Central Ohio, and is home to a Level III neonatal intensive care unit.

A $1.1 billion construction project broke ground in 2010, representing the largest development project in The Ohio State University's history. Once complete, the new Arthur G. James Cancer Hospital and Richard J. Solove Research Institute, a Critical Care Center, as well as integrated, state-of-the-art research facilities will provide scientists, researchers and clinicians with a single collaborative environment for research, education and patient care. This 1.1 million square foot building will include 276 cancer beds and 144 critical care beds. Construction is expected to be completed in late calendar year 2014, and more than 310,000 patients will be served annually when the facility is opened.

In October 2011, the Medical Center converted to a single, integrated and personalized health record across the continuum of a patient's interaction with the Medical Center (IHIS). All members of the Medical Center team now use the same system to access and enter information into the inpatient and outpatient medical and financial records. In May 2012, The Ohio State University Wexner Medical Center was the first hospital in Ohio and among only 86 of the more than 5,000 hospitals in the nation to achieve the highest designation for electronic medical record adoption. Over 20 partner hospitals participate in the Health System's Telestroke Medicine hub which leverages innovative technologies to provide faster and more efficient diagnosis and treatment of stroke patients in largely rural areas of Ohio. The Health System is also extending the Integrated Health Information System into the community hospital and community practice setting and continues to develop additional relationships with community and state healthcare providers to leverage its electronic healthcare systems.

In 2013, the Health System remained financially sound due to solid activity levels and strong expense management. Inpatient admissions showed a slight increase compared with prior year. Consistent with industry trends, the patient environment continues to move to an outpatient setting and to an increased use of observation beds. The Health System continued to experience gains in more complex surgical, neurological, neonatal intensive care, cancer, and cardiovascular admissions, which contributed to increases in revenues, average length of stay, and average daily census.

Total surgeries increased 2.5% compared to prior year. Outpatient visits increased 6.2% over the previous year, as the Health System continued its ambulatory strategy and experienced growth at the Eye and Ear Institute, CarePoint and Fast Care facilities, Stefanie Spielman Comprehensive Breast Center, and other primary care and specialty care clinics.

Consolidated Health System operating revenues grew $97 million, to $2.02 billion in 2013. The increase was driven by increased activity levels discussed above, with the remaining increase resulting from higher case intensity, sustained payor mix, and increased rates from third party payers.

Consolidated Health System operating expenses (excluding depreciation, interest and transfers) increased $99 million, to $1.80 billion, in 2013, reflecting changes in activities. Adjusted for activities, total operating expense decreased 1.8% compared to prior year.

Measured on a stand-alone basis, the Health System's operating income remained strong, with the operating margin increasing from 9.2% in 2012 to 10.6% in 2013. Income before other changes in net position was $207.3 million versus $197.9 million in 2012. The Health System reinvested $115.8 million back into research, education, and programs at the Medical Center. In December of 2010, the Health System was awarded a $100 million grant from The Health Resources and Services Administration (HRSA), an Agency of the U.S. Department of Health & Human Services, in support of the new tower construction. Approximately $23.1 million of the total grant was recognized under Contribution for Property Acquisitions as a change in net position in 2013 and $30.4 million in 2012. The remaining amounts will be funded by HRSA on a cost sharing basis, once the allowable costs have been incurred. Additionally, $11.5 million in 2013 and $4.5 million in 2012 of other restricted expendable funds and pledges (in support of the tower and other initiatives) have been recorded. In total, after accounting for these changes, the Health System's Net Position increased $166.9 million in 2013 and $137.6 million in 2012.

As with all healthcare providers, the Health System will be challenged by the impact of Healthcare Reform. The impact of insurance exchanges, managed care rates, and sequestration continues to cause uncertainty in the environment for hospitals nationwide. Regardless, the Medical Center continues to position itself to thrive in the changing market, as it has successfully done in the past. The clinical component of the medical staff activities has been integrated into the OSU Faculty Group Practice providing the Health System and the medical staff a unified structure to manage changes in reimbursement, practice patterns, and alignment in strategic initiatives. The Health System is partnering with the University Health Plan to design innovative product offerings for both the exchanges and employers and continue working with other providers locally and statewide to form strategic alliances.

Despite the challenges and the changing healthcare environment, the Health System expects to improve its financial position and operating results 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.** (OSUP), the University's central practice group for physician faculty members of the College of Medicine and Public Health, continue to grow in 2013. Total consolidated operating revenues increased $29 million, to $332 million, as a result of increased patient volume and support from the Health System. Total consolidated OSUP expenses (excluding depreciation and interest) increased $31 million to $316 million in 2013. These figures are included in the Discretely Presented Component Units columns of the university's financial statements.

OSUP is the single member of 17 limited liability companies (LLCs). As of June 30, 2013 only 15 of the LLCs were active. Two of the LLCs (Anesthesia and Orthopedics) have been created but had no 2013 activity within OSUP.

Total state operating support increased $4 million, to $433 million, in 2013. Both **state share of instruction** and **line-item appropriations** were stable compared with 2012. The State of Ohio is moving to a new funding formula that focuses on degree completions. FY2014 operating support is expected to be up slightly compared with 2013.

**Non-endowment gifts** to the university (including gifts for current use and gifts to capital projects) increased $5 million, to $163 million in 2013. New gift **additions to permanent endowments** increased $16 million, to $57 million. During 2013, over 228,000 alumni and friends made gifts to the university, up from 211,000 in 2012.

University investments yielded $387 million of **net investment income** in 2013. The net investment income figure includes $78 million of interest and dividend income and $309 million net increase in the fair value of university investments.

The Long Term Investment Pool's net investment return for the fiscal year ended June 30, 2013, was 11.63% versus the Policy (internal benchmark) return of 8.96%. In 2013, investors faced rising interest rates and mass investor repositioning in anticipation of Federal Reserve policy changes. Public equities, hedge funds, and private equity were all strong performers during the year. Natural resources, infrastructure and fixed income lagged due to softness in global energy prices for most of the year and rising rates in the bond markets.

The university's Investment Office continues to evaluate diversifying strategies to position the portfolio for anticipated lower fixed income returns and the continuing uneven recovery of global markets and will continue to strive for the best possible risk-adjusted investment returns to grow the purchasing power of the Long Term Investment Pool.

**Prior-Year Highlights:** ***In 2012***, Total net position (equity) increased $221 million, to $5.43 billion at June 30, 2012, primarily due to increases in tuition and gift revenues, limited growth in expenses and positive operating results for the OSU Health System. ***In 2011***, total net position increased $529 million, primarily due to $364 million of net investment income and strong operating results for the OSU Health System.

### Statement of Cash Flows

| University Cash Flows Summary *(in thousands)* | 2013 | 2012 | 2011 |
|---|---|---|---|
| Net cash flows from operating activities | $ 82,605 | $ (281,830) | $ (289,316) |
| Net cash flows from noncapital financing activities | 664,464 | 631,466 | 717,035 |
| Capital appropriations and gifts for capital projects | 82,963 | 68,038 | 79,099 |
| Proceeds from issuance of bonds and notes payable | 499,398 | 521,155 | 902,117 |
| Payments for purchase and construction of capital assets | (608,138) | (568,222) | (441,556) |
| Principal and interest payments on capital debt, net of federal Build America Bond interest subsidies | (324,944) | (132,789) | (335,003) |
| Net cash flows for investing activities | (673,292) | 9,476 | (237,894) |
| Net increase (decrease) in cash | $ (276,944) | $ 247,294 | $ 394,482 |

University cash and cash equivalents decreased $277 million in 2013. Net cash flows from operating activities increased $364 million, reflecting the September 2012 receipt of $453 million in net proceeds from the parking lease and concession agreement. Excluding parking proceeds, operating cashflows decreased $67 million, with increases in payments for supplies and services (up $224 million) and employee benefits (up $66 million) more than offsetting increased receipts for sales and services (up $218 million). Net cash flows from noncapital financing activities increased $33 million, primarily due to timing differences in drawdowns of federal direct-lending funds. Net cash used for capital financing activities increased $239 million, to $351 million, reflecting increases in total principal payments and capital expenditures for the Medical Center expansion, south campus dorm expansion and other major projects. Total cash used for investing activities was $673 million, reflecting the investment of the total proceeds of the parking agreement ($483 million) in the Long Term Investment Pool and $280 million of net purchases of temporary investments.

### Economic Factors That Will Affect the Future

Fiscal Year 2013 saw the retirement of the university's president, E. Gordon Gee. Since his return to Ohio State in 2007, President Gee has led the university on a multi-phase strategic planning and implementation process to move the university from excellence to eminence in public higher education. Under the leadership of Interim President Joseph A. Alutto, the university is poised to continue and accelerate this progress. As President Alutto recently noted, "At Ohio State, we've been able to move aggressively because of the strategic planning we've done and the resource base we have – alumni who have stepped forward, a governor who has been supportive during tough times, monetizing our parking, selling the century bonds. All of that allows us to stay focused on our academic programs."

Some of the broad goals that Ohio State is focusing on in 2014 and beyond include:

- Defining and enhancing the undergraduate, graduate and professional student experience, including the new Second-Year Transformational Experience Program (STEP)
- Developing the Discovery Themes – Health and Wellness, Energy and the Environment, and Food Production and Security
- Developing eLearning at Ohio State
- Discussing faculty evaluation and rewards in our interdisciplinary climate
- Maintaining affordability and access for our students while promoting excellence
- Enhancing the arts on campus and promoting connections with the community outside Ohio State

Based on what is now known regarding the university's financial outlook, university management anticipates that Ohio State will maintain its sound financial position in Fiscal Year 2014. However, the university does face certain financial challenges, including limited growth in state operating support and tuition revenues, the continuing effects of federal sequestration and uncertainties related to the impact of healthcare reform. State share of institution (SSI) is expected to increase 2%, and restricted line-item appropriations are expected to be flat in 2014. A new state subsidy model that focuses on degree completions is expected to have a negative impact in 2015, as other institutions expand enrollments in on-line programs. Tuition revenues are expected to increase 2% in 2014, primarily driven by a shift in the student mix to more non-resident and professional students. Undergraduate instructional and mandatory fees will not increase in fiscal 2014. Federal sequestration will continue to negatively impact sponsored research revenues, which are expected to decline 6% in 2014. The university's largest federal sponsor, the National Institutes for Health, is cutting new awards 10-20% and reducing already committed funding by 4-6%. OSU's second largest federal sponsor, the National Science Foundation, cut awards to the university by 25% in 2013. Sequestration, the development of insurance exchanges, changes to managed care rates and other aspects of healthcare reform will continue to cause uncertainty in the environment for the Wexner Medical Center and hospitals nationwide.

New accounting rules are also expected to have a potentially significant impact on the university's reported financial position and results of operations. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is effective Fiscal Year 2015, requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability, which is the difference between the total pension liability and the net assets set aside to pay pension benefits. For cost-sharing employers, the net pension liability is equal to the employer's proportionate share of the collective net pension liability for the plan. The university participates in two cost-sharing defined benefit pension plans, the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS-Ohio). Based on information provided in the most recently available financial reports for the pension plans, university management anticipates that Statement No. 68 will result in the recognition of significant liabilities in the university's financial statements.

Despite the challenges and uncertainties outlined above, the university remains committed to executing its long-range strategic plan. By doing so, we believe that The Ohio State University will continue its progress towards becoming the world's preeminent comprehensive public university.

**THE OHIO STATE UNIVERSITY**
**CONSOLIDATED STATEMENTS OF NET POSITION**
**June 30, 2013 and June 30, 2012**
**(in thousands)**

| | Primary Institution | | Discretely Presented Component Units | | Total University | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **ASSETS AND DEFERRED OUTFLOWS:** | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents | $ 64,691 | $ 553,853 | $ 52,495 | $ 43,952 | $ 117,186 | $ 597,805 |
| Temporary investments | 1,009,234 | 729,288 | 12,572 | 12,868 | 1,021,806 | 742,156 |
| Accounts receivable, net | 385,965 | 416,726 | 48,058 | 53,425 | 434,023 | 470,151 |
| Notes receivable - current portion, net | 23,528 | 24,553 | 470 | 72 | 23,998 | 24,625 |
| Pledges receivable - current portion, net | 27,491 | 21,190 | - | - | 27,491 | 21,190 |
| Accrued interest receivable | 21,204 | 27,455 | - | - | 21,204 | 27,455 |
| Inventories and prepaid expenses | 83,786 | 80,819 | 2,292 | 2,486 | 86,078 | 83,305 |
| Amounts due from (to) primary institution | (13,809) | (9,830) | 13,809 | 9,830 | - | - |
| Total Current Assets | 1,602,090 | 1,844,054 | 129,696 | 122,633 | 1,731,786 | 1,966,687 |
| Noncurrent Assets: | | | | | | |
| Restricted cash | 926,444 | 714,226 | - | - | 926,444 | 714,226 |
| Notes receivable, net | 56,176 | 45,872 | 1,957 | 3,071 | 58,133 | 48,943 |
| Pledges receivable, net | 71,655 | 46,555 | - | - | 71,655 | 46,555 |
| Long-term investment pool | 3,149,169 | 2,366,033 | - | - | 3,149,169 | 2,366,033 |
| Other long-term investments | 69,358 | 71,663 | 1,529 | 5,106 | 70,887 | 76,769 |
| Capital assets, net | 4,136,392 | 3,765,325 | 80,162 | 82,881 | 4,216,554 | 3,848,206 |
| Total Noncurrent Assets | 8,409,194 | 7,009,674 | 83,648 | 91,058 | 8,492,842 | 7,100,732 |
| **Total Assets and Deferred Outflows** | $ 10,011,284 | $ 8,853,728 | $ 213,344 | $ 213,691 | $ 10,224,628 | $ 9,067,419 |
| **LIABILITIES, DEFERRED INFLOWS AND NET POSITION:** | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts payable and accrued expenses | $ 385,006 | $ 413,995 | $ 23,596 | $ 27,238 | $ 408,602 | $ 441,233 |
| Deposits and advance payments for goods and services | 179,436 | 230,300 | 1,075 | 1,245 | 180,511 | 231,545 |
| Current portion of bonds, notes and leases payable | 57,315 | 60,347 | 1,226 | 23,104 | 58,541 | 83,451 |
| Long-term bonds payable, subject to remarketing | 446,435 | 469,700 | - | - | 446,435 | 469,700 |
| Other current liabilities | 63,042 | 75,295 | - | - | 63,042 | 75,295 |
| Amounts due to (from) primary institution - current | (41,337) | (52,193) | 41,337 | 52,193 | - | - |
| Total Current Liabilities | 1,089,897 | 1,197,444 | 67,234 | 103,780 | 1,157,131 | 1,301,224 |
| Noncurrent Liabilities: | | | | | | |
| Bonds, notes and leases payable | 2,177,884 | 1,897,724 | 17,305 | 26,109 | 2,195,189 | 1,923,833 |
| Compensated absences | 137,737 | 126,387 | 43 | 57 | 137,780 | 126,444 |
| Self-insurance accruals | 106,851 | 115,208 | - | - | 106,851 | 115,208 |
| Amounts due to third-party payors - Health System | 11,366 | 13,716 | - | - | 11,366 | 13,716 |
| Obligations under annuity and life income agreements | 33,702 | 34,088 | - | - | 33,702 | 34,088 |
| Refundable advances for Federal Perkins loans | 31,445 | 28,706 | - | - | 31,445 | 28,706 |
| Other noncurrent liabilities | 59,849 | 27,852 | 1,457 | 4,378 | 61,306 | 32,230 |
| Amounts due to (from) primary institution - noncurrent | (51,963) | (14,901) | 51,963 | 14,901 | - | - |
| Total Noncurrent Liabilities | 2,506,871 | 2,228,780 | 70,768 | 45,445 | 2,577,639 | 2,274,225 |
| **Total Liabilities** | 3,596,768 | 3,426,224 | 138,002 | 149,225 | 3,734,770 | 3,575,449 |
| Deferred Inflows: | | | | | | |
| Parking service concession arrangement | 474,332 | - | - | - | 474,332 | - |
| Net Position: | | | | | | |
| Invested in capital assets, net of related debt | 2,394,141 | 2,056,993 | 52,464 | 22,933 | 2,446,605 | 2,079,926 |
| Restricted: | | | | | | |
| Nonexpendable | 1,158,014 | 1,050,691 | - | - | 1,158,014 | 1,050,691 |
| Expendable | 920,515 | 752,890 | - | - | 920,515 | 752,890 |
| Unrestricted | 1,467,514 | 1,566,930 | 22,878 | 41,533 | 1,490,392 | 1,608,463 |
| **Total Net Position** | 5,940,184 | 5,427,504 | 75,342 | 64,466 | 6,015,526 | 5,491,970 |
| **Total Liabilities, Deferred Inflows and Net Position** | $ 10,011,284 | $ 8,853,728 | $ 213,344 | $ 213,691 | $ 10,224,628 | $ 9,067,419 |

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

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

**June 30, 2013 and June 30, 2012**
**(in thousands)**

| | Primary Institution | | Discretely Presented Component Units | | Total University | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Operating Revenues: | | | | | | |
| Student tuition and fees (net of scholarship allowances of $154,236 and $136,740, respectively) | $ 816,761 | $ 793,742 | $ - | $ - | $ 816,761 | $ 793,742 |
| Federal grants and contracts | 341,038 | 358,968 | 8,819 | 10,322 | 349,857 | 369,290 |
| State grants and contracts | 50,062 | 48,061 | - | - | 50,062 | 48,061 |
| Local grants and contracts | 16,217 | 16,020 | - | - | 16,217 | 16,020 |
| Private grants and contracts | 189,884 | 170,575 | 52,412 | 45,955 | 242,296 | 216,530 |
| Sales and services of educational departments | 126,207 | 105,318 | 7,354 | 7,256 | 133,561 | 112,574 |
| Sales and services of auxiliary enterprises (net of scholarship allowances of $20,081 and $17,228, respectively) | 222,014 | 233,020 | - | - | 222,014 | 233,020 |
| | | | - | - | | |
| Sales and services of the OSU Health System, net | 2,018,724 | 1,921,897 | - | - | 2,018,724 | 1,921,897 |
| Sales and services of OSU Physicians, Inc., net | - | - | 331,817 | 302,802 | 331,817 | 302,802 |
| Other operating revenues | 63,842 | 70,952 | 942 | 2,412 | 64,784 | 73,364 |
| Total Operating Revenues | 3,844,749 | 3,718,553 | 401,344 | 368,747 | 4,246,093 | 4,087,300 |
| Operating Expenses: | | | | | | |
| Educational and General: | | | | | | |
| Instruction and departmental research | 906,339 | 875,800 | 4,877 | 4,242 | 911,216 | 880,042 |
| Separately budgeted research | 413,985 | 429,276 | 20,686 | 23,968 | 434,671 | 453,244 |
| Public service | 96,578 | 98,686 | 8,535 | 11,028 | 105,113 | 109,714 |
| Academic support | 170,142 | 162,783 | - | - | 170,142 | 162,783 |
| Student services | 94,237 | 90,493 | - | - | 94,237 | 90,493 |
| Institutional support | 271,737 | 217,648 | 7,389 | 6,729 | 279,126 | 224,377 |
| Operation and maintenance of plant | 93,767 | 103,095 | 22,030 | 11,513 | 115,797 | 114,608 |
| Scholarships and fellowships | 111,364 | 110,748 | - | - | 111,364 | 110,748 |
| Auxiliary enterprises | 242,376 | 239,570 | - | - | 242,376 | 239,570 |
| OSU Health System | 1,796,581 | 1,697,628 | - | - | 1,796,581 | 1,697,628 |
| OSU Physicians, Inc. | - | - | 316,080 | 285,446 | 316,080 | 285,446 |
| Depreciation | 257,606 | 236,180 | 7,116 | 6,211 | 264,722 | 242,391 |
| Total Operating Expenses | 4,454,712 | 4,261,907 | 386,713 | 349,137 | 4,841,425 | 4,611,044 |
| Operating Income (Loss) | (609,963) | (543,354) | 14,631 | 19,610 | (595,332) | (523,744) |
| Non-operating Revenues (Expenses): | | | | | | |
| State share of instruction and line-item appropriations | 432,652 | 428,306 | - | - | 432,652 | 428,306 |
| Federal subsidies for Build America Bonds interest | 10,799 | 11,252 | - | - | 10,799 | 11,252 |
| Federal non-exchange grants | 57,794 | 57,466 | - | - | 57,794 | 57,466 |
| State non-exchange grants | 8,463 | 5,185 | - | - | 8,463 | 5,185 |
| Gifts | 122,208 | 139,599 | - | - | 122,208 | 139,599 |
| Net investment income | 386,516 | 59,184 | 370 | 993 | 386,886 | 60,177 |
| Interest expense on plant debt | (62,227) | (56,465) | (713) | (3,269) | (62,940) | (59,734) |
| Other non-operating revenues | (23,312) | 7,206 | 12,555 | (25) | (10,757) | 7,181 |
| Net Non-operating Revenue | 932,893 | 651,733 | 12,212 | (2,301) | 945,105 | 649,432 |
| Income before Other Revenues, Expenses, Gains or Losses | 322,930 | 108,379 | 26,843 | 17,309 | 349,773 | 125,688 |
| Other Changes in Net Position | | | | | | |
| State capital appropriations | 75,127 | 42,188 | - | - | 75,127 | 42,188 |
| Private capital gifts | 41,176 | 19,072 | - | - | 41,176 | 19,072 |
| Additions to permanent endowments | 57,480 | 41,299 | - | - | 57,480 | 41,299 |
| Transfers to (from) primary institution | 15,967 | 9,861 | (15,967) | (9,861) | - | - |
| Total Other Changes in Net Position | 189,750 | 112,420 | (15,967) | (9,861) | 173,783 | 102,559 |
| Increase in Net Position | 512,680 | 220,799 | 10,876 | 7,448 | 523,556 | 228,247 |
| Net Position - Beginning of Year | 5,427,504 | 5,206,705 | 64,466 | 57,018 | 5,491,970 | 5,263,723 |
| Net Position - End of Year | $ 5,940,184 | $ 5,427,504 | $ 75,342 | $ 64,466 | $ 6,015,526 | $ 5,491,970 |

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

**THE OHIO STATE UNIVERSITY**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**Years Ended June 30, 2013 and June 30, 2012**
(in thousands)

| | Primary Institution | | Discretely Presented Component Units | | Total University | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **Cash Flows from Operating Activities:** | | | | | | |
| Tuition and fee receipts | $ 716,689 | $ 698,512 | $ - | $ - | $ 716,689 | $ 698,512 |
| Grant and contract receipts | 572,733 | 586,203 | 61,149 | 56,008 | 633,882 | 642,211 |
| Receipts for sales and services | 2,409,068 | 2,191,169 | 345,168 | 301,039 | 2,754,236 | 2,492,208 |
| Receipts for parking service concession arrangement | 453,546 | 22,000 | - | - | 453,546 | 22,000 |
| Payments to or on behalf of employees | (1,978,812) | (2,011,340) | (223,225) | (207,235) | (2,202,037) | (2,218,575) |
| University employee benefit payments | (581,981) | (515,611) | (54,370) | (50,314) | (636,351) | (565,925) |
| Payments to vendors for supplies and services | (1,470,957) | (1,247,342) | (108,384) | (84,482) | (1,579,341) | (1,331,824) |
| Payments to students and fellows | (102,886) | (100,048) | - | - | (102,886) | (100,048) |
| Student loans issued | (9,400) | (10,495) | - | - | (9,400) | (10,495) |
| Student loans collected | 10,719 | 10,024 | - | - | 10,719 | 10,024 |
| Student loan interest and fees collected | 2,228 | 2,152 | - | - | 2,228 | 2,152 |
| Other receipts | 61,658 | 92,946 | 939 | 2,412 | 62,597 | 95,358 |
| Net cash provided (used) by operating activities | 82,605 | (281,830) | 21,277 | 17,428 | 103,882 | (264,402) |
| **Cash Flows from Noncapital Financing Activities:** | | | | | | |
| State share of instruction and line-item appropriations | 432,652 | 428,306 | - | - | 432,652 | 428,306 |
| Non-exchange grant receipts | 66,257 | 62,651 | - | - | 66,257 | 62,651 |
| Gift receipts for current use | 118,752 | 123,018 | - | - | 118,752 | 123,018 |
| Additions to permanent endowments | 57,480 | 41,299 | - | - | 57,480 | 41,299 |
| Drawdowns of federal direct loan proceeds | 384,505 | 386,400 | - | - | 384,505 | 386,400 |
| Disbursements of federal direct loans to students | (369,049) | (397,721) | - | - | (369,049) | (397,721) |
| Disbursement of loan proceeds to related organization | (8,161) | (101) | - | - | (8,161) | (101) |
| Repayment of loans from related organization | 574 | 217 | - | - | 574 | 217 |
| Amounts received for annuity and life income funds | 3,482 | 1,848 | - | - | 3,482 | 1,848 |
| Amounts paid to annuitants and life beneficiaries | (3,737) | (3,761) | - | - | (3,737) | (3,761) |
| Agency funds receipts | 3,352 | 2,805 | - | - | 3,352 | 2,805 |
| Agency funds disbursements | (2,827) | (2,694) | - | - | (2,827) | (2,694) |
| Transfers from (to) primary institution | (18,816) | (10,801) | 18,816 | 10,801 | - | - |
| Net cash provided by noncapital financing activities | 664,464 | 631,466 | 18,816 | 10,801 | 683,280 | 642,267 |
| **Cash Flows from Capital Financing Activities:** | | | | | | |
| Proceeds from capital debt | 499,398 | 521,155 | - | - | 499,398 | 521,155 |
| State capital appropriations | 69,732 | 48,966 | - | - | 69,732 | 48,966 |
| Gift receipts for capital projects | 13,231 | 19,072 | - | - | 13,231 | 19,072 |
| Payments for purchase or construction of capital assets | (608,138) | (568,222) | (4,398) | (6,638) | (612,536) | (574,860) |
| Principal payments on capital debt and leases | (243,738) | (64,271) | (30,682) | (13,516) | (274,420) | (77,787) |
| Interest payments on capital debt and leases | (92,005) | (79,770) | (713) | (3,269) | (92,718) | (83,039) |
| Federal subsidies for Build America Bonds interest | 10,799 | 11,252 | - | - | 10,799 | 11,252 |
| Net cash (used) by capital financing activities | (350,721) | (111,818) | (35,793) | (23,423) | (386,514) | (135,241) |
| **Cash Flows from Investing Activities:** | | | | | | |
| Net (purchases) sales of temporary investments | (279,946) | 199,007 | 296 | (8,732) | (279,650) | 190,275 |
| Proceeds from sales and maturities of long-term investments | 1,112,965 | 614,242 | 3,577 | - | 1,116,542 | 614,242 |
| Investment income | 83,167 | 64,906 | 370 | 993 | 83,537 | 65,899 |
| Purchases of long-term investments | (1,589,478) | (868,679) | - | (3,056) | (1,589,478) | (871,735) |
| Net cash provided (used) by investing activities | (673,292) | 9,476 | 4,243 | (10,795) | (669,049) | (1,319) |
| **Net Increase in Cash** | (276,944) | 247,294 | 8,543 | (5,989) | (268,401) | 241,305 |
| Cash and Cash Equivalents - Beginning of Year | 1,268,079 | 1,020,785 | 43,952 | 49,941 | 1,312,031 | 1,070,726 |
| Cash and Cash Equivalents - End of Year | $ 991,135 | $ 1,268,079 | $ 52,495 | $ 43,952 | $ 1,043,630 | $ 1,312,031 |

**THE OHIO STATE UNIVERSITY**
**CONSOLIDATED STATEMENTS OF CASH FLOWS, Cont'd**
**Years Ended June 30, 2013 and June 30, 2012**
(in thousands)

| | Primary Institution | | Discretely Presented Component Units | | Total University | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| **Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:** | | | | | | |
| Operating income (loss) | $ (609,963) | $ (543,354) | 14,631 | $ 19,610 | $ (595,332) | $ (523,744) |
| Adjustments to reconcile net operating loss to net cash used by operating activities: | | | | | | |
| Depreciation expense | 257,606 | 236,180 | 7,116 | 6,211 | 264,722 | 242,391 |
| Changes in assets and liabilities: | | | | | | |
| Accounts receivable, net | 20,700 | (46,194) | 5,367 | (8,896) | 26,067 | (55,090) |
| Notes receivable, net | (1,692) | 139 | 716 | (781) | (976) | (642) |
| Accrued interest receivable | 2,228 | (836) | | | 2,228 | (836) |
| Inventories and prepaid expenses | (2,967) | (4,509) | 194 | 2,571 | (2,773) | (1,938) |
| Accounts payable and accrued liabilities | (29,234) | 32,104 | (3,642) | (1,619) | (32,876) | 30,485 |
| Self-insurance accruals | (8,357) | 13,373 | | | (8,357) | 13,373 |
| Amounts due to third-party payors - Health System | (2,350) | (9,733) | | | (2,350) | (9,733) |
| Deposits and advance payments for goods and services | (51,401) | 27,521 | (170) | 388 | (51,571) | 27,909 |
| Compensated absences | 11,256 | 13,874 | (14) | 17 | 11,242 | 13,891 |
| Refundable advances for Federal Perkins loans | 2,739 | (181) | | | 2,739 | (181) |
| Deferred inflows | 474,332 | - | | | 474,332 | - |
| Other liabilities | 19,708 | (214) | (2,921) | (73) | 16,787 | (287) |
| Net cash provided (used) by operating activities | $ 82,605 | $ (281,830) | $ 21,277 | $ 17,428 | $ 103,882 | $ (264,402) |
| **Non Cash Transactions:** | | | | | | |
| Capital Lease | $ 1,147 | $ 10,473 | | | $ 1,147 | $ 10,473 |
| Construction in Process in Accounts Payable | 57,252 | 57,362 | | | 57,252 | 57,362 |
| Stock Gifts | 33,920 | 8,815 | | | 33,920 | 8,815 |

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

## 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, which constitute the primary government for financial reporting purposes:

- The Ohio State University and its hospitals and clinics
- Ohio Agricultural Research and Development Center
- The Ohio Technology Consortium (OH-TECH)

In addition, these financial statements include component units -- legally separate organizations for which the university is financially accountable. Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* as amended by Statement No. 61, *The Financial Reporting Entity: Omnibus*, 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 and provides specific financial benefits to, or imposes specific financial burdens on, the primary government.

The university's component units and the reasons for their inclusion in the university's financial statements are described below:

- **The Ohio State University Foundation** – The fiscal dependency criteria apply to this not-for-profit fundraising organization, which operates exclusively for the benefit of The Ohio State University.
- **OSU Health Plan, Inc.** – The university appoints a voting majority of the board for this organization, which provides medical benefit plan administration services to the university and its faculty and staff.
- **Oval Limited** – The university holds all of the voting stock of this captive insurance entity, which was established by the university to provide medical malpractice coverage to physicians in the university's medical center.

The component units listed above 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.

In addition to the blended component units described above, the university's financial statements include the following discretely presented component units:

- **The Ohio State University Physicians, Inc.** – The university appoints a voting majority of the board of the medical practice group for physician faculty members in the Colleges of Medicine and Public Health.
- **Campus Partners for Community Urban Redevelopment, Inc**. – The university appoints a voting majority of the board for this non-profit organization, which participates in the redevelopment of neighborhoods adjacent to the Columbus campus.
- **Transportation Research Center of Ohio, Inc.** – The university appoints a voting majority of the board for this automotive research and testing facility in East Liberty, Ohio.
- **Dental Faculty Practice Association, Inc.** – The university appoints a voting majority of the board for the dental practice group for faculty in the College of Dentistry.

Summary financial statement information for the university's blended and discretely presented component units is provided in Notes 19 and 20. Audited financial statements for component units considered to be material to the university may be obtained from the Office of the Controller. A total university column in the financial statements is provided as memorandum only for purposes of additional analysis by users.

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 Position; a Consolidated Statement of Revenues, Expenses and Other Changes in Net Position; a Consolidated Statement of Cash Flows; and Notes to the Financial Statements. In the Financial Statements, separate columns are presented for the *primary institution* (which includes the primary government and the blended component units), *discretely presented component units* and the *total university*. The Notes to the Financial Statements include separate disclosures for the primary institution and the discretely presented component units. Unless otherwise specified, the amounts presented in MD&A are those of the primary institution.

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

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation, cash restricted for capital projects and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted - nonexpendable:** Amounts subject to externally-imposed stipulations that they be maintained in perpetuity and invested for the purpose of generating present and future income, which may either be expended or added to the principal by the university. These assets primarily consist of the university's permanent endowments.

- **Restricted - expendable:** Amounts 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.

- **Unrestricted:** Amounts which are not subject to externally-imposed stipulations. Substantially all unrestricted balances 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 funds 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, savings accounts and investments with original maturities of ninety days or less at the time of purchase. Such investments consist primarily of U.S. Government obligations, U.S. Agency obligations, repurchase agreements and money market funds. Restricted cash consists of bond proceeds restricted for capital expenditures. For purposes of the Statement of Cash Flows, "cash" is defined as the total of these two line items.

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, 2013, the university has made commitments to limited partnerships totaling $624,000 that have not yet been funded. These commitments may extend for a maximum of thirteen years. In the prior fiscal year, the university had made commitments to limited partnerships totaling $522,000 that had not yet been funded as of June 30, 2012.

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, 2013 are $4,845 and $13,571, respectively. The carrying and market values of real estate at June 30, 2012 are $4,830 and $13,511, 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 5,100 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 (UPMIFA), 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. The UPMIFA, as adopted in Ohio, establishes a 5% safe harbor of prudence for funds appropriated for expenditure. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the Long Term Investment Pool, and the associated net position is classified as restricted-expendable.

Annual distributions to named funds in the Long Term Investment Pool are computed using the share method of accounting for pooled investments. The 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, 2013, the market value of the university's gifted endowments was $1,530,734, which is $174,140 above the historical dollar value of $1,356,594. At June 30, 2012, the market value of the university's gifted endowments was $1,379,531, which is $91,484 above the historical dollar value of $1,288,047. Although the market value of the gifted endowments in total exceeds the historical cost at June 30, 2013, there are 2,287 named funds that remain underwater. The market value of these underwater funds at June 30, 2013 is $671,524, which is $100,471 below the historical dollar value of $771,995. Per UPMIFA (§ 1715.53(D)(C), the reporting of such deficiencies does not create an obligation on the part of the endowment fund to restore the fair value of those funds.

**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 Health System, which consist principally of pharmaceuticals and operating supplies, are valued at cost on a first-in, first-out basis.

(dollars in thousands)

**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, software 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. Interest of $28,740 and $25,601 was capitalized in the years ended June 30, 2013 and 2012, 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.

**Advance Payments for Goods and Services**

Advance payments for goods and services 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 term 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 position 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 position 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 Position, 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 Health System 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 position. 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.

**OSU Health System 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 Health System contests 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 Health System recognizes settlements of protested adjustments or appeals upon resolution of the matters. Patient revenues are recorded net of contractual allowances, charity care and bad debt expenses.

**OSU Physicians Revenue**

Net patient service revenue represents amounts received and the estimated realizable amounts due from patients and third-party payers for services rendered net of contractual allowances, charity care and bad debt expenses. OSU Physicians (OSUP), a discretely presented component unit of the university, 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.

**Charity Care and Community Benefit**

Care is provided to patients regardless of their ability to pay. A patient is classified as charity care in accordance with policies established by the OSU Health System and OSUP. Because collection of amounts determined to qualify as charity care are not pursued, such amounts are written off as administrative adjustments and not reported as net patient service revenue. OSU Health System and OSUP maintain records to identify and monitor the level of charity care provided, including the amount of charges foregone for services rendered. Net charity care costs for the OSU Health System as of June 30, 2013 and 2012 are $35,927 and $38,482, respectively, after applying reductions of $21,463 and $23,009, respectively, for support received under the Health Care Assurance Program (HCAP). HCAP is administered by the State of Ohio to help hospitals cover a portion of the cost of providing charity care.

Charity care costs for OSUP as of June 30, 2013 and 2012 are $19,934 and $12,296, respectively.

**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 March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012*. This Statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for certain operating lease payments, purchases of loans and mortgage loan servicing fees. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

In June 2012, the GASB issued two related accounting standards, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 67 builds upon the existing framework for financial reports of defined benefit pension plans and expands required note disclosures and Required Supplementary Information. It is effective for periods beginning after June 15, 2013.

Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability, which is the difference between the total pension liability and the assets set aside to pay pension benefits. Statement No. 68 also requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. It is effective for periods beginning after June 15, 2014.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. Statement No. 69 requires mergers, which do not involve an exchange of consideration, to be accounted for using the carrying values of assets. Acquisitions are accounted for using acquisition values. The standard also provides guidance on reporting of disposals of government operations. It is effective for periods beginning after December 15, 2013.

In April 2013, the GASB issued Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*. Statement No. 70 requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. The standard also requires guarantors or issuers to disclose information about the amounts and nature of nonexchange financial guarantees. It is effective for periods beginning after June 15, 2013.

University management is currently assessing the impact that implementation of GASB Statements No. 65, 66, 67, 68, 69 and 70 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.

**Revision**

During 2014, the university identified a misclassification of accumulated appreciation on donor restricted endowment funds, between restricted net position – nonexpendable and restricted net position – expendable. As a result, the June 30, 2013 and June 30, 2012 restricted nonexpendable and restricted expendable net position for the Primary Institution presented within the consolidated statement of net position and for the OSU Foundation presented within Note 19 have been revised to correct for the misclassification of these amounts. The following table summarizes the effect of these revisions:

(dollars in thousands)

| | As of June 30, 2013 | | | As of June 30, 2012 | | |
|---|---|---|---|---|---|---|
| | As originally reported | Adjustment | As adjusted | As originally reported | Adjustment | As adjusted |
| **Consolidated Statements of Net Position, Primary Institution:** | | | | | | |
| Restricted: | | | | | | |
| Nonexpendable | $1,340,681 | ($182,667) | $1,158,014 | $1,200,473 | ($149,782) | $1,050,691 |
| Expendable | 737,848 | 182,667 | 920,515 | 603,108 | 149,782 | 752,890 |
| **Note 19 – Combining Information for Blended Component Units, OSU Foundation** | | | | | | |
| Restricted: | | | | | | |
| Nonexpendable | 587,508 | (14,058) | 573,450 | 509,066 | (6,649) | 502,417 |
| Expendable | 120,994 | 14,058 | 135,052 | 81,871 | 6,649 | 88,520 |

There was no impact on total net position as originally reported. The endowment policy disclosures in Note 1 in this regard have been revised to reflect this adjusted presentation.

## NOTE 2 — CASH AND CASH EQUIVALENTS

At June 30, 2013, the carrying amount of the primary institution's cash, cash equivalents and restricted cash for all funds is $991,135 as compared to bank balances of $966,360. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, $3,054 is covered by federal deposit insurance and $963,306 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

At June 30, 2012, the carrying amount of the primary institution's cash, cash equivalents and restricted cash for all funds is $1,268,079 as compared to bank balances of $1,268,258. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, $7,360 is covered by federal deposit insurance and $1,260,898 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

At June 30, 2013, the carrying amount of the discretely presented component units' cash, cash equivalents and restricted cash for all funds is $52,495 as compared to bank balances of $48,927. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, $5,619 is covered by federal deposit insurance and $43,308 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

At June 30, 2012, the carrying amount of the discretely presented component units' cash, cash equivalents and restricted cash for all funds is $43,952 as compared to bank balances of $40,088. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, $39,496 is covered by federal deposit insurance and $591 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

(dollars in thousands)

The university considers highly liquid investments with maturities of three months or less as cash and cash equivalents.

## 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. The target is to maximize value while protecting the liquidity of the assets. Temporary Investment funds are invested in the following instruments with varying maturities: obligations of the U. S. Treasury and other federal agencies and instrumentalities, municipal and state bonds, corporate bonds, certificates of deposit, commercial paper, repurchase agreements, money market funds and mutual 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 quasi-endowment funds which are internally designated funds that are to function as endowments. 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 the generation of a predictable stream of annual distribution. 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 |
|---|---|---|
| Global Equity | 10-50% | 50% (ACWI) + 50%(50% ACWI + 4%) |
| Global Credit | 10-50% | 90 Day T-Bill s + 4% |
| Private Capital | 10-25% | 100% (Cambridge Associates Private Equity Medians) |
| Real Assets | 10-25% | 75% (CPI + 4%) + 25% (NACREIF Real Estate Index) |

The Long Term Investment Pool is a diversified investment pool designed to produce competitive risk-adjusted returns that will provide real growth over time. Benchmarks are selected to measure the performance of the investments in each asset class considering the goals and expectations for each asset class.

The Global Equity category includes domestic equity, international equity, long biased long/short equity and emerging market equity managers. The Global Credit category includes fixed income, absolute return and credit oriented managers. The Private Capital category includes private equity and venture capital funds. The Real Assets category includes real estate, natural resource, commodity and infrastructure funds.

Mutual funds held by the university invest in a wide range of alternative investments. These investments 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 assets 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, gift annuities, 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 and money market instruments are invested through trust agreements with banks who keep the investments in their safekeeping accounts at Northern Trust and BNY Mellon in "book entry" form. The banks internally designate the securities as owned by or pledged to the university.

The cash and cash equivalents amount represents cash held in the long-term investment pool by various investment managers as of June 30, 2013. Such amounts were generated by gifts received throughout the fiscal year and sales of investments in the long-term investment pool. Subsequently, the cash and cash equivalents will be used to purchase long-term investments.

Total university investments by major category for the primary institution at June 30, 2013 and 2012 are as follows:

(dollars in thousands)

| | Primary Institution 2013 | 2012 |
|---|---|---|
| Temporary Investments | $ 1,009,234 | $ 729,288 |
| Long-Term Investment Pool: | | |
| Gifted Endowment - University | 941,031 | 878,707 |
| Gifted Endowment - OSU Foundation | 589,702 | 500,824 |
| Quasi Endowment - Operating | 1,055,699 | 942,592 |
| Quasi Endowment - Designated | 562,737 | 43,910 |
| Total Long-Term Investment Pool | 3,149,169 | 2,366,033 |
| Other Long-Term Investments | 69,358 | 71,663 |
| Total Investments | $ 4,227,761 | $ 3,166,984 |

Total university investments by investment type for the primary institution at June 30, 2013 are as follows:

| | Primary Institution Temporary Investments | Long-Term Investment Pool | Other Long-Term Investments | Total |
|---|---|---|---|---|
| Common stock | $ 3 | $ 369,745 | $ - | $ 369,748 |
| Equity mutual funds | 69,846 | 152,708 | 23,522 | 246,076 |
| U.S. government obligations | 106,380 | 24,956 | 3,147 | 134,483 |
| U.S. government agency obligations | 119,943 | 66,430 | - | 186,373 |
| Repurchase agreements | 42,244 | 9,600 | - | 51,844 |
| Corporate bonds and notes | 483,267 | 78,390 | 261 | 561,918 |
| Bond mutual funds | 136,986 | - | 20,118 | 157,104 |
| Foreign government bonds | 18,604 | 14,855 | - | 33,459 |
| Real estate | 5 | - | 4,848 | 4,853 |
| Partnerships and hedge funds | - | 2,288,377 | 822 | 2,289,199 |
| Commercial paper | 21,733 | - | - | 21,733 |
| Cash and cash equivalents | - | 141,510 | - | 141,510 |
| Other | 10,223 | 2,598 | 16,640 | 29,461 |
| | $ 1,009,234 | $ 3,149,169 | $ 69,358 | $ 4,227,761 |

(dollars in thousands)

Total university investments by investment type for the primary institution at June 30, 2012 are as follows:

| | Primary Institution | | | |
|---|---|---|---|---|
| | Temporary Investments | Long-Term Investment Pool | Other Long-Term Investments | Total |
| Common stock | $ - | $ 253,125 | $ - | $ 253,125 |
| Equity mutual funds | 58,196 | 107,742 | 21,086 | 187,024 |
| U.S. government obligations | 72,727 | 6,323 | 3,853 | 82,903 |
| U.S. government agency obligations | 131,034 | 13,070 | - | 144,104 |
| Repurchase agreements | 129,443 | 50,000 | - | 179,443 |
| Corporate bonds and notes | 233,410 | 50,784 | 279 | 284,473 |
| Bond mutual funds | 98,511 | - | 22,177 | 120,688 |
| Foreign government bonds | 3,586 | 28,265 | - | 31,851 |
| Real estate | 5 | - | 4,788 | 4,793 |
| Partnerships and hedge funds | - | 1,729,258 | 975 | 1,730,233 |
| Cash and cash equivalents | - | 124,218 | - | 124,218 |
| Other | 2,376 | 3,248 | 18,505 | 24,129 |
| | $ 729,288 | $ 2,366,033 | $ 71,663 | $ 3,166,984 |

The components of the net investment income for the primary institution are as follows:

| | Interest and Dividends (net) | Net Increase (Decrease) in Fair Value of Investments | Net Investment Income (Loss) |
|---|---|---|---|
| Temporary Investments | $ 13,258 | $ 1,696 | $ 14,954 |
| Long-Term Investment Pool | 67,422 | 304,318 | 371,740 |
| Other Long-Term Investments | (3,222) | 3,044 | (178) |
| Total 2013 | $ 77,458 | $ 309,058 | $ 386,516 |
| Total 2012 | $ 68,889 | $ (9,705) | $ 59,184 |

## Additional Risk Disclosures for Investments

Statement Nos. 3 and 40 of the Governmental Accounting Standards Board require certain additional disclosures related to the custodial, 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.

(dollars in thousands)

The maturities of the university's interest-bearing investments for the primary institution at June 30, 2013 are as follows:

| | Primary Institution | | | | |
|---|---|---|---|---|---|
| | | Investment Maturities (in years) | | | |
| | Fair Value | Less than 1 | 1 to 5 | 6 to 10 | More than 10 |
| U.S. government obligations | $ 134,483 | $ 27,707 | $ 91,981 | $ 6,650 | $ 8,145 |
| U.S. agency obligations | 186,373 | 18,361 | 80,686 | 18,019 | 69,307 |
| Repurchase agreements | 51,844 | 51,844 | - | - | - |
| Commercial paper | 21,733 | 21,733 | - | - | - |
| Corporate bonds | 561,918 | 84,924 | 392,929 | 26,633 | 57,432 |
| Bond mutual funds | 157,104 | 6,352 | 66,481 | 26,563 | 57,708 |
| Other governmental bonds | 11,188 | 1,514 | 6,189 | 1,365 | 2,120 |
| Foreign governmental bonds | 33,459 | 9,091 | 13,638 | 8,566 | 2,164 |
| Total | $ 1,158,102 | $ 221,526 | $ 651,904 | $ 87,796 | $ 196,876 |

The maturities of the university's interest-bearing investments for the primary institution at June 30, 2012 are as follows:

| | Primary Institution | | | | |
|---|---|---|---|---|---|
| | | Investment Maturities (in years) | | | |
| | Fair Value | Less than 1 | 1 to 5 | 6 to 10 | More than 10 |
| U.S. government obligations | $ 82,903 | $ 8,200 | $ 67,593 | $ 4,545 | $ 2,565 |
| U.S. agency obligations | 144,104 | 21,464 | 82,760 | 20,657 | 19,223 |
| Repurchase agreements | 179,443 | 179,443 | - | - | - |
| Corporate bonds | 284,473 | 54,993 | 189,984 | 24,513 | 14,983 |
| Bond mutual funds | 120,688 | 9,707 | 65,504 | 30,078 | 15,399 |
| Other governmental bonds | 4,019 | - | 770 | - | 3,249 |
| Foreign governmental bonds | 31,851 | 4,000 | 14,778 | 10,242 | 2,831 |
| Total | $ 847,481 | $ 277,807 | $ 421,389 | $ 90,035 | $ 58,250 |

**Custodial credit risk** – Custodial credit risk is the risk that, in the event of the failure of the custodian, university investments may not be recovered. It is the policy of the university to hold investments in custodial accounts, and the securities are registered solely in the name of the university. All investments are transacted with nationally reputable brokerage firms offering protection by the Securities Investor Protection Corporation.

**Credit risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. 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.

(dollars in thousands)

Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3* (GASB 40), unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment, are disclosed using the rating indicative of the greatest degree of risk. The following table presents each applicable investment type grouped by rating as of June 30, 2013, and 2012.

The credit ratings of the university's interest-bearing investments for the primary institution at June 30, 2013 are as follows:

| | Primary Institution | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | U. S. Government and Agency Obligations | Repurchase Agreements | Commercial Paper | Corporate Bonds | Bond Mutual Funds | Other Governmental Bonds | International Bonds |
| AAA | $ 198,324 | $ - | $ - | $ - | $ 77,958 | $ 115,167 | $ - | $ 5,199 |
| AA | 437,726 | 266,979 | 51,844 | - | 90,681 | 10,936 | 7,430 | 9,856 |
| A | 296,201 | 6,281 | - | 19,733 | 236,243 | 20,542 | 2,858 | 10,544 |
| BBB | 126,345 | 1,537 | - | - | 114,791 | 9,571 | - | 446 |
| BB | 10,669 | - | - | - | 9,193 | 115 | - | 1,361 |
| B | 6,146 | - | - | - | 6,146 | - | - | - |
| CCC | 3,281 | - | - | - | 2,581 | 700 | - | - |
| CC | 1,764 | - | - | - | 1,764 | - | - | - |
| C | - | - | - | - | - | - | - | - |
| D | 15,608 | - | - | - | 15,608 | - | - | - |
| Not rated | 62,038 | 46,059 | - | 2,000 | 6,953 | 73 | 900 | 6,053 |
| Total | $ 1,158,102 | $ 320,856 | $ 51,844 | $ 21,733 | $ 561,918 | $ 157,104 | $ 11,188 | $ 33,459 |

(dollars in thousands)

The credit ratings of the university's interest-bearing investments for the primary institution at June 30, 2012 are as follows:

| | Primary Institution | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total | U. S. Government and Agency Obligations | Repurchase Agreements | Corporate Bonds | Bond Mutual Funds | Other Governmental Bonds | International Bonds |
| AAA | $ 148,535 | $ - | $ - | $ 59,540 | $ 79,656 | $ 8,119 | $ 1,220 |
| AA | 464,216 | 225,004 | 179,443 | 45,404 | 4,614 | 7,093 | 2,658 |
| A | 160,828 | 932 | - | 122,902 | 27,884 | 8,969 | 141 |
| BBB | 59,481 | 1,071 | - | 49,116 | 7,218 | 2,076 | - |
| BB | 3,234 | - | - | 3,230 | 4 | - | - |
| B | 792 | - | - | 791 | 1 | - | - |
| CCC | 1,529 | - | - | 420 | 1,109 | - | - |
| CC | - | - | - | - | - | - | - |
| C | - | - | - | - | - | - | - |
| Not rated | 8,866 | - | - | 3,070 | 202 | 5,594 | - |
| Total | $ 847,481 | $ 227,007 | $ 179,443 | $ 284,473 | $ 120,688 | $ 31,851 | $ 4,019 |

**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.

(dollars in thousands)

At June 30, 2013, exposure to foreign currency risk for the primary institution is as follows:

| | Primary Institution | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | Equity Mutual Funds | Bond Mutual Funds | Corporate Bonds | Foreign Government Bonds | Private Equity |
| Australian dollar | $ 730 | $ 7,298 | $ 100 | $ (38) | $ 530 | $ 22,017 |
| Brazilean real | 6,650 | 815 | 51 | (293) | - | - |
| Canadian dollar | 422 | 2,150 | 164 | - | 1,505 | - |
| Chilean peso | 1,197 | 126 | 10 | - | - | - |
| Chinese yuan | - | 2,127 | 1 | - | - | - |
| Columbian peso | - | 58 | - | - | - | - |
| Czech Republic koruna | 1,021 | 298 | - | - | - | - |
| Danish krone | - | 261 | 72 | 1,002 | - | - |
| Egyptian pound | 786 | - | - | - | - | - |
| Euro | 11,620 | 20,854 | 2,858 | 4,722 | 12,358 | 43,499 |
| Great Britain pound sterling | 12,182 | 23,272 | 619 | 1,430 | 2,844 | - |
| Hong Kong dollar | 15,481 | 2,677 | - | - | - | - |
| Hungarian forint | - | 30 | - | - | - | - |
| Indian rupee | 5,147 | 507 | 4 | - | - | - |
| Indonedian rupiah | 1,224 | 220 | 28 | - | 298 | - |
| Israeli shekel | - | 126 | - | - | - | - |
| Japanese yen | 3,701 | 22,510 | 2,823 | - | 4,008 | - |
| Malaysian ringgit | 97 | 288 | - | - | 290 | - |
| Mexican peso | 1,463 | 348 | 94 | - | 4,488 | - |
| Moroccan dirham | - | - | - | - | - | - |
| New Taiwan dollar | 6,925 | 812 | - | - | - | - |
| New Zealand dollar | - | 29 | (8) | - | - | - |
| Norewegian krone | - | 1,084 | - | - | - | - |
| Peruvian nuevo sol | - | 32 | - | - | - | - |
| Phillippine peso | - | 93 | - | - | - | - |
| Polish zloty | - | 95 | - | - | - | - |
| Russian ruble | - | 379 | 1 | - | - | - |
| Singapore dollar | - | 4,149 | - | - | - | - |
| South African rand | 6,397 | 526 | 7 | - | 1,386 | - |
| South Korean won | - | 977 | - | - | - | - |
| Sri Lanka rupee | 9,439 | - | - | - | 770 | - |
| Swedish krona | 512 | 3,275 | 44 | - | - | - |
| Swiss franc | 8,896 | 4,267 | - | - | - | - |
| Thailand bhat | 519 | 195 | - | - | - | - |
| Turkish lira | 1,613 | 127 | - | - | - | - |
| UAE dirham | 1,135 | 28 | - | - | - | - |
| Total | $ 97,157 | $ 100,033 | $ 6,868 | $ 6,823 | $ 28,477 | $ 65,516 |

(dollars in thousands)

At June 30, 2012, exposure to foreign currency risk for the primary institution is as follows:

| | Primary Institution | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | Equity Mutual Funds | Bond Mutual Funds | Corporate Bonds | Foreign Government Bonds | Private Equity |
| Australian dollar | $ 981 | $ 2,772 | $ 146 | $ 7 | $ 749 | $ 26,726 |
| Brazilean real | 2,749 | 846 | (1) | 1,054 | - | - |
| Canadian dollar | - | 1,968 | 387 | 30 | 5,323 | - |
| Chilean peso | - | 129 | - | - | - | - |
| Chinese yuan | - | 1,103 | - | - | - | - |
| Columbian peso | - | 56 | - | - | - | - |
| Czech Republic koruna | 957 | 286 | - | - | - | - |
| Danish krone | - | 215 | 115 | - | - | - |
| Egyptian pound | 822 | 20 | - | - | - | - |
| Euro | 4,754 | 14,256 | 4,513 | 13,056 | 4,324 | 39,248 |
| Great Britain pound sterling | 5,191 | 20,724 | 1,076 | 91 | 4,548 | - |
| Hong Kong dollar | 14,020 | 1,764 | - | - | - | - |
| Hungarian forint | - | 26 | - | - | - | - |
| Indian rupee | 3,294 | 469 | - | - | - | - |
| Indonedian rupiah | 971 | 180 | (1) | - | - | - |
| Israeli shekel | - | 125 | - | - | - | - |
| Japanese yen | 1,331 | 17,308 | 6,013 | - | 6,902 | - |
| Malaysian ringgit | - | 251 | 1 | - | - | - |
| Mexican peso | 1,635 | 785 | 347 | 128 | 4,099 | - |
| Moroccan dirham | - | - | - | - | - | - |
| New Taiwan dollar | 5,820 | 705 | - | - | - | - |
| New Zealand dollar | - | 28 | 12 | - | - | - |
| Norewegian krone | - | 951 | - | - | - | - |
| Peruvian nuevo sol | - | 32 | - | - | - | - |
| Phillippine peso | - | 52 | - | - | - | - |
| Polish zloty | - | 78 | (1) | - | - | - |
| Russian ruble | - | 356 | - | - | - | - |
| Singapore dollar | 557 | 3,622 | - | - | - | - |
| South African rand | 7,935 | 548 | 64 | - | - | - |
| South Korean won | 8,206 | 1,012 | 2 | - | - | - |
| Swedish krona | 736 | 2,540 | 54 | - | - | - |
| Swiss franc | 3,791 | 3,232 | - | - | - | - |
| Thailand bhat | 628 | 1,155 | - | - | - | - |
| Turkish lira | 1,414 | 103 | - | - | - | - |
| Total | $ 65,792 | $ 77,697 | $ 12,727 | $ 14,366 | $ 25,945 | $ 65,974 |

(dollars in thousands)

## NOTE 4 — ACCOUNTS, NOTES AND PLEDGES RECEIVABLE

Accounts receivable for the primary institution at June 30, 2013 and 2012 consist of the following:

| | Primary Institution | |
|---|---|---|
| | **2013** | **2012** |
| Patient receivables - OSU Health System | $ 867,202 | $ 998,615 |
| Grant and contract receivables | 81,621 | 66,887 |
| Tuition and fees receivable | 23,667 | 43,116 |
| Receivables for departmental and auxiliary sales and services | 50,250 | 39,010 |
| State and federal receivables | 12,525 | 24,460 |
| Other receivables | 30 | 45 |
| Total receivables | 1,035,295 | 1,172,133 |
| Less: Allowances for doubtful accounts | 649,330 | 755,407 |
| Total receivables, net | $ 385,965 | $ 416,726 |

Allowances for doubtful accounts consist primarily of patient receivables of the OSU Health System.

Notes receivable consist primarily of Perkins and health professions loans and are net of an allowance for doubtful accounts of $18,000 and $20,000 at June 30, 2013 and 2012, respectively. 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 $105,515 in non-endowment pledges receivable and a related allowance for doubtful accounts of $6,369 at June 30, 2013. The university recorded $72,643 in non-endowment pledges receivable and a related allowance for doubtful accounts of $4,898 at June 30, 2012.

## NOTE 5 — CAPITAL ASSETS

Capital assets activity for the primary institution for the year ended June 30, 2013 is summarized as follows:

(dollars in thousands)

| | Primary Institution | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| Capital assets not being depreciated: | | | | |
| Land | $ 71,062 | $ - | $ 1,871 | $ 69,191 |
| Intangibles | 7,913 | 10,500 | - | 18,413 |
| Construction in progress | 911,390 | 658,019 | 706,804 | 862,605 |
| Total non depreciable assets | 990,365 | 668,519 | 708,675 | 950,209 |
| Capital assets being depreciated: | | | | |
| Improvements other than buildings | 306,614 | 199,426 | 6,921 | 499,119 |
| Buildings and fixed equipment | 4,075,761 | 370,019 | 915 | 4,444,865 |
| Movable equipment, furniture and software | 995,547 | 92,552 | 51,340 | 1,036,759 |
| Library books | 162,250 | 4,655 | 932 | 165,973 |
| Total | 5,540,172 | 666,652 | 60,108 | 6,146,716 |
| Less: Accumulated depreciation | 2,765,212 | 256,722 | 61,401 | 2,960,533 |
| Total depreciable assets, net | 2,774,960 | 409,930 | (1,293) | 3,186,183 |
| Capital assets, net | $ 3,765,325 | $ 1,078,449 | $ 707,382 | $ 4,136,392 |

Capital assets activity for the primary institution for the year ended June 30, 2012 is summarized as follows:

| | Primary Institution | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| Capital assets not being depreciated: | | | | |
| Land | $ 70,066 | $ 1,021 | $ 25 | $ 71,062 |
| Intangibles | 7,913 | - | - | 7,913 |
| Construction in progress | 535,908 | 375,482 | - | 911,390 |
| Total non depreciable assets | 613,887 | 376,503 | 25 | 990,365 |
| Capital assets being depreciated: | | | | |
| Improvements other than buildings | 304,198 | 2,416 | - | 306,614 |
| Buildings and fixed equipment | 3,970,390 | 112,681 | 7,310 | 4,075,761 |
| Movable equipment, furniture and software | 909,611 | 124,164 | 38,228 | 995,547 |
| Library books | 159,541 | 4,076 | 1,367 | 162,250 |
| Total | 5,343,740 | 243,337 | 46,905 | 5,540,172 |
| Less: Accumulated depreciation | 2,569,143 | 236,180 | 40,111 | 2,765,212 |
| Total depreciable assets, net | 2,774,597 | 7,157 | 6,794 | 2,774,960 |
| Capital assets, net | $ 3,388,484 | $ 383,660 | $ 6,819 | $ 3,765,325 |

(dollars in thousands)

Capital assets activity for the discretely presented component units for the year ended June 30, 2013 is summarized as follows:

| | Discretely Presented Component Units | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| Capital assets not being depreciated: | | | | |
| Land | $ 4,621 | $ 1,173 | $ - | $ 5,794 |
| Intangibles | - | - | - | - |
| Construction in progress | - | 15 | - | 15 |
| Total non depreciable assets | 4,621 | 1,188 | - | 5,809 |
| Capital assets being depreciated: | | | | |
| Improvements other than buildings | 7,043 | 378 | - | 7,421 |
| Buildings and fixed equipment | 48,273 | 331 | - | 48,604 |
| Movable equipment, furniture and software | 58,405 | 3,384 | | 61,789 |
| Library books | - | - | - | - |
| Total | 113,721 | 4,093 | - | 117,814 |
| Less: Accumulated depreciation | 35,461 | 8,000 | - | 43,461 |
| Total depreciable assets, net | 78,260 | (3,907) | - | 74,353 |
| Capital assets, net | $ 82,881 | $ (2,719) | $ - | $ 80,162 |

Capital assets activity for the discretely presented component units for the year ended June 30, 2012 is summarized as follows:

| | Discretely Presented Component Units | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| Capital assets not being depreciated: | | | | |
| Land | $ 3,947 | $ 674 | $ - | $ 4,621 |
| Intangibles | - | - | - | - |
| Construction in progress | - | - | - | - |
| Total non depreciable assets | 3,947 | 674 | - | 4,621 |
| Capital assets being depreciated: | | | | |
| Improvements other than buildings | 5,099 | 1,944 | - | 7,043 |
| Buildings and fixed equipment | 50,198 | - | 1,925 | 48,273 |
| Movable equipment, furniture and software | 46,532 | 11,873 | - | 58,405 |
| Library books | - | - | - | - |
| Total | 101,829 | 13,817 | 1,925 | 113,721 |
| Less: Accumulated depreciation | 29,250 | 6,211 | - | 35,461 |
| Total depreciable assets, net | 72,579 | 7,606 | 1,925 | 78,260 |
| Capital assets, net | $ 76,526 | $ 8,280 | $ 1,925 | $ 82,881 |

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

(dollars in thousands)

## NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses for the primary institution at June 30, 2013 and 2012 consist of the following:

| | Primary Institution | |
|---|---|---|
| | 2013 | 2012 |
| Payables to vendors for supplies and services | $ 212,179 | $ 249,993 |
| Accrued compensation and benefits | 81,971 | 80,568 |
| Retirement system contributions payable | 52,552 | 54,111 |
| Other accrued expenses | 38,304 | 29,323 |
| Total payables and accrued expenses | $ 385,006 | $ 413,995 |

## NOTE 7 – DEPOSITS AND ADVANCE PAYMENTS FOR GOODS AND SERVICES

Deposits and advance payments for goods and services for the primary institution at June 30, 2013 and 2012 consist of the following:

| | Primary Institution | |
|---|---|---|
| | 2013 | 2012 |
| Current deposits and advance payments: | | |
| Tuition and fees | $ 41,026 | $ 54,743 |
| Departmental and auxiliary sales and services | 70,642 | 77,341 |
| Parking service concession | - | 22,000 |
| Grants and contracts advances | 56,723 | 66,990 |
| Other deposits and advance payments | 11,045 | 9,226 |
| Total current deposits and advance payments | $ 179,436 | $ 230,300 |
| Other non-current liabilities | $ 25,219 | $ 27,852 |

## NOTE 8 – SELF-INSURANCE ACCRUALS

The university maintains self-insurance programs for professional medical malpractice, employee health insurance and workers' compensation. Information on each of these programs is provided below.

**Medical Malpractice**

The Health System has 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:

(dollars in thousands)

| Accident Period for Oval | Gross Oval Limit (Occurrence and Annual Aggregate) |
|---|---|
| 7/1/08 – 6/30/13 | $55,000,000 |
| 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 per occurrence and $14 million in the aggregate. A portion of the risks written by Oval Limited to date is reinsured by three reinsurance companies. Oval Limited retains 50% of the first $15 million of risk and cedes the remainder to Berkley Medical Excess Underwriters (rated A+ by A.M. Best). The next $20 million is fully ceded to Lexington Insurance Company (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 loss reserve are based upon an independent actuarial determination as of June 30, 2013. OSUP participates in the university self-insurance fund for professional medical malpractice liability claims.

The Heath System's 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, 2013 of the anticipated future payments on gross claims is estimated at its present value of $78,995 discounted at an estimated rate of 3% (university funds) and an additional $38,313 discounted at an estimated rate of 3% (Oval Limited).

Although actual experience upon the ultimate disposition of the claims may vary from this estimate, the self-insurance fund assets of $163,039 (which primarily consist of bond and equity mutual funds, money market funds and U.S. treasury notes) are more than the recorded liability at June 30, 2013, and the surplus of $45,732 is included in unrestricted net assets.

**Employee Health Insurance**

The university is also self-insured for employee health insurance. As of June 30, 2013, $36,326 is recorded as a liability relating to both claims received but not paid and estimates of claims incurred but not yet reported.

**Workers' Compensation**

Effective January 1, 2013, the university became self-insured for workers' compensation. As of June 30, 2013, $730 is recorded as a liability relating to both claims received but not paid and estimates of claims incurred but not yet reported.

(dollars in thousands)

Changes in reported self-insurance liabilities for the primary institution since June 30, 2011 result from the following activities:

| | Malpractice | | Health | | Workers' Compensation | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Liability at beginning of fiscal year | $ 118,339 | $ 120,631 | $ 42,703 | $ 29,507 | $ - | $ - |
| Current year claims, changes in estimates | 1,125 | 839 | 293,970 | 287,730 | 1,412 | - |
| Claim payments | (7,456) | (3,131) | (300,347) | (274,534) | (682) | - |
| Balance at fiscal year end | $ 112,008 | $ 118,339 | $ 36,326 | $ 42,703 | $ 730 | $ - |

## 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 primary institution for the year ended June 30, 2013 is as follows:

| | Primary Institution | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| **Notes:** | | | | | |
| WOSU | $ 3,075 | $ - | $ 250 | $ 2,825 | $ 159 |
| OH Air Quality Note Series A | - | 4,602 | - | 4,602 | 368 |
| OH Air Quality Note Series B | - | 2,340 | - | 2,340 | - |
| St. Stephens Church Note | - | 3,000 | - | 3,000 | 63 |
| **General Receipts Bonds - Fixed Rate:** | | | | | |
| 2002A, due serially through 2031 | 4,130 | - | 4,130 | - | - |
| 2003B, due serially through 2033 | 29,300 | - | 29,300 | - | - |
| 2005A, due serially through 2035 | 180,030 | - | 121,770 | 58,260 | 10,860 |
| 2008A, due serially through 2028 | 180,265 | - | 30,235 | 150,030 | 12,620 |
| 2010A, due serially through 2020 | 231,960 | - | 29,910 | 202,050 | 27,390 |
| 2010C, due 2040 | 654,785 | - | - | 654,785 | - |
| 2010D, due serially through 2032 | 88,335 | - | 3,710 | 84,625 | - |
| 2011, due 2111 | 500,000 | - | - | 500,000 | - |
| 2012A, due 2030 | - | 91,165 | 665 | 90,500 | - |
| 2012B, due 2033 | - | 23,170 | 570 | 22,600 | 1,840 |
| **Special Purpose General Receipts Bonds - Fixed Rate:** | | | | | |
| 2013A, due 2043 | - | 337,955 | - | 337,955 | - |
| **General Receipts Bonds - Variable Rate:** | | | | | |
| 1997, due serially through 2027 | 17,160 | - | - | 17,160 | 17,160 |
| 1999B1, due serially through 2029 | 11,800 | - | 1,035 | 10,765 | 10,765 |
| 2001, due serially through 2032 | 56,540 | - | 3,505 | 53,035 | 53,035 |
| 2003C, due serially through 2031 | 53,230 | - | 1,255 | 51,975 | 51,975 |
| 2005B, due serially through 2035 | 78,735 | - | 7,160 | 71,575 | 71,575 |
| 2008B, due serially through 2028 | 102,235 | - | 10,310 | 91,925 | 91,925 |
| 2010E, due serially through 2035 | 150,000 | - | - | 150,000 | 150,000 |
| **Capital Lease Obligations** | 20,149 | - | 5,918 | 14,231 | 4,015 |
| | 2,361,729 | 462,232 | 249,723 | 2,574,238 | 503,750 |
| **Unamortized Bond Premiums** | 66,042 | 51,854 | 10,500 | 107,396 | - |
| Total outstanding debt | $ 2,427,771 | $ 514,086 | $ 260,223 | $ 2,681,634 | $ 503,750 |

(dollars in thousands)

Debt activity for the primary institution for the year ended June 30, 2012 is as follows:

| | Primary Institution | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| **Notes:** | | | | | |
| WOSU | $ 3,325 | $ - | $ 250 | $ 3,075 | $ 250 |
| **General Receipts Bonds - Fixed Rate:** | | | | | |
| 2002A, due serially through 2031 | 12,780 | - | 8,650 | 4,130 | 4,130 |
| 2003B, due serially through 2033 | 36,435 | - | 7,135 | 29,300 | 7,390 |
| 2005A, due serially through 2035 | 198,255 | - | 18,225 | 180,030 | 11,400 |
| 2008A, due serially through 2028 | 193,105 | - | 12,840 | 180,265 | 13,390 |
| 2010A, due serially through 2020 | 239,090 | - | 7,130 | 231,960 | 17,865 |
| 2010C, due 2040 | 654,785 | - | - | 654,785 | - |
| 2010D, due serially through 2032 | 88,335 | - | - | 88,335 | - |
| 2011, due 2111 | - | 500,000 | - | 500,000 | - |
| **General Receipts Bonds - Variable Rate:** | | | | | |
| 1997, due serially through 2027 | 17,160 | - | - | 17,160 | 17,160 |
| 1999B1, due serially through 2029 | 11,800 | - | - | 11,800 | 11,800 |
| 2001, due serially through 2032 | 56,540 | - | - | 56,540 | 56,540 |
| 2003C, due serially through 2031 | 53,230 | - | - | 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** | 14,843 | 10,473 | 5,167 | 20,149 | 5,922 |
| | 1,910,653 | 510,473 | 59,397 | 2,361,729 | 530,047 |
| **Unamortized Bond Premiums** | 59,830 | 10,570 | 4,358 | 66,042 | - |
| Total outstanding debt | $ 1,970,483 | $ 521,043 | $ 63,755 | $ 2,427,771 | $ 530,047 |

Debt activity for the discretely presented component units for the year ended June 30, 2013 is as follows:

| | Discretely Presented Component Units | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| **Notes:** | | | | | |
| Transportation Research Center | $ | $ | $ | $ | $ |
| Capital One Funding Corporation due through 2014 | 643 | - | 311 | 332 | 332 |
| OSU Physicians - Fifth Third Note, due through 2035 | 16,030 | 2,627 | 705 | 17,952 | 790 |
| OSU Physicians - Fifth Third Note, due through 2013 | 77 | 85 | 83 | 79 | 61 |
| Campus Partners - UDCDE Note A | 21,859 | - | 21,859 | - | - |
| Campus Partners - UDCDE Note B | 10,376 | - | 10,376 | - | - |
| Campus Partners - CCF Loan, City of Columbus | 125 | - | - | 125 | - |
| **Capital Lease Obligations** | 103 | - | 60 | 43 | 43 |
| Total outstanding debt | $ 49,213 | $ 2,712 | $ 33,394 | $ 18,531 | $ 1,226 |

(dollars in thousands)

Debt activity for the discretely presented component units for the year ended June 30, 2012 is as follows:

| | Discretely Presented Component Units | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| **Notes:** | | | | | |
| Transportation Research Center - Capital One Funding Corporation due through 2014 | $ 933 | $ - | $ 290 | $ 643 | $ 310 |
| OSU Physicians - Fifth Third Note, due through 2012 | 1,414 | - | 1,414 | - | - |
| OSU Physicians - Fifth Third Note, due through 2035 | 17,030 | 15 | 1,015 | 16,030 | 695 |
| OSU Physicians - Fifth Third Note, due through 2013 | 130 | - | 53 | 77 | 53 |
| Campus Partners - ESIC | 10,433 | - | 10,433 | - | |
| Campus Partners - UDCDE Note A | 22,124 | - | 265 | 21,859 | 21,859 |
| Campus Partners - UDCDE Note B | 10,376 | - | - | 10,376 | - |
| Campus Partners - Mortgage payable | | | | | |
| Campus Partners - CCF Loan, City of Columbus | 125 | - | - | 125 | 125 |
| Campus Partners - Affordable Housing Trust Loan | 500 | - | 500 | - | - |
| **Capital Lease Obligations** | 165 | - | 62 | 103 | 62 |
| Total outstanding debt | $ 63,230 | $ 15 | $ 14,032 | $ 49,213 | $ 23,104 |

(dollars in thousands)

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 2112. Maturities and interest on debt obligations for the next five years and in five-year periods for the primary institution are as follows:

| | Primary Institution | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2014 | $ 503,751 | 96,725 | $ 600,476 |
| 2015 | 58,147 | 93,991 | 152,138 |
| 2016 | 57,754 | 91,295 | 149,049 |
| 2017 | 60,448 | 88,748 | 149,196 |
| 2018 | 60,815 | 86,045 | 146,860 |
| 2019-2023 | 184,223 | 409,191 | 593,414 |
| 2024-2028 | 170,143 | 374,079 | 544,222 |
| 2029-2033 | 124,745 | 340,722 | 465,467 |
| 2034-2038 | 89,207 | 326,314 | 415,521 |
| 2039-2043 | 765,005 | 208,844 | 973,849 |
| 2044-2048 | - | 120,000 | 120,000 |
| 2049-2053 | - | 120,000 | 120,000 |
| 2054-2058 | - | 120,000 | 120,000 |
| 2059-2063 | - | 120,000 | 120,000 |
| 2064-2068 | - | 120,000 | 120,000 |
| 2069-2073 | - | 120,000 | 120,000 |
| 2074-2078 | - | 120,000 | 120,000 |
| 2079-2083 | - | 120,000 | 120,000 |
| 2084-2088 | - | 120,000 | 120,000 |
| 2089-2093 | - | 120,000 | 120,000 |
| 2094-2098 | - | 120,000 | 120,000 |
| 2099-2103 | - | 120,000 | 120,000 |
| 2104-2108 | - | 120,000 | 120,000 |
| 2109-2112 | 500,000 | 72,000 | 572,000 |
| | $ 2,574,238 | $ 3,747,954 | $ 6,322,192 |

(dollars in thousands)

Maturities and interest on debt obligations for the next five years and in five-year periods for the discretely presented component units are as follows:

| | Discretely Presented Component Units | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2014 | $ 1,226 | 392 | $ 1,618 |
| 2015 | 950 | 258 | 1,208 |
| 2016 | 824 | 340 | 1,164 |
| 2017 | 842 | 322 | 1,164 |
| 2018 | 860 | 304 | 1,164 |
| 2019-2023 | 4,567 | 1,228 | 5,795 |
| 2024-2028 | 3,550 | 794 | 4,344 |
| 2029-2033 | 3,943 | 400 | 4,343 |
| 2034-2038 | 1,769 | 41 | 1,810 |
| | $ 18,531 | $ 4,079 | $ 22,610 |

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 $130,631 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 for the primary institution are as follows:

| | Amount Defeased | Amount Outstanding at June 30, 2013 |
|---|---|---|
| General Receipts Bonds: | | |
| Series 1999B | $ 1,035 | $ - |
| Series 2001 | 3,505 | - |
| Series 2002A | 77,400 | - |
| Series 2003B | 120,300 | - |
| Series 2003C | 1,255 | - |
| Series 2005A | 111,380 | 111,380 |
| Series 2005B | 7,160 | - |
| Series 2008A | 18,195 | 18,195 |
| Series 2008B | 10,310 | - |
| Series 2010A | 13,050 | 13,050 |
| Series 2010D | 3,710 | 3,710 |
| | $ 367,300 | $ 146,335 |

(dollars in thousands)

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

**Special-Purpose General Receipts Bonds**

In January 2013, the university issued $337,955 of Special Purpose General Receipts Bonds, Series 2013A. These bonds are solely payable from, and secured by, a pledge of the gross revenues of Special Purpose Revenue Facilities. Special Purpose Revenue Facilities are defined in the Series 2013 Supplement as all housing and dining facilities and such auxiliary facilities as shall constitute recreation facilities owned by the university. The bond indenture agreement includes a debt covenant, requiring the university "to set rates, charges and fees in each Fiscal Year so as to cause Special Purpose Pledged Revenues to be in an amount not less than 1.10 times the aggregate debt service for the then-current Fiscal Year on all Special Purpose General Receipts Obligations". At June 30, 2013, the university is in compliance with this covenant. Condensed financial information for the Special Purpose Revenue Facilities is provided in Note 21.

**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, 2013 are as follows:

| Series: | Interest Rate Not to Exceed | Effective Average Interest Rate |
|---|---|---|
| 1997 | 12% | 1.830% |
| 1999 B1 | 12% | 1.594% |
| 2001 | 12% | 1.363% |
| 2003 C | 12% | 1.663% |
| 2005 B | 12% | 1.362% |
| 2008 B | 12% | 0.395% |
| 2010 E | 8% | 0.133% |

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 position 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 $446,435 and $469,700 at June 30, 2013 and 2012, respectively.

#### 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, 2013 are $44,924 and $14,273, respectively. The original cost and lease obligations related to these capital leases as of June 30, 2012 are $50,734 and $20,252, respectively.

#### Interest Rate Swap Agreements

In connection with the issuance of the Series 2011 General Receipts Bonds, also known as the Century Bonds, the university entered into an interest-rate lock agreement on October 3, 2011 for a notional amount of $300,000. The rate lock agreement, which was intended to fix the price on the bonds, was terminated on October 19, 2011. Upon termination, the university received a $20,307 termination fee from the counterparty. Under the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the agreement is considered an effective cash flow hedge under the consistent critical terms method. Accordingly, the termination fee has been deferred and will be amortized over the life of the Century Bonds as an offset of interest expense.

In addition, OSUP, a discretely presented component unit of the university, has one interest rate swap agreements that is not considered a hedge under GASB Statement No. 53. 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 $16,030. On May 1, 2013, at the same time the 2010 bond financing was refinanced, the swap was paid off with the proceeds from a term loan issuance in the amount of $2,635. At June 30, 2013, OSUP held no other derivative instruments.

## 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 position. The total rental expense under these agreements was $29,717 and $37,386 for the years ended June 30, 2013 and 2012, respectively.

(dollars in thousands)

Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2013 are as follows:

| Year Ending June 30, | Primary Institution | Discrete Component Units |
|---|---|---|
| 2014 | $ 21,386 | $ 3,613 |
| 2015 | 13,745 | 2,380 |
| 2016 | 11,068 | 1,927 |
| 2017 | 10,418 | 1,699 |
| 2018 | 9,732 | 1,041 |
| 2019-2023 | 39,842 | 212 |
| 2024-2028 | 32,853 | - |
| 2029-2033 | 13,718 | - |
| 2034-2038 | 723 | - |
| 2039-2043 | 723 | - |
| 2044-2048 | 723 | - |
| Total minimum lease payments | $ 154,931 | $ 10,872 |

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

(dollars in thousands)

## NOTE 12 — OTHER LIABILITIES

Other liability activity for the primary institution for the year ended June 30, 2013 is as follows:

| | Primary Institution | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| Compensated absences | $ 138,521 | $ 23,282 | $ 12,026 | $ 149,777 | $ 12,040 |
| Self-insurance accruals | 163,542 | 293,325 | 307,803 | 149,064 | 42,213 |
| Amounts due to third party payors | 25,026 | 3,697 | 13,716 | 15,007 | 3,641 |
| Obligations under life income agreements | 37,605 | 3,506 | 3,761 | 37,350 | 3,648 |
| Refundable advances for Federal Perkins loans | 28,706 | 2,739 | - | 31,445 | - |
| Other noncurrent liabilities | 27,852 | 33,497 | - | 61,349 | 1,500 |
| | $ 421,252 | $ 360,046 | $ 337,306 | $ 443,992 | $ 63,042 |

Other liability activity for the primary institution for the year ended June 30, 2012 is as follows:

| | Primary Institution | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| Compensated absences | $ 124,646 | $ 26,009 | $ 12,134 | $ 138,521 | $ 12,134 |
| Self-insurance accruals | 150,138 | 291,068 | 277,664 | 163,542 | 48,334 |
| Amounts due to third party payors | 38,939 | 9,537 | 23,450 | 25,026 | 11,310 |
| Obligations under life income agreements | 39,518 | 1,848 | 3,761 | 37,605 | 3,517 |
| Refundable advances for Federal Perkins loans | 28,887 | | 181 | 28,706 | - |
| Other noncurrent liabilities | 6,000 | 21,852 | | 27,852 | - |
| | $ 388,128 | $ 350,314 | $ 317,190 | $ 421,252 | $ 75,295 |

## 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 for the primary institution as of June 30, 2013 is as follows:

(dollars in thousands)

| | |
|---|---|
| Year Ending June 30, | |
| 2014 | $ 8,987 |
| 2015 | 7,287 |
| 2016 | 6,597 |
| 2017 | 6,330 |
| 2018 | 6,246 |
| 2019-2023 | 29,223 |
| 2024-2028 | 28,283 |
| 2029-2033 | 27,413 |
| 2034-2038 | 26,781 |
| 2039-2043 | 26,767 |
| 2044-2048 | 2,669 |
| 2049-2053 | - |
| Total minimum future rentals | $ 176,583 |

## 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 Position. Operating expenses by object for the primary institution for the years ended June 30, 2013 and 2012 are summarized as follows:

**Year Ended June 30, 2013**

| | Primary Institution | | | | |
|---|---|---|---|---|---|
| | **Compensation and Benefits** | **Supplies and Services** | **Scholarships and Fellowships** | **Depreciation** | **Total** |
| Instruction | $ 794,042 | $ 112,297 | $ - | $ - | $ 906,339 |
| Separately budgeted research | 274,865 | 139,120 | - | - | 413,985 |
| Public service | 73,476 | 23,102 | - | - | 96,578 |
| Academic support | 134,030 | 36,112 | - | - | 170,142 |
| Student services | 71,901 | 22,336 | - | - | 94,237 |
| Institutional support | 159,208 | 112,529 | - | - | 271,737 |
| Operation and maintenance of plant | 32,224 | 61,543 | - | - | 93,767 |
| Scholarships and fellowships | 7,517 | 961 | 102,886 | - | 111,364 |
| Auxiliary enterprises | 140,533 | 101,843 | - | - | 242,376 |
| OSU Health System | 977,766 | 818,815 | - | - | 1,796,581 |
| Depreciation | - | - | - | 257,606 | 257,606 |
| Total operating expenses | $ 2,665,564 | $ 1,428,657 | $ 102,886 | $ 257,606 | $ 4,454,712 |

(dollars in thousands)

**Year Ended June 30, 2012**

| | Primary Institution | | | | |
|---|---|---|---|---|---|
| | Compensation Benefits | Supplies Services | Scholarships Fellowships | Depreciation | Total |
| Instruction | $ 803,848 | $ 71,952 | $ | $ | $ 875,800 |
| Separately budgeted research | 272,539 | 156,737 | - | - | 429,276 |
| Public service | 72,013 | 26,673 | | | 98,686 |
| Academic support | 124,659 | 38,124 | - | - | 162,783 |
| Student services | 68,026 | 22,467 | | | 90,493 |
| Institutional support | 150,265 | 67,383 | - | - | 217,648 |
| Operation and maintenance of plant | 35,413 | 67,682 | | | 103,095 |
| Scholarships and fellowships | 7,216 | 3,484 | 100,048 | - | 110,748 |
| Auxiliary enterprises | 137,027 | 102,543 | | | 239,570 |
| OSU Health System | 986,718 | 710,910 | | | 1,697,628 |
| Depreciation | - | - | - | 236,180 | 236,180 |
| Total operating expenses | $ 2,657,725 | $ 1,267,955 | $ 100,048 | $ 236,180 | $ 4,261,907 |

## 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/investments/cafr.shtml

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

OPERS currently provides post-employment 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 calendar year 2012, OPERS allocated 4.0% of the employer contribution rate to fund the health care program for retirees, and this rate was reduced to 1% for calendar year 2013 as recommended by the OPERS actuary.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012 with a transition plan commencing January 1, 2014. OPERS expects to be able to allocate on a consistent basis 4% of employer contributions toward the health care fund after the end of the transition period.

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 costs 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, 2012, STRS Ohio allocated employer contributions equal to 1% of covered payroll for post-employment health care.

Post-employment 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, post-retirement 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, post-retirement 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 post-retirement 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 post-retirement 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 post-retirement health care benefits. OPERS provides retirement, disability, survivor and post-retirement health benefits to qualifying members of the combined plan.

OPERS currently provides post-employment 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 calendar year 2012, OPERS allocated 6.05% of the employer contribution rate to fund the health care program for retirees, and this rate was reduced to 1% for calendar year 2013 as recommended by the OPERS actuary.

**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:

(dollars in thousands)

| | 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: | | | |
| Plan member (entire year) | | 12.10% | 12.10% |
| university (entire year) | | 18.10% | 17.33%** |

* 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, 2013 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 |
|---|---|---|---|
| 2011 | $54,725 | $148,120 | $40,835 |
| 2012 | $58,006 | $153,118 | $43,523 |
| 2013 | $61,667 | $159,903 | $47,062 |

**OSU Physicians Retirement Plan**

Retirement benefits are provided for the employees of 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 $3,850 and $7,119 for the years ended June 30, 2013 and 2012, respectively.

Employee contributions were $1,096 and $1,895 for the years ended June 30, 2013 and 2012. The reduction in Fiscal Year 2013 was directly related to physician integration into the Faculty Practice Group.

(dollars in thousands)

## NOTE 16 — CAPITAL PROJECT COMMITMENTS

At June 30, 2013, the university is committed to future contractual obligations for capital expenditures of approximately $750,682.

These projects are funded by the following sources:

| | |
|---|---|
| State appropriations | $ 41,212 |
| Internal and other sources | 709,470 |
| Total | $ 750,682 |

## 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 the Health System's professional malpractice liability, employee health benefits, workers' compensation 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 — PARKING LEASE AND CONCESSION AGREEMENT

On September 21, 2012, the university entered into a 50-year lease and concession agreement with QIC Global Infrastructure (QIC GI). CampusParc LP, a QIC GI affiliate, owns and operates the university's parking concession on QIC GI's behalf. Under the agreement, CampusParc will operate, maintain and retain parking revenues from the university's parking lots and garages. This agreement also regulates the parking rates that may be charged and future increases in these rates. The university received lump-sum payments totaling $483,000 from QIC GI and used the proceeds to establish endowment funds, with income distributions internally designated to support student scholarships, faculty initiatives and research, transportation and sustainability and the university arts district. The university reports the parking lots and garages as capital assets with a carrying amount of $124,009 at June 30, 2013 and reports a deferred inflow of resources in the amount of $474,332 at June 30, 2013, pursuant to the service concession arrangement.

(dollars in thousands)

## NOTE 19 – COMBINING INFORMATION FOR BLENDED COMPONENT UNITS

As indicated in the Basis of Presentation in Note 1, the university consolidates certain component units in a blended presentation. Condensed combining financial information for the years ended June 30, 2013 and 2012 is presented below.

### Condensed Combining Information – Year Ended June 30, 2013

| | OSU Foundation | OSU Health Plan | Oval Limited |
|---|---|---|---|
| **Condensed statements of net position:** | | | |
| Current assets | $ 36,509 | $ 3,076 | $ 50,207 |
| Capital assets, net | 3,853 | (6) | - |
| Other assets | 711,372 | 586 | - |
| Amounts receivable from the university | - | - | - |
| Deferred outflows | - | - | - |
| Total assets and deferred inflows | $ 751,734 | $ 3,656 | $ 50,207 |
| Current liabilities | $ 6,760 | $ 129 | $ 3,046 |
| Noncurrent liabilities | 33,272 | - | 35,313 |
| Amounts payable to the university | 137 | - | - |
| Deferred inflows | - | - | - |
| Total liabilities and deferred inflows | 40,169 | 129 | 38,359 |
| Invested in capital assets, net of related debt | 7,934 | - | - |
| Restricted: | | | |
| Nonexpendable | 573,450 | - | - |
| Expendable | 135,052 | - | - |
| Unrestricted | (4,871) | 3,527 | 11,848 |
| Total net position | 711,565 | 3,527 | 11,848 |
| Total liabilities, deferred inflows and net position | $ 751,734 | $ 3,656 | $ 50,207 |

(dollars in thousands)

| | OSU Foundation | OSU Health Plan | Oval Limited |
|---|---|---|---|
| **Condensed statements of revenues, expenses and changes in net position:** | | | |
| Operating revenues: | | | |
| Grants and contracts | $ - | $ - | $ - |
| Sales and services of OSU Physicians | - | - | - |
| Other sales, services and rental income | 768 | 12,376 | (986) |
| Other operating | - | - | - |
| Total operating revenues | 768 | 12,376 | (986) |
| Operating expenses, excluding depreciation | 5,295 | 11,660 | 169 |
| Depreciation expense | 228 | - | - |
| Total operating expenses | 5,522 | 11,660 | 169 |
| Net operating income (loss) | (4,755) | 716 | (1,155) |
| Non-operating revenues and expenses: | | | |
| Gifts for current use | 122,208 | - | - |
| Net investment income (loss) | 71,420 | - | 1,837 |
| Interest expense | - | - | - |
| Other non-operating revenue (expense) | - | (137) | - |
| Net non-operating revenue (expense) | 193,628 | (137) | 1,837 |
| Capital contributions and additions to permanent endowments | 96,653 | - | - |
| Transfers from (to) the university | (168,878) | - | - |
| Change in net position | 116,648 | 579 | 682 |
| Beginning net position | 594,916 | 2,948 | 11,166 |
| Ending net position | $ 711,565 | $ 3,527 | $ 11,848 |
| **Condensed statements of cash flows:** | | | |
| Net cash provided (used) by: | | | |
| Operating activities | $ (4,176) | $ 682 | $ (1,280) |
| Noncapital financing activities | (23,978) | - | - |
| Capital and related financing activities | 41,176 | (136) | - |
| Investing activities | (13,036) | 6 | (1,492) |
| Net increase (decrease) in cash | (14) | 552 | (2,772) |
| Beginning cash and cash equivalents | 2,562 | 2,077 | 12,291 |
| Ending cash and cash equivalents | $ 2,548 | $ 2,629 | $ 9,519 |

(dollars in thousands)

## Condensed Combining Information – Year Ended June 30, 2012

| | OSU Foundation | OSU Health Plan | Oval Limited |
|---|---|---|---|
| **Condensed statements of net position:** | | | |
| Current assets | $ 28,975 | $ 2,524 | $ 46,312 |
| Capital assets, net | 4,081 | (5) | - |
| Other assets | 600,294 | 593 | - |
| Amounts receivable from the university | 804 | - | - |
| Deferred outflows | - | - | - |
| Total assets and deferred inflows | $ 634,153 | $ 3,111 | $ 46,312 |
| Current liabilities | $ 5,288 | $ 163 | $ 43 |
| Noncurrent liabilities | 33,647 | - | 35,103 |
| Amounts payable to the university | 302 | - | - |
| Deferred inflows | - | - | - |
| Total liabilities and deferred inflows | 39,237 | 163 | 35,146 |
| Invested in capital assets, net of related debt | 4,081 | - | - |
| Restricted: | | | |
| Nonexpendable | 502,417 | - | - |
| Expendable | 88,520 | - | - |
| Unrestricted | (101) | 2,948 | 11,166 |
| Total net position | 594,916 | 2,948 | 11,166 |
| Total liabilities, deferred inflows and net position | $ 634,153 | $ 3,111 | $ 46,312 |

(dollars in thousands)

| | OSU Foundation | OSU Health Plan | Oval Limited |
|---|---|---|---|
| **Condensed statements of revenues, expenses and changes in net position:** | | | |
| Operating revenues: | | | |
| Grants and contracts | $ - | $ - | $ - |
| Sales and services of OSU Physicians | - | - | - |
| Other sales, services and rental income | 2,216 | 12,674 | 1,884 |
| Other operating | - | - | - |
| Total operating revenues | 2,216 | 12,674 | 1,884 |
| Operating expenses, excluding depreciation | 4,854 | 11,723 | 152 |
| Depreciation expense | 228 | - | - |
| Total operating expenses | 5,082 | 11,723 | 152 |
| Net operating income (loss) | (2,866) | 951 | 1,733 |
| Non-operating revenues and expenses: | | | |
| Gifts for current use | 139,599 | - | - |
| Net investment income (loss) | 10,662 | (2) | 219 |
| Interest expense | - | - | - |
| Other non-operating revenue (expense) | - | 3,375 | - |
| Net non-operating revenue (expense) | 150,261 | 3,373 | 219 |
| Capital contributions and additions to permanent endowments | 60,262 | - | - |
| Transfers from (to) the university | (171,156) | (9) | - |
| Change in net position | 36,501 | 4,316 | 1,951 |
| Beginning net position | 558,416 | (1,367) | 9,215 |
| Ending net position | $ 594,916 | $ 2,948 | $ 11,166 |
| **Condensed statements of cash flows:** | | | |
| Net cash provided (used) by: | | | |
| Operating activities | $ (356) | $ 1,085 | $ 1,544 |
| Noncapital financing activities | (13,875) | (9) | - |
| Capital and related financing activities | 19,072 | 3,381 | - |
| Investing activities | (5,243) | (595) | (1,454) |
| Net increase (decrease) in cash | (402) | 3,862 | 90 |
| Beginning cash and cash equivalents | 2,964 | (1,786) | 12,201 |
| Ending cash and cash equivalents | $ 2,562 | $ 2,077 | $ 12,291 |

(dollars in thousands)

## NOTE 20 – COMBINING INFORMATION FOR DISCRETELY PRESENTED COMPONENT UNITS

As indicated in the Basis of Presentation in Note 1, the university consolidates certain component units in a discrete presentation. Condensed combining financial information for the years ended June 30, 2013 and 2012 is presented below.

### Condensed Combining Information – Year Ended June 30, 2013

| | OSU Physicians | Campus Partners | Transportation Research Center | Dental Faculty Practice Plan |
|---|---|---|---|---|
| **Condensed statements of net position:** | | | | |
| Current assets | $ 97,054 | $ 9,488 | $ 8,275 | $ 1,069 |
| Capital assets, net | 29,731 | 49,573 | 633 | 225 |
| Other assets | 1,843 | 1,643 | - | - |
| Amounts receivable from the university | 10,275 | - | 3,535 | - |
| Deferred outflows | - | - | - | - |
| Total assets and deferred inflows | $ 138,904 | $ 60,705 | $ 12,443 | $ 1,294 |
| Current liabilities | $ 18,957 | $ 3,229 | $ 3,596 | $ 115 |
| Noncurrent liabilities | 18,637 | 168 | 0 | - |
| Amounts payable to the university | 22,862 | 70,438 | - | - |
| Deferred inflows | - | - | - | - |
| Total liabilities and deferred inflows | 60,457 | 73,835 | 3,596 | 115 |
| Invested in capital assets, net of related debt | 3,016 | 49,448 | - | - |
| Restricted: | | | | |
| Nonexpendable | - | - | - | - |
| Expendable | - | - | - | - |
| Unrestricted | 75,431 | (62,579) | 8,846 | 1,179 |
| Total net position | 78,447 | (13,130) | 8,846 | 1,179 |
| Total liabilities, deferred inflows and net position | $ 138,904 | $ 60,705 | $ 12,443 | $ 1,294 |

(dollars in thousands)

| | OSU Physicians | Campus Partners | Transportation Research Center | Dental Faculty Practice Plan |
|---|---|---|---|---|
| **Condensed statements of revenues, expenses and changes in net position:** | | | | |
| Operating revenues: | | | | |
| Grants and contracts | $ - | $ 10,811 | $ 50,420 | $ 0 |
| Sales and services of OSU Physicians | 331,817 | - | - | - |
| Other sales, services and rental income | 0 | 941 | (0) | 7,354 |
| Other operating | - | - | - | - |
| Total operating revenues | 331,817 | 11,753 | 50,420 | 7,354 |
| Operating expenses, excluding depreciation | 316,080 | 8,535 | 50,105 | 4,877 |
| Depreciation expense | 4,317 | 2,380 | 419 | - |
| Total operating expenses | 320,398 | 10,915 | 50,524 | 4,877 |
| Net operating income (loss) | 11,419 | 838 | (104) | 2,478 |
| Non-operating revenues and expenses: | | | | |
| Gifts for current use | - | - | - | - |
| Net investment income (loss) | 239 | - | 131 | - |
| Interest expense | (713) | - | - | - |
| Other non-operating revenue (expense) | 2,115 | 10,440 | - | - |
| Net non-operating revenue (expense) | 1,641 | 10,440 | 131 | - |
| Capital contributions and additions to permanent endowments | - | - | - | - |
| Transfers from (to) the university | (7,895) | (3,374) | (1,589) | (3,110) |
| Change in net position | 5,165 | 7,904 | (1,562) | (632) |
| Beginning net position | 73,282 | (21,035) | 10,408 | 1,811 |
| Ending net position | $ 78,447 | $ (13,130) | $ 8,846 | $ 1,179 |
| **Condensed statements of cash flows:** | | | | |
| Net cash provided (used) by: | | | | |
| Operating activities | $ 16,364 | $ 1,913 | $ 546 | $ 2,457 |
| Noncapital financing activities | (8,670) | 32,327 | (1,734) | (3,110) |
| Capital and related financing activities | (933) | (34,296) | (565) | - |
| Investing activities | 3,591 | - | 131 | 521 |
| Net increase (decrease) in cash | 10,352 | (56) | (1,621) | (132) |
| Beginning cash and cash equivalents | 35,933 | 5,321 | 2,327 | 371 |
| Ending cash and cash equivalents | $ 46,285 | $ 5,265 | $ 706 | $ 239 |

(dollars in thousands)

## Condensed Combining Information – Year Ended June 30, 2012

| | OSU Physicians | Campus Partners | Transportation Research Center | Dental Faculty Practice Plan |
|---|---|---|---|---|
| **Condensed statements of net position:** | | | | |
| Current assets | $ 92,605 | $ 7,665 | $ 10,825 | $ 1,708 |
| Capital assets, net | 31,965 | 49,893 | 797 | 225 |
| Other assets | 5,464 | 2,713 | - | - |
| Amounts receivable from the university | 6,440 | - | 3,390 | - |
| Deferred outflows | - | - | - | - |
| Total assets and deferred inflows | $ 136,474 | $ 60,272 | $ 15,012 | $ 1,934 |
| Current liabilities | $ 21,497 | $ 25,696 | $ 4,272 | $ 123 |
| Noncurrent liabilities | 19,779 | 10,433 | 332 | - |
| Amounts payable to the university | 21,917 | 45,178 | - | - |
| Deferred inflows | - | - | - | - |
| Total liabilities and deferred inflows | 63,192 | 81,306 | 4,604 | 123 |
| Invested in capital assets, net of related debt | 5,400 | 17,533 | - | - |
| Restricted: | | | | |
| Nonexpendable | - | - | - | - |
| Expendable | - | - | - | - |
| Unrestricted | 67,882 | (38,568) | 10,408 | 1,811 |
| Total net position | 73,282 | (21,035) | 10,408 | 1,811 |
| Total liabilities, deferred inflows and net position | $ 136,474 | $ 60,272 | $ 15,012 | $ 1,934 |

(dollars in thousands)

| | OSU Physicians | Campus Partners | Transportation Research Center | Dental Faculty Practice Plan |
|---|---|---|---|---|
| **Condensed statements of revenues, expenses and changes in net position:** | | | | |
| Operating revenues: | | | | |
| Grants and contracts | $ 0 | $ 11,874 | $ 44,404 | $ (0) |
| Sales and services of OSU Physicians | 302,802 | - | - | - |
| Other sales, services and rental income | 986 | 963 | 463 | 7,256 |
| Other operating | - | - | - | - |
| Total operating revenues | 303,788 | 12,837 | 44,867 | 7,256 |
| Operating expenses, excluding depreciation | 285,446 | 11,028 | 42,210 | 4,242 |
| Depreciation expense | 4,178 | 1,601 | 431 | - |
| Total operating expenses | 289,624 | 12,629 | 42,641 | 4,242 |
| Net operating income (loss) | 14,164 | 208 | 2,226 | 3,014 |
| Non-operating revenues and expenses: | | | | |
| Gifts for current use | - | - | - | - |
| Net investment income (loss) | 866 | - | 127 | - |
| Interest expense | (764) | (2,505) | - | - |
| Other non-operating revenue (expense) | (0) | (27) | - | - |
| Net non-operating revenue (expense) | 102 | (2,532) | 127 | - |
| Capital contributions and additions to permanent endowments | - | - | - | - |
| Transfers from (to) the university | (6,455) | 1,456 | (2,222) | (2,640) |
| Change in net position | 7,811 | (868) | 131 | 374 |
| Beginning net position | 65,471 | (20,167) | 10,277 | 1,437 |
| Ending net position | $ 73,282 | $ (21,035) | $ 10,408 | $ 1,811 |
| **Condensed statements of cash flows:** | | | | |
| Net cash provided (used) by: | | | | |
| Operating activities | $ 9,210 | $ 1,700 | $ 3,517 | $ 2,999 |
| Noncapital financing activities | 566 | 15,241 | (2,365) | (2,640) |
| Capital and related financing activities | (5,835) | (16,900) | (463) | (225) |
| Investing activities | (10,886) | - | 127 | (36) |
| Net increase (decrease) in cash | (6,945) | 41 | 816 | 97 |
| Beginning cash and cash equivalents | 42,878 | 5,280 | 1,511 | 274 |
| Ending cash and cash equivalents | $ 35,933 | $ 5,321 | $ 2,327 | $ 371 |

## NOTE 21 – SEGMENT INFORMATION

A segment is an identifiable activity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds or other revenue-backed debt and has related expenses, gains, losses, assets and liabilities that can be identified. The university has one segment that meets the GASB reporting requirements.

The Office of Student Life operates student housing, dining and recreational sports facilities on the university's main and regional campuses. In January 2013, the university issued $337,955 of Special Purpose General Receipts Bonds, Series 2013A. These bonds are solely payable from, and secured by, a pledge of the gross revenues of Special Purpose Revenue Facilities. Special Purpose Revenue Facilities are defined in the Series 2013 Supplement as all housing and dining facilities and such auxiliary facilities as shall constitute recreation facilities owned by the university. Special Purpose Pledged Revenues include all revenues, fees, rentals, rates, charges, insurance proceeds and other moneys derived from the ownership or operation of these facilities. Special Purpose Pledged Revenues totaled $147,956 and $137,307 for the years ended June 30, 2013 and 2012, respectively.

Condensed financial information for the Special Purpose Revenue Facilities, before the elimination of certain intra-university transactions, as of and for the years ended June 30, 2013 and 2012 is as follows:

(dollars in thousands)

## Segment Disclosure Information – Year Ended June 30, 2013

| | 2013 | 2012 |
|---|---|---|
| **Condensed Statement of Net Position** | | |
| Assets and deferred outflows: | | |
| Current assets | $ 33,264 | $ 26,345 |
| Capital assets | 419,281 | 354,653 |
| Other assets | - | - |
| Amounts receivable from the university | - | - |
| Deferred outflows | - | - |
| Total assets and deferred inflows | $ 452,545 | $ 380,999 |
| Liabilities and deferred inflows: | | |
| Current liabilities | $ 5,644 | $ 5,166 |
| Noncurrent liabilities | - | - |
| Amounts payable to the university | 293,147 | 303,905 |
| Deferred inflows | - | - |
| Total liabilities and deferred inflows | 298,790 | 309,071 |
| Net position: | | |
| Invested in capital assets, net of related debt | 126,135 | 50,748 |
| Restricted: | | |
| Nonexpendable | - | - |
| Expendable | - | - |
| Unrestricted | 27,620 | 21,179 |
| Total net position | 153,754 | 71,928 |
| Total liabilities, deferred inflows and net position | $ 452,545 | $ 380,999 |
| | | |
| **Condensed Statement of Revenues, Expenses and Changes in Net Position** | | |
| Special-purpose pledged revenues - operating | $ 147,956 | $ 137,307 |
| Operating expenses, excluding depreciation | (116,060) | (110,852) |
| Depreciation expense | (16,375) | (11,387) |
| Operating income | 15,521 | 15,068 |
| Nonoperating revenues, net | (13,569) | (13,910) |
| Net income (loss) before transfers | 1,952 | 1,158 |
| Transfers from (to) other university units, net | 79,874 | 96,009 |
| Increase (decrease) in net assets | 81,827 | 97,167 |
| Beginning net position | 71,928 | (25,240) |
| Ending net position | $ 153,754 | $ 71,928 |
| | | |
| **Condensed Statement of Cash Flows** | | |
| Net cash provided (used) by: | | |
| Operating activities | $ 29,370 | $ 20,066 |
| Noncapital financing activities | - | - |
| Capital and related financing activities | (21,409) | (13,211) |
| Investing activities | 105 | 120 |
| Net increase (decrease) in cash | 8,066 | 6,976 |
| Beginning cash and cash equivalents | 23,695 | 16,719 |
| Ending cash and cash equivalents | $ 31,762 | $ 23,695 |

## The Ohio State University
## Supplementary Information on the Long-Term Investment Pool
## Year Ended June 30, 2013

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 2013, the market value of the university's Long-Term Investment Pool -- which includes gifted endowments, long-term investments of university operating funds and other funds internally designated to function as endowments -- increased $783 million, to $3.15 billion at June 30, 2013. Changes in market value for 2013 are summarized below:

**Long-Term Investment Pool Activity (in thousands)**

| | Gifted Endowments | | Quasi-Endowments | | |
|---|---|---|---|---|---|
| | University | Foundation | Operating | Designated | Total |
| **Market Value at June 30, 2012** | **$ 878,707** | **$ 500,824** | **$ 942,592** | **$ 43,910** | **$ 2,366,033** |
| Net Principal Additions (Withdrawals) | 10,451 | 58,067 | 55,000 | 490,858 | 614,376 |
| Change in Market Value | 94,560 | 56,649 | 105,490 | 47,619 | 304,318 |
| Income Earned | 20,934 | 12,432 | 23,386 | 10,670 | 67,422 |
| Distributions | (42,862) | (25,942) | (47,580) | (19,739) | (136,123) |
| Expenses | (20,758) | (12,328) | (23,190) | (10,581) | (66,857) |
| **Market Value at June 30, 2013** | **$ 941,032** | **$ 589,702** | **$ 1,055,698** | **$ 562,737** | **$ 3,149,169** |

**Net principal additions (withdrawals)** for gifted endowments include new endowment gifts and reinvestment of unused endowment distributions. In 2013, the university invested the proceeds from the parking lease and concession agreement, totaling $483 million, in the Long Term Investment Pool. These funds have been internally designated to function as endowments and provide annual distributions to support faculty initiatives, student scholarships, campus transportation and sustainability, and the OSU Arts District. **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, 2013. **Income earned** includes interest and dividends and is used primarily to fund **distributions**. **Expenses** include investment management expenses ($53 million), University Development related expenses ($13 million) and other investment related expenses ($1 million).

**Investment Returns and Expenses:**

The investment return for the Long-Term Investment Pool was 11.6% for fiscal year 2013. The annualized investment returns for the three-year and five-year periods were 9.2% and 2.9%, 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 $53 million of investment management expenses, which reduced the pool by 2.2% in fiscal year 2013, the $13 million of University Development expenses and $1 million of other investment related expenses further reduced the pool by 0.6%.

**Additional Information:**

Additional details on university endowments, including balances for individual funds, are available on the Office of the Controller's website at:
http://controller.osu.edu/acc/endow-home.shtm

## Acknowledgements

The 2013 Financial Report and the included financial statements are prepared by the staff of the Office of the Controller.

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Kristine G. Devine – Vice President of Operations

## Board of Trustees

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

## APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

*The following information regarding DTC and Cede & Co. has been furnished by DTC. The University, the Trustee and the Underwriters do not assume any responsibility for the accuracy or completeness of the information set forth under BOOK-ENTRY-ONLY SYSTEM, and the University, the Trustee and the Underwriters are not required to supervise, and will not supervise, the operation of the book entry system described herein.*

**General**

The Bonds will be available only in book-entry form. DTC will act as the initial securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully-registered bond certificates will be issued for the Bonds, in the aggregate principal amount thereof, and will be deposited with the Trustee on behalf of DTC. Beneficial Owners (defined below) may own beneficial interests in the Bonds through DTC, directly if they are participants of such systems, or indirectly through organizations that are participants in such systems.

**DTC**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each interest rate for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or with the Trustee as the agent for DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S.

and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and together with the Direct Participants, "Participants"). DTC has a Standard & Poor's highest rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest or other payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal of and interest or other payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the University. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The University may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Bonds.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the University believes to be reliable, but none of the University, the Trustee and the Underwriters takes any responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE UNIVERSITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notice are given, they shall be sent by the Trustee to DTC only.

For every transfer and exchange of Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

**Procedures May Change**

Although DTC has agreed to these procedures in order to facilitate transfers of securities among DTC and its participants, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

**Discontinuation of the Book-Entry-Only System**

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the University or the Trustee. In addition, if the University determines that (i) DTC is unable to discharge its responsibilities with respect to the Bonds, or (ii) continuation of the system of book-entry only transfers through DTC is not in the best interests of the Beneficial Owners of the Bonds or of the University, the University may, upon satisfaction of the applicable procedures of DTC with respect thereto, terminate the services of DTC with respect to the Bonds. Upon the resignation of DTC or determination by the University that DTC is unable to discharge its responsibilities, the University may, within 90 days, appoint a successor depository. If no such successor is appointed or the University determines to discontinue the book-entry only system, Bond certificates will be printed and delivered to DTC. Transfers and exchanges of Bonds shall thereafter be made as provided in the Indenture.

If the book-entry only system is discontinued with respect to the Bonds, the persons to whom the Bonds are delivered will be treated as "Holders" for all purposes of the Indenture, including, without limitation, the payment of principal or redemption price of, and interest on, the Bonds, the redemption of the Bonds and the giving to the University or the Trustee of any notice, consent, request or demand pursuant to the Indenture for any purpose whatsoever. In such event, the principal or redemption price of, and interest on, the Bonds will be payable as described herein.

**DTC Letter of Representations**

Certain duties of DTC and procedures to be followed by DTC and the Trustee are set forth in DTC's operational arrangements (the "Operational Arrangements"). In the event of any conflict between the provisions of the Indenture and the provisions of the Operational Arrangements relating to delivery of Bonds to the Trustee, the provisions of the Operational Arrangements shall control. The University has executed a blanket letter of representations enabling the Bonds to be eligible for DTC's book-entry only system.

**Revision of Book-Entry-Only System - Replacement Bonds**

The Series 2014 Bond Resolution provides for issuance of fully registered Bonds (the "Replacement Bonds") directly to owners other than DTC or its nominee only if DTC determines not to continue to act as security depository of the Bonds. In such event, the University may in its discretion establish a securities depository/book-entry relationship with another qualified securities depository. If the University does not or is unable to do so, and after appropriate notice to DTC, the University's Bond Registrar will authenticate and deliver fully registered Replacement Bonds, in the denominations of $5,000 or any integral multiple thereof, to or at the direction of and, if the event is not the result of University action or inaction, at the expense (including printing costs) of, any persons requesting such issuance. The Replacement Bonds may be transferred, registered and assigned only in the registration books of the University's Bond Registrar.

**Disclaimer by University, Trustee and Underwriter**

Neither the University nor the Trustee has any responsibility or liability for any aspect of the records relating to, or payments made on account of book entry interest ownership, or for maintaining, supervising or reviewing any records relating to that ownership.

The University, the Trustee, and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or others will distribute to the Beneficial Owners (i) payments of Debt Service Charges on the Series 2014 A Bonds paid or (ii) notices sent to DTC as the Holder or that they will do so on a timely basis, or that DTC or DTC Participants will serve and act in the manner described in this Official Statement.

**APPENDIX D**

FORM OF OPINION OF BOND COUNSEL

Barclays Capital Inc.
As Representative of the Underwriters

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of the General Receipts Bonds, Series 2014 A (Tax Exempt) (the "Bonds") by The Ohio State University, Columbus, Ohio (the "University"), a state university and a body corporate and politic of the State of Ohio. We have examined the transcript of proceedings (the "Transcript"), which includes, among others, the following documents: (i) a copy of the Amended and Restated Trust Indenture (the "Original Indenture"), dated as of December 1, 1999, between the University and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as supplemented by a Series 2014 A Supplement to the Amended and Restated Trust Indenture, dated as of October 1, 2014, between the University and the Trustee (the "Series 2014 Supplement" and together with the Original Indenture, the "Indenture"), (ii) the 1999 Bond Resolution (the "1999 Bond Resolution") adopted by the Board of Trustees of the University on November 5, 1999, as supplemented by the resolution adopted by the Board of Trustees of the University on June 6, 2014 (the "Series 2014 Bond Resolution") authorizing the issuance and sale of the Bonds, (iii) a specimen of the form of the Bonds, and (iv) the Tax Certificate of the University (the "Tax Certificate"), dated of even date herewith. We have also examined Section 2i of Article VIII of the Ohio Constitution, Sections 3345.11 and 3345.12 of the Ohio Revised Code (the "Act") and such other law, as we deemed relevant and necessary to render this opinion. Terms used in his opinion with initial capitalization when the rules of grammar would not otherwise so require have the respective meanings given them in the Indenture unless the context requires a different meaning.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement for the Bonds, dated September 23, 2014 (the "Official Statement") or other offering material relating to the Bonds and we express no opinion herein relating thereto.

As to questions of fact material to our opinion, we have relied on the representations of the University contained in the Series 2014 Bond Resolution and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing and in reliance upon this examination, we are of the opinion that, under the law in effect on the date of this opinion:

The Series 2014 Bond Resolution has been duly adopted by the Board of Trustees of the University and constitutes a valid and binding obligation of the University enforceable against the University in accordance with its terms.

The Bonds have been duly authorized, executed and delivered by the University and are valid and legally binding special obligations of the University payable solely from the sources provided therefor in the Series 2014 Bond Resolution.

The Debt Service Charges on the Bonds, along with the Debt Service Charges on other Obligations, are payable solely from and are equally and ratably secured by a first pledge of the gross amount of General Receipts and, except to the extent provided in the Original Indenture or any supplement thereto, including without limitation the Series 2014 Supplement, by the Special Funds and accounts therein. The Bonds are not otherwise secured and the owners and holders of the Bonds are given no right to have any excises or taxes levied by the General Assembly of Ohio for the payment of Debt Service Charges on the Bonds. General Receipts do not include appropriations by the General Assembly of Ohio.

Based on existing law and assuming that the Bonds are issued in accordance with the Tax Certificate, the interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations by Section 55 of the Code and is not taken into account in determining adjusted current earnings for purposes of the corporate alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The interest on the Bonds, and any profits made on their sale, exchange or other disposition, are exempt from Ohio personal income tax, the Ohio commercial activities tax, the net income base of the Ohio corporate franchise tax and income taxes imposed by the Ohio Revised Code. We express no opinion regarding other state and local tax consequences arising with respect to the Bonds.

In giving the opinions contained in this letter, we have assumed compliance with and the accuracy of, and have relied upon, the covenants, representations and certifications in the Transcript. We have not independently verified the accuracy of those representations and certifications. The accuracy of those representations and certifications, and the University's compliance with those covenants, may be necessary for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes and for other tax effects stated above. Failure to comply with certain requirements subsequent to issuance of the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

The opinions hereinabove expressed are qualified to the extent that the binding effect and enforceability of any of the provisions of the Bonds and the Series 2014 Bond Resolution, or of any rights pursuant thereto, are subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other laws in effect from time to time affecting the rights of creditors heretofore or hereinafter enacted, and also to the extent that the enforceability thereof may be limited by application of general principles of equity or public policy.

We bring to your attention the fact that our legal opinions are an expression of professional judgment and are not a guarantee of a result.

We do not undertake to advise you of matters which might come to our attention subsequent to the date hereof which may affect our legal opinions expressed herein.

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THE OHIO STATE UNIVERSITY (A STATE UNIVERSITY OF OHIO) • GENERAL RECEIPTS BONDS, SERIES 2014 A (TAX EXEMPT)


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