



THE OHIO STATE UNIVERSITY



# 2021 Annual Financial Report





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# Message from the President and CFO



Kristina M. Johnson, PhD  
President



Michael Papadakis,  
Senior Vice President  
and CFO

**Great organizations, even during times of unprecedented challenge, always invest in the future.** Amid the ongoing disruption of the coronavirus pandemic, we are deeply proud of Ohio State's ability to deliver on our core missions of education, discovery and service while making concrete strides toward our goal to be the absolute model land-grant university for the 21st century.

The fiscal year 2021 financial report demonstrates the firm footing on which we stand. Due to strong investment performance, continued positive momentum at the health system and significant progress in achieving operational efficiencies, the university outperformed fiscal year 2020. Looking ahead, our fiscal stability, strength and resiliency position us to continue serving as a beacon of opportunity as we pursue an ambitious plan to further grow our impact.

## COVID-19 response and impact

The pandemic had a significant effect on the university and health system in fiscal year 2021. Yet, our providers, students, faculty and staff rose to meet the challenge as Buckeyes always do.

The Ohio State University Wexner Medical Center (OSUWMC) was among the first hospitals in the country to distribute the Pfizer-BioNTech vaccine after it received emergency approval, and we transformed the Schottenstein Center into a mass vaccination site at which our providers administered more than 200,000 doses of COVID-19 vaccines. We also stood up a massive testing operation and conducted nearly one million tests to date across our campuses for students, faculty and staff to support in-person teaching, learning and activities.

The higher education community nationally has been fortunate to benefit from federal support throughout the pandemic. At Ohio State, stimulus funds of \$164 million offset increased expenses resulting from the coronavirus, and we were pleased to award an additional \$40 million in emergency financial aid to students. The health system received \$182 million of provider relief as well as funding from the Federal Emergency Management Agency. While our hospitals saw fewer inpatient admissions during fiscal year 2021, those who were admitted had significantly higher acuity due in large part to COVID-19 cases. Efficiency initiatives around labor, supplies and a reduction in discretionary spending totaling \$103.7 million at the OSUWMC through June helped offset the higher cost of caring for these more critically ill patients.

Financial controls implemented in response to COVID-19 also included a hiring pause and business-essential only spending, which led to cost savings of over \$195 million — greatly exceeding our goal of \$175 million at the university. These

## MAJOR INITIATIVES

Through innovative funding, administrative efficiencies and careful resource stewardship, The Ohio State University is actively committed to innovative approaches to support our mission as a leading national flagship research university. Operational excellence and resource stewardship is a key focus of the strategic plan.

## HIGHLIGHTS:



Ohio State has generated more than \$2 billion to provide ongoing support for access, affordability and excellence.



Administrative savings have provided the funding for more than 15,000 President's Affordability Grant recipients.



The Digital Flagship University (a collaboration with Apple) is integrating learning technology for students.

# Message from the President and CFO

reductions helped offset lost revenues from tuition (\$78 million), housing and dining (\$85 million) and athletics (\$157 million).

Overall, this robust response to COVID-19 helped preserve our long-term fiscal strength. In combination with our continued focus on operational efficiency and optimization, it also reinforced our capacity to foster excellence in five areas critical to Ohio State's ambition to be the absolute model of a 21st-century land-grant university. We will achieve this ambition by prioritizing five strategic areas of excellence:

## Academic excellence

Investing in exceptional faculty is essential to our university's success. Bolstered by our long-term financial strategies, we will recruit 350 net new tenure-track faculty over the next decade who will, in turn, attract a bright new generation of students and postdoctoral scholars. Included in this is our RAISE (Race, Inclusion and Social Equity) initiative to attract faculty who will further enhance the quality of our research and scholarship focused on racial disparities.

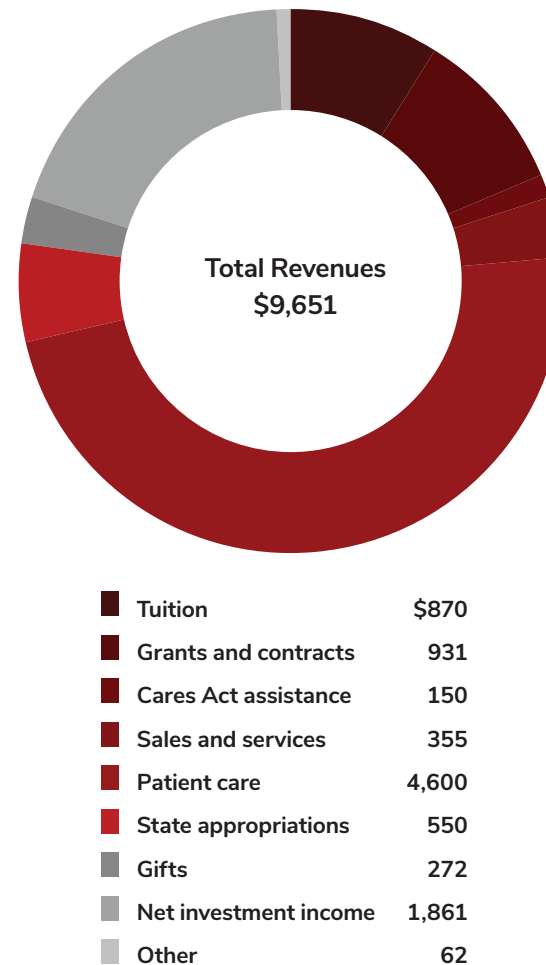
## Research excellence

Ohio State aims to double research expenditures over the next ten years. We are already well on our way, too — increasing our total by 27% in fiscal year 2021 to over \$1.2 billion. This is a new university record.

In collaboration with JobsOhio and Nationwide Children's Hospital, the university announced a new \$100 million strategic partnership to spur innovation and economic growth in the region and state. As part of this initiative, Ohio State committed to increasing research awards from the National Institutes of Health by 50% and educating a total of 22,500 STEM graduates within 15 years.

This effort goes hand-in-hand with progress in the Ohio State Innovation District. Construction on the Interdisciplinary Research Facility is ongoing. This building, hosting scholars from across disciplines in 18 "research neighborhoods," will catalyze convergent research in the life sciences and biotechnology and provide new opportunities for the community and industry to engage with Ohio State expertise. Along with the co-located Energy Advancement and Innovation Center and Outpatient Care West Campus, this facility will anchor the Innovation District and help fuel an ever more vibrant future in our region and state.

REVENUE SOURCES FISCAL 2021  
TOTAL UNIVERSITY (in millions)





# Message from the President and CFO

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## **Talent and culture excellence**

Funding for programs that enable us to recruit, retain and elevate the very best scholars and students will make Ohio State a destination for creative expression and scientific discovery. We aim to be the best and most enriching academic community in the world for researchers, artists and learners alike.

## **Service excellence**

Ohio State remains dedicated to our land-grant mission of enabling all people to achieve the extraordinary. The Scarlet & Gray Advantage program is the latest step in this commitment. Over the next decade, it will create pathways for undergraduate students to earn their degrees debt-free through a mix of paid internships and on-campus work experiences, financial aid and philanthropy.

## **Operational excellence**

Strategic benchmarking, revenue optimization and diligent efficiency initiatives are pillars of Ohio State's efforts to be a trusted steward of our resources. Comprehensive administrative efficiencies enable us to direct funds to our core mission and support excellence in the above areas and across the enterprise.

Creating economic opportunity, enhancing well-being and leveraging knowledge to build stronger communities has been at the heart of Ohio State's work since our founding. As our achievements in fiscal year 2021 demonstrate, these same goals continue to inspire our work today. Because of our ongoing financial stability and firm support from our Board of Trustees and Buckeye family, we have no doubt that Ohio State's leadership and transformational impact will continue growing in the years ahead.



Kristina M. Johnson, PhD  
President



Michael Papadakis  
Senior Vice President and CFO

## **NEW RESOURCE GENERATION**



Ohio State has generated more than \$2 billion in recent years to our academic mission through innovative funding approaches.

These funds are supporting student scholarships, faculty positions, teaching excellence and other key priorities.

## **OPERATIONAL EXCELLENCE**



More than 15,000 Ohio State students are receiving President's Affordability Grants each year with funding from administrative efficiencies.

## **OTHER INNOVATION AND RESOURCE STEWARDSHIP**



The Digital Flagship University is integrating learning technology throughout the student experience at Ohio State.

Our innovative strategies provide Ohio State will access to low-cost funding for capital projects.

# 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 and for the years ended June 30, 2021 and 2020, 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 as listed in the table of contents.

### 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, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 7 through 21, the Required Supplementary Information on GASB 68 Pension Liabilities on page 90, the Required Supplementary Information on GASB 75 Net OPEB Liabilities on page 91, and the Notes to Required Supplementary Information on page 92 be presented 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 pages 93 through 94 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*PricewaterhouseCoopers LLP*

November 19, 2021



# Management's Discussion and Analysis (Unaudited)

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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, 2021, with comparative information for the years ended June 30, 2020, and June 30, 2019. 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, with over 67,000 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, 162 master's degree programs, 105 doctoral programs and nine professional degree programs.

The university is governed by a board of trustees who are responsible for oversight of academic programs, budgets, general administration, and employment of faculty and staff. The university's 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 is comprised of seven hospitals and a network of ambulatory care locations. The Health System provides a full spectrum of services from primary to quaternary specialized care. Key clinical care locations and facilities of the Health System include:

- **University Hospital:** the Wexner Medical Center's flagship hospital is a leader in multiple specialties including organ and tissue transplantation, women and infants, digestive diseases, bariatric surgery and minimally invasive surgery. In addition to having a Level I Trauma Center as designated by the American College of Surgeons, University Hospital is also home to a Level III Neonatal Intensive Care Unit, central Ohio's only adult burn center and the only adult solid organ transplant program in central Ohio.
- **Arthur G. James Cancer Hospital and Richard J. Solove Research Institute ("The James"):** the only free-standing cancer hospital in

central Ohio and the first in the Midwest, the Arthur G. James Cancer Hospital and Richard J. Solove Research Institute is an international leader in cancer prevention, detection and treatment. The James is one of only 51 comprehensive cancer centers designated by the National Cancer Institute (NCI) and one of only a few institutions nationally funded by the NCI to conduct both phase I and phase II clinical trials on novel anticancer agents sponsored by the NCI.

- **Richard M. Ross Heart Hospital ("The Ross"):** is dedicated to advancing the field of cardiovascular medicine and surgery. The Ross Heart Hospital offers comprehensive heart and vascular care spanning every specialty from open heart surgery to electrophysiology, vascular surgery, advanced heart failure care and emergency cardiac care. The Ross is one of the nation's few free-standing facilities devoted entirely to the research of diseases affecting the heart, lungs and blood vessels.
- **Ohio State Harding Hospital:** offers counseling services along with the most comprehensive inpatient and outpatient mental health and behavioral health services in central Ohio. Programs are available for adolescents, adults and older adults with complex psychiatric disorders. Ohio State Harding Hospital's team includes psychiatrists, psychologists,

## Management's Discussion and Analysis (Unaudited)

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social workers, registered nurses, occupational therapists, recreational therapists, chaplains and licensed counselors.

- **Ohio State East Hospital:** blends academic medicine with a community-based setting. Ohio State East Hospital offers renowned 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. Additionally, patients have access to central Ohio's leading alcohol and drug addiction recovery services, digestive disease treatment, a full range of diagnostic services, a sleep disorders center and outpatient oncology services.
- **Dodd Hall:** home to Ohio State's nationally recognized and accredited rehabilitation inpatient program, specializing in stroke, brain and spinal cord rehabilitation. The program was the first in Ohio and is dedicated to physical medicine and rehabilitation research, training and treatment.
- **Brain and Spine Hospital:** a leader in brain and spine treatment and research with dedicated units for stroke care, neurotrauma and traumatic brain injuries, spinal cord injuries and spine surgery, epilepsy, chronic pain, acute rehabilitation, neurosurgery and sleep medicine. Ohio State is one of the first medical

centers in the country to combine five neuroscience-related specialties into a single, integrated program and is designed to rapidly unlock the mysteries of the brain and to pioneer therapies and technology on every neurological front.

- **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.

The Health System provided services to approximately 62,900 inpatients and 2,116,000 outpatients during fiscal year 2021, and 62,300 inpatients and 1,868,000 outpatients during fiscal year 2020.

The following financial statements reflect all assets, liabilities, deferred inflows/outflows and net position (equity) of the university, the Ohio State 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 OSU Foundation (a fundraising foundation operating exclusively for the benefit of the university)
- OSU Health Plan (a nonprofit 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 fundraising organization operating exclusively for the benefit of the university)



# Management's Discussion and Analysis (Unaudited)

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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 nonprofit organization participating in the redevelopment of neighborhoods adjacent to the main Columbus campus)
- Transportation Research Center, Inc. (an automotive research and testing facility in East Liberty, Ohio)
- Dental Faculty Practice Association (the practice group for faculty members of the College of Dentistry)
- Science and Technology Campus Corporation (a nonprofit organization established to further development of the university's Science and Technology Campus)

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, 2021, with comparative information as of June 30, 2020. 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, 2021, with comparative information for the year ended June 30, 2020. 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

# Management's Discussion and Analysis

(Unaudited)

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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.

The Statement of Cash Flows details how cash has increased (or decreased) during the year ended June 30, 2021, with comparative information for the year ended June 30, 2020. 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

The global outbreak of COVID-19, a new strain of coronavirus that can result in severe respiratory disease, was first detected in December 2019 and subsequently spread across six continents impacting many countries, including the United States. The COVID-19 outbreak has altered the behavior of businesses and people in a manner that has had and is expected to continue to have effects on global and local economies, including the State of Ohio.

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 of 2020, including summer camps and sports camps, were canceled. Nearly all university housing and dining facilities were closed on March 22, 2020, and remained closed through the summer 2020 semester.

On June 3, 2020, the university announced that it would resume in-person classes for the autumn 2020 semester, with a mix of online, in-person and blended courses to reduce the number of students, faculty and staff who were on campus at any one time. Ongoing health and safety concerns resulted in the postponement of the 2020-2021 fall sports season. Attendance at football games and other athletic events was limited to families, staff and the media under strict safety protocols.

The university conducted extensive testing of students, faculty and staff throughout the 2020-2021 academic year. All other on-campus protocols (masking, social distancing and limits on group gatherings) remained in place, and throughout the spring 2021 semester, the university observed a low positivity rate among its students. As vaccination rates continued to increase and other health and safety protocols remained effective, the university announced that it expected to return to more of a traditional university experience for the autumn 2021 semester. The University State of Emergency, which was declared by the university president on March 22, 2020, was lifted effective July 1, 2021.



# Management's Discussion and Analysis (Unaudited)

COVID-19 disrupted key university operations and resulted in significant declines in tuition, housing and dining and athletic revenues. In response to the COVID-19 outbreak, the university instituted a series of cost controls, including a hiring pause and business-only essential spending. After an unprecedented year managing the COVID-19 pandemic, the university's financial position remains strong. Total net position increased \$3.19 billion, to \$8.62 billion at June 30, 2021, driven primarily by strong investment performance, continued positive momentum at the Health System, significant efficiency measures across the university and reductions in university net pension and other post-employment benefit liabilities.

Demand for an Ohio State education and outcomes for students also remain strong. Total enrollment for autumn 2020 was 67,957, down 305 students compared to autumn 2019. 94% of the freshmen enrolled in autumn 2019 returned to Ohio State in autumn 2020. 69% of students graduated within four years, and over 87% graduated within six years.

The following sections provide additional details on the university's 2021 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)

	2021	2020	2019
Cash and temporary investments	\$ 3,371,175	\$ 3,633,027	\$ 3,308,174
Receivables, inventories, prepaids and other current assets	1,038,798	808,875	872,714
<b>Total current assets</b>	<b>4,409,973</b>	<b>4,441,902</b>	<b>4,180,888</b>
Restricted cash	276,243	401,664	492,033
Noncurrent notes and pledges receivable, net	134,207	110,673	124,901
Net other post-employment benefit receivable	275,182	77,901	74,520
Long-term investment pool	7,041,973	5,287,131	5,256,759
Other long-term investments	348,227	301,676	219,455
Other noncurrent assets	202,911	-	-
Capital assets, net of accumulated depreciation	6,267,672	5,700,078	5,268,363
<b>Total noncurrent assets</b>	<b>14,546,415</b>	<b>11,879,123</b>	<b>11,436,031</b>
<b>Total assets</b>	<b>18,956,388</b>	<b>16,321,025</b>	<b>15,616,919</b>
Deferred outflows	467,600	717,357	1,155,735
<b>Total assets and deferred outflows</b>	<b>\$ 19,423,988</b>	<b>\$ 17,038,382</b>	<b>\$ 16,772,654</b>
Accounts payable and accrued expenses	\$ 774,841	\$ 638,750	\$ 591,844
Medicare advance payment program	254,854	274,915	-
Deposits and advance payments for goods and services	371,040	268,481	281,886
Current portion of bonds, notes and lease obligations	352,716	374,717	618,302
Other current liabilities	93,883	88,673	112,259
<b>Total current liabilities</b>	<b>1,847,334</b>	<b>1,645,536</b>	<b>1,604,291</b>
Noncurrent portion of bonds, notes and lease obligations	2,690,587	2,732,098	2,543,360
Net pension liability	2,679,333	3,025,029	3,715,058
Net other post-employment benefits liability	22,683	1,459,572	1,339,383
Advance from concessionaire	980,953	1,002,769	1,024,555
Other noncurrent liabilities	789,941	527,489	434,885
<b>Total noncurrent liabilities</b>	<b>7,163,497</b>	<b>8,746,957</b>	<b>9,057,241</b>
<b>Total liabilities</b>	<b>9,010,831</b>	<b>10,392,493</b>	<b>10,661,532</b>
Deferred inflows	1,796,237	1,221,395	677,046
Net investment in capital assets	3,471,509	3,010,095	2,605,381
Restricted:			
Nonexpendable	1,789,304	1,622,782	1,580,115
Expendable	2,030,928	1,125,359	1,303,269
Unrestricted	1,325,179	(333,742)	(54,689)
<b>Total net position</b>	<b>8,616,920</b>	<b>5,424,494</b>	<b>5,434,076</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 19,423,988</b>	<b>\$ 17,038,382</b>	<b>\$ 16,772,654</b>

## Management's Discussion and Analysis (Unaudited)

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During the year ended June 30, 2021, **cash and temporary investment** balances decreased \$262 million, to \$3.37 billion, reflecting capital expenditures and net cash flows for operating activities. 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 \$125 million, to \$276 million at June 30, 2021, 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 increased \$210 million, to \$737 million at June 30, 2021. Health System receivables were up \$105 million, reflecting an overall increase in hospital patient acuity and increased outpatient volumes. Receivables on grants and contracts increased \$86 million, driven primarily by a \$56 million in receivables on grants managed by the Office of Sponsored Programs.

The fair value of the university's **long-term investment pool** (LTIP) increased \$1.75 billion, to \$7.04 billion at June 30, 2021. The increase is primarily due to a \$1.69 billion increase in the fair value of LTIP assets, \$137 million of interest and dividend income and \$251 million of net principal additions. These increases were partially offset by \$247 million in distributions and \$80 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 OSU 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 increased \$106 million, to \$118 million at June 30, 2021, reflecting an expansion of securities lending activity in 2021. 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 OSU Foundation and long-term investments of operating funds. These investments increased \$47 million, to \$348 million, at June 30, 2021, 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 \$568 million, to \$6.27 billion at June 30, 2021. 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 \$1.03 billion in 2021. The Health System accounted for \$500 million of the total and includes expenditures for facilities, infrastructure improvement, land, and equipment purchases. The remaining \$532 million of university capital additions include \$60 million of equipment and library books, \$33 million related to the Workday Enterprise Resource Planning project, \$102 million related to the Comprehensive Energy Management Plan (CEMP) facility improvements and \$337 million related to improvements and renovations of various academic buildings, athletic facilities, student life facilities and other infrastructure.

The replacement of the College of Dentistry Postle Hall and Mars G. Fontana Labs Advanced Materials Corridor projects were completed during the fiscal year. New science facilities were finished at the Newark and Wooster regional campuses. The Workday Enterprise Resource Planning project went live during the fiscal year, and the new Ty Tucker



## Management's Discussion and Analysis (Unaudited)

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Tennis Center was completed. The WOSU radio and television operation took possession of their new headquarters on High Street, and the Health Sciences Faculty Office and Optometry clinic at the corner of 11th and Neil avenues was placed in service. The Health System completed construction of a new parking garage for the new inpatient hospital as well as a new central sterile supply facility.

The OSU Health System has major construction projects currently underway including:

- New Inpatient Hospital — Construction is underway on a 1.9 million-square-foot, 24-story inpatient hospital east of Cannon Drive. Scheduled to open in early 2026, the \$1.79 billion hospital is the largest single facilities project ever undertaken at The Ohio State University.
- Health System Outpatient Care Facilities — Construction is complete or nearing completion on new outpatient care facilities in New Albany, Dublin and Powell. These comprehensive facilities are part of a new suburban outpatient care program that supports growth in the region and excellence in academic health care. Also under construction is a \$344 million West Campus outpatient facility that will include the region's first proton therapy facility.

Major academic facility projects currently underway include:

- Interdisciplinary Research Facility — Construction is underway on a 305,000-square-foot, five-story laboratory building on West Campus that will serve multiple research disciplines, including biomedical, life sciences, engineering and environmental sciences. Two floors will be dedicated to The Ohio State University Comprehensive Cancer Center. Scheduled for completion in 2023, the \$238 million facility will be an anchor for the university's future Innovation District.
- The Interdisciplinary Health Sciences Center — This project will renovate existing facilities and construct a new building for interprofessional education through the health sciences including the colleges of Medicine and Optometry. Occupancy is slated for 2024.
- The Energy Advancement and Innovation Center — This new facility will be a hub for Ohio State faculty members, students, alumni, researchers, local entrepreneurs and industry experts to work together on the next generation of smart energy systems, renewable energy and green mobility solutions. Opening is slated for the fall of 2023.
- Arts District — Work continues on the \$165 million Arts District project on the west side of High Street between 15th and 18th avenues. Included are new facilities for the

School of Music (Timashev Family Music Building) and Department of Theatre, Film, and Media Arts.

The university's estimated future capital commitments, based on contracts and purchase orders, total approximately \$1.74 billion at June 30, 2021.

**Accounts payable and accrued expenses** increased \$136 million, to \$775 million at June 30, 2021, reflecting increases in payables to vendors for supplies and services.

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 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**

## Management's Discussion and Analysis (Unaudited)

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**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 \$59 million and \$56 million in total fixed and O&M utility fees for the years ended June 30, 2021 and 2020, respectively. The total amounts payable to the concessionaire increased \$94 million, to \$236 million at June 30, 2021. The \$12 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 \$64 million, to \$3.04 billion at June 30, 2021. 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. At June 30, 2021, the fair value of the swap agreements was \$12 million and is reported as a noncurrent asset and offsetting deferred inflow of resources. At June 30, 2020, the fair value of the swap agreements was negative \$7 million 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 \$290 million and \$318 million at June 30, 2021 and 2020, respectively.

On September 30, 2021, the University closed on \$600,000 in tax-exempt fixed rate General Receipts Bonds — Series 2021A. The proceeds of the bonds will be used to fund construction of the Wexner Medical Center's new Inpatient Hospital, scheduled to open in 2026.

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 2021, the university's share of OPERS and STRS-Ohio net pension liabilities decreased \$346 million, to \$2.68 billion at June 30, 2021. The decrease relates primarily to OPERS net pension liabilities, which were down \$481 million, to \$1.50 billion. In calendar year 2020, OPERS realized a 12.02% return on defined benefit plan investments for the period. STRS net pension liabilities increased \$136 million, to \$1.18 billion, reflecting fiscal year 2020 STRS investment returns of 3.14%.

Deferred outflows related to pensions decreased \$106 million, to \$340 million at June 30, 2021, and deferred inflows related to pensions increased \$195 million, to \$682 million at June 30,

## Management's Discussion and Analysis (Unaudited)

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2021. The changes in pension deferrals relate primarily to OPERS projected vs. actual investment returns. These deferrals will be recognized as pension expense in future periods.

In 2021, the university's share of OPERS and STRS-Ohio net OPEB liabilities swung from a \$1.36 billion net liability to a \$275 million net asset at June 30, 2021, primarily due to changes in OPERS benefit terms. On January 15, 2020, the OPERS Board approved several changes to the health care plan offered to Medicare and non-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 non-Medicare retirees with monthly allowances. These changes in benefit terms, combined with an increase in the discount rate from 3.16% to 6.00%, resulted in a \$1.63 billion reduction in the university's share of OPERS net OPEB liabilities. The university's share of STRS-Ohio net OPEB assets was stable, increasing \$7 million, to \$85 million at June 30, 2021.

Deferred outflows related to OPEB decreased \$135 million, to \$104 million at June 30, 2021, and deferred inflows related to OPEB increased \$378 million, to \$676 million at June 30, 2021.

The changes in pension deferrals relate primarily to OPERS deferrals for changes in assumptions and expected

vs actual experience. These deferrals will be recognized as OPEB expense in future periods.

Total pension and OPEB expense recognized by the university decreased \$1.58 billion, to a negative (credit) of \$770 million in 2021. 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 \$16 million, to \$396 million in 2021. Pension and OPEB expense accruals were down \$1.59 billion, to negative \$1.17 billion.

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 \$397 million and \$407 million at June 30, 2021, and June 30, 2020, 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 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. The university's share of OPERS and STRS-Ohio net pension liabilities decreased \$690 million, to \$3.03 billion at June 30, 2020, primarily reflecting a 17.23% return in calendar 2019 on OPERS defined benefit plan investments. **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.



# Management's Discussion and Analysis (Unaudited)

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

	2021	2020	2019
Operating Revenues:			
Tuition and fees, net	\$ 869,740	\$ 953,569	\$ 969,633
Grants and contracts	784,021	743,431	732,253
Auxiliary enterprises sales and services, net	175,961	298,064	339,615
OSU Health System sales and services, net	3,952,605	3,449,681	3,432,271
Departmental sales and other operating revenues	205,905	187,089	201,783
Total operating revenues	5,988,232	5,631,834	5,675,555
Operating Expenses:			
Educational and general	2,248,013	2,809,135	2,665,355
Auxiliary enterprises	206,123	320,392	361,346
OSU Health System	2,733,141	3,345,167	3,109,070
Depreciation	457,950	425,012	413,039
Total operating expenses	5,645,227	6,899,706	6,548,810
Net operating income (loss)	343,005	(1,267,872)	(873,255)
Non-operating revenues (expenses):			
State share of instruction and line-item appropriations	486,115	461,838	469,679
Gifts - current use	129,723	157,511	160,102
Net investment income	1,859,173	231,190	229,663
Federal COVID-19 assistance programs	150,037	158,058	-
Grants, interest expense and other non-operating	11,363	19,169	(14,961)
Net non-operating revenue	2,636,411	1,027,766	844,483
Income (loss) before other changes in net position	2,979,416	(240,106)	(28,772)
State capital appropriations	63,988	69,905	64,900
Private capital gifts	78,942	77,425	26,565
Additions to permanent endowments	63,157	63,695	45,533
Capital contributions and other changes in net position	6,923	19,499	3,236
Total changes in net position	213,010	230,524	140,234
Increase (decrease) in net position	3,192,426	(9,582)	111,462
Net position - beginning of year	5,424,494	5,434,076	5,322,614
Net position - end of year	\$ 8,616,920	\$ 5,424,494	\$ 5,434,076

Net **tuition and fees** decreased \$84 million or 9%, to \$870 million in 2021, due primarily to a decrease in gross tuition of \$88 million. Gross tuition decreased \$48 million for autumn semester and \$53 million for spring semester, offset by an increase of \$13 million for summer semester. Autumn and spring tuition decreased primarily due to decreases in non-resident fees resulting from out-of-state students choosing all online instruction. The increase in summer tuition reflects a shift back to in-person instruction.

Operating **grant and contract revenues** increased \$41 million, to \$784 million, reflecting increases in federal grants of \$37 million. Grants managed by the Office of Sponsored Programs increased \$7 million.

Total **auxiliary revenues** decreased \$122 million, to \$176 million, due primarily to revenue losses associated with the postponement of fall sports of \$85 million, decreases in Student Life housing and dining revenues of \$32 million, and decreases in Business

Advancement (Schottenstein Center, Blackwell, and Fawcett Center) revenues of \$17 million. These revenue reductions were partially offset by an \$11 million decrease in scholarship allowances attributable to room and board. **Auxiliary expenses** decreased \$114 million, to \$206 million, primarily due to decreases in year-end accruals for pension and other post-employment benefits of \$70 million, Athletics expenses of \$34 million, and Business Advancement (Schottenstein Center and Blackwell) expenses of \$11 million.

**Educational and general expenses** decreased \$561 million to \$2.25 billion in 2021, primarily due to a \$576 million reduction in allocated pension and OPEB expense. Additional details are provided below.

Most E&G expenditure categories were flat in 2021, 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 and a review of all non-essential spending such as supplies, equipment purchases, conferences and membership expenses led to additional savings. These savings were offset by COVID-19-related operational expenses of \$75 million and disbursement of federal emergency aid to students.

## Management's Discussion and Analysis (Unaudited)

### 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	

2021	2020	2019
\$ 1,050,943	\$ 1,051,376	\$ 1,038,290
497,923	505,290	492,816
170,867	176,889	176,384
252,353	223,552	223,172
80,175	89,162	93,405
356,154	355,179	246,307
118,406	117,727	123,128
147,269	139,622	127,769
(426,078)	150,338	144,084
\$ 2,248,013	\$ 2,809,135	\$ 2,665,355

**Health System** operating revenues increased \$503 million, to \$3.95 billion in 2021, reflecting increases in hospital patient acuity and growth in outpatient volumes. Operating expenses (excluding depreciation, interest and transfers) decreased \$612 million to \$2.73 billion, primarily due to a \$948 million swing in expenses associated with pension and OPEB accruals. Excluding pension and OPEB, Health System operating expenses increased \$318 million. An in-depth look at the Health System, as presented in their stand-alone financial statements, is provided below.

In total, the Health System operates nearly 1,500 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 & World Report* for 29 consecutive years as one of "America's Best Hospitals." and is ranked first in central Ohio.

The Health System is recognized as a national leader in 10 specialties including: Cancer, Cardiology & Heart Surgery, Diabetes & Endocrinology, Ear, Nose & Throat, Gastroenterology and GI Surgery, Gynecology, Neurology & Neurosurgery, Pulmonology & Lung Surgery, Rehabilitation, and Urology. The Ear, Nose & Throat program ranked eighth in the United States. The Geriatrics specialty, along with 13 procedures and conditions, was ranked as high performing.

The Health System is also proud to be the first 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. The Ohio State University Wexner Medical Center has more "Top Doctors" than any other central Ohio hospital. Wexner Medical Center physicians were selected by Castle Connolly because they are among the very best in their specialties.

Suspended operations due to the Covid-19 pandemic resulted in decreases in revenues and patient care volumes significantly below budget projections in 2020. In 2021, the Health System experienced recovery in surgical and procedural volumes. Total surgical volume increased 13.4% compared to 2020. Hospital admissions saw a slight growth in 2021 however the Health System experienced an increase of 8.7% in the acuity of the patient in the hospital leading to strong results in operations for the year.

Approximately 88% of total 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 \$204.9 million to Health System operating revenues in 2021 and \$166.7 million 2020.

Other Operating Revenues also includes a portion of the margin shared with Nationwide Children's Hospital for the management of the Neonatal Intensive Care Unit located

## Management's Discussion and Analysis (Unaudited)

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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 \$13.9 million of operating revenues in 2021 and \$17.8 million in 2020. 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 between the State, Managed Care Organizations (MCO), and both public and nonprofit hospital agencies. The Health System recognized \$70.2 million in Other Operating Revenues related to CICIP in 2021 and \$52.6 million in 2020.

Operating expenses decreased \$679.2 million or 20.2% from 2020 to 2021, primarily due to expenses associated with pension and OPEB accruals, which swung from a positive \$264 million in 2020 to a negative \$679 million in 2021. Excluding pension and OPEB accruals, Health System operating expenses increased \$264 million. Salaries and benefits increased \$61 million, reflective of the recovery of volume due to the Covid-19 pandemic. Supplies and drugs increased \$151.4 million or 15.9%. The increase in supplies was a result of a strong transplant year for heart and lung as well as an increase in intensity for surgical and procedural volume. The Health System performed approximately 483,000 Covid-19 tests

that resulted in increased lab costs for the system. The increase in drugs is due to strong volumes at the James as well as the Specialty Retail Pharmacy. Purchased services grew \$34.9 million or 8.9% in 2021 reflecting increased hospital franchise fees as well as higher cleaning and advertising costs. The increase in hospital franchise fees is a result of additional assessments due to Covid-19 related emergency spending measures.

The Health System is continuing its vision to deliver unparalleled care and meet anticipated future growth, embarking on a plan to expand its care with new, large outpatient care facilities planned for New Albany, Dublin, and Powell. A new inpatient hospital scheduled to open in early 2026 will be a 1.9 million square foot facility and the largest single facilities project ever undertaken at The Ohio State University. The new tower will enhance research, clinical training and patient care. The hospital will have up to 820 beds in private rooms, 60 neonatal intensive care unit bassinets, 24 floors, an emergency department, imaging suites, operating rooms and critical care and medical/surgical beds. The Health System will continue creating an innovative healthcare delivery model to deliver high value care with an unparalleled patient experience and access. By pushing the boundaries of discovery and knowledge, The Ohio State University Wexner Medical Center will

solve significant problems and deliver unparalleled care.

Consolidated revenues for **OSU Physicians, Inc.** (OSUP), the University's central practice group for physician faculty members of the College of Medicine and Public Health, increased \$64 million, to \$648 million in 2021. Net patient care revenue increased \$49 million, reflecting the lifting of coronavirus restrictions and the resumption of services provided by OSUP. Other revenues increased \$15 million, primarily due to increases in university operating support. Consolidated operating expenses increased \$40 million, to \$603 million in 2021. Approximately \$40 million of the increase came from physician and other provider-related costs, which was primarily due to new physicians and other providers entering the practice during fiscal year 2021. Staff salaries and benefits increased \$1 million, reflecting an increase in staff FTEs. Non-operating income (expense) for OSUP decreased \$20 million, primarily due to \$12 million in Provider Relief Funds received and recognized as revenue in 2020. OSUP balances are included in the Discretely Presented Component Units columns of the university's financial statements.

Total state operating support increased \$24 million, to \$486 million, reflecting increases in state **share of instruction** (SSI). Total SSI for 2021



## Management's Discussion and Analysis (Unaudited)

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was \$401 million, a 6% increase over final 2020 distributions. 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 reductions in SSI appropriations for the final two months of 2020. **State line-item appropriations** were stable in 2021, increasing \$1 million to \$85 million. **State capital appropriations** decreased \$6 million, to \$64 million.

In response to the COVID-19 outbreak, the federal government has provided support to individuals, companies and nonprofit institutions in the form of loans, grants, tax changes and other types of relief. The university recognized revenues totaling \$150 million for **federal COVID-19 assistance programs** in 2021, including \$59 million of CARES institutional grants, \$25 million of CARES emergency grants to students, \$42 million of Coronavirus Relief Funds from the State of Ohio, and \$16 million in FEMA Public Assistance funds provided to the Health System. In 2020, the university recognized revenues totaling \$158 million for federal COVID-19 assistance, including \$143 million of Provider Relief Funds for the Health System and \$14 million of CARES emergency grants to students. Amounts provided to the university under these 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 in 2020 under the Medicare Accelerated and Advance Payment Program. These amounts are considered short-term loans, and repayments began in 2021. Current liabilities for advance payments provided to the Health System totaled \$255 million and \$275 million at June 30, 2021 and 2020, respectively.

Total **gifts** to the university decreased \$27 million, to \$272 million in 2021. Several colleges and support units received gifts in excess of \$1 million in 2021, including the College of Veterinary Medicine, the College of Food, Agricultural and Environmental Sciences, University Hospitals, the James Cancer Hospital and Research Institute, the Comprehensive Cancer Center, the College of Medicine, the College of Arts and Sciences, the College of Engineering, Fisher College of Business, Moritz College of Law, General University Scholarships and the Department of Athletics. Support came from more than 194,000 alumni and friends.

University investments yielded \$1.86 billion of **net investment income** in 2021, compared with \$231 million in 2020. For 2021, the LTIP returned +29.2% compared to +1.1% in 2020. In 2021, the LTIP was above benchmark

for all asset classes after having lagged the benchmark across all asset classes in 2020.

For 2021, the Global Equity allocation returned +41.0% which outperformed on a relative basis to the MSCI ACWI benchmark, which recorded a +39.3% result, by +1.7% for the year. The LTIP's Global Fixed Income allocation outperformed compared to the U.S. Aggregate Bond benchmark, generating a +7.7% return versus -0.3% for the benchmark. The Real Assets allocation returned +11.0%, outperforming the CPI +5% return of +10.1% for the year.

**Prior-Year Highlights: In 2020**, total net position was stable, decreasing \$10 million, to \$5.42 billion at June 30, 2020. 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. Health System operating revenues were relatively stable in 2020, increasing \$17 million, to \$3.45 billion. University investments yielded \$231 million of net investment income in 2020, compared with \$230 million in 2019. **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

# Management's Discussion and Analysis (Unaudited)

the growth in operating revenue. Educational and general expenses increased \$667 million, to \$2.67 billion in 2019, primarily due to a \$557 million 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.

## Statement of Cash Flows

University Cash Flows Summary (in thousands)

	2021	2020	2019
Net cash flows used in operating activities	\$ (402,268)	\$ (4,234)	\$ (7,757)
Net cash flows from noncapital financing activities	889,559	934,803	779,439
Capital appropriations and gifts for capital projects	145,499	104,855	99,114
Payments for purchase or construction of capital assets	(891,524)	(739,379)	(604,717)
Principal and interest payments on capital debt and leases, net of federal Build America Bond interest subsidies	(184,739)	(180,250)	(180,138)
Net cash flows provided (used) in investing activities	(849,008)	68,118	(1,128)
Net increase (decrease) in cash and cash equivalents	\$ (1,292,481)	\$ 183,913	\$ 84,813

University cash and cash equivalents decreased \$1.29 billion in 2021. Net cash used in operating activities was \$402 million, compared to \$4 million in 2020. The decrease relates primarily to the 2020 receipt of \$275 million in Medicare Advance Payment Program funds by the Health System and 2021 increases in Health System payments for compensation and supplies and services. Net cash flows from noncapital financing activities decreased \$45 million, to \$890 million, reflecting a decrease in current-use gift receipts. Payments for purchase or construction of capital assets increased \$152 million, to \$892 million, primarily due to increases in Health System capital expenditures. Cash used by investing activities was \$849 million, reflecting net purchases of temporary investments.

## Economic Factors That Will Affect the Future

Ohio State continues to mount a comprehensive response to the COVID-19 pandemic, both to support the health and safety of the university community and as part of its role as a leading national flagship public research university. Ohio State experts supported the State of Ohio's response, and the Wexner Medical Center was at the forefront of addressing patient care needs. The university plans to reactivate campus in autumn 2021 with increased in-person activity while maintaining an active focus on COVID-19.

Kristina M. Johnson, PhD, became the 16th university president in August 2020 amid the pandemic. In her first State of the University address, President Johnson announced a commitment to four areas of excellence: academic, research and creative expression, entrepreneurship and partnerships, and service to the State of Ohio, the nation and the world.

The university's FY2022 Financial Plan reflects these new initiatives and enhances the university's strategic plan with a focus on the following areas:

## Management's Discussion and Analysis (Unaudited)

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- **Academic Excellence** — The university plans to increase the number of tenure track faculty by up to 350 over the next 10 years. At the same time, the university will invest \$4 million in the Drake Institute for Teaching and Learning to extend best practices in instruction.
- **Excellence in Research and Creative Expression** — Grace Wang, executive vice president for the Enterprise for Research, Innovation and Knowledge Enterprise (ERIK), will lead an initiative to double research expenditures over the next decade. The FY2022 Financial Plan includes operating investments totaling at least \$35 million in academic and research initiatives. Additional capital investments will also be made in this area.
- **Excellence in Entrepreneurship and Partnership** — ERIK will also serve as a hub on which to build external relationships that will help grow the university's portfolio of federally funded research and expand strategic partnerships with industry. Among the community partnerships for the university's Innovation District is an \$87.5 million commitment from JobsOhio.
- **Excellence in Service to the State of Ohio, the Nation and the World** — To best serve the economic and personal prosperity of the region and the State of Ohio, the university is on track to provide opportunities

for students to achieve a “debt-free bachelor’s degree” within the decade. Since FY2016, the university has added more than \$200 million in new need-based student aid. In FY2022, the university will invest more than \$53 million in three programs: The Buckeye Opportunity Program, President’s Affordability Grants and the Land Grant Opportunity Program. A fifth incoming class of Ohio students will enter under the Ohio State Tuition Guarantee, which locks in rates for tuition, mandatory fees and room and board for four years.

The Wexner Medical Center continues to reinvest projected margin in patient care and capital planning to support growing demand. Strategic growth initiatives include the opening of new outpatient care facilities in New Albany, Dublin and on the university’s West Campus. The West Campus outpatient facility, slated to open in 2023, will include central Ohio’s first proton therapy facility, in partnership with Nationwide Children’s Hospital. Also planned to open in 2023 on West Campus is an Interdisciplinary Research Facility, which will service a variety of research disciplines, including the Ohio State Comprehensive Cancer Center. Construction is also underway on a new 1.9 million-square-foot Inpatient Hospital, scheduled to open in 2026.

To safeguard the university’s resources during the pandemic, the university set FY2021 savings efficiency goals

of \$175 million for the university, \$77.6 million for the Wexner Medical Center and \$45 million for capital expenditures. The university exceeded these savings goals. Targets for FY2022 efficiency savings total \$90 million, including \$35 million for university, \$30 million for Wexner Medical Center and \$25 million for capital.

The impact of COVID-19 on university finances and operations may continue to be felt for at least the coming (FY2022) fiscal year, depending on vaccination rates and whether the COVID-19 virus or variations of the virus continue to spread in the United States and around the world. Future adverse consequences of the COVID-19 pandemic may include, but are not limited to: a decline in enrollment (including a disproportional decline in enrollment by international students); a decline in demand for university housing; a decline in demand for university programs that involve travel or that have international connections; cancellation, postponement and/or reduced attendance for athletic events; and an increase in costs associated with purchasing of personal protective equipment and implementing community-wide testing programs. 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.



# STATEMENTS OF NET POSITION

## June 30, 2021, and June 30, 2020

(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	\$ 677,386	\$ 1,844,446
Temporary investments	2,693,789	1,788,581
Accounts receivable, net	736,500	526,682
Notes receivable - current portion, net	25,231	25,231
Pledges receivable - current portion, net	63,799	79,240
Accrued interest receivable	19,848	21,274
Inventories and prepaid expenses	150,576	170,732
Investments held under securities lending program	118,266	12,092
Amounts due from (to) primary institution	(75,422)	(26,376)
Total Current Assets	4,409,973	4,441,902

##### Noncurrent Assets:

Restricted cash	276,243	401,664
Notes receivable, net	36,766	51,425
Pledges receivable, net	97,441	59,248
Net other post-employment benefit asset	275,182	77,901
Long-term investment pool	7,041,973	5,287,131
Other long-term investments	348,227	301,676
Other noncurrent assets	202,911	-
Capital assets, net	6,267,672	5,700,078
Total Noncurrent Assets	14,546,415	11,879,123

#### Total Assets

##### Deferred Outflows:

Pension	339,679	445,769
Other post-employment benefits	104,182	239,629
Other deferred outflows	23,739	31,959

#### Total Deferred Outflows

#### Total Assets and Deferred Outflows

Primary Institution		Discretely Presented Component Units		Total University	
2021	2020	2021	2020	2021	2020
\$ 677,386	\$ 1,844,446	\$ 260,758	\$ 186,705	\$ 938,144	\$ 2,031,151
2,693,789	1,788,581	1,614	15,135	2,695,403	1,803,716
736,500	526,682	69,268	56,555	805,768	583,238
25,231	25,231	-	424	25,231	25,655
63,799	79,240	-	-	63,799	79,240
19,848	21,274	-	-	19,848	21,274
150,576	170,732	4,623	4,279	155,199	175,011
118,266	12,092	-	-	118,266	12,092
(75,422)	(26,376)	75,422	26,376	-	-
4,409,973	4,441,902	411,685	289,474	4,821,658	4,731,377
276,243	401,664	-	-	276,243	401,664
36,766	51,425	800	850	37,566	52,275
97,441	59,248	-	-	97,441	59,248
275,182	77,901	-	-	275,182	77,901
7,041,973	5,287,131	-	-	7,041,973	5,287,131
348,227	301,676	-	-	348,227	301,676
202,911	-	1,222	-	204,133	-
6,267,672	5,700,078	296,209	243,277	6,510,934	5,922,015
14,546,415	11,879,123	298,231	244,127	14,791,699	12,101,910
18,956,388	16,321,025	709,916	533,601	19,613,357	16,833,287
339,679	445,769	-	-	339,679	445,769
104,182	239,629	-	-	104,182	239,629
23,739	31,959	-	-	23,739	31,959
467,600	717,357	-	-	467,600	717,357
\$ 19,423,988	\$ 17,038,382	\$ 709,916	\$ 533,601	\$ 20,080,957	\$ 17,550,644

# STATEMENTS OF NET POSITION

## June 30, 2021, and June 30, 2020

(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2021	2020	2021	2020	2021	2020
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION:</b>						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 774,841	\$ 638,750	\$ 33,586	\$ 30,877	\$ 808,427	\$ 669,627
Medicare advance payment program	254,854	274,915	10,191	12,585	265,045	287,500
Deposits and advance payments for goods and services	371,040	268,481	4,742	3,141	375,782	271,622
Current portion of bonds, notes and leases payable	62,746	57,002	1,455	1,607	64,201	58,608
Long-term bonds payable, subject to remarketing	289,970	317,715	-	-	289,970	317,715
Liability under securities lending program	118,266	12,092	-	-	118,266	12,092
Other current liabilities	110,847	108,209	11,801	9,153	122,648	117,362
Amounts due to (from) primary institution - current	(135,230)	(31,628)	135,230	31,628	-	-
Total Current Liabilities	1,847,334	1,645,536	197,005	88,991	2,044,339	1,734,526
Noncurrent Liabilities:						
Bonds, notes and leases payable	2,690,587	2,732,098	14,911	16,290	2,705,498	2,748,388
Concessionaire payable	223,721	134,362	-	-	223,721	134,362
Net pension liability	2,679,333	3,025,029	-	-	2,679,333	3,025,029
Net other post-employment benefit liability	22,683	1,459,572	-	-	22,683	1,459,572
Compensated absences	214,428	210,158	-	-	214,428	210,158
Self-insurance accruals	85,083	87,928	-	-	85,083	87,928
Amounts due to third-party payors - Health System	90,403	60,516	-	-	90,403	60,516
Irrevocable split-interest agreements	36,328	31,853	-	-	36,328	31,853
Refundable advances for Federal Perkins loans	26,005	29,695	-	-	26,005	29,695
Advance from concessionaire	980,953	1,002,769	-	-	980,953	1,002,769
Other noncurrent liabilities	283,643	104,255	59,960	39,215	290,656	122,132
Amounts due to (from) primary institution - noncurrent	(169,670)	(131,278)	169,670	131,278	-	-
Total Noncurrent Liabilities	7,163,497	8,746,957	244,541	186,783	7,355,091	8,912,402
<b>Total Liabilities</b>	<b>9,010,831</b>	<b>10,392,493</b>	<b>441,546</b>	<b>275,774</b>	<b>9,399,430</b>	<b>10,646,928</b>
Deferred Inflows:						
Parking service concession arrangement	397,283	406,914	-	-	397,283	406,914
Pension	682,490	487,347	-	-	682,490	487,347
Other post-employment benefits	675,698	298,463	-	-	675,698	298,463
Other deferred inflows	40,766	28,671	-	-	40,766	28,671
<b>Total Deferred Inflows</b>	<b>1,796,237</b>	<b>1,221,395</b>	<b>-</b>	<b>-</b>	<b>1,796,237</b>	<b>1,221,395</b>
Net Position:						
Net investment in capital assets	3,471,509	3,010,095	271,367	216,111	3,742,876	3,226,206
Restricted:						
Nonexpendable	1,789,304	1,622,782	-	-	1,789,304	1,622,782
Expendable	2,030,928	1,125,359	-	-	2,030,928	1,125,359
Unrestricted	1,325,179	(333,742)	(2,997)	41,716	1,322,182	(292,026)
<b>Total Net Position</b>	<b>8,616,920</b>	<b>5,424,494</b>	<b>268,370</b>	<b>257,827</b>	<b>8,885,290</b>	<b>5,682,321</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>19,423,988</b>	<b>17,038,382</b>	<b>709,916</b>	<b>533,601</b>	<b>20,080,957</b>	<b>17,550,644</b>

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

# STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30,  
2021, and June 30, 2020  
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2021	2020	2021	2020	2021	2020
Operating Revenues:						
Student tuition and fees (net of scholarship allowances of \$234,727 and \$238,920, respectively)	\$ 869,740	\$ 953,569	\$ -	\$ -	\$ 869,740	\$ 953,569
Federal grants and contracts	407,404	369,977	18,969	12,946	426,373	382,923
State grants and contracts	76,611	78,217	-	-	76,611	78,217
Local grants and contracts	27,538	27,015	-	-	27,538	27,015
Private grants and contracts	272,468	268,222	37,461	39,852	309,929	308,074
Sales and services of educational departments	168,707	142,389	10,053	9,354	178,760	151,743
Sales and services of auxiliary enterprises (net of scholarship allowances of \$26,375 and \$39,982, respectively)	175,961	298,064	-	-	175,961	298,064
Sales and services of the OSU Health System, net	3,952,605	3,449,681	-	-	3,952,605	3,449,681
Sales and services of OSU Physicians, Inc., net	-	-	647,601	584,222	647,601	584,222
Other operating revenues	37,198	44,700	-	-	37,198	44,700
Total Operating Revenues	5,988,232	5,631,834	714,084	646,374	6,702,316	6,278,208
Operating Expenses:						
Educational and General:						
Instruction and departmental research	957,504	1,096,254	7,782	8,821	965,286	1,105,075
Separately budgeted research	436,886	537,912	21,110	15,923	457,996	553,835
Public service	139,588	187,854	6,209	12,243	145,797	200,097
Academic support	190,097	250,674	-	-	190,097	250,674
Student services	52,086	95,070	-	-	52,086	95,070
Institutional support	229,993	378,552	22,345	20,367	252,338	398,919
Operation and maintenance of plant	95,672	122,449	717	741	96,389	123,190
Scholarships and fellowships	146,187	140,370	-	-	146,187	140,370
Auxiliary enterprises	206,123	320,392	-	-	206,123	320,392
OSU Health System	2,733,141	3,345,167	-	-	2,733,141	3,345,167
OSU Physicians, Inc.	-	-	603,324	563,200	603,324	563,200
Depreciation	457,950	425,012	12,754	10,272	470,704	435,284
Total Operating Expenses	5,645,227	6,899,706	674,241	631,567	6,319,468	7,531,273
Net Operating Income (Loss)	343,005	(1,267,872)	39,843	14,807	382,848	(1,253,065)

**STATEMENTS  
OF REVENUES,  
EXPENSES AND  
CHANGES IN NET  
POSITION**

**Years ended June 30,  
2021, and June 30, 2020**  
(in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2021	2020	2021	2020	2021	2020
Non-operating Revenues (Expenses):						
State share of instruction and line-item appropriations	486,115	461,838	-	-	486,115	461,838
Federal subsidies for Build America Bonds interest	10,790	10,987	-	-	10,790	10,987
Federal non-exchange grants	66,124	61,531	-	-	66,124	61,531
Federal COVID-19 assistance programs	150,037	158,058	-	11,805	150,037	169,863
State non-exchange grants	13,246	14,702	-	-	13,246	14,702
Gifts	129,723	157,511	-	-	129,723	157,511
Net investment income	1,859,173	231,190	1,753	1,925	1,860,926	233,115
Interest expense on plant debt	(125,687)	(116,379)	(1,549)	(1,531)	(127,236)	(117,910)
Other non-operating revenues (expenses)	46,890	48,328	(30,445)	(13,110)	16,445	35,218
Net Non-operating Revenue	2,636,411	1,027,766	(30,241)	(911)	2,606,170	1,026,855
Income (Loss) before Changes in Net Position	2,979,416	(240,106)	9,602	13,896	2,989,018	(226,210)
Changes in Net Position:						
State capital appropriations	63,988	69,905	-	-	63,988	69,905
Private capital gifts	78,942	77,425	-	-	78,942	77,425
Additions to permanent endowments	63,157	63,695	-	-	63,157	63,695
Capital contributions and changes in net position	6,923	19,499	941	5,079	7,864	24,578
Total Changes in Net Position	213,010	230,524	941	5,079	213,951	235,603
Increase (Decrease) in Net Position	3,192,426	(9,582)	10,543	18,975	3,202,969	9,393
Net Position - Beginning of Year:	5,424,494	5,434,076	257,827	238,852	5,682,321	5,672,928
Net Position - End of Year	\$ 8,616,920	\$ 5,424,494	\$ 268,370	\$ 257,827	\$ 8,885,290	\$ 5,682,321

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



# Statements of Cash Flows Years Ended June 30, 2021, and June 30, 2020 (dollars in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2021	2020	2021	2020	2021	2020
<b>Cash Flows from Operating Activities:</b>						
Tuition and fee receipts	\$ 758,837	\$ 838,750	\$ -	\$ -	\$ 758,837	\$ 838,750
Grant and contract receipts	746,479	764,850	77,991	67,488	824,470	832,338
Receipts for sales and services	4,227,793	3,981,772	599,436	595,501	4,827,229	4,577,273
Payments to or on behalf of employees	(2,771,435)	(2,672,926)	(435,974)	(421,493)	(3,207,409)	(3,094,419)
University employee benefit payments	(784,093)	(721,606)	(98,310)	(93,854)	(882,403)	(815,460)
Payments to vendors for supplies and services	(2,419,832)	(2,080,763)	(24,650)	(78,502)	(2,444,482)	(2,159,265)
Payments to students and fellows	(133,905)	(165,171)	-	-	(133,905)	(165,171)
Student loans issued	(3,764)	(3,249)	-	-	(3,764)	(3,249)
Student loans collected	9,778	9,061	-	-	9,778	9,061
Student loan interest and fees collected	911	1,949	-	-	911	1,949
Other receipts (payments)	(33,037)	43,099	-	-	(33,037)	43,099
Net cash provided (used) by operating activities	(402,268)	(4,234)	118,493	69,140	(283,775)	64,906
<b>Cash Flows from Noncapital Financing Activities:</b>						
State share of instruction and line-item appropriations	486,115	461,838	-	-	486,115	461,838
Non-exchange grant receipts	79,370	76,233	-	-	79,370	76,233
Federal COVID-19 assistance programs	144,286	158,058	-	11,805	144,286	169,863
Gift receipts for current use	93,413	148,904	-	-	93,413	148,904
Additions to permanent endowments	63,157	63,695	-	-	63,157	63,695
Drawdowns of federal direct loan proceeds	310,679	332,591	-	-	310,679	332,591
Disbursements of federal direct loans to students	(312,319)	(330,524)	-	-	(312,319)	(330,524)
Amounts received from irrevocable split-interest agreements	10,192	5,187	-	-	10,192	5,187
Amounts paid to annuitants and life beneficiaries	(2,063)	(1,797)	-	-	(2,063)	(1,797)
Agency funds receipts	5,052	4,549	-	-	5,052	4,549
Agency funds disbursements	(4,546)	(5,564)	-	-	(4,546)	(5,564)
Other receipts	16,223	21,633	8,784	5,838	25,007	27,471
Net cash provided by noncapital financing activities	889,559	934,803	8,784	17,643	898,343	952,446
<b>Cash Flows from Capital Financing Activities:</b>						
Proceeds from capital debt	-	-	1,596	12,003	1,596	12,003
State capital appropriations	67,302	71,605	-	-	67,302	71,605
Gift receipts for capital projects	78,197	33,250	-	-	78,197	33,250
Payments for purchase or construction of capital assets	(891,524)	(739,379)	(66,540)	(55,221)	(958,064)	(794,600)
Principal payments on capital debt and leases	(70,566)	(68,343)	(1,191)	(2,934)	(71,757)	(71,277)
Interest payments on capital debt and leases	(124,963)	(117,234)	(1,531)	(1,501)	(126,494)	(118,735)
Federal subsidies for Build America Bonds interest	10,790	5,327	-	-	10,790	5,327
Net cash (used) by capital financing activities	(930,764)	(814,774)	(67,666)	(47,653)	(998,430)	(862,427)
<b>Cash Flows from Investing Activities:</b>						
Net (purchases) sales of temporary investments	(882,182)	(27,789)	13,852	(12,550)	(868,330)	(40,339)
Proceeds from sales and maturities of long-term investments	3,648,843	3,122,487	-	13,926	3,648,843	3,136,413
Investment income, net of related expenses	370,290	142,413	590	2,046	370,880	144,459
Purchases of long-term investments	(3,985,959)	(3,168,993)	-	-	(3,985,959)	(3,168,993)
Net cash provided (used) by investing activities	(849,008)	68,118	14,442	3,422	(834,566)	71,540
<b>Net Increase (Decrease) in Cash</b>	<b>(1,292,481)</b>	<b>183,913</b>	<b>74,053</b>	<b>42,552</b>	<b>(1,218,428)</b>	<b>226,465</b>
Cash and Cash Equivalents - Beginning of Year	2,246,110	2,062,197	186,705	144,153	2,432,815	2,206,350
Cash and Cash Equivalents - End of Year	\$ 953,629	\$ 2,246,110	\$ 260,758	\$ 186,705	\$ 1,214,387	\$ 2,432,815

# Statements of Cash Flows Years Ended June 30, 2021, and June 30, 2020 (dollars in thousands)

	Primary Institution		Discretely Presented Component Units		Total University	
	2021	2020	2021	2020	2021	2020
<b>Reconciliation of Net Operating Income (Loss) to Net Cash Used by Operating Activities:</b>						
Operating income (loss)	\$ 343,005	\$ (1,267,872)	\$ 39,844	\$ 14,807	\$ 382,849	\$ (1,253,065)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	457,950	425,012	12,754	10,272	470,704	435,284
Changes in assets and liabilities:						
Accounts receivable, net	(211,658)	110,490	(11,496)	4,735	(223,154)	115,225
Notes receivable, net	5,359	(4,743)	474	2,188	5,833	(2,555)
Accrued interest receivable	(648)	28	-	-	(648)	28
Inventories and prepaid expenses	20,156	(37,208)	(345)	364	19,811	(36,844)
Amounts due to/from primary institution	(92,948)	(27,036)	54,945	5,603	(38,003)	(21,433)
Net other post-employment benefit asset	(197,281)	(3,381)	-	-	(197,281)	(3,381)
Deferred outflows	234,551	448,217	-	24	234,551	448,241
Other noncurrent assets	(190,622)	-	(665)	-	(191,287)	-
Accounts payable and accrued liabilities	159,506	84,258	3,146	4,726	162,652	88,984
Medicare advance payment program	(20,061)	274,915	(2,394)	12,585	(22,455)	287,500
Self-insurance accruals	(2,845)	5,421	-	-	(2,845)	5,421
Amounts due to third-party payors - Health System	29,887	11,142	-	-	29,887	11,142
Deposits and advanced payments	115,655	(25,440)	1,600	806	117,255	(24,634)
Compensated absences	4,270	32,486	-	-	4,270	32,486
Refundable advances for Federal Perkins loans	(3,690)	(3,783)	-	-	(3,690)	(3,783)
Advance from concessionaire	(21,816)	(21,786)	-	-	(21,816)	(21,786)
Net pension liability	(345,696)	(690,029)	-	(136)	(345,696)	(690,165)
Net other post-employment benefit liability	(1,436,889)	120,189	-	(60)	(1,436,889)	120,129
Deferred inflows	562,747	548,207	-	(13)	562,747	548,194
Other liabilities	188,800	16,679	20,630	13,239	209,430	29,918
Net cash provided (used) by operating activities	\$ (402,268)	\$ (4,234)	\$ 118,493	\$ 69,140	\$ (283,775)	\$ 64,906
<b>Non Cash Transactions:</b>						
Construction in process in accounts payable	\$ 47,852	\$ 33,503	\$ 9,414	\$ 9,534	\$ 57,266	\$ 43,037
Construction in process in concessionaire payable	101,507	102,867	-	-	101,507	102,867
Capital lease	11,316	10,970	-	-	11,316	10,970
Stock gifts	19,473	19,306	-	-	19,473	19,306
Net increase (decrease) in fair value of investments	1,487,302	88,869	1,064	(248)	1,488,366	88,621
Forgiveness of debt	-	-	278	-	278	-
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, 2021 and 2020 (dollars in thousands)

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## 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.

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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- **OSU Health Plan, Inc.** — The university appoints a voting majority of the board for this organization, which provides medical benefit plan administration services to the university and its faculty and staff.
- **Oval Limited** — The university holds all of the voting stock of this captive insurance entity, which was established by the university to provide medical malpractice coverage to physicians in the university's medical center.
- **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 nonprofit 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 nonprofit 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 21 and 22. 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, 2021 and 2020.

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, 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



# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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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; 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, and related 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 90 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

## Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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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 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, 2021, the university has made commitments to limited partnerships totaling \$1,352,335 that have not yet been funded. These commitments may extend for a maximum of 12 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 6,973 Board authorized funds and 209 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, 2021, the fair value of the university and Foundation gifted endowments is \$2,678,895, which is \$811,004 above the historical dollar value of \$1,867,891. Although the fair value of the gifted endowments in total exceeds the historical cost at June 30, 2021, there are 191 named funds that remain underwater (excluding income-to-principal transfers, or transfers of operating funds to that named fund). The fair value of these underwater funds at June 30, 2021 is \$73,494, which is \$4,844 below the historical dollar value of \$78,338.

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 (excluding income-to-principal transfers, or transfers of operating funds to that named fund). 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.

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.

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An allowance for uncollectible pledges receivable is provided based on management’s judgment of potential uncollectible amounts and includes 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 or deferred inflows 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 Federal COVID-19 assistance grant programs are recognized as non-operating revenues as eligibility requirements are met.

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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## 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 noncapital 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.

## Federal COVID-19 Assistance Programs

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan Act (ARPA) provide budgetary relief to higher education institutions through numerous provisions. These acts and other federal COVID-19 assistance programs 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 health care-related expenses due to operational changes to prepare for treating patients with COVID-19.

For the year ended June 30, 2021, the university recognized revenues totaling \$150,037 for federal COVID-19 assistance programs, including \$58,920 of CARES institutional grants, \$25,403 of CARES emergency grants to students, \$42,614 of Coronavirus Relief Funds from the State of Ohio, \$263 in CARES Strengthening Institutions programs, \$6,585 in CARES Provider Relief funds, \$625 in PPP loan forgiveness, \$19 in



## Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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additional CARES assistance and \$15,608 in FEMA Public Assistance funds, which were provided to the Health System for costs associated with emergency protective measures in response to COVID-19. For the year ended June 30, 2020, the university recognized revenues totaling \$158,058, including \$143,301 of Provider Relief Funds for the Health System and \$14,757 of CARES emergency grants to students. Amounts provided under federal COVID-19 grant programs are recognized as non-operating revenues in the Statement of Revenues, Expenses and Changes in Net Position as eligibility requirements are met.

The CARES Act expands the Medicare Accelerated and Advance Payment Program. These advance payments are intended to provide necessary funds for the disruption in claims processing and may also be offered in circumstances such as national emergencies or natural disasters to accelerate cash flow to impacted health care providers and suppliers. Amounts provided under the Medicare Accelerated and Advance Payment Program are considered short-term loans and are reported as current liabilities in the Statement of Net Position. Advance payments totaling \$274,915 were provided to the Health System in 2020. In 2021, the Health System began to repay the advance through retractions (reductions) in Medicare payments. Current liabilities for advance payments provided to the Health System totaled \$254,854 and \$274,915 at June 30, 2021 and 2020, respectively.

OSU Physicians, which is shown as a discretely presented component unit in the university's financial statements, received and recognized \$11,805 of Provider Relief Fund revenue for the year ended June 30, 2020. OSU Physicians also received \$12,585 in Medicare advance payments in 2020. Current liabilities for advance payments provided to OSU Physicians totaled \$10,191 and \$12,585 at June 30, 2021 and 2020, respectively.

### 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 of charges foregone for services rendered. Net charity care costs for the OSU Health System for the years ended June 30, 2021 and 2020, are \$51,138 and \$52,589, respectively, after applying a decrease of \$468 and \$5,661, respectively, for

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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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, 2021 and 2020, are \$7,458 and \$8,437, respectively.

## Management Estimates

The preparation of financial statements in conformity with accounting principles, generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures during the reporting period. Disclosure of contingent assets and liabilities at the date of the financial statements may also be affected. Actual results could differ from those estimates.

## Newly Issued Accounting Pronouncements

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

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 removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021 (FY2023). All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020 (FY2021). The other requirements had no impact on the university's financial statements.

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

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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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.

In 2021, the university adopted GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* and GASB Statement No. 90, *Majority Equity Interests — an amendment of GASB Statements No. 14 and No. 61*. The adoption of these standards had no material impact on the university’s financial statements.

University management is currently assessing the impact that implementation of GASB Statements No. 87, 93, 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.

## NOTE 2 — CASH AND CASH EQUIVALENTS

At June 30, 2021, the carrying amount of the primary institution’s cash, cash equivalents and restricted cash is \$953,629 as compared to bank balances of \$953,759. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit.

Of the bank balances, \$87,861 is covered by federal deposit insurance and \$865,898 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

At June 30, 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, 2021, the carrying amount of the discretely presented component units’ cash, cash equivalents and restricted cash is \$260,758 as compared to bank balances of \$261,688. The differences in carrying amount

and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$2,027 is covered by federal deposit insurance and \$259,661 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.

## 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.

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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:

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.

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, 2021 and 2020 (dollars in thousands)

Total university investments by major category for the primary institution at June 30, 2021 and 2020, are as follows:

	Primary Institution	
	2021	2020
Temporary Investments	\$ 2,693,789	\$ 1,788,581
Long-Term Investment Pool:		
Gifted Endowment - University	1,333,836	1,038,113
Gifted Endowment - OSU Foundation	1,345,059	996,177
Quasi Endowment - Operating	1,740,687	1,363,204
Quasi Endowment - Designated	2,622,391	1,889,637
Total Long-Term Investment Pool	7,041,973	5,287,131
Securities Lending Collateral Investments	118,266	12,092
Other Long-Term Investments	348,227	301,676
Total Investments	\$ 10,202,255	\$ 7,389,480

Total university investments by investment type for the primary institution at June 30, 2021, are as follows:

	Primary Institution				
	Temporary Investments	Long-Term Investment Pool	Other Long-Term Investments	Securities Lending Collateral Investments	Total
U.S. equity	\$ -	\$ 1,159,881	\$ 22,530	\$ -	\$ 1,182,411
International equity	-	513,586	-	-	513,586
Equity mutual funds	109,272	1,072,486	27,451	-	1,209,209
U.S. government obligations	183,912	605	844	-	185,361
U.S. government agency obligations	128,991	-	-	-	128,991
Corporate bonds and notes	1,663,809	-	-	-	1,663,809
Bond mutual funds	505,032	539,956	25,602	-	1,070,590
Foreign government bonds	25,119	-	-	-	25,119
Real assets	5	762,928	23,577	-	786,510
Hedge funds	-	565,599	-	-	565,599
Private equity	-	2,058,643	225,102	-	2,283,745
Commercial paper	32,534	-	-	-	32,534
Cash and cash equivalents	-	368,289	-	-	368,289
Other	45,115	-	23,121	-	68,236
Securities Lending Collateral Assets:					
Repurchase agreements	-	-	-	72,042	72,042
Variable rate notes	-	-	-	-	-
Commercial Paper	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
Cash and other adjustments	-	-	-	46,224	46,224
	\$ 2,693,789	\$ 7,041,973	\$ 348,227	\$ 118,266	\$ 10,202,255

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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

	Primary Institution				
	Temporary Investments	Long-Term Investment Pool	Other Long-Term Investments	Securities Lending Collateral Investments	Total
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>

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

	2021	2020
Interest and dividends	\$ 190,698	\$ 194,485
Net increase in fair value of investments	1,727,863	88,869
Investment expenses	(59,388)	(52,164)
Total	<u>\$ 1,859,173</u>	<u>\$ 231,190</u>

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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## 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 U.S. 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 \$123,786 and \$118,873 at June 30, 2021 and 2020, respectively.

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Investments by fair value category for the primary institution at June 30, 2021,  
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	\$ 1,182,411	\$ -	\$ -	\$ -	\$ 1,182,411
International equity	513,586	-	-	-	513,586
Equity mutual funds	357,359	-	-	851,850	1,209,209
U.S. government obligations	605	184,756	-	-	185,361
U.S. government agency obligations	-	128,991	-	-	128,991
Corporate bonds and notes	-	1,663,809	-	-	1,663,809
Bond mutual funds	948,268	-	-	122,322	1,070,590
Foreign government bonds	-	25,119	-	-	25,119
Real assets	127,615	-	94,137	564,758	786,510
Hedge funds	-	-	-	565,599	565,599
Private equity	-	-	403,773	1,879,972	2,283,745
Commercial paper	-	32,534	-	-	32,534
Cash equivalents	244,503	-	-	-	244,503
Other	-	44,584	23,652	-	68,236
Securities Lending Collateral Assets:					
Repurchase agreements	-	72,042	-	-	72,042
Other adjustments	-	46,224	-	-	46,224
	<u>\$ 3,374,347</u>	<u>\$ 2,198,059</u>	<u>\$ 521,562</u>	<u>\$ 3,984,501</u>	<u>\$ 10,078,469</u>



# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (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>

## 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, 2021, is as follows:

	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Mutual funds - non-public international	\$ 974,172	-	No limit	1 to 30 days	None
Hedge funds - absolute return, credit, long/short equities	565,599	-	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	1,879,972	945,455	1-12 years	Partnerships ineligible for redemption	Not redeemable
Real assets - natural resources, real estate, infrastructure	564,758	138,354	1-12 years	Partnerships ineligible for redemption	Not redeemable
	<u>\$ 3,984,501</u>	<u>\$ 1,083,809</u>			

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (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, 2021, 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	\$ 185,361	\$ 35,954	\$ 147,691	\$ 1,716	\$ -
U.S. government agency obligations	128,784	1,351	23,943	33,736	69,754
Commercial paper	32,534	32,534	-	-	-
Corporate bonds	1,663,809	373,786	968,603	154,052	167,368
Bond mutual funds	1,070,590	337,094	478,241	114,304	140,951
Other governmental bonds	44,584	5,803	31,732	253	6,796
Foreign governmental bonds	25,119	13,101	10,994	832	192
Securities Lending Collateral: Repurchase agreements	72,042	72,042	-	-	-
Total	\$ 3,222,823	\$ 871,665	\$ 1,661,204	\$ 304,893	\$ 385,061

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

**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, 2021 and 2020 (dollars in thousands)

The credit ratings of the university's interest-bearing investments for the primary institution at June 30, 2021, are as follows:

	Primary Institution										
	Total	AAA	AA	A	BBB	BB	B	CCC	CC	C	Not Rated
U.S. government and agency obligations	\$ 314,353	\$ 2,892	\$ 232,040	\$ 75,785	\$ 3,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 427
Corporate bonds	1,663,809	128,683	151,803	556,677	582,777	35,585	7,559	-	-	-	200,725
Bond mutual funds	1,070,590	147,791	110,394	258,440	274,999	31,019	17,545	3,993	2,148	514	223,233
Foreign government bonds	25,119	1,069	13,189	6,364	2,195	-	2,024	-	-	-	278
Commercial paper	32,534	4,996	3,165	22,623	1,750	-	-	-	-	-	-
Other government bonds	44,584	655	24,123	13,591	1,483	-	-	-	-	-	4,732
Securities Lending Collateral:											
Repurchase agreements	72,042	-	-	-	-	-	-	-	-	-	72,042
Certificates of deposit	-	-	-	-	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-	-	-	-	-
Variable rate notes	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 3,223,031	\$ 286,086	\$ 534,714	\$ 933,480	\$ 866,413	\$ 66,604	\$ 27,128	\$ 3,993	\$ 2,148	\$ 514	\$ 501,437

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

## 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, 2021, and June 30, 2020.

**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, 2021 and 2020 (dollars in thousands)

At June 30, 2021, 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	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ -
Australian dollar	13,268	17,509	37	12,060	-	-
Bangladeshi taka	-	-	-	-	-	-
Brazilian real	904	14,857	42	-	-	-
Canadian dollar	34,149	19,543	18	10,822	-	-
Cayman Islands Dollar	-	1,489	-	-	-	-
Chilean peso	82	62	19	-	-	-
Chinese yuan	(202)	75,481	8	-	-	-
Columbian peso	27	24	-	-	-	-
Czech Republic koruna	27	931	-	-	-	-
Danish krone	3,142	5,062	2	-	-	-
Egyptian pound	14	13	-	-	-	-
Euro	157,006	90,616	10	8,176	42	173,594
Great Britain pound sterling	57,597	55,533	36	28,686	-	284,936
Hong Kong dollar	37,836	57,016	-	-	-	-
Hungarian forint	41	31	-	-	-	-
Iceland Krona	-	-	9	-	-	-
Indian rupee	1,739	26,530	9	-	-	-
Indonesian rupiah	192	2,123	10	-	-	-
Israeli shekel	123	237	-	-	5,860	-
Japanese yen	142,466	45,694	2	901	-	-
Kenyan Shilling	-	504	-	-	-	-
Kuwaiti dinar	96	66	-	-	-	-
Malaysian ringgit	219	218	-	-	-	-
Mexican peso	301	4,933	52	-	-	-
New Taiwan dollar	6,806	33,480	-	-	-	-
New Turkish lira	41	592	-	-	-	-
New Zealand dollar	253	96	-	-	-	-
Norwegian krone	6,052	4,716	19	-	-	-
Pakistan rupee	-	8	-	-	-	-
Peruvian nuevo sol	-	1,165	(2)	-	-	-
Philippine peso	109	1,624	-	-	-	-
Polish zloty	109	466	-	-	-	-
Qatari riyal	109	85	-	-	-	-
Romanian new leu	-	4	-	-	-	-
Russian ruble	397	6,511	19	-	-	-
Saudi Riyal	506	405	-	-	-	-
Singapore dollar	868	630	-	-	-	-
South African rand	616	4,737	-	-	-	-
South Korean Won	13,612	42,995	54	-	-	-
Sri Lanka rupee	-	-	-	-	-	-
Swedish krona	12,766	13,802	-	-	-	-
Swiss franc	21,945	11,961	(1)	-	-	26,429
Thailand bhat	274	3,809	-	-	-	-
UAE dirham	96	91	-	-	-	-
Total	\$ 513,586	\$ 545,649	\$ 345	\$ 60,645	\$ 5,902	\$ 484,959



# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (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	-	-	-
Qatari riyal	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 baht	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, 2021 and 2020 (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, 2021 and 2020, 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, 2021, 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, 2021, securities loaned by the university amounted to a fair value of \$163,207 and were secured by collateral in the amount of \$171,796. The portion of this collateral that was received in cash amounted to \$118,266 and is reflected within the university's statement of net position as a current asset and a corresponding current liability.

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.

## NOTE 4 — ACCOUNTS, NOTES AND PLEDGES RECEIVABLE

Accounts receivable for the primary institution at June 30, 2021 and 2020, consist of the following:

	Primary Institution	
	2021	2020
Gross receivables - OSU Health System	\$ 1,180,623	\$ 973,045
Grant and contract receivables	154,484	68,675
Tuition and fees receivable	16,486	20,184
Receivables for departmental and auxiliary sales and services	65,097	45,574
State and federal receivables	11,629	14,237
Other receivables	3,379	70
Total receivables	1,431,698	1,121,785
Less: Allowances	695,198	595,103
Total receivables, net	\$ 736,500	\$ 526,682

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (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 \$16,294 and \$17,673 at June 30, 2021 and 2020, 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 \$168,613 in non-endowment pledges receivable and a related allowance for doubtful accounts of \$7,372 at June 30, 2021. The university recorded \$145,279 in non-endowment pledges receivable

and a related allowance for doubtful accounts of \$6,790 at June 30, 2020.

Accounts receivable for the discretely presented component units at June 30, 2021 and 2020, consist of the following:

	Discretely Presented Component Units	
	2021	2020
Gross receivables - OSU Physicians	\$ 150,802	\$ 118,780
Other receivables	12,438	11,159
Total receivables	163,240	129,939
Less: Allowances	93,972	73,384
Total receivables, net	\$ 69,268	\$ 56,555

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, 2021, is summarized as follows:

	Primary Institution			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 108,136	\$ 2,071	\$ -	\$ 110,207
Intangibles	18,563	-	98	18,465
Construction in progress	880,224	141,588	-	1,021,812
Total non depreciable assets	1,006,923	143,659	98	1,150,484
Capital assets being depreciated:				
Improvements other than buildings	950,770	26,476	-	977,247
Buildings and fixed equipment	6,902,736	538,939	24,749	7,416,926
Movable equipment, furniture and software	1,735,709	319,173	24,958	2,029,924
Library books	196,468	3,943	219	200,191
Total	9,785,683	888,531	49,926	10,624,288
Less: Accumulated depreciation	5,092,528	457,950	43,379	5,507,100
Total depreciable assets, net	4,693,155	430,581	6,547	5,117,188
Capital assets, net	\$ 5,700,078	\$ 574,240	\$ 6,645	\$ 6,267,672

**Notes to  
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The increase in construction in progress of \$141,588 in fiscal year 2021 represents the amount of capital expenditures for new projects of \$947,213, net of assets placed in service of \$805,625.

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

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.

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

Capital assets activity for the discretely presented component units for the year ended June 30, 2021, is summarized as follows:

Discretely Presented Component Units				
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 31,461	-	-	\$ 31,461
Intangibles	26	-	26	-
Construction in progress	70,498	-	20,341	50,157
Total non depreciable assets	101,985	-	20,367	81,618
Capital assets being depreciated:				
Improvements other than buildings	28,268	3,739	9	31,998
Buildings and fixed equipment	159,926	81,695	-	241,621
Movable equipment, furniture and software	35,944	11,054	11,718	35,280
Total	224,138	96,488	11,727	308,899
Less: Accumulated depreciation	82,846	12,754	1,292	94,308
Total depreciable assets, net	141,292	83,734	10,435	214,591
Capital assets, net	\$ 243,277	\$ 83,734	\$ 30,802	\$ 296,209

The decrease in construction in progress of \$20,341 in fiscal year 2020 represents the amount of capital expenditures for new projects of \$58,481, net of assets placed in service of \$78,822.

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, 2021 and 2020 (dollars in thousands)

The university recognized asset retirement obligations (AROs) of \$17,934 and \$17,934 at June 30, 2021 and 2020, 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.

## NOTE 6 — ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses for the primary institution at June 30, 2021 and 2020, consist of the following:

	Primary Institution	
	2021	2020
Payables to vendors for supplies and services	\$ 518,560	\$ 400,568
Accrued compensation and benefits	132,067	143,389
Retirement system contributions payable	67,256	55,826
Other accrued expenses	56,958	38,967
Total payables and accrued expenses	\$ 774,841	\$ 638,750

## 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, 2021 and 2020, consist of the following:

	Primary Institution	
	2021	2020
Current deposits and advance payments:		
Tuition and fees	\$ 56,453	\$ 47,900
Departmental and auxiliary sales and services	68,105	59,338
Affinity agreements	7,177	2,930
Advance from concessionaire	21,786	21,786
Grant and contract advances	156,179	122,426
Health system advances	24,263	-
Other deposits and advance payments	37,077	14,101
Total current deposits and advance payments	\$ 371,040	\$ 268,481
Noncurrent deposits and advance payments:		
Advance from concessionaire	\$ 980,953	\$ 1,002,769

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

Deposits and advance payments for goods and services for the discretely presented component units at June 30, 2021 and 2020, consist of the following:

	Discretely Presented Component Units	
	2021	2020
Current deposits and advance payments:		
Unearned rental income and deposits - Campus Partners	\$ 2,863	\$ 1,579
Unearned revenues - Transportation Research Center	1,597	1,095
Unearned rental income - SciTech	282	467
Total current deposits and advance payments	<u>\$ 4,742</u>	<u>\$ 3,141</u>
Non-current deposits and advance payments:		
Unearned rental income - Campus Partners	\$ 51,374	\$ 37,440
Unearned rental income and deposits - SciTech	8,587	1,775
Total (shown as other non-current liabilities)	<u>\$ 59,961</u>	<u>\$ 39,215</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, 2020, Oval Limited provides coverage with limits of \$80,000 per occurrence and in the aggregate.

Previous coverage levels for Oval Limited are as follows:

Accident Period for Oval	Gross Oval Limit (Occurrence and Annual Aggregate)
7/1/20 – 6/30/21	\$80,000
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

## Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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, 2021, Oval reinsured, in excess of the self-insured retention, 100% of the first \$15,000 of risk to Berkshire Hathaway Specialty Insurance. The next \$20,000 was fully ceded to The Medical Protective Company, then \$10,000 ceded to Endurance Specialty Insurance Ltd, with the next \$10,000 ceded to Arch Specialty Insurance Company, then \$5,000 was ceded to The Medical Protective Company and above that the Company ceded \$10,000 of the risk to Liberty Specialty Markets Bermuda Limited, with the remaining \$10,000 of the risk to Berkshire Hathaway Specialty Insurance.

The estimated liability and the related contributions to the trustee fund are based upon an independent actuarial determination as of June 30, 2021. 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, 2021, of the anticipated future payments on gross claims is estimated at its present value of \$54,118 discounted at an estimated rate of 3% (university funds) and an additional \$20,179 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 \$222,299 (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, 2021, and the surplus of \$148,002 is included in unrestricted net position.

At June 30, 2020, the anticipated future payments on gross claims was 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). The self-insurance fund assets of \$204,872 (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, 2020, and the surplus of \$128,706 was included in unrestricted net position.

### Employee Health Insurance

The university is also self-insured for employee health insurance. As of June 30, 2021 and 2020, \$46,333 and \$32,583, 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, 2021 and 2020, respectively, \$17,122 and \$18,102, 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, 2019, result from the following activities:

	Malpractice		Health		Workers' Compensation	
	2021	2020	2021	2020	2021	2020
Liability at beginning of fiscal year	\$ 76,166	\$ 70,339	\$ 32,583	\$ 37,016	\$ 18,102	\$ 19,276
Current year provision for losses	1,977	9,036	416,109	373,448	5,355	5,166
Claim payments	(3,846)	(3,209)	(402,360)	(377,881)	(6,335)	(6,340)
Balance at fiscal year end	\$ 74,297	\$ 76,166	\$ 46,332	\$ 32,583	\$ 17,122	\$ 18,102

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (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, 2021, is as follows:

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Direct Borrowings and Direct Placements - Notes:</b>					
WOSU	\$ 1,667	\$ -	\$ 159	\$ 1,508	\$ 159
OH Air Quality Note Series A	1,771	-	433	1,338	440
OH Air Quality Note Series B	2,340	-	-	2,340	-
St. Stephens Church Note	2,489	-	88	2,401	93
<b>Direct Borrowings and Direct Placements - Other:</b>					
Capital Lease Obligations	24,698	11,316	9,981	26,033	9,341
Ohio State Energy Partners	141,932	101,507	7,570	235,869	12,148
<b>General Receipts Bonds - Fixed Rate:</b>					
2010A, due serially through 2020	6,125	-	6,125	-	-
2010C, due 2040	654,785	-	-	654,785	-
2010D, due serially through 2032	84,625	-	4,635	79,990	11,675
2011, due 2111	500,000	-	-	500,000	-
2012A, due 2030	49,310	-	7,870	41,440	8,190
2012B, due 2033	10,525	-	1,540	8,985	1,575
2014A, due serially through 2044	124,250	-	2,690	121,560	2,825
2016A, due serially through 2111	600,000	-	-	600,000	-
2016B, due serially through 2030	17,535	-	1,405	16,130	1,465
2017, due serially through 2028	62,915	-	7,320	55,595	7,640
2020A, due serially through 2030	185,995	-	-	185,995	7,195
<b>Special Purpose General Receipts Bonds - Fixed Rate:</b>					
2013A, due 2043	337,955	-	-	337,955	-
<b>General Receipts Bonds - Variable Rate:</b>					
1997, due serially through 2027	3,350	-	1,650	1,700	1,700
1999B1, due serially through 2029	1,640	-	820	820	820
2001, due serially through 2032	6,765	-	3,315	3,450	3,450
2003C, due serially through 2031	5,190	-	5,190	-	-
2005B, due serially through 2035	8,120	-	8,120	-	-
2008B, due serially through 2028	17,650	-	8,650	9,000	9,000
2010E, due serially through 2035	125,000	-	-	125,000	125,000
2014B, due serially through 2044	150,000	-	-	150,000	150,000
	3,126,632	112,823	77,561	3,161,894	352,716
<b>Unamortized Bond Premiums</b>	114,545	-	9,415	105,130	-
Total outstanding debt	\$ 3,241,177	\$ 112,823	\$ 86,976	\$ 3,267,024	\$ 352,716

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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
<b>Direct Borrowings and Direct Placements - Notes:</b>					
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
<b>Direct Borrowings and Direct Placements - Other:</b>					
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
<b>General Receipts Bonds - Fixed Rate:</b>					
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
<b>Special Purpose General Receipts Bonds - Fixed Rate:</b>					
2013A, due 2043	337,955	-	-	337,955	-
<b>General Receipts Bonds - Variable Rate:</b>					
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
<b>Unamortized Bond Premiums</b>	73,328	46,029	4,812	114,545	-
Total outstanding debt	\$ 3,200,783	\$ 345,793	\$ 305,399	\$ 3,241,177	\$ 374,717



# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

Debt activity for the discretely presented component units for the year ended June 30, 2021, is as follows:

	Discretely Presented Component Units				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Direct Borrowings and Direct Placements:</b>					
OSU Physicians - Series 2013 Health Care Facilities Revenue Bond, due through 2035	\$ 11,340	\$ -	\$ 586	\$ 10,754	\$ 601
OSU Physicians - Term Loan Payable, due 2023	837	-	279	558	284
TRC Ohio Development Service Agency Note Payable	4,454	-	238	4,216	318
Campus Partners - Columbus Foundation Note Payable	-	-	-	-	-
SciTech - Project Notes Series 2001	340	-	340	-	-
SciTech - Credit Facility	419	-	167	252	167
Campus Partners PPP Loan	288	266	278	276	-
Campus Partners EIDL Loan	160	-	10	150	4
Campus Partners Finance Fund Loan	59	-	15	44	30
Capital Lease Obligations	-	152	37	115	51
Total outstanding debt	\$ 17,897	\$ 418	\$ 1,950	\$ 16,365	\$ 1,455

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

	Discretely Presented Component Units				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Direct Borrowings and Direct Placements:</b>					
OSU Physicians - Series 2013 Health Care Facilities Revenue Bond, due through 2035	\$ 11,673	\$ -	\$ 333	\$ 11,340	\$ 586
OSU Physicians - Term Loan Payable, due 2023	1,347	-	510	837	277
TRC Ohio Development Service Agency Note Payable	4,691	-	237	4,454	237
Campus Partners - Columbus Foundation Note Payable	1,747	-	1,747	-	-
SciTech - Project Notes Series 2001	670	-	330	340	340
SciTech - Credit Facility	586	-	167	419	167
Campus Partners PPP Loan	-	288	-	288	-
Campus Partners EIDL Loan	-	160	-	160	-
Campus Partners Finance Fund Loan	-	59	-	59	-
Capital Lease Obligations	46	-	46	-	-
Total outstanding debt	\$ 20,760	\$ 507	\$ 3,370	\$ 17,897	\$ 1,607

**Notes to  
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Years Ended  
June 30, 2021  
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(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:

	Primary Institution				
	Bonds		Direct Borrowings and Direct Placements		
	Principal	Interest	Principal	Interest	Total
2022	\$ 330,535	\$ 118,235	\$ 22,181	\$ 16,108	\$ 487,059
2023	66,320	115,781	21,151	15,220	218,472
2024	60,775	112,646	18,467	14,167	206,055
2025	61,635	109,654	15,200	13,241	199,730
2026	48,645	106,760	12,420	12,392	180,217
2027-2031	243,210	499,462	61,311	49,796	853,779
2032-2036	117,145	459,661	49,917	32,063	658,786
2037-2041	786,840	399,972	45,119	16,159	1,248,090
2042-2046	77,300	242,710	23,723	4,217	347,950
2047-2051	350,000	177,247	-	-	527,247
2052-2056	-	170,600	-	-	170,600
2057-2061	250,000	125,060	-	-	375,060
2062-2066	-	120,000	-	-	120,000
2067-2071	-	120,000	-	-	120,000
2072-2076	-	120,000	-	-	120,000
2077-2081	-	120,000	-	-	120,000
2082-2086	-	120,000	-	-	120,000
2087-2091	-	120,000	-	-	120,000
2092-2196	-	120,000	-	-	120,000
2097-2101	-	120,000	-	-	120,000
2102-2106	-	120,000	-	-	120,000
2107-2111	500,000	120,000	-	-	620,000
	<u>\$ 2,892,405</u>	<u>\$ 3,837,788</u>	<u>\$ 269,489</u>	<u>\$ 173,363</u>	<u>\$ 7,173,045</u>

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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

	Discretely Presented Component Units		
	Direct Borrowings and Direct Placements		Total
	Principal	Interest	
2022	\$ 1,455	\$ 323	\$ 1,778
2023	1,640	296	1,936
2024	974	274	1,248
2025	980	255	1,235
2026	1,001	234	1,235
2027-2031	5,323	852	6,175
2032-2036	4,907	305	5,212
2037-2041	28	9	37
2042-2046	31	5	36
2047-2051	26	1	27
	<u>\$ 16,365</u>	<u>\$ 2,554</u>	<u>\$ 18,919</u>

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

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 \$395,245 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	Amount
	Defeased	Outstanding at June 30, 2021
General Receipts Bonds:		
Series 2010D	4,376	3,982
	<u>\$ 4,376</u>	<u>\$ 3,982</u>

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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

## Special-Purpose General Receipts Bonds

In January 2013, the university issued \$337,955 of Special Purpose General Receipts Bonds, Series 2013A. These bonds are solely payable from, and secured by, a pledge of the gross revenues of Special Purpose Revenue Facilities. Special Purpose Revenue Facilities are defined in the Series 2013 Supplement as all housing and dining facilities and such auxiliary facilities as shall constitute recreation facilities owned by the university. The bond indenture agreement includes a debt covenant, requiring the university "to set rates, charges and fees in each Fiscal Year so as to cause Special Purpose Pledged Revenues to be in an amount not less than 1.10 times the aggregate debt service for the then-current Fiscal Year on all Special Purpose General Receipts Obligations." At June 30, 2021, the university is in compliance with this covenant. Condensed financial information for the Special Purpose Revenue Facilities is provided in Note 23.

## 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, 2021, are as follows:

Series:	Interest Rate Not to Exceed	Effective Average Interest Rate
1997	12%	0.066%
1999B1	12%	0.070%
2001	12%	0.072%
2003C	12%	0.194%
2005B	12%	0.068%
2008B	12%	0.072%
2010E	8%	0.067%
2014B1	not specified	0.063%
2014B2	not specified	0.071%

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 \$289,970 and \$317,715 at June 30, 2021 and 2020, respectively.

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

## 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, 2021, are \$44,355 and \$26,032, respectively. The original cost and lease obligations related to these capital leases as of June 30, 2020, are \$33,088 and \$24,698, respectively.

## Capitalization of Interest

In 2021, the university implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of the 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. For the year ended June 30, 2021, total interest costs incurred for the primary institution were \$125,687 and are reported as interest expense in the statement of revenues, expenses and changes in net position. For the year

ended June 30, 2020, total interest costs incurred for the primary institution were \$121,125. Of this amount, interest of \$4,746 was capitalized. The remaining amount of \$116,379 is reported as interest expense in the statement of revenues, expenses and changes in net position.

## 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):

The forward-starting pay fixed/receive floating interest rate swap agreements are considered effective hedging derivatives as of June 30, 2021. 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, 2021. 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.

	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+



# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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, 2021	\$ 12,298	Other non-current asset
Change in Fair Value for Year Ended June 30, 2021	\$ 18,927	Deferred inflows - other

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

Using rates in effect as of June 30, 2021, 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	-	99	4,261	4,360
2025	-	99	4,261	4,360
2026	-	99	4,261	4,360
2027-2031	53,655	480	20,729	74,864
2032-2036	109,355	348	15,032	124,735
2037-2041	116,855	180	7,755	124,790
2042-2043	48,955	22	954	49,931
	328,820	1,327	57,253	387,400

\* Variable rate bond interest based on 6/30/2021 SIFMA rate of 0.03%.

## 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.

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

## 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, 2021.

## 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 \$22,752 and \$26,458 for the years ended June 30, 2021 and 2020, respectively.

Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2021, are as follows:

Year Ending June 30,	Primary Institution	Discretely Presented Component Units
2022	\$ 21,687	\$ 7,649
2023	19,655	7,256
2024	17,769	6,374
2025	13,596	6,585
2026	12,948	8,068
2027-2031	53,369	30,103
2032-2036	20,266	1,873
2037-2041	19,804	-
2042-2046	22,090	-
2047-2051	24,277	-
2052-2056	1,323	-
2057-2061	1,382	-
2062-2066	1,370	-
Total minimum lease payments	<u>\$ 229,536</u>	<u>\$ 67,908</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 10 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

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calculates a ratio, Sick Leave Termination Cost per Year Worked, that is based on the university's actual historical experience of sick leave payouts to terminated employees. This ratio is then applied to the total years-of- service for current employees.

Certain employees of the university (mostly classified civil service employees) receive compensation time in lieu of overtime pay. Any unused compensation time must be paid to the employee at termination or retirement.

**NOTE 13 — OTHER LIABILITIES**

Other liability activity for the primary institution for the year ended June 30, 2021, is as follows:

	Primary Institution				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 225,561	\$ 37,451	\$ 24,292	\$ 238,720	\$ 24,292
Self-insurance accruals	126,851	423,441	412,541	137,751	52,668
Amounts due to third party payors	110,819	12,337	3,366	119,790	29,387
Irrevocable split-interest agreements	35,117	8,130	3,655	39,592	3,264
Refundable advances for Federal Perkins loans	29,695	-	3,690	26,005	-
Other noncurrent liabilities	104,255	190,039	10,651	283,643	-
Other current liabilities	316	1,236	316	1,236	1,236
	<b>\$ 632,614</b>	<b>\$ 672,634</b>	<b>\$ 458,511</b>	<b>\$ 846,737</b>	<b>\$ 110,847</b>

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
	<b>\$ 583,538</b>	<b>\$ 480,901</b>	<b>\$ 431,825</b>	<b>\$ 632,614</b>	<b>\$ 108,209</b>

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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## 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, 2021, is as follows:

Year Ending June 30,	
2022	\$ 7,496
2023	6,121
2024	5,288
2025	4,232
2026	3,067
2027-2031	11,838
2032-2036	1,484
2037-2041	610
2042-2046	610
2047-2051	606
2052 and beyond	<u>1,000</u>
Total minimum future rentals	<u>\$ 42,352</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, 2021, is as follows:

Year Ending June 30,	
2022	\$ 9,405
2023	8,638
2024	8,280
2025	7,913
2026	6,771
2027-2031	31,561
2032-2036	24,487
2037-2041	20,806
2042-2046	21,083
2047-2051	<u>20,368</u>
Total minimum future rentals	<u>\$ 159,312</u>

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

## 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, 2021 and 2020, are summarized as follows:

### Year Ended June 30, 2021

	Primary Institution				
	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 859,138	\$ 98,366	\$ -	\$ -	\$ 957,504
Separately budgeted research	258,895	177,991	-	-	436,886
Public service	60,829	78,759	-	-	139,588
Academic support	119,728	70,369	-	-	190,097
Student services	40,796	11,290	-	-	52,086
Institutional support	165,206	64,787	-	-	229,993
Operation and maintenance of plant	6,714	88,958	-	-	95,672
Scholarships and fellowships	8,227	4,054	133,906	-	146,187
Auxiliary enterprises	88,875	117,248	-	-	206,123
OSU Health System	936,366	1,796,775	-	-	2,733,141
Depreciation	-	-	-	457,950	457,950
Total operating expenses	\$ 2,544,774	\$ 2,508,597	\$ 133,906	\$ 457,950	\$ 5,645,227

### Year Ended June 30, 2020

	Primary Institution				
	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 981,056	\$ 115,198	\$ -	\$ -	\$ 1,096,254
Separately budgeted research	360,402	177,510	-	-	537,912
Public service	108,396	79,458	-	-	187,854
Academic support	212,169	38,505	-	-	250,674
Student services	76,683	18,387	-	-	95,070
Institutional support	239,028	139,524	-	-	378,552
Operation and maintenance of plant	34,247	88,202	-	-	122,449
Scholarships and fellowships	7,802	1,957	130,611	-	140,370
Auxiliary enterprises	185,666	134,726	-	-	320,392
OSU Health System	1,733,288	1,611,879	-	-	3,345,167
Depreciation	-	-	-	425,012	425,012
Total operating expenses	\$ 3,938,737	\$ 2,405,346	\$ 130,611	\$ 425,012	\$ 6,899,706



# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

## 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 health care. 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, 2021, are as follows:

	STRS-Ohio	OPERS	Total
Net pension liability - all employers	\$ 24,196,442	\$ 14,500,930	
Proportion of the net pension liability - university	4.9%	10.4%	
Proportionate share of net pension liability	\$ 1,175,836	\$ 1,503,497	\$ 2,679,333

The collective net OPEB assets of the retirement systems and the university's proportionate share of these assets as of June 30, 2021, are as follows:

	STRS-Ohio	OPERS	Total
Net OPEB (asset) liability - all employers	\$ (1,757,498)	\$ (1,781,580)	
Proportion of the net OPEB (asset) liability - university	4.9%	10.7%	
Proportionate share of net OPEB (asset) liability	\$ (85,406)	\$ (189,776)	\$ (275,182)

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	\$ 1,984,880	\$ 3,025,029

The collective net OPEB assets and liabilities of the retirement systems and the university's proportionate share of these assets and 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

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2021:

	STRS-Ohio	OPERS	Total
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	2,638	1,578	4,216
Changes in assumptions	63,120	2,577	65,697
Net difference between projected and actual earnings on pension plan investments	57,181	-	57,181
Changes in proportion of university contributions	1,947	4,836	6,783
University contributions subsequent to the measurement date	87,064	118,738	205,802
<b>Total</b>	<b>211,950</b>	<b>127,729</b>	<b>339,679</b>
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$ 7,519	\$ 72,258	\$ 79,777
Net difference between projected and actual earnings on pension plan investments	-	602,692	602,692
Changes in proportion of university contributions	-	21	21
<b>Total</b>	<b>\$ 7,519</b>	<b>\$ 674,971</b>	<b>\$ 682,490</b>

Deferred outflows of resources and deferred inflows of resources for OPEB were related to the following sources as of June 30, 2021:

	STRS-Ohio	OPERS	Total
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$ 5,472	\$ -	\$ 5,472
Changes in assumptions	1,410	91,112	92,522
Net difference between projected and actual earnings on OPEB plan investments	2,993	-	2,993
Changes in proportion of university contributions	119	3,076	3,195
<b>Total</b>	<b>\$ 9,994</b>	<b>\$ 94,188</b>	<b>\$ 104,182</b>
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$ 17,012	\$ 170,003	\$ 187,015
Changes in assumptions	81,122	307,493	388,615
Net difference between projected and actual earnings on pension plan investments	-	100,068	100,068
<b>Total</b>	<b>\$ 98,134</b>	<b>\$ 577,564</b>	<b>\$ 675,698</b>

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (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:

## 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	82,657	116,139	198,796
<b>Total</b>	<b>\$ 214,499</b>	<b>\$ 231,271</b>	<b>\$ 445,770</b>

STRS-Ohio	OPERS	Total
\$ 8,469	\$ 1,582	\$ 10,051
122,186	107,584	229,770
-	-	-
1,187	5,966	7,153
82,657	116,139	198,796
<b>\$ 214,499</b>	<b>\$ 231,271</b>	<b>\$ 445,770</b>

## 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
<b>Total</b>	<b>\$ 55,340</b>	<b>\$ 432,008</b>	<b>\$ 487,348</b>

\$ 4,503	\$ 32,072	\$ 36,575
50,837	399,896	450,733
-	40	40
<b>\$ 55,340</b>	<b>\$ 432,008</b>	<b>\$ 487,348</b>

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

## Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 7,062	\$ 36	\$ 7,098
Changes in assumptions	1,637	227,196	228,833
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	-	-	-
<b>Total</b>	<b>\$ 8,834</b>	<b>\$ 230,794</b>	<b>\$ 239,628</b>

STRS-Ohio	OPERS	Total
\$ 7,062	\$ 36	\$ 7,098
1,637	227,196	228,833
-	-	-
135	3,562	3,697
-	-	-
<b>\$ 8,834</b>	<b>\$ 230,794</b>	<b>\$ 239,628</b>

## 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	-	-	-
<b>Total</b>	<b>\$ 94,265</b>	<b>\$ 204,199</b>	<b>\$ 298,464</b>

\$ 3,963	\$ 131,362	\$ 135,325
85,409	-	85,409
4,893	72,837	77,730
-	-	-
<b>\$ 94,265</b>	<b>\$ 204,199</b>	<b>\$ 298,464</b>

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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
2022	126,428	(126,694)	(266)
2023	19,960	(91,050)	(71,090)
2024	32,020	(244,892)	(212,872)
2025	26,023	(83,567)	(57,544)
2026	-	(457)	(457)
2027 and Thereafter	-	(581)	(581)
<b>Total</b>	<b>\$ 204,431</b>	<b>\$ (547,241)</b>	<b>\$ (342,810)</b>

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
2022	(21,688)	(251,639)	(273,327)
2023	(19,791)	(176,653)	(196,444)
2024	(19,085)	(43,175)	(62,260)
2025	(18,664)	(11,912)	(30,576)
2026	(4,439)	-	(4,439)
2027 and Thereafter	(4,471)	-	(4,471)
<b>Total</b>	<b>\$ (88,138)</b>	<b>\$ (483,379)</b>	<b>\$ (571,517)</b>

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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).

	<b>STRS-Ohio</b>	<b>OPERS</b>
<b>Statutory Authority</b>	Ohio Revised Code Chapter 3307	Ohio Revised Code Chapter 145
<b>Benefit Formula</b>	<p>Pensions — The annual retirement allowance based on final average salary multiplied by a 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. 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 \$295.8 million or 60% of the total health care costs in fiscal 2020 (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.</p> <p>For the year ended June 30, 2020, STRS Ohio received \$81.9 million in Medicare Part D reimbursements.</p>	<p>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. 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.</p> <p>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 post-employment 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. Additional details on health care coverage can be found in the Plan Statement in the OPERS 2020 CAFR.</p> <p>OPERS no longer participates in the Medicare Part D program as of December 31, 2016.</p>



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	<b>STRS-Ohio</b>	<b>OPERS</b>
<b>Cost-of-Living Adjustments (COLAs)</b>	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 2019, current law provides that the adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.
<b>Contribution Rates</b>	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, 2020, 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).
<b>Measurement Date</b>	June 30, 2020	December 31, 2020 (OPEB is rolled forward from December 31, 2019, actuarial valuation date)
<b>Actuarial Assumptions</b>	Valuation Date: June 30, 2020, 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: 5.00% to 11.87% initial; 4% ultimate	Valuation Date: December 31, 2020, for pensions; December 31, 2019, 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: 0.50% Simple through 2021, then 2.15% Simple Health Care Cost Trends: 8.50% initial; 3.50% ultimate in 2035

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	STRS-Ohio	OPERS																																																																					
<b>Mortality Rates</b>	<p>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 Tables, 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.</p>	<p>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.</p>																																																																					
<b>Date of Last Experience Study</b>	June 30, 2016	December 31, 2015																																																																					
<b>Investment Return Assumptions</b>	<p>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:</p> <table> <tr> <th>Asset Class</th><th>Target Allocation</th><th>Long-Term Expected Return*</th></tr> <tr> <td>Domestic Equity</td><td>28.0%</td><td>7.35%</td></tr> <tr> <td>International Equity</td><td>23.0%</td><td>7.55%</td></tr> <tr> <td>Alternatives</td><td>17.0%</td><td>7.09%</td></tr> <tr> <td>Fixed Income</td><td>21.0%</td><td>3.00%</td></tr> <tr> <td>Real Estate</td><td>10.0%</td><td>6.00%</td></tr> <tr> <td>Liquidity Reserves</td><td>1.0%</td><td>2.25%</td></tr> <tr> <td>Total</td><td>100.0%</td><td></td></tr> </table> <p>* Returns presented as geometric means</p>	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	100.0%		<p>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.</p> <p>The following table displays the Board — approved asset allocation policy for defined benefit pension assets for 2020 and the long-term expected real rates of return:</p> <table> <tr> <th>Asset Class</th><th>Target Allocation</th><th>Long-Term Expected Return*</th></tr> <tr> <td>Fixed Income</td><td>25.0%</td><td>1.32%</td></tr> <tr> <td>Domestic Equity</td><td>21.0%</td><td>5.64%</td></tr> <tr> <td>Real Estate</td><td>10.0%</td><td>5.39%</td></tr> <tr> <td>Private Equity</td><td>12.0%</td><td>10.42%</td></tr> <tr> <td>International Equity</td><td>23.0%</td><td>7.36%</td></tr> <tr> <td>Other Investments</td><td>9.0%</td><td>4.75%</td></tr> <tr> <td>Total</td><td>100.0%</td><td></td></tr> </table> <p>*Returns presented as arithmetic means</p> <p>The following table displays the Board — approved asset allocation policy for health care assets for 2020 and the long-term expected real rates of return:</p> <table> <tr> <th>Asset Class</th><th>Target Allocation</th><th>Long-Term Expected Return*</th></tr> <tr> <td>Fixed Income</td><td>34.0%</td><td>1.07%</td></tr> <tr> <td>Domestic Equities</td><td>25.0%</td><td>5.64%</td></tr> <tr> <td>REITs</td><td>7.0%</td><td>6.48%</td></tr> <tr> <td>International Equities</td><td>25.0%</td><td>7.36%</td></tr> <tr> <td>Other Investments</td><td>9.0%</td><td>4.02%</td></tr> <tr> <td>Total</td><td>100.0%</td><td></td></tr> </table> <p>*Returns presented as arithmetic means</p>	Asset Class	Target Allocation	Long-Term Expected Return*	Fixed Income	25.0%	1.32%	Domestic Equity	21.0%	5.64%	Real Estate	10.0%	5.39%	Private Equity	12.0%	10.42%	International Equity	23.0%	7.36%	Other Investments	9.0%	4.75%	Total	100.0%		Asset Class	Target Allocation	Long-Term Expected Return*	Fixed Income	34.0%	1.07%	Domestic Equities	25.0%	5.64%	REITs	7.0%	6.48%	International Equities	25.0%	7.36%	Other Investments	9.0%	4.02%	Total	100.0%	
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	<b>STRS-Ohio</b>	<b>OPERS</b>
<b>Discount Rate</b>	<p><b>Pensions</b> — The discount rate used to measure the total pension liability was 7.45% as of June 30, 2020. 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, 2020. 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, 2020.</p> <p><b>OPEB</b> — The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2020. 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 applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2020.</p>	<p><b>Pensions</b> — 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><b>OPEB</b> — A single discount rate of 6.00% was used to measure the OPEB liability on the measurement date of December 31, 2020. 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 2.00%. 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 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.</p>
<b>Changes in Assumptions Since the Prior Measurement Date</b>	<p><b>Pensions</b> — There were no changes in assumptions since the prior measurement date of June 30, 2019.</p> <p><b>OPEB</b> — There were no changes in assumptions since the prior measurement date of June 30, 2019.</p>	<p><b>Pensions</b> — There were no changes in assumptions since the prior measurement date of December 31, 2019.</p> <p><b>OPEB</b> — The discount rate was increased from 3.16% to 6.00% based on the methodology defined under GASB Statement No. 74, <i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)</i>.</p>

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	STRS-Ohio			OPERS		
<b>Benefit Term Changes Since the Prior Measurement Date</b>	<p><b>Pensions</b> — There were no changes in benefit terms since the prior measurement date of June 30, 2019.</p> <p><b>OPEB</b> — The non-Medicare subsidy percentage was increased effective January 1, 2021, from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.</p>			<p><b>Pensions</b> — There were no changes in benefit terms since the prior measurement date of December 31, 2019.</p> <p><b>OPEB</b> — 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>		
<b>Sensitivity of Net Pension Liability to Changes in Discount Rate</b>	<b>1% Decrease (6.45%)</b>	<b>Current Rate (7.45%)</b>	<b>1% Increase (8.45%)</b>	<b>1% Decrease (6.2%)</b>	<b>Current Rate (7.2%)</b>	<b>1% Increase (8.2%)</b>
	\$ 1,674,185	\$ 1,175,835	\$ 753,526	\$ 2,906,112	\$ 1,503,497	\$ 338,004
<b>Sensitivity of Net OPEB Liability (Asset) to Changes in Discount Rate</b>	<b>1% Decrease (6.45%)</b>	<b>Current Rate (7.45%)</b>	<b>1% Increase (8.45%)</b>	<b>1% Decrease (5.00%)</b>	<b>Current Rate (6.00%)</b>	<b>1% Increase (7.00%)</b>
	\$ (74,309)	\$ (85,406)	\$ (94,822)	\$ (47,204)	\$ (189,776)	\$ (307,093)
<b>Sensitivity of Net OPEB Liability (Asset) to Changes in Medical Trend Rate</b>	<b>1% Decrease in Trend Rate</b>	<b>Current Trend Rate</b>	<b>1% Increase in Trend Rate</b>	<b>1% Decrease in Trend Rate</b>	<b>Current Trend Rate</b>	<b>1% Increase in Trend Rate</b>
	\$ (94,237)	\$ (85,406)	\$ (74,649)	\$ (194,464)	\$ (189,776)	\$ (184,661)

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (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, 2021, including employer contributions and accruals associated with recognition of net pension liabilities, net OPEB assets and liabilities, and related deferrals, is presented below.

	STRS-Ohio	OPERS	ARP	Total
Employer Contributions	\$ 86,909	\$ 240,142	\$ 68,579	\$ 395,630
GASB 68 Pension Accruals	\$ 90,414	\$ (134,879)		\$ (44,465)
GASB 75 OPEB Accruals	\$ (4,796)	\$ (1,116,692)		\$ (1,121,488)
Total Pension and OPEB Expense	\$ 172,527	\$ (1,011,429)	\$ 68,579	\$ (770,323)



# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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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 assets and 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	<u>\$ 135,077</u>	<u>\$ 607,914</u>	<u>\$ 65,362</u>	<u>\$ 808,353</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 E. Broad St.  
Columbus, OH 43215-3371  
(614) 227-4090  
(888) 227-7877  
[www.strsoh.org](http://www.strsoh.org)

## **OPERS**

277 E. Town St.  
Columbus, OH 43215-4642  
(614) 222-5601  
(800) 222-7377  
[www.opers.org/investments/](http://www.opers.org/investments/)

## **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 subsidiaries make an additional discretionary contribution of up to 17.5%, for a range of total employer contributions of 7.5% to 25%. Employees are allowed, but not required, to make contributions to the 403(b) plan. OSUP's share of the cost of these benefits was \$6,600 and \$6,400 for the years ended June 30, 2021 and 2020, respectively. Employee contributions were \$2,700 and \$2,500 for the years ended June 30, 2021 and 2020, respectively.

## **415(m) Plans**

The university maintains two supplemental 415(m) retirement plans. These plans are unfunded and constitute an unsecured promise by the university to make benefit payments in the future from its general assets. The university sets aside assets for the 415(m) plans, which are invested primarily in mutual funds. At June 30, 2021, these assets totaled \$190,613 and are reported as Other Noncurrent Assets and Other Noncurrent Liabilities in the Statement of Net Position.

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

## NOTE 17 — CAPITAL PROJECT COMMITMENTS

At June 30, 2021, the university is committed to future contractual obligations for capital expenditures of approximately \$1,743,370 for the primary institution and \$24,000 for discretely presented component units. These projects are funded by the following sources:

	Primary Institution	Discretely Presented Component Units
State appropriations	\$ 27,771	\$ -
Internal and other sources	1,715,600	24,000
Total	<u>\$ 1,743,371</u>	<u>\$ 24,000</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.

The global outbreak of COVID-19, a new strain of coronavirus that can result in severe respiratory disease, was first detected in December 2019 and subsequently spread across six continents impacting many countries, including the United States. The COVID-19 outbreak has altered the behavior of businesses and people in a manner that has had and is expected to continue to have effects on global and local economies, including the State of Ohio.

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 of 2020, including summer camps and sports camps, were canceled. Nearly all university housing and dining facilities were closed on March 22, 2020, and remained closed through the summer 2020 semester.

On June 3, 2020, the university announced that it would resume in-person classes for the autumn 2020 semester, with a mix of online, in-person and blended courses to reduce the number of students, faculty and staff who were on campus at any one time. The university conducted extensive testing of students, faculty and staff throughout the 2020-2021 academic year. All other on-campus protocols (masking, social distancing and limits on group gatherings) remained in place, and throughout the spring 2021 semester, the university observed a low positivity rate among its students. As vaccination rates continued to increase and other health and safety protocols remained effective, the university announced that it expected to return to more of a traditional university experience for the autumn 2021 semester. The University State of Emergency, which was declared by the university president on March 22, 2020, was lifted effective July 1, 2021.

## Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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While vaccination rates have continued to increase and other health and safety protocols have remained effective, the university has made certain recent policy changes in response to the increased spread of the delta variant of the COVID-19 virus, which is more contagious than previous versions of the virus. As of August 2, 2021, all students, faculty, staff and visitors to all university campuses will be required to wear masks indoors, regardless of vaccination status. In addition, all students, faculty and staff are required to report their vaccination status to the university to allow the university to make public health decisions.

The impact of COVID-19 on university finances and operations may continue to be felt for at least the coming (FY2022) fiscal year, depending on vaccination rates and whether the COVID-19 virus or variations of the virus continue to spread in the United States and around the world. Future adverse consequences of the COVID-19 pandemic may include, but are not limited to: a decline in enrollment (including a disproportional decline in enrollment by international students); a decline in demand for university housing; a decline in demand for university programs that involve travel or that have international connections; cancellation, postponement and/or reduced attendance for athletic events; and an increase in costs associated with purchasing of personal protective equipment and implementing community-wide testing programs. 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 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 \$397,283 and \$406,914 at June 30, 2021 and 2020, respectively. The university reports

the parking lots and garages as capital assets with a carrying amount of \$122,968 and \$128,250 at June 30, 2021 and 2020, 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.

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

The university recognized fixed and O&M utility fees totaling \$59,372 and \$56,075, respectively for the years ended June 30, 2021 and 2020. The carrying amounts of OSEP capital investments and related payable to the concessionaire at June 30, 2021 and 2020, were \$235,869 and \$141,932, 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, 2021 and 2020, is presented below.

### Condensed Combining Information — Year Ended June 30, 2021

	OSU Foundation	OSU Health Plan	Oval Limited	Pelotonia	Eliminations
<b>Condensed statements of net position:</b>					
Current assets	\$ 59,498	\$ 5,584	\$ 57,136	\$ 19,706	\$ (12,617)
Capital assets, net	-	41	-	2,043	-
Other assets	1,576,137	731	-	3,000	(76,715)
Amounts receivable from the university	-	(6)	-	-	-
Total assets	\$ 1,635,635	\$ 6,350	\$ 57,136	\$ 24,749	\$ (89,332)
Current liabilities	\$ 3,652	\$ 850	\$ 42	\$ 311	\$ -
Noncurrent liabilities	42,735	680	20,179	89,333	(89,332)
Amounts payable to the university	-	782	-	-	-
Deferred inflows	17,194	-	-	-	-
Total liabilities and deferred inflows	63,581	2,312	20,221	89,644	(89,332)
Net investment in capital assets	-	-	-	-	-
Restricted:					
Nonexpendable	1,073,269	-	-	-	-
Expendable	481,161	-	-	-	(89,333)
Unrestricted	17,624	4,038	36,915	(64,895)	89,333
Total net position	1,572,054	4,038	36,915	(64,895)	-
Total liabilities, deferred inflows and net position	\$ 1,635,635	\$ 6,350	\$ 57,136	\$ 24,749	\$ (89,332)

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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

### Operating revenues:

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:

Gifts for current use

Net investment income (loss)

Federal COVID-19 assistance programs

Other non-operating revenue (expense)

Net non-operating revenue (expense)

Capital contributions and additions to  
permanent endowments

Transfers from (to) the university

Change in net position

Beginning net position, as reported

Cumulative effect of Pelotonia merger

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 Foundation	OSU Health Plan	Oval Limited	Pelotonia	Eliminations
\$ 15	\$ 12,702	\$ (1,781)	\$ 281	\$ -
15	12,702	(1,781)	281	-
5,270	12,656	(202)	4,428	-
-	33	-	162	-
5,270	12,689	(202)	4,590	-
(5,255)	13	(1,579)	(4,309)	-
136,414	-	-	23,249	-
335,238	18	6,542	-	-
-	-	-	625	-
3,186	-	-	-	-
474,838	18	6,542	23,874	-
142,943	-	-	-	-
(258,132)	120	-	12,795	-
354,394	151	4,963	32,360	-
1,217,660	3,887	31,952	(97,255)	-
-			-	-
\$ 1,572,054	\$ 4,038	\$ 36,915	\$ (64,895)	\$ -
\$ (4,850)	\$ (875)	\$ (2,028)	\$ (4,677)	\$ -
(60,754)	908	-	8,103	-
79,612	-	-	(2,205)	-
(14,026)	(708)	2,223	-	-
(18)	(675)	195	1,221	-
235	4,779	1,095	4,903	-
\$ 217	\$ 4,104	\$ 1,290	\$ 6,124	\$ -

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

## Condensed Combining Information — Year Ended June 30, 2020

### Condensed statements of net position:

	OSU Foundation	OSU Health Plan	Oval Limited	Pelotonia	Eliminations
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)



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# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (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, 2021 and 2020 is presented below.

Condensed Combining Information — Year Ended June 30, 2021

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan	Science and Technology Campus Corporation
<b>Condensed statements of net position:</b>					
Current assets	\$ 298,779	\$ 9,069	\$ 10,966	\$ 4,625	\$ 12,824
Capital assets, net	24,753	194,459	48,579	271	28,147
Other assets	27	1,465	-	-	530
Amounts receivable from the university	70,514	-	4,908	-	-
Deferred outflows	-	-	-	-	-
Total assets and deferred outflows	\$ 394,073	\$ 204,993	\$ 64,453	\$ 4,896	\$ 41,501
Current liabilities	\$ 35,974	\$ 13,656	\$ 10,811	\$ 2	\$ 1,332
Noncurrent liabilities	10,491	51,811	3,899	-	8,670
Amounts payable to the university	132,276	146,887	15,113	614	10,010
Deferred inflows	-	-	-	-	-
Total liabilities and deferred inflows	178,741	212,354	29,823	616	20,012
Net investment in capital assets	13,327	185,856	44,362	(73)	27,895
Unrestricted	202,005	(193,217)	(9,732)	4,353	(6,406)
Total net position	215,332	(7,361)	34,630	4,280	21,489
Total liabilities, deferred inflows and net position	\$ 394,073	\$ 204,993	\$ 64,453	\$ 4,896	\$ 41,501

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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

### Operating revenues:

Grants and contracts	\$ -	\$ 8,280	\$ 41,303	\$ -	\$ 6,847
Sales and services of OSU Physicians	647,601	-	-	-	-
Other sales, services and rental income	-	-	-	10,053	-
Total operating revenues	647,601	8,280	41,303	10,053	6,847

### Operating expenses, excluding depreciation

Depreciation expense	603,324	6,209	40,625	7,782	3,547
Total operating expenses	3,122	3,881	4,354	65	1,332

### Net operating income (loss)

### Non-operating revenues and expenses:

Net investment income	41,155	(1,810)	(3,676)	2,206	1,968
Interest expense	53	109	1,241	332	18
Other non-operating revenue (expense)	(300)	-	(726)	-	(523)
Net non-operating revenue (expense)	(31,237)	1,119	(327)	-	-
	(31,484)	1,228	188	332	(505)

### Changes in net position

### Capital contributions and changes in net position

### Change in net position

### Beginning net position, as previously reported

### Ending net position

## Condensed statements of cash flows:

### Net cash provided (used) by:

Operating activities	\$ 88,921	\$ 16,377	\$ 1,266	\$ 1,720	\$ 10,209
Noncapital financing activities	(30,532)	37,855	2,442	-	(984)
Capital and related financing activities	(4,057)	(56,923)	(5,549)	217	(1,354)
Investing activities	13,908	-	519	-	18
Net increase (decrease) in cash	68,240	(2,691)	(1,322)	1,937	7,889

### Beginning cash and cash equivalents

### Ending cash and cash equivalents

OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan	Dental Faculty Practice Plan
\$ -	\$ 8,280	\$ 41,303	\$ -	\$ 6,847
647,601	-	-	-	-
-	-	-	10,053	-
647,601	8,280	41,303	10,053	6,847
603,324	6,209	40,625	7,782	3,547
3,122	3,881	4,354	65	1,332
606,446	10,090	44,979	7,847	4,879
41,155	(1,810)	(3,676)	2,206	1,968
53	109	1,241	332	18
(300)	-	(726)	-	(523)
(31,237)	1,119	(327)	-	-
(31,484)	1,228	188	332	(505)
-	278	663	-	-
9,671	(304)	(2,825)	2,538	1,463
205,661	(7,057)	37,455	1,742	20,026
\$ 215,332	\$ (7,361)	\$ 34,630	\$ 4,280	\$ 21,489
\$ 88,921	\$ 16,377	\$ 1,266	\$ 1,720	\$ 10,209
(30,532)	37,855	2,442	-	(984)
(4,057)	(56,923)	(5,549)	217	(1,354)
13,908	-	519	-	18
68,240	(2,691)	(1,322)	1,937	7,889
169,007	8,465	4,415	625	4,193
\$ 237,247	\$ 5,774	\$ 3,093	\$ 2,562	\$ 12,082

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Condensed Combining Information — Year Ended June 30, 2020

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan	Science and Technology Campus Corporation
<b>Condensed statements of net position:</b>					
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	<u>\$ 280,154</u>	<u>\$ 152,146</u>	<u>\$ 64,634</u>	<u>\$ 2,048</u>	<u>\$ 34,619</u>
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	<u>74,494</u>	<u>159,199</u>	<u>27,180</u>	<u>306</u>	<u>14,595</u>
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	<u>205,660</u>	<u>(7,053)</u>	<u>37,454</u>	<u>1,742</u>	<u>20,024</u>
Total liabilities, deferred inflows and net position	<u>\$ 280,154</u>	<u>\$ 152,146</u>	<u>\$ 64,634</u>	<u>\$ 2,048</u>	<u>\$ 34,619</u>

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (dollars in thousands)

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

### Operating revenues:

	OSU Physicians	Campus Partners	Transportation Research Center	Dental Faculty Practice Plan	Science and Technology Campus Corporation
Grants and contracts	\$ -	\$ 9,513	\$ 36,682	\$ -	\$ 6,603
Sales and services of OSU Physicians	584,222	-	-	-	-
Other sales, services and rental income	-	-	-	9,354	-
Total operating revenues	584,222	9,513	36,682	9,354	6,603
Operating expenses, excluding depreciation	563,200	8,614	37,028	8,822	3,631
Depreciation expense	3,394	2,871	2,605	72	1,330
Total operating expenses	566,594	11,485	39,633	8,894	4,961
Net operating income (loss)	17,628	(1,972)	(2,951)	460	1,642
Non-operating revenues and expenses:					
CARES Assistance	11,805	-	-	-	-
Net investment income	1,668	175	25	-	57
Interest expense	(278)	(78)	(587)	-	(588)
Other non-operating revenue (expense)	(22,527)	601	8,914	(98)	-
Net non-operating revenue (expense)	(9,332)	698	8,352	(98)	(531)

### Changes in net position

Capital contributions and changes in net position	-	-	5,079	-	-
Change in net position	8,296	(1,274)	10,480	362	1,111
Beginning net position, as previously reported	197,364	(5,779)	26,974	1,380	18,913
Cumulative effect of accounting change	-	-	-	-	-
Ending net position	\$ 205,660	\$ (7,053)	\$ 37,454	\$ 1,742	\$ 20,024

## Condensed statements of cash flows:

### Net cash provided (used) by:

Operating activities	\$ 46,739	\$ 15,105	\$ 3,470	\$ 412	\$ 3,414
Noncapital financing activities	(9,987)	19,759	8,908	(98)	(939)
Capital and related financing activities	(2,800)	(30,117)	(11,112)	(68)	(3,556)
Investing activities	3,106	322	-	(63)	57
Net increase (decrease) in cash	37,058	5,069	1,266	183	(1,024)
Beginning cash and cash equivalents	131,951	3,395	3,149	441	5,217
Ending cash and cash equivalents	\$ 169,009	\$ 8,464	\$ 4,415	\$ 624	\$ 4,193

# Notes to Financial Statements – Years Ended June 30, 2021 and 2020 (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 \$125,371 and \$185,362 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, is as follows:

Segment Disclosure Information – Year Ended June 30, 2021, and June 30, 2020

### 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

	2021	2020
\$	51,391	\$ 26,329
	673,588	693,545
\$	724,979	\$ 719,874
\$	6,571	\$ 7,485
	706,190	723,980
	712,761	731,465
	(31,886)	(30,434)
	44,104	18,843
	12,218	(11,591)
\$	724,979	\$ 719,874



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**Condensed Statement of Revenues, Expenses  
and Changes in Net Position**

	2021	2020
Special-purpose pledged revenues – operating	\$ 125,370	\$ 185,362
Operating expenses, excluding depreciation	(90,296)	(145,821)
Depreciation expense	(33,726)	(35,554)
Operating income	1,348	3,987
Nonoperating revenues, net	(29,746)	(29,647)
Net income (loss) before transfers	(28,398)	(25,660)
Transfers from (to) other university units, net	52,207	(402)
Increase (decrease) in net position	23,809	(26,062)
Beginning net position	(11,591)	14,471
Ending net position	\$ 12,218	\$ (11,591)

**Condensed Statement of Cash Flows**

Net cash provided (used) by:		
Operating activities	\$ 34,804	\$ 105,163
Capital and related financing activities	(10,007)	(106,513)
Investing activities	242	693
Net increase (decrease) in cash	25,039	(657)
Beginning cash and cash equivalents	25,779	26,436
Ending cash and cash equivalents	\$ 50,818	\$ 25,779

**NOTE 24 — SUBSEQUENT EVENTS**

**Debt Issuance**

On September 30, 2021, the University closed on \$600,000 in tax-exempt fixed rate General Receipts Bonds - Series 2021A. The Series 2021A bonds are structured on a level debt service basis with annual principal payments beginning December 1, 2022, through final maturity on December 1, 2051. The interest rate coupons on the Series 2021A bonds range from 2.50% to 5.00%. The proceeds of the bonds will be used to fund construction of the Wexner Medical Center's new Inpatient Hospital, scheduled to open in 2026.

**The Ohio State University**  
**Required Supplementary Information on GASB 68 Pension Liabilities (Unaudited)**  
**Year Ended June 30, 2021**

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	2021
<b>STRS-Ohio:</b>							
University's proportion of the net pension liability	4.4%	4.5%	4.5%	4.6%	4.6%	4.7%	4.9%
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	\$ 1,175,835
University's covered payroll	\$ 381,669	\$ 388,309	\$ 392,797	\$ 412,149	\$ 434,106	\$ 452,084	\$ 476,374
University's proportionate share of the net pension liability as a percentage of its covered payroll	281%	319%	385%	262%	235%	230%	247%
Plan fiduciary net position as a percentage of the total pension liability	74.7%	72.1%	66.8%	75.3%	77.3%	77.4%	75.5%
<b>OPERS:</b>							
University's proportion of the net pension liability	8.8%	9.0%	9.1%	9.4%	9.9%	10.2%	10.4%
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	\$ 1,503,497
University's covered payroll	\$ 1,188,828	\$ 1,236,914	\$ 1,289,346	\$ 1,381,054	\$ 1,521,447	\$ 1,574,490	\$ 1,704,763
University's proportionate share of the net pension liability as a percentage of its covered payroll	89%	126%	159%	106%	177%	126%	88%
Plan fiduciary net position as a percentage of the total pension liability	86.5%	81.2%	77.4%	84.9%	74.9%	82.4%	87.2%

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

<i>(dollars in thousands)</i>	2015	2016	2017	2018	2019	2020	2021
<b>STRS-Ohio:</b>							
Contractually required contribution	\$ 65,738	\$ 66,975	\$ 70,373	\$ 74,356	\$ 77,781	\$ 82,576	\$ 86,909
Contributions in relation to the contractually required	\$ 65,738	\$ 66,975	\$ 70,373	\$ 74,356	\$ 77,781	\$ 82,576	\$ 86,909
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered payroll	\$ 388,309	\$ 392,797	\$ 412,149	\$ 434,106	\$ 452,084	\$ 476,374	\$ 498,344
Contributions as a percentage of covered payroll	16.9%	17.1%	17.1%	17.1%	17.2%	17.3%	17.4%
<b>OPERS:</b>							
Contractually required contribution	\$ 170,979	\$ 178,293	\$ 188,762	\$ 201,072	\$ 220,062	\$ 231,977	\$ 240,142
Contributions in relation to the contractually required	\$ 170,979	\$ 178,293	\$ 188,762	\$ 201,072	\$ 220,062	\$ 231,977	\$ 240,142
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	\$ 1,664,980
Contributions as a percentage of covered payroll	14.1%	14.1%	14.1%	14.1%	14.4%	14.4%	14.4%

**The Ohio State University**  
**Required Supplementary Information on GASB 75 Net OPEB Liabilities (Unaudited)**  
**Year Ended June 30, 2021**

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	2021
<b>STRS-Ohio:</b>				
University's proportion of the net OPEB liability	4.6%	4.6%	4.7%	4.9%
University's proportionate share of the net OPEB liability	\$ 177,556	\$ (74,520)	\$ (77,901)	\$ (85,406)
University's covered payroll	\$ 412,149	\$ 434,106	\$ 452,084	\$ 452,084
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	43%	-17%	-17%	-19%
Plan fiduciary net position as a percentage of the total OPEB liability	47.1%	176.0%	174.7%	182.1%
<b>OPERS:</b>				
University's proportion of the net OPEB liability	9.7%	10.1%	10.4%	10.7%
University's proportionate share of the net OPEB liability	\$ 1,055,239	\$ 1,321,019	\$ 1,436,889	\$ (189,776)
University's covered payroll	\$ 1,381,054	\$ 1,521,447	\$ 1,574,490	\$ 1,574,490
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	76%	87%	91%	-12%
Plan fiduciary net position as a percentage of the total OPEB liability	54.1%	46.3%	47.8%	115.6%

**The Ohio State University**  
**Notes to Required Supplementary Information (Unaudited)**  
**Year Ended June 30, 2021**

**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 extend 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 benefit terms.* Amounts reported in 2021 reflect several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes, which were approved by the OPERS Board on January 15, 2020, 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 non-Medicare retirees with monthly allowances.

*Changes of assumptions.* Amounts reported in 2021 reflect an adjustment of the discount rate from 3.16% to 6.00%. 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, 2021**

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 2021, 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 \$1.75 billion, to \$7.04 billion at June 30, 2021. The Long-Term Investment Pool activity for 2021 is summarized below:

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

	Gifted Endowments		Quasi-Endowments		Total
	University	Foundation	Operating	Designated	
<b>Balance at June 30, 2020</b>	<b>\$ 1,038,113</b>	<b>\$ 996,177</b>	<b>\$ 1,363,204</b>	<b>\$ 1,889,637</b>	<b>\$ 5,287,131</b>
Net Principal Additions (Withdrawals)	7,417	64,712	-	178,695	250,824
Change in Fair Value	325,617	320,566	426,399	621,066	1,693,648
Income Earned	26,384	25,914	34,562	50,073	136,933
Distributions	(47,680)	(46,581)	(62,499)	(90,073)	(246,833)
Expenses	(16,015)	(15,729)	(20,979)	(27,007)	(79,730)
<b>Balance at June 30, 2021</b>	<b>\$ 1,333,836</b>	<b>\$ 1,345,059</b>	<b>\$ 1,740,687</b>	<b>\$ 2,622,391</b>	<b>\$ 7,041,973</b>

**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, 2021. Income earned includes interest and dividends and is used primarily to fund distributions. Expenses include investment management expenses (\$59 million), University Development-related expenses (\$20 million) and other investment-related expenses (\$1 million).

### Investment Returns and Expenses

The investment return for the Long-Term Investment Pool was 29.2% for fiscal year 2021. The annualized investment returns for the three-year and five-year periods were 9.7% and 10.3%, 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 \$59 million of investment management expenses, which reduced the pool by 1.0% in fiscal year 2021, the \$20 million of University Development expenses and \$1 million of other investment-related expenses further reduced the pool by 0.3%.

### 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](https://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](https://go.osu.edu/EndowAdmin) (click on the "Endowment Descriptions and Balances" link).



# Acknowledgements

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**The 2021 Financial Report and the included financial statements  
are prepared by the staff of the Office of the Controller.**

Robert D. Booker	Ruth E. McCollum
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