

ANNUAL UPDATE TO BONDHOLDERS – 2018

THE OHIO STATE UNIVERSITY

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NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Forward-Looking Statements

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

Projections and Financial Data

The projections set forth in this Annual Update to Bondholders were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to forward-looking information and preliminary financial data, but, in the view of the University’s management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management’s knowledge and belief, the expected course of action and the expected future financial performance of the University. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Annual Update to Bondholders are cautioned not to place undue reliance on the forward-looking information and preliminary financial data.

ANNUAL UPDATE TO BONDHOLDERS

THE OHIO STATE UNIVERSITY

GENERAL

The Ohio State University (the “University”) was founded in 1870 by the Ohio General Assembly under provisions of the Morrill Act as the Ohio Agricultural and Mechanical College (the “College”). The College was located on 331 acres of land approximately two miles north of Columbus. In 1878, the General Assembly designated the College a university and changed its name to The Ohio State University. That same year, the University graduated its first class. Through August 2018, the University has awarded nearly 762,000 undergraduate and graduate degrees.

The University is one of 14 state-supported universities in Ohio. It is declared by statute to be a body politic and corporate. The University’s main campus is located in the City of Columbus on a 1,665-acre site containing 565 buildings (the “Columbus Campus”). Also in Columbus, the University owns two 18-hole regulation golf courses and the Don Scott Airport on 1,684 acres. In addition to the Columbus Campus, the University operates educational programs at Extended Campuses located in Lima, Mansfield, Marion, and Newark (collectively, the “Extended Campuses”) housed in 81 buildings on 1,482 acres. The University also operates an Agricultural Technical Institute, the Ohio Agricultural Research and Development Center (“OARDC”) in Wooster, Ohio and the Molly Caren Agriculture Center in London, Ohio, along with various other research farms throughout Ohio collectively comprising 10,775 acres and 419 buildings. An additional 208 buildings are located on 602 acres at various other locations across Ohio.

The Columbus Campus is the third largest individual campus of any public university or college in the United States in terms of both head count enrollment and full-time equivalent (FTE) enrollment. The enrollment for Autumn 2018 was 61,170 students for the Columbus Campus and 6,930 for the Extended Campuses, bringing the total enrollment for all campuses at that time to 68,100 students. During the academic year ending June 30, 2018, the University awarded a total of 16,798 degrees consisting of 11,349 baccalaureate degrees, 2,761 master’s degrees, 807 professional degrees, 855 doctorate degrees, 1,009 associate degrees, and 17 post-baccalaureate degrees. The University has approximately 500,000 living alumni. The University has one of the largest athletic departments in the country with 36 varsity sports. The Athletics Department is self-supported and generated approximately \$211 million in revenues in Fiscal Year 2018. As of September 30, 2018, the University employed a total of 47,686 faculty and staff (including student employees) among its campuses.

The Board of Trustees

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

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

Michael J. Gasser, Chair (2021)	Greif, Inc., Executive Chairman of the Board
Timothy P. Smucker, Vice Chair (2020)	The J.M. Smucker Company, Chairman Emeritus
Abigail S. Wexner, Vice Chair (2023)	Whitebarn Associates, Chief Executive Officer
Clark C. Kellogg (2019)	CBS Sports, College Basketball Game and Studio Analyst
Alex Shumate (2020)	Squire Patton Boggs (U.S.) LLP, Managing Partner, Columbus Office
Lewis Von Thaeer (2019)	Battelle Memorial Institute, President and Chief Executive Officer
Cheryl L. Krueger (2021)	KRUEGER+CO. Consulting, Inc., Founder and Chief Executive Officer
Brent R. Porteus (2022)	Blair Porteus & Sons, Managing Partner
Erin P. Hoeflinger (2022)	Aetna, Senior Vice President Business Strategy and Execution
Alex R. Fischer (2023)	Columbus Partnership, President and Chief Executive Officer
Hiroyuki Fujita (2024)	Quality Electrodynamics (QED), Founder, President, Chief Executive Officer and Chairman of the Board
Alan A. Stockmeister (2025)	Foremost Management, Inc., President and Owner
John W. Zeiger (2026)	Zeiger, Tigges & Little, Founding Partner
Gary R. Heminger (2027)	Marathon Petroleum Corporation and MPLX GP LLC, Chairman of the Board and Chief Executive Officer
Elizabeth P. Kessler (2027)	Jones Day, Partner-in-charge, Columbus Office
Alan VanderMolen, Charter Trustee (2020)	WE Communications, President of International and WE+
Janet Porter, Charter Trustee (2020)	Stroudwater Associates, Senior Advisor
James D. Klingbeil, Charter Trustee (2021)	Klingbeil Capital Management and The Klingbeil Company, Chairman and Klingbeil Medical Partners, Chief Executive Officer
H. Jordan Moseley, Student (2019)	Undergraduate Student Trustee
Janice M. Bonsu, Student (2020)	Graduate/Professional Student Trustee

The secretary of the Board is Jeff Kaplan.

Senior Management

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

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

Dr. Bruce A. McPheron serves as Executive Vice President and Provost at the University. For the three years prior to serving as Executive Vice President and Provost, Dr. McPheron served as the University's Vice President for Agricultural Administration and dean of the College of Food, Agricultural and Environmental Sciences (CFAES) and was Interim Executive Vice President and Provost for the six months leading up to his permanent appointment. Prior to joining the University in 2012, he was dean of the College of Agricultural Sciences at Penn State University (PSU) for three years, and served 21 years in various other positions with PSU. Dr. McPheron earned his bachelor's degree at the University and his master's and doctorate at the University of Illinois.

Michael Papadakis serves as Interim Senior Vice President and CFO, and Treasurer for the University. He joined the University in June of 2011 as Treasurer and Vice President of Financial Services and was subsequently elevated to Deputy Chief Financial Officer, Treasurer and Vice President of Financial Services & Innovation. Prior to joining the University, he served as a director of energy investment banking at KeyBanc Capital Markets. Additionally, Mr. Papadakis held previous roles in corporate tax at Deloitte & Touche, strategic business valuation at Arthur Andersen and is a Certified Public Accountant. He earned his master's in finance from the Fisher College of Business at The Ohio State University and a bachelor's of business administration in accounting from the University of Cincinnati and has completed the General Management Program at Harvard Business School.

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

Mark Larmore serves as Chief Financial Officer at the Wexner Medical Center. Mr. Larmore joined the Wexner Medical Center in October 2015 with a strong background in healthcare finance, most recently as CFO, group senior vice president and treasurer of New York-Presbyterian Hospital. In that role since 2011, he provided ultimate financial oversight to hospital operations as well as strategic leadership and direction to multiple areas of business. Mr. Larmore has spent over 25 years at New York-Presbyterian, beginning as director of finance in 1989. He was promoted in 1994 to vice president of finance and became senior vice president of finance and assistant treasurer in 2007. Mr. Larmore earned a bachelor's of science degree in accounting and finance at the State University of New York at Oswego and is a certified public accountant.

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

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

Dr. Javaune Adams-Gaston serves as Senior Vice President for Student Life. Prior to joining the University in 2009, she served in a variety of administrative and faculty positions at the University of Maryland since 1985, including executive director of the University of Maryland's Career Center and the President's Promise, associate dean of undergraduate studies, assistant director of intercollegiate athletics, and equity administrator for the Division of Student Affairs. Dr. Adams-Gaston earned a bachelor's degree in biology, psychology and general science and a master's degree in applied psychology from Iowa State University. She also earned a PhD in psychology from Iowa State University.

Eugene D. Smith serves as Senior Vice President and Wolfe Foundation Endowed Athletics Director. Mr. Smith was named the University's director of athletics in March of 2005 and was elevated to his current position in May of 2016. Prior to joining the University, Mr. Smith served as Athletic Director at Arizona State University from 2000 to 2005, Athletic Director at Iowa State University from 1993 to 2000 and Athletic Director at Eastern Michigan University from 1986 to 1993. Mr. Smith earned his bachelor's degree in business administration from the University of Notre Dame in 1977.

Dr. Morley O. Stone serves as Senior Vice President for Research. Prior to joining the University in August of 2018, Mr. Stone served as chief technology officer at the Air Force Research Laboratory (AFRL) of Wright-Patterson Air Force Base in Dayton from 2014 to 2018. Mr. Stone also served as chief scientist for AFRL's Human Performance Wing from 2008 to 2014 and as a manager at the Defense Advanced Research Projects Agency (DARPA) from 2003 to 2006. Mr. Stone earned his bachelor's degree in biological sciences from Wright State University and a PhD in biochemistry from Carnegie Mellon University.

Susan McGarry Basso serves as Senior Vice President for Talent, Culture and Human Resources. Prior to joining the University in September of 2017, Ms. Basso served as Vice President for Human Resources at Penn State University from 2010 to 2017. Ms. Basso also served as Associate Vice President of Human Resources for Seton Hall University from 2006 to 2010 and various positions at East Stroudsburg University from 1988 to 2006. Ms. Basso earned her bachelor's degree in psychology from Ursinus College and a master's degree in human resources administration from the University of Scranton.

Academic Structure

The academic organization of the University consists of 15 colleges, 7 schools, the Graduate School and the Agricultural Technical Institute. The University offers more than 200 undergraduate majors, 166 programs leading to the master's degree, 120 programs leading to the doctoral degree, and over 12,000 different courses.

The 15 colleges within the University are:

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

The 7 schools within the University's colleges are:

Health and Rehabilitation Sciences	Earth Sciences
Architecture	Environment and Natural Resources
Biomedical Science	Music
Communication	

University Libraries consists of the Thompson Library and ten department library and special collections locations on the Columbus campus. The libraries on the Ohio State Columbus campus have a combined collection size of over 5.8 million volumes. The University Libraries website provides access to more than 11.5 million books and journal volumes in print and microformat, as well as an extensive collection of electronic databases.

Accreditations and Memberships

The Ohio State University has been accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools (NCA) since 1913, and in 2017, the University underwent its decennial reaffirmation of accreditation. Additionally, the University has programs, departments and colleges that are accredited by more than 40 specialized accrediting bodies. The University is a member of both the Association of American Universities and the Association of Public and Land-Grant Universities.

Faculty and Employees

As of September 30, 2018, the University had a faculty and non-instructional staff of 47,686 full and part-time employees on all campuses. The numbers of staff members for the Columbus Campus and the Extended Campuses as of September 30, 2018 were as follows:

	<u>Columbus Campus</u>	<u>Extended Campuses</u>	<u>Total University</u>
<u>Instructional Staff</u>			
Regular Faculty ⁽¹⁾ :			
Professor	1,141	64	1,207
Associate Professor	781	140	921
Assistant Professor	591	68	659
Instructor	10	1	11
Total Regular Faculty	2,525	273	2,798
Other Faculty:			
Clinical Faculty ⁽²⁾	1,586	5	1,591
Auxiliary Faculty ⁽³⁾	2,495	318	2,813
Research Faculty ⁽⁴⁾	107	1	108
Total Other Faculty	4,188	324	4,512
Total Instructional	6,713	597	7,310
<u>Non-Instructional Staff</u>			
Unclassified Staff	21,011	884	21,895
Classified Civil Service Staff	4,852	369	5,221
Professional & Technical Staff	42	0	42
Graduate Associates	4,258	67	4,325
Other Students	8,423	470	8,893
Total Non-Instructional Staff	38,586	1,790	40,376
Total Staff	45,299	2,387	47,686

(1) Regular faculty are tenure track with at least 50% FTE.

(2) Clinical faculty includes the following titles: Professor-Clinical, Associate Professor-Clinical, Assistant Professor-Clinical, and Instructor Clinical with at least 10% FTE.

(3) Auxiliary faculty includes all other instructional staff including Lecturers, House Staff and Visiting Faculty.

(4) Research faculty includes the following titles: Research Professor, Research Associate Professor, and Research Assistant Professor with at least 50% FTE.

The University faculty membership in distinguished academic societies includes the National Academy of Sciences (10 members), the National Academy of Engineering (9 members), and the Institute of Medicine (7 members). The faculty also includes 20 members of the American Academy of Arts and Sciences and more than 100 fellows of the American Association for the Advancement of Science. Many Fulbright Fellowships have been awarded to University faculty and graduate students each year.

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

Retirement Plans

The University participates in contributory retirement plans administered by the State Teachers Retirement System of Ohio (“STRS”) and the Ohio Public Employees Retirement System (“OPERS”). As an alternative to STRS and OPERS, eligible employees may elect to participate in the University’s Alternative Retirement Plan (“ARP”). The ARP was adopted by the University’s Board of Trustees on February 5, 1999. As of October 31, 2018, the number of employees contributing to the retirement plans is as follows:

OPERS	33,296
STRS	4,892
ARP	5,924

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

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

- The STRS and OPERS defined benefit plans are cost-sharing multiple-employer defined benefit pension plans. Subject to eligibility requirements, the defined benefit plans currently provide for retirement benefits, disability benefits, postretirement health care coverage, and death benefits.
- The STRS and OPERS defined contribution plans are plans in which the member selects where both member and employer contributions are invested.
- The STRS and OPERS combined plans have features of both a defined contribution plan and a defined benefit plan. Subject to eligibility requirements, the combined plans currently provide for retirement benefits, disability benefits, postretirement health care coverage, and death benefits.

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

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

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

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

In accordance with GASB Statement 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 other post-employment benefit (OPEB) liabilities of the plans. Although changes in net pension and OPEB liabilities generally are recognized as expense in the current period, GASB 68 and 75 require certain items to be 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 9 years).

The collective net pension liabilities of the retirement systems and the University's proportionate share of these liabilities as of June 30, 2018 are as follows (dollars in thousands):

	<u>STRS-Ohio</u>	<u>OPERS</u>	<u>Total</u>
Net pension liability – all employers	\$23,755,214	\$15,548,439	
Proportion of the net pension liability – University	4.6%	9.4%	
Proportionate share of net pension liability	\$1,081,053	\$1,466,955	\$2,548,009

The collective net OPEB liabilities of the retirement systems and the University's proportionate share of these liabilities as of June 30, 2018 are as follows (dollars in thousands):

	<u>STRS-Ohio</u>	<u>OPERS</u>	<u>Total</u>
Net OPEB liability – all employers	\$3,901,631	\$10,859,263	
Proportion of the net OPEB liability – University	4.6%	9.7%	
Proportionate share of net OPEB liability	\$177,556	\$1,055,239	\$1,232,795

Enrollment

The University attracts students from a variety of backgrounds and geographical locations, with representation in the Autumn Semester of 2018 from all 50 states and 109 foreign countries. Ohio residents represent 74.8% of the University's enrollment, while 15.3% are from other states and 9.9% are international students. The head count enrollment (full-time and part-time students) for each of the Columbus Campus and the Extended Campuses of the University for the Autumn Semesters of 2014 through 2018 is shown below:

<u>Academic Year</u>	<u>Columbus Campus</u>	<u>Extended Campuses</u>	<u>Total Enrollment</u>
2014-15	58,322	6,546	64,868
2015-16	58,663	6,521	65,184
2016-17	59,482	6,564	66,046
2017-18	59,837	6,607	66,444
2018-19	61,170	6,930	68,100

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

<u>Academic Year</u>	<u>Graduate and Undergraduate</u>	<u>Professional</u>	<u>Total</u>	<u>Full-Time Equivalent</u>
2014-15	61,676	3,192	64,868	58,597
2015-16	62,029	3,155	65,184	58,978
2016-17	62,878	3,168	66,046	60,040
2017-18	63,225	3,219	66,444	60,427
2018-19	64,847	3,253	68,100	61,654

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

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

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

Admissions

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

Academic Year	Applications Completed	Applicants Accepted	Percent Accepted	Applicants Enrolled	Percent Enrolled	Average ACT	Retention Rate
2014-15	36,765	19,459	52.9%	7,024	36.1%	28.8	93.8%
2015-16	40,220	19,851	49.4%	6,978	35.2%	28.9	94.2%
2016-17	44,821	24,240	54.1%	7,885	32.5%	29.1	94.2%
2017-18	47,758	22,939	48.0%	7,136	31.1%	29.2	N/A
2018-19	48,033	24,943	51.9%	7,851	31.5%	29.3	N/A

The average freshman composite scores on the Scholastic Aptitude Test (SAT critical reading and math) for the Columbus Campus was 1,338 for the Autumn Semester 2018; the average ACT Composite was 29.3. These averages have increased dramatically over the past decade as the University invested in strategic recruitment initiatives. Per the goals of the University Strategic Enrollment Plan, the composition of the freshman class has become increasingly more diverse. Non-Ohio resident freshman enrollment increased to 30% in Autumn Semester 2015 and increased to 33.7% for Autumn Semester 2018.

Fees and Charges

The per student instructional and general fees (including the tuition surcharge paid by non-resident students) for the Columbus Campus for academic years 2014-15 through 2018-19 are shown below.

Total Instructional and General Fees for Full-Time Students (Per Academic Year)		2014-15	2015-16	2016-17	2017-18	2018-19	
Columbus Campus	Resident						
	Undergraduate-Tuition Guarantee-2018 ⁽¹⁾	NA	NA	NA	\$10,170	\$10,170	
	Undergraduate-Tuition Guarantee-2019 ⁽²⁾	NA	NA	NA	NA	10,304	
	Undergraduate-Non-Guarantee	\$9,615	\$9,615	\$9,615	9,615	9,615	
	Graduate	11,928	11,928	11,928	11,928	11,928	
	MHRM (Formerly MLHR)	15,208	16,248	16,248	16,568	16,568	
	MBA	29,536	30,120	30,120	30,120	30,120	
	Working Professional MBA	24,544	25,512	25,512	25,512	25,512	
	EMBA	44,428	48,032	64,928	48,032	64,987	
	M. of Accounting	31,208	31,824	31,824	31,824	31,824	
	Masters of Audiology	12,504	12,504	12,504	12,504	12,504	
	MSLP	12,504	12,504	12,504	12,504	12,504	
	M. of Health Admin.	14,336	14,336	14,336	14,336	14,336	
	M. of Public Health	12,760	12,760	12,760	12,760	12,760	
	Public Health PEP	12,760	12,760	12,760	12,760	12,760	
	MPT/DPT	12,864	12,864	12,864	13,368	13,368	
	MOT/DOT - Ranks 1-2	11,576	11,576	11,576	12,472	13,440	
	MSW	12,600	12,600	12,600	12,600	12,600	
	MBOE	32,314	33,980	34,646	34,646	34,710	
	SMB Finance	53,976	55,632	55,632	55,632	55,632	
	MBLE	26,256	27,552	27,552	27,552	27,552	
	MAEE-DL	14,712	14,712	14,712	14,712	14,712	
	GC Med	19,504	19,504	19,504	19,504	19,504	
	GMB	13,020	13,020	13,020	11,828	11,828	
	MGEL	17,144	17,144	17,144	17,072	17,072	
	SMB-Analytics	NA	NA	NA	NA	35,189	
	Non-Resident	Undergraduate-Tuition Guarantee-2018 ⁽¹⁾	NA	NA	NA	29,274	30,186
		Undergraduate-Tuition Guarantee-2019 ⁽²⁾	NA	NA	NA	NA	30,320
		Undergraduate-Non-Guarantee	26,115	26,943	27,807	28,719	29,631
		Graduate	30,472	31,400	32,376	33,400	34,432
MHRM (Formerly MLHR)		32,264	34,152	35,048	36,312	37,256	
MBA		48,080	49,592	50,568	51,592	52,624	
Working Professional MBA		41,024	42,816	43,680	44,592	45,504	
EMBA		44,438	48,042	64,938	48,042	64,997	
M. of Accounting		49,752	51,296	52,272	53,296	54,328	
Masters of Audiology		31,048	31,976	32,952	33,976	35,008	
MSLP		31,048	31,976	32,952	33,976	35,008	
M. of Health Admin.		32,880	33,808	34,784	35,808	36,840	
M. of Public Health		31,304	32,232	33,208	34,232	35,264	
Public Health PEP		31,304	32,232	33,208	34,232	35,264	
MPT/DPT		29,344	30,168	31,032	31,536	32,408	
MOT/DOT - Ranks 1-2		28,056	28,880	29,744	30,640	31,608	
MSW		31,144	32,072	33,048	34,072	35,104	
MBOE		32,324	33,990	34,656	34,656	34,720	
SMB Finance		53,986	55,642	55,642	55,642	55,642	
MBLE		42,736	44,856	45,720	46,632	47,544	
MAEE-DL		14,722	14,722	14,722	14,722	14,722	
GC Med		39,504	40,504	41,552	41,552	31,552	
GMB		13,025	13,025	13,025	11,833	11,833	
MGEL		17,154	17,154	17,154	17,082	17,082	
SMB-Analytics		NA	NA	NA	NA	35,199	

Professional Schools		2014-15	2015-16	2016-17	2017-18	2018-19	
Resident	Law	\$28,080	\$28,632	\$29,192	\$29,768	\$30,352	
	Medicine - Rank 1	29,648	29,648	29,648	29,648	30,008	
	Medicine - Rank 2	29,648	29,648	29,648	29,648	30,008	
	Medicine - Rank 3	29,648	29,648	29,648	29,648	30,008	
	Medicine - Rank 4	28,528	29,648	29,648	29,648	30,008	
	Dentistry - Rank 1	32,184	32,816	33,464	34,128	35,144	
	Dentistry - Ranks 2-4	28,544	29,104	29,680	30,264	31,168	
	Optometry - Ranks 1-2	24,776	25,512	26,264	26,264	26,776	
	Optometry - Ranks 3-4	22,000	22,648	23,320	23,320	23,776	
	Veterinary Medicine - Ranks 1-3	28,664	29,512	30,096	30,688	31,288	
	Veterinary Medicine - Rank 4	22,304	22,960	30,096	30,688	31,288	
	Pharmacy - Ranks 1-3	20,560	21,168	21,168	22,000	22,864	
	Pharmacy Rank 4	15,080	15,080	21,168	22,000	22,864	
	Non-Resident	Law	43,032	43,584	44,144	44,720	45,304
		Medicine - Rank 1	48,344	49,280	50,264	51,296	52,696
		Medicine - Rank 2	48,344	49,280	50,264	51,296	52,696
Medicine - Rank 3		48,344	49,280	50,264	51,296	52,696	
Medicine - Rank 4		47,224	49,280	50,264	51,296	52,696	
Dentistry - Rank 1		69,864	71,248	72,664	74,112	76,328	
Dentistry - Ranks 2-4		61,952	63,184	64,440	65,720	67,688	
Optometry - Ranks 1-2		53,832	54,568	47,320	47,320	47,832	
Optometry - Ranks 3-4		47,824	48,472	41,144	41,144	41,600	
Veterinary Medicine - Ranks 1-3		64,496	67,136	68,472	69,064	69,664	
Veterinary Medicine - Rank 4		50,192	52,240	68,472	69,064	69,664	
Pharmacy - Ranks 1-3		40,088	41,672	42,696	44,608	46,560	
Pharmacy Rank 4		29,384	30,104	42,696	44,608	46,560	
Extended Campuses							
Resident		Undergraduate-Tuition Guarantee-2018 ⁽¹⁾	NA	NA	NA	7,553	7,553
		Undergraduate-Tuition Guarantee-2019 ⁽²⁾	NA	NA	NA	NA	7,644
	Undergraduate (Non-Guarantee)	7,140	7,140	7,140	7,140	7,140	
	Graduate	11,736	11,736	11,736	11,736	11,736	
	ATI-Tuition Guarantee-2018 ⁽¹⁾	NA	NA	NA	7,517	7,517	
	ATI-Tuition Guarantee-2019 ⁽²⁾	NA	NA	NA	NA	7,608	
	ATI (Non-Guarantee)	7,104	7,104	7,104	7,104	7,104	
	Non-Resident	Undergraduate-Tuition Guarantee-2018 ⁽¹⁾	NA	NA	NA	26,657	27,569
Undergraduate-Tuition Guarantee-2019 ⁽²⁾		NA	NA	NA	NA	27,660	
Undergraduate (Non-Guarantee)		23,640	24,468	25,332	26,244	27,156	
Graduate		30,280	31,208	32,184	33,208	34,240	
ATI-Tuition Guarantee-2018 ⁽¹⁾		NA	NA	NA	26,621	27,533	
ATI-Tuition Guarantee-2019 ⁽²⁾		NA	NA	NA	NA	27,624	
ATI (Non-Guarantee)		23,604	24,432	25,296	26,208	27,120	

⁽¹⁾ First-year in-state students who started their college careers in Autumn 2017 were enrolled under the Ohio State Tuition Guarantee, which will provide certainty for those students and their families about the cost of in-state tuition, general fees, housing and dining for four years.

⁽²⁾ First-year in-state students who started their college careers in Autumn 2018 were enrolled under the Ohio State Tuition Guarantee, which will provide certainty for those students and their families about the cost of in-state tuition, general fees, housing and dining for four years.

The average cost of room and board for undergraduate students at the Columbus Campus for the 2018-19 academic year was \$12,434. Comparative information concerning the academic year 2018-19 instructional and general fees charged Ohio residents by the University and the other state universities, and room and board charges are set forth below.

Instructional and General Fees*
2018-2019

<u>Institution</u>	<u>Undergraduate</u>	<u>Graduate</u>	<u>Room and Board**</u>
Bowling Green State University	\$10,726	\$12,088	\$9,168
Central State University	6,366	-	10,232
Cleveland State University	9,874	14,434	11,526
Kent State University	10,156	11,536	11,362
Miami University	14,263	14,088	12,912
The Ohio State University	10,037	12,425	12,338
Ohio University	10,602	9,510	11,526
Shawnee State University	7,364	9,963	10,863
University of Akron	10,270	9,136	11,570
University of Cincinnati	11,000	14,468	13,758
University of Toledo	9,652	15,414	11,010
Wright State University	8,730	14,296	9,484
Youngstown State University	8,371	12,345	9,312

* Based on Fall 2018 full-time charges or 15 credit hours and 2 semesters. Amounts shown include both instructional and General Facilities Fees and exclude certain other fees that are not uniform to all state universities.

** Rates are computed on average Fall 2018 double-occupancy room rates, a certain number of meals each week and 2 semesters or 3 quarters.

Source: Ohio Department of Higher Education Fall 2018 Survey of Student Charges.

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The following student budget has been used by the University's Office of Financial Aid and represents estimated average undergraduate student costs at the Columbus Campus for academic year 2018-2019.

Estimated Annual Expenses 2018-19

<u>Basic Fees</u>	<u>Per Student</u>
Tuition and fees for In-State Residents	\$10,726
Tuition and fees for Out-of-State-Residents*	30,742
Room and Board**	12,474
Books and Supplies	1,168
Miscellaneous Costs, Personal Expenses, Phone, etc.	3,026
Additional Out-of-State Travel	702
Total In-State Expenses	\$27,394
Total Out-of-State Expenses	\$48,112

* Includes the non-resident tuition surcharge

** Based on the most popular room and board plan

Financial Aid

Approximately 80% of the students of the University receive some form of financial assistance. The primary responsibility for this function is placed with the office of Student Financial Aid. During the Fiscal Year 2018, students received total assistance amounting to \$1.14 billion. The primary sources included the Pell Grant Program, Ford Federal Direct Student Loan Programs, Federal Work Study, Federal Supplemental Educational Opportunity Grants, Ohio College Opportunity Grants, and the University scholarships, loans, employment, and graduate student fee waivers.

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The following table summarizes the financial aid provided to University students for the five Fiscal Years ended June 30, 2018. A portion of funds provided are derived from sources outside the University. All programs assisted by the federal and state governments are subject to appropriation and funding by those governments.

Student Financial Aid (dollars in thousands)					
<u>Source</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Scholarships and Grants					
University	\$362,065	\$380,161	\$401,132	\$ 423,481	\$442,194
State Funds	13,441	13,933	15,028	14,741	\$16,465
Pell Grants	53,576	52,615	51,449	50,654	55,365
Other Federal Grants	2,689	2,831	3,076	4,551	3,717
Other Funds	<u>42,905</u>	<u>45,411</u>	<u>50,612</u>	<u>51,138</u>	<u>52,686</u>
Total Scholarships and Grants	\$474,676	\$494,951	\$521,297	\$544,565	\$570,427
Loan					
University	\$1,602	\$1,247	\$1,082	\$885	\$724
Federal Perkins	4,825	4,772	4,103	6,632	7,084
Federal Stafford & PLUS	354,546	351,872	345,442	347,692	343,700
Other Loans	<u>43,035</u>	<u>43,582</u>	<u>45,788</u>	<u>46,934</u>	<u>45,089</u>
Total Loans	\$404,008	\$401,473	\$396,415	\$402,143	\$396,596
Student Employment					
Federal Work-Study	\$3,197	\$2,979	\$2,614	\$2,865	\$2,842
University Student Payroll	<u>159,271</u>	<u>160,269</u>	<u>158,655</u>	<u>164,014</u>	<u>168,740</u>
Total Student Employment	\$162,468	\$163,248	\$161,269	\$166,879	\$171,583
Total Financial Assistance	\$1,041,152	\$1,059,672	\$1,078,982	\$1,113,587	\$1,138,606

Physical Plant

In total the University consists of 1,273 buildings and structures on 16,209 acres. The Columbus Campus programs are housed in 565 structures on the 1,665 acre campus. There are 81 additional University structures located on 1,482 acres at the University's Extended Campuses. The OARDC has 419 buildings on 8,683 acres in Wooster, Ohio and eight other research farms throughout Ohio. The Molly Caren Agricultural Center in London, Ohio comprises 22 buildings on 2,092 acres. An additional 208 buildings are located on 602 acres at other locations across Ohio. The total estimated replacement value of the University's buildings and infrastructure, all of which are either owned by the University or by the State for the use and benefit of the University, exceeds \$13.7 billion. The replacement value of the Columbus Campus alone is in excess of \$11.4 billion. In 2013, the University entered into a 50-year lease and concession agreement with QIC Global Infrastructure pursuant to which, among other things, the University leased its parking lots and garages. In 2017, the University entered into a 50-year lease and concession agreement with Ohio State Energy Partners pursuant to which, among other things, the University leased its utility facilities (the "Comprehensive Energy Management Project").

The Columbus Campus includes a 1,665-acre tract comprising the east and west academic campuses, a 289-acre 36-hole golf course and the 1,396-acre Don Scott Field. The Don Scott Field area contains the airport and experimental and demonstration farms and research areas on 801 acres and has 595 acres of undeveloped land. The Columbus Campus includes numerous academic and laboratory buildings and facilities, a 648 staffed bed University Hospital (does not include 356 staffed beds at the Arthur G. James Cancer Hospital and Richard J. Solove Research Institute or the 200 staffed beds at the University Hospital East), one of the largest academic research libraries in North America, 42 residence hall buildings which can house approximately 14,310 students and a 102,082-seat stadium.

In pursuit of its teaching, research, and public service missions, the University has made significant investments in its facilities. At June 30, 2018, the net book value of the University's land, buildings, improvements, equipment, library books, and construction in progress exceeded \$5.04 billion. In Fiscal Year 2018, total University capital expenditures totaled \$498 million. In that period, the University completed upgrades to certain Wexner

Medical Center Health System facilities, completed renovations to Pomerene Hall, Oxley Hall and Baker Commons. In addition, several major construction projects are under way including the upgrade and expansion of Postle Hall, Koffalt and Fontana Labs, a new terminal at the OSU Airport, various athletic facilities and the relocation of Cannon Drive. The University’s estimated future capital commitments, based on contracts and purchase orders, total approximately \$330 million at June 30, 2018.

The Ohio State University Wexner Medical Center

Part of one of the most comprehensive health sciences campuses in the country, The Ohio State University Wexner Medical Center includes the College of Medicine and its School of Health and Rehabilitation Sciences; the Office of Health Sciences, including the OSU Faculty Group Practice; various research centers, programs and institutes; The Ohio State University Comprehensive Cancer Center – Arthur G. James Cancer Hospital and Richard J. Solove Research Institute; and the Ohio State Health System, which includes University Hospital, University Hospital East, Ohio State Harding Hospital, the Richard M. Ross Heart Hospital, Dodd Rehabilitation Hospital, the Ohio State Brain and Spine Hospital, the Ohio State Primary Care Network, Outpatient Care multispecialty facilities and Ohio State Walk-in Care Upper Arlington. The University’s Wexner Medical Center hospitals serve more than 64,000 adult inpatients and more than 1.8 million outpatients a year.

In 2018, *U.S. News & World Report* named the University’s Wexner Medical Center to its list of America’s “Best Hospitals,” based on quality, outcomes and reputation, for the 26th consecutive year. And in 2018, Becker’s Hospital Review selected the Wexner Medical Center to its list of “100 Great Hospitals in America” for excellence in quality patient care and clinical research, leadership in innovation and our rankings and awards.

The Ohio State University Wexner Medical Center is at the forefront of medicine, where discovery and ingenuity in research laboratories make unique, effective therapies available to patients months, even years, before other hospitals. One of the nation’s leading academic medical centers, The Ohio State University Wexner Medical Center offers healthcare services in virtually every specialty and subspecialty in medicine. Thousands of patients come to the Wexner Medical Center each month for treatments and services they cannot find anywhere else. The Ohio State Wexner Medical Center is dedicated to improving health in Ohio and across the world through innovation in research, education and patient care.

A comparative summary of The Ohio State University Wexner Medical Center patient activity statistics for the five years ended June 30 is as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Inpatient Admissions	57,024	58,211	59,538	61,701	64,529
Outpatient Visits	1,593,519	1,664,152	1,724,176	1,763,707	1,815,070
Surgeries	38,381	40,951	41,852	44,090	44,888

University Hospital specialties include 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. University Hospital has been redesignated a Magnet® hospital by the American Nurses Credentialing Center; only 2% of hospitals in the United States are redesignated Magnet® facilities. University Hospital was the first in central Ohio to receive Magnet® designation.

Ohio State University Hospital East blends academic medicine with a community-based setting in a comprehensive outpatient facility and a 200-bed hospital on Columbus’s East Side. The hospital provides a full range of medical and surgical services to patients throughout central Ohio, including orthopedics, general surgery, vascular surgery, plastic surgery, ENT, cardiovascular and pulmonary care, family medicine, general internal medicine and emergency medicine. Additionally, patients at University Hospital East have access to central Ohio’s leading alcohol and drug addiction recovery services, a comprehensive wound-healing center with limb preservation program, digestive disease treatment, a full-range of diagnostic services, a sleep disorders center and outpatient oncology services.

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

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. Ohio State Harding Hospital's team includes psychiatrists, psychologists, social workers, registered nurses, occupational therapists, recreational therapists, chaplains and licensed counselors. Treatment for anxiety disorders, panic attacks, post-traumatic stress disorders, depression, bipolar disorder, schizophrenia, ADHD and trauma occurs in a supportive environment emphasizing family participation and a return to independent living.

The only free-standing cancer hospital in central Ohio and the first in the Midwest, the University's Comprehensive Cancer Center – Arthur G. James Cancer Hospital and Richard J. Solove Research Institute (OSUCCC – James) is a national and international leader in cancer prevention, detection and treatment. The OSUCCC – James is a 356-bed cancer hospital, one of only 49 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. The OSUCCC – James achieved Magnet® status in 2013.

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

The Ohio State Brain and Spine Hospital has 116 beds, bringing together a multidisciplinary team of physicians, nurses and scientists committed to meeting the specialized needs of patients with brain and spine disorders by restoring function, optimizing recovery and providing hope. The hospital includes more than 60,000 square feet of space 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.

Dodd Rehabilitation Hospital is home to Ohio State's high-performing and nationally 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. Physical medicine and rehabilitation works to restore function for a person who has been disabled as a result of a disease, disorder or injury.

On November 14, 2018, The Wexner Medical Center and Mercy Health launched Healthy State Alliance. Healthy State Alliance brings together two organizations with complementary missions, capabilities and talents to leverage their respective strengths, significantly expand access to life-changing care and improve the health of all those they serve. Early efforts will be focused on three objectives: addressing the opioid epidemic and increasing access to cancer and transplant care.

As part of its strategic planning and development process, the University and its Wexner Medical Center are continually evaluating opportunities that may involve the addition or acquisition of, or affiliation with, other organizations and enterprises including acute care hospital facilities, long-term care entities and other healthcare enterprises, or the divestiture of enterprises, operations or facilities that the University's Wexner Medical Center currently owns or operates. In addition, the University's Wexner Medical Center may engage in such discussions with health insurers, HMOs, preferred provider organizations, third-party administrators and other health insurance-related businesses. Because the healthcare field is rapidly evolving, the Wexner Medical Center is often simultaneously discussing or evaluating a variety of potential acquisitions, divestitures, combinations, affiliations, expansions and joint ventures. Many of those discussions and evaluations never progress to an actual agreement, and the University does not typically disclose such discussions or evaluations unless and until a definitive agreement is reached.

The University is engaging in a national search for a chancellor of its growing health enterprise. The chancellor will oversee both Wexner Medical Center and the College of Medicine.

Other Public Institutions

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

Ohio Department of Higher Education (formerly known as the Ohio Board of Regents)

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

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

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FINANCIAL OPERATIONS OF THE UNIVERSITY

General

The financial statements of the University are prepared in a “business type activity” format in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements - and Management’s Discussion and Analysis - for Public Colleges and Universities - an amendment of GASB Statement No. 34*. GASB Statement No. 35 defines business type activities as those financed in whole or in part by fees charged to external parties for goods and services. Most public colleges and universities have elected to use the business type activity format. For further information see the audited financial statements of the University as of June 30, 2018 and 2017.

Summary of Revenues, Expenses, and Other Changes in Net Position

It should be noted that the required subtotal for net operating income or loss will generally reflect a “loss” for state-supported colleges and universities such as the University. This is primarily due to the way operating and non-operating items are defined under GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating expenses include virtually all University expenses, except for interest on long-term debt. Operating revenues, however, exclude certain significant revenue streams that the University and other public institutions have traditionally relied upon to fund current operations, including state instructional support, current-use gifts, and investment income.

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The following “Summary of Revenues, Expenses and Other Changes in Net Position” presents summary financial information for Fiscal Years 2014 through 2018.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Operating Revenues:					
Tuition and fees, net	\$815,743	\$850,289	\$884,805	\$927,317	\$935,893
Grants and contracts	662,916	691,209	683,809	737,060	757,036
Auxiliary enterprises sales and services, net	228,997	261,351	261,761	309,497	328,692
OSU Health System sales and services, net	2,120,891	2,357,824	2,625,075	2,844,327	3,103,891
OSU Physicians sales and services, net	356,503	405,619	487,429	496,364	525,796
Departmental sales and other operating revenues	<u>216,294</u>	<u>190,225</u>	<u>182,639</u>	<u>213,026</u>	<u>193,292</u>
Total operating revenues	\$4,401,344	\$4,756,517	\$5,125,518	\$5,527,591	\$5,844,600
Operating Expenses:					
Educational and general	\$2,327,469	\$2,281,828	\$2,418,561	\$2,495,255	\$2,062,053
Auxiliary enterprises	241,915	248,879	254,137	313,185	322,149
OSU Health System	1,839,645	1,970,124	2,242,256	2,595,797	2,720,988
OSU Physicians	342,565	373,658	441,333	444,361	484,132
Depreciation	<u>266,907</u>	<u>342,196</u>	<u>358,326</u>	<u>381,753</u>	<u>402,135</u>
Total operating expenses	\$5,018,501	\$5,216,685	\$5,714,613	\$6,230,351	\$5,991,457
Net operating income (loss)	(\$617,157)	(\$460,168)	(\$589,095)	(\$702,760)	(\$146,857)
Non-Operating Revenues (Expenses):					
State share of instruction and line-item appropriations	\$440,924	\$435,824	\$456,063	\$473,061	\$475,593
Gifts - current use	138,230	163,800	156,737	181,212	168,209
Net investment income (loss)	620,787	173,478	(10,376)	543,300	440,393
Grants, interest expense and other non-operating	14,918	12,930	(26,586)	(61,632)	(29,027)
Income (loss) before other revenues, expenses gains or losses	597,702	325,864	(13,257)	433,181	908,311
State capital appropriations	54,808	40,868	36,381	68,270	83,217
Private capital gifts	5,486	1,688	10,422	26,761	15,470
Additions to permanent endowments	54,309	60,792	64,537	60,177	61,708
Increase (decrease) in net position	712,305	429,212	98,083	588,389	1,068,706
Net Position - beginning of year	6,015,526	6,727,831	4,992,309	5,090,392	5,666,558
Effect of GASB 68 Implementation (Pensions)*		(2,164,734)			
Effect of GASB 75 Implementation (OPEB)**					(1,225,012)
Effect of GASB 81 (Irrevocable Split Interest Agreements)***				(12,223)	
Net Position-end of year	\$6,727,831	\$4,992,309	\$5,090,392	\$5,666,558	\$5,510,252

* In fiscal year 2015, the University Implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The cumulative effect of adopting GASB 68 was a reduction in the University’s net position as of July 1, 2014. Balances reported for the year ended June 30, 2014 have not been restated due to limitations on the information available from the retirement systems.

**In fiscal year 2018, the University Implemented GASB Standard No.75, Accounting and Financial Reporting for OPEB. The cumulative effect of adopting GASB 75 was a reduction in the University’s net position as of July 1, 2017. Balances reported for the year ended June 30, 2017 have not been restated due to limitations on the information available from the retirement systems.

*** In fiscal year 2018, the University Implemented GASB Standard No.81, Irrevocable Split-Interest Agreements. The cumulative effect of adopting GASB No. 81 was a \$12,223 reduction in the University’s net position as of July 1, 2016.

The following Net Position (Equity) Summary presents net investment in capital assets, restricted – nonexpendable, restricted – expendable and unrestricted net position balances for Fiscal Years 2014 through 2018.

**Net Position (Equity) Summary
(dollars in thousands)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net Investment in Capital Assets	\$2,374,426	\$2,396,802	\$2,382,715	\$2,364,637	\$2,488,574
Restricted – Nonexpendable	1,281,640	1,355,560	1,370,064	1,473,074	1,551,278
Restricted – Expendable	999,029	993,000	908,953	1,190,162	1,328,793
Unrestricted*	<u>2,072,736</u>	<u>246,947</u>	<u>428,660</u>	<u>638,685</u>	<u>141,607</u>
Total Net Position	\$6,727,831	\$4,992,309	\$5,090,392	\$5,666,558	\$5,510,252

*The decreases in unrestricted net position relate to the implementation of the GASB 68 pension and GASB 75 OPEB standards, as further explained in the notes to the Summary of Revenues, Expenses and Changes in Net Position.

General Receipts of the University

General Receipts pledged to the security of the Bonds include virtually all the receipts of the University, excepting only receipts expressly excluded by the Indenture. Among receipts expressly excluded are State appropriations and any grants, gifts, donations and pledges, and receipts therefrom, which under restrictions imposed in the grant or promise or as a condition of the receipt are not available for payment of Debt Service Charges.

General Receipts for the five most recent Fiscal Years were as follows:

**General Receipts of the University
(dollars in thousands)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Tuition, Fees and Other Student Charges	\$979,751	\$1,021,995	\$1,065,633	\$1,106,385	\$1,135,298
Unrestricted Government Grants & Contracts	75,823	76,201	76,580	82,051	84,258
Private Gifts and Grants	40,009	32,985	41,468	44,167	41,310
Unrestricted Endowment Income	16,051	15,332	18,272	22,859	28,792
Dept. & University Sales & Services	146,365	152,328	153,560	155,779	157,841
Auxiliary Sales & Services	258,953	294,586	295,554	346,260	369,891
Hospital Sales & Services	2,141,365	2,368,952	2,625,075	2,853,177	3,103,891
Other Sources	<u>50,911</u>	<u>32,156</u>	<u>32,379</u>	<u>53,649</u>	<u>26,687</u>
Total General Receipts	<u>\$3,709,228</u>	<u>\$3,994,536</u>	<u>\$4,308,521</u>	<u>\$4,664,327</u>	<u>\$4,947,754</u>

Outstanding General Receipts Obligations

The University's General Receipts Bonds (including Senior Lien Obligations and Special Purpose General Receipts Obligations), as of December 15, 2018 consist of the following:

<u>General Receipts Bonds</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Series 1997 Bonds	\$ 79,540,000	\$ 17,160,000
Series 1999 B1 Bonds	83,400,000	10,765,000
Series 2001 Bonds	76,950,000	53,035,000
Series 2003 C Bonds	121,295,000	49,800,000
Series 2005 B Bonds	129,990,000	71,575,000
Series 2008 B Bonds	127,770,000	86,025,000
Series 2010 A Bonds	241,170,000	16,325,000
Series 2010 C Bonds	654,785,000	654,785,000
Series 2010 D Bonds	88,335,000	84,625,000
Series 2010 E Bonds	150,000,000	150,000,000
Series 2011 A Bonds	500,000,000	500,000,000
Series 2012 A Bonds	91,165,000	66,750,000
Series 2012 B Bonds	23,170,000	13,515,000
Series 2013 A Bonds ⁽¹⁾	337,955,000	337,955,000
Series 2014 A Bonds	135,985,000	126,810,000
Series 2014 B1 Bonds	75,000,000	75,000,000
Series 2014 B 2 Bonds	75,000,000	75,000,000
Series 2016 A Bonds	600,000,000	600,000,000
Series 2016B Bonds	30,875,000	23,255,000
Series 2017 Bonds	<u>69,950,000</u>	<u>69,950,000</u>
Total:	\$3,692,335,000	\$3,082,330,000

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

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Operating and Capital Budgeting Procedures

For the Fiscal Year 2019 operating budget, the University continued a budget process that encompasses all funds of the University. This approach affords a holistic view of all operations that will enable the University to highlight the evolution of funding sources and allow leadership to make informed strategic decisions in a timely manner. The University projects revenues to grow to \$7.5 billion for Fiscal Year 2019, an increase of 4.7% over Fiscal Year 2018. The growth is driven primarily by patient care at the Wexner Medical Center, which represents 52% of the consolidated budget excluding investment income.

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

The University's general funds operating revenues are derived from two primary sources: student fees and State appropriations. Over the last decade, student fees, which tend to be more stable, have increased at a faster pace than State appropriations and have become the University's largest source of general funds revenue. Unrestricted State appropriations comprised approximately 22.3% of the general funds budget in Fiscal Year 2018 and are expected to comprise approximately 22.1% in Fiscal Year 2019. The initial State budget bill for Fiscal Year 2019 reflects a decrease from the University's state share of instruction by 0.20% in Fiscal Year 2019 from Fiscal Year 2018.

The University is a national flagship university with a leading academic medical center. The Ohio State University is driven by its mission to advance teaching, learning, research and patient care. The financial strategy is built to support those priorities by enhancing access, affordability and excellence.

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

State Operating Appropriations

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

The majority of the University's State operating appropriations are received on the basis of student FTE multiplied by legislated subsidy allowances that vary by program. The following table shows historical State operating appropriations to the University for Fiscal Years 2014 through 2018 and anticipated receipts for Fiscal Year 2019.

<u>Fiscal Year</u>	<u>State Operating Appropriations*</u>
2014	440,924,000
2015	435,824,000
2016	456,063,000
2017	473,061,000
2018	475,593,000
2019**	474,248,000

* Total University; figures include all campuses.

** Budget

State Capital Appropriations

Every year, the University updates its five-year capital investment plan. Administrators work with colleges and central offices to prioritize capital needs, based on standing criteria and areas of emphasis, like Discovery Themes. This provides the basis for a State capital appropriations request which is submitted every other year to the Chancellor of the Ohio Department of Higher Education. The request identifies the projects proposed to be financed with State appropriations by the General Assembly and the purpose, priority, amount, and source of funds for those projects. The Chancellor of the Ohio Department of Higher Education and the General Assembly may approve, modify or disapprove aspects of the University's capital appropriation programs.

The University also receives State capital improvement appropriations. The following table shows historical and budgeted State capital appropriations to the University for the Fiscal Bienniums 2009-10 through 2019-20:

<u>Fiscal Biennium Ended June 30</u>	<u>State Capital Appropriations*</u>
2010	80,269,000
2012	104,920,000
2014	129,935,000
2016	77,249,000
2018	151,487,000
2020	91,081,000

*Actuals and budget do not include \$78.7 million in re-appropriations for capital projects that the State has previously appropriated to the University but the University has not yet spent.

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

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

Recent Developments

Total State of Ohio General Revenue Fund appropriations are \$33.3 billion for Fiscal Year 2019 (a 3.5% increase over Fiscal Year 2018). The budget included a total General Revenue Fund appropriation for higher education of \$2.65 billion in Fiscal Year 2019 (an increase of 1.6% from Fiscal Year 2018). As of September 2018, unemployment for the State of Ohio was at 4.6% and for Franklin County was 3.6%. For Fiscal 2018, tax receipts to the State of Ohio were 2.6% above projections for the year. General Revenue Fund tax revenues were above expectations by 2.6%, and Sales and Uses taxes were above expectations by 1.2%. Through October 2018, General Revenue Fund tax receipts were 1.4% favorable to estimates and Sales and Use taxes were 1.8% favorable to estimates.

The University has made significant investments in access, affordability and excellence, committing an additional \$100 million to need-based financial aid over the past four years and introducing the Ohio State Tuition Guarantee in Autumn 2017 to provide first-year, in-state students with predictability about the cost of tuition, general fees, housing and dining for four years. The University continued the tuition guarantee for a second cohort of first-year, in-state students in Autumn 2018. Tuition and fees now support 75% of the cost of instruction with the remainder funded through State Share of Instruction. The University has focused new and expanded financial aid programs on

Ohio students who demonstrate financial need. With another \$25 million committed to President's Affordability Grants this fiscal year, the University has dedicated \$85 million over four years to support low- and moderate-income Ohio students. The University also established the Buckeye Opportunity Program in Autumn 2018, ensuring that Ohio students who qualify for Pell Grants receive an aid package that covers the full cost of tuition and mandatory fees. The program is expected to support 4,200 students per year and is funded through a new endowment created from proceeds of the Comprehensive Energy Management partnership.

In support of the Digital Flagship program, the University has integrated learning technology throughout the Ohio State experience. For Autumn 2018, incoming first year students at all campuses received an iPad Pro as part of their academic toolkit. Faculty members have ramped up courses specifically designed to take advantage of widespread access to this technology. Additionally, the University continues to expand its investments in programs that support teaching excellence, such as the University Institute for Teaching and Learning. The Institute works with faculty throughout the University to extend best practices and instruction.

More than \$1 billion in upfront proceeds from the Comprehensive Energy Management Project has been invested in the Short and Intermediate Term Investment Pool and Long-Term Investment Pool to support student financial aid, faculty and staff excellence, research support and other strategic priorities.

The University remains committed to protecting and growing student financial aid and to increasing the compensation of University faculty to enhance the ability of the University to attract and retain outstanding faculty. The recently established Teaching Support Program established by the University offers faculty a three-part professional development program. More than 4,000 faculty members may take an inventory to analyze their current practices, complete online models to explore new approaches in the classroom and redesign their instructional practices. The University will reallocate resources if necessary to meet these goals. The University will not reduce the amount of its General Receipts devoted to payment of debt service. It is the judgment of the University that while there will always be some uncertainty in the level of continued State support it receives, the period where the University faced the greatest potential for funding reductions has passed. The level of State funding will not materially impair the University's ability to either satisfy its debt service obligations or carry out the educational mission of the University.

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Grants and Contracts

During Fiscal Year 2018, the University's expenditures on research totaled \$875 million. Over half of these expenditures (\$475 million) came from various federal agencies. The National Institutes of Health (\$222 million), the National Science Foundation (\$51 million), the Department of Education (\$13 million), the Department of Defense (\$35 million), and the Department of Agriculture (\$35 million) were the primary federal sponsors. The remaining \$400 million came from non-federal sources (industry, state, other non-governmental entities and institutional funds) with institutional funds (\$129 million) and industrial sponsors (\$139 million) being the primary sources.

The University's total research expenditures, as reported to the National Science Foundation, are managed by a number of administrative units. The primary administrative unit for external funding awarded to the University's investigators in Fiscal Year 2018 was the Ohio State University Office of Sponsored Programs, which managed the majority of the awards to academic units. In addition, some funds (primarily block grants from the U.S. Department of Agriculture) are administered by the OARDC. Research expenditures by the University's investigators at the Research Institute at Nationwide Children's Hospital and the Transportation Research Center are also included in the University's total research expenditures. Institutional funds reflect the University's investment in the research enterprise and include cost-sharing on grants for items such as facilities, equipment and graduate associate tuition.

The following tables show grant and contract expenditures for sponsored projects for Fiscal Years 2014-2018 by administering unit, and grant and contract awards for the same time period. Note that total awards and total expenditures will not precisely match, because awards often include multiple years of funding, whereas expenditures reflect activity in a single Fiscal Year. In addition, institutional contributions are not included in the awards table.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
OSU Research Foundation	\$536,590	\$539,717	\$515,613	\$534,629	\$539,660
Ohio Agricultural R&D Center	34,581	31,937	30,719	31,525	30,278
Research Institute at Nationwide Children's Hospital	69,024	66,621	63,873	74,003	74,911
Transportation Research Center	32,002	32,528	39,161	45,515	48,240
Institutional Funds	257,062	236,336	144,158	127,297	128,966
Other	53,273	54,858	53,569	51,358	52,959
Totals	\$982,532	\$961,997	\$847,093	\$864,327	\$875,014

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
OSU Research Foundation	\$497,442	\$515,775	\$549,747	\$571,910	\$575,470
Ohio Agricultural R&D Center	38,162	35,026	33,790	35,279	33,723
Research Institute at Nationwide Children's Hospital	55,250	95,160	66,308	72,552	51,480
Transportation Research Center	32,002	32,528	39,161	45,515	48,240
Other	64,663	71,440	72,049	82,623	85,925
Totals	\$687,519	\$749,929	\$761,055	\$807,879	\$794,838

The following table shows grant and contract expenditures for Fiscal Years 2014-2018 by source of funds.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Federal Sponsors					
National Institutes of Health	\$206,424	\$196,794	\$204,530	\$217,471	\$221,833
National Science Foundation	53,779	52,197	53,077	50,740	50,971
Department of Education	37,868	36,653	22,124	17,221	13,096
Department of Defense	34,147	34,604	31,672	31,139	34,579
Department of Energy	22,459	18,452	19,104	21,563	25,163
Department of Labor	3,892	3,784	15,369	12,047	12,489
Department of Agriculture	28,062	31,120	31,461	32,136	34,553
National Aeronautics and Space Administration	5,438	6,157	7,330	7,288	8,721
Other Federal Agencies	85,859	87,985	72,186	74,706	73,589
Total Federal Sources	\$477,928	\$467,746	\$456,853	\$464,311	\$474,994
Industry					
State of Ohio	\$118,297	\$119,272	\$127,738	\$146,317	\$138,916
Other Non-Federal Agencies	58,147	70,593	52,637	54,591	58,211
Institutional funds	71,098	68,050	65,706	71,811	73,927
Total Non-Federal Sources	\$257,062	\$236,336	\$144,159	\$127,297	\$128,966
Total All Sources	\$982,532	\$961,997	\$847,093	\$864,327	\$875,014

The following table shows total grant and contract awards for Fiscal Years 2014-2018 by source of funds.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Federal Sponsors					
National Institutes of Health	\$203,312	\$222,706	\$217,585	\$237,513	\$226,048
National Science Foundation	56,892	62,233	56,925	59,359	54,139
Department of Education	35,457	19,200	20,666	16,105	12,239
Department of Defense	38,059	34,759	31,537	33,149	44,116
Department of Energy	17,191	19,323	25,098	26,685	32,505
Department of Labor	6,577	9,583	9,005	13,926	13,266
Department of Agriculture	25,217	35,291	30,017	34,255	34,020
National Aeronautics and Space Administration	5,765	7,292	8,991	7,095	10,793
Other Federal Agencies	75,761	69,685	77,283	78,663	71,627
Total Federal Sources	\$464,231	\$480,072	\$477,107	\$506,750	\$498,753
Industry					
State of Ohio	\$105,610	\$122,616	\$128,163	\$140,469	\$144,421
Other Non-Federal Agencies	51,478	75,251	76,394	53,241	57,421
Total Non-Federal Sources	\$66,200	\$71,990	\$79,391	\$107,419	\$94,243
Total All Sources	\$223,288	\$269,857	\$283,948	\$301,129	\$296,085
Total All Sources	\$687,519	\$749,929	\$761,055	\$807,879	\$794,838

The Office of University Advancement

The Ohio State University Foundation (the “Foundation”) is a not-for-profit organization formed in April 1985 which operates exclusively for the benefit of the University. The Ohio State University Foundation is the primary fundraising and gift receiving organization for the University. Through the Foundation and the Office of University Advancement, contributions to the University can be made for current use or to the Endowment Fund. The University will accept gifts and bequests of cash, securities, real estate, tangible and intangible property, life insurance, and life income programs such as pooled income funds, charitable remainder annuity trusts, or charitable remainder unitrusts and gift annuities.

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

<u>Fiscal Year</u>	<u>Gifts</u>	<u>Endowment Contributions</u>	<u>Private Capital Gifts</u>	<u>Total</u>
2013	\$122,208	\$57,480	\$41,176	\$220,864
2014	\$138,230	\$54,309	\$5,486	\$198,025
2015	\$163,800	\$60,792	\$1,688	\$226,280
2016	\$156,737	\$64,537	\$10,422	\$231,696
2017	\$181,212	\$52,458	\$26,761	\$260,431
2018	\$168,209	\$55,579	\$15,470	\$239,258

The University Endowment Fund

The University Endowment Fund is comprised of 2,742 individual funds and contains all endowment funds that were established before April 1985. The Fund is invested in the Long-Term Investment Pool and is comprised of a diversified portfolio consisting of equity, fixed income and alternative investments. The market value of the Fund at June 30 of each of the past five Fiscal Years was:

<u>Fiscal Year</u>	<u>Market Value</u>
2014	\$1,057,809,646
2015	\$1,047,984,898
2016	\$977,172,750
2017	\$1,062,320,663
2018	\$1,104,235,903

As of September 30, 2018, the estimated market value of the fund was \$1,107,548,399.

The Ohio State University Foundation

The Foundation administers Unrestricted, Restricted, Endowment and Trusts and Pooled Income Funds for the benefit of the University. The market value of the 3,087 endowment funds held by the Foundation that are invested in the Long-Term Investment Pool at June 30 for the past five Fiscal Years was:

<u>Fiscal Year</u>	<u>Market Value</u>
2014	\$710,961,474
2015	\$757,158,186
2016	\$763,331,888
2017	\$877,261,330
2018	\$958,749,667

As of September 30, 2018, the estimated market value of the fund was \$967,243,873.

The Long-Term Investment Pool

The University's Long-Term Investment Pool (which includes the University Endowment Fund, Foundation Endowments and certain Operating Funds) is the sixth largest endowment fund of any public university or college in the United States based on information from the 2017 National Association of College and University Business Officers endowment study. The market value of the Long-Term Investment Pool at June 30 for the past five Fiscal Years was:

<u>Fiscal Year</u>	<u>Market Value</u>
2014	\$3,613,865,865
2015	\$3,659,386,806
2016	\$3,616,562,386
2017	\$4,253,459,135
2018	\$5,211,434,116

As of September 30, 2018, the estimated market value of the LTIP was \$5,251,759,482, which includes an investment of \$820 million from the more than \$1 billion in upfront proceeds realized from the Comprehensive Energy Management Project, and the LTIP consisted of the following investment types and market values:

<u>Investment Type</u>	<u>Market Value</u>
Absolute Return/Hedge	\$1,120,008,228
Fixed Income	386,333,734
Cash	11,363,815
Equity	2,187,023,539
Private Equity	782,616,217
Real Assets	<u>764,413,949</u>
Total	\$5,251,759,482

The total returns on the long-term portfolio for the period ending June 30, 2018 were:

One year*	7.71%
Three year*	5.99%
Five year*	7.18%

*Shareholder returns

The annualized total return on the long-term portfolio for the one-year period ended September 30, 2018 was 6.27%.

The University distributed approximately \$201.5 and \$166.6 million of endowment funds for operations in fiscal years ending June 30, 2018 and 2017, respectively.

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The Short and Intermediate-Term Pool

The University's Short and Intermediate-Term Pool represents funds available for operating and capital purposes. The market value of the Short and Intermediate-Term Investment Pool at June 30 for the past five Fiscal Years was:

<u>Fiscal Year</u>	<u>Market Value</u>
2014	\$1,642,288,578
2015	\$1,949,304,734
2016	\$2,621,075,390
2017	\$2,695,253,693
2018	\$3,354,477,321

As of September 30, 2018, the estimated market value of the Short and Intermediate-Term Pool was \$3,645,380,928, which includes an investment of \$250,000,000 from the more than \$1 billion in upfront proceeds realized from the Comprehensive Energy Management Project, and the pool consisted of the following investment types and market values:

<u>Investment Type</u>	<u>Market Value</u>
Bank Accounts	\$2,183,100,650
U.S. Gov't & Agency Bonds	289,445,909
Asset Backed Securities	185,722,121
Corporate Bonds	948,679,214
Municipal Bonds	13,358,089
Other Fixed Income	25,074,945
Total	<u>\$3,645,380,928</u>

Insurance Coverage

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

The College of Food, Agriculture and Environmental Sciences has an Inland Marine policy for owned, leased, rented or borrowed farm equipment. All other departments owned, leased, rented or borrowed motor vehicles are self-insured for property damage. Liability coverage is provided by the University's Excess Liability Program, including Auto are subject to a self-insured retention.

All owned or leased aircraft are insured. The aircraft hulls are insured on a replacement cost basis. Aviation liability coverage is also covered under an aviation policy.

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

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

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Capital Programs and Additional Financing

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

As of June 30, 2018, the University had authorization for the following projects:

<u>Project Status</u>	<u>Number</u>	<u>Total Project Cost (dollars in thousands)</u>
In Design	104	\$235,400
Under Construction	271	724,900
Emerging Projects*	100	64,500
Total	<u>475</u>	<u>\$1,024,800</u>

* Projects not yet hired or designed