

2020 Annual Financial Report





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Message from the President and CFO



Kristina M. Johnson, PhD
President

OHIO STATE IS PROUD OF OUR ACHIEVEMENTS ACCOMPLISHED THIS YEAR in academic excellence, resource stewardship and patient care in the face of unprecedented disruptions resulting from the COVID-19 pandemic. Our fiscal year 2020 annual financial report demonstrates the university's continued commitment to operational efficiencies, and in doing so, helped offset the substantial revenue dilution that resulted from the global pandemic.

As part of our continued focus on the five pillars of our *Time and Change* strategic plan, the administrative efficiencies and financial controls bolstered the availability of funds to maintain our core academic mission. From our students' academic preparedness and graduation rates to research funding, patient care, donor support and more, we are advancing our land-grant mission to uplift the many communities that we serve.

Highlights include:

COVID-19 response

The university's primary focus is on the health and safety of our students, patients, faculty and staff. On March 13, 2020, the university announced that it would suspend face-to-face instruction, thus transitioning 12,000 courses to online delivery and shifting thousands of employees to telework in a week, without disruption to service. The university bursar processed 46,000 transactions over the course of one weekend to issue recreational fee student refunds and also refunded over \$34 million in housing and dining fees. Despite these challenges, the university's financial position remains strong. Total cash and temporary investments increased \$325 million, to \$3.63 billion, as of June 30, 2020.

Digital Flagship

Ohio State continues to invest in a comprehensive digital course delivery infrastructure that will position the university as a national leader in higher education in the post-COVID era. The Digital Flagship initiative



From our students' academic preparedness and graduation rates to research

funding, patient care, donor support and more, we are advancing our land-grant mission to uplift the many communities that we serve.

FY2020 HIGHLIGHTS:



The Digital Flagship initiative provides more than 37,000 incoming first- and second-year students with an iPad learning-technology suite.



In response to COVID-19, the university increased total scholarships and fellowships by \$35 million.



The Wexner Medical Center continues to expand access to high-quality health care bringing care centers to Dublin, New Albany and Powell.



Michael Papadakis,
Senior Vice President
and CFO

Message from the President and CFO

provides more than 37,000 incoming first- and second-year students with an iPad learning-technology suite. The university funds the program using efficiency savings.

Access and affordability

Through fiscal year 2020, the university has contributed more than \$200 million in need-based aid for low- and moderate-income Ohioans since 2015. This aid, generated through administrative efficiencies and innovative funding strategies, has benefited more than 40,000 Buckeyes and their families. In response to COVID-19, the university increased total scholarships and fellowships by \$35 million, primarily due to CARES ACT Emergency Aid for Students.

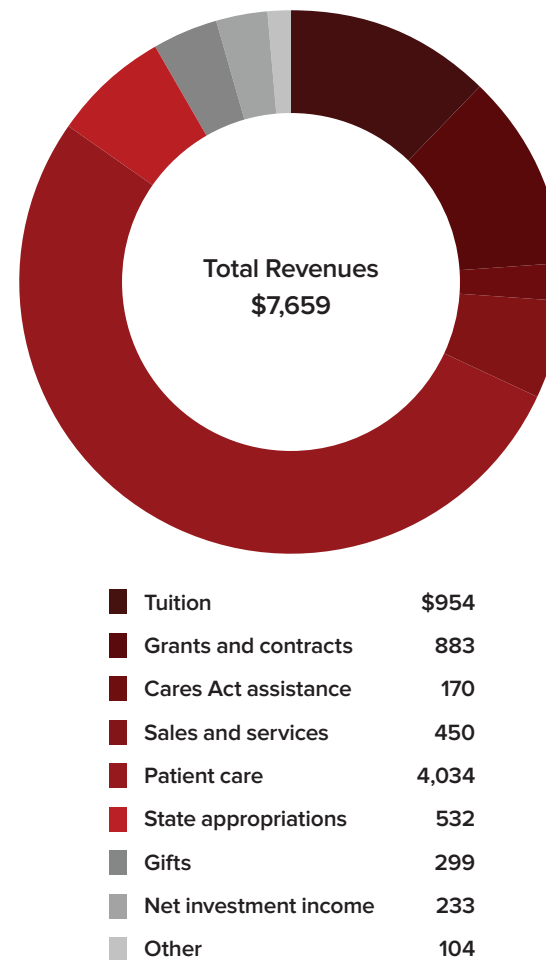
Investing in the future

Framework 2.0, the university's long-term planning vision, continued to advance in 2020. Many *Time and Change* projects received board authorization, including the new Wexner Medical Center Inpatient Hospital and the Energy Advancement and Innovation Center.

The 1.9 million-square-foot inpatient hospital is the largest single facilities project ever undertaken at Ohio State with up to 820 beds in private-room settings to elevate patient-centered care, safety and training for the next generation of physicians. The inpatient hospital will serve as a model for 21st-century hospitals, providing students, faculty and staff with access to leading-edge digital technologies to advance patient care, teaching and research. The state-of-the-art hospital facility is scheduled to open in early 2026.

The 53,000-square-foot Energy Advancement and Innovation Center will be co-located with the Interdisciplinary Research Facility in the heart of the Innovation District. The district will serve as a hub for Ohio State faculty,

REVENUE SOURCES FISCAL 2020
TOTAL UNIVERSITY (in millions)



Message from the President and CFO

students, alumni, researchers, local energy entrepreneurs and industry experts to collaborate on next-generation smart energy systems and green mobility solutions. The project is a cornerstone of the university's public-private partnership with Ohio State Energy Partners who has committed \$50 million for the project, including \$36.7 million in design and construction costs.

Academic health care

The Wexner Medical Center is among the largest academic medical centers in the country and continues to expand access to high-quality health care throughout the region. In addition to the new hospital, outpatient care centers will expand state-of-the-art care to Dublin, New Albany and Powell. The Wexner Medical Center Outpatient Care West Campus will offer a cancer-focused facility with leading-edge cancer treatments and research.

These highlights represent the transformational impact that Ohio State's leadership in academic excellence, resource stewardship and innovative research will have on the economic development of the region. Together, we will continue to define what it means to be a leading national flagship public research university in the 21st century.



Kristina M. Johnson, PhD
President



Michael Papadakis
Senior Vice President and CFO



Rendering of The Ohio State University Wexner Medical Center Inpatient Hospital with up to 820 beds in private-room settings to elevate patient-centered care, safety and training for the next generation of physicians.



Rendering of Ohio State's future West Campus Innovation District, the heart of which will include the Energy Advancement and Innovation Center.

Report of Independent Auditors



Report of Independent Auditors

To the Board of Trustees of
The Ohio State University

Report on the Financial Statements

We have audited the accompanying financial statements of the primary institution and of the aggregate discretely presented component units of The Ohio State University (the "University"), a component unit of the State of Ohio, which comprise the statements of net position as of June 30, 2020 and 2019, and the related 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on the 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the 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 University'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 financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Ohio State University as of June 30, 2020 and 2019, and the respective changes in financial

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position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 7 through 21, the Required Supplementary Information on GASB 68 Pension Liabilities on page 94, the Required Supplementary Information on GASB 75 Net OPEB Liabilities on page 95, and the Notes to Required Supplementary Information on page 96 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 an 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 audits 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 Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying other information on the long-term investment pool on page 97 is presented for purposes of additional analysis and is 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

November 21, 2020

Management's Discussion and Analysis (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, 2020, with comparative information for the years ended June 30, 2019, and June 30, 2018. 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 68,000 students, 7,500 faculty members and 28,000 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 over 250 undergraduate majors, 171 master's degree programs, 113 doctoral programs and nine professional degree programs.

The university is governed by a board of trustees that is responsible for oversight of academic programs, budgets, general administration and employment of faculty and staff. The university's 15 colleges, four regional campuses, 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 Ohio State University Wexner Medical Center ("the Medical Center") is one of the largest and most diverse academic medical centers in the country and the only academic medical center in central Ohio. As a part of the Wexner Medical Center, the Health System operates under the governance of The Ohio State University Board of Trustees and comprises seven hospitals and a network of ambulatory care locations. The Health System provides care across the spectrum from primary care to quaternary specialized care. Key clinical care locations and facilities at the Health System include:

- **University Hospital:** the Wexner Medical Center's flagship hospital is a leader in minimally invasive surgery, a Level I Trauma Center and one of the busiest kidney and pancreas transplant centers in the world.
- **Arthur G. James Cancer Hospital and Solove Research Institute ("The James"):** one of the nation's premier centers for prevention, detection and treatment of cancer.
- **Richard M. Ross Heart Hospital ("The Ross"):** a leader in cardiology and heart surgery, the Ross Heart Hospital is the only nationally ranked heart hospital in the area, according to *U.S. News & World Report*.
- **OSU Harding Hospital:** offers the most comprehensive inpatient and outpatient mental health and behavioral health services in central Ohio.
- **Ohio State East Hospital:** offers renowned Ohio State services in orthopedic care, emergency services, cancer care, addiction services, ear, nose and throat care, heart care, radiology and imaging services, rehabilitation and wound healing.
- **Dodd Hall:** home to Ohio State's nationally recognized and accredited rehabilitation inpatient program, specializing in stroke, brain and spinal cord rehabilitation.
- **Brain and Spine Hospital:** home to central Ohio's top-ranked Neurology/Neurosurgery program, according to *U.S. News & World Report*. Patients benefit from the expertise of a world-renowned team of doctors, nurses and scientists, each specializing in just one disorder.
- **Ambulatory Services:** offering primary care and many specialized health services in numerous convenient locations throughout Ohio. Primary care, sports medicine, orthopedics, mammography, imaging, wound care and other specialties are provided with the compassionate and nationally ranked expert care that is synonymous with The Ohio State University Wexner Medical Center.

Management's Discussion and Analysis (Unaudited)

The Health System provided services to approximately 62,000 adult inpatients and 1,868,000 outpatients during fiscal year 2020 and 64,500 adult inpatients and 1,915,000 outpatients during fiscal year 2019. The decline in patient volumes reflects the temporary suspension of elective procedures in response to the outbreak of COVID-19.

The following financial statements reflect all assets, liabilities, deferred inflows/outflows and net position (equity) of the university, The Ohio State University Wexner Medical Center, the Ohio Agricultural Research and Development Center (OARDC) and the Ohio Technology Consortium (OH-TECH), which is an umbrella organization that includes the Ohio Academic Resources Network (OARnet), the Ohio Supercomputer Center and the Ohio Library and Information Network (OhioLINK). 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*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* and Statement No. 80, *Blending Requirements for Certain Component Units — an amendment of GASB Statement No. 14*.

The following component units are considered to "exclusively benefit" the university and are shown in a blended presentation with the primary government:

- The Ohio State University 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)
- Pelotonia (a new fundraising organization operating exclusively for the benefit of the university — operations of the original Pelotonia LLC organization were transferred to the new Pelotonia organization in FY2020)

The GASB has indicated that, under the amended consolidation standards, 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 presents 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 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)
- Science and Technology Campus Corporation (a non-profit organization established to further development of the university's Science and Technology Campus)

In March 2020, Science and Technology Campus Corporation (SciTech) adopted new governance provisions on board composition and reserved powers for directors appointed by the university. As a result of these changes, SciTech is considered fiscally dependent on the university and is now subject to consolidation in the university's financial reports as a discretely presented component unit. Comparative financial information for discretely presented component units for the year ended June 30, 2019, has been restated to reflect this change in the financial reporting entity.

Management's Discussion and Analysis (Unaudited)

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 statements 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 statements include a Statement of Net Position, a Statement of Revenues, Expenses and 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, deferred outflows, liabilities, deferred inflows and net position (equity) of the university as of June 30, 2020, with comparative information as of June 30, 2019. 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 fair value or at Net Asset Value (NAV), as applicable.

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:

- Net investment in capital assets
- Restricted — nonexpendable
- Restricted — expendable
- Unrestricted

In addition to assets, liabilities and net position, the university's balance sheet includes deferred outflows of resources and deferred inflows of resources. Deferred outflows are similar to assets and will be recognized as expense in future periods. Deferred inflows are similar to liabilities and will be recognized as revenue (or reductions of expense) in future periods.

The **Statement of Revenues, Expenses and 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, 2020, with comparative information for the year ended June 30, 2019. 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 generally will 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 and certain investment management expenses. 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.

Management's Discussion and Analysis (Unaudited)

The **Statement of Cash Flows** details how cash has increased (or decreased) during the year ended June 30, 2020, with comparative information for the year ended June 30, 2019. 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 required supplementary information related to pensions and other post-employment benefits and other information on the university's Long-Term Investment Pool.

Financial Highlights and Key Trends

As widely reported, the outbreak of COVID-19, a new strain of coronavirus that can result in severe respiratory disease, was first detected in December of 2019, and has spread across six continents impacting many countries, including the United States. In response to the public health crisis, the Governor of Ohio and the Director of the Ohio Department of Health took certain actions to limit the spread of the virus and its impact on the state's local communities and health care services, including the declaration of a state of emergency in the state and the closure of all non-essential businesses commencing on March 23, 2020. On May 1, 2020, the state began a phased-in process of reopening certain businesses.

On March 13, 2020, the university announced that it would suspend face-to-face instruction and transition to remote instruction for the remainder of the spring semester. On April 1, 2020, the university announced that the suspension of face-to-face instruction would extend through the summer semester. With limited exceptions, all university events scheduled to occur during the summer months, including summer camps and sports camps, were cancelled. Nearly all university housing and dining facilities were closed on March 22, 2020, and remained closed through the

summer semester. During this time, all university employees who could do so were required to work from home.

On June 3, 2020, the university announced that — based on guidance from state and local health authorities and recommendations of the Safe Campus and Scientific Advisory Subgroup of the university's COVID-19 Transition Task Force — it would resume in-person classes for the autumn semester, with a mix of online, in-person and blended courses to reduce the number of students, faculty and staff that would be on campus at any one time.

The COVID-19 pandemic also significantly impacted Health System operations. On March 17, 2020, the Director of the Ohio Department of Health issued an order temporarily recommending that non-essential or elective surgeries and procedures not be conducted at Ohio hospitals. The temporary suspension of performance of elective procedures was recommended to create capacity for a potential increase in COVID-19 patients. The recommendation from the Ohio Department of Health to suspend non-essential or elective surgeries and procedures was withdrawn effective May 1, 2020.

Suspended operations due to the COVID-19 pandemic resulted in decreases in auxiliary revenues and patient care volumes significantly

Management's Discussion and Analysis (Unaudited)

below budget projections. Despite these challenges, the university's financial position remains strong. Total cash and temporary investments increased \$325 million, to \$3.63 billion, at June 30, 2020, reflecting the Health System's receipt of \$275 million of Medicare Advance payments and \$143 million of Provider Relief Funds. Total net position is stable, decreasing \$10 million, to \$5.42 billion. Federal assistance provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the implementation of expenditure controls offset a significant portion of the revenue losses from suspended operations.

Demand for an Ohio State education and outcomes for students also remain strong. 68,262 students were enrolled in autumn 2019, up 162 students compared to autumn 2018. 94% of the freshmen enrolled in autumn 2018 returned to Ohio State in autumn 2019. 67% of students graduated within four years, and over 85% graduated within six years.

The following sections provide additional details on the university's 2020 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)

	2020	2019	2018
Cash and temporary investments	\$ 3,633,027	\$ 3,308,174	\$ 3,023,554
Receivables, inventories, prepaids and other current assets	808,875	872,714	845,332
Total current assets	4,441,902	4,180,888	3,868,886
Restricted cash	401,664	492,033	564,656
Noncurrent notes and pledges receivable, net	110,673	124,901	112,019
Net other post-employment benefit receivable	77,901	74,520	-
Long-term investment pool	5,287,131	5,256,759	5,211,434
Other long-term investments	301,676	219,455	163,946
Capital assets, net of accumulated depreciation	5,700,078	5,268,363	5,043,222
Total noncurrent assets	11,879,123	11,436,031	11,095,277
Total assets	16,321,025	15,616,919	14,964,163
Deferred outflows	717,357	1,155,735	739,619
Total assets and deferred outflows	\$ 17,038,382	\$ 16,772,654	\$ 15,703,782
Accounts payable and accrued expenses	\$ 638,750	\$ 591,844	\$ 579,363
Medicare advance payment program	274,915	-	-
Deposits and advance payments for goods and services	268,481	281,886	274,401
Current portion of bonds, notes and lease obligations	374,717	618,302	640,589
Other current liabilities	88,673	112,259	105,021
Total current liabilities	1,645,536	1,604,291	1,599,374
Noncurrent portion of bonds, notes and lease obligations	2,732,098	2,543,360	2,582,017
Net pension liability	3,025,029	3,715,058	2,548,009
Net other post-employment benefits liability	1,459,572	1,339,383	1,249,521
Advance from concessionaire	1,002,769	1,024,555	1,046,342
Other noncurrent liabilities	527,489	434,885	383,681
Total noncurrent liabilities	8,746,957	9,057,241	7,809,570
Total liabilities	10,392,493	10,661,532	9,408,944
Deferred inflows	1,221,395	677,046	972,224
Net investment in capital assets	3,010,095	2,605,381	2,376,795
Restricted:			
Nonexpendable	1,622,782	1,580,115	1,551,278
Expendable	1,125,359	1,303,269	1,328,793
Unrestricted	(333,742)	(54,689)	65,748
Total net position	5,424,494	5,434,076	5,322,614
Total liabilities, deferred inflows and net position	\$ 17,038,382	\$ 16,772,654	\$ 15,703,782

Management's Discussion and Analysis (Unaudited)

During the year ended June 30, 2020, **cash and temporary investment** balances increased \$325 million, to \$3.63 billion, primarily due to the Health System's receipt of \$275 million of Medicare Advance payments and \$143 million of Provider Relief Funds. Amounts shown as **restricted cash** consist primarily of unspent proceeds from the General Receipts Bonds, which are being used to fund various capital projects. Restricted cash balances decreased \$90 million, to \$402 million at June 30, 2020, reflecting application of bond proceeds to capital projects. The Statement of Cash Flows, which is discussed in more detail below, provides additional information on sources and uses of university cash.

Accounts receivable decreased \$109 million, to \$527 million at June 30, 2020. Health System patient receivables were down \$84 million, reflecting the overall decline in hospital inpatient and outpatient volumes caused by the COVID-19 pandemic. Receivables on grants managed by the Office of Sponsored Programs were down \$27 million.

Inventories and prepaid expenses increased \$37 million, to \$171 million at June 30, 2020, primarily due to purchases of Personal Protective Equipment (PPE) related to COVID-19, increases in pharmaceutical inventories and growth in prepayments for preventive maintenance contracts.

Pledges receivable increased \$43

million, to \$138 million, primarily due to new pledges for capital projects and an increase in current-use gifts.

The fair value of the university's **long-term investment pool** (LTIP) increased \$30 million, to \$5.29 billion at June 30, 2020. The increase is primarily due to \$226 million of net principal additions and \$119 million of interest and dividend income. These increases were partially offset by \$231 million in distributions and \$73 million of expenses. 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 Ohio State University Foundation and unrestricted funds that have been internally designated to function as endowments. The pool is invested in a diversified portfolio of equity and fixed-income securities, partnerships and hedge funds 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.

The university has established a **securities lending program** through its custodian bank for the long-term investment pool. Securities loaned by the university are secured by collateral in the form of cash, equity, U.S. government obligations and foreign government/private debt. The portion

of this collateral that was received in cash decreased \$32 million, to \$12 million at June 30, 2020, reflecting a reduction in securities lending activity in 2020. These balances are reported in the Statement of Net Position as a current asset and a corresponding current liability.

Other long-term investments are non-unitized investments that relate primarily to gift arrangements between donors and the Ohio State University Foundation and long-term investments of operating funds. These investments increased \$82 million, to \$302 million, at June 30, 2020, primarily due to unrealized gains and capital calls on private equity investments.

Capital assets, which include the university's land, buildings, improvements, equipment and library books, net of depreciation, grew \$432 million, to \$5.7 billion at June 30, 2020. 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).

Additions to university capital assets totaled \$861 million in 2020. The Health System accounted for \$381 million of the total and includes expenditures for new facilities, infrastructure improvements, land and equipment purchases. The

Management's Discussion and Analysis (Unaudited)

remaining \$480 million of university capital additions include \$67 million of equipment and library books, \$54 million related to the Workday ERP Enterprise project, \$103 million related to Comprehensive Energy Management Plan (CEMP) improvements to facilities and \$256 million related to improvements and renovations of various academic buildings, athletics facilities, student life facilities and infrastructure.

Significant projects completed in 2020 include the \$59 million Koffolt and Fontana Labs project, which was completed in the summer of 2020 and will provide approximately 124,000 square feet of research labs, teaching labs, classrooms and departmental offices for Biomedical Engineering and Materials Science Engineering. Also completed in summer 2020 was a \$20 million expansion of the west wing of OSU East Hospital. Approximately \$10 million of Comprehensive Energy Management Plan Improvements were fully completed during the fiscal year.

Major academic facility projects currently underway or nearing completion include:

- Postle Hall — Construction is nearing completion on the \$98 million project to construct a 130,000-square-foot dental facility for student pre-clinical labs and patient clinics, an ambulatory surgery center, a faculty practice, a

radiology clinic and a sterilization facility. The project is slated for completion in the fall of 2020.

- Wooster Laboratory building — Construction is finishing on a \$34 million entomology research facility at the Wooster campus. The project is slated for completion in the fall of 2020.
- The Arts District — Construction is underway on a project between the west side of High Street between 15th and 18th Avenues. The project includes a new learning environment for the School of Music, will also extend Annie and John Glenn Avenue from College Road to High Street and is expected to finish in 2021.

Major Health System construction projects currently underway include:

- A new inpatient hospital with up to 840 beds to replace and expand upon the original Rhodes and Doan Halls
- A \$98 million garage for the new inpatient hospital
- A \$45 million sterile supply building to support the new hospital and ambulatory facilities
- A \$179 million West Campus outpatient ambulatory facility
- A \$138 million regional ambulatory facility to the northeast on Hamilton Road

- A \$161 million regional ambulatory facility to the northwest in Dublin
- A \$36 million Health Sciences Faculty Office and Optometry clinic at the corner of 11th and Neil Avenues

The university's estimated future capital commitments, based on contracts and purchase orders, total approximately \$437 million at June 30, 2020.

Accounts payable and accrued expenses increased \$43 million, to \$635 million at June 30, 2020, reflecting increases in payables to vendors for supplies and services, which were partially offset by a reduction in retirement contributions payable.

On April 10, 2017, the university entered into a 50-year agreement to lease the university's utility system to Ohio State Energy Partners (OSEP) and grant it the exclusive right to operate the utility system and provide utility services to the Columbus campus. On July 6, 2017, the university received an upfront payment of \$1.09 billion. The upfront payment is reported as an **advance from concessionaire** and is being amortized as a reduction to operating expense (Operation and Maintenance of Plant) on a straight-line basis over the term of the agreement.

Under the agreement, OSEP operates, maintains and makes capital

Management's Discussion and Analysis (Unaudited)

investments in the utility system and charges the university a utility fee, which includes fixed, variable and operating and maintenance (O&M) components. OSEP capital investments in the utility system are recognized as capital assets and a related **long-term payable to the concessionaire**. The fixed and O&M components of the utility fee are recognized as operating expense. The variable component of the utility fee will be recognized as a reduction in the long-term payable to the concessionaire and interest expense. The university paid \$56 million in fixed and O&M utility fees for the years ended June 30, 2020 and 2019, respectively. The total amounts payable to the concessionaire increased \$100 million, to \$142 million at June 30, 2020. The \$8 million current portion of this liability is included in other current liabilities on the Statement of Net Position.

University debt, in the form of **bonds, notes and capital lease obligations**, decreased \$55 million, to \$3.10 billion at June 30, 2020. In June 2020, the university issued \$186 million in Series 2020A fixed rate bonds to refund \$227 million of its variable rate bonds. In addition, the university entered into forward-starting interest-rate swap agreements to advance refund its Series 2013A bonds. The swap agreements are effective June 2023, have a total notional amount of \$329 million and are considered effective

hedges. The fair value of the swap agreements was negative \$7 million at June 30, 2020, and is reported as a noncurrent liability and offsetting deferred outflow of resources.

The university's plant debt includes variable rate demand bonds that mature at various dates through 2044. 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 \$318 million and \$575 million at June 30, 2020 and 2019, respectively.

GASB Statement No. 68 requires governmental employers participating in defined benefit pension plans to recognize liabilities for plans whose actuarial liabilities exceed the plan's net assets. These liabilities are referred to as net pension liabilities. A related accounting standard, GASB Statement No. 75, requires employers participating in other post-employment benefit (OPEB) plans to recognize liabilities for plans whose actuarial liabilities exceed the plan's net assets. OPEB benefits consist primarily of post-retirement health care. The university participates in two multi-employer cost-sharing retirement systems, OPERS and STRS-Ohio, and is required to record a liability for its proportionate share of the net pension and OPEB liabilities of the retirement systems.

In 2020, the university's share of OPERS and STRS-Ohio net pension liabilities decreased \$690 million, to \$3.03 billion at June 30, 2020. The decrease relates primarily to OPERS net pension liabilities. In calendar year 2019, OPERS realized a 17.23% return on defined benefit plan investments for the period. STRS net pension liabilities were relatively stable in 2020. Deferred outflows related to pensions decreased \$572 million, to \$446 million at June 30, 2020, and deferred inflows related to pensions increased \$377 million, to \$487 million at June

Management's Discussion and Analysis (Unaudited)

30, 2020. The swing in deferrals relates primarily to OPERS projected vs. actual investment returns. These deferrals will be recognized as pension expense in future periods.

In 2020, the university's share of OPERS net OPEB liabilities increased \$116 million, to \$1.44 billion at June 30, 2020, primarily due to a decrease in the discount rate used to calculate total OPEB liabilities. The impact of the lower discount rate was partially offset by a 19.59% return on health care plan investments. The university's share of STRS-Ohio net OPEB assets was stable, increasing \$3 million, to \$78 million at June 30, 2020. Deferred outflows related to OPEB increased \$123 million, to \$240 million at June 30, 2020, primarily due to deferrals related to the reduction in the discount rate for OPERS. Deferred inflows related to OPEB increased \$180 million, to \$298 million at June 30, 2020, primarily due to OPERS projected vs. actual investment returns.

Total pension and OPEB expense recognized by the university decreased \$33 million, to \$808 million in 2020. Total pension and OPEB expense includes employer contributions and (non-cash) expense accruals associated with the recognition of net pension and OPEB liabilities and deferrals. Total employer

contributions were up \$21 million, to \$380 million in 2020. Pension and OPEB expense accruals were down \$54 million, to \$428 million.

It should be noted that, in Ohio, employer contributions to the state's cost-sharing multi-employer retirement systems are established by statute. These contributions, which are payable to the retirement systems one month in arrears, constitute the full legal claim on the university for pension and OPEB funding. Although the liabilities recognized under GASB 68 and GASB 75 meet the GASB's definition of a liability in its conceptual framework for accounting standards, they do not represent legal claims on the university's resources, and there are no cash flows associated with the recognition of net pension and OPEB liabilities, deferrals and related expense.

Deferred inflows primarily consist of changes to OPEB and pension liabilities as explained in the previous paragraphs. Other deferred inflows consist primarily of the unamortized proceeds of the parking service concession arrangement. The parking deferred inflows, which totaled \$407 million and \$417 million at June 30, 2020, and June 30, 2019, respectively, are being amortized to operating revenue on a straight-line basis over the 50-year life of the agreement. The remaining balance of deferred inflows relates to deferred gains on debt-related transactions and deferrals for irrevocable split-interest agreements.

Prior-Year Highlights: *In 2019*, the university's share of OPERS and STRS-Ohio net pension liabilities increased \$1.17 billion, to \$3.72 billion at June 30, 2019, primarily due to a combination of negative investment returns for OPERS and reductions in OPERS long-term assumed rate of return on pension plan investments. Cash and temporary investment balances increased \$285 million, to \$3.31 billion, primarily due to strong health care operating cash flows. *In 2018*, the university entered into a 50-year comprehensive energy management agreement with Ohio State Energy Partners (OSEP) and received a \$1.09 billion upfront payment. \$820 million of the upfront proceeds have been invested in the university's Long-Term Investment Pool. The remainder of the upfront proceeds will be used to finance capital projects. On July 1, 2017, the university implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of the new standard — which requires employers participating in cost-sharing multi-employer retirement plans to recognize a share of the retirement plans' unfunded other postemployment benefit (OPEB) liabilities — resulted in a \$1.22 billion reduction in the university's opening unrestricted net position. The net OPEB liability recognized by the university at June 30, 2018, was \$1.25 billion.

Management's Discussion and Analysis (Unaudited)

Statement of Revenues, Expenses and Changes in Net Position

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

	2020	2019	2018
Operating Revenues:			
Tuition and fees, net	\$ 953,569	\$ 969,633	\$ 935,893
Grants and contracts	743,431	732,253	698,847
Auxiliary enterprises sales and services, net	298,064	339,615	328,692
OSU Health System sales and services, net	3,449,681	3,432,271	3,103,891
Departmental sales and other operating revenues	187,089	201,783	183,823
Total operating revenues	5,631,834	5,675,555	5,251,146
Operating Expenses:			
Educational and general	2,809,135	2,665,355	1,998,165
Auxiliary enterprises	320,392	361,346	322,149
OSU Health System	3,345,167	3,109,070	2,720,988
Depreciation	425,012	413,039	394,461
Total operating expenses	6,899,706	6,548,810	5,435,763
Net operating loss	(1,267,872)	(873,255)	(184,617)
Non-operating revenues (expenses):			
State share of instruction and line-item appropriations	461,838	469,679	475,593
Gifts - current use	157,511	160,102	168,209
Net investment income (loss)	231,190	229,663	439,154
CARES Act Assistance	158,058	-	-
Grants, interest expense and other non-operating	19,169	(14,961)	(7,614)
Net non-operating revenue	1,027,766	844,483	1,075,342
Income (loss) before other changes in net position	(240,106)	(28,772)	890,725
State capital appropriations	69,905	64,900	83,217
Private capital gifts	77,425	26,565	15,470
Additions to permanent endowments	63,695	45,533	55,579
Capital contributions and other changes in net position	19,499	3,236	6,129
Total changes in net position	230,524	140,234	160,395
Increase (decrease) in net position	(9,582)	111,462	1,051,120
Net position - beginning of year	5,434,076	5,322,614	5,496,365
Cumulative effect of accounting change	-	-	(1,224,871)
Net position - end of year	\$ 5,424,494	\$ 5,434,076	\$ 5,322,614

Net **tuition and fees** decreased \$16 million or 1.7%, to \$954 million in 2020, due primarily to an increase in gross tuition of \$4 million, offset by \$20 million increase in scholarship allowances. Gross tuition increases for autumn and spring terms totaling \$26 million were offset by a \$14 million decrease in gross tuition for summer term and an \$8 million decrease in student fees. The decrease in summer tuition was driven by the shift to all online instruction in response to the COVID-19 pandemic. Non-resident students were charged a (lower) online fee in lieu of non-resident fees. The decrease in summer tuition was offset by expense reductions of \$14 million in graduate fee authorizations.

Total **scholarships and fellowships** increased \$36 million, to \$419 million in 2020, primarily due to a combination of CARES Act Emergency Aid for Students (\$15 million), increases in university scholarships (up \$7 million), increases in scholarships funded by endowments and current gifts (up \$8 million) and increases in other federal and state student aid programs (up \$4 million). Amounts shown as tuition and auxiliary revenue allowances increased \$20 million and \$3 million, respectively. Amounts shown as scholarship and fellowship expense increased \$12 million.

Operating **grant and contract revenues** increased \$11 million, to \$743 million, reflecting increases in federal grants of \$16 million, which were partially offset by a \$5 million decrease in state grants. Grants managed by the Office of Sponsored Programs increased \$13 million.

Management's Discussion and Analysis (Unaudited)

Total **auxiliary revenues** decreased \$42 million, to \$298 million, primarily due to decreases in Student Life housing and dining revenues of \$36 million and Business Advancement (Schottenstein Center and Blackwell) of \$14 million, offset by increases in Athletics of \$9 million. After the closure of the university's housing and dining facilities due to the COVID-19 outbreak, the university provided students housing and dining reimbursement and reimbursement of recreational fees on a pro rata basis from March 16, 2020, through the end of spring semester, totaling \$34 million. **Auxiliary expenses** decreased \$41 million, to \$320 million, primarily due to decreases in year-end accruals for pension and other post-employment benefits of \$22 million, Student Life housing and dining expenses of \$12 million, and Business Advancement (Schottenstein Center and Blackwell) expenses of \$7 million.

Educational and general expenses increased \$145 million, or 5%, to \$2.81 billion in 2020. Additional details are provided below.

Educational and General Expenses (in thousands)

Instruction and departmental research	
Separately budgeted research	
Public service	
Academic support	
Student services	
Institutional support	
Operation and maintenance of plant	
Scholarships and fellowships	
Non-cash accruals for pensions and other postemployment benefits	
Total educational and general expense	

Most E&G expenditure categories were flat in 2020, reflecting expenditure controls implemented in response to the outbreak of COVID-19. Ohio State instituted a hiring pause on April 1, 2020. The university also temporarily paused the annual merit compensation increase process and instituted pauses in off-cycle salary increases. Restrictions on university travel this spring and a review of all non-essential spending such as supplies, equipment purchases, conferences and membership expenses led to additional savings.

The overall increase in educational and general expense is primarily due to a \$109 million increase in **institutional support** expenses. In 2020, the university recognized \$72 million in expense for actual and anticipated legal settlements related to sexual misconduct by a former university physician. The remaining increase in institutional support relates to central charges for employee benefits. In 2019, university's self-insurance reserve was overfunded, and some benefit expenses in 2020

were funded from the excess reserve. **Separately budgeted research** expenses increased \$12 million, reflecting increases in research grants managed by the Office of Sponsored Programs.

Health System operating revenues were relatively stable in 2020, increasing \$17.4 million, to \$3.45 billion. Operating expenses (excluding depreciation, interest and transfers) increased \$236 million, to \$3.35 billion. An in-depth look at the Health System, as presented in their stand-alone financial statements, is provided below.

The Health System operates nearly 1,460 inpatient beds and serves as a major tertiary and quaternary referral center for Ohio and the Midwest. The Wexner Medical Center delivers superior patient care, quality outcomes and patient safety and has been recognized by *U.S. News and World Report* for 28 consecutive years as one of "America's Best Hospitals" and is ranked first in Columbus. The Health System is recognized as a national leader in nine specialties including: Cancer; Cardiology and Heart Surgery, Diabetes and Endocrinology; Ear, Nose and Throat; and Nephrology, Neurology and Neurosurgery, Pulmonary and Lung Surgery, Rehabilitation and Urology. The Ear, Nose and Throat program ranked fifth in the United States. Eleven other specialties were ranked in the top 10% of all hospitals in the country.

2020	2019	2018
\$ 1,051,376	\$ 1,038,290	\$ 1,006,057
505,290	492,816	473,463
176,889	176,384	177,325
223,552	223,172	217,086
89,162	93,405	99,032
355,179	246,307	188,735
117,727	123,128	118,556
139,622	127,769	130,363
150,338	144,084	(412,452)
<u>\$ 2,809,135</u>	<u>\$ 2,665,355</u>	<u>\$ 1,998,165</u>

Management's Discussion and Analysis (Unaudited)

The Health System is proud to be the first health system in central Ohio to have a hospital achieve Magnet Recognition, one of the highest honors awarded for nursing excellence. The Ross Heart Hospital, University Hospital and The James are all designated Magnet hospitals. More than 200 Wexner Medical Center physicians were named to Castle Connolly's 2020 Top Doctors.

In 2020, total Health System operating revenues grew \$17.4 million or 0.5% over the prior fiscal year. As of the end of February 2020 and prior to COVID-19, inpatient admissions, total surgeries, outpatient visits and radiation oncology were all above the prior year by 4.5%, 8.7%, 12.0% and 18.5%, respectively. The COVID-19 pandemic and the temporary suspension of performance of elective surgeries and procedures significantly impacted Health System operating revenue.

Approximately 90% of total Health System operating revenues are from patient care activities. Other Operating Revenues include revenue from reference labs, cafeteria operations, rental agreements and other non-patient services. Due to the increasing complexity and significantly growing number of specialty oral and self-administered pharmaceuticals available for cancer and non-cancer patients, the Health System operates a Specialty Retail Pharmacy dedicated to improving patient care

by easing the challenges of managing medications. The Specialty Retail Pharmacy contributed \$166.7 million to Health System operating revenues in 2020 and \$127.6 million in 2019. Other operating revenues also include a portion of the margin shared with Nationwide Children's Hospital for the management of the Neonatal Intensive Care Unit located at the Heath System.

The goal of this managed unit is to standardize the care and quality outcomes of all the neonatal patients in central Ohio. The NICU contributed \$17.8 million of operating revenues in 2020 and \$15.9 million in 2019. In 2019, the Health System enrolled in the Care Innovation and Community Improvement Program (CICIP). CICIP was developed to increase alignment of quality improvement strategies and goals among the state, managed care organizations (MCO) and both public and non-profit hospital agencies. The Health System recognized \$52.6 million in Other Operating Revenues related to CICIP in 2020 compared to \$52.5 million in 2019.

Health System operating expenses increased \$139.8 million or 4.3% from 2019 to 2020. The growth in salaries and benefits from 2019 to 2020 is reflective of the volume growth noted above prior to COVID-19. The Health System experienced reduced medical supply and pharmaceutical costs in the months of March and April as a result of the cancellation or delay of elective surgeries and procedures. As a result

of COVID-19, the Health System experienced a significant increase in demand for PPE, diagnostic testing, medical equipment and other supplies associated with patient care and staff safety. Solid organ transplant and Specialty Retail Pharmacy volumes increased from 2019 to 2020, also contributing to increases in supply and drug expense. Purchased services grew 3.7% in 2020 reflecting higher hospital franchise fee, legal services and advertising costs.

In response to the COVID-19 pandemic, the Heath System is continuing to implement certain cost containment measures to address expected and potential revenue losses. These measures include a hiring pause with exceptions for essential services and key positions, a pause in merit-based compensation increases, restrictions on travel and greater stringency on discretionary expenditures. Despite these challenges associated with COVID-19, the Health System's financial position remains strong and the enterprise continues its mission to "improve people's lives in Ohio and across the world through innovation in research, education and patient care."

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, continued to grow in 2020. Total consolidated operating revenues

Management's Discussion and Analysis (Unaudited)

increased \$25 million, to \$585 million. The estimated revenue impact of the temporary suspension of elective surgeries in the last quarter of 2020 was approximately \$33 million. OSUP received \$12 million of Provider Relief Funds, which are reported as non-operating revenue. Total consolidated OSUP expenses (excluding depreciation and interest) increased \$56 million to \$563 million in 2020. Approximately \$42.8 million of the increase relates to physician and other provider related costs associated with new physicians and care providers entering the practice during 2020. An additional \$11 million of the increase reflects increases in staff salaries and benefits due to growth in FTEs and compensation adjustments. OSUP balances are included in the Discretely Presented Component Units columns of the university's financial statements.

Total state operating support was relatively stable in 2020, decreasing \$8 million, to \$462 million. In response to the impact of the COVID-19 pandemic on economic activity, the State of Ohio implemented a number of cost containment measures, including a \$109 million reduction in **State share of instruction (SSI)** appropriations for higher education for the final two months of the fiscal year.

The university's SSI decreased \$6 million, to \$377 million in 2020. The university's original SSI appropriation for 2020 was \$392 million. **State line-**

item appropriations decreased \$2 million, to \$84 million. **State capital appropriations** were stable in 2020, increasing \$5 million, to \$70 million.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act — which was enacted March 27, 2020, in response to the COVID-19 outbreak — includes provisions to provide support to individuals, companies and non-profit institutions in the form of loans, grants, tax changes and other types of relief. The university recognized \$158 million of **CARES Act Assistance** revenue in 2020, including \$143 million of Provider Relief Funds for the Health System and \$15 million for Emergency Aid to Students. Amounts provided to the university under CARES Act grant programs are recognized as non-operating revenues in the Statement of Revenues, Expenses and Changes in Net Position as eligibility requirements are met. In addition to the Provider Relief Funds, the Health System received \$275 million under the **Medicare Accelerated and Advance Payment Program**. These amounts are considered short-term loans and are reported as current liabilities in the Statement of Net Position.

Total **gifts** to the university increased \$66 million, to \$299 million in 2020. Increases in capital and endowment gifts were offset by decreases in current use gifts. Several colleges and support units received gifts in excess of \$1 million in 2020, including Veterinary Medicine, the College of

Food, Agricultural and Environmental Sciences, the Ross Heart Hospital, the Cancer Hospital and Research Institute, the College of Medicine, Neuroscience, the College of Arts and Sciences, the College of Engineering, WOSU Public Media, College of Dentistry, Moritz College of Law, Planning and Administration, General University Scholarships and the Department of Athletics. Support came from more than 237,000 alumni and friends.

University investments yielded \$231 million of **net investment income** in 2020, compared with \$230 million in 2019. For 2020, the LTIP returned +1.1% compared to +1.2% in 2019. In both years, the LTIP return was below-benchmark across all asset classes. In 2019, the LTIP took a significant reduction in the fair value of certain natural resources and oil and gas investments.

For 2020, the Global Equity allocation returned -0.4% and underperformed on a relative basis to the MSCI ACWI benchmark, which recorded a +2.1% result, by -2.5% for the year. The LTIP's Global Fixed Income allocation underperformed compared to the U.S. Aggregate Bond benchmark, generating a +4.8% return versus +8.7% for the benchmark. The Real Assets allocation returned -0.4%, underperforming the CPI +5% return of +5.6% for the year.

Management's Discussion and Analysis (Unaudited)

Prior-Year Highlights: In 2019, Health System operating revenues grew \$328 million, to \$3.43 billion. Growth in surgical cases, increased chemotherapy and pharmaceutical volumes and increased bed capacity contributed to the growth in operating revenue. Educational and general expenses increased \$667 million, to \$2.67 billion in 2019, primarily due to a \$557 swing in expenses associated with pension and other post-employment benefit (OPEB) liabilities. University investments yielded \$230 million of net investment income in 2019, down from \$439 million in 2018. Total net position increased \$112 million, to \$5.43 billion at June 30, 2019, primarily due to strong Health System operating results.

In 2018, OSU Health System operating revenues grew \$251 million, to \$3.10 billion. Health System operating expenses (excluding depreciation, interest and transfers) increased \$125 million, to \$2.72 billion. University investments yielded \$439 million of net investment income, reflecting LTIP returns of +7.7%. Educational and general expenses decreased \$434 million, to \$2.00 billion, primarily due to pension and OPEB accruals.

Statement of Cash Flows

University Cash Flows Summary (in thousands)

	2020	2019	2018
Net cash flows from (used in) operating activities	\$ (4,234)	\$ (7,757)	\$ 1,053,673
Net cash flows from noncapital financing activities	934,803	779,439	764,223
Capital appropriations and gifts for capital projects	104,855	99,114	94,627
Proceeds from capital debt	-	-	73,885
Payments for purchase or construction of capital assets	(739,379)	(604,717)	(497,962)
Principal and interest payments on capital debt and leases, net of federal Build America Bond interest subsidies	(180,250)	(180,138)	(256,514)
Net cash flows provided (used) in investing activities	68,118	(1,128)	(505,508)
Net increase in cash and cash equivalents	<u>\$ 183,913</u>	<u>\$ 84,813</u>	<u>\$ 726,424</u>

University cash and cash equivalents increased \$184 million in 2020. Net cash used in operating activities was relatively stable at \$4 million in 2020, compared to \$8 million used in 2019. The Health System's receipt of \$275 million of Medicare Advance payments and a reduction in vendor payments for supplies and services offset declines in receipts for patient care and auxiliary operations. Net cash flows from noncapital financing

activities increased \$155 million, to \$935 million, reflecting the receipt of the CARES Act Provider Relief Funds and Emergency Aid to Students. Payments for purchase or construction of capital assets increased \$134 million, to \$739 million, primarily reflecting increases in Health System capital expenditures. Total cash provided by investing activities was \$68 million, reflecting receipts of investment income.

Management's Discussion and Analysis (Unaudited)

Economic Factors That Will Affect the Future

The COVID-19 pandemic continues to present significant budgetary challenges for Ohio State. No source of revenue is unaffected. Some of the impacts include:

- A reduction in state operating subsidy of 4.38%, or \$18 million, from original Fiscal Year 2021 state funding levels
- Anticipated tuition loss of \$54.9 million due to many students moving to an entirely virtual schedule and others deciding not to return to the university this fiscal year
- Reduced athletic revenues by \$130.3 million due to the cancellation of event rentals, a postponed fall season and the related reduction in ticket, media, conference and game guarantee revenues
- Student Life housing and dining revenues down \$3 million from Fiscal Year 2020 due to lower student occupancy on campus, which equates to a \$38.3 million reduction compared to a normalized year.

To address these impacts, the university is implementing \$252.2 million in targeted savings across all colleges, support units and the Wexner Medical Center. Of those targeted savings, \$175 million is expected to come from university operations and \$77.2 million from the Wexner Medical

Center. In addition, all capital projects have been assessed to determine how existing projects can defer millions of dollars in spending to ensure adequate financial flexibility until the total impact of the pandemic on revenue sources becomes clear.

Resource stewardship is one of the pillars of the university's strategic plan. Ohio State has achieved over \$220 million in administrative efficiencies, over \$450 million in strategic procurement savings and more than \$1 billion in new resource generation over the last five years.

The university continues to invest strategically to better position the institution for success in the future.

Examples include:

- **University Minimum Wage** — Ohio State is implementing a \$15 an hour minimum wage in the new fiscal year.
- **Need-Based Aid** — The university has provided over \$200 million in additional need-based aid to students and families since 2015, far exceeding its stated goal of reaching \$100 million by 2020.
- **New Inpatient Hospital** — In August 2020, university trustees approved the construction of the 1.9-million-square-foot Ohio State University Wexner Medical Center Inpatient Hospital.
- **Digital Flagship** — Ohio State continues investing in digital course delivery infrastructure to position

the university as a national leader in digital higher education in the post-COVID-19 era.

The impact of COVID-19 and the scope of any adverse impact on university finances and operations cannot be fully determined at this time. Adverse consequences of the COVID-19 pandemic may include, but are not limited to: decline in enrollment (including a disproportional decline in enrollment by international students); decline in demand for university housing; decline in demand for university programs that involve travel or that have international connections; cancellation, postponement and/or reduced attendance for athletic events; a decrease in tuition revenue resulting from out-of-state students choosing all on-line instruction; an increase in costs associated with purchasing of personal protective equipment and implementing community-wide testing programs (some of which may be paid with the university's CARES Act allocation); a decrease in availability of student loan funds or other student financial aid; reductions in funding support from donors or other external sources; a decline in research funding, including research funding from the U.S. government; a significant decline in the university's investments based on market declines or other external factors; substantial disruption to Health System operations related to a potential surge in COVID-19 cases; and a decrease in financial support from the State of Ohio whether through decreased appropriations or otherwise.

STATEMENTS OF NET POSITION

June 30, 2020 and June 30, 2019

(in thousands)

Cautionary Note Regarding Forward-Looking Statements

Certain information provided by the university, including written as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995.

All statements, other than statements of historical facts, which address activities, events or developments that the university expects or anticipates will or may occur in the future contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking

information. This forward-looking information is based upon various factors and was derived using various assumptions. The university does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

ASSETS AND DEFERRED OUTFLOWS:

Current Assets:

Cash and cash equivalents	\$ 1,844,446	\$ 1,570,164
Temporary investments	1,788,581	1,738,010
Accounts receivable, net	526,682	635,324
Notes receivable - current portion, net	25,231	25,231
Pledges receivable - current portion, net	79,240	31,540
Accrued interest receivable	21,274	25,050
Inventories and prepaid expenses	170,732	133,524
Investments held under securities lending program	12,092	44,391
Amounts due from (to) primary institution	(26,376)	(22,346)
Total Current Assets	4,441,902	4,180,888

Noncurrent Assets:

Restricted cash	401,664	492,033
Notes receivable, net	51,425	48,816
Pledges receivable, net	59,248	64,151
Net other post-employment benefit asset	77,901	74,520
Long-term investment pool	5,287,131	5,256,759
Other long-term investments	301,676	219,455
Capital assets, net	5,700,078	5,268,363
Total Noncurrent Assets	11,879,123	11,424,097

Total Assets

Deferred Outflows:

Pension	445,769	1,017,370
Other post-employment benefits	239,629	116,167
Other deferred outflows	31,959	22,198

Total Deferred Outflows

Total Assets and Deferred Outflows

Primary Institution		Discretely Presented Component Units		Total University	
2020	2019	2020	2019	2020	2019
\$ 1,844,446	\$ 1,570,164	\$ 186,705	\$ 144,154	\$ 2,031,151	\$ 1,714,318
1,788,581	1,738,010	15,135	16,510	1,803,716	1,754,520
526,682	635,324	56,555	63,596	583,238	698,920
25,231	25,231	424	527	25,655	25,758
79,240	31,540	-	-	79,240	31,540
21,274	25,050	-	-	21,274	25,050
170,732	133,524	4,279	4,643	175,011	138,167
12,092	44,391	-	-	12,092	44,391
(26,376)	(22,346)	26,376	22,346	-	-
4,441,902	4,180,888	289,474	251,776	4,731,377	4,432,664
401,664	492,033	-	-	401,664	492,033
51,425	48,816	850	2,935	52,275	51,751
59,248	64,151	-	-	59,248	64,151
77,901	74,520	-	-	77,901	74,520
5,287,131	5,256,759	-	-	5,287,131	5,256,759
301,676	219,455	-	-	301,676	219,455
5,700,078	5,268,363	243,277	192,164	5,922,015	5,438,368
11,879,123	11,424,097	244,127	195,099	12,101,910	11,597,037
16,321,025	15,604,985	533,601	446,875	16,833,287	16,029,701
445,769	1,017,370	-	18	445,769	1,017,388
239,629	116,167	-	6	239,629	116,173
31,959	22,198	-	-	31,959	22,198
717,357	1,155,735	-	24	717,357	1,155,759
\$ 17,038,382	\$ 16,760,720	\$ 533,601	\$ 446,899	\$ 17,550,644	\$ 17,185,460

STATEMENTS OF NET POSITION

June 30, 2020 and June 30, 2019

(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2020	2019	2020	2019	2020	2019
LIABILITIES, DEFERRED INFLOWS AND NET POSITION:						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 638,750	\$ 591,844	\$ 30,877	\$ 20,541	\$ 669,627	\$ 612,385
Medicare advance payment program	274,915	-	12,585	-	287,500	-
Deposits and advance payments for goods and services	268,481	281,886	3,141	2,336	271,622	284,222
Current portion of bonds, notes and leases payable	57,002	43,627	1,607	1,840	58,608	45,467
Long-term bonds payable, subject to remarketing	317,715	574,675	-	-	317,715	574,675
Liability under securities lending program	12,092	44,391	-	-	12,092	44,391
Other current liabilities	108,209	89,752	9,153	5,797	117,362	95,549
Amounts due to (from) primary institution - current	(31,628)	(22,823)	31,628	22,823	-	-
Total Current Liabilities	1,645,536	1,603,352	88,991	53,337	1,734,526	1,656,689
Noncurrent Liabilities:						
Bonds, notes and leases payable	2,732,098	2,543,360	16,290	18,920	2,748,388	2,562,280
Concessionaire payable	134,362	39,121	-	-	134,362	39,121
Net pension liability	3,025,029	3,715,058	-	136	3,025,029	3,715,194
Net other post-employment benefit liability	1,459,572	1,339,383	-	60	1,459,572	1,339,443
Compensated absences	210,158	177,672	-	-	210,158	177,672
Self-insurance accruals	87,928	82,507	-	-	87,928	82,507
Amounts due to third-party payors - Health System	60,516	49,374	-	-	60,516	49,374
Irrevocable split-interest agreements	31,853	28,463	-	-	31,853	28,463
Refundable advances for Federal Perkins loans	29,695	33,478	-	-	29,695	33,478
Advance from concessionaire	1,002,769	1,024,555	-	-	1,002,769	1,024,555
Other noncurrent liabilities	104,255	122,292	39,215	26,564	122,132	126,697
Amounts due to (from) primary institution - noncurrent	(131,278)	(109,017)	131,278	109,017	-	-
Total Noncurrent Liabilities	8,746,957	9,046,246	186,783	154,697	8,912,402	9,178,784
Total Liabilities	10,392,493	10,649,598	275,774	208,034	10,646,928	10,835,473
Deferred Inflows:						
Parking service concession arrangement	406,914	416,545	-	-	406,914	416,545
Pension	487,347	109,993	-	10	487,347	110,003
Other post-employment benefits	298,463	117,979	-	3	298,463	117,982
Other deferred inflows	28,671	32,529	-	-	28,671	32,529
Total Deferred Inflows	1,221,395	677,046	-	13	1,221,395	677,059
Net Position:						
Net investment in capital assets	3,010,095	2,605,381	216,111	159,311	3,226,206	2,764,692
Restricted:						
Nonexpendable	1,622,782	1,580,115	-	-	1,622,782	1,580,115
Expendable	1,125,359	1,303,269	-	-	1,125,359	1,303,269
Unrestricted	(333,742)	(54,689)	41,716	79,541	(292,026)	24,852
Total Net Position	5,424,494	5,434,076	257,827	238,852	5,682,321	5,672,928
Total Liabilities, Deferred Inflows and Net Position	\$ 17,038,382	\$ 16,760,720	\$ 533,601	\$ 446,899	\$ 17,550,644	\$ 17,185,460

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

**STATEMENTS
OF REVENUES,
EXPENSES, AND
CHANGES IN
NET POSITION**
Years ended
**June 30, 2020 and
June 30, 2019**
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2020	2019	2020	2019	2020	2019
Operating Revenues:						
Student tuition and fees (net of scholarship allowances of \$238,920 and \$218,936, respectively)	\$ 953,569	\$ 969,633	\$ -	\$ -	\$ 953,569	\$ 969,633
Federal grants and contracts	369,977	354,214	12,946	13,534	382,923	367,748
State grants and contracts	78,217	83,651	-	-	78,217	83,651
Local grants and contracts	27,015	25,608	-	-	27,015	25,608
Private grants and contracts	268,222	268,780	39,852	44,086	308,074	312,866
Sales and services of educational departments	142,389	156,921	9,354	9,440	151,743	166,361
Sales and services of auxiliary enterprises (net of scholarship allowances of \$39,982 and \$37,284, respectively)	298,064	339,615	-	-	298,064	339,615
Sales and services of the OSU Health System, net	3,449,681	3,432,271	-	-	3,449,681	3,432,271
Sales and services of OSU Physicians, Inc., net	-	-	584,222	560,322	584,222	560,322
Other operating revenues	44,700	44,862	-	-	44,700	44,862
Total Operating Revenues	5,631,834	5,675,555	646,374	627,382	6,278,208	6,302,937
Operating Expenses:						
Educational and General:						
Instruction and departmental research	1,096,254	1,070,292	8,821	9,403	1,105,075	1,079,695
Separately budgeted research	537,912	487,327	15,923	15,798	553,835	503,125
Public service	187,854	183,228	12,243	12,545	200,097	195,773
Academic support	250,674	242,960	-	-	250,674	242,960
Student services	95,070	109,166	-	-	95,070	109,166
Institutional support	378,552	309,691	20,367	20,636	398,919	330,327
Operation and maintenance of plant	122,449	135,307	741	699	123,190	136,006
Scholarships and fellowships	140,370	127,384	-	-	140,370	127,384
Auxiliary enterprises	320,392	361,346	-	-	320,392	361,346
OSU Health System	3,345,167	3,109,070	-	-	3,345,167	3,109,070
OSU Physicians, Inc.	-	-	563,200	507,366	563,200	507,366
Depreciation	425,012	413,039	10,272	8,777	435,284	421,816
Total Operating Expenses	6,899,706	6,548,810	631,567	575,224	7,531,273	7,124,034
Net Operating Income (Loss)	(1,267,872)	(873,255)	14,807	52,158	(1,253,065)	(821,097)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years ended
June 30, 2020 and
June 30, 2019
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2020	2019	2020	2019	2020	2019
Non-operating Revenues (Expenses):						
State share of instruction and line-item appropriations	461,838	469,679	-	-	461,838	469,679
Federal subsidies for Build America Bonds interest	10,987	10,619	-	-	10,987	10,619
Federal non-exchange grants	61,531	63,042	-	-	61,531	63,042
CARES Assistance	158,058	-	11,805	-	169,863	-
State non-exchange grants	14,702	11,119	-	-	14,702	11,119
Gifts	157,511	160,102	-	-	157,511	160,102
Net investment income	231,190	229,663	1,925	2,624	233,115	232,287
Interest expense on plant debt	(116,379)	(115,084)	(1,531)	(1,613)	(117,910)	(116,697)
Other non-operating revenues (expenses)	48,328	15,343	(13,110)	(22,890)	35,218	(7,547)
Net Non-operating Revenue	1,027,766	844,483	(911)	(21,879)	1,026,855	822,604
Income (Loss) before Changes in Net Position	(240,106)	(28,772)	13,896	30,279	(226,210)	1,507
Changes in Net Position:						
State capital appropriations	69,905	64,900	-	-	69,905	64,900
Private capital gifts	77,425	26,565	-	-	77,425	26,565
Additions to permanent endowments	63,695	45,533	-	-	63,695	45,533
Capital contributions and changes in net position	19,499	3,236	5,079	19,927	24,578	23,163
Total Changes in Net Position	230,524	140,234	5,079	19,927	235,603	160,161
Increase (Decrease) in Net Position	(9,582)	111,462	18,975	50,206	9,393	161,668
Net Position - Beginning of Year:						
Beginning of year, as previously reported	5,434,076	5,322,614	238,852	172,017	5,672,928	5,494,631
Cumulative effect of accounting changes	-	-	-	16,629	-	16,629
Beginning of Year, as restated	5,434,076	5,322,614	238,852	188,646	5,672,928	5,511,260
Net Position - End of Year	\$ 5,424,494	\$ 5,434,076	\$ 257,827	\$ 238,852	\$ 5,682,321	\$ 5,672,928

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

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and June 30, 2019

(dollars in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2020	2019	2020	2019	2020	2019
Cash Flows from Operating Activities:						
Tuition and fee receipts	\$ 838,750	\$ 848,524	\$ -	\$ -	\$ 838,750	\$ 848,524
Grant and contract receipts	764,850	732,383	67,488	57,566	832,338	789,949
Receipts for sales and services	3,981,772	3,894,191	595,501	558,634	4,577,273	4,452,825
Payments to or on behalf of employees	(2,672,926)	(2,533,272)	(421,493)	(374,538)	(3,094,419)	(2,907,810)
University employee benefit payments	(721,606)	(663,084)	(93,854)	(85,463)	(815,460)	(748,547)
Payments to vendors for supplies and services	(2,080,763)	(2,196,722)	(78,502)	(107,473)	(2,159,265)	(2,304,195)
Payments to students and fellows	(165,171)	(118,803)	-	-	(165,171)	(118,803)
Student loans issued	(3,249)	(4,001)	-	-	(3,249)	(4,001)
Student loans collected	9,061	8,848	-	-	9,061	8,848
Student loan interest and fees collected	1,949	2,184	-	-	1,949	2,184
Other receipts	43,099	21,995	-	-	43,099	21,995
Net cash provided (used) by operating activities	(4,234)	(7,757)	69,140	48,726	64,906	40,969
Cash Flows from Noncapital Financing Activities:						
State share of instruction and line-item appropriations	461,838	469,679	-	-	461,838	469,679
Non-exchange grant receipts	76,233	74,161	-	-	76,233	74,161
CARES Assistance	158,058	-	11,805	-	169,863	-
Gift receipts for current use	148,904	173,649	-	-	148,904	173,649
Additions to permanent endowments	63,695	45,533	-	-	63,695	45,533
Drawdowns of federal direct loan proceeds	332,591	353,493	-	-	332,591	353,493
Disbursements of federal direct loans to students	(330,524)	(339,227)	-	-	(330,524)	(339,227)
Repayment of loans from related organization	-	691	-	-	-	691
Amounts received from irrevocable split-interest agreements	5,187	734	-	-	5,187	734
Amounts paid to annuitants and life beneficiaries	(1,797)	(1,735)	-	-	(1,797)	(1,735)
Agency funds receipts	4,549	5,566	-	-	4,549	5,566
Agency funds disbursements	(5,564)	(5,387)	-	-	(5,564)	(5,387)
Other receipts (payments)	21,633	2,282	5,838	(7,473)	27,471	(5,191)
Net cash provided (used) by noncapital financing activities	934,803	779,439	17,643	(7,473)	952,446	771,966
Cash Flows from Capital Financing Activities:						
Proceeds from capital debt	-	-	12,003	7,806	12,003	7,806
State capital appropriations	71,605	64,788	-	-	71,605	64,788
Gift receipts for capital projects	33,250	34,326	-	-	33,250	34,326
Payments for purchase or construction of capital assets	(739,379)	(604,717)	(55,221)	(35,105)	(794,600)	(639,822)
Principal payments on capital debt and leases	(68,343)	(67,092)	(2,934)	(1,391)	(71,277)	(68,483)
Interest payments on capital debt and leases	(117,234)	(123,666)	(1,501)	(1,621)	(118,735)	(125,287)
Federal subsidies for Build America Bonds interest	5,327	10,620	-	-	5,327	10,620
Net cash (used) by capital financing activities	(814,774)	(685,741)	(47,653)	(30,311)	(862,427)	(716,052)
Cash Flows from Investing Activities:						
Net (purchases) sales of temporary investments	(27,789)	(102,981)	(12,550)	(13,343)	(40,339)	(116,324)
Proceeds from sales and maturities of long-term investments	3,122,487	3,556,262	13,926	3,220	3,136,413	3,559,482
Investment income, net of related expenses	142,413	142,775	2,046	2,545	144,459	145,320
Purchases of long-term investments	(3,168,993)	(3,597,184)	-	-	(3,168,993)	(3,597,184)
Net cash provided (used) by investing activities	68,118	(1,128)	3,422	(7,578)	71,540	(8,706)
Net Increase in Cash	183,913	84,813	42,552	3,364	226,465	88,177
Cash and Cash Equivalents - Beginning of Year	2,062,197	1,977,384	144,153	140,789	2,206,350	2,118,173
Cash and Cash Equivalents - End of Year	\$ 2,246,110	\$ 2,062,197	\$ 186,705	\$ 144,153	\$ 2,432,815	\$ 2,206,350

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

**STATEMENTS OF
CASH FLOWS
Years Ended
June 30, 2020 and
June 30, 2019
(dollars in thousands)**

	Primary Institution		Discretely Presented Component Units		Total University	
	2020	2019	2020	2019	2020	2019
Reconciliation of Net Operating Income (Loss) to Net Cash Used by Operating Activities:						
Operating income (loss)	\$ (1,267,872)	\$ (873,255)	\$ 14,807	\$ 52,157	\$ (1,253,065)	\$ (821,098)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	425,012	413,039	10,272	8,777	435,284	421,816
Changes in assets and liabilities:						
Accounts receivable, net	110,490	(30,166)	4,735	(6,440)	115,225	(36,606)
Notes receivable, net	(4,743)	(19,447)	2,188	(778)	(2,555)	(20,225)
Accrued interest receivable	28	131	-	-	28	131
Inventories and prepaid expenses	(37,208)	(8,235)	364	11	(36,844)	(8,224)
Amounts due to/from primary institution	(27,036)	(3,924)	5,603	(5,943)	(21,433)	(9,867)
Net other post-employment benefit asset	(3,381)	(74,520)	-	-	(3,381)	(74,520)
Deferred outflows	448,217	(413,871)	24	31	448,241	(413,840)
Accounts payable and accrued liabilities	84,258	36,319	4,726	(6,192)	88,984	30,127
Medicare advance payment program	274,915	-	12,585	-	287,500	-
Self-insurance accruals	5,421	8,368	-	-	5,421	8,368
Amounts due to third-party payors - Health System	11,142	4,465	-	-	11,142	4,465
Deposits and advanced payments	(25,440)	5,609	806	(322)	(24,634)	5,287
Compensated absences	32,486	7,447	-	-	32,486	7,447
Refundable advances for Federal Perkins loans	(3,783)	840	-	-	(3,783)	840
Advance from concessionaire	(21,786)	(21,787)	-	-	(21,786)	(21,787)
Net pension liability	(690,029)	1,167,049	(136)	(100)	(690,165)	1,166,949
Net other post-employment benefit liability	120,189	89,862	(60)	(93)	120,129	89,769
Deferred inflows	548,207	(293,927)	(13)	(38)	548,194	(293,965)
Other liabilities	16,679	(1,754)	13,239	7,656	29,918	5,902
Net cash provided (used) by operating activities	\$ (4,234)	\$ (7,757)	\$ 69,140	\$ 48,726	\$ 64,906	\$ 40,969
Non Cash Transactions:						
Construction in process in accounts payable	\$ 33,503	\$ 32,180	\$ 9,534	\$ 3,925	\$ 43,037	\$ 36,105
Construction in process in concessionaire payable	102,867	31,878	-	-	102,867	31,878
Capital lease	10,970	10,958	-	-	10,970	10,958
Stock gifts	19,306	14,104	-	-	19,306	14,104
Net increase (decrease) in fair value of investments	88,869	84,113	(248)	(203)	88,621	83,910
Forgiveness of debt	-	-	-	2,000	-	2,000
Bond refunding placed in escrow	232,024	-	-	-	232,024	-

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

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

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. 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* and Statement No. 80, *Blending Requirements for Certain Component Units — an amendment of GASB Statement No. 14.*, 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.

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

- **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.
- **Pelotonia** — The fiscal dependency criteria apply to this not-for-profit fundraising organization, which operates exclusively for the benefit of The Ohio State University.

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 primary government, collectively referred to as the primary institution.

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.** — This non-profit organization, which

participates in the redevelopment of neighborhoods adjacent to the Columbus campus, is fiscally dependent on the university.

- **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.
- **Science and Technology Campus Corporation (SciTech)** — This non-profit organization, which was established to further development of the university's Science and Technology Campus, is fiscally dependent on the university.

Summary financial statement information for the university's blended and discretely presented component units is provided in Notes 20 and 21. Audited financial statements for the discretely presented 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 total university column reflects eliminations of transactions between the primary institution and the discretely

component units. These transactions consist primarily of (a) discretionary subsidies and contributions which are presented as either non-operating activities or capital additions at the component unit level and (b) exchange-based goods and services that support the operations of the entity, which are presented as operating revenues and expenses at the component unit level. The impact of these transactions on the statement of revenues, expenses and changes in net position was \$0 for the years ended June 30, 2020 and 2019.

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) on the accrual basis. 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; Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; Statements of Cash Flows;

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

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, where relevant and material. 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:

- **Net investment in capital assets:** 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 fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB Statement No. 72, *Fair Value Measurement and Application*. The average cost 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 limited partnerships. The purpose of this alternative investment class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes. Investments in these limited partnerships are fair valued based on the university's proportional share of the net asset

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

value of the total fund. 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, 2020, the university has made commitments to limited partnerships totaling \$1,279,893 that have not yet been funded. These commitments may extend for a maximum of twelve years.

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 5,892 Board authorized funds and 219 pending 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, unless otherwise restricted by the donor.

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 4.5% of the average fair value per share of the Long Term Investment Pool over the most recent seven year period.

At June 30, 2020, the fair value of the university and Foundation gifted endowments is \$2,034,290, which is \$238,321 above the historical dollar value of \$1,795,969. Although the fair value of the gifted endowments in total exceeds the historical cost at June 30, 2020, there are 2,689 named funds that remain underwater. The fair value of these underwater funds at June 30, 2020 is \$858,109, which is \$78,992 below the historical dollar value of \$937,101.

At June 30, 2019, the fair value of the university and Foundation gifted endowments is \$2,039,437, which is \$315,252 above the historical dollar value of \$1,724,185. Although the fair value of the gifted endowments in total exceeds the historical cost at June 30, 2019, there are 1,704 named funds that remain underwater. The fair value

of these underwater funds at June 30, 2019 is \$563,140, which is \$51,189 below the historical dollar value of \$614,329.

The depreciation on non-expendable endowment funds is recorded as a reduction to restricted non-expendable net position. Recovery on these funds is recorded as an increase in restricted non-expendable up to the historical value of each fund. 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 Non-exchange Transactions*, endowment pledges are not recorded as assets until the related gift is received.

An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts and includes

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

such factors as prior collection history, type of gift and nature of fundraising.

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.

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 acquisition 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

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

Derivative instruments are reported at fair value in the Statement of Net Position. The university has entered into interest-rate swap agreements, which are considered effective hedging derivatives. Changes in the fair value of these instruments are reported as deferred outflows in the Statement of Net Position. Additional information on derivative instruments is provided in Note 10.

Operating and Non-Operating Revenues and Expenses

The university defines operating activities, for purposes of reporting on the Statement of Revenues, Expenses, and 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 and certain expenses related to investments, 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 net investment income. In addition, amounts provided to the university under CARES Act grant programs are recognized as non-operating revenues as eligibility requirements are met.

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

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, and this funding is recorded as state capital appropriations. 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 Uniform Guidance 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.

CARES Act Assistance

The Coronavirus Aid, Relief, and Economic Security (CARES) Act — which was enacted March 27, 2020 in response to the COVID-19 outbreak — includes provisions to provide support to individuals, companies and non-profit institutions in the form of loans, grants, tax changes and other types of relief. CARES Act Provider Relief Funds were distributed for lost revenues and healthcare related expenses due to operational changes to prepare for treating patients with COVID-19. During fiscal year 2020, the Health System and OSU Physicians received

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

and recognized \$143,301 and \$11,805 in revenue, respectively, related to CARES Act Provider Relief Funds. The University received Higher Education Relief Funds of \$14,757 to provide emergency financial aid to students to mitigate the impacts of loss revenue and additional technology expenses associated with moving to online education. Amounts provided to the university under CARES Act grant programs are recognized as non-operating revenues in the Statement of Revenues, Expenses and Changes in Net Position as eligibility requirements are met.

To minimize the impact of disruptions in claims processing as a result of COVID-19, the Centers for Medicare & Medicaid Services (CMS) introduced an advanced payment program for health care providers as part of the CARES Act. The advance payments will be recovered from processing Medicare claims during the twelve-month repayment period, expected to begin during the 2021 fiscal year. To the extent the advances are not recovered during the repayment period, as defined by CMS, the advances are due on demand. The advances are interest free during the repayment period; however, if the Medical Centers elect an extended repayment period, interest will be charged at the prevailing Treasury rate. The Health System and OSU Physicians received \$274,915 and

\$12,585, respectively, in Medicare advance payments. These amounts are considered short-term loans and are reported as current liabilities in the Statement of Net Position.

OSU Health System Revenue

Net patient service revenue represents amounts received and the estimated realizable amounts due from patients and third-party payors for services rendered net of contractual allowances, charity care and bad debt expenses. 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.

OSU Physicians Revenue

Net patient service revenue represents amounts received and the estimated realizable amounts due from

patients and third-party payors for services rendered net of contractual allowances, charity care, self-pay discounts and bad debt expenses.

OSU Physicians (OSUP), a discretely presented component unit of the university, provides care to patients under various reimbursable agreements, including governmental and commercial payors (third party payors). 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 financial statements for estimated contractual adjustments, representing the difference between the customary charges for services rendered and related reimbursements, and for administrative adjustments.

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 and not reported as gross patient service revenue. OSU Health System and OSUP maintain records to identify and monitor the level of charity care provided, including the amount

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

of charges foregone for services rendered. Net charity care costs for the OSU Health System for the years ended June 30, 2020 and 2019 are \$52,589 and \$50,336, respectively, after applying a decrease of \$5,661 and \$3,443, 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 for the years ended June 30, 2020 and 2019 are \$8,437 and \$7,856, 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.

Change in Financial Reporting Entity

Effective March 3, 2020, the Science and Technology Campus Corporation (SciTech) adopted an Amended and Restated Code of Regulations which included new provisions on board composition and reserved powers for directors appointed by the university. As a result of these changes, SciTech is considered to be fiscally dependent on the university and is now subject

to consolidation in the university's financial reports as a discretely presented component unit.

The cumulative effect of this change in the reporting entity was a \$16,629 increase in net position for the university's discretely presented component units as of July 1, 2018. The effects of the change in reporting entity in the university's financial statements for the year ended June 30, 2019 were as follows:

	As Previously Reported	Effect of Change in Reporting Entity	As Restated
<i>Statement of Net Position - Primary Institution</i>			
Notes receivable, net	\$ 60,750	\$ (11,934)	\$ 48,816
Total noncurrent assets	11,436,031	(11,934)	11,424,097
Total assets	15,616,919	(11,934)	15,604,985
Amounts due to (from) primary institution - current	(21,884)	(939)	(22,823)
Total current liabilities	1,604,291	(939)	1,603,352
Amounts due to (from) primary institution - noncurrent	(98,022)	(10,995)	(109,017)
Total noncurrent liabilities	9,057,241	(10,995)	9,046,246
Total liabilities	10,661,532	(11,934)	10,649,598

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Statement of Net Position - Discretely Presented Component Units

	As Previously Reported	Effect of Change in Reporting Entity	As Restated
Cash and cash equivalents	\$ 138,936	\$ 5,218	\$ 144,154
Accounts receivable, net	63,003	593	63,596
Notes receivable - current portion, net	87	440	527
Inventories and prepaid expenses	4,597	46	4,643
Total Current Assets	245,479	6,297	251,776
Notes receivable, net	2,461	474	2,935
Other long-term investments	-	-	-
Capital assets, net	164,152	28,012	192,164
Total Noncurrent Assets	166,613	28,486	195,099
Total Assets	412,092	34,783	446,875
Accounts payable and accrued expenses	20,047	494	20,541
Deposits and advance payments for goods and services	2,111	225	2,336
Current portion of bonds, notes and leases payable	1,343	497	1,840
Amounts due to (from) primary institution - current	21,884	939	22,823
Total Current Liabilities	51,182	2,155	53,337
Bonds, notes and leases payable	18,161	759	18,920
Other noncurrent liabilities	24,603	1,961	26,564
Amounts due to (from) primary institution - noncurrent	98,022	10,995	109,017
Total Noncurrent Liabilities	140,982	13,715	154,697
Total Liabilities	192,164	15,870	208,034
Net investment in capital assets	143,730	15,581	159,311
Unrestricted	76,209	3,332	79,541
Total Net Position	219,939	18,913	238,852

Statement of Revenues, Expenses and Changes in Net Position - Discretely Presented Component Units

	As Previously Reported	Effect of Change in Reporting Entity	As Restated
Private grants and contracts	\$ 36,447	\$ 7,639	\$ 44,086
Total Operating Revenues	619,743	7,639	627,382
Public service	9,153	3,392	12,545
Depreciation	7,467	1,310	8,777
Total Operating Expenses	570,522	4,702	575,224
Net Operating Income (Loss)	49,221	2,937	52,158
Interest expense on plant debt	(960)	(653)	(1,613)
Net Non-operating Revenue	(21,226)	(653)	(21,879)
Income (Loss) before Changes in Net Position	27,995	2,284	30,279
Increase in Net Position	47,922	2,284	50,206

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Statement of Cash Flows - Discretely Presented Component Units

	As Previously Reported	Effect of Change in Reporting Entity	As Restated
Grant and contract receipts	\$ 51,383	\$ 6,183	\$ 57,566
Payments to vendors for supplies and services	(104,119)	(3,354)	(107,473)
Net cash provided (used) by operating activities	45,897	2,829	48,726
Other receipts (payments)	(6,578)	(895)	(7,473)
Net cash provided (used) by noncapital financing activities	(6,578)	(895)	(7,473)
Payments for purchase or construction of capital assets	(34,848)	(257)	(35,105)
Principal payments on capital debt and leases	(894)	(497)	(1,391)
Interest payments on capital debt and leases	(968)	(653)	(1,621)
Net cash (used) by capital financing activities	(28,904)	(1,407)	(30,311)
Net increase in cash	2,838	527	3,365
Cash and cash equivalents - beginning of year	136,098	4,691	140,789
Cash and cash equivalents - end of year	138,936	5,218	144,154

Newly Issued Accounting Pronouncements

In order to provide temporary relief to governments in light of the COVID-19 pandemic, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement — which was issued in May 2020 and is effective immediately — extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The effective dates of the accounting pronouncements listed below have been updated in accordance with Statement No. 95.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This standard establishes criteria for identifying and reporting fiduciary activities of all state and local governments. The focus of the criteria generally is whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria are required to present these activities in a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to this requirement is provided for a business-type activity that expects to hold assets in a custodial fund for three months or less.

This standard is effective for periods beginning after December 15, 2019 (FY2021).

In June 2017, the GASB issued Statement No. 87, *Leases*. This standard establishes accounting and reporting for leases, based on the foundational principle that all leases are financings of the right to use an underlying asset for a period of time. Lessees will record an intangible right-of-use asset and corresponding lease liability. Lessors will record a lease receivable and a corresponding deferred inflow of resources. The standard provides an exception for short-term leases with a maximum possible term of 12 months

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

or less. This standard is effective for periods beginning after June 15, 2021 (FY2022).

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This standard requires that interest cost incurred during the period of construction be recognized as an expense in the period in which the cost is incurred. These costs will no longer be included in the historical costs of capital assets. The standard is effective for periods beginning after December 15, 2020 (FY2022) and will be applied on a prospective basis.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests — an amendment of GASB Statements No. 14 and No. 61*. This standard establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The standard is effective for periods beginning after December 15, 2019 (FY2021).

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. Due to global reference rate reform, the London Interbank Offered Rate (LIBOR) is expected to cease to exist at the end of 2021. This standard addresses accounting and financial reporting implications that result from the

replacement of an IBOR. The standard is effective for periods beginning after December 31, 2021 (FY2023).

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This standard addresses P3s and APAs and amends current guidance in GASB 60, *Accounting and Financial Reporting for Service Concession Arrangements*. In general, the standard applies the right-of-use model set forth in GASB 87 to P3 arrangements and provides accounting and disclosure guidance for both transferors and operators of governmental assets. The standard is effective for periods beginning after June 15, 2022 (FY2023).

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement requires recognition of a right-to-use subscription asset, initially measured as the sum of the initial subscription liability amount, payments made to the vendor before commencement of the subscription term, and capitalizable implementation costs. The subscription asset is then amortized over the subscription term. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (FY2023), and all reporting periods thereafter.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred*

Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This Statement clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. It also establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans. The provisions that limit the applicability of the “absence of a governing board” and “financial burden” criteria to arrangements other than defined contribution plans would be effective immediately; other provisions would be effective for reporting periods beginning after June 15, 2021.

University management is currently assessing the impact that implementation of GASB Statements No. 84, 87, 89, 90, 94, 96 and 97 will have on the university’s financial statements.

Other

The university is exempt from income taxes under Internal Revenue service rules. Any unrelated business income is taxable.

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

NOTE 2 — CASH AND CASH EQUIVALENTS

At June 30, 2020, the carrying amount of the primary institution's cash, cash equivalents and restricted cash is \$2,246,110 as compared to bank balances of \$2,239,213. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit.

Of the bank balances, \$307,728 is covered by federal deposit insurance and \$1,931,485 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, 2019, the carrying amount of the primary institution's cash, cash equivalents and restricted cash is \$2,062,197 as compared to bank balances of \$2,073,030. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$180,099 is covered by federal deposit insurance and \$1,892,931 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, 2020, the carrying amount of the discretely presented component units' cash, cash equivalents and restricted cash is \$186,705 as compared to bank balances of

\$188,647. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$5,364 is covered by federal deposit insurance and \$183,283 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, 2019, the carrying amount of the discretely presented component units' cash, cash equivalents and restricted cash is \$144,154 as compared to bank balances of \$147,820. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$5,048 is covered by federal deposit insurance and \$142,772 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

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 amounts available for current operations. The target is to maximize value while protecting the liquidity of the assets. Temporary Investments include 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 Equities	40-80%	MSCI All Country World Index (ACWI)
Global Credit	10-50%	Barclays U.S. Aggregate Bond Index
Real Assets	5-20%	U.S. Consumer Price Index (CPI) + 5%

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

The Global Equities category includes domestic equity, international equity, emerging market equity, hedged funds and private equity. The Global Credit category includes global fixed income and relative value/macro, credit oriented managers and private credit. The Real Assets category includes real estate and infrastructure funds.

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 other private equity investments and 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. 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, 2020 and 2019 are as follows:

	Primary Institution	
	2020	2019
Temporary Investments	\$ 1,788,581	\$ 1,738,010
Long-Term Investment Pool:		
Gifted Endowment - University	1,038,113	1,070,008
Gifted Endowment - OSU Foundation	996,177	969,429
Quasi Endowment - Operating	1,363,204	1,289,534
Quasi Endowment - Designated	1,889,637	1,927,788
Total Long-Term Investment Pool	5,287,131	5,256,759
Securities Lending Collateral Investments	12,092	44,391
Other Long-Term Investments	301,676	219,455
Total Investments	\$ 7,389,480	\$ 7,258,615

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Total university investments by investment type for the primary institution at June 30, 2020 are as follows:

	Primary Institution				Total
	Temporary Investments	Long-Term Investment Pool	Other Long-Term Investments	Securities Lending Collateral Investments	
U.S. equity	\$ -	\$ 664,055	\$ -	\$ -	\$ 664,055
International equity	-	475,277	-	-	475,277
Equity mutual funds	84,580	445,874	21,526	-	551,980
U.S. government obligations	117,993	1,448	510	-	119,951
U.S. government agency obligations	135,206	-	-	-	135,206
Corporate bonds and notes	1,297,564	-	-	-	1,297,564
Bond mutual funds	90,223	-	16,435	-	106,658
Foreign government bonds	7,542	-	-	-	7,542
Real assets	8,999	526,131	22,089	-	557,219
Hedge funds	-	504,888	-	-	504,888
Private equity	-	1,225,211	220,507	-	1,445,718
Commercial paper	26,480	-	-	-	26,480
Cash and cash equivalents	-	1,444,247	-	-	1,444,247
Other	19,994	-	20,609	-	40,603
Securities Lending Collateral Assets:					
Repurchase agreements	-	-	-	4,877	4,877
Variable rate notes	-	-	-	525	525
Commercial Paper	-	-	-	1,300	1,300
Certificates of deposit	-	-	-	4,850	4,850
Cash and other adjustments	-	-	-	540	540
	<u>\$ 1,788,581</u>	<u>\$ 5,287,131</u>	<u>\$ 301,676</u>	<u>\$ 12,092</u>	<u>\$ 7,389,480</u>

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Total university investments by investment type for the primary institution at June 30, 2019 are as follows:

	Primary Institution				Total
	Temporary Investments	Long-Term Investment Pool	Other Long-Term Investments	Securities Lending Collateral Investments	
U.S. equity	\$ 309	\$ 533,091	\$ -	\$ -	\$ 533,400
International equity	-	391,301	-	-	391,301
Equity mutual funds	86,616	1,024,535	22,284	-	1,133,435
U.S. government obligations	157,044	554,889	471	-	712,404
U.S. government agency obligations	129,502	-	-	-	129,502
Corporate bonds and notes	1,223,091	-	-	-	1,223,091
Bond mutual funds	92,439	-	16,103	-	108,542
Foreign government bonds	12,380	-	-	-	12,380
Real assets	9,578	525,966	24,884	-	560,428
Hedge funds	-	829,151	-	-	829,151
Private equity	-	903,311	138,625	-	1,041,936
Commercial paper	18,068	-	-	-	18,068
Cash and cash equivalents	-	494,515	-	-	494,515
Other	8,983	-	17,088	-	26,071
Securities Lending Collateral Assets:					
Repurchase agreements	-	-	-	18,703	18,703
Variable rate notes	-	-	-	950	950
Certificates of deposit	-	-	-	24,772	24,772
Cash and other adjustments	-	-	-	(34)	(34)
	<u>\$ 1,738,010</u>	<u>\$ 5,256,759</u>	<u>\$ 219,455</u>	<u>\$ 44,391</u>	<u>\$ 7,258,615</u>

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

	2020	2019
Interest and dividends	\$ 194,485	\$ 197,877
Net increase in fair value of investments	88,869	84,112
Investment expenses	(52,164)	(52,326)
Total	<u>\$ 231,190</u>	<u>\$ 229,663</u>

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Information on Fair Value of Investments

Fair value is defined in the accounting standards as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities reported at fair value are organized into a hierarchy based on the levels of inputs observable in the marketplace that are used to measure fair value.

Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 — Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Directly held equity securities, registered bond and equity mutual funds, and other miscellaneous investments classified in Level 1 are valued using prices quoted in active markets that the custodian and university have the ability to access.

Level 2 — Quoted prices in the markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly, are classified as Level 2. Level 2 investments include US government agencies and obligations, corporate bonds, municipal bonds, foreign government bonds, repurchase agreements, commercial paper, and other debt related investments. The evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities.

Level 3 — Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are

based upon the best information in the circumstance and may require significant management judgment. Investments included in Level 3 consist primarily of the university's ownership in real estate, limited partnerships and equity positions in private companies.

Net Asset Value (NAV) — Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in non-governmental entities that do not have a readily determinable fair value may be valued at NAV if the NAV is determined in accordance with the fair value measurement principles provided by the FASB standards relevant to investment companies. Interest in investment funds with a NAV reported under an alternative basis or meet the intent to sell criteria are reflected as Level 3 investments.

Investments measured at NAV consist mainly of non-publicly traded mutual funds, hedge funds, private equity, and other alternative funds. These assets are valued by the associated external investment manager/general partner and reviewed by the university using the most recent audited and unaudited financial statements available.

Not Leveled — Cash is not measured at fair value and, thus, is not subject to the fair value disclosure requirements. Cash not subject to such requirements amounted to \$118,873 and \$37,109 at June 30, 2020 and 2019, respectively.

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Investments by fair value category for the primary institution at June 30, 2020 are as follows:

	Primary Institution				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as Practical Expedient (NAV)	Total Fair Value
U.S. equity	\$ 664,055	\$ -	\$ -	\$ -	\$ 664,055
International equity	475,277	-	-	-	475,277
Equity mutual funds	198,477	-	-	353,503	551,980
U.S. government obligations	1,448	118,503	-	-	119,951
U.S. government agency obligations	-	135,206	-	-	135,206
Corporate bonds and notes	-	1,297,564	-	-	1,297,564
Bond mutual funds	106,658	-	-	-	106,658
Foreign government bonds	-	7,542	-	-	7,542
Real assets	15,743	-	93,357	448,119	557,219
Hedge funds	-	-	-	504,888	504,888
Private equity	-	-	273,589	1,172,129	1,445,718
Commercial paper	-	26,480	-	-	26,480
Cash equivalents	1,325,374	-	-	-	1,325,374
Other	-	19,543	21,060	-	40,603
Securities Lending Collateral Assets:					
Repurchase agreements	-	4,877	-	-	4,877
Variable rate notes	-	525	-	-	525
Commercial paper	-	1,300	-	-	1,300
Certificates of deposit	-	4,850	-	-	4,850
Other adjustments	542	(2)	-	-	540
	<u>\$ 2,787,574</u>	<u>\$ 1,616,388</u>	<u>\$ 388,006</u>	<u>\$ 2,478,639</u>	<u>\$ 7,270,607</u>

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Investments by fair value category for the primary institution at June 30, 2019 are as follows:

	Primary Institution				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as Practical Expedient (NAV)	Total Fair Value
U.S. equity	\$ 533,400	\$ -	\$ -	\$ -	\$ 533,400
International equity	391,301	-	-	-	391,301
Equity mutual funds	188,590	-	-	944,845	1,133,435
U.S. government obligations	8,311	704,093	-	-	712,404
U.S. government agency obligations	-	129,502	-	-	129,502
Corporate bonds and notes	-	1,220,966	2,125	-	1,223,091
Bond mutual funds	108,542	-	-	-	108,542
Foreign government bonds	-	12,380	-	-	12,380
Real assets	19,719	-	313,986	226,723	560,428
Hedge funds	-	-	-	829,151	829,151
Private equity	-	-	187,790	854,146	1,041,936
Commercial paper	-	18,068	-	-	18,068
Cash equivalents	457,406	-	-	-	457,406
Other	-	8,551	17,520	-	26,071
Securities Lending Collateral Assets:					
Repurchase agreements	-	18,703	-	-	18,703
Variable rate notes	-	950	-	-	950
Commercial paper	-	-	-	-	-
Certificates of deposit	-	24,772	-	-	24,772
Other adjustments	-	(34)	-	-	(34)
	<u>\$ 1,707,269</u>	<u>\$ 2,137,951</u>	<u>\$ 521,421</u>	<u>\$ 2,854,865</u>	<u>\$ 7,221,506</u>

Additional Information on Investments Measured at the NAV

Additional information on fair values, unfunded commitments, remaining life and redemption for investments measured at the NAV for the primary institution at June 30, 2020 is as follows:

	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Equity mutual funds - non-public international	\$ 353,503	\$ -	No limit	1 to 30 days	None
Hedge funds - absolute return, credit, long/short equities	504,888	-	No limit	30 to 180 day notice periods	Lock-up provisions ranging from none to 2 years; side pockets on a few funds
Private equity - private credit, buyouts, venture, secondary	1,172,129	844,093	1-12 years	Partnerships ineligible for redemption	Not redeemable
Real assets - natural resources, real estate, infrastructure	448,119	199,050	1-12 years	Partnerships ineligible for redemption	Not redeemable
	<u>\$ 2,478,639</u>	<u>\$ 1,043,144</u>			

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Additional Risk Disclosures for Investments

GASB Statements No. 3 and 40 require certain additional disclosures related to the liquidity, interest-rate, custodial, credit and foreign currency risks associated with deposits and investments.

Liquidity risk — The university's private equity and real asset investments are illiquid and subject to redemption restrictions in accordance with their respective governing documents.

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.

The maturities of the university's interest-bearing investments for the primary institution at June 30, 2020 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	\$ 119,951	\$ 18,089	\$ 92,464	\$ 9,398	\$ -
U.S. government agency obligations	-				
	135,100	4,045	22,649	24,953	83,453
Commercial paper	26,480	26,480	-	-	-
Corporate bonds	1,297,564	326,619	796,759	80,752	93,434
Bond mutual funds	106,658	1,800	66,342	23,578	14,938
Other governmental bonds	19,543	1,108	15,568	994	1,873
Foreign governmental bonds	7,542	-	7,542	-	-
Securities Lending Collateral:					
Repurchase agreements	4,877	4,877	-	-	-
Certificates of deposit	525	525	-	-	-
Commercial paper	1,300	1,300	-	-	-
Variable rate notes	4,850	4,850	-	-	-
Total	\$ 1,724,390	\$ 389,693	\$ 1,001,324	\$ 139,675	\$ 193,698

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

The maturities of the university's interest-bearing investments for the primary institution at June 30, 2019 are as follows:

	Fair Value	Primary Institution			
		Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	\$ 712,404	\$ 583,306	\$ 111,097	\$ 18,001	\$ -
U.S. government agency obligations	-				
	129,502	21,127	12,463	17,203	78,709
Commercial paper	18,068	18,068	-	-	-
Corporate bonds	1,223,091	242,552	828,631	65,590	86,318
Bond mutual funds	108,542	(135)	60,981	32,353	15,343
Other governmental bonds	8,550	1,857	4,226	1,163	1,304
Foreign governmental bonds	12,380	6,014	6,366	-	-
Securities Lending Collateral:					
Repurchase agreements	18,703	18,703	-	-	-
Certificates of deposit	950	950	-	-	-
Commercial paper	-	-	-	-	-
Variable rate notes	24,772	24,772	-	-	-
Total	\$ 2,256,962	\$ 917,214	\$ 1,023,764	\$ 134,310	\$ 181,674

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.

Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment to GASB Statement No. 3, securities with split ratings, or a different rating assignment, are disclosed using the rating indicative of the greatest degree of risk.

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

The credit ratings of the university's interest-bearing investments for the primary institution at June 30, 2020 are as follows:

	Primary Institution										
	Total	AAA	AA	A	BBB	BB	B	CCC	CC	C	Not Rated
U.S. government and agency obligations	\$ 255,157	\$ 6,431	\$ 165,407	\$ 77,729	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,590
Corporate bonds	1,297,564	94,714	225,727	468,096	354,052	26,780	2,774	-	-	-	125,421
Bond mutual funds	106,658	20,084	49,875	17,267	17,139	932	680	654	-	-	27
Foreign government bonds	7,542	2,957	1,809	352	-	-	-	-	-	-	2,424
Commercial paper	26,480	-	-	26,480	-	-	-	-	-	-	-
Other government bonds	19,543	575	9,493	7,317	922	-	-	-	-	-	1,236
Securities Lending Collateral:											
Repurchase agreements	4,877	-	-	-	-	-	-	-	-	-	4,877
Certificates of deposit	525	-	-	525	-	-	-	-	-	-	-
Commercial paper	1,300	-	-	1,300	-	-	-	-	-	-	-
Variable rate notes	4,850	-	925	3,925	-	-	-	-	-	-	-
Total	\$ 1,724,496	\$ 124,761	\$ 453,236	\$ 602,991	\$ 372,113	\$ 27,712	\$ 3,454	\$ 654	\$ -	\$ -	\$ 139,575

The credit ratings of the university's interest-bearing investments for the primary institution at June 30, 2019 are as follows:

	Primary Institution										
	Total	AAA	AA	A	BBB	BB	B	CCC	CC	C	Not Rated
U.S. government and agency obligations	\$ 841,906	\$ 4,746	\$ 778,923	\$ 55,899	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,338
Corporate bonds	1,223,091	76,957	191,993	440,442	358,615	21,993	652	-	-	-	132,439
Bond mutual funds	108,542	20,337	60,937	11,802	12,155	1,915	653	721	-	-	22
Foreign government bonds	12,380	2,715	201	6,359	-	-	-	-	-	-	3,105
Commercial paper	18,068	-	-	4,985	-	-	-	-	-	-	13,083
Other government bonds	8,550	-	5,110	3,440	-	-	-	-	-	-	-
Securities Lending Collateral:											
Repurchase agreements	18,703	-	-	-	-	-	-	-	-	-	18,703
Certificates of deposit	950	-	-	950	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-	-	-	-	-
Variable rate notes	24,772	-	7,855	16,917	-	-	-	-	-	-	-
Total	\$ 2,256,962	\$ 104,755	\$ 1,045,019	\$ 540,794	\$ 370,770	\$ 23,908	\$ 1,305	\$ 721	\$ -	\$ -	\$ 169,690

Concentration of credit risk —

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the university to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments.

There is no investment in issuers other than U. S. government guaranteed securities that represents five percent or more of investments held at June 30, 2020 and June 30, 2019.

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.

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

At June 30, 2020, exposure to foreign currency risk for the primary institution is as follows:

	Primary Institution					
	Common Stock	Equity Mutual Funds	Bond Mutual Funds	Corporate Bonds and Notes	Foreign Government Bonds	Partnerships and Hedge Funds
Argentine Peso	\$ -	\$ -	\$ 10	\$ -	\$ -	\$ -
Australian dollar	10,707	18,220	(17)	-	-	-
Bangladeshi taka	-	-	-	-	-	-
Brazilian real	4,197	10,345	20	-	-	-
Canadian dollar	12,121	10,611	136	-	-	-
Chilean peso	482	82	-	-	-	-
Chinese yuan	3,403	81,917	6	-	-	-
Columbian peso	153	26	-	-	-	-
Czech Republic koruna	83	422	2	-	-	-
Danish krone	6,695	4,842	12	-	-	-
Egyptian pound	110	17	-	-	-	-
Euro	138,326	64,318	338	2,136	514	108,723
Great Britain pound sterling	33,694	32,097	8	16,075	-	147,093
Hong Kong dollar	56,825	34,586	(2)	-	-	-
Hungarian forint	171	32	1	-	-	-
Iceland Krona	-	-	33	-	-	-
Indian rupee	6,536	6,898	-	-	-	-
Indonesian rupiah	1,180	1,989	3	-	-	-
Israeli shekel	162	6,909	9	-	-	-
Japanese yen	115,796	36,602	(4)	-	-	-
Kenyan Shilling	-	333	-	-	-	-
Kuwaiti dinar	-	76	-	-	-	-
Malaysian ringgit	1,493	751	1	-	-	-
Mexican peso	1,389	1,644	250	-	-	-
New Taiwan dollar	10,446	14,346	(18)	-	-	-
New Turkish lira	414	826	-	-	-	-
New Zealand dollar	306	926	143	-	-	-
Norwegian krone	4,451	1,945	82	-	-	-
Pakistan rupee	49	8	-	-	-	-
Peruvian nuevo sol	-	3	23	-	-	-
Philippine peso	657	1,031	-	-	-	-
Polish zloty	680	103	4	-	-	-
Qatarian rial	666	97	-	-	-	-
Romanian new leu	-	-	(1)	-	-	-
Russian ruble	2,112	334	9	-	-	-
Saudi Riyal	2,093	315	-	-	-	-
Singapore dollar	928	2,295	3	-	-	-
South African rand	2,948	2,749	-	-	-	-
South Korean Won	14,830	8,782	(6)	-	-	-
Sri Lanka rupee	-	-	-	-	-	-
Swedish krona	10,618	14,990	30	-	-	-
Swiss franc	28,265	13,724	(43)	-	-	19,763
Thailand bhat	1,876	2,081	-	-	-	-
UAE dirham	415	67	-	-	-	-
Total	\$ 475,277	\$ 377,339	\$ 1,032	\$ 18,211	\$ 514	\$ 275,579

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

At June 30, 2019, exposure to foreign currency risk for the primary institution is as follows:

	Primary Institution					
	Common Stock	Equity Mutual Funds	Bond Mutual Funds	Corporate Bonds and Notes	Foreign Government Bonds	Partnerships and Hedge Funds
Argentine Peso	\$ -	\$ -	\$ 34	\$ -	\$ -	\$ -
Australian dollar	5,969	31,351	98	-	-	-
Bangladeshi taka	-	-	-	-	-	-
Brazilian real	9,032	7,322	144	-	-	-
Canadian dollar	17,890	10,414	62	627	-	-
Chilean peso	435	196	54	-	-	-
Chinese yuan	663	57,495	5	-	-	-
Columbian peso	181	62	90	-	-	-
Czech Republic koruna	67	670	-	-	-	-
Danish krone	1,236	5,027	3	-	-	-
Egyptian pound	80	274	-	-	-	-
Euro	111,377	83,394	(854)	798	990	89,635
Great Britain pound sterling	40,376	74,112	91	3,545	-	104,324
Hong Kong dollar	24,286	39,176	(320)	-	-	-
Hungarian forint	122	63	-	-	-	-
Iceland Krona	-	-	36	-	-	-
Indian rupee	4,237	2,247	(4)	-	-	-
Indonesian rupiah	952	3,127	186	-	-	-
Israeli shekel	198	134	7	-	-	-
Japanese yen	104,304	51,414	393	-	5,513	-
Kenyan Shilling	-	377	-	-	-	-
Kuwaiti dinar	-	148	-	-	-	-
Malaysian ringgit	987	1,919	(2)	-	-	-
Mexican peso	1,136	2,117	155	-	-	-
New Taiwan dollar	5,141	9,020	(2)	-	-	-
New Turkish lira	253	761	-	-	-	-
New Zealand dollar	288	106	46	-	-	-
Norwegian krone	4,760	3,294	67	-	-	-
Pakistan rupee	33	23	-	-	-	-
Peruvian nuevo sol	-	7	146	-	-	-
Philippine peso	490	722	-	-	-	-
Polish zloty	602	135	122	-	-	-
Qatarian rial	441	241	-	-	-	-
Romanian new leu	-	-	-	-	-	-
Russian ruble	1,435	625	254	-	-	-
Saudi Riyal	616	287	-	-	-	-
Singapore dollar	1,143	7,940	-	-	-	-
South African rand	2,622	6,396	86	-	-	-
South Korean Won	9,700	9,769	(129)	-	-	-
Sri Lanka rupee	-	-	-	-	-	-
Swedish krona	3,916	14,000	126	-	-	-
Swiss franc	34,631	17,664	(114)	-	-	29,825
Thailand bhat	1,416	1,186	(1)	-	-	-
UAE dirham	286	154	-	-	-	-
Total	\$ 391,301	\$ 443,369	\$ 779	\$ 4,970	\$ 6,503	\$ 223,784

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Securities Lending

The university has engaged in a securities lending program through its custodian bank of the Long-Term Investment Pool. Securities loaned at June 30, 2020 and 2019 were comprised completely of equities, and these loans were secured by collateral in the form of cash, equities, U.S. government obligations, and foreign government/private debt. All loans must be secured by collateral amounting to no less than 102% of the current fair value of domestic securities loaned and no less than 105% of the current fair value of foreign securities loaned.

As of June 30, 2020, there was no credit risk on securities loaned due to the fair value of the collateral held being greater than the fair value of

securities on loan to each individual broker. The university, the custodian, and the borrower each maintain the right to terminate a loan. Upon maturity or termination of a loan agreement, the custodian is contractually obligated to indemnify the university if the borrowers fail to return loaned securities and if liquidation of the collateral is insufficient to replace the value of the securities loaned. Noncash collateral cannot be pledged or sold by the university without a borrower's default. While earning fees received by the university during the loan period, cash collateral is simultaneously invested in short term, highly liquid securities in order to further increase interest earned while also matching a weighted average maturity of loans which is not to exceed 60 days.

As of June 30, 2020, securities loaned by the university amounted to a fair value of \$32,319 and were secured by collateral in the amount of \$34,499. The portion of this collateral that was received in cash amounted to \$12,091 and is reflected within the university's statement of net position as a current asset and a corresponding current liability.

As of June 30, 2019, securities loaned by the university amounted to a fair value of \$69,375 and were secured by collateral in the amount of \$80,012. The portion of this collateral that was received in cash amounted to \$44,387 and is reflected within the university's statement of net position as a current asset and a corresponding current liability.

NOTE 4 – ACCOUNTS, NOTES AND PLEDGES RECEIVABLE

Accounts receivable for the primary institution at June 30, 2020 and 2019 consist of the following:

	Primary Institution	
	2020	2019
Gross receivables - OSU Health System	\$ 973,045	\$ 1,171,862
Grant and contract receivables	68,675	94,218
Tuition and fees receivable	20,184	21,970
Receivables for departmental and auxiliary sales and services	45,574	51,667
State and federal receivables	14,237	12,382
Other receivables	70	28
Total receivables	1,121,785	1,352,127
Less: Allowances	595,103	716,803
Total receivables, net	\$ 526,682	\$ 635,324

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Allowances consist primarily of allowances for doubtful accounts and contractual adjustments of 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 \$17,673 and \$18,149 at June 30, 2020 and 2019, 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 \$145,279 in non-endowment pledges receivable and a related allowance for doubtful accounts of \$6,790 at June 30, 2020. The university recorded \$101,478 in non-endowment pledges receivable

and a related allowance for doubtful accounts of \$5,787 at June 30, 2019.

Accounts receivable for the discretely presented component units at June 30, 2020 and 2019 consist of the following:

Gross receivables - OSU Physicians
Other receivables
Total receivables
Less: Allowances for doubtful accounts
Total receivables, net

Discretely Presented Component Units	
2020	2019
\$ 118,780	\$ 129,817
11,159	13,907
129,939	143,724
73,384	80,128
\$ 56,555	\$ 63,596

Allowances consist primarily of allowances for doubtful accounts and contractual adjustments of receivables of OSU Physicians.

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the primary institution for the year ended June 30, 2020 is summarized as follows:

	Primary Institution			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 92,809	\$ 15,380	\$ 53	\$ 108,136
Intangibles	18,413	150	-	18,563
Construction in progress	395,784	484,440	-	880,224
Total non depreciable assets	507,006	499,970	53	1,006,923
Capital assets being depreciated:				
Improvements other than buildings	922,499	28,271	-	950,770
Buildings and fixed equipment	6,735,607	168,253	1,124	6,902,736
Movable equipment, furniture and software	1,648,658	161,910	74,859	1,735,709
Library books	194,331	2,571	434	196,468
Total	9,501,095	361,005	76,417	9,785,683
Less: Accumulated depreciation	4,739,738	425,012	72,222	5,092,528
Total depreciable assets, net	4,761,357	(64,007)	4,195	4,693,155
Capital assets, net	\$ 5,268,363	\$ 435,963	\$ 4,248	\$ 5,700,078

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

The increase in construction in progress of \$484,440 in fiscal year 2020 represents the amount of capital expenditures for new projects of \$609,786, net of assets placed in service of \$125,346.

Capital assets activity for the primary institution for the year ended June 30, 2019 is summarized as follows:

	Primary Institution			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 89,492	\$ 3,317	\$ -	\$ 92,809
Intangibles	18,413	-	-	18,413
Construction in progress	378,859	16,925	-	395,784
Total non depreciable assets	486,764	20,242	-	507,006
Capital assets being depreciated:				
Improvements other than buildings	833,855	88,659	15	922,499
Buildings and fixed equipment	6,375,994	363,809	4,196	6,735,607
Movable equipment, furniture and software	1,547,854	165,277	64,473	1,648,658
Library books	191,275	3,890	834	194,331
Total	8,948,978	621,635	69,518	9,501,095
Less: Accumulated depreciation	4,392,520	413,039	65,821	4,739,738
Total depreciable assets, net	4,556,458	208,596	3,697	4,761,357
Capital assets, net	\$ 5,043,222	\$ 228,838	\$ 3,697	\$ 5,268,363

The increase in construction in progress of \$16,925 in fiscal year 2019 represents the amount of capital expenditures for new projects of \$573,711, net of assets placed in service of \$556,786.

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Capital assets activity for the discretely presented component units for the year ended June 30, 2020 is summarized as follows:

	Discretely Presented Component Units			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 29,438	\$ 2,023	\$ -	\$ 31,461
Intangibles	62	-	36	26
Construction in progress	41,676	28,822	-	70,498
Total non depreciable assets	71,176	30,845	36	101,985
Capital assets being depreciated:				
Improvements other than buildings	29,694	1,460	2,886	28,268
Buildings and fixed equipment	134,029	27,601	1,704	159,926
Movable equipment, furniture and software	43,161	4,403	11,620	35,944
Total	206,884	33,464	16,210	224,138
Less: Accumulated depreciation	85,896	10,272	13,322	82,846
Total depreciable assets, net	120,988	23,192	2,888	141,292
Capital assets, net	\$ 192,164	\$ 54,037	\$ 2,924	\$ 243,277

The increase in construction in progress of \$28,822 in fiscal year 2020 represents the amount of capital expenditures for new projects of \$54,390, net of assets placed in service of \$25,568.

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Capital assets activity for the discretely presented component units for the year ended June 30, 2019 is summarized as follows:

Capital assets not being depreciated:

Land	
Intangibles	
Construction in progress	
Total non depreciable assets	

Capital assets being depreciated:

Improvements other than buildings	
Buildings and fixed equipment	
Movable equipment, furniture and software	
Total	

Less: Accumulated depreciation

Total depreciable assets, net

Capital assets, net

Discretely Presented Component Units

Beginning Balance	Additions	Retirements	Ending Balance
\$ 25,731	\$ 3,741	\$ 34	\$ 29,438
46	16	-	62
19,758	21,918	-	41,676
45,535	25,675	34	71,176
26,623	3,705	634	29,694
146,509	5,036	17,516	134,029
33,574	9,839	252	43,161
206,706	18,580	18,402	206,884
88,618	8,777	11,499	85,896
118,088	9,803	6,903	120,988
\$ 163,623	\$ 35,478	\$ 6,937	\$ 192,164

The increase in construction in progress of \$21,918 in fiscal year 2019 represents the amount of capital expenditures for new projects of \$28,072, net of assets placed in service of \$6,154.

The university recognized asset retirement obligations (AROs) of \$17,934 and \$17,337 at June 30, 2020 and 2019, respectively. Assets with AROs include university facilities in

which radioactive materials are used, facilities handling hazardous chemicals or waste and fuel storage tanks, all of which are subject to regulation by the State of Ohio. Liability estimates are based on decommissioning funding plans (for facilities handling radioactive materials) and historical experience (for hazardous waste facilities and fuel storage tanks). The estimated remaining useful lives of these assets range from 0 to 26 years.

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

NOTE 6 — ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses for the primary institution at June 30, 2020 and 2019 consist of the following:

	Primary Institution	
	2020	2019
Payables to vendors for supplies and services	\$ 400,568	\$ 326,794
Accrued compensation and benefits	143,389	141,433
Retirement system contributions payable	55,826	84,622
Other accrued expenses	38,967	38,995
Total payables and accrued expenses	<u>\$ 638,750</u>	<u>\$ 591,844</u>

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, 2020 and 2019 consist of the following:

	Primary Institution	
	2020	2019
Current deposits and advance payments:		
Tuition and fees	\$ 47,900	\$ 45,827
Departmental and auxiliary sales and services	59,338	82,509
Affinity agreements	2,930	3,087
Advance from concessionaire	21,786	21,786
Grant and contract advances	122,426	113,290
Other deposits and advance payments	14,101	15,387
Total current deposits and advance payments	<u>\$ 268,481</u>	<u>\$ 281,886</u>
Advance from concessionaire	\$ 1,002,769	\$ 1,024,555
Other non-current deposits and advance payments:	83,779	101,089

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Deposits and advance payments for goods and services for the discretely presented component units at June 30, 2020 and 2019 consist of the following:

	Discretely Presented Component Units	
	2020	2019
Current deposits and advance payments:		
Unearned rental income and deposits - Campus Partners	\$ 1,579	\$ 1,439
Unearned revenues - Transportation Research Center	1,095	672
Unearned rental income - SciTech	467	225
Total current deposits and advance payments	<u>\$ 3,141</u>	<u>\$ 2,336</u>
Non-current deposits and advance payments:		
Unearned rental income - Campus Partners	\$ 37,440	\$ 24,604
Unearned rental income - SciTech	1,775	1,960
Total (shown as other non-current liabilities)	<u>\$ 39,215</u>	<u>\$ 26,564</u>

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 university has established trustee self-insurance funds for professional

medical malpractice liability claims with a \$4,000 limit per occurrence and \$18,000 annual aggregate. The university self-insurance funds have insurance in excess of \$4,000 per occurrence through Oval Limited, a blended component unit of the university. Effective July 1, 2016, Oval Limited provides coverage with limits of \$85,000 per occurrence and in the aggregate.

Previous coverage levels for Oval Limited are as follows:

Accident Period for Oval	Aggregate)
7/1/16 – 6/30/20	\$85,000
7/1/15 – 6/30/16	\$75,000
7/1/08 – 6/30/15	\$55,000
7/1/06 – 6/30/08	\$40,000
7/1/05 – 6/30/06	\$35,000
7/1/02 – 6/30/05	\$25,000
7/1/97 – 6/30/02	\$15,000
9/30/94 – 6/30/97	\$10,000

The limits are in excess of underlying policies with limits of \$4,000 per occurrence and \$18,000 in the aggregate. For the year ended June 30, 2020, Oval reinsured, in excess of the self-insured retention, 100% of the first \$25,000 of risk to Berkley Hathaway Speciality Insurance. The next \$20,000 was fully ceded to Endurance Specialty Insurance Ltd, then \$20,000 ceded to The Medical Protective Company, with the next \$10,000 ceded to Arch Specialty Insurance Company and above that the Company ceded the remaining \$10,000 of the risk to Liberty Specialty Markets Bermuda Limited.

The estimated liability and the related contributions to the trustee fund are based upon an independent actuarial determination as of June 30, 2020. OSUP participates in the university self-insurance fund for professional medical malpractice liability claims.

The university'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, 2020 of the anticipated future payments on gross claims is estimated at its present value of \$56,749 discounted at an estimated rate of 3% (university funds) and an additional \$19,417 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 \$204,872

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

(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, 2020, and the surplus of \$128,706 is included in unrestricted net position.

At June 30, 2019, the anticipated future payments on gross claims was estimated at its present value of \$51,092 discounted at an estimated rate of 3% (university funds) and an additional \$19,247 discounted at an estimated rate of 3% (Oval Limited). The self-insurance fund assets of \$205,510 (which primarily consist of

bond and equity mutual funds, money market funds and U.S. treasury notes) were more than the recorded liability at June 30, 2019, and the surplus of \$135,136 was included in unrestricted net position.

Employee Health Insurance

The university is also self-insured for employee health insurance. As of June 30, 2020 and 2019, \$32,583 and \$37,016, respectively 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, 2020 and 2019, respectively, \$18,102 and \$19,276, are recorded as a liability relating to both claims received but not paid and estimates of claims incurred but not yet reported.

Changes in reported self-insurance liabilities for the primary institution since June 30, 2018 result from the following activities:

	Malpractice		Health		Workers' Compensation	
	2020	2019	2020	2019	2020	2019
Liability at beginning of fiscal year	\$ 70,339	\$ 70,328	\$ 37,016	\$ 32,997	\$ 19,276	\$ 20,112
Current year provision for losses	9,036	5,381	373,448	348,520	5,166	6,273
Claim payments	(3,209)	(5,370)	(377,881)	(344,501)	(6,340)	(7,109)
Balance at fiscal year end	\$ 76,166	\$ 70,339	\$ 32,583	\$ 37,016	\$ 18,102	\$ 19,276

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

NOTE 9 — DEBT

The university may finance the construction, renovation and acquisition of certain facilities through the issuance of debt obligations, which include general receipts bonds, special purpose receipts bonds, capital lease obligations, and other borrowings.

Debt activity for the primary institution for the year ended June 30, 2020 is as follows:

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Direct Borrowings and Direct Placements - Notes:					
WOSU	\$ 1,826	\$ -	\$ 159	\$ 1,667	\$ 159
OH Air Quality Note Series A	2,198	-	427	1,771	433
OH Air Quality Note Series B	2,340	-	-	2,340	-
St. Stephens Church Note	2,573	-	84	2,489	88
Direct Borrowings and Direct Placements - Other:					
Capital Lease Obligations	21,001	10,958	7,261	24,698	9,972
Ohio State Energy Partners	41,672	102,811	2,551	141,932	7,570
General Receipts Bonds - Fixed Rate:					
2010A, due serially through 2020	16,325	-	10,200	6,125	6,125
2010C, due 2040	654,785	-	-	654,785	-
2010D, due serially through 2032	84,625	-	-	84,625	4,635
2011, due 2111	500,000	-	-	500,000	-
2012A, due 2030	58,220	-	8,910	49,310	7,870
2012B, due 2033	12,035	-	1,510	10,525	1,540
2014A, due serially through 2044	126,810	-	2,560	124,250	2,690
2016A, due serially through 2111	600,000	-	-	600,000	-
2016B, due serially through 2030	20,465	-	2,930	17,535	1,405
2017, due serially through 2028	69,950	-	7,035	62,915	7,320
2020A, due serially through 2030	-	185,995	-	185,995	7,195
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	-	13,810	3,350	3,350
1999B1, due serially through 2029	10,765	-	9,125	1,640	1,640
2001, due serially through 2032	53,035	-	46,270	6,765	6,765
2003C, due serially through 2031	44,960	-	39,770	5,190	5,190
2005B, due serially through 2035	62,730	-	54,610	8,120	8,120
2008B, due serially through 2028	86,025	-	68,375	17,650	17,650
2010E, due serially through 2035	150,000	-	25,000	125,000	125,000
2014B, due serially through 2044	150,000	-	-	150,000	150,000
	3,127,455	299,764	300,587	3,126,632	374,717
	73,328	46,029	4,812	114,545	-
Unamortized Bond Premiums					
Total outstanding debt	\$ 3,200,783	\$ 345,793	\$ 305,399	\$ 3,241,177	\$ 374,717

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Debt activity for the primary institution for the year ended June 30, 2019 is as follows:

Direct Borrowings and Direct Placements - Notes:

WOSU
OH Air Quality Note Series A
OH Air Quality Note Series B
St. Stephens Church Note

Direct Borrowings and Direct Placements - Other:

Capital Lease Obligations
Ohio State Energy Partners

General Receipts Bonds - Fixed Rate:

2008A, due serially through 2028
2010A, due serially through 2020
2010C, due 2040
2010D, due serially through 2032
2011, due 2111
2012A, due 2030
2012B, due 2033
2014A, due serially through 2044
2016A, due serially through 2111
2016B, due serially through 2030
2017, due serially through 2028

Special Purpose General Receipts Bonds - Fixed Rate:

2013A, due 2043

General Receipts Bonds - Variable Rate:

1997, due serially through 2027
1999B1, due serially through 2029
2001, due serially through 2032
2003C, due serially through 2031
2005B, due serially through 2035
2008B, due serially through 2028
2010E, due serially through 2035
2014B, due serially through 2044

Unamortized Bond Premiums

Total outstanding debt

Primary Institution

Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
\$ 1,985	\$ -	\$ 159	\$ 1,826	\$ 159
2,618	-	420	2,198	426
2,340	-	-	2,340	-
2,653	-	80	2,573	84
15,329	10,958	5,286	21,001	7,262
10,316	31,877	521	41,672	2,551
7,570	-	7,570	-	-
40,460	-	24,135	16,325	10,200
654,785	-	-	654,785	-
84,625	-	-	84,625	-
500,000	-	-	500,000	-
66,750	-	8,530	58,220	8,910
13,515	-	1,480	12,035	1,510
129,245	-	2,435	126,810	2,560
600,000	-	-	600,000	-
23,255	-	2,790	20,465	2,930
69,950	-	-	69,950	7,035
337,955	-	-	337,955	-
17,160	-	-	17,160	17,160
10,765	-	-	10,765	10,765
53,035	-	-	53,035	53,035
49,800	-	4,840	44,960	44,960
71,575	-	8,845	62,730	62,730
86,025	-	-	86,025	86,025
150,000	-	-	150,000	150,000
150,000	-	-	150,000	150,000
3,151,711	42,835	67,091	3,127,455	618,302
81,211	-	7,883	73,328	-
\$ 3,232,922	\$ 42,835	\$ 74,974	\$ 3,200,783	\$ 618,302

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Debt activity for the discretely presented component units for the year ended June 30, 2020 is as follows:

Direct Borrowings and Direct Placements:

OSU Physicians - Series 2013 Health Care	
Facilities Revenue Bond, due through 2035	
OSU Physicians - Term Loan Payable, due 2023	
TRC Ohio Development Service Agency Note Payable	
Campus Partners - Columbus Foundation Note Payable	
SciTech - Project Notes Series 2001	
SciTech - Credit Facility	
Campus Partners PPP Loan	
Campus Partners EIDL Loan	
Campus Partners Finance Fund Loan	
Capital Lease Obligations	
Total outstanding debt	

Discretely Presented Component Units				
Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
\$ 11,673	\$ -	\$ 333	\$ 11,340	\$ 586
1,347	-	510	837	277
4,691	-	237	4,454	237
1,747	-	1,747	-	-
670	-	330	340	340
586	-	167	419	167
-	288	-	288	-
-	160	-	160	-
-	59	-	59	-
46	-	46	-	-
\$ 20,760	\$ 507	\$ 3,370	\$ 17,897	\$ 1,607

Debt activity for the discretely presented component units for the year ended June 30, 2019 is as follows:

Direct Borrowings and Direct Placements:

OSU Physicians - Series 2013 Health Care	
Facilities Revenue Bond, due through 2035	
OSU Physicians - Term Loan Payable, due 2023	
TRC Ohio Development Service Agency Note Payable	
Campus Partners - Columbus Foundation Note Payable	
Campus Partners - Edwards TIF Note Payable	
SciTech - Project Notes Series 2001	
SciTech - Credit Facility	
Capital Lease Obligations	
Total outstanding debt	

Discretely Presented Component Units				
Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
\$ 12,437	\$ 47	\$ 811	\$ 11,673	\$ 895
1,347	-	-	1,347	-
5,000	-	309	4,691	314
1,833	-	86	1,747	88
1,650	350	2,000	-	-
990	-	320	670	330
763	-	177	586	167
97	4	55	46	46
\$ 24,117	\$ 401	\$ 3,758	\$ 20,760	\$ 1,840

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(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 2111. Maturities and interest on debt obligations for the next five years and in five-year periods for the primary institution are as follows:

2021
2022
2023
2024
2025
2026-2030
2031-2035
2036-2040
2041-2045
2046-2050
2051-2055
2056-2060
2061-2065
2066-2070
2071-2075
2076-2080
2081-2085
2086-2090
2091-2195
2096-2100
2101-2105
2106-2110
2111-2115

Primary Institution					
Direct Borrowings and Direct Placements					
Bonds				Total	
Principal	Interest	Principal	Interest	Total	
\$ 356,495	\$ 131,284	\$ 18,222	\$ 10,071	\$ 516,072	
57,345	128,476	14,654	9,603	210,078	
65,100	125,865	13,787	8,850	213,602	
61,075	122,753	11,102	8,693	203,623	
55,115	119,916	7,836	8,026	190,893	
249,060	562,396	40,348	31,882	883,686	
120,500	521,048	28,987	19,969	690,504	
780,890	497,150	26,293	10,188	1,314,521	
106,155	249,984	13,668	2,778	372,585	
350,000	190,540	-	-	540,540	
-	170,600	-	-	170,600	
250,000	135,180	-	-	385,180	
-	120,000	-	-	120,000	
-	120,000	-	-	120,000	
-	120,000	-	-	120,000	
-	120,000	-	-	120,000	
-	120,000	-	-	120,000	
-	120,000	-	-	120,000	
-	120,000	-	-	120,000	
-	120,000	-	-	120,000	
-	120,000	-	-	120,000	
500,000	500,000	-	-	1,000,000	
\$ 2,951,735	\$ 4,655,192	\$ 174,897	\$ 110,060	\$ 7,891,884	

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:

General receipts bonds are backed by the unrestricted receipts of the university, excluding certain items as described in the bond indentures.

2021
2022
2023
2024
2025
2026-2030
2031-2035
2036-2040

Discretely Presented Component Units		
Direct Borrowings and Direct Placements		
Principal	Interest	Total
\$ 1,607	\$ 33	\$ 1,640
1,879	41	1,920
1,297	38	1,335
957	34	991
977	31	1,008
5,194	105	5,299
5,215	22	5,237
771	-	771
\$ 17,897	\$ 304	\$ 18,201

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

University bond indentures include provisions for Events of Default and Remedies. In general, if the university fails to pay any interest or principal when it is due and payable, the Trustee may, upon the request of the holders of at least 25% of the outstanding principal on the bonds, declare the principal and any accrued interest as immediately due and payable. For the Series 2013A Special Purpose General Receipts bonds, Events of Default also include failure 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 1.1 times the aggregate debt service for the then-current Fiscal Year on all Special Purpose General Receipts Obligations”.

The university’s private and direct placement debt consists primarily of long-term payables to Ohio State Energy Partners (OSEP) for capital improvements. The university’s Utility System Lease and Concession Agreement with OSEP includes Events of Default, including the failure to pay the Utility Fee. If the university fails to remedy the default as specified in the agreement, OSEP may terminate the agreement and require the university to pay OSEP the Utility System Concession Value as of the date of such termination. The Utility System Concession Value is defined as the fair market value of the Concessionaire Interest in the lease and concession agreement and would include principal and interest on any outstanding long-term payables to OSEP.

The outstanding bond indentures do not require mandatory reserves for future payment of principal and interest. However, the university has set aside \$313,597 for future debt service which is included in unrestricted net position.

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, 2020
General Receipts Bonds:		
Series 1997	12,260	12,260
Series 1999	6,560	6,560
Series 2001	43,080	43,080
Series 2003C	34,765	34,765
Series 2005	45,425	45,425
Series 2008	60,080	60,080
Series 2010D	4,376	4,281
Series 2010E	25,000	25,000
	<u>\$ 231,546</u>	<u>\$ 231,451</u>

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, 2020, the university is in compliance with this covenant. Condensed financial information for the Special Purpose Revenue Facilities is provided in Note 23.

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Variable Rate Demand Bonds

Series 1997, 1999B1, 2001, 2003C, 2005B, 2008B, 2010E and 2014B 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, 2020 are as follows:

Series:	Interest Rate Not to Exceed	Effective Average Interest Rate
1997	12%	1.459%
1999B1	12%	1.273%
2001	12%	1.096%
2003C	12%	1.411%
2005B	12%	1.025%
2008B	12%	0.549%
2010E	8%	0.504%
2014B1	not specified	0.776%
2014B2	not specified	0.788%

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 2044. 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 \$317,715 and \$574,675 at June 30, 2020 and 2019, 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, 2020 are \$33,088 and \$24,698, respectively. The original cost and lease obligations related to these capital leases as of June 30, 2019 are \$33,708 and \$21,000, respectively.

Capitalization of Interest

Interest incurred during the construction of capital assets is included in the cost of the asset when capitalized. Total interest costs incurred for the years ended June 30, 2020 and 2019 for the primary institution were \$121,125 and \$123,584. Of these amounts, interest of \$4,746 and \$8,500 were capitalized. The remaining amounts of \$116,379 and \$115,084 for the years ended June 30, 2020 and 2019, respectively, are reported as interest expense in the statement of revenues, expenses and changes in net position.

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

NOTE 10 — DERIVATIVE INSTRUMENTS

In connection with the anticipated refunding of the university's Series 2013A Special Purpose General Receipts Bonds in June 2023, the university has entered into two forward-starting pay fixed/

receive floating interest rate swap agreements to convert all or a portion of the associated variable rate debt (anticipated June 2023) to synthetic fixed rates to protect against the potential of rising interest rates.

The terms of the two agreements are summarized below (\$ in 1,000s):

	Notional Amount	University Pays	University Receives	Effective Date	Termination Date	Par Cancellation Option	Counterparty Credit Rating
Swap Agreement 1	\$ 164,400	1.188% Fixed Rate	Variable rate based on Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index	June 1, 2023	June 1, 2043	6/1/2035 at University's option	A1/A
Swap Agreement 2	\$ 164,400	1.264% Fixed Rate	Variable rate based on SIFMA Municipal Swap Index	June 1, 2023	June 1, 2043	6/1/2035 at University's option	Aa2/A+

The forward-starting pay fixed/receive floating interest rate swap agreements are considered effective hedging derivatives as of June 30, 2020. The fair value of these swaps generally represents the estimated amount that the university would pay to terminate the swap agreements at the statement of net position date taking into account market interest rates as of June 30, 2020. The valuation inputs used to determine the fair value of these

instruments are considered Level 2, as they rely on observable inputs other than quoted market prices. The notional amount represents the underlying reference of the instrument and does not represent the amount of the university's settlement obligations.

Fair values, changes in fair value and financial classification of the swap agreements are summarized below:

Effective hedging derivatives: floating-to- fixed interest rate swaps	Amount	Financial Statement Classification
Fair Value as of June 30, 2020	\$ (6,629)	Other non-current liability
Change in Fair Value for Year Ended June 30, 2020	\$ (6,629)	Deferred outflows - other

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Using rates in effect as of June 30, 2020, the projected cash flows for the pay fixed/ receive floating interest rate swaps deemed effective cash flow hedges, along with the debt service requirements of the associated variable rate debt (anticipated June 2023), are summarized as follows:

	Primary Institution			
	Variable Rate Bonds		Swap	Total
	Principal	Interest	Payments, Net	Payments
2024	-	427	3,933	4,360
2025	-	427	3,933	4,360
2026	-	427	3,933	4,360
2027	-	427	3,933	4,360
2028-2032	74,945	2,010	18,487	95,442
2033-2037	110,820	1,366	12,564	124,750
2038-2042	118,415	626	5,759	124,800
2043	24,640	32	295	24,967
	328,820	5,742	52,837	387,399

Hedging Derivative Instrument Risk Factors

By using derivative financial instruments to hedge exposure to changes in interest rates, the university is exposed to certain risk factors. A discussion of the risk factors applicable to the university's swaps and the steps that have been taken to mitigate each risk factor is presented below.

Termination Risk

There is termination risk with pay fixed/ receive floating interest rate swaps as the university or swap counterparty may terminate a swap if the other party fails to perform under the terms of

the contract. The swaps also contain ratings-based termination provisions where a swap agreement may be terminated if the counterparty's or the university's General Receipts credit ratings fall below Baa2 or BBB. The university's swaps specify Market Quotation, Second Method as the method for determining the termination value. Additionally, the university holds a par cancellation option which enables the university to cancel the swap at no cost starting June 1, 2035. This option also acts to limit the calculation of negative fair value to just the years remaining between the termination date and the date of the par termination option, which in turn mitigates any potential termination payment which may be owed by the university.

Credit Risk

Contracts with positive fair values to the university expose the university to credit risk to the extent the counterparty is unable to pay the termination value upon a Termination Event or an Event of Default. As a mitigant to this risk, the university's swaps include non-parallel collateral posting thresholds under which the counterparties must post collateral if the counterparties' ratings fall to the A+/A1 ratings category for fair values in excess of \$75 million, with that threshold declining at each lower ratings category until reaching a threshold of \$5 million at BBB/Baa2. No collateral had been posted at June 30, 2020.

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

NOTE 11 — 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 \$26,458 and \$19,692 for the years ended June 30, 2020 and 2019, respectively.

Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2020 are as follows:

Year Ending June 30,	Primary Institution	Discretely Presented Component Units
2021	\$ 21,360	\$ 7,705
2022	19,818	5,111
2023	17,839	4,618
2024	12,793	3,851
2025	12,805	3,607
2026-2030	56,530	19,718
2031-2035	13,339	5,078
2036-2040	772	-
2041-2045	1,018	-
2046-2050	1,071	-
2051-2055	1,249	-
2056-2060	1,368	-
2061-2065	1,368	-
2066 and beyond	262	-
Total minimum lease payments	<u>\$ 161,592</u>	<u>\$ 49,688</u>

NOTE 12 — 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

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

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.

NOTE 13 — OTHER LIABILITIES

Other liability activity for the primary institution for the year ended June 30, 2020 is as follows:

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 192,940	\$ 48,024	\$ 15,403	\$ 225,561	\$ 15,403
Self-insurance accruals	126,631	382,121	381,901	126,851	38,923
Amounts due to third party payors	76,470	43,395	9,046	110,819	50,303
Irrevocable split-interest agreements	31,727	7,045	3,655	35,117	3,264
Refundable advances for Federal Perkins loans	33,478	-	3,783	29,695	-
Other noncurrent liabilities	122,292	-	18,037	104,255	-
Other current liabilities	-	316	-	316	316
	<u>\$ 583,538</u>	<u>\$ 480,901</u>	<u>\$ 431,825</u>	<u>\$ 632,614</u>	<u>\$ 108,209</u>

Other liability activity for the primary institution for the year ended June 30, 2019 is as follows:

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 185,004	\$ 23,204	\$ 15,268	\$ 192,940	\$ 15,268
Self-insurance accruals	123,436	353,066	349,871	126,631	44,124
Amounts due to third party payors	66,333	61,054	50,917	76,470	27,096
Irrevocable split-interest agreements	32,728	-	1,001	31,727	3,264
Refundable advances for Federal Perkins loans	32,638	840	-	33,478	-
Other noncurrent liabilities	91,944	30,348	-	122,292	-
	<u>\$ 532,083</u>	<u>\$ 468,512</u>	<u>\$ 417,057</u>	<u>\$ 583,538</u>	<u>\$ 89,752</u>

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

NOTE 14 — 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, 2020 is as follows:

Year Ending June 30,	
2021	\$ 4,056
2022	3,640
2023	3,404
2024	2,616
2025	1,361
2026-2030	2,967
2031-2035	1,005
2036-2040	110
2041-2045	10
2046-2050	10
2051-2055	10
Total minimum future rentals	<u>\$ 19,189</u>

The discretely presented component units are the lessor of certain land, buildings, office and retail space under operating lease agreements. Future minimum rental income from non-cancelable operating leases as of June 30, 2020 is as follows:

Year Ending June 30,	
2021	\$ 22,701
2022	5,817
2023	5,095
2024	4,742
2025	4,438
2026-2030	14,046
2031-2035	4,088
2036-2040	83
2041-2045	37
Total minimum future rentals	<u>\$ 61,047</u>

NOTE 15 — 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 Changes in Net Position. Operating expenses by object for the primary institution for the years ended June 30, 2020 and 2019 are summarized as follows:

Instruction
Separately budgeted research
Public service
Academic support
Student services
Institutional support
Operation and maintenance of plant
Scholarships and fellowships
Auxiliary enterprises
OSU Health System
Depreciation
Total operating expenses

Year Ended June 30, 2020

Primary Institution				
Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
\$ 981,056	\$ 115,198	\$ -	\$ -	\$ 1,096,254
360,402	177,510	-	-	537,912
108,396	79,458	-	-	187,854
212,169	38,505	-	-	250,674
76,683	18,387	-	-	95,070
239,028	139,524	-	-	378,552
34,247	88,202	-	-	122,449
7,802	1,957	130,611	-	140,370
185,666	134,726	-	-	320,392
1,733,288	1,611,879	-	-	3,345,167
-	-	-	425,012	425,012
<u>\$ 3,938,737</u>	<u>\$ 2,405,346</u>	<u>\$ 130,611</u>	<u>\$ 425,012</u>	<u>\$ 6,899,706</u>

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Year Ended June 30, 2019

	Primary Institution				
	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 937,736	\$ 132,556	\$ -	\$ -	\$ 1,070,292
Separately budgeted research	305,772	181,555	-	-	487,327
Public service	101,633	81,595	-	-	183,228
Academic support	202,555	40,405	-	-	242,960
Student services	86,559	22,607	-	-	109,166
Institutional support	227,931	81,760	-	-	309,691
Operation and maintenance of plant	37,166	98,141	-	-	135,307
Scholarships and fellowships	6,265	2,317	118,802	-	127,384
Auxiliary enterprises	211,868	149,478	-	-	361,346
OSU Health System	1,699,285	1,409,785	-	-	3,109,070
Depreciation	-	-	-	413,039	413,039
Total operating expenses	\$ 3,816,770	\$ 2,200,199	\$ 118,802	\$ 413,039	\$ 6,548,810

NOTE 16 — 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 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. In addition, the retirement systems provide other post-employment benefits (OPEB), consisting primarily

of healthcare. Benefits are established by state statute and are calculated using formulas that include years of service and final average salary as factors.

In accordance with GASB Statements Nos. 68 and 75, employers participating in cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective net pension and OPEB liabilities of the plans. Although changes in the net pension and OPEB liabilities generally are recognized as expense in the current period, certain items are deferred and recognized as expense in future periods. Deferrals for differences between projected and actual investment returns are amortized to pension expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 3 to 10 years).

The collective net pension liabilities of the retirement systems and the university's proportionate share of these liabilities as of June 30, 2020 are as follows:

	STRS-Ohio	OPERS	Total
Net pension liability - all employers	\$ 22,114,399	\$ 19,553,374	
Proportion of the net pension liability - university	4.7%	10.2%	
Proportionate share of net pension liability	\$ 1,040,149	\$ 1,984,881	\$ 3,025,030

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

The collective net pension liabilities of the retirement systems and the university's proportionate share of these liabilities as of June 30, 2019 are as follows:

	STRS-Ohio	OPERS	Total
Net pension liability - all employers	\$ 21,987,755	\$ 27,273,872	
Proportion of the net pension liability - university	4.6%	9.9%	
Proportionate share of net pension liability	\$ 1,019,690	\$ 2,695,368	\$ 3,715,058

The collective net OPEB liabilities of the retirement systems and the university's proportionate share of these liabilities as of June 30, 2020 are as follows:

	STRS-Ohio	OPERS	Total
Net OPEB (asset) liability - all employers	\$ (1,656,240)	\$ 13,812,598	
Proportion of the net OPEB (asset) liability - university	4.7%	10.4%	
Proportionate share of net OPEB (asset) liability	\$ (77,901)	\$ 1,436,889	\$ 1,358,988

The collective net OPEB liabilities of the retirement systems and the university's proportionate share of these liabilities as of June 30, 2019 are as follows:

	STRS-Ohio	OPERS	Total
Net OPEB (asset) liability - all employers	\$ (1,606,898)	\$ 13,037,639	
Proportion of the net OPEB (asset) liability - university	4.6%	10.1%	
Proportionate share of net OPEB (asset) liability	\$ (74,520)	\$ 1,321,019	\$ 1,246,499

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2020:

	STRS-Ohio	OPERS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 8,469	\$ 1,582	\$ 10,051
Changes in assumptions	122,186	107,584	229,770
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion of university contributions	1,187	5,966	7,153
University contributions subsequent to the measurement date	82,656	116,139	198,795
Total	\$ 214,498	\$ 231,271	\$ 445,769
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 4,503	\$ 32,072	\$ 36,575
Net difference between projected and actual earnings on pension plan investments	50,837	399,896	450,733
Changes in proportion of university contributions	-	40	40
Total	\$ 55,340	\$ 432,008	\$ 487,348

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2019:

	STRS-Ohio	OPERS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 23,538	\$ 1,288	\$ 24,826
Changes in assumptions	180,708	238,382	419,090
Net difference between projected and actual earnings on pension plan investments	-	380,743	380,743
Changes in proportion of university contributions	1,246	6,478	7,724
University contributions subsequent to the measurement date	77,702	107,284	184,986
Total	\$ 283,194	\$ 734,175	\$ 1,017,369
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 6,659	\$ 41,458	\$ 48,117
Net difference between projected and actual earnings on pension plan investments	61,833	-	61,833
Changes in proportion of university contributions	-	43	43
Total	\$ 68,492	\$ 41,501	\$ 109,993

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Deferred outflows of resources and deferred inflows of resources for OPEB were related to the following sources as of June 30, 2020:

	STRS-Ohio	OPERS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 7,062	\$ 36	\$ 7,098
Changes in assumptions	1,638	227,196	228,834
Net difference between projected and actual earnings on OPEB plan investments	-	-	-
Changes in proportion of university contributions	135	3,562	3,697
University contributions subsequent to the measurement date	-	-	-
Total	\$ 8,835	\$ 230,794	\$ 239,629
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 3,963	\$ 131,362	\$ 135,325
Changes in assumptions	85,409	-	85,409
Net difference between projected and actual earnings on pension plan investments	4,893	72,837	77,730
Changes in proportion of university contributions	-	-	-
Total	\$ 94,265	\$ 204,199	\$ 298,464

Deferred outflows of resources and deferred inflows of resources for OPEB were related to the following sources as of June 30, 2019:

	STRS-Ohio	OPERS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 8,704	\$ 429	\$ 9,133
Changes in assumptions	-	40,879	40,879
Net difference between projected and actual earnings on OPEB plan investments	-	63,078	63,078
Changes in proportion of university contributions	141	2,936	3,077
University contributions subsequent to the measurement date	-	-	-
Total	\$ 8,845	\$ 107,322	\$ 116,167
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 4,342	\$ 3,584	\$ 7,926
Changes in assumptions	101,540	-	101,540
Net difference between projected and actual earnings on pension plan investments	8,513	-	8,513
Changes in proportion of university contributions	-	-	-
Total	\$ 114,395	\$ 3,584	\$ 117,979

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ending June 30 as follows:

	STRS-Ohio	OPERS	Total
2021	145,882	75,271	221,153
2022	13,342	(125,155)	(111,813)
2023	(6,062)	11,056	4,994
2024	5,997	(161,519)	(155,522)
2025	-	(193)	(193)
2026 and Thereafter	-	(197)	(197)
Total	\$ 159,159	\$ (200,737)	\$ (41,578)

The amounts above include university contributions subsequent to the measurement date.

Net deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense during the years ending June 30 as follows:

	STRS-Ohio	OPERS	Total
2021	(18,598)	39,896	21,298
2022	(18,598)	18,721	123
2023	(16,701)	(756)	(17,457)
2024	(15,996)	(31,267)	(47,263)
2025	(15,574)	-	(15,574)
2026 and Thereafter	37	-	37
Total	\$ (85,430)	\$ 26,594	\$ (58,836)

The following table provides additional details on the benefit formulas, contribution requirements and significant assumptions used in the measurement of total pension and OPEB liabilities for the retirement systems (information below applies to both pensions and OPEB unless otherwise indicated).

	STRS-Ohio	OPERS
Statutory Authority	Ohio Revised Code Chapter 3307	Ohio Revised Code Chapter 145
Benefit Formula	Pensions — The annual retirement allowance based on final average salary multiplied by percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service.	Pensions — Benefits are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with five years of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with five years of service.

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

	STRS-Ohio	OPERS
	<p>Eligibility changes will be phased in until Aug. 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until Aug. 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.</p> <p>OPEB – STRS Ohio provides access to health care coverage for eligible retirees who participated in the Defined Benefit or Combined Plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees and prescription drugs and reimbursement of a portion of the monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. Pursuant to the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by the plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Benefit recipients contributed \$312.8 million or 64% of the total health care costs in fiscal 2019 (excluding deductibles, coinsurance and copayments).</p> <p>Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage. For the year ended June 30, 2019, STRS Ohio received \$84.8 million in Medicare Part D reimbursements.</p>	<p>For Groups A and B, the annual benefit is based on 2.2% of FAS multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.</p> <p>OPEB – The Ohio Revised Code permits, but does not require, OPERS to offer postemployment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and Combined Plan is comparable, as the same coverage options are provided to participants in both plans. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the Connector, and may be eligible for monthly allowances deposited to an HRA to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses and prescription drugs. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System and attempts to control costs by using managed care, case management, and other programs.</p> <p>Additional details on health care coverage can be found in the Plan Statement in the OPERS 2019 CAFR.</p> <p>OPERS no longer participates in the Medicare Part D program as of December 31, 2016.</p>
Cost-of-Living Adjustments (COLAs)	Effective July 1, 2017, the COLA was reduced to 0%.	Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, current law provides for an annual COLA. The COLA is calculated on the member's base pension benefit at the date of retirement and is not compounded. Members retiring under the Combined Plan receive a COLA on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, current law provides for a 3% COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2020, current law provides that the adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Contribution Rates	Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll. Under Ohio law, funds to pay health care costs may be deducted from employer contributions. For the year ended June 30, 2019, no employer allocation was made to the health care fund.	Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 2019, employer rates for the State and Local Divisions were 14% of covered payroll (and 18.1% for the Law Enforcement and Public Safety Divisions). Member rates for the State and Local Divisions were 10% of covered payroll (13% for Law Enforcement and 12% for Public Safety).
Measurement Date	June 30, 2019	December 31, 2019 (OPEB is rolled forward from December 31, 2018 actuarial valuation date)
Actuarial Assumptions	Valuation Date: June 30, 2019 for pensions and OPEB Actuarial Cost Method: Individual entry age Investment Rate of Return: 7.45% Inflation: 2.50% Projected Salary Increases: 12.50% at age 20 to 2.50% at age 65 Cost-of-Living Adjustments: 0% effective July 1, 2017 Payroll Increases: 3.00% Health Care Cost Trends: 4.9% to 9.6% initial; 4% ultimate	Valuation Date: December 31, 2019 for pensions; December 31, 2018 for OPEB Actuarial Cost Method: Individual entry age Investment Rate of Return: 7.2% for pensions; 6.0% for OPEB Inflation: 3.25% Projected Salary Increases: 3.25% -10.75% Cost-of-Living Adjustments: Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 1.40% Simple through 2020, then 2.15% Simple Health Care Cost Trends: 10.5% initial; 3.50% ultimate
Mortality Rates	Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP- 2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP- 2016. Post-retirement disabled mortality rates are based on the RP2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.	Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.
Date of Last Experience Study	June 30, 2016	December 31, 2015

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Investment Return Assumptions

The 10 year expected real rate of return on defined benefit pension and health care plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class.

The target allocation and long-term expected real rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Return*
Domestic Equity	28.0%	7.35%
International Equity	23.0%	7.55%
Alternatives	17.0%	7.09%
Fixed Income	21.0%	3.00%
Real Estate	10.0%	6.00%
Liquidity Reserves	1.0%	2.25%
Total	100%	

* Returns presented as geometric means

The long term expected rates of return on defined benefit pension and health care investment assets were determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The following table displays the Board approved asset allocation policy for defined benefit pension assets for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return*
Fixed Income	25.0%	1.83%
Domestic Equity	19.0%	5.75%
Real Estate	10.0%	5.20%
Private Equity	12.0%	10.70%
International Equity	21.0%	7.66%
Other Investments	13.0%	4.98%
Total	100%	

* Returns presented as arithmetic means

The following table displays the Board approved asset allocation policy for health care assets for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return*
Fixed Income	36.0%	1.53%
Domestic Equities	21.0%	5.75%
REITs	6.0%	5.69%
International Equities	23.0%	7.66%
Other Investments	14.0%	4.90%
Total	100%	

* Returns presented as arithmetic means

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Discount Rate	<p>Pensions — The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.</p> <p>OPEB — The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB liability as of June 30, 2019.</p>	<p>Pensions — The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan, the Combined Plan and the Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.</p> <p>OPEB — A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.</p>
Changes in Assumptions Since the Prior Measurement Date	<p>Pensions — There were no changes in assumptions since the prior measurement date of June 30, 2018.</p> <p>OPEB — There were no changes in assumptions since the prior measurement date of June 30, 2018.</p>	<p>Pensions — There were no changes in assumptions since the prior measurement date of December 31, 2018.</p> <p>OPEB — The discount rate was reduced from 3.96% to 3.16% based on the methodology defined under GASB Statement No. 74, <i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)</i>.</p>

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Benefit Term Changes Since the Prior Measurement Date	<p>Pensions — There were no changes in benefit terms since the prior measurement date of June 30, 2018.</p> <p>OPEB — The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.</p>			<p>Pensions — For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.</p> <p>OPEB — On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees.</p>		
Sensitivity of Net Pension Liability to Changes in Discount Rate	<p>1% Decrease (6.45%)</p> <hr/> <p>\$ 1,520,062</p>	<p>Current Rate (7.45%)</p> <hr/> <p>\$ 1,040,149</p>	<p>1% Increase (8.45%)</p> <hr/> <p>\$ 633,878</p>	<p>1% Decrease (6.2%)</p> <hr/> <p>\$ 3,296,325</p>	<p>Current Rate (7.2%)</p> <hr/> <p>\$ 1,984,881</p>	<p>1% Increase (8.2%)</p> <hr/> <p>\$ 807,535</p>
Sensitivity of Net OPEB Liability to Changes in Discount Rate	<p>1% Decrease (6.45%)</p> <hr/> <p>\$ (66,473)</p>	<p>Current Rate (7.45%)</p> <hr/> <p>\$ (77,901)</p>	<p>1% Increase (8.45%)</p> <hr/> <p>\$ (87,509)</p>	<p>1% Decrease (2.16%)</p> <hr/> <p>\$ 1,880,345</p>	<p>Current Rate (3.16%)</p> <hr/> <p>\$ 1,436,889</p>	<p>1% Increase (4.16%)</p> <hr/> <p>\$ 1,081,750</p>
Sensitivity of Net OPEB Liability to Changes in Medical Trend Rate	<p>1% Decrease in Trend Rate</p> <hr/> <p>\$ (88,336)</p>	<p>Current Trend Rate</p> <hr/> <p>\$ (77,901)</p>	<p>1% Increase in Trend Rate</p> <hr/> <p>\$ (65,121)</p>	<p>1% Decrease in Trend Rate</p> <hr/> <p>\$ 1,394,447</p>	<p>Current Trend Rate</p> <hr/> <p>\$ 1,436,889</p>	<p>1% Increase in Trend Rate</p> <hr/> <p>\$ 1,478,707</p>

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

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 9.53% 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.

Summary of Employer Pension and OPEB Expense

Total pension and OPEB expense for the year ended June 30, 2020, including employer contributions and accruals associated with recognition of net pension liabilities, net OPEB liabilities and related deferrals, is presented below.

	STRS-Ohio	OPERS	ARP	Total
Employer Contributions	\$ 82,576	\$ 231,977	\$ 65,362	\$ 379,915
GASB 68 Pension Accruals	76,001	182,925		258,926
GASB 75 OPEB Accruals	(23,500)	193,012		169,512
Total Pension and OPEB Expense	\$ 135,077	\$ 607,914	\$ 65,362	\$ 808,353

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Total pension and OPEB expense for the year ended June 30, 2019, including employer contributions and accruals associated with recognition of net pension liabilities, net OPEB liabilities and related deferrals, is presented below.

	STRS-Ohio	OPERS	ARP	Total
Employer Contributions	\$ 77,781	\$ 220,062	\$ 60,390	\$ 358,233
GASB 68 Pension Accruals	32,939	446,571		479,510
GASB 75 OPEB Accruals	(158,168)	161,088		2,920
Total Pension and OPEB Expense	<u>\$ (47,448)</u>	<u>\$ 827,721</u>	<u>\$ 60,390</u>	<u>\$ 840,663</u>

Pension and OPEB expenses are allocated to institutional functions on the Statement of Revenues, Expenses and Changes in Net Position.

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

277 East Town Street
Columbus, OH 43215-4642
(614) 222-5601
(800) 222-7377
www.opers.org/investments/cafr.shtml

OSU Physicians Retirement Plan

Retirement benefits are provided for the employees of OSUP through a tax sheltered 403(b) and 401(a) defined contribution plan 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 LLCs 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 \$6.4 million and \$5.8 million for the years ended June 30, 2020 and 2019, respectively. Employee contributions were \$2.5 million and \$2.1 million for the years ended June 30, 2020 and 2019, respectively.

NOTE 17 — CAPITAL PROJECT COMMITMENTS

At June 30, 2020, the university is committed to future contractual obligations for capital expenditures of approximately \$436,777 for the primary institution and \$57,300 for discretely presented component units. These projects are funded by the following sources:

	Primary Institution	Discretely Presented Component Units
State appropriations	\$ 59,775	\$ -
Internal and other sources	377,002	57,300
Total	<u>\$ 436,777</u>	<u>\$ 57,300</u>

NOTE 18 — 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.

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

The global outbreak of COVID-19, a new strain of coronavirus that can result in severe respiratory disease, was declared a pandemic by the World Health Organization on March 11, 2020 and a national emergency by the President of the United States on March 13, 2020. The outbreak of the disease has affected travel, commerce, economies, and financial markets globally, including in the United States. In response to the public health crisis, the Governor of Ohio and the Director of the Ohio Department of Health took certain actions to limit the spread of the virus and its impact on the State's local communities and health care services, including the declaration of a state of emergency in the State and the closure of all non-essential businesses commencing on March 23, 2020.

On March 13, 2020, the university announced that it would suspend face-to-face instruction and transitioned to remote instruction for the remainder of the spring semester and extended that suspension through the summer semester. With limited exceptions, all university events scheduled to occur during the summer months, including summer camps and sports camps, were cancelled. Nearly all university housing and dining facilities were closed on March 22, 2020 and have remained closed through the summer semester, which resulted in a refund to students of \$34 million. All university employees who can do so were required to work from home.

The COVID-19 pandemic also significantly impacted Health System operations. On March 17, 2020, the Director of the Ohio Department of Health issued an order temporarily recommending that non-essential or elective surgeries and procedures not be conducted at Ohio hospitals. The temporary suspension of performance of elective procedures was recommended to create capacity for a potential increase in COVID-19 patients. The recommendation from the Ohio Department of Health to suspend non-essential or elective surgeries and procedures was withdrawn effective May 1, 2020. The Health System received \$143 million in federal support to offset the negative impact.

In conjunction with the State's phased-in process of reopening certain business, on June 3, 2020 the university announced that — based on guidance from state and local health authorities and recommendations of the Safe Campus and Scientific Advisory Subgroup of the university's COVID-19 Transition Task Force — it would resume in-person classes for the Autumn semester, with a mix of on-line, in-person and blended courses to reduce the number of students, faculty and staff that will be on campus at any one time.

The COVID-19 pandemic has negatively affected national, state, and local economies and global financial markets, and the higher

education landscape in general. The outbreak and related actions taken by federal and state governments may materially impact the university's financial position and its results of operations, including those related to instruction, research, patient care and other auxiliary activities. While the impacts of COVID-19 may materially affect financial results for 2021 and potentially beyond, university management believes the university has sufficient liquidity to meet its operating and financial needs in fiscal year 2021. However, given the difficulty in predicting the duration and severity of the COVID-19 pandemic and its effects on the university, the economy and financial markets, the ultimate impact is unknown. University management continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health of the university community and promote the continuity of its academic mission.

NOTE 19 — 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 operates, maintains and retains parking revenues from the university's parking lots and garages. This agreement also regulates the

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

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 lump-sum payment under this service concession arrangement is reported as a deferred inflow of resources and is being amortized to operating revenue over the life of the agreement. Deferred inflows related to the parking agreement were \$406,914 and \$416,545 at June 30, 2020 and 2019, respectively. The university reports the parking lots and garages as capital assets with a carrying amount of \$128,250 and \$124,508 at June 30, 2020 and 2019, respectively.

NOTE 20 — UTILITY SYSTEM LEASE AND CONCESSION AGREEMENT

On April 10, 2017, the university entered into a 50-year agreement to lease the university's utility system to Ohio State Energy Partners (OSEP) and grant it the exclusive right to operate the utility system and provide utility services to the Columbus campus. On July 6, 2017, the university received an upfront payment of \$1,089,914. The upfront payment is reported as an Advance from Concessionaire and is being amortized as a reduction to operating expense (Operation and

Maintenance of Plant) on a straight-line basis over the term of the agreement.

Under the agreement, OSEP operates, maintains and makes capital investments in the utility system and charges the university a Utility Fee, which includes fixed, variable and operating and maintenance (O&M) components. OSEP capital investments in the utility system are recognized as capital assets and a related long-term payable to the concessionaire. The fixed and O&M components of the Utility Fee are

recognized as operating expense. The variable component of the Utility Fee will be recognized as a reduction in the long-term payable to the concessionaire and interest expense.

The university recognized fixed and O&M utility fees totaling \$56,075 and \$56,140, respectively for the years ended June 30, 2020 and 2019. The carrying amounts of OSEP capital investments and related payable to the concessionaire at June 30, 2020 and 2019 were \$141,932 and \$41,672, respectively.

NOTE 21 — 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, 2020 and 2019 is presented below.

Condensed Combining Information — Year Ended June 30, 2020

	OSU Foundation	OSU Health Plan	Oval Limited	Pelotonia	Eliminations
Condensed statements of net position:					
Current assets	\$ 57,833	\$ 5,357	\$ 51,409	\$ 5,421	\$ (12,638)
Capital assets, net	2,770	74	-	-	-
Other assets	1,224,212	734	-	543	(89,490)
Total assets	\$ 1,284,815	\$ 6,165	\$ 51,409	\$ 5,964	\$ (102,128)
Current liabilities	\$ 3,473	\$ 2,279	\$ 39	\$ 13,728	\$ (12,638)
Noncurrent liabilities	53,541	-	19,417	89,490	(89,490)
Amounts payable to the university	1	-	-	-	-
Deferred inflows	10,141	-	-	-	-
Total liabilities and deferred inflows	67,156	2,279	19,456	103,218	(102,128)
Net investment in capital assets	2,770	-	-	-	-
Restricted:					
Nonexpendable	954,856	-	-	-	-
Expendable	246,392	-	-	-	(102,128)
Unrestricted	13,641	3,886	31,953	(97,254)	102,128
Total net position	1,217,659	3,886	31,953	(97,254)	-
Total liabilities, deferred inflows and net position	\$ 1,284,815	\$ 6,165	\$ 51,409	\$ 5,964	\$ (102,128)

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Condensed statements of revenues, expenses and changes in net position:

Operating revenues:

Other sales, services and rental income	\$ 77	\$ 12,747	\$ (1,217)	\$ 580	\$ -
Total operating revenues	77	12,747	(1,217)	580	-

Operating expenses, excluding depreciation

Depreciation expense	5,627	12,784	(214)	8,128	-
Total operating expenses	183	60	-	-	-

Net operating income (loss)

	5,810	12,844	(214)	8,128	-
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Non-operating revenues and expenses:

Gifts for current use	(5,733)	(97)	(1,003)	(7,548)	-
Net investment income (loss)	202,985	-	-	(3,111)	-
Other non-operating revenue (expense)	10,302	-	776	482	-
Net non-operating revenue (expense)	1,418	-	-	-	-

Capital contributions and additions to permanent endowments

Transfers from (to) the university	141,121	-	-	-	-
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Change in net position

	(270,292)	-	-	137	-
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Beginning net position, as reported

Cumulative effect of Pelotonia merger	79,801	(97)	(227)	(10,040)	-
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Ending net position

	1,152,909	3,983	32,180	(102,265)	-
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Condensed statements of cash flows:

Net cash provided (used) by:

Operating activities	\$ (4,765)	\$ 392	\$ (1,596)	\$ (6,940)	\$ -
Noncapital financing activities	(98,868)	-	-	11,362	-
Capital and related financing activities	77,425	(22)	-	-	-
Investing activities	(17,193)	(54)	1,482	482	-
Net increase (decrease) in cash	(43,401)	316	(114)	4,904	-

Beginning cash and cash equivalents

Ending cash and cash equivalents	43,635	4,463	1,210	-	-
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	\$ 234	\$ 4,779	\$ 1,096	\$ 4,904	\$ -
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Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Condensed Combining Information – Year Ended June 30, 2019

	OSU Foundation	OSU Health Plan	Oval Limited	Pelotonia	Eliminations
Condensed statements of net position:					
Current assets	\$ 84,921	\$ 5,229	\$ 51,461	\$ -	\$ -
Capital assets, net	2,953	112	-	-	-
Other assets	1,182,732	681	-	-	(102,265)
Total assets	<u>\$ 1,270,606</u>	<u>\$ 6,022</u>	<u>\$ 51,461</u>	<u>\$ -</u>	<u>\$ (102,265)</u>
Current liabilities	\$ 3,323	\$ 1,545	\$ 34	\$ -	\$ -
Noncurrent liabilities	60,554	494	19,247	102,265	(102,265)
Amounts payable to the university	40,025	-	-	-	-
Deferred inflows	13,795	-	-	-	-
Total liabilities and deferred inflows	<u>117,697</u>	<u>2,039</u>	<u>19,281</u>	<u>102,265</u>	<u>(102,265)</u>
Net investment in capital assets	2,953	-	-	-	-
Restricted:					
Nonexpendable	910,296	-	-	-	-
Expendable	225,537	-	-	-	(102,265)
Unrestricted	14,123	3,983	32,180	(102,265)	102,265
Total net position	<u>1,152,909</u>	<u>3,983</u>	<u>32,180</u>	<u>(102,265)</u>	<u>-</u>
Total liabilities, deferred inflows and net position	<u>\$ 1,270,606</u>	<u>\$ 6,022</u>	<u>\$ 51,461</u>	<u>\$ -</u>	<u>\$ (102,265)</u>

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Condensed statements of revenues, expenses and changes in net position:

	OSU Foundation	OSU Health Plan	Oval Limited	Pelotonia	Eliminations
Operating revenues:					
Other sales, services and rental income	\$ 1,583	\$ 12,432	\$ (344)	\$ -	\$ -
Total operating revenues	1,583	12,432	(344)	-	-
Operating expenses, excluding depreciation	14,164	12,483	(236)	-	-
Depreciation expense	184	48	-	-	-
Total operating expenses	14,348	12,531	(236)	-	-
Net operating income (loss)	(12,765)	(99)	(108)	-	-
Non-operating revenues and expenses:					
Gifts for current use	262,406	-	-	-	(102,265)
Net investment income (loss)	10,008	-	1,537	-	-
Other non-operating revenue (expense)	1,774	(6)	-	(102,265)	102,265
Net non-operating revenue (expense)	274,188	(6)	1,537	(102,265)	-
Capital contributions and additions to permanent endowments	71,009	-	-	-	-
Transfers from (to) the university	(244,284)	-	-	-	-
Change in net position	88,148	(105)	1,429	(102,265)	-
Beginning net position	1,064,761	4,088	30,751	-	-
Ending net position	\$ 1,152,909	\$ 3,983	\$ 32,180	\$ (102,265)	\$ -

Condensed statements of cash flows:

Net cash provided (used) by:					
Operating activities	\$ (10,507)	\$ 245	\$ (1,591)	\$ -	\$ -
Noncapital financing activities	(2,256)	-	-	-	-
Capital and related financing activities	25,476	(52)	-	-	-
Investing activities	8,063	(44)	1,511	-	-
Net increase (decrease) in cash	20,776	149	(80)	-	-
Beginning cash and cash equivalents	22,859	4,315	1,290	-	-
Ending cash and cash equivalents	\$ 43,635	\$ 4,464	\$ 1,210	\$ -	\$ -

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

NOTE 22 — 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, 2020 and 2019 is presented below.

Condensed Combining Information — Year Ended June 30, 2020

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan	Science and Technology Campus Corporation
Condensed statements of net position:					
Current assets	\$ 232,020	\$ 11,741	\$ 12,030	\$ 1,892	\$ 5,415
Capital assets, net	25,602	139,605	48,760	156	29,154
Other assets	-	800	-	-	50
Amounts receivable from the university	22,532	-	3,844	-	-
Deferred outflows	-	-	-	-	-
Total assets and deferred outflows	\$ 280,154	\$ 152,146	\$ 64,634	\$ 2,048	\$ 34,619
Current liabilities	\$ 33,830	\$ 12,221	\$ 9,647	\$ 90	\$ 1,575
Noncurrent liabilities	11,315	37,947	4,218	-	2,025
Amounts payable to the university	29,349	109,031	13,315	216	10,995
Deferred inflows	-	-	-	-	-
Total liabilities and deferred inflows	74,494	159,199	27,180	306	14,595
Net investment in capital assets	13,399	132,124	42,254	(60)	28,394
Unrestricted	192,261	(139,177)	(4,800)	1,802	(8,370)
Total net position	205,660	(7,053)	37,454	1,742	20,024
Total liabilities, deferred inflows and net position	\$ 280,154	\$ 152,146	\$ 64,634	\$ 2,048	\$ 34,619

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

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

Total operating revenues

Operating expenses, excluding depreciation

Depreciation expense

Total operating expenses

Net operating income (loss)

Non-operating revenues and expenses:

CARES Assistance

Net investment income

Interest expense

Other non-operating revenue (expense)

Net non-operating revenue (expense)

Changes in net position

Capital contributions and changes in
net position

Change in net position

Beginning net position, as previously reported

Cumulative effect of accounting change

Ending net position

Condensed statements of cash flows:

Net cash provided (used) by:

Operating activities

Noncapital financing activities

Capital and related financing activities

Investing activities

Net increase (decrease) in cash

Beginning cash and cash equivalents

Ending cash and cash equivalents

OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan	Science and Technology Campus Corporation
\$ -	\$ 9,513	\$ 36,682	\$ -	\$ 6,603
584,222	-	-	-	-
-	-	-	9,354	-
584,222	9,513	36,682	9,354	6,603
563,200	8,614	37,028	8,822	3,631
3,394	2,871	2,605	72	1,330
566,594	11,485	39,633	8,894	4,961
17,628	(1,972)	(2,951)	460	1,642
11,805	-	-	-	-
1,668	175	25	-	57
(278)	(78)	(587)	-	(588)
(22,527)	601	8,914	(98)	-
(9,332)	698	8,352	(98)	(531)
-	-	5,079	-	-
8,296	(1,274)	10,480	362	1,111
197,364	(5,779)	26,974	1,380	18,913
-	-	-	-	-
\$ 205,660	\$ (7,053)	\$ 37,454	\$ 1,742	\$ 20,024
-	-	-	-	-
\$ 46,739	\$ 15,105	\$ 3,470	\$ 412	\$ 3,414
(9,987)	19,759	8,908	(98)	(939)
(2,800)	(30,117)	(11,112)	(68)	(3,556)
3,106	322	-	(63)	57
37,058	5,069	1,266	183	(1,024)
131,951	3,395	3,149	441	5,217
\$ 169,009	\$ 8,464	\$ 4,415	\$ 624	\$ 4,193

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Condensed Combining Information — Year Ended June 30, 2019

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan	Science and Technology Campus Corporation
Condensed statements of net position:					
Current assets	\$ 200,538	\$ 8,646	\$ 12,236	\$ 1,713	\$ 6,297
Capital assets, net	26,809	105,505	31,610	228	28,012
Other assets	-	2,461	-	-	474
Amounts receivable from the university	18,355	-	3,991	-	-
Deferred outflows	-	-	24	-	-
Total assets and deferred outflows	\$ 245,702	\$ 116,612	\$ 47,861	\$ 1,941	\$ 34,783
Current liabilities	\$ 16,645	\$ 5,525	\$ 6,851	\$ 277	\$ 1,216
Noncurrent liabilities	12,124	26,264	4,572	-	2,720
Amounts payable to the university	19,569	90,602	9,451	284	11,934
Deferred inflows	-	-	13	-	-
Total liabilities and deferred inflows	48,338	122,391	20,887	561	15,870
Net investment in capital assets	13,682	103,184	26,920	(56)	15,581
Unrestricted	183,682	(108,963)	54	1,436	3,332
Total net position	197,364	(5,779)	26,974	1,380	18,913
Total liabilities, deferred inflows and net position	\$ 245,702	\$ 116,612	\$ 47,861	\$ 1,941	\$ 34,783

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

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

Total operating revenues

Operating expenses, excluding depreciation

Depreciation expense

Total operating expenses

Net operating income (loss)

Non-operating revenues and expenses:

Net investment income

Interest expense

Other non-operating revenue (expense)

Net non-operating revenue (expense)

Changes in net position

Capital contributions and changes in
net position

Change in net position

Beginning net position, as previously reported

Cumulative effect of accounting change

Ending net position

Condensed statements of cash flows:

Net cash provided (used) by:

Operating activities

Noncapital financing activities

Capital and related financing activities

Investing activities

Net increase (decrease) in cash

Beginning cash and cash equivalents

Ending cash and cash equivalents

OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan	Science and Technology Campus Corporation
\$ -	\$ 10,857	\$ 39,124	\$ -	\$ 7,640
560,322	-	-	-	-
-	-	-	9,440	-
560,322	10,857	39,124	9,440	7,640
507,366	9,153	37,133	9,403	3,392
3,581	2,920	892	74	1,310
510,947	12,073	38,025	9,477	4,702
49,375	(1,216)	1,099	(37)	2,938
2,373	222	29	-	-
(376)	(138)	(446)	-	(653)
(23,384)	605	21	(132)	-
(21,387)	689	(396)	(132)	(653)
-	5,250	14,677	-	-
27,988	4,723	15,380	(169)	2,285
169,376	(10,502)	11,594	1,549	16,629
-	-	-	-	-
\$ 197,364	\$ (5,779)	\$ 26,974	\$ 1,380	\$ 18,914
\$ 39,180	\$ 3,964	\$ 2,536	\$ 217	\$ 2,829
(23,473)	9,366	7,662	(133)	(895)
(4,372)	(12,415)	(12,027)	(90)	(1,407)
(7,716)	36	199	(96)	-
3,619	951	(1,630)	(102)	527
128,332	2,444	4,779	543	4,691
\$ 131,951	\$ 3,395	\$ 3,149	\$ 441	\$ 5,218

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

NOTE 23 — 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 \$185,362 and \$221,757 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019 is as follows:

Segment Disclosure Information — Year Ended June 30, 2020 and June 30, 2019

Condensed Statement of Net Position

Assets and deferred outflows:

Current assets

Capital assets

Total assets

Liabilities and deferred inflows:

Current liabilities

Amounts payable to the university

Total liabilities

Net position:

Net investment in capital assets

Unrestricted

Total net position

Total liabilities and net position

	2020	2019
Assets and deferred outflows:		
Current assets	\$ 26,329	\$ 27,489
Capital assets	693,545	715,499
Total assets	<u>\$ 719,874</u>	<u>\$ 742,988</u>
Liabilities and deferred inflows:		
Current liabilities	\$ 7,485	\$ 7,279
Amounts payable to the university	723,980	721,238
Total liabilities	<u>731,465</u>	<u>728,517</u>
Net position:		
Net investment in capital assets	(30,434)	(5,739)
Unrestricted	18,843	20,210
Total net position	<u>(11,591)</u>	<u>14,471</u>
Total liabilities and net position	<u>\$ 719,874</u>	<u>\$ 742,988</u>

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Condensed Statement of Revenues, Expenses and Changes in Net Position

Special-purpose pledged revenues - operating
Operating expenses, excluding depreciation
Depreciation expense
Operating income
Nonoperating revenues, net
Net income (loss) before transfers
Transfers from (to) other university units, net
Increase (decrease) in net position
Beginning net position
Ending net position

Condensed Statement of Cash Flows

Net cash provided (used) by:
Operating activities
Capital and related financing activities
Investing activities
Net increase (decrease) in cash
Beginning cash and cash equivalents
Ending cash and cash equivalents

2020	2019
\$ 185,362	\$ 221,757
(145,821)	(150,933)
(35,554)	(35,021)
3,987	35,803
(29,647)	(30,478)
(25,660)	5,325
(402)	4,141
(26,062)	9,466
14,471	5,005
\$ (11,591)	\$ 14,471
\$ 75,436	\$ 103,485
(76,786)	(103,296)
693	645
(657)	834
26,436	25,603
\$ 25,779	\$ 26,437

NOTE 24 – SUBSEQUENT EVENTS

Postponement of Fall Athletic Events

On August 11, 2020, the Big Ten Conference announced the postponement of the 2020-21 fall sports season, including all regular-season contests and Big Ten Championships and Tournaments, due to ongoing health and safety concerns related to the COVID-19 pandemic. The fall sports included in this announcement are men's and women's cross country, field hockey, football, men's and women's soccer,

and women's volleyball. On September 16, 2020, the Big Ten Council of Presidents and Chancellors voted unanimously to adopt significant medical protocols, including daily antigen testing, and to resume the football season starting the weekend of October 23-24, 2020. Attendance at the football games will be limited to families, staff and the media under strict safety protocols. Similar testing protocols are being established to allow the resumption of other fall sports. The attendance limitations for football are expected to significantly reduce auxiliary revenues in fiscal year 2021.

Notes to Financial Statements – Years Ended June 30, 2020 and 2019

(dollars in thousands)

Reporting Requirements for Provider Relief Funds

During fiscal year 2020, the Health System and OSU Physicians received and recognized \$143,301 and \$11,805 in revenue, respectively, related to CARES Act Provider Relief Funds, taking into consideration information available at June 30, 2020 based upon laws and regulations governing the funding as well as interpretations issued by the U.S. Department of Health and Human Services (HHS). On September 19, 2020, HHS issued new reporting requirements for the Provider Relief Funds, which were subsequently revised on October 22, 2020. Under the guidance issued on October 22, after reimbursing healthcare related expenses attributable to coronavirus that were unreimbursed by other sources, providers may use remaining PRF funds to cover any lost revenue, measured as a negative change in year-over-year actual revenue from patient care related sources. Due to

these new reporting requirements there is a possibility that amounts recorded under CARES Act Provider Relief Funds may change in future periods.

Medicare Advance Payment Program

The Health System and OSU Physicians received advance payments under the Medicare Accelerated and Advance Payment Program totaling \$274,915 and \$12,585, respectively. Amounts provided are considered short-term loans and are reported as current liabilities in the Statement of Net Position as the Health System and OSU Physicians had previously planned to repay the funds in fiscal 2021. The Continuing Appropriations Act, 2021 and Other Extensions Act was signed into law on October 1, 2020 and as part of the legislation, the recoupment period was extended up to 29 months after the initial payments were issued.

The Ohio State University
Required Supplementary Information on GASB 68 Pension Liabilities (Unaudited)
Year Ended June 30, 2020

The schedule of the university's proportionate shares of STRS-Ohio and OPERS net pension liabilities are presented below:

<i>(dollars in thousands)</i>	2015	2016	2017	2018	2019	2020
STRS-Ohio:						
University's proportion of the net pension liability	4.4%	4.5%	4.5%	4.6%	4.6%	4.7%
University's proportionate share of the net pension liability	\$ 1,070,914	\$ 1,238,470	\$ 1,510,814	\$ 1,081,053	\$ 1,019,690	\$ 1,040,149
University's covered payroll	\$ 381,669	\$ 388,309	\$ 392,797	\$ 412,149	\$ 434,106	\$ 452,084
University's proportionate share of the net pension liability as a percentage of its covered payroll	281%	319%	385%	262%	235%	230%
Plan fiduciary net position as a percentage of the total pension liability	74.7%	72.1%	66.8%	75.3%	77.3%	77.4%
OPERS:						
University's proportion of the net pension liability	8.8%	9.0%	9.1%	9.4%	9.9%	10.2%
University's proportionate share of the net pension liability	\$ 1,059,519	\$ 1,556,156	\$ 2,054,548	\$ 1,466,955	\$ 2,695,368	\$ 1,984,881
University's covered payroll	\$ 1,188,828	\$ 1,236,914	\$ 1,289,346	\$ 1,381,054	\$ 1,521,447	\$ 1,574,490
University's proportionate share of the net pension liability as a percentage of its covered payroll	89%	126%	159%	106%	177%	126%
Plan fiduciary net position as a percentage of the total pension liability	86.5%	81.2%	77.4%	84.9%	74.9%	82.4%

The schedule of the university's contributions to STRS-Ohio and OPERS are presented below:

<i>(dollars in thousands)</i>	2015	2016	2017	2018	2019	2020
STRS-Ohio:						
Contractually required contribution	\$ 65,738	\$ 66,975	\$ 70,373	\$ 74,356	\$ 77,781	\$ 82,576
Contributions in relation to the contractually required	\$ 65,738	\$ 66,975	\$ 70,373	\$ 74,356	\$ 77,781	\$ 82,576
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered payroll	\$ 388,309	\$ 392,797	\$ 412,149	\$ 434,106	\$ 452,084	\$ 476,374
Contributions as a percentage of covered payroll	16.9%	17.1%	17.1%	17.1%	17.2%	17.3%
OPERS:						
Contractually required contribution	\$ 170,979	\$ 178,293	\$ 188,762	\$ 201,072	\$ 220,062	\$ 231,977
Contributions in relation to the contractually required	\$ 170,979	\$ 178,293	\$ 188,762	\$ 201,072	\$ 220,062	\$ 231,977
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered payroll	\$ 1,208,710	\$ 1,260,366	\$ 1,334,350	\$ 1,421,367	\$ 1,525,502	\$ 1,607,469
Contributions as a percentage of covered payroll	14.1%	14.1%	14.1%	14.1%	14.4%	14.4%

The Ohio State University
Required Supplementary Information on GASB 75 Net OPEB Liabilities (Unaudited)
Year Ended June 30, 2020

The schedule of the university's proportionate shares of STRS-Ohio and OPERS net OPEB liabilities are presented below:

<i>(dollars in thousands)</i>	2018	2019	2020
STRS-Ohio:			
University's proportion of the net OPEB liability	4.6%	4.6%	4.7%
University's proportionate share of the net OPEB liability	\$ 177,556	\$ (74,520)	\$ (77,901)
University's covered payroll	\$ 412,149	\$ 434,106	\$ 452,084
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	43%	-17%	-17%
Plan fiduciary net position as a percentage of the total OPEB liability	47.1%	176.0%	174.7%
OPERS:			
University's proportion of the net OPEB liability	9.7%	10.1%	10.4%
University's proportionate share of the net OPEB liability	\$ 1,055,239	\$ 1,321,019	\$ 1,436,889
University's covered payroll	\$ 1,381,054	\$ 1,521,447	\$ 1,574,490
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	76%	87%	91%
Plan fiduciary net position as a percentage of the total OPEB liability	54.1%	46.3%	47.8%

The Ohio State University
Notes to Required Supplementary Information (Unaudited)
Year Ended June 30, 2020

STRS-Ohio - Pensions:

Changes of benefit terms. Amounts reported in 2019 reflect a reduction in the COLA rate to 0%, effective July 1, 2017.

Changes of assumptions. Amounts reported in 2018 also reflect an adjustment of mortality assumptions based on the use of the RF-2014 Annuitant Mortality Table rather than the RP- 2000 Combined Mortality Table. Amounts reported in 2017 reflect an adjustment of the discount rate from 7.75% to 7.45%.

OPERS — Pensions:

Changes of assumptions. Amounts reported in 2019 reflect an adjustment of the discount rate from 7.50% to 7.20%. Amounts reported in 2017 reflect an adjustment of the discount rate from 8.00% to 7.50%. Amounts reported in 2017 also reflect an

updated healthy and disabled mortality assumptions, based on the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

STRS-Ohio — OPEB:

Changes of benefit terms. Amounts reported in 2020 reflect postponement of the Medicare Part B monthly reimbursement elimination date to January 1, 2021. Amounts reported in 2019 reflect adoption of a new premium subsidy plan for 2019 and future years that is intended to extent the fund's solvency to 2047. Amounts reported in 2019 also reflect postponement of the Medicare Part B monthly reimbursement elimination date to January 1, 2020. Amounts reported in 2018 reflect discontinuation of Medicare Part B premium reimbursements for certain

survivors and beneficiaries and all remaining Medicare Part B premium reimbursements, beginning January 2019.

Changes of assumptions. Amounts reported in 2019 reflect an adjustment of the discount rate from 4.13% to 7.45%. Amounts reported in 2018 reflect an adjustment of the discount rate from 3.26% to 4.13%. Amounts reported in 2018 also reflect an adjustment of mortality assumptions based on the use of the RF-2014 Annuitant Mortality Table rather than the RP-2000 Combined Mortality Table.

OPERS — OPEB:

Changes of assumptions. Amounts reported in 2020 reflect an adjustment of the discount rate from 3.96% to 3.16%. Amounts reported in 2019 reflect an adjustment of the discount rate from 3.85% to 3.96%.

The Ohio State University
Supplementary Information on the Long-Term Investment Pool
Year Ended June 30, 2020

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, investment by type and risk disclosures, are provided in Notes 1 and 3 to the Financial Statements.

In 2020, 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 \$30 million, to \$5.29 billion at June 30, 2020. The Long-Term Investment Pool activity for 2020 is summarized below:

Net principal additions (withdrawals) for gifted endowments include new endowment gifts and reinvestment of unused endowment distributions. Change in fair value includes realized gains and losses for assets sold during the year and unrealized gains and losses for assets held in the pool at June 30, 2020. Income earned includes interest and dividends and is used primarily to fund distributions. Expenses include investment management expenses (\$53 million), University Development related expenses (\$19 million) and other investment related expenses (\$1 million).

Investment Returns and Expenses:

The investment return for the Long-Term Investment Pool was 1.1% for fiscal year 2020. The annualized

investment returns for the three-year and five-year periods were 3.3% and 4.0%, 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 1.0% in fiscal year 2020, the \$19 million of University Development expenses and \$1 million of other investment related expenses further reduced the pool by 0.4%.

Additional Information:

For more information on how the Long-Term Investment Pool is invested, please visit the Office of Investments website at: investments.osu.edu.

Additional details on university and foundation endowments, including balances for individual funds, are available on the Office of the Controller's website at: go.osu.edu/EndowAdmin (click on the "Endowment Descriptions and Balances" link).

	Gifted Endowments		Quasi-Endowments		Total
	University	Foundation	Operating	Designated	
Balance at June 30, 2019	\$ 1,070,008	\$ 969,429	\$ 1,289,534	\$ 1,927,788	\$ 5,256,759
Net Principal Additions (Withdrawals)	7,809	63,970	123,485	30,451	225,715
Change in Fair Value	(1,924)	(2,178)	(2,888)	(3,933)	(10,923)
Income Earned	23,932	22,275	29,865	43,199	119,271
Distributions	(46,449)	(43,113)	(57,746)	(83,796)	(231,104)
Expenses	(15,263)	(14,206)	(19,046)	(24,072)	(72,587)
Balance at June 30, 2020	\$ 1,038,113	\$ 996,177	\$ 1,363,204	\$ 1,889,637	\$ 5,287,131

Acknowledgements

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