**WEDNESDAY, NOVEMBER 16, 2022**
**LEGAL, AUDIT, RISK AND COMPLIANCE COMMITTEE MEETING**



Location: Sanders Grand Lounge, Longaberger Alumni House
2200 Olentangy River Road, Columbus, Ohio 43210

Time: 12:00-2:00pm

**Public Session**

*ITEMS FOR DISCUSSION*

1. *Audit Update* — 12:00-12:20pm
   a. *Audited Consolidated Financial Statements (DRAFT) – Mr. Michael Papadakis, Ms. Kris Devine, Mr. Vincent Tammaro*
   b. *External Auditor – Mr. David Gagnon*
2. *Annual Affiliated Entities Report – Mr. Matthew Albers, Ms. Heidi McCabe, Dr. Melissa Gilliam, Dr. Wondwossen A. Gebreyes* — 12:20-12:30pm

ITEMS FOR ACTION — 12:30-12:35pm

3. Approval of August 2022 Committee Meeting Minutes – Ms. Elizabeth Kessler
4. Approval to Submit the Audited Consolidated Financial Statements (DRAFT) to the Auditor of State – Ms. Elizabeth Kessler

**Executive Session** — 12:35-2:00pm

# FY22 External Audit Summary

Legal, Audit, Risk & Compliance Committee | November 16, 2022

# Fiscal Year 2022 Wrap Up - Performance Highlights

## Performance, Health & Stability

- Our overall financial position has continued to improve over the last four years, including throughout the pandemic. Our size, diversity of operations and financial discipline have enabled us to grow and improve our overall financial position during this unprecedented time in the university's history.
- Since 2020, our total assets have grown by 21% ($3.7B) to $21.4B, driven mainly by strong operational performance at the University and OSUWMC, improved investment performance and a historically unprecedented capital asset construction period.
- In the same time period, our total liabilities have decreased by 1% ($158M) to $11.8B, driven mainly by a decline in pension and OPEB liabilities, offset by additional debt issuance.
- From an Income Statement perspective, operating revenues for both the university and OSUWMC have largely recovered to pre-pandemic levels with another increase expected in FY23.
- Achieved a record year of fundraising with $743.2M in gifts & pledges and $510.6M in cash receipts.
- Another important driver of our overall financial performance and health has been the continuation and enhancement of our strong financial controls and our continuous drive to identify and realize significant operating and capital efficiencies across the enterprise.
- The university also took advantage of the historically low-interest rate environment last fall and issued $600M of tax-exempt debt. The university achieved an all-in financing cost of 2.456%, its lowest ever borrowing rate, and generated $715.3M of net proceeds. The transaction was the second largest tax-exempt transaction of 2021 and achieved the university's first-ever 'Green Bonds' designation, reflecting the green building features of the inpatient hospital project and OSU's robust energy efficiency standards.
- The university also continues to embrace fin-tech solutions that drive efficiencies and support our constituencies wherever possible. As such, the university accepted its first crypto-currency gift in June of 2022 and continues to make progress toward a cashless campus, instituting cashless athletic events last fall.
- Finalized Income-Tax and Property Tax Incentive agreements with the City of Columbus that will help facilitate the buildout of the Innovation District.
- University liquidity has remained very strong throughout the pandemic and continues to exceed our applicable policy and target benchmarks.
- University credit ratings of AA/AA/Aa1 were affirmed once again in FY22 and are continued evidence of our overall financial strength.

# Fiscal Year 2022 Wrap Up

## Significant Changes to Fiscal Year 2022

- KPMG was awarded a five-year contract as the external auditor through the Auditor of the State of Ohio.
- The university adopted accounting standard GASB 87, *Leases*. This standard establishes accounting and reporting for leases, based on the foundation principle that all leases are financings of the right to use an underlying assets for a period of time. Lessees record an intangible right-of-use asset and corresponding lease liability. Lessors record a lease receivable and a corresponding deferred inflow of resources. The standard requires a retroactive implementation. The cumulative effect on the financial statements are:

Effect of the Implementation of GASB 87

| Balance Sheet ($ in millions) | | 2022 | | 2021 |
|---|---|---|---|---|
| Total assets | $ | 264 | $ | 237 |
| Total liabilities | $ | (17) | $ | 11 |
| Total deferred inflows | $ | (228) | $ | 212 |
| Net position | $ | 19 | $ | 14 |

| Statement of Revenues, Expenses, and Other Changes in Net Position ($ in millions) | | 2022 | | 2021 |
|---|---|---|---|---|
| Total operating revenues | $ | (6) | $ | 4 |
| Total operating expenses | $ | (8) | $ | (13) |
| Interest expense | $ | 9 | $ | (6) |
| Change in net position | $ | (5) | $ | 11 |

| Statement of Cash Flows ($ in millions) | | 2022 | | 2021 |
|---|---|---|---|---|
| Net cash provided by operating activities | $ | 24 | $ | 21 |
| Net cash used in capital financing activities | $ | (24) | $ | (21) |

# Fiscal Year 2022 Wrap Up

## Significant Transactions Recorded after the Finance & Investment Committee on August 18th

**Through the normal course of the fiscal year-end close, we finalized the following activities in August and September:**

- The recording of subsequent disbursements to accounts payable.
- The recording of the energy concessionaire payable.
- The consolidation of final component unit consolidations.

**Through discussions with KPMG, the university recorded the following Statement of Net Asset entries:**

- Decrease of cash and income tax payable of $45M. This was the result of the acknowledgment in timing of when the cash is withdrawn from the bank and recorded on the general ledger.
- Reclassifications within the net position financial statement categories that resulted in an increase to unrestricted net position of $161M to $2.2B of unrestricted net position. The total ending net position $9.6B was not impacted:
  - $69M decrease in net investment in capital assets due to reclassification of accounts payable items
  - $92M decrease for the reclassification of the quasi-endowment distribution funds

# Fiscal Year 2022 Wrap Up

## Significant Transactions Not Recorded

Through the normal course of the fiscal year-end close, we make determinations, primarily based on materiality and significance to the financial statements and its users, whether to record certain entries in the general ledger.

We determined that the following entries were not significant to the financial statements and did not record them:

- $4^{th}$ quarter adjustment of $14M for the recording of unrealized investment income. Not recording this adjustment is common practice and allows us to ensure our accounting, gift and investment records are aligned.

- Adjustment to record the net impact of depreciating the assets associated with the parking concessionaire arrangement and the capital improvements made by CampusParc. The net impact would be an increase to net capital assets of $34M and net deferred inflows of $37M, with corresponding depreciation expense of $9M and deferred inflow amortization of $1M.

# Consolidated Balance Sheet (as of the fiscal year ended June 30, 2022)

| Assets and Liabilities ($ in millions) | 2022 | 2021 | 2020 |
|---|---|---|---|
| Cash and cash equivalents | $ 480 | $ 1,214 | $ 2,433 |
| Total investments | $ 10,775 | $ 10,204 | $ 7,405 |
| Capital assets, net | $ 7,583 | $ 6,753 | $ 5,922 |
| Pension and OPEB assets and deferred outflows | $ 1,060 | $ 743 | $ 795 |
| Other assets | $ 1,525 | $ 1,457 | $ 996 |
| **Total Assets** | $ 21,423 | $ 20,371 | $ 17,551 |
| Accounts payable and other current liabilities | $ 1,660 | $ 1,687 | $ 1,358 |
| Debt | $ 3,777 | $ 3,128 | $ 3,125 |
| Pension and OPEB liabilities and deferred inflows | $ 3,958 | $ 4,313 | $ 5,299 |
| Concessionaire and other liabilities | $ 2,436 | $ 2,344 | $ 2,087 |
| **Total Liabilities** | $ 11,831 | $ 11,472 | $ 11,869 |

| Net Position ($ in millions) | 2022 | 2021 | 2020 |
|---|---|---|---|
| Ending net position (eliminate pension and OPEB) | $ 12,207 | $ 12,240 | $ 10,189 |
| Ending net position - pension and OPEB | $ (2,615) | $ (3,341) | $ (4,507) |
| **Total Net Position** | $ 9,592 | $ 8,899 | $ 5,682 |

# Consolidated Income Statement

| Total Revenue ($ in millions) | | 2022 | | 2021 | | 2020 |
|---|---|---|---|---|---|---|
| Tuition and Fees | $ | 1,003 | $ | 870 | $ | 954 |
| Grants and Contracts | $ | 1,168 | $ | 1,070 | $ | 1,042 |
| Sales and Services | $ | 540 | $ | 355 | $ | 450 |
| Health System & OSUP Sales and Services | $ | 4,881 | $ | 4,600 | $ | 4,034 |
| State Subsidies and Capital Appropriations | $ | 546 | $ | 550 | $ | 532 |
| Gifts and Additions to Permanent Endowments | $ | 355 | $ | 272 | $ | 299 |
| Other Revenues | $ | 59 | $ | 76 | $ | 115 |
| Total Revenues (w/o investments) | $ | 8,552 | $ | 7,793 | $ | 7,426 |
| Investment income | $ | (301) | $ | 1,861 | $ | 233 |
| **Total Revenues (w/ investments)** | **$** | **8,251** | **$** | **9,654** | **$** | **7,659** |

| Total Expenses ($ in millions) | | 2022 | | 2021 | | 2020 |
|---|---|---|---|---|---|---|
| University Education and General Expenses | $ | 2,944 | $ | 2,721 | $ | 2,717 |
| Auxiliary Sales and Services | $ | 382 | $ | 263 | $ | 307 |
| Health System & OSUP | $ | 4,269 | $ | 4,009 | $ | 3,645 |
| Depreciation | $ | 518 | $ | 479 | $ | 435 |
| Interest Expense on Plant Debt | $ | 164 | $ | 133 | $ | 118 |
| **Total Expenses (w/o pension and OPEB)** | **$** | **8,277** | **$** | **7,605** | **$** | **7,222** |
| Net Margin | $ | (26) | $ | 2,049 | $ | 437 |
| Pension and OPEB expense | $ | (720) | $ | (1,166) | $ | 428 |
| **Total Expenses (w/ pension and OPEB)** | $ | 7,557 | $ | 6,439 | $ | 7,650 |
| **Change in Net Position** | $ | 694 | $ | 3,215 | $ | 9 |

# Consolidated Cash Flows

| Cash Flow From: ($ in millions) | | 2022 | | 2021 | | 2020 |
|---|---|---|---|---|---|---|
| Receipts from Tuition and Grants | $ | 1,754 | $ | 1,583 | $ | 1,671 |
| Receipts from Sales and Services | $ | 5,259 | $ | 4,827 | $ | 4,577 |
| Payments to or on Behalf of Employees, including benefits | $ | (4,523) | $ | (4,090) | $ | (3,910) |
| Payments to Suppliers | $ | (2,865) | $ | (2,423) | $ | (2,159) |
| Other payments | $ | (90) | $ | (160) | $ | (113) |
| **Total Operating Activities** | **$** | **(465)** | **$** | **(263)** | **$** | **66** |
| | | | | | | |
| State Share of Instruction and appropriations | $ | 493 | $ | 553 | $ | 533 |
| Federal COVID-19 assistance and other non-exchange grants | $ | 279 | $ | 224 | $ | 246 |
| Gift receipts and additions to permanent endowments | $ | 340 | $ | 235 | $ | 246 |
| Proceeds from capital debt | $ | 744 | $ | 2 | $ | 0 |
| Payments for purchase or construction of capital assets | $ | (1,131) | $ | (958) | $ | (795) |
| Principal and interest payments on capital debt and leases | $ | (237) | $ | (220) | $ | (190) |
| Other receipts | $ | 34 | $ | 43 | $ | 50 |
| **Total Financing Activities** | **$** | **522** | **$** | **(121)** | **$** | **90** |
| | | | | | | |
| Net purchases, proceeds, and maturities from investments | $ | (929) | $ | (1,206) | $ | (73) |
| Investment income | $ | 138 | $ | 371 | $ | 144 |
| Total Investing Activities | $ | (791) | $ | (835) | $ | 71 |
| **Net change in cash** | $ | (734) | $ | (1,219) | $ | 227 |
| Beginning Cash and Cash Equivalent Balance | $ | 1,214 | $ | 2,433 | $ | 2,206 |
| **Ending Cash Balance** | **$** | **480** | **$** | **1,214** | **$** | **2,433** |

# Future Financial Reporting Impacts

| Stmt # | Title | Description | Effective |
|---|---|---|---|
| 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. | FY 23 |
| 94 | *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* | The standard applies the right-of-use model to P3 arrangements and provides accounting and disclosure guidance for both transferors and operators of governmental assets. | FY 23 |
| 96 | *Subscription-Based Information Technology Arrangements* | Requires recognition of a right-to-use subscription asset (i.e., the sum of the initial subscription liability amount, payments made to the vendor before commencement of the subscription term, and capitalizable implementation costs) and amortization of the asset over the subscription term. | FY 23 |
| 99 | Omnibus 2022 | An extension of the use of LIBOR, clarifies provisions related to the new Statements for leases, public-private partnerships and subscription-based IT arrangements, and the classification and reporting of derivative instruments. | LIBOR provisions - upon issuance.<br><br>Leases, PPPs and SBITAs provisions - FY 23<br><br>Derivative positions – FY 24 |
| 100 | *Accounting Changes and Error Corrections – an amendment to GASB Statement No. 62* | Requires that changes in accounting principles and error corrections be reported retroactively by restating prior periods, changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and changes in accounting estimates be reported prospectively by recognizing the change in the current period. | FY 24 |
| 101 | *Compensated Absences* | Requires that liabilities for compensated absences be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. | FY 25 |

# The Ohio State University

**Discussion with those charged with governance**

**Audit results for the year ended June 30, 2022**

Prepared as of November 7, 2022

Presented on November 16, 2022

KPMG

Date: November 07, 2022
To: The Legal, Audit, Risk, and Compliance Committee of the Board of Trustees
From: David Gagnon, Lead Engagement Partner
Subject: External Audit – Fiscal 2022 Results

**Purpose**

To communicate, in accordance with our professional standards, to the Committee the results of KPMG's external audits of the University's financial statements and certain of its component units, which are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as of and for the fiscal year ended June 30, 2022. We have substantially completed our audits as of the date of this presentation.

**Committee Action**

No action needed.

**Executive Summary**

- We expect to have completed our audit procedures on the University's financial statements by November 16, 2022. We expect to issue unmodified opinions on the financial statements of the University and the component units in the scope of our engagement. Our report refers to the University's adoption of GASB Statement No. 87, *Leases*, in 2022, as well as our audit of certain related adjustments applied to restate the comparative 2021 financial statements, which were audited by PwC.
- One key estimate initially identified as a significant risk in our audit plan presented to the Committee in August 2022 was ultimately determined not to be (see page 9). In addition, due to the identification of a misstatement and related significant deficiency in internal control regarding bank reconciliations, we expanded our initially planned scope of testing over cash.
- No significant unusual transactions were identified during our audit.
- Key areas of focus in our initial audit of the University included:
  - Application of various initial-year audit incremental procedures (see page 4).
  - Implementation of GASB 87, effective as of July 1, 2020, by the University and its component units.
  - Evaluation of and response to significant risks, including:
    - Risk of management override of controls (a presumed risk in all audits)
    - Valuation of net patient care receivables
  - Significant management estimates in the following areas were assessed:
    - Marketable securities
    - Alternative investments
    - Pension and other post-employment benefit plans
- Two corrected misstatements and two uncorrected misstatements were noted (see pages 15-16).
- Although we are not required under professional standards to test or report on the University's internal control over financial reporting, we identified certain significant deficiencies, as reported on pages 17-19.
- Other required communications are included on pages 6 and 7 of these materials.

# Audit results: Overview

**Outstanding matters (as of November 07, 2022)**

Signed management representation letters, down-to-date procedures, and finalization of file documentation**.**

**Auditors' reports on the financial statements and on internal control, compliance and other matters in accordance with *Government Auditing Standards***

See pages 8 and 17-19.

**Corrected and uncorrected misstatements**

Two corrected and two uncorrected misstatements were noted. See pages 15-16.

**Significant deficiencies and material weaknesses**

Two significant deficiencies were identified. See pages 17-19.

**Appendix (see page 25)**

Draft management representation letter

*Higher education is investing in ESG*

*Higher education is on high alert for cyber attacks*

# First-year audit: incremental procedures

Consistent with professional standards, we performed certain audit procedures applicable to an initial audit for a successor auditor in accordance with generally accepted auditing standards in the United States of America (GAAS).

We performed audit procedures to obtain evidence about whether:

— Opening balances contained misstatements that materially affected the current period's financial statements; and

— Appropriate accounting policies or principles and the application of accounting policies or principles over the opening balances were consistently applied in the current period's financial statements or changes were appropriately accounted for and adequately presented and disclosed in accordance with U.S. generally accepted accounting principles (GAAP).

| Communicated in Audit Plan | Results |
|---|---|
| **Planned procedures** | **Major areas of focus** |
| • Reading the financial statements and predecessor auditors' reports;<br>• Reviewing predecessor auditor audit documentation and making appropriate inquiries;<br>• Assessing prior and current period financial statements for consistency; and<br>• Performing additional procedures if a possible misstatement is identified. | • Reviewed PwC workpapers and performed inquiries;<br>• Evaluated related entities and component unit determinations;<br>• Reviewed appropriateness of significant accounting policies, including as to estimates;<br>• Reviewed adequacy and consistency of required disclosures;<br>• Evaluated reasonableness of opening balances for significant accounts; and<br>• Evaluated accounting for parking and utility concession agreements. |

# Required communications to those charged with governance

**Prepared on: November 07, 2022**

**Presented on: November 16, 2022**

# Summary: Audit results, required communications, and other matters

| | | Response |
|---|---|---|
| Audit results | Outstanding matters | Signed management representation letters, final down-to-date procedures, and finalization of file documentation. |
| | Significant unusual transactions | None identified. |
| | Corrected audit misstatements | See page 15. |
| | Uncorrected audit misstatements | See page 16. |
| | Financial statement presentation | See page 20. |
| | Material weaknesses and significant deficiencies in internal control over financial reporting | We identified certain significant deficiencies in internal control over financial reporting, as described on pages 17-19. |
| | Auditors' reports | See pages 8 and 17-19. |
| | Changes to our risk assessment and planned audit strategy | See page 9. |
| | Significant accounting policies and practices | The significant accounting policies used by the University are described in note 1 to the basic financial statements. The University's policies for lease accounting were changed as a result of the adoption of GASB Statement No. 87, *Leases*, in 2022, effective retroactively to July 1, 2020. |
| | Significant risks and accounting estimates | See pages 10-14. |
| | Group audit engagement considerations | No matters to report. |
| | Related parties | Disclosures about the University's related parties, including component units and the State of Ohio, are included in note 1 and various other notes to the basic financial statements. |
| | Going concern | No matters to report. |
| | Other information | See page 8. |

# Summary: Audit results, required communications, and other matters (cont'd)

| | | Response |
|---|---|---|
| Audit results | Subsequent events | No matters to report. |
| | Illegal acts or fraud | No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements, were identified during the audit. |
| | Noncompliance with laws and regulations | No matters to report. |
| | Significant difficulties encountered during the audit | No matters to report. |
| | Significant findings or issues discussed, or the subject of correspondence, with management | No matters to report. |
| | Management's consultation with other accountants | To the best of our knowledge, no consultations occurred. |
| | Difficult or contentious matters for which the auditor consulted | No matters to report. |
| | Disagreements with management | No matters to report. |
| | Other significant matters | No matters to report. |
| | Written communications | Our engagement letter is provided under separate cover. Management's representation letter is included on pages 26-36. |
| | **Independence** | In connection with our audits, KPMG and relevant KPMG professionals have complied with ethical requirements regarding independence, as that term is defined by the professional standards |
| | **Inquiries** | We performed inquiries of management and governance during the audit. See page 23. |

# Auditors' report

| Matters affecting the form and content of the auditors' report (under separate cover) |
|---|
| The Independent Auditors' Report for The Ohio State University is unmodified, presented in the revised AICPA and *Government Auditing Standards* format, effective for fiscal 2022 audits, and will include the following:<br>— *Emphasis of Matter*<br>As discussed in note 1 to the financial statements, in 2022, the University adopted Governmental Accounting Standards Board Statement No. 87, *Leases* (GASB 87). Our opinion is not modified with respect to this matter.<br>— *Other Matters*<br>The financial statements of the University as of and for the year June 30, 2021 were audited by other auditors, who expressed an unmodified opinion on those statements on November 19, 2021.<br><br>As part of our audit of the 2022 financial statements, we also audited the adjustments described in note 1 that were applied to restate the 2021 financial statements for the adoption of GASB 87 in 2022. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of the University other than with respect to the adjustments, and, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole. |

| Other information | Procedures performed | Results |
|---|---|---|
| Required supplementary information (RSI) related to management's discussion and analysis and schedules of pension and other post-employment benefit information | In accordance with GAAS, we have applied certain limited procedures, including inquiries of management and comparisons to the basic financial statements. We do not express an opinion or provide any assurance on the information. | No matters to report. Standard RSI paragraph included in our auditors' report. |
| Other information – long-term investment pool | The information is presented for purposes of additional analysis, is not a required part of the basic financial statements, and has not been subjected to auditing procedures applied in the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information. | No material inconsistencies that would require revision of the other information or any material misstatements of fact noted. |

# Changes from audit plan – significant risks

| Communicated in Audit Plan | Updated |
|---|---|
| **Description** | **Description** |
| Significant risk – Valuation of pension and other post-employment benefit liabilities and related accounts | Reassessment of the valuation of pension and other post-employment benefit liabilities resulted in this key estimate no longer being considered a significant risk. This reassessment was based on gaining a more detailed understanding of the plans and underlying data since our initial assessment. |

# Significant risks

| Risk of management override of internal controls | Susceptibility to: | |
|---|---|---|
| Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities. | **Error** | **Fraud** |
| | | Yes |
| Professional standards require us to perform procedures sufficiently responsive to address the risk of override. Such procedures included: | | |
| — Inquiries of management and governance | | |
| — Assessing the effectiveness of entity-level controls | | |
| — Considering potential fraud risks affecting financial reporting | | |
| — Understanding and evaluating the journal entry process and the completeness of journal entry activity | | |
| — Identifying and testing high-risk journal entries | | |
| — Considering the results of other audit procedures performed | | |
| **Findings** | | |
| No reportable matters were noted. | | |

# Significant risks (cont'd)

| Valuation of net patient care receivables | Susceptibility to: | |
|---|---|---|
| Management's estimate of the valuation of net patient care receivables involves significant judgment and a number of significant assumptions. | **Error** | **Fraud** |
| | Yes | |

**Audit findings**

**Management's process used to develop the estimate**

- Management's estimate of allowances used to value patient care receivables is based on analysis of open accounts receivable, average historical collection experience, and other relevant factors to arrive at an overall assessment of collectible net accounts receivable. We note that management at OSU Health System uses a third-party analytics tool to facilitate its analysis.
- Net patient care receivables recorded in the University's statement of financial position aggregated to $507 million and were comprised of $458 million at OSU Health System and $49 million at OSU Physicians as of June 30, 2022.

**Significant assumptions used that have a high degree of subjectivity**

- In order to project net realizable value, the following significant assumptions are involved:
  - Contractual allowances for billed and unbilled services
  - Charity care allowance estimation based on historical experience
  - Evaluation of historical collections experience and related data

**Indicators of possible management bias**

- No indicators of possible management bias

**Conclusion**

- Based on the procedures performed, KPMG did not identify any indicators of possible management bias. Further, methodologies used for this estimate were consistently applied for the items tested. Management's estimate appears fairly stated in relation to the basic financial statements as a whole.

# Significant accounting estimates

## Description of significant accounting estimates

- **Pension and other post-employment benefit plans**: Management's estimates of amounts recorded for its pension and other post-employment benefit plans are based on a variety of actuarial assumptions related to participant mortality, as well as interest rates, historical experience, and provisions of the related benefit programs. While these determinations are made by the State of Ohio in conjunction with its specialists, the University must reflect the information in its financial statements in accordance with GAAP.

## Audit findings

**Management's process used to develop the estimates**

- Management's estimates of amounts recorded for its pension plan and other post-employment health benefit plans are based on schedules prepared by the State of Ohio pension systems (STRS and OPERS), which allocate the net pension and OPEB liabilities/assets to the various plan employers. These allocation schedules are derived from each plan's actuarial valuation. The actuarial valuations for each plan include a variety of assumptions, which are determined and reviewed on a regular basis by the State's pension systems and their external actuaries.

**Significant assumptions used that have a high degree of subjectivity**

- Discount rate
- Mortality
- Retirement rates
- Expected long-term rate of return on plan assets
- Health care cost trend rate
- Per capita claims cost
- Participation rate

**Indicators of possible management bias**

- No indicators of possible management bias (estimates recorded are from the State)

## Conclusion

- Based on the procedures performed, KPMG did not identify any indicators of possible management bias. Further, methodologies used for this estimate were consistently applied for the items tested. Management's estimates appear fairly stated in relation to the basic financial statements as a whole.

# Significant accounting estimates (cont'd)

| Description of significant accounting estimate |
|---|
| — **Valuation of marketable securities:** Included in the University's financial statements are certain marketable securities presented at fair value based on quoted market prices. Such securities are reported within temporary investments, unexpended bond proceeds, the long-term investment pool, other long-term investments, and other noncurrent assets on the statement of net position. |
| **Audit findings** |
| **Management's process used to develop the estimate** |
| — Management's estimate of the fair value of marketable investment securities held directly by the University, e.g., equity and fixed income securities, is determined based on quoted market prices in active markets or significant other observable inputs. |
| **Significant assumptions used** |
| — Pricing sources and methodologies used |
| **Indicators of possible management bias** |
| — No indicators of possible management bias |
| **Conclusion** |
| — Based on the procedures performed, KPMG did not identify any indicators of possible management bias. Further, methodologies used for this estimate were consistently applied for the items tested. Management's estimate of the fair value of such assets appears fairly stated in relation to the basic financial statements as a whole. |

# Significant accounting estimates (cont'd)

**Description of significant accounting estimate**

— **Valuation of alternative investments:** Included in the University's financial statements are certain alternative investments, such as private equity, real assets, and absolute return funds, for which quoted market prices may not be available. Such investments are reported within the long-term investment pool and other long-term investments on the statement of net position, generally using the funds' net asset values (NAVs) as a practical expedient to estimate fair value.

**Audit findings**

**Management's process used to develop the estimate**

— Management's estimate of the fair value of investments in commingled funds, which may include private equity, real asset, absolute return, and other strategies, is generally determined based on NAVs provided by the funds' managers. Such NAVs represent the University's proportionate interests in these funds' holdings. NAV may be used as a practical expedient to estimate the fair value of an investment if certain eligibility criteria under GAAP are met. Additionally, the University's NAV measurement date (June 30) is generally different than the calendar year-end date used by a majority of the funds for their financial statement audits.

**Significant assumptions used**

— Ability to meet eligibility criteria to use NAV as a practical expedient for specific investments

— Accuracy and reliability of the NAVs used as of the University's measurement date, which is different than the funds' audit date

**Indicators of possible management bias**

— No indicators of possible management bias

**Conclusion**

— Based on the procedures performed, KPMG did not identify any indicators of possible management bias. Further, methodologies used for this estimate were consistently applied for the items tested. Management's estimate of the fair value of such assets appears fairly stated in relation to the basic financial statements as a whole.

# Corrected audit misstatements

| We identified the following corrected misstatements, which are not material to the financial statements but above our reporting threshold. | | |
|---|---|---|
| **$ (thousands)** | | |
| **Description of misstatement** | **Debit** | **Credit** |
| **To correct improper reconciling items between cash per the general ledger and bank:**<br><br>Accounts payable and accrued expenses<br>Cash and cash equivalents<br><br>**See finding 2022-001 on page 18.** | 45,515 | 45,515 |
| **To increase unrestricted net position for outstanding obligations attributable to net investment in capital assets and funds that do not have external restrictions:**<br><br>Net investment in capital assets<br>Net position – restricted expendable<br>Net position – unrestricted<br><br>**See finding 2022-002 on page 19.** | 68,855<br>92,199 | 161,054 |

# Uncorrected audit misstatements

| We identified the following uncorrected misstatements, which are not material to the financial statements but above our reporting threshold. | | |
|---|---|---|
| $ (thousands) | | |
| **Description of misstatement** | **Debit** | **Credit** |
| **To record depreciation on assets used and deferred inflows related to additions received under parking concessionaire agreement (estimated):** | | |
| Opening net position – unrestricted | 63,142 | |
| Depreciation expense | 9,197 | |
| Capital assets, net | | 34,178 |
| Deferred inflows, net | | 37,207 |
| Amortization of deferred inflows | | 954 |
| **To record increase in net asset value (NAV) as of June 30, 2022 for alternative investments initially recorded using March 31, 2022 NAVs on a lagged basis:** | | |
| Long-term investments | 14,312 | |
| Net investment income | | 14,312 |

# Internal control, compliance and other matters

**Report on internal control over financial reporting and compliance and other matters**

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance.

Our report is included under separate cover.

***KPMG responsibilities regarding internal control***

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

***Internal control deficiencies***

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

***Limitations***

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

***Results***

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we identified certain significant deficiencies in internal control over financial reporting, which are described on pages 18-19. The views of University officials have been included.

# Internal control, compliance and other matters (cont'd)

**Finding 2022-001: Reconciliation and analysis of bank accounts**

***Criteria***

Timely preparation and review of bank reconciliations is fundamental to preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

***Conditions Found***

During our testing of the University's main operating account, we determined the account was not reconciled to properly identify and evaluate timing differences between the general ledger and bank balance as of June 30, 2022. As a result, we identified a misstatement to reduce cash and accrued expenses by $45.5 million. After this misstatement was corrected by management, cash and cash equivalents reported by the University was $303.1 million as of June 30, 2022. Upon reconciliation of the main operating account and other bank accounts, the University identified certain other reconciling items. Such amounts were determined by management to be immaterial and not recorded in the 2022 financial statements.

***Cause***

The University's central bank reconciliations lacked protocols for identifying certain reconciling items. Further, such reconciliations were not independently reviewed before preparing the University's financial statements.

***Effect or potential effect***

Failure to timely identify and properly account for reconciling items between bank balances and the general ledger may result in errors, affect the entity's ability to properly manage and project cash flows, and increase the risk of misappropriation.

***Recommendation***

The University should revise policies and procedures to ensure timely preparation and review of all bank reconciliations by individuals having appropriate knowledge, objectivity, and authority.

***Views of University Officials***

Reconciliation activity is prepared timely; however, limitations and challenges with Workday reporting have made it difficult to identify and evaluate certain general ledger transactions. Work continues to improve Workday reporting capability. Additionally, improvements to the bank reconciliation process have been made to further facilitate analysis and communication, ensuring any necessary accounting entries can be made monthly.

# Internal control, compliance and other matters (cont'd)

## Finding 2022-002: Classification of certain components of net position

***Criteria***
GASB Codification 2200.117-125 requires entities to classify net position among net investment in capital assets, restricted amounts, and unrestricted amounts.

***Conditions Found***
The University's total net position was approximately $9.3 billion as of June 30, 2022. During our testing of certain net position components, we noted that $68.9 million of net investment in capital assets and $92.2 million of certain internally designated funds classified within restricted expendable net position should have been classified as unrestricted net position. Management corrected these misstatements in the 2022 statement of financial position.

***Cause***
The University had not performed sufficiently detailed analyses of net position balances, including comparison to corresponding prior-year balances.

***Effect or potential effect***
Failure to properly account for and apply consistent policies to net investment in capital assets, expendable net position, and unrestricted net position could result in misclassifications within net position.

***Recommendation***
The University should centralize and strengthen policies and review controls to ensure appropriate evaluation and classification of the above net position components.

***Views of University Officials***
We will review and enhance our policies and processes for the evaluation of appropriate net position classification.

# Other financial reporting observations

As a result of our initial audit of the financial statements, we have highlighted the following additional observations for further consideration by the University. Management's response are included.

| Presentation of inter-entity balances |
| --- |
| In the statement of net position as of June 30, 2022, aggregate amounts of $135,582 due from and $366,735 due to the primary institution, respectively, are presented in the "Discretely Presented Component Units" column, whereas corresponding payables and receivables in the "Primary Institution" column are presented as negative assets and liabilities. This presentation is intended to facilitate elimination of these inter-entity balances in the "Total University" column, which is not required to be presented under GAAP. While this is a non-GAAP presentation, all such negative amounts are clearly identifiable, and we do not object to the presentation.<br><br>**Management's response**<br>We believe the "Total University" column presentation is meaningful to the financial statement reader and will continue our current presentation practice. |

| Policy regarding current use funds |
| --- |
| At June 30, 2022, the University's expendable net position included, among other account groupings, $324.2 million of funds whose use is restricted as to purpose by third parties ("current use funds"). GASB requires entities to select a policy for use of restricted resources that is consistently applied. The University's stated policy is to use restricted resources before unrestricted resources for qualifying expenses. However, this policy does not appear to be consistently applied across the University's decentralized environment. We recommend the University clarify guidelines for utilizing current use funds and determine net position accordingly.<br><br>**Management's response**<br>We adhere to the appropriate use of restricted resources. We will review our policies and assess processes for consistent application of restricted resources prior to unrestricted resources across the University. |

| OPERS disclosures for separate plans |
| --- |
| The University has historically blended disclosures for three separate pension and OPEB plans (Traditional Plan, Member-Directed Plan, and Combined Plan) administered by OPERS. GASB requires disclosures to be separately presented for each plan. While net pension assets for the Member-Directed Plan and Combined Plan have been determined by management to be immaterial to the basic financial statements, changes in actuarial assumptions or shifts in Plan participation should be regularly evaluated to determine if the presentation should be corrected.<br><br>**Management's response**<br>We will continue to annually monitor changes in actuarial assumptions and shifts in Plan participation rates to evaluate the need for separate disclosures for the Traditional Plan, Member-Directed Plan and Combined Plan in future years. |

# Status of audit deliverables

| **University Audit** | **Components** | **Deliverables** | **Status at (as of Nov. 7)** |
|---|---|---|---|
| **Primary Institution** | The Ohio State University | Auditors' reports on the financial statements<br><br>Reports on internal control and compliance and other matters in accordance with *Government Auditing Standards* (and Auditor of State guidance) | Substantially complete |
| | OSU Wexner Medical Center Health System (OSU Health System) | | |
| | OSU Foundation | | |
| **Discretely Presented Component Units** | OSU Physicians | | |
| | Campus Partners for Community Urban Redevelopment and Subsidiaries (Campus Partners) | | |
| | Transportation Research Center, Inc. | | |

| **Other Deliverables** | **Reporting Entity** | **Status (as of Nov. 7)** |
|---|---|---|
| **Stand-alone Financial Statement Audits** | OSU Foundation | Substantially complete |
| | OSU Health System | Substantially complete |
| | Transportation Research Center, Inc. | Substantially complete |
| | OSU Physicians | Substantially complete |
| | Campus Partners | In process |
| **Compliance** | Uniform Guidance | In process – see page 22 |

# Single Audit status

The Single Audit in accordance with the Uniform Guidance (UG) is required annually by federal regulation and is focused on compliance and internal control over compliance for programs that are federally funded. Major programs are selected for audit are based on quantitative and qualitative risk considerations prescribed by federal regulations. While certain major program testing has commenced, risk assessments are still in progress for some programs. Below is a summary of recently audited major programs and planned 2022 major programs:

| **FY20**<br>**Major programs – audited** | **FY21**<br>**Major programs – audited** | **FY22**<br>**Major programs – planned** |
|---|---|---|
| — Research and Development Cluster (R&D)<br>— Student Financial Assistance Cluster (SFA)<br>— Higher Education Emergency Relief Fund (HEERF)<br>— Cooperative Extension Cluster<br>— Admin for Children and Family Cluster<br>— Institute of Museum and Library Services Cluster | — R&D<br>— SFA<br>— HEERF<br>— Coronavirus Relief Fund (CRF)<br>— Provider Relief Fund (PRF)<br>— HRSA COVID-19 Uninsured Program<br>— Cooperative Extension Cluster<br>— Supplemental Nutritional Assistance Program Cluster<br>— Highway Planning and Construction Cluster<br>— Disaster Grants – Public Assistance | — R&D<br>— SFA<br>— HEERF*<br>— PRF*<br>— CRF*<br>— Medicaid Cluster<br><br>* *Identified as higher risk in 2022 OMB Compliance Supplement* |

Final major program determinations will depend upon management's completion of the schedule of expenditures of federal awards, risk assessment procedures, and requirements in the 2022 Compliance Supplement.

Compliance test work over direct and material compliance requirements is planned based upon reliance on internal control over compliance. While we may test and report on internal control over compliance, we do not express an opinion on the effectiveness of internal control over compliance.

# Inquiries

**The following inquiries are in accordance with AU-C 260**

**Are those charged with governance aware of:**

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
  - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
  - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

**Do those charged with governance have knowledge of:**

- Fraud, alleged fraud, or suspected fraud affecting the University?
  - If so, have the instances been appropriately addressed and how have they been addressed?

**Additional inquiries:**

- What are those charged with governance's views about fraud risks in the University?
- Who is the appropriate person in the governance structure for communication of audit matters during the audit?
- How are responsibilities allocated between management and those charged with governance?
- What are the University's objectives and strategies and related business risks that may result in material misstatements?
- Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken?
- What are those charged with governance's attitudes, awareness, and actions concerning (a) the University's internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b) detection of or possibility of fraud?
- Have there been any actions taken based on previous communications with the auditor?
- Has the University entered into any significant unusual transactions?
- Whether the entity is in compliance with other laws and regulations that have a material effect on the financial statements?
- What are the other document(s) that comprise the annual report, and what is the planned manner and timing of issuance of such documents?
- Have any subsequent events occurred that might affect the financial statements?

# Thank you

**Dave Gagnon**
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# Appendix

Contents:

THE OHIO STATE UNIVERSITY

**Office of Business and Finance**

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November 17, 2022

KPMG LLP
191 W Nationwide Blvd.
Columbus, OH 43215

To whom it may concern:

We are providing this letter in connection with your audit of the financial statements of the business-type activities, the aggregate discretely presented component units, and the related notes to the financial statements of The Ohio State University (the University) as of and for the year ended June 30, 2022, for the purpose of expressing opinions as to whether these financial statements present fairly, in all material respects, the respective financial position, changes in financial position, and, where applicable, cash flows thereof in conformity with U.S. generally accepted accounting principles (U.S. GAAP). We are also providing this letter to confirm our understanding that the purpose of your testing of transactions and records relating to the University's federal programs, in accordance with Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), was to obtain reasonable assurance that the University had complied, in all material respects, with the requirements of federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of informing ourselves, as of November 17, 2022:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 29, 2022, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2. We have made available to you:

    a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;

    b. Additional information that you have requested from us for the purpose of the audit;

c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence; and

d. All minutes of the meetings of the University's Board of Trustees and its committees, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant Board and committee actions are included in the summaries.

3. Except as disclosed to you in writing, there have been no communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations, whose effects should be considered when preparing financial statements.

5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

6. There are no side agreements or other arrangements (either written or oral).

7. All events subsequent to the date of the statement of net position and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62*, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

9. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

10. The effects of the uncorrected financial statement misstatements summarized in the accompanying schedule(s) are immaterial, both individually and in the aggregate, to the financial statements for each respective opinion unit.

11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term "fraud" is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.

12. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the University's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you in writing all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit*.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud affecting the University involving:

    a. Management,

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the University's financial statements communicated by employees, former employees, analysts, regulators, or others.

16. We have no knowledge of any officer or Trustee of the University, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

17. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure and, as applicable, appropriately reflect our intention and ability to carry out specific courses of action on behalf of the entity, where relevant to the fair value measurement and or disclosure that is reasonable in accordance with U.S. GAAP.

18. We have disclosed to you the identity of all our related parties and all the related party relationships and transactions of which we are aware.

19. The following have been properly recorded or disclosed in the financial statements:

    a. Related party relationships and transactions, of which we are aware, in accordance with U.S. GAAP, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments and amounts receivable from or payable to related parties.

       The term "related party" refers to government's related organizations, joint ventures, and jointly governed organizations, as defined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended; elected and appointed officials of the government; its management; members of the immediate families of elected or appointed officials of the government and its management; and other parties with which the government may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

We have provided to you support for any assertion that a transaction with a related party was conducted on terms equivalent to those prevailing in an arm's-length transaction.

b. Guarantees, whether written or oral, under which the University is contingently liable.

c. The existence of and transactions with joint ventures and other related organizations.

20. Except as disclosed in the financial statements, the University has satisfactory title to all owned assets, there are no liens or encumbrances on such assets, and no asset been pledged as collateral.

21. The University has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

22. The University's reporting entity includes all entities that are component units of the University.

23. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. GAAP. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the University's current period financial statements and our assessment of internal control over financial reporting, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements and our assessment of internal control over financial reporting is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

24. To the best of our knowledge and belief, we have provided you with a complete and accurate listing of our affiliates as defined by the AICPA Code of Professional Conduct interpretation ET 1.224.020, *State and Local Government Client Affiliates*.

25. We acknowledge our responsibility for the presentation of the required supplementary information (RSI) which includes management's discussion and analysis, RSI on GASB 68 Pension Liabilities and GASB 75 Net OPEB Liabilities and related Notes to such RSI, in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:

a. Believe the RSI, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.

b. The methods of measurement or presentation of the RSI have not changed from those used in the prior period.

c. The significant assumptions or interpretations underlying the measurement or presentation of the RSI are reasonable and appropriate.

26. We acknowledge our responsibility for the presentation of the supplementary information (SI) on the Long-Term Investment Pool in accordance with the applicable criteria and:

a. Believe the SI, including its form and content, is fairly presented in accordance with the applicable criteria.

b. The methods of measurement or presentation of the SI have not changed from those used in the prior period.

c. The significant assumptions or interpretations underlying the measurement or presentation of the SI are reasonable and appropriate in the circumstances.

27. We agree with the findings of specialists in evaluating self-insurance reserves and have adequately considered the qualifications of the specialists and the entity that employs the specialists in determining the amounts and disclosures used in the basic financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

28. The basis for our proportion of the collective pension and other postemployment benefit plan amounts is appropriate and consistent with the manner in which future contributions to the plan are expected to be made.

29. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under section 103 of the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.

30. There have been no circumstances that have resulted in communications from the University's external legal counsel to the University reporting evidence of a material violation of securities law or breach of fiduciary duty, or similar violation by the University or any agent thereof.

31. Relative to the University's participation in U.S. Department of Education Title IV programs, there have been no triggering events, as described in 34 CFR 668.171, that have occurred during or subsequent to the period covered by the auditors' report.

32. The University has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

33. The University has classified net position resulting from donor-restricted contributions as nonexpendable or expendable based on our assessment of the donor's intention, as specified in original donor correspondence where available. Where not available, we used other corroborating evidential matter including minutes of the Board, accounting records, and financial statements. To the extent that we were unable to review original donor correspondence to determine the amount of the original gift and donor additions, our determination of such amount was based on our best estimate considering the relevant facts and circumstances. In addition, we have classified appreciation and income related to such contributions in accordance with relevant donor or statutory restrictions.

34. In accordance with *Government Auditing Standards*, we have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.

35. KPMG LLP assisted management in drafting the financial statements and notes, limited to providing word processing and reproduction assistance. In accordance with *Government Auditing Standards*, we confirm that we have reviewed, approved, and accept responsibility for the financial statements and notes.

We confirm, having made such inquiries as we considered necessary for the purposes of appropriately informing ourselves, as of November 17, 2022, the following representations made to you during your single audit:

36. We are responsible for the design, implementation, and maintenance of effective internal control over compliance for federal programs that provides reasonable assurance that the University is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

37. We are responsible for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of the University's federal programs.

38. We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

39. We are responsible for the design, implementation, and maintenance of internal controls to prevent and detect fraud in the administration of federal programs. We have no knowledge of any fraud or suspected fraud affecting the entity's federal programs involving:

    a. Management, including management involved in the administration of federal programs.

    b. Employees who have significant roles in internal control over the administration of federal programs.

    c. Others where the fraud could have a material effect on compliance with federal statutes, regulations, and the terms and conditions of federal awards related to its federal programs.

40. We are responsible for the presentation of the schedule of expenditures of federal awards (SEFA) in accordance with the Uniform Guidance and:

    a. The SEFA, including its form and content, is fairly presented in accordance with the requirements of the Uniform Guidance.

    b. The SEFA includes all expenditures made during the year ended June 30, 2022 for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, cooperative agreements, interest subsidies, insurance, noncash assistance (such as free rent, food commodities, donated property or donated surplus property), direct appropriations, and other assistance.

    c. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period.

    d. The significant assumptions or interpretations underlying the measurement or presentation of the SEFA are reasonable and appropriate in the circumstances.

    e. We will make the audited financial statements readily available to the intended users of the SEFA no later than the date of issuance by the entity of the SEFA and the auditors' report thereon.

Additionally, we confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purposes of appropriately informing ourselves, as of November 17, 2022, the following representations made to you during your single audit:

41. The University is responsible for complying, and has complied, with the requirements of the Uniform Guidance.

42. We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance compliance audit.

43. The University has designed, implemented, and maintained effective internal control over compliance for federal programs that provides reasonable assurance that the University is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on its federal programs.

44. We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over compliance that we have identified, which could adversely affect the University's ability to administer a major federal program in accordance with the applicable requirements of federal statutes, regulations, and the terms and conditions of federal awards. Under standards established by the American Institute of Certified Public Accountants, a deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct on a timely basis, noncompliance with a type of compliance requirement of a federal program. A "material weakness" is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented or detected and corrected on a timely basis. A

"significant deficiency" is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

45. The University has complied with requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of its major federal programs.

46. The University has charged costs to federal awards in accordance with the applicable cost principles.

47. Federal program financial reports and claims for advances and reimbursements are supported by the accounting records from which the financial statements have been prepared.

48. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

49. We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.

50. We have issued management decisions on a timely basis (within six months of acceptance of the audit report by the FAC) for audit findings that relate to federal awards made to subrecipients. Additionally, management has followed up ensuring that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient by the University.

51. We have considered the results of subrecipient audits and have made any necessary adjustments to the University's accounting records.

52. We have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program.

53. We have provided to you our interpretations of any compliance requirements that are subject to varying interpretations.

54. We have made available all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements, for major federal programs.

55. We have made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities related to major federal programs.

56. We have identified and disclosed to you all questioned costs and any known noncompliance with the requirements of federal awards.

57. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the compliance requirements over federal programs, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

58. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

59. The University has no prior year findings to include on a summary schedule of prior audit findings.

60. We have advised you of all contracts or other agreements with service organizations.

61. We have disclosed to you all communications from the University's service organizations relating to noncompliance at the service organizations.

62. We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control over major federal programs, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditors' report.

63. We have disclosed to you all known noncompliance relating to major federal programs occurring subsequent to the period covered by the auditors' report.

64. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance over major federal programs during the reporting period.

Very truly yours,

The Ohio State University

________________________________

Michael Papadakis
*Senior Vice President and Chief Financial Officer*

________________________________

Kristine Devine
*Vice President of Operations and Deputy Chief Financial Officer*

________________________________

Lisa Plaga
*Controller*

THE OHIO STATE UNIVERSITY

**Office of Business and Finance**

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November 17, 2022

KPMG LLP
191 W Nationwide Blvd.
Columbus, OH 43215

To whom it may concern:

I am providing this letter in connection with your audit of the financial statements of the business-type activities, the aggregate discretely presented component units, and the related notes to the financial statements of The Ohio State University (the University) as of and for the year ended June 30, 2022, for the purpose of expressing opinions as to whether these financial statements present fairly, in all material respects, the respective financial position, changes in financial position, and, where applicable, cash flows thereof in conformity with U.S. generally accepted accounting principles (U.S. GAAP). I am also providing this letter to confirm my understanding that the purpose of your testing of transactions and records relating to the University's federal programs, in accordance with Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), was to obtain reasonable assurance that the University had complied, in all material respects, with the requirements of federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022. I have reviewed the attached signed representation letter dated November 17, 2022, and I am not aware of information that would make the representations included therein inaccurate or incomplete.

________________________________

Kristina M. Johnson, PhD
*President*

**Summary of Audit Misstatements - Uncorrected**

**Entity: The Ohio State University**
**As of and for year ended June 30, 2022** 6/30/2022 **Amounts in thousands**

| Correcting Entry Necessary at Current Period End | | | | | | | Statement of Revenues, Expenses, and Changes in Net Position - Debit (Credit) | | | Statement of Net Position Effect - Debit (Credit) | | | Statement of Cash Flows Effect - Increase (Decrease) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ID** | **Description of misstatement** | **Factual, judgmental or projected misstatement?** | **Misstatement in accounts or in disclosure?** | **Accounts (if applicable)** | **Debit** | **(Credit)** | **Income effect of correcting the balance sheet in prior period (carryforward from prior period)** | **Income effect according to Iron Curtain method** | **Income effect according to Rollover method** | **Net position** | **Assets and deferred outflows** | **Liabilities and deferred inflows** | **Operating Activities** | **Noncapital Financing Activities** | **Capital Financing Activities** | **Investing Activities** |
| | | | | Opening net position - unrestricted | 63,142 | | 63,142 | | | | | | | | | |
| | | | | Depreciation expense | 9,197 | | | | 9,197 | | | | | | | |
| | | | | Capital assets, net | | (34,178) | | | | | (34,178) | | | | | |
| | | | | Deferred inflows, net | | (37,207) | | | | | - | (32,707) | | | | |
| AM 1 | To record depreciation on assets used and deferred inflows related to additions received under parking concessionaire agreement. | Projected | Accounts | Amortization of deferred inflows | | (954) | | | (954) | | | | | | | |
| | | | | Long-term investments | 14,312 | | | | | | 14,312 | | | | | |
| AM 2 | To record increase in net asset value (NAV) as of June 30, 2022 for alternative investments initially recorded using March 31, 2022 NAVs on a lagged basis. | Factual | Accounts | Net investment income | | (14,312) | | | (14,312) | (14,312) | | | | | | |
| | | | | | | | Aggregate effect of uncorrected audit misstatements: | **-** | **(6,069)** | **(14,312)** | **(19,866)** | **(32,707)** | **-** | **-** | | **-** |
| | | | | | | | Financial statement amounts (per final financial statements): | | (688,438) | (9,320,116) | 20,535,930 | (11,215,814) | (533,406) | 1,060,459 | (477,807) | (699,755) |
| | | | | | | | Uncorrected audit misstatements as a percentage of financial statement amounts: | - | 0.9% | 0.2% | -0.1% | 0.3% | 0.0% | 0.0% | 0.0% | 0.0% |

KPMG

# Higher education is investing in ESG

## Audit Insights

July 2022

Like many organizations, higher education institutions are increasingly prioritizing environmental, social and governance (ESG) initiatives and planning for related disclosures. Whether enhancing access and affordability, achieving more diverse student populations, setting net-zero emissions targets or publicly denouncing racial injustice, colleges and universities have been engaging in ESG for some time, demonstrating that they share the values and motivations of their students, their faculty and the investment community at large. Now more than ever, these institutions are inventorying their ESG activities and developing more formal and comprehensive strategies to ensure they have adequate processes and controls to manage risk and promote **environmental and** financial sustainability.

However, ESG reporting in academia has been much more qualitative than quantitative thus far because of inconsistent data and definitions, limited reporting from investees and peer institutions and no current reporting mandates or guidance from governing bodies. The lack of a universal ESG reporting framework has been an obstacle for all sectors. When institutions employ different definitions and methodologies for measuring ESG data — such as employee turnover and material cyber breaches — it becomes challenging to glean data that are reliable, comparable and decision-useful.

Despite these challenges, colleges and universities are placing ESG at the forefront of their investment agendas as they advance environmental initiatives, advocate for diversity, equity and inclusion (DEI) — in boards, faculty, staff and students — and seek to mitigate emerging risks.

## Endowments as a vehicle for climate action

Endowments are the lifeblood of higher education. The income generated from donors and investments often determines the financial viability of an institution and its beneficiaries for decades to come. Endowments are an opportunity to invest in future students, research, innovation and state-of-the-art academic facilities. They are also an opportunity to invest in the long-term financial stability of the environment and economy — one in which entities are increasingly decarbonizing their operations, value chains and portfolios. Investing with sustainability in mind can not only generate greater financial returns but also greater societal returns, benefiting the future generations of students these colleges and universities seek to serve.

Colleges and universities are increasingly tying environmental criteria to their endowment investment strategies. Interest from asset managers is growing too. In fact, one prediction is that more than a third of the projected $140.5 trillion of global assets under management will be sustainable investing assets by 2025.[1] But without consistent standards, frameworks and definitions, colleges and universities cannot effectively execute sustainable investment practices. This complicates environmental strategies for institutions that have set overall concrete targets, such as net-zero emissions.

[1] Adeline Diab and Gina Martin Adams, "ESG Assets May Hit $53 Trillion by 2025, a Third of Global AUM," Bloomberg Intelligence, February 23, 2021.

With new regulations concerning public companies and asset managers from the U.S. Securities and Exchange Commission (SEC) on the horizon, as well as the recent establishment of the International Sustainability Standards Board (ISSB), college and university endowments stand to benefit from an increasing level of ESG data that will help them make more informed decisions with respect to climate and social risks and opportunities within their portfolios. Still, for colleges and universities with large endowments (i.e., > $1 billion), getting to the right data will be a particularly rigorous process. Institutions will need to parse the data of each entity in their portfolio, including any underlying entities, to ensure each investment conforms to their climate and sustainability commitments. As regulation continues to take shape, we expect to see extensive education about the use cases for climate data to facilitate this intense process.

## Broadening the pool of DEI data

While higher education continues to find its footing on the *E* of ESG, colleges and universities are well-versed in the *S*. The COVID-19 pandemic and its disproportionate impacts on minority students and staff, as well as heightened calls for racial justice at campuses across the country, have spotlighted social issues in academia. Colleges and universities are experienced in tracking and reporting student diversity data, but diversity data for faculty and staff are usually less available and often not reported. When it is reported, the data are often inconsistent or outdated.[2] While some higher education institutions have board-level committees focused on DEI, this governance structure varies across institutions, and many lack expertise in interpreting ESG data and identifying related risks and opportunities.

As it has done for climate reporting, the SEC is expected to propose disclosure rules for public companies on human capital management. Additionally, ratings agencies are indicating that ESG factors are becoming a material credit consideration for higher education institutions,[3] and the Municipal Securities Rulemaking Board is currently evaluating ESG practices in the exempt bond markets. In the absence of uniform reporting, higher education leaders should assess the scope and quality of their institution's internal and external disclosures, the ways their ESG commitments and metrics are defined and the evidence and processes in place to support such disclosures.

For example, higher education leaders may ask themselves how they consider ESG factors, such as DEI, in:

- Admissions
- Student wellness and safety
- Employee recruitment and retention
- Endowment management and fundraising
- International activities
- Board composition

For universities with academic medical centers, health equity should be top of mind as well.

## Tackling existing and emerging risks

Embedding ESG risks into higher education's enterprise risk management (ERM) profile is critical to ensuring its success in the long term. Colleges and universities are uniquely vulnerable to cyberattacks because of their open and decentralized information technology environments, strained bandwidths from the unexpected shifts to hybrid

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[2] KPMG U.S., *On the 2022 Higher Education Audit Committee Agenda*, accessed May 2022, https://institutes.kpmg.us/government/articles/2022/higher-education-audit-committee.html.
[3] Moody's Investors Service, "Research Announcement: ESG Factors Material in 50% of Public-sector Rating Actions in 2019 and Q1 2020," November 18, 2020.

learning and remote work, insufficient investment in cyber security and highly valuable data: research intelligence, student information and patient medical records.[4]

Beyond cyber threats, reputational risks can arise from controversial investments tied to companies employing forced or child labor, operating in war zones or other geopolitically complex areas, or championing ideologies that strongly conflict with the values of students, faculty and staff. At the endowment level, while certain ESG data remain difficult to source and assess, institutions can apply an ESG lens to diligence reviews of investment targets and monitor their existing portfolio holdings for potential red flags.

As U.S. public companies and registered investment entities expand the scope of their ESG reporting, we expect it will become easier to assess the impact of these less conventional risks previously hidden within college and university endowments. Institutions should prepare now to ensure they have processes in place to identify and address these risks.

## Employing a cross-functional approach to governance

Mitigating higher education's physical, transition and reputational risks requires a cross-functional approach in which finance and operations leaders, school administrators and trustees work together to use objective measurements that drive long-term, risk-adjusted investment success while advancing ESG priorities.[5] In addition, bringing in a third-party auditor to assure ESG data can further build trust from key stakeholders.

A good starting point for cross-functional collaboration is to consider the following questions:

- Does our institution have an ESG strategy, and who is responsible for its execution?
- How are material ESG risks identified? Are risks in the ERM profile evaluated through an ESG lens?
- What metrics will be used to measure progress against stated goals, and how are such metrics defined? Who within the institution will be responsible for generating and tracking such data and ensuring its conformity with applicable standards?
- What internal controls and procedures are in place to ensure the quality of ESG data and disclosures? Is such information reviewed with the same rigor as financial results?[6]

## Conclusion

Today, the higher education sector is in the early stages of the ESG reporting journey. A few institutions have begun to publish formal ESG reports. Others are making public commitments around student access and affordability, faculty diversity and divestment of fossil fuel holdings in their endowment portfolios. Still, many are just beginning to inventory existing ESG activities and considering how to develop a comprehensive strategy. At all stages, there is ample room for alignment on and understanding of ESG definitions and a critical need for quantitative, reliable data. College and university endowments are a significant source of ESG risk and opportunity, and a cross-functional approach to governance will help institutions satisfy their fiduciary responsibilities to donors and other stakeholders.

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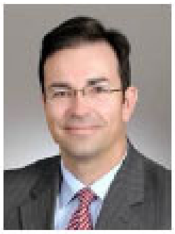
[4] KPMG U.S., *Higher education is on high alert for cyberattacks*, May 2022, https://info.kpmg.us/news-perspectives/advancing-the-profession/higher-education-high-alert-cyberattacks.html.
[5] KPMG U.S., *Three Lesson Plans for Higher Education Boards in 2021*, June 2021, https://info.kpmg.us/news-perspectives/advancing-the-profession/three-lessons-plans-for-higher-education-boards-2021.html.
[6] KPMG U.S., *On the 2022 Higher Education Audit Committee Agenda.*

## Authors



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# Higher Ed & Cyber

## Audit Insights

May 2022

## Higher education is on high alert for cyberattacks

Boosted by federal stimulus funds and rising investment markets, 2021 was a year of resilience for the U.S. higher education sector, with colleges and universities enjoying better-than-expected operating results. However, ongoing disruptions from the pandemic and social and geopolitical impacts have increased strain on these institutions' resources, heightening risks surrounding data privacy and security. As higher education institutions evolve to accommodate more hybrid working and learning environments and plan their response to imminent regulation on cyber breach disclosure requirements, cyber security remains a top concern for higher education institutions and their boards.

## Examining higher education's cyber security landscape

In today's increasingly distributed technology environment, it is almost inevitable for a company or institution to experience a major cyber event. And the threat landscape is only expanding with cybercriminals employing increasingly sophisticated tactics and technologies to wreak havoc on their targets. Higher education institutions, and particularly those with significant research and development activities and academic medical centers, are prime targets for breaches. In fact, a number of higher education institutions have succumbed to high-profile attacks in recent years, resulting in data breaches, network outages and ransom payments.

Relative to other industries, education is uniquely vulnerable to cyber events. A 2021 EDUCAUSE report found that the sector experienced over six times more malware attacks than the next most affected industry.[1] And the problem is poised to get worse. While higher education institutions are working diligently to improve their cyber security infrastructures, bad actors are moving more quickly. Cybercriminals do not adhere to an academic calendar; they work around the clock to find windows of opportunity to cause disruption. Their motives may vary: Some cybercriminals work on behalf of nation states to create chaos on U.S. soil, while others seek monetary compensation, intellectual property or other sensitive data.

At the center of higher education's cyber security landscape is one common theme: Colleges and universities are high-value targets, and it is imperative that they accelerate the implementation of robust security processes and controls that continuously assess and mitigate cyber vulnerabilities.

## Higher education's unique vulnerability

Though no sector is truly immune from cyberattacks, we see several key explanations for higher education's unique vulnerability:

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[1] Steve Scholz, William Hagen and Corey Lee, "The Increasing Threat of Ransomware in Higher Education," *EDUCAUSE Review*, June 22, 2021, https://er.educause.edu/articles/2021/6/the-increasing-threat-of-ransomware-in-higher-education.

— Higher education institutions house highly valuable data in the form of research intelligence, patient medical records and student information. Research universities in particular may house lab equipment and other testing instruments that are gifted through grant money. In discussions with clients, we have heard that grant equipment is less frequently updated for security purposes.

— Higher education institutions traditionally operate in more open and decentralized information technology (IT) environments. Relative to a highly centralized public company, these environments tend to have more entry points for bad actors.

— The COVID-19 pandemic accelerated the shift to hybrid work and learning at colleges and universities. This shift created strains on technology bandwidths and quickened the adoption of new technologies.

— Higher education lags other industries with respect to cyber spending, staffing and expertise at the board level.

— There is an exclusive prestige to higher education institutions. Universities, and the countries where they operate, are very focused on building their competitive edge. Entities that place such a large emphasis on reputation have much to lose in a cyberattack.

As we shared in *Three Lesson Plans for Higher Education Boards in 2021*,[2] the stakeholder landscape for higher education is among the broadest of any industry. It includes students, parents, faculty, staff, board members, alumni, donors, researchers, patients and the federal government and associated regulatory bodies. Higher education stakeholders make financial and strategic contributions to the institutional mission that are wide-ranging and important, but their varied interests also make quick decision-making a challenge. Colleges and universities must understand that fulfilling the needs and expectations of such a complex network of stakeholders undoubtedly gives rise to more cyber security concerns. To mitigate these, institutions must be willing to embrace cutting-edge security solutions that can manage the growing volume and sophistication of the threats they face.

## Recommendations for bolstering cyber security

Paramount to higher education's success in overcoming cyber security threats is accelerating the speed with which institutions assess their vulnerabilities, developing robust security policies and implementing them in a rigorous manner. Every second counts — no university wants to fall victim to a breach while cyber security policies await revision or proactive measures need sign-off.

In addition to approaching cyber security with a heightened sense of urgency, colleges and universities can enhance their internal protocols by:

— Implementing regular training, awareness campaigns, tabletop exercises and phishing simulations among students, faculty, staff and other key stakeholders.

— Narrowing the scope of access to secure systems. Colleges and universities should be mindful of limiting system access to those who truly need it. For example, visiting professors should not have remote access to an institution's network once their teaching engagement is complete.

[2] KPMG U.S., *Three Lesson Plans for Higher Education Boards in 2021*, June 2021, https://info.kpmg.us/news-perspectives/advancing-the-profession/three-lessons-plans-for-higher-education-boards-2021.html.

— Diligently deploying, tailoring, testing and refining baseline tactics. This means increasing the frequency with which colleges and universities conduct red teaming, penetration testing and system backups, as well as refreshing incident response playbooks on a more regular basis.

— Developing a comprehensive response playbook for ransomware. It is essential that institutions have a firm stance on their willingness to pay (or not pay) ransom before their systems are compromised. Purchasing ransomware insurance protection is a key component of this preparation, as is identifying the individual who will make the ultimate payment decision in the event of a breach.

— Establishing minimum cyber security standards for all vendors and regularly monitoring them.

— Understanding third-party risks associated with cloud-based systems. While cloud-based systems are typically more secure than on-premise systems, transitioning to the cloud is essentially outsourcing that function to a third-party vendor who then creates new access points to sensitive data. That vendor will require regular vulnerability assessments, and their internal controls will require independent assurance from an auditor.

With so much data and high-value information at stake, colleges and universities are at an inflection point and should focus on adopting a zero-trust mindset toward cyber security. The zero-trust security model is increasingly viewed as a viable security approach in the post-pandemic world. Zero trust represents a significant mindset shift in which cyber teams assume their systems will be compromised, and therefore make security decisions based on that assumption, with a focus on the identity, device, data and context of each entry into the system.[3]

Of course, adopting such a dynamic response protocol is costly and will require institutions to allocate additional funds for cyber security technology and personnel. To ease this burden, lower-level threats and routine testing can be automated so that security professionals can prioritize matters that require human intervention.

## The role of the board

IT auditors are highly experienced in identifying risks and gathering insights from an institution's operations and policies. With decentralized IT environments that include both on-premise and cloud-based solutions, higher education boards and audit and risk committees must remain vigilant about overseeing how the institution is managing key vulnerabilities.

Boards, including audit and risk committees, can provide additional support to colleges and universities in their efforts to mitigate cyber risk by asking leadership the following questions:

— Do we have clear insights into our cyber security program's maturity, gaps and threats? Does leadership have a prioritized view of investments needed to address areas of immaturity or highest risk? Are the institution's most "valuable" assets adequately protected?

— Has the institution recently tested its incident response plan? Are penetration testing and red team testing regularly performed, and is there a formal process to address findings?

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[3] KPMG International, *Cyber Security Considerations 2022*, November 2021, https://home.kpmg/xx/en/home/insights/2021/11/cyber-security-considerations-2022.html.

— Do we have a robust institution-wide data governance framework that makes clear how and what data is collected, stored, managed and used, and who makes related decisions?

— Do we understand the coverages, limits and underwriting criteria of our cyber insurance policy?[4]

## Conclusion

Today there are multiple bills sitting in Congress aiming to mandate more timely and comprehensive disclosures of cyber security events. If these bills are enacted, colleges and universities would likely not be exempt. Moreover, federal, state and other grantors increasingly consider the strength of an institution's cyber preparedness and ability to protect private information as prerequisites for funding. It is in the best interest of higher education institutions to prepare now, before a major incident. Their stakeholders demand it, and their reputations depend on it.

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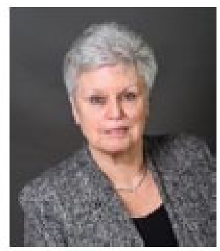

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[4] KPMG U.S., *On the 2022 Higher Education Audit Committee Agenda*, accessed May 2022, https://institutes.kpmg.us/government/articles/2022/higher-education-audit-committee.html.

# Questions?

**For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at**
**www.kpmg.com/ACI**

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# Ohio State Global One Health, LLC
# Overview

## Legal, Audit, Risk, and Compliance Committee
## Public Session

November 2022

# Overview

- Global One Health Vision
- GOH, LLC Organization Chart
- COVID-19 and Health systems
- Laboratory Capacity Building
- Advancing One Health - Food/ Water/ Vector Zoonosis
- Alignment with OSU

# Vision

*Healthy and Enduring Global Communities through Capable Professionals and Institutional Systems*

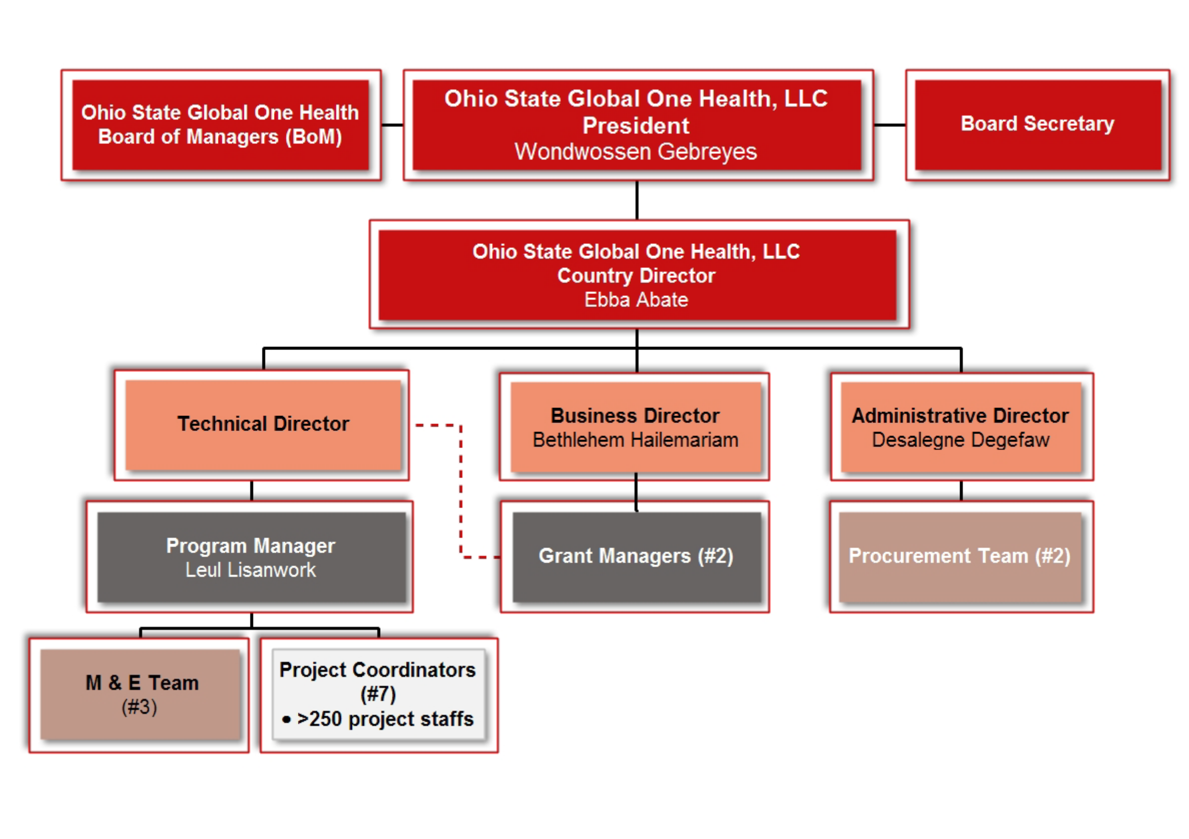
Applied Research & Implementation Capacity

Training & Education Capacity

Outreach & Extension Capacity

# Affiliated Entity Overview

- November 2016 – GOH, LLC established by the Board of Trustees
- November 2017 – GOH, LLC Eastern Africa Office opened in Addis Ababa, Ethiopia
- Implementing sub-grant funded research, training, and outreach capacity building projects in Ethiopia
- Strong partnerships with OSU academic units: Health Sciences, FAES, Business, Arts & Sciences, Engineering, Social Work, and university Centers and Institutes



# COVID-19 & Health Systems Strengthening

- Led the national serosurveillance and Public Health Social Measures (PHSM) and KAP surveys on COVID-19
- Increased the number of Molecular Diagnostic Labs from 1 to 5 (400%) by training and mentoring lab staff, procurement of lab equipment, and key supplies
- Developed national guidelines for COVID-19 and other respiratory issues
- Rehabilitated 9 hospital laboratories in northern Ethiopia that were damaged during 2021 conflict

# Advancing One Health

## Global Health Security

- **Rabies, Brucellosis, Tuberculosis, AMR**
  National road map; Mass dog vaccination; Advocacy; Evidence for policy revision

## Childhood Stunting

- **CAGED**
  Campylobacter exposure and its correlation with stunting; Longitudinal follow up of human, animals/livestock; Environment

# Alignment with Ohio State

| Academics | Talent & Culture | Research Implementation, Scholarship, & Partnerships | Service to the State, Nation & World | Resource Management |
|---|---|---|---|---|
| • GOH Summer Institute – 4,133<br>• >150 OSU students summer research and service learning<br>• 28 PhD sandwich program Fellows from East African to OSU<br>• 27 ET university leaders visited OSU | • 24 core staff with diverse areas of expertise incl. 25% with doctoral degree<br>• 33% Female (50% new within the last year)<br>• 564 short- and long-term staff<br>• Daily collaboration with GOHi team, faculty and staff at OSU | • 878 clinical trial patients in two hospital<br>• 141,000 dogs vaccinated against Rabies<br>• Extensive partnerships with Ethiopian Government<br>• U.S. CDC, NIH, DoS, Gates Foundation, Resolve to Save Lives<br>• Facilitate grants & publications | • Mutually beneficial for OSU & Ethiopia<br>• Established 7 Molecular Diagnostic / Epidemiology Labs<br>• Restored services at 9 hospital labs – Public Health Emergency Management<br>• Addressing equity and inequality through capacity building<br>• Recognitions | • Collected F&A surpassing general fund<br>• FY22: >$11M in new grant funds<br>• Expended $2.1M at Ethiopia in addition to procured items at OSU/ travels etc.<br>• >45% proposal award rate<br>• Equipment and laboratory supplies procurement |

# Thank You


THE OHIO STATE UNIVERSITY

Board of Trustees

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# SUMMARY OF ACTIONS TAKEN

*August 17, 2022 – Legal, Audit, Risk & Compliance Committee Meeting*

**Voting Members Present:**

Elizabeth P. Kessler
Alan A. Stockmeister
Jeff M.S. Kaplan
Elizabeth A. Harsh
Hiroyuki Fujita (ex officio)

**Members Present via Zoom:**

Michael Kiggin

**Members Absent:**

N/A

The Legal, Audit, Risk & Compliance Committee of The Ohio State University Board of Trustees convened on Wednesday, August 17, 2022, in person at Longaberger Alumni House on the Columbus campus and virtually over Zoom. Committee Chair Elizabeth Kessler called the meeting to order at 12:06 p.m.

**PUBLIC SESSION**

Ms. Kessler began by thanking Mr. Kiggin for agreeing to serve as vice chair of the newly renamed committee. In partnership with the Finance and Investment Committee, it was determined that this committee – previously the Legal, Risk & Compliance Committee – should have responsibility for the Board's audit oversight function. This change became effective at this meeting and a new committee charter will be presented for approval.

***Items for Discussion:***

1. Annual Compliance Report: Gates Garrity-Rokous, Vice President and Chief Compliance Officer, shared the university's annual compliance report. He covered four topics – the risk trends in the national higher education landscape, concern reporting, the university's status for FY22 and the Office of University Compliance and Integrity's plan for FY23. Nationally, there is a continuation of increased regulatory expectations and enforcement actions, which is especially true related to national security. Trends that are significantly impacting higher education include the transformation in the business model of athletics related to Name, Image and Likeness activities, as well as information security and privacy threats, especially in health care.

   (See Attachment X for background information, page XX)

2. Annual Government Affairs Update: Stacy Rastauskas, Vice President for Government Affairs, was joined for this report by Trudy Bartley, Associate Vice President of Local and Community Relations; Brian Perera, Associate Vice President for State Relations; and Stan Skocki, Associate Vice President for Federal Relations based in Washington DC. Ms. Rastauskas and her team shared highlights from 2021-2022 at the federal, state and local levels, including their efforts to secure additional investment in Ohio State and their work on responding to policy changes that impact the university.

   (See Attachment X for background information, page XX)

3. External Auditor Introduction: Michael Papadakis, Senior Vice President and CFO, introduced David Gagnon, an audit partner in KPMG's Boston Office who serves as National Audit Industry Leader for Higher Education & Other Not-for-Profits. Following KPMG's selection as Ohio State's external auditor, Mr. Gagnon has been leading their audit of the university and several component entities. He noted that KPMG is in the final phase of their field work for the audit and they intend to return to the Board with their findings at the November meeting.

   (See Attachment X for background information, page XX)

***Items for Action:***

4. Approval of Minutes: No changes were requested to the May 19, 2022, meeting minutes; therefore, a formal vote was not required, and the minutes were considered approved.

5. Resolution No. 2023-13: Approval of the Legal, Audit, Risk & Compliance Committee Charter:

   Synopsis: Approval of the Legal, Audit, Risk and Compliance Committee charter is proposed.

   WHEREAS the Board of Trustees may adopt individual committee charters, consistent with committee descriptions, that set forth further information and definition regarding the committee's charge, committee composition, or the delegated authority and responsibilities of each committee; and

   WHEREAS the delineation and description of each committee function will enable the board to be more effective in the execution of its duties and responsibilities; and

   WHEREAS the Board of Trustees created its Legal, Audit, Risk and Compliance Committee effective August 18, 2022; and

   WHEREAS section 3335-1-02(C)(1)(e) of the *Bylaws of The Ohio State University Board of Trustees* sets forth the description of the Board of Trustees' Legal, Audit, Risk and Compliance Committee; and

   WHEREAS the Legal, Audit, Risk and Compliance Committee has developed a proposed charter, consistent with that description, that reflects its status as a standing committee of the Board of Trustees, and that charter has been fully reviewed by the committee; and

   WHEREAS the Legal, Audit, Risk and Compliance Committee shall be governed by the rules set forth in this Legal, Audit, Risk and Compliance Committee charter:

   NOW THEREFORE

   BE IT RESOLVED, That the Board of Trustees hereby approves the attached Legal, Audit, Risk and Compliance Committee charter.

   (See Appendix X for background information, page XX)

6. <u>Resolution No. 2023-14: Charter for the Internal Audit Department:</u>

Synopsis: Approval of the amended charter for the Internal Audit Department is proposed.

WHEREAS in November 2004 the Board of Trustees adopted a charter for the Internal Audit Department; and

WHEREAS in May 2021 the Board of Trustees last adopted an amended and updated charter; and

WHEREAS to ensure comprehensive oversight of the university's Internal Audit Department and the university's operations through the adoption of best practices, it is important to update the charter for the university's Internal Audit Department periodically; and

WHEREAS the university's Internal Audit Department now reports to the Legal, Audit, Risk and Compliance Committee:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby adopts the attached amended charter for the university's Internal Audit Department.

(See Appendix X for background information, page XX)

**Action:** Upon the motion of Ms. Kessler, seconded by Mr. Kaplan, the committee adopted the foregoing resolutions by unanimous voice vote with the following members present and voting: Ms. Kessler, Mr. Kiggin, Mr. Stockmeister, Mr. Kaplan, Mrs. Harsh, and Dr. Fujita.

**EXECUTIVE SESSION**

It was moved by Ms. Kessler, and seconded by Mr. Stockmeister, that the committee recess into executive session to consult with legal counsel regarding pending or imminent litigation, to consider business-sensitive trade secrets that are required to be kept confidential by federal and state statutes, and to discuss personnel matters regarding the appointment, employment and compensation of public employees.

A roll call vote was taken, and the committee voted to go into executive session with the following members present and voting: Ms. Kessler, Mr. Kiggin, Mr. Stockmeister, Mr. Kaplan, Mrs. Harsh and Dr. Fujita.

The committee entered executive session at 12:40 p.m. and the meeting adjourned at 2:10 p.m.

**APPROVAL TO SUBMIT AUDITED CONSOLIDATED FINANCIAL STATEMENTS (DRAFT) TO THE AUDITOR OF STATE**

Synopsis: Approval to submit the draft audited consolidated financial statements to the Auditor of State is proposed.

WHEREAS The Ohio State University annually seeks an independent audit of the consolidated financial statements as a matter of strong financial oversight; and

WHEREAS the Auditor of State is required under Ohio law to audit each public office; and

WHEREAS the university is a public office and is required under Ohio law to file a financial report with the Auditor of State for each fiscal year; and

WHEREAS the university operates on a fiscal year ending June 30 of each year; and

WHEREAS the university has produced consolidated financial statements for the 2021 and 2022 fiscal years, in accordance with accounting principles, generally accepted in the United States of America; and

WHEREAS the university engages an outside auditing firm, currently KPMG LLP, to audit its consolidated financial statements; and

WHEREAS the university management and KPMG have produced a final draft of the audited consolidated financial statements for the 2021 and 2022 fiscal years; and

WHEREAS the Auditor of State may accept the audited consolidated financial statements in lieu of the audit required by Ohio law; and

WHEREAS the audited consolidated financial statements will not be final until approved by the Auditor of State:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby accepts the draft audited consolidated financial statements for the 2021 and 2022 fiscal years; and

BE IT FURTHER RESOLVED, That the Board of Trustees hereby approves the submission of these consolidated financial statements to the Auditor of State for review and approval.

# The Ohio State University

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

**Consolidated Financial Statements**

**As of and for the Years Ended June 30, 2022 and 2021**

**And Reports of Independent Auditors**

## Table of Contents

## Independent Auditors' Report

The Board of Trustees
The Ohio State University:

**Report on the Audit of the Financial Statements**

*Opinions*

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of The Ohio State University (the University), a component unit of the State of Ohio, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

*Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Emphasis of Matter*

As discussed in note 1 to the financial statements, in 2022, the University adopted Governmental Accounting Standards Board Statement No. 87, *Leases* (GASB 87). Our opinion is not modified with respect to this matter.

*Other Matters*

The financial statements of the University as of and for the year June 30, 2021 were audited by other auditors, who expressed an unmodified opinion on those statements on November 19, 2021.

As part of our audit of the 2022 financial statements, we also audited the adjustments described in note 1 that were applied to restate the 2021 financial statements for the adoption of GASB 87 in 2022. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of the University other than with respect to the adjustments, and, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

*Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the accompanying management's discussion and analysis, schedule of the University's proportionate shares of STRS-Ohio and OPERS net pension liabilities, schedule of the University pension contributions to STRS-Ohio and OPERS, and schedule of the University' proportionate shares of STRS-Ohio and OPERS net OPEB liabilities be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements for the year ended June 30, 2022. The supplementary information on the long-term investment pool for the year ended June 30, 2022 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or any form of assurance thereon.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2022, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

(signed) KPMG LLP

Columbus, Ohio
November 17, 2022

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, 2022, with comparative information for the years ended June 30, 2021 and June 30, 2020. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

**About The Ohio State University**

The Ohio State University is the State of Ohio's flagship research institution and one of the largest universities in the United States of America, with over 67,000 students, 7,800 faculty members and 27,000 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 200 undergraduate majors, 162 master's degree programs, 104 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 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.
- ***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, social workers, registered nurses, occupational therapists, recreational therapists, chaplains and licensed counselors.
- ***East Hospital:*** blends academic medicine with a community-based setting. 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 58,000 inpatients and 2,255,000 outpatients during fiscal year 2022 and 62,900 inpatients and 2,116,000 outpatients during fiscal year 2021.

The following financial statements reflect all assets, liabilities, deferred inflows/outflows and net position (equity) of the university, the Ohio State University Wexner Medical Center, the Ohio Agricultural Research and Development Center (OARDC) and the Ohio Technology Consortium (OH-TECH), which is an umbrella organization that includes the Ohio Academic Resources Network (OARnet), the Ohio Supercomputer Center and the Ohio Library and Information Network (OhioLINK). These entities constitute the "primary government" for financial reporting purposes. In addition, the financial statements include consolidated financial results for a number of "component units", which are legally separate entities that meet the financial accountability criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* and Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*.

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

- The OSU Foundation (a fundraising foundation operating exclusively for the benefit of the university)
- OSU Health Plan (a non-profit organization 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)

The GASB has indicated that, under the amended blending standards, the "exclusive benefit" criterion for blending is not met when a component unit provides services to parties external to the primary government. As a result, the university presents the following component units in a discrete presentation:

- OSU Physicians, Inc. (the practice group for physician faculty members of the Colleges of Medicine and Public Health)
- Campus Partners for Community Urban Redevelopment (a non-profit organization participating in the redevelopment of neighborhoods adjacent to the 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 non-profit 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, 2022, with comparative information as of June 30, 2021. 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, 2022, with comparative information for the year ended June 30, 2021. Tuition revenue is shown net of scholarship allowances, patient care revenue is shown net of contractual allowances, charity care and bad debt expense, depreciation is provided for capital assets, and there are required subtotals for net operating income (loss) and net income (loss) before capital contributions and additions to permanent endowments.

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

The **Statement of Cash Flows** details how cash has increased (or decreased) during the year ended June 30, 2022, with comparative information for the year ended June 30, 2021. 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 of 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. In fiscal years 2020 and 2021, COVID-19 disrupted key university operations and resulted in significant declines in tuition, housing and dining and athletics 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 two unprecedented years managing the COVID-19 pandemic, the university's financial position remains strong, driven by the post-pandemic rebound. Fall, spring, and summer semesters were characterized by a return to near-normal university operations and a full college experience for university students. Total net position increased $688 million, to $9.32 billion at June 30, 2022. Total operating revenues increased $604 million, to $6.59 billion, reflecting strong growth in Health System patient volumes and the return of athletic events and in-person classes for students. Operating expenses increased $1.00 billion, to $6.63 billion, primarily due to an increase in non-cash pension and other post-employment benefit (OPEB) expenses, the return to in-person instruction, increased occupancy in student housing and dining, and at the Health System, increases in outpatient volumes, patient acuity and labor costs.

Demand for an Ohio State education and outcomes for students also remain strong. Total enrollment for Autumn 2021 was 67,772, down 185 students compared to Autumn 2020. 94% of the freshmen enrolled in Autumn 2020 returned to OSU in Autumn 2021. 71% of students graduated within four years, and 88% graduated within six years.

In 2022, the university implemented GASB 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 record an intangible right-of-use asset and corresponding lease liability, based on the present value of the payments expected to be made during the lease term. Lessors 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.

The cumulative effect of adopting GASB Statement No. 87 was a $4 million increase in the university's net position as of July 1, 2020. The accompanying financial statements and MD&A information for the year ended June 30, 2021 have been restated to reflect the new accounting standard. MD&A information for the year ended June 30, 2020 has not been restated.

The following sections provide additional details on the university's 2022 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)*

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Cash and temporary investments | $ 2,850,835 | $ 3,371,175 | $ 3,633,027 |
| Receivables, inventories, prepaids and other current assets | 1,157,143 | 1,035,040 | 808,875 |
| Total current assets | 4,007,978 | 4,406,215 | 4,441,902 |
| Unexpended bond proceeds | 679,040 | 276,243 | 401,664 |
| Noncurrent notes and pledges receivable, net | 134,643 | 134,207 | 110,673 |
| Net other post-employment benefit asset | 441,127 | 275,182 | 77,901 |
| Long-term investment pool | 6,960,782 | 7,041,973 | 5,287,131 |
| Other long-term investments | 301,855 | 348,227 | 301,676 |
| Other noncurrent assets | 197,526 | 169,251 | - |
| Capital assets, net of accumulated depreciation | 7,194,565 | 6,408,423 | 5,700,078 |
| Total noncurrent assets | 15,909,538 | 14,653,506 | 11,879,123 |
| Total assets | 19,917,516 | 19,059,721 | 16,321,025 |
| Deferred outflows | 618,414 | 467,600 | 717,357 |
| **Total assets and deferred outflows** | $ 20,535,930 | $ 19,527,321 | $ 17,038,382 |
| Accounts payable and accrued expenses | $ 757,606 | $ 774,841 | $ 638,750 |
| Medicare advance payment program | 79,601 | 254,854 | 274,915 |
| Deposits and advance payments for goods and services | 447,404 | 371,040 | 268,481 |
| Current portion of bonds, notes and lease obligations | 384,458 | 359,963 | 374,717 |
| Other current liabilities | 184,394 | 90,028 | 88,673 |
| Total current liabilities | 1,853,463 | 1,850,726 | 1,645,536 |
| Noncurrent portion of bonds, notes and lease obligations | 3,357,938 | 2,736,441 | 2,732,098 |
| Net pension liability | 1,497,793 | 2,679,333 | 3,025,029 |
| Net other post-employment benefit liability | 15,661 | 22,683 | 1,459,572 |
| Advance from concessionaire | 963,663 | 980,953 | 1,002,769 |
| Other noncurrent liabilities | 831,855 | 760,142 | 527,489 |
| Total noncurrent liabilities | 6,666,910 | 7,179,551 | 8,746,957 |
| Total liabilities | 8,520,373 | 9,030,277 | 10,392,493 |
| Deferred inflows | 2,695,441 | 1,865,366 | 1,221,395 |
| Net investment in capital assets | 3,706,371 | 3,473,109 | 3,010,095 |
| Restricted: | | | |
| Nonexpendable | 1,870,686 | 1,789,304 | 1,622,782 |
| Expendable | 1,560,810 | 2,030,928 | 1,125,359 |
| Unrestricted | 2,182,249 | 1,338,337 | (333,742) |
| Total net position | 9,320,116 | 8,631,678 | 5,424,494 |
| **Total liabilities, deferred inflows and net position** | $ 20,535,930 | $ 19,527,321 | $ 17,038,382 |



During the year ended June 30, 2022, **cash and temporary investment** balances decreased $520 million, to $2.85 billion, reflecting capital expenditures and net cash flows for operating activities. **Unexpended bond proceeds** increased $403 million, to $679 million at June 30, 2022, primarily reflecting proceeds from the Series 2021A bonds, which were issued in September 2021. The Statement of Cash Flows, which is discussed in more detail below, provides additional information on sources and uses of university cash.

**Accounts receivable, inventories, prepaids and other current assets** increased $122 million, to $1.16 billion at June 30, 2022. Accounts receivable increased $35 million, to $772 million at June 30, 2022. Health System receivables were up $28 million, reflecting an overall increase in hospital patient acuity and increased outpatient volumes. Current assets held as part of the university's securities lending program increased $84 million, to $202 million at June 30, 2022, reflecting an expansion of securities lending activity in 2022.

The fair value of the university's **long-term investment pool** (LTIP) decreased $81 million, to $6.96 billion at June 30, 2022. The decrease is primarily due to a $254 million decrease in the fair value of LTIP assets and $259 million of distributions, which were partially offset by $96 million of additions to gifted endowments and $268 million of additions to quasi-endowment (operating and designated) funds. 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.

**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 decreased $46 million, to $302 million, at June 30, 2022, primarily due to unrealized losses in private equity funds.

**Capital assets**, which include the university's land, buildings, improvements, equipment and library books, net of depreciation, grew $786 million, to $7.19 billion at June 30, 2022. 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 $1.28 billion in 2022. The Health System accounted for $778 million of the total and includes expenditures for facilities, infrastructure improvement, land, and equipment purchases. The remaining $500 million of university capital additions include $50 million of equipment and library books, $151 million related to Comprehensive Energy Management Plan (CEMP) facility improvements and $299 million related to improvements and renovations of various academic buildings, athletic facilities, student life facilities and other infrastructure.

New outpatient care facilities in Dublin and New Albany were completed during the fiscal year. The Frank Stanton Veterinary Spectrum of Care Clinic opened its doors as the new home for the Veterinary Medical Center's community practice team. An advanced imaging center on the first floor of Morehouse Medical Plaza Concourse was created with the installation of a 3T MRI scanner. The renewal of emergency generators was completed for the Comprehensive Cancer Center, Sisson Hall, Wiseman Hall and 1224 Kinnear Road.

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

- New Inpatient Hospital – Construction continues 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 West Campus – Construction continues on the $350 million West Campus outpatient facility. This 385,000 square foot cancer-focused facility will include outpatient operating rooms, interventional radiology rooms, an extended recovery unit, a pre-anesthesia center, a diagnostic imaging center, pharmacy, hematology clinic, genitourinary (GU) clinic, infusion and medical office and support spaces. The outpatient facility will also include the region's first proton therapy facility and is slated to open in March 2023.

Major academic facility projects currently underway include:

- Interdisciplinary Research Facility – Construction is advancing 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 May 2023, the $228 million facility will be an anchor for the university's future Innovation District.

- The Interdisciplinary Health Sciences Center – Currently in progress, this project will renovate existing facilities and construct a new building for interprofessional education through the health sciences including the college of Medicine and Optometry. Occupancy is slated for January 2024.

- The Energy Advancement and Innovation Center – Construction is advancing on a new facility that 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. The $48 million project is slated for opening in November 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 $1.35 billion at June 30, 2022.

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 $80 million and $255 million at June 30, 2022 and 2021, respectively.

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 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 $62 million and $59 million in total fixed and O&M utility fees for the years ended June 30, 2022 and 2021, respectively. The total amounts payable to the concessionaire increased $139 million, to $375 million at June 30, 2022. The $19 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 lease obligations**, increased $646 million, to $3.74 billion at June 30, 2022. On September 30, 2021, the University closed on $600,000 in tax-exempt fixed rate General Receipts Bonds - Series 2021A. The $715 million of net proceeds from the bond issue are being used to fund construction of the Wexner Medical Center's new Inpatient Hospital, scheduled to open in 2026.

In 2020, the university entered into forward-starting interest-rate swap agreements to advance refund its Series 2013A bonds. The swap agreements are effective June 2023, have a total notional amount of $329 million and are considered effective hedges. The fair value of the swap agreements – which are reported as a noncurrent asset and offsetting deferred inflow of resources – was $50 million and $12 million at June 30, 2022 and 2021, respectively.

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 $275 million and $290 million at June 30, 2022 and 2021, respectively.

GASB Statement No. 68 requires governmental employers participating in defined benefit pension plans to recognize liabilities for plans whose actuarial liabilities exceed the plan's net assets. These liabilities are referred to as net pension liabilities. A related accounting standard, GASB Statement No. 75, requires employers participating in other post-employment benefit (OPEB) plans to recognize liabilities for plans whose actuarial liabilities exceed the plan's net assets. OPEB benefits consist primarily of post-retirement healthcare. 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.

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 healthcare. 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 2022, the university's share of OPERS and STRS-Ohio net pension liabilities decreased $1.18 billion, to $1.50 billion at June 30, 2022. OPERS and STRS-Ohio net pension liabilities decreased $644 million and $537 million, respectively, reflecting strong investment returns for both retirement systems. OPERS realized a 15.34% return on defined benefit plan investments for calendar year 2021. STRS-Ohio realized a 29.16% return for the fiscal year ended June 30, 2021.

Deferred outflows related to pensions increased $244 million, to $584 million at June 30, 2022, and deferred inflows related to pensions increased $999 million, to $1.68 billion at June 30, 2022. The changes in pension deferrals relate primarily to OPERS and STRS-Ohio projected vs. actual investment returns. These deferrals will be recognized as pension expense in future periods.

In 2022, the university's share of OPERS and STRS-Ohio net OPEB assets increased $166 million, to $441 million at June 30, 2022, reflecting strong investment returns. OPERS realized a 14.34% return on its health care investments for calendar year 2021. STRS-Ohio realized a 29.16% return for the fiscal year ended June 30, 2021.

Deferred outflows related to OPEB decreased $93 million, to $12 million at June 30, 2022, and deferred inflows related to OPEB decreased $219 million, to $457 million at June 30, 2022. The changes in pension deferrals relate primarily to amortization of prior-year 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 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 $14 million, to $409 million in 2022. Pension and OPEB expense accruals went from a net credit of $1.17 billion in 2021 to a net credit of $720 million in 2022.

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 assets and pension liabilities as explained in the previous paragraphs, the unamortized proceeds of the parking service concession arrangement and deferred inflows related to leases. The parking deferred inflows, which totaled $388 million and $397 million at June 30, 2022 and June 30, 2021, respectively, are being amortized to operating revenue on a straight-line basis over the 50-year life of the agreement. Deferred inflows for leases totaled $92 million and $69 million at June 30, 2022 and 2021, respectively, and are being amortized to lease revenue on a straight-line basis over the terms of the leases., 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 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. The fair value of the LTIP increased $1.75 billion, to $7.04 billion at June 30, 2021, 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. ***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.

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

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

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Operating Revenues: | | | |
| Tuition and fees, net | $ 1,003,060 | $ 869,740 | $ 953,569 |
| Grants and contracts | 814,074 | 784,021 | 743,431 |
| Auxiliary enterprises sales and services, net | 364,308 | 175,961 | 298,064 |
| OSU Health System sales and services, net | 4,178,956 | 3,952,605 | 3,449,681 |
| Departmental sales and other operating revenues | 234,078 | 207,858 | 187,089 |
| Total operating revenues | 6,594,476 | 5,990,185 | 5,631,834 |
| Operating Expenses: | | | |
| Educational and general | 2,552,021 | 2,238,671 | 2,809,135 |
| Auxiliary enterprises | 351,554 | 205,928 | 320,392 |
| OSU Health System | 3,236,935 | 2,728,378 | 3,345,167 |
| Depreciation | 494,360 | 460,478 | 425,012 |
| Total operating expenses | 6,634,870 | 5,633,456 | 6,899,706 |
| Net operating income (loss) | (40,394) | 356,728 | (1,267,872) |
| Non-operating revenues (expenses): | | | |
| State share of instruction and line-item appropriations | 493,248 | 486,115 | 461,838 |
| Gifts - current use | 233,381 | 129,723 | 157,511 |
| Net investment income | (292,335) | 1,859,173 | 231,190 |
| Federal COVID-19 assistance programs | 168,967 | 150,037 | 158,058 |
| Grants, interest expense and other non-operating | (48,633) | 8,270 | 19,169 |
| Net non-operating revenue | 554,628 | 2,633,318 | 1,027,766 |
| Income (loss) before other changes in net position | 514,234 | 2,990,046 | (240,106) |
| State capital appropriations | 52,886 | 63,988 | 69,905 |
| Private capital gifts | 44,112 | 78,942 | 77,425 |
| Additions to permanent endowments | 77,206 | 63,157 | 63,695 |
| Capital contributions and other changes in net position | - | 6,923 | 19,499 |
| Total changes in net position | 174,204 | 213,010 | 230,524 |
| Increase (decrease) in net position | 688,438 | 3,203,056 | (9,582) |
| Net position - beginning of year | 8,631,678 | 5,424,494 | 5,434,076 |
| Cumulative effect of accounting change | - | 4,128 | - |
| Net position - end of year | $ 9,320,116 | $ 8,631,678 | $ 5,424,494 |



Net **tuition and fees** increased $133 million or 15%, to $1.00 billion in 2022. Gross tuition increased $78 million for spring, $73 million for autumn semester, and $16 million for summer semester, offset by an increase in scholarship allowance of $34 million. Tuition for the academic year increased primarily due to a return to in-person instruction and full assessment of non-resident fees. Similarly, scholarships increased to cover increases in fees for non-residents and Higher Education Emergency Relief Fund (HEERF) financial aid to students.

Operating **grant and contract revenues** increased $30 million, to $814 million, primarily reflecting a $19 million increase in federal grants. Grants managed by the Office of Sponsored Programs increased $55 million.

Total **auxiliary revenues** increased $188 million, to $364 million. Athletics revenue increased $82 million, reflecting the resumption of fall and spring sports. Student Life housing and dining revenues increased $63 million, and Business Advancement (Schottenstein Center, Blackwell and Fawcett Center) revenues increased $39 million, as the return to in-person instruction drove increased demand for on-campus housing and dining services and on-campus activities and events. **Auxiliary expenses** increased $146 million, to $352 million. Excluding pension and OPEB, expenses increased $119 million. The increase is primarily due to the resumption of fall and spring sports, increased occupancy for student housing, and the return of Schottenstein Center events.

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

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Instruction and departmental research | $ 1,152,173 | $ 1,050,943 | $ 1,051,376 |
| Separately budgeted research | 545,459 | 497,923 | 505,290 |
| Public service | 166,082 | 170,844 | 176,889 |
| Academic support | 273,709 | 252,353 | 223,552 |
| Student services | 102,034 | 80,175 | 89,162 |
| Institutional support | 325,935 | 346,836 | 355,179 |
| Operation and maintenance of plant | 138,708 | 118,406 | 117,727 |
| Scholarships and fellowships | 165,312 | 147,269 | 139,622 |
| Total educational and general expense, excluding pension and OPEB accruals | 2,869,412 | 2,664,749 | 2,658,797 |
| Non-cash accruals for pensions and OPEB | (317,391) | (426,078) | 150,338 |
| Total educational and general expense | $ 2,552,021 | $ 2,238,671 | $ 2,809,135 |

**Educational and general expenses** increased $313 million to $2.55 billion in 2022, partially due to a $109 million increase in allocated pension and OPEB expense. Excluding pension and OPEB accruals, E&G expenses increased $205 million. Increases in instruction and other E&G categories primarily reflect the return to in-person instruction. Separately budgeted research increased $48 million, reflecting increases in sponsored research program expenditures.

**Health System** operating revenues increased $226 million, to $4.18 billion in 2022, reflecting increases in hospital patient acuity and growth in outpatient volumes. Operating expenses (excluding depreciation, interest and transfers) increased $509 million to $3.24 billion, primarily due to a $311 million increase in expenses associated with pension and OPEB accruals. Excluding pension and OPEB, Health System operating expenses increased $198 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 Medical Center delivers superior patient care, quality outcomes, and patient safety and has been recognized by US News and World Report for 30 consecutive years as one of "America's Best Hospitals" and in July 2022 was ranked first in Central Ohio. US News and World Report further recognized the Health System as a national leader in nine specialties including: Cancer, Cardiology & Heart Surgery, Diabetes & Endocrinology, Ear, Nose & Throat, Gastroenterology and GI Surgery, Gynecology, Neurology and Neurosurgery, Pulmonary and Lung Surgery, and Rehabilitation.

The Medical Center is rated as high performing in 14 out of 20 common procedures and conditions.
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, The James, and the Solove Research Institute are all designated Magnet hospitals. The Medical Center has more "Top Doctors" than any other central Ohio hospital according to the August 2022 Columbus Monthly Health magazine in conjunction with Castle Connolly. Wexner Medical Center physicians were selected by Castle Connolly because they are among the very best in their specialties.

In 2022, the Health System experienced a slight growth in surgical and procedural volumes. Total surgical volume increased 1.3% compared to 2021. Hospital admissions declined 7.3% in 2022 compared to 2021. Labor shortages have created staffing challenges that have resulted in a decrease in patient days and a higher length of stay for the year. The demand for outpatient services was higher in 2022. Chemotherapy, radiation oncology treatments, and non-chemotherapy infusion all experienced increases in outpatient volume in 2022.

Approximately 87% of total operating revenues are from patient care activities. Total operating revenues grew $246 million or 6.2% over the prior fiscal year. Outpatient surgical volume increased 5.5% compared to 2021. The James experienced a 4.5% increase in chemotherapy volume and the Health System non-chemotherapy infusion sites grew 23.7%. In addition, procedural volumes including electrophysiology, radiation treatments and rehabilitation contributed to the increase in outpatient activity. Outpatient Care New Albany recorded approximately 10,000 new patient visits in 2022.

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 $249 million to Health System operating revenues in 2022 and $205 million in 2021.

Other Operating Revenues also includes a portion of the revenue shared with Nationwide Children's Hospital for the management of the Neonatal Intensive Care Unit (NICU) located at the Health System. The goal of this managed unit is to standardize the care and quality outcomes of all the neonatal patients in Central Ohio. The NICU contributed $17 million of operating revenues in 2022 and $14 million in 2021. 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 $89 million in Other Operating Revenues related to CICIP in 2022 compared to $97 million in 2021.

Operating expenses increased $645 million or 24.0% from 2021 to 2022. Excluding pension and OPEB accruals, which increased $339 million, operating expenses increased $306 million. The increase in operating expenses is primarily attributed to increases in salaries and benefits as well as medical supplies. Health System salaries and benefits increased $127 million. The growth in salaries and benefit costs includes significant costs for premium and incentive pay reflecting labor shortages and the challenging environment around hiring nursing and clinical care positions. increases in incentive pay, retention bonuses, and premium pay. Supplies and drugs increased $100.6 million or 9.1%. The increase in supplies was a result of a strong outpatient volumes as well as inflationary impacts felt across the Health System. The growth in drugs is due to increased volumes in chemotherapy at the James as well as increased volumes at the Health System non-chemotherapy infusion sites. Additionally, drug costs increased at the Specialty Retail Pharmacy as a result of higher volumes in 2022. Purchased services grew $57.9 million or 13.5% in 2022 reflecting increased hospital franchise fees as well as higher preventive maintenance costs associated with information technology and clinical care systems.

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 Dublin and Powell. The comprehensive facilities are a continuation of a suburban outpatient care program that supports growth in the region and excellence in academic health care will include ambulatory surgery, endoscopy, primary care, specialty medical and surgical clinics and related support space. The 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 University. The new tower will enhance research, clinical training and patient care.

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 $54 million, to $702 million in 2022. Net patient care revenue increased $22 million, reflecting recovery in outpatient visits and procedures volumes. Other revenues increased $31 million. Consolidated operating expenses increased $63 million, to $661 million in 2022. The increase primarily reflects physician and other provider related costs for new physicians and other providers entering the practice during fiscal year 2022. OSUP balances are included in the Discretely Presented Component Units columns of the university's financial statements.

Total state operating support increased $7 million, to $493 million. Total **state share of instruction** (SSI) for 2022 was $403 million, a 1% increase over final 2021 distributions. **State line-item appropriations** increased $5 million in 2022, to $90 million, primarily reflecting a new $4 million line-item for the College of Veterinary Medicine. **State capital appropriations** decreased $11 million, to $53 million.

In response to the COVID-19 outbreak, the federal government has provided support to individuals, companies and non-profit institutions in the form of loans, grants, tax changes and other types of relief. The university recognized revenues totaling $169 million for **federal COVID-19 assistance programs** in 2022, including $64 million of HEERF institutional grants,

$60 million of HEERF grants to students, $10 million of Shuttered Venue Operators Grants, $12 million in FEMA Public Assistance funds for the Health System and $10 million of pass-through funding provided to the Health System by the Ohio Department of Health. In 2021, the university recognized revenues totaling $150 million, including $59 million of HEERF institutional grants, $25 million of HEERF 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. 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.

Total **gifts** to the university increased $83 million, to $355 million in 2022. Several colleges and support units received gifts in excess of $1 million in 2022, including the Office of the President, 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 Richard M Ross Heart Hospital, the College of Medicine, the College of Public Health, The College of Arts and Sciences, the College of Engineering, Fisher College of Business, Moritz College of Law, the College of Education and Human Ecology, WOSU, the Department of Athletics and General University Scholarships. Support came from more than 236,000 alumni and friends.

University investments yielded a $292 million **net investment loss** in 2022, compared with $1.86 billion of net investment income in 2021. For 2022, the LTIP returned +0.98% compared to +29.2 in 2021.

The LTIP outperformed its preliminary policy benchmark of -5.54% for 2022. During that period, Private Equity returned 27.03% (compared to the benchmark of 7.28%) followed by Legacy Investments at 13.71% (benchmark is return of actual underlying funds), Real Assets at 13.29% (compared to the preliminary benchmark of 22.40%), Hedge Funds and Opportunistic Credit at 4.37% (compared to the preliminary benchmark of -5.65%), Cash and High-Grade Bonds at -3.21% (compared to the benchmark of -10.29%), and Public Equity at -15.80% (compared to the benchmark of -15.75%).

**Prior-Year Highlights: In 2021**, total net position increased $3.20 billion, to $8.63 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. University investments yielded $1.86 billion of net investment income in 2021, compared with $231 million in 2020. The LTIP returned +29.2% compared to +1.1% in 2020. Total pension and OPEB expense recognized by the university decreased $1.58 billion, to a negative (credit) of $770 million in 2021. ***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.

## Statement of Cash Flows

| **University Cash Flows Summary** *(in thousands)* | 2022 | 2021 | 2020 |
|---|---|---|---|
| Net cash flows used in operating activities | $ (533,406) | $ (388,187) | $ (4,234) |
| Net cash flows from noncapital financing activities | 1,060,459 | 889,559 | 934,803 |
| Receipts for capital projects | 56,061 | 145,499 | 104,855 |
| Proceeds from capital debt | 739,775 | - | - |
| Payments for purchase or construction of capital assets | (1,055,311) | (891,524) | (739,379) |
| Principal and interest payments on capital debt and leases, net of federal Build America Bond interest subsidies | (218,332) | (198,820) | (180,250) |
| Net cash flows provided (used) in investing activities | (699,755) | (849,008) | 68,118 |
| Net increase (decrease) in cash and cash equivalents | $ (650,509) | $ (1,292,481) | $ 183,913 |

University cash and cash equivalents decreased $651 million in 2022. Net cash used in operating activities was $533 million, compared to $388 million in 2021, primarily reflecting increases in payments to employees and vendors, which were partially offset by increases in receipts for tuition and sales and services. Net cash flows from noncapital financing activities increased $171 million, to $1.06 billion, reflecting increases in gift receipts, receipts from federal COVID-19 assistance programs and receipts of non-exchange grants. Payments for purchase or construction of capital assets increased $164 million, to $1.06 billion, primarily due to increases in Health System capital expenditures. These capital expenditures were partially offset by the proceeds from the Series 2021A bonds. Cash used by investing activities was $700 million, reflecting net purchases of temporary investments.

## Strategic Context

Fiscal year 2022 demonstrated Ohio State's firm footing. Due to strong investment performance, continued positive momentum at the health system, a robust and ongoing budgetary response to COVID-19, and significant progress in achieving operational efficiencies, the university outperformed prior fiscal years. Looking ahead, the university's fiscal stability, strength, and resiliency position us to make concrete strides toward our goal to become the absolute model land-grant university for the 21st century.

President Kristina M. Johnson, Ph.D., highlighted in her second State of the University address a continued commitment to five areas of excellence: academics, research, service and clinical, talent and culture, and operations.

### *Academic Excellence*

Investing in exceptional faculty is essential to the university's success. Bolstered by our long-term financial strategies, Ohio State will recruit 350 net new tenured and tenure-track faculty over 10 years who will, in turn, attract a new generation of students and postdoctoral scholars. Included in this is the RAISE (Race, Inclusion and Social Equity) initiative to recruit faculty who will further enhance the quality of our research and scholarship focused on racial disparities.

Through innovative academic programming, the university is also working to continue preparing our students for successful careers in an always-changing world. Examples include the new interdisciplinary minor in public health and the arts, and a collaboration between the College of Food, Agricultural, and Environmental Sciences and the University of Rio Grande and Rio Grande Community College to prepare the state's future agricultural workforce.

The university is also taking steps to better leverage technology to provide on-demand academic advising to students and expand educational offerings and flexibility to more people in more places — including Buckeye alumni.

### *Research Excellence*

In 2021, President Johnson announced Ohio State's intention to double research expenditures within a decade. The university made progress toward this goal, recording an increase in our total from $968 million to over $1.2 billion — a new record. This momentum continued in FY 2022 with Ohio State being awarded leadership of eight major federally funded, cross-disciplinary research centers and initiatives.

We intend to leverage the full extent of Ohio State's research and educational expertise to support Intel's historic decision to invest $20 billion and build two semiconductor fabrication plants near Ohio State. The university has a key role to play in the success of this project, and we are already collaborating with K-12 schools, vocational centers, community colleges four-year colleges and universities across the Midwest to take a networked approach to meeting the workforce and innovation needs of the region's future semiconductor industry.

These efforts build off our $100 million strategic partnership with JobsOhio and Nationwide Children's Hospital to spur innovation and economic growth in the state. As part of this initiative, the university committed to increasing research awards from the National Institutes of Health by 50% by 2031 and educating a total of 22,500 STEM graduates by 2036.

Progress also continues in the Ohio State Innovation District. Construction on the Interdisciplinary Research Facility is ongoing, and we were pleased to break ground on the co-located Energy Advancement and Innovation Center. This project is an outgrowth of our partnership with ENGIE and will be a hub for Ohio State students, scholars, industry experts and local entrepreneurs to conduct research and innovation in artificial intelligence, sustainability, and smart systems. These facilities, as well as Outpatient Care West Campus, will anchor the Innovation District and help fuel an ever more vibrant future in our region and state.

***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.

To advance this goal, the university launched the implementation phase of our Shared Values Initiative, a renewed effort to express who we are as an institution and provide a platform for advancing a healthy and ethical culture at Ohio State. By remaining focused on our core principles of excellence and impact, diversity and innovation, inclusion and equity, care and compassion, and integrity and respect, we can redefine both what the land-grant university of the 21st century can accomplish and how it achieves it.

With these values firmly in mind, we remain dedicated to enhancing the culture of care that thrives on our campuses. The university is currently implementing the recommendations of our Commission on Student Mental Health and Well-Being to provide additional tools, resources, and connections to better enable Buckeyes to take care of themselves and each other. We also continue to hone our holistic approach to enhancing safety on and near our Columbus campus.

***Service and Clinical Excellence***

Ohio State has always been inspired by our land-grant mission of enabling all people to achieve the extraordinary. The Scarlet & Gray Advantage program is the latest step in this enduring commitment. The program will offer pathways for our undergraduate students to earn their degrees debt-free through a mix of paid internships, on-campus work experiences, financial aid, and philanthropy.

We are excited to pilot the program this fall and to incorporate what we learn as we deliver it at scale. Our ultimate goal is to enable thousands more students each year to graduate without the burden of loans — allowing them to take advantage of every great opportunity that comes their way.

The Scarlet & Gray Advantage program builds on the university's long-standing focus on affordability. A sixth incoming class of in-state students will enter under the Ohio State Tuition Guarantee, which locks in rates for tuition, mandatory fees, room and board for four years. The program provides students and families with predictability about the cost of a four-year education.

Beyond enhancing educational affordability and access, the university's academic health care enterprise remains a cornerstone of our ability to serve the people of our region and state. The Ohio State University Wexner Medical Center (OSUWMC) continues to reinvest projected margin in patient care and capital planning to support growing demand, including several strategic initiatives currently under construction and the development of new partnerships to continue the accelerating the pace of innovation in research, education, and patient care.

Strategic growth initiatives include:

- ***Outpatient Care New Albany*** – Opened in 2021, the 251,000-square-foot outpatient care facility will expand ambulatory surgery, primary care, and specialty clinics in the region.
- ***Outpatient Care Dublin*** – Opened in the summer of 2022, the 272,000-square-foot outpatient care facility will provide expanded offerings in the region like those referenced for New Albany.
- ***Outpatient Care West Campus*** – Scheduled to open in 2023, the 385,000-square-foot project will include outpatient operating rooms, clinical and diagnostic space, pharmacy, medical office, and support spaces. The location will also include central Ohio's first proton therapy treatment facility in partnership with Nationwide Children's Hospital.
- ***Interdisciplinary Research Facility*** – Also planning to open in 2023, the 305,000-square-foot facility will serve a variety of research disciplines, including the Ohio State University Comprehensive Cancer Center, biomedical, life sciences, engineering, and environmental sciences.
- ***Inpatient Hospital*** – Scheduled to open in 2026, the 1.9 million-square-foot hospital will enhance a unified Ohio State Wexner Medical Center campus providing leading-edge research, outstanding clinical training and world-class patient care.

Development of new partnerships include:

- ***Dispatch Health*** – To provide access to in-home medical care for OSUWMC patients and providers throughout the Columbus community.
- ***Alternative Solutions Health Network*** – A joint venture to provide central Ohio patients with high-quality connected care directly in their homes, reduce preventable hospital readmissions and enhance operational efficiencies.
- ***Teladoc Health*** – To offer improved care and support for individuals living with Type 2 diabetes.

- ***One Medical*** – To expand Ohio State's outpatient care strategy to meet the needs of the communities we serve by building on our exceptional primary-care offerings, increasing access to digital health care solutions and improving access to services that are essential to better health.

***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 university and medical center.

To continue safeguarding the university's resources and enable crucial investments in the future, the university set three efficiency savings goals for FY 2022.

- ***University*** - $35 million of targeted savings across all colleges and support offices. $88.3 million of savings have been realized through June 30, 2022.
- ***Wexner Medical Center*** - $30 million of targeted savings. $115 million of savings have been realized through June 30, 2022.
- ***Capital*** - $25 million of targeted savings. $61.6 million of savings have been realized through June 30, 2022.

Financial controls implemented in FY 2022 helped realize in total over $265 million in cost savings — exceeding our $90 million goal.

The impact of COVID-19 on university finances and operations may continue for at least the coming (FY2023) fiscal year, depending on vaccination rates and whether the COVID-19 virus or variations of the virus (including the Omicron variant) 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.

**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.

**THE OHIO STATE UNIVERSITY**
**STATEMENTS OF NET POSITION**
**June 30, 2022 and June 30, 2021**
**(in thousands)**

| | Primary Institution | | Discretely Presented Component Units | | Total University | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| **ASSETS AND DEFERRED OUTFLOWS:** | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents | $ 303,120 | $ 677,386 | $ 176,481 | $ 260,758 | $ 479,601 | $ 938,144 |
| Temporary investments | 2,547,715 | 2,693,789 | 1,380 | 1,614 | 2,549,095 | 2,695,403 |
| Accounts receivable, net | 772,050 | 736,500 | 76,710 | 68,725 | 848,760 | 805,225 |
| Notes receivable - current portion, net | 25,231 | 25,231 | - | - | 25,231 | 25,231 |
| Pledges receivable - current portion, net | 61,395 | 63,799 | - | - | 61,395 | 63,799 |
| Accrued interest receivable | 23,109 | 19,848 | - | - | 23,109 | 19,848 |
| Inventories and prepaid expenses | 141,765 | 146,817 | 4,636 | 4,623 | 146,401 | 151,440 |
| Investments held under securities lending program | 201,994 | 118,266 | - | - | 201,994 | 118,266 |
| Amounts due from (to) primary institution | (68,401) | (75,422) | 68,401 | 75,422 | - | - |
| Total Current Assets | 4,007,978 | 4,406,214 | 327,608 | 411,142 | 4,335,586 | 4,817,356 |
| Noncurrent Assets: | | | | | | |
| Unexpended bond proceeds | 679,040 | 276,243 | - | - | 679,040 | 276,243 |
| Notes receivable, net | 18,413 | 36,766 | 800 | 800 | 19,213 | 37,566 |
| Pledges receivable, net | 116,230 | 97,441 | - | - | 116,230 | 97,441 |
| Net other post-employment benefit asset | 441,127 | 275,182 | - | - | 441,127 | 275,182 |
| Long-term investment pool | 6,960,782 | 7,041,973 | - | - | 6,960,782 | 7,041,973 |
| Other long-term investments | 301,855 | 348,227 | 81,916 | - | 383,771 | 348,227 |
| Leases receivable, net | 38,136 | 37,427 | 17,136 | 15,184 | 55,272 | 52,611 |
| Amounts due from (to) primary institution - leases | (67,181) | (71,086) | 67,181 | 71,086 | - | - |
| Other noncurrent assets | 226,571 | 202,911 | 2,336 | 557 | 228,907 | 203,468 |
| Capital assets, net | 7,194,565 | 6,408,423 | 388,582 | 344,439 | 7,583,147 | 6,752,862 |
| Total Noncurrent Assets | 15,909,538 | 14,653,507 | 557,951 | 432,066 | 16,467,489 | 15,085,573 |
| **Total Assets** | 19,917,516 | 19,059,721 | 885,559 | 843,208 | 20,803,075 | 19,902,929 |
| Deferred Outflows: | | | | | | |
| Pension | 584,364 | 339,679 | - | - | 584,364 | 339,679 |
| Other post-employment benefits | 11,545 | 104,182 | - | - | 11,545 | 104,182 |
| Other deferred outflows | 22,505 | 23,739 | - | - | 22,505 | 23,739 |
| **Total Deferred Outflows** | 618,414 | 467,600 | - | - | 618,414 | 467,600 |
| **Total Assets and Deferred Outflows** | $ 20,535,930 | $ 19,527,321 | $ 885,559 | $ 843,208 | $ 21,421,489 | $ 20,370,529 |
| **LIABILITIES, DEFERRED INFLOWS AND NET POSITION:** | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts payable and accrued expenses | $ 757,606 | $ 774,841 | $ 31,550 | $ 33,586 | $ 789,156 | $ 808,427 |
| Medicare advance payment program | 79,601 | 254,854 | - | 10,191 | 79,601 | 265,045 |
| Deposits and advance payments for goods and services | 447,404 | 371,040 | 2,711 | 1,992 | 450,115 | 373,032 |
| Current portion of bonds, notes and leases payable | 109,458 | 69,993 | 3,479 | 2,686 | 112,937 | 72,679 |
| Long-term bonds payable, subject to remarketing | 275,000 | 289,970 | - | - | 275,000 | 289,970 |
| Liability under securities lending program | 201,994 | 118,266 | - | - | 201,994 | 118,266 |
| Other current liabilities | 101,989 | 110,847 | 37,336 | 11,801 | 139,325 | 122,648 |
| Amounts due to (from) primary institution | (114,610) | (135,230) | 114,610 | 135,230 | - | - |
| Amounts due to (from) primary institution - leases | (4,979) | (3,855) | 4,979 | 3,855 | - | - |
| Total Current Liabilities | 1,853,463 | 1,850,726 | 194,665 | 199,341 | 2,048,128 | 2,050,067 |
| Noncurrent Liabilities: | | | | | | |
| Bonds, notes and leases payable | 3,357,938 | 2,736,441 | 30,947 | 29,196 | 3,388,885 | 2,765,637 |
| Concessionaire payable | 355,786 | 223,721 | - | - | 355,786 | 223,721 |
| Net pension liability | 1,497,793 | 2,679,333 | - | - | 1,497,793 | 2,679,333 |
| Net other post-employment benefit liability | 15,661 | 22,683 | - | - | 15,661 | 22,683 |
| Compensated absences | 203,505 | 214,428 | - | - | 203,505 | 214,428 |
| Self-insurance accruals | 100,497 | 85,083 | - | - | 100,497 | 85,083 |
| Amounts due to third-party payors - Health System | 87,306 | 90,403 | - | - | 87,306 | 90,403 |
| Irrevocable split-interest agreements | 32,324 | 36,328 | - | - | 32,324 | 36,328 |
| Refundable advances for Federal Perkins loans | 23,238 | 26,005 | - | - | 23,238 | 26,005 |
| Advance from concessionaire | 963,663 | 980,953 | - | - | 963,663 | 980,953 |
| Other noncurrent liabilities | 276,345 | 283,643 | 4,701 | 4,701 | 281,046 | 288,344 |
| Amounts due to (from) primary institution | (192,948) | (169,670) | 192,948 | 169,670 | - | - |
| Amounts due to (from) primary institution - leases | (54,198) | (29,800) | 54,198 | 29,800 | - | - |
| Total Noncurrent Liabilities | 6,666,910 | 7,179,551 | 282,794 | 233,367 | 6,949,704 | 7,412,918 |
| **Total Liabilities** | 8,520,373 | 9,030,277 | 477,459 | 432,708 | 8,997,832 | 9,462,985 |
| Deferred Inflows: | | | | | | |
| Parking service concession arrangement | 387,652 | 397,283 | - | - | 387,652 | 397,283 |
| Pension | 1,681,316 | 682,490 | - | - | 1,681,316 | 682,490 |
| Other post-employment benefits | 456,823 | 675,698 | - | - | 456,823 | 675,698 |
| Other deferred inflows | 169,650 | 109,895 | 136,516 | 142,939 | 306,166 | 252,834 |
| **Total Deferred Inflows** | 2,695,441 | 1,865,366 | 136,516 | 142,939 | 2,831,957 | 2,008,305 |
| Net Position: | | | | | | |
| Net investment in capital assets | 3,706,371 | 3,473,109 | 278,469 | 263,879 | 3,984,840 | 3,736,988 |
| Restricted: | | | | | | |
| Nonexpendable | 1,870,686 | 1,789,304 | - | - | 1,870,686 | 1,789,304 |
| Expendable | 1,560,810 | 2,030,928 | - | - | 1,560,810 | 2,030,928 |
| Unrestricted | 2,182,249 | 1,338,337 | (6,885) | 3,682 | 2,175,364 | 1,342,019 |
| **Total Net Position** | 9,320,116 | 8,631,678 | 271,584 | 267,561 | 9,591,700 | 8,899,239 |
| **Total Liabilities, Deferred Inflows and Net Position** | $ 20,535,930 | $ 19,527,321 | $ 885,559 | $ 843,208 | $ 21,421,489 | $ 20,370,529 |

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

**THE OHIO STATE UNIVERSITY**
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**
**Years ended June 30, 2022 and June 30, 2021**
**(in thousands)**

| | Primary Institution | | Discretely Presented Component Units | | Total University | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Operating Revenues: | | | | | | |
| Student tuition and fees (net of scholarship allowances of $268,547 and $234,727, respectively) | $ 1,003,060 | $ 869,740 | $ - | $ - | $ 1,003,060 | $ 869,740 |
| Federal grants and contracts | 426,216 | 407,404 | 18,735 | 18,969 | 444,951 | 426,373 |
| State grants and contracts | 85,976 | 76,611 | - | - | 85,976 | 76,611 |
| Local grants and contracts | 32,538 | 27,538 | - | - | 32,538 | 27,538 |
| Private grants and contracts | 269,344 | 272,468 | 55,721 | 37,461 | 325,065 | 309,929 |
| Sales and services of educational departments | 166,121 | 168,707 | 10,028 | 10,053 | 176,149 | 178,760 |
| Sales and services of auxiliary enterprises (net of scholarship allowances of $42,872 and $26,375, respectively) | 364,308 | 175,961 | - | - | 364,308 | 175,961 |
| Sales and services of the OSU Health System, net | 4,178,956 | 3,952,605 | - | - | 4,178,956 | 3,952,605 |
| Sales and services of OSU Physicians, Inc., net | - | - | 701,680 | 647,601 | 701,680 | 647,601 |
| Other operating revenues | 67,957 | 39,150 | 4,132 | 1,847 | 72,089 | 40,997 |
| Total Operating Revenues | 6,594,476 | 5,990,184 | 790,296 | 715,931 | 7,384,772 | 6,706,115 |
| Operating Expenses: | | | | | | |
| Educational and General: | | | | | | |
| Instruction and departmental research | 1,027,196 | 957,504 | 8,597 | 7,782 | 1,035,793 | 965,286 |
| Separately budgeted research | 502,475 | 436,886 | 22,769 | 21,110 | 525,244 | 457,996 |
| Public service | 147,900 | 139,565 | 9,950 | 6,209 | 157,850 | 145,774 |
| Academic support | 235,370 | 190,097 | - | - | 235,370 | 190,097 |
| Student services | 86,345 | 52,086 | - | - | 86,345 | 52,086 |
| Institutional support | 261,348 | 220,675 | 32,108 | 20,883 | 293,456 | 241,558 |
| Operation and maintenance of plant | 127,294 | 95,672 | 1,031 | 717 | 128,325 | 96,389 |
| Scholarships and fellowships | 164,093 | 146,187 | - | - | 164,093 | 146,187 |
| Auxiliary enterprises | 351,554 | 205,928 | - | - | 351,554 | 205,928 |
| OSU Health System | 3,236,935 | 2,728,378 | - | - | 3,236,935 | 2,728,378 |
| OSU Physicians, Inc. | - | - | 660,834 | 597,475 | 660,834 | 597,475 |
| Depreciation and amortization | 494,360 | 460,478 | 23,585 | 18,973 | 517,945 | 479,451 |
| Total Operating Expenses | 6,634,870 | 5,633,456 | 758,874 | 673,149 | 7,393,744 | 6,306,605 |
| Net Operating Income (loss) | (40,394) | 356,728 | 31,422 | 42,782 | (8,972) | 399,510 |
| Non-operating Revenues (Expenses): | | | | | | |
| State share of instruction and line-item appropriations | 493,248 | 486,115 | - | - | 493,248 | 486,115 |
| Federal subsidies for Build America Bonds interest | 11,304 | 10,790 | - | - | 11,304 | 10,790 |
| Federal non-exchange grants | 64,077 | 66,124 | - | - | 64,077 | 66,124 |
| Federal COVID-19 assistance programs | 168,967 | 150,037 | 11,686 | - | 180,653 | 150,037 |
| State non-exchange grants | 34,591 | 13,246 | - | - | 34,591 | 13,246 |
| Gifts | 233,381 | 129,723 | - | - | 233,381 | 129,723 |
| Net investment income (loss) | (292,335) | 1,859,173 | (8,379) | 1,753 | (300,714) | 1,860,926 |
| Interest expense on plant debt | (158,501) | (128,780) | (5,456) | (4,028) | (163,957) | (132,808) |
| Other non-operating revenues (expenses) | (104) | 46,890 | (26,432) | (30,445) | (26,536) | 16,445 |
| Net Non-operating Revenue (Expenses) | 554,628 | 2,633,318 | (28,581) | (32,720) | 526,047 | 2,600,598 |
| Income before Other Changes in Net Position | 514,234 | 2,990,046 | 2,841 | 10,062 | 517,075 | 3,000,108 |
| Other Changes in Net Position: | | | | | | |
| State capital appropriations | 52,886 | 63,988 | - | - | 52,886 | 63,988 |
| Private capital gifts | 44,112 | 78,942 | - | - | 44,112 | 78,942 |
| Additions to permanent endowments | 77,206 | 63,157 | - | - | 77,206 | 63,157 |
| Capital contributions and changes in net position | - | 6,923 | 1,182 | 941 | 1,182 | 7,864 |
| Total Changes in Net Position | 174,204 | 213,010 | 1,182 | 941 | 175,386 | 213,951 |
| Increase in Net Position | 688,438 | 3,203,056 | 4,023 | 11,003 | 692,461 | 3,214,059 |
| Net Position - Beginning of Year | | | | | | |
| Beginning of year, as previously reported | 8,631,678 | 5,424,494 | 267,561 | 257,827 | 8,899,239 | 5,682,321 |
| Cumulative effect of accounting change | - | 4,128 | - | (1,269) | - | 2,859 |
| Beginning of year, as restated | 8,631,678 | 5,428,622 | 267,561 | 256,558 | 8,899,239 | 5,685,180 |
| Net Position - End of Year | $ 9,320,116 | $ 8,631,678 | $ 271,584 | $ 267,561 | $ 9,591,700 | $ 8,899,239 |

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

**THE OHIO STATE UNIVERSITY**
**STATEMENTS OF CASH FLOWS**
**Years Ended June 30, 2022 and June 30, 2021**
(in thousands)

| | Primary Institution | | Discretely Presented Component Units | | Total University | |
|---|---|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| **Cash Flows from Operating Activities:** | | | | | | |
| Tuition and fee receipts | $ 868,342 | $ 758,837 | $ - | $ - | $ 868,342 | $ 758,837 |
| Grant and contract receipts | 814,127 | 746,479 | 71,118 | 77,991 | 885,245 | 824,470 |
| Receipts for sales and services | 4,556,007 | 4,227,793 | 703,174 | 599,436 | 5,259,181 | 4,827,229 |
| Receipt from energy concessionaire | 16,408 | - | - | - | 16,408 | - |
| Payments to or on behalf of employees | (3,109,359) | (2,771,435) | (507,864) | (435,974) | (3,617,223) | (3,207,409) |
| University employee benefit payments | (790,577) | (784,093) | (115,670) | (98,310) | (906,247) | (882,403) |
| Payments to vendors for supplies and services | (2,757,473) | (2,405,751) | (107,324) | (17,339) | (2,864,797) | (2,423,090) |
| Payments to students and fellows | (151,727) | (133,905) | - | - | (151,727) | (133,905) |
| Student loans issued | (4,092) | (3,764) | - | - | (4,092) | (3,764) |
| Student loans collected | 12,263 | 9,778 | - | - | 12,263 | 9,778 |
| Student loan interest and fees collected | 1,437 | 911 | - | - | 1,437 | 911 |
| Other receipts (payments) | 11,238 | (33,037) | 24,007 | - | 35,245 | (33,037) |
| Net cash provided (used) by operating activities | (533,406) | (388,187) | 67,441 | 125,804 | (465,965) | (262,383) |
| **Cash Flows from Noncapital Financing Activities:** | | | | | | |
| State share of instruction and line-item appropriations | 493,248 | 486,115 | - | - | 493,248 | 486,115 |
| Non-exchange grant receipts | 98,668 | 79,370 | - | - | 98,668 | 79,370 |
| Federal COVID-19 assistance programs | 168,967 | 144,286 | 11,686 | - | 180,653 | 144,286 |
| Gift receipts for current use | 206,882 | 93,413 | - | - | 206,882 | 93,413 |
| Additions to permanent endowments | 77,206 | 63,157 | - | - | 77,206 | 63,157 |
| Drawdowns of federal direct loan proceeds | 320,043 | 310,679 | - | - | 320,043 | 310,679 |
| Disbursements of federal direct loans to students | (317,934) | (312,319) | - | - | (317,934) | (312,319) |
| Amounts received from irrevocable split-interest agreements | 750 | 10,192 | - | - | 750 | 10,192 |
| Amounts paid to annuitants and life beneficiaries | (2,191) | (2,063) | - | - | (2,191) | (2,063) |
| Agency funds receipts | 5,588 | 5,052 | - | - | 5,588 | 5,052 |
| Agency funds disbursements | (5,051) | (4,546) | - | - | (5,051) | (4,546) |
| Other receipts | 14,283 | 16,223 | 2,655 | 8,784 | 16,938 | 25,007 |
| Net cash provided by noncapital financing activities | 1,060,459 | 889,559 | 14,341 | 8,784 | 1,074,800 | 898,343 |
| **Cash Flows from Capital Financing Activities:** | | | | | | |
| Proceeds from capital debt | 739,775 | - | 4,158 | 1,596 | 743,933 | 1,596 |
| State capital appropriations | - | 67,302 | - | - | 0 | 67,302 |
| Gift receipts for capital projects | 56,061 | 78,197 | - | - | 56,061 | 78,197 |
| Payments for purchase or construction of capital assets | (1,055,311) | (891,524) | (76,169) | (66,540) | (1,131,480) | (958,064) |
| Principal payments on capital debt and leases | (77,741) | (81,554) | 2,204 | (6,023) | (75,537) | (87,577) |
| Interest payments on capital debt and leases | (156,512) | (128,056) | (5,438) | (4,010) | (161,950) | (132,066) |
| Federal subsidies for Build America Bonds interest | 15,921 | 10,790 | - | - | 15,921 | 10,790 |
| Net cash (used) by capital financing activities | (477,807) | (944,845) | (75,245) | (74,977) | (553,052) | (1,019,822) |
| **Cash Flows from Investing Activities:** | | | | | | |
| Net (purchases) sales of temporary investments | - | (882,182) | - | 13,852 | - | (868,330) |
| Purchases of investments | (8,034,259) | (3,985,959) | (81,916) | - | (8,116,175) | (3,985,959) |
| Proceeds from sales and maturities of investments | 7,187,502 | 3,648,843 | - | - | 7,187,502 | 3,648,843 |
| Investment income (loss), net of related expenses | 147,002 | 370,290 | (8,898) | 590 | 138,104 | 370,880 |
| Net cash provided (used) by investing activities | (699,755) | (849,008) | (90,814) | 14,442 | (790,569) | (834,566) |
| **Net Increase (Decrease) in Cash** | (650,509) | (1,292,481) | (84,277) | 74,053 | (734,786) | (1,218,428) |
| Cash and Cash Equivalents - Beginning of Year | 953,629 | 2,246,110 | 260,758 | 186,705 | 1,214,387 | 2,432,815 |
| Cash and Cash Equivalents - End of Year | $ 303,120 | $ 953,629 | $ 176,481 | $ 260,758 | $ 479,601 | $ 1,214,387 |

**THE OHIO STATE UNIVERSITY**
**STATEMENTS OF CASH FLOWS, Cont'd**
**Years Ended June 30, 2022 and June 30, 2021**
(in thousands)

| | Primary Institution | | Discretely Presented Component Units | | Total University | |
|---|---|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| **Reconciliation of Net Operating Income (Loss) to Net Cash Used by Operating Activities:** | | | | | | |
| Operating income (loss) | $ (40,394) | $ 356,728 | $ 30,786 | $ 42,784 | $ (9,608) | $ 399,512 |
| Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities: | | | | | | |
| Depreciation expense | 494,360 | 460,478 | 23,585 | 18,973 | 517,945 | 479,451 |
| Changes in assets and liabilities: | | | | | | |
| Accounts receivable, net | (41,927) | (211,658) | (8,577) | | (50,504) | (211,658) |
| Leases receivable, net | (709) | 5,580 | (206) | (13,343) | (915) | (7,763) |
| Amounts due from (to) primary institution - leases | (3,905) | | | | (3,905) | - |
| Notes receivable, net | 4,070 | 5,359 | - | 474 | 4,070 | 5,833 |
| Accrued interest receivable | (1,590) | (648) | - | - | (1,590) | (648) |
| Inventories and prepaid expenses | 5,053 | 20,156 | (12) | (345) | 5,041 | 19,811 |
| Amounts due to/from primary institution | (9,679) | (92,948) | (16,354) | 54,945 | (26,033) | (38,003) |
| Amounts due to (from) primary institution - leases | (25,522) | | 29,427 | | 3,905 | |
| Net other post-employment benefit asset | (165,945) | (197,281) | - | - | (165,945) | (197,281) |
| Deferred outflows | (152,048) | 234,551 | - | - | (152,048) | 234,551 |
| Other noncurrent assets | 14,521 | (190,622) | (993) | (665) | 13,528 | (191,287) |
| Accounts payable and accrued liabilities | (54,431) | 159,506 | 4,602 | 3,146 | (49,829) | 162,652 |
| Medicare advance payment program | (175,253) | (20,061) | (10,191) | (2,394) | (185,444) | (22,455) |
| Self-insurance accruals | 15,414 | (2,845) | - | - | 15,414 | (2,845) |
| Amounts due to third-party payors - Health System | (3,097) | 29,887 | - | - | (3,097) | 29,887 |
| Deposits and advanced payments | 79,826 | 115,655 | 719 | 1,600 | 80,545 | 117,255 |
| Compensated absences | (10,923) | 4,270 | - | - | (10,923) | 4,270 |
| Refundable advances for Federal Perkins loans | (2,767) | (3,690) | - | - | (2,767) | (3,690) |
| Advance from concessionaire | (17,290) | (21,816) | - | - | (17,290) | (21,816) |
| Net pension liability | (1,181,540) | (345,696) | - | - | (1,181,540) | (345,696) |
| Net other post-employment benefit liability | (7,022) | (1,436,889) | - | - | (7,022) | (1,436,889) |
| Deferred inflows | 770,320 | 554,997 | (9,347) | - | 760,973 | 554,997 |
| Other liabilities | (22,928) | 188,800 | 24,002 | 20,629 | 1,074 | 209,429 |
| Net cash provided (used) by operating activities | $ (533,406) | $ (388,187) | $ 67,441 | $ 125,804 | $ (465,965) | $ (262,383) |
| **Non Cash Transactions:** | | | | | | |
| Construction in process in accounts payable | $ 1,601 | $ 47,852 | $ 3,205 | $ 9,414 | $ 4,806 | $ 57,266 |
| Construction in process in concessionaire payable | 150,843 | 101,507 | - | - | 150,843 | 101,507 |
| Capital lease | - | 11,316 | - | - | - | 11,316 |
| Stock gifts | 19,583 | 19,473 | - | - | 19,583 | 19,473 |
| Net increase (decrease) in fair value of investments | (441,354) | 1,487,302 | (8,899) | 1,064 | (450,253) | 1,488,366 |
| Forgiveness of debt | - | - | 266 | 278 | 266 | 278 |
| State capital appropriations | 52,474 | - | - | - | 52,474 | - |

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

## NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

### Organization

The Ohio State University (the "university") is a land grant institution created in 1870 by the Ohio General Assembly under provisions of the Morrill Act. The university is one of several state-supported universities in Ohio. It is declared by statute to be a body politic and corporate and an instrumentality of the State.

The university is governed by a Board of Trustees, which is granted authority under Ohio law to do all things necessary for the proper maintenance and continual successful operation of the university. Trustees are appointed by the governor, with the advice and consent of the state Senate. In 2005, the Ohio General Assembly voted to expand the Board from 11 to 17 members. The standard term for voting members of the Board is nine years. 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, 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, i.e., 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 primary government is financially accountable for an organization if its holding of a majority equity interest in that organization does not meet the definition of an investment.

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

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

The component units listed above provide services entirely, or almost entirely, to the university or otherwise exclusively, or almost exclusively, benefit the university. Therefore, the transactions and balances for these organizations have been blended with those of the primary government, collectively referred to as the primary institution.

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

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

- **Dental Faculty Practice Association, Inc.** – The university appoints a voting majority of the board for the dental practice group for faculty in the College of Dentistry.
- **Science and Technology Campus Corporation** (SciTech) – This non-profit organization, which was established for further development of the university's Science and Technology Campus, is fiscally dependent on the university.

Summary financial statement information for the university's blended and discretely presented component units is provided in Notes 20 and 21. Audited financial statements for the discretely presented component units considered to be material to the university may be obtained from the Office of the Controller. A total university column in the financial statements is provided as memorandum only for purposes of additional analysis by users.

The university, as a component unit of the State of Ohio, is included as a discretely presented entity in the State of Ohio's Annual Comprehensive Financial Report.

**Basis of Accounting**

The financial statements of the university have been prepared in accordance with U.S. generally accepted accounting principles, as prescribed by the GASB. The university is reported as a special-purpose government engaged in business-type activities (BTA) on the accrual basis. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. In accordance with BTA reporting, the university presents 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.

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 principal by the university. These assets primarily consist of the original gift corpus 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 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.

The university first applies resources in restricted net position when an expense or outlay is incurred for purposes for which resources in both restricted and unrestricted net position are available.

For internal financial management purposes, the university classifies financial resources into funds that reflect the specific activities, objectives or restrictions of the resources.

#### Cash and Investments

Cash and cash equivalents consist primarily of petty cash, demand deposit accounts, money market accounts, savings accounts, and investments with original maturities of ninety days or less. Such investments consist primarily of U.S. Government obligations, U.S. Agency obligations, repurchase agreements and money market funds.

Investments are reported at fair value. 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 generally reported at net asset value (NAV) of the university's interest used as a practical expedient to estimate fair value. NAVs are generally provided by the management of these limited partnerships. The purpose of this alternative investment class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes. 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, 2022, the university has made commitments to limited partnerships totaling $1,303,367 that have not yet been funded. These commitments may extend for a maximum of twelve years.

Investment income is recognized on an accrual basis. Interest and dividend income is recorded when earned.

#### Endowment Policy

All endowments are invested in the university's Long-Term Investment Pool, which consists of 6,172 Board authorized funds and 202 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 generally classified as restricted-expendable.

Annual distributions to named funds in the Long-Term Investment Pool are computed using the share method of accounting for pooled investments. The annual distribution per share is 4.5% of the average fair value per share of the Long-Term Investment Pool over the most recent seven year period.

At June 30, 2022, the fair value of the university and Foundation gifted endowments is $2,605,928, which is $641,551 above the historical dollar value of $1,964,377. Although the fair value of the gifted endowments in total exceeds the historical cost at June 30, 2022, there are 553 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, 2022 is $190,543, which is $14,675 below the historical dollar value of $205,218.

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 $4,884 below the historical dollar value of $78,338.

The depreciation on non-expendable endowment funds is recorded as a reduction to restricted non-expendable net position. Recovery on these funds is recorded as an increase in restricted non-expendable up to the historical value of each fund. Per UPMIFA (§ 1715.53(D)(C), the reporting of such deficiencies does not create an obligation on the part of the endowment fund to restore the fair value of those funds.

**Gift Pledges Receivable**

The university receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, endowment pledges are not recorded as assets until the related gift is received.

An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts and includes 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. The university applies capitalization thresholds of $5,000 for moveable equipment, $100,000 for capital projects, and $500,000 for software (actual dollar amounts shown). 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 Statements 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 Statements 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 Statements 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, 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.

**Tuition, Room and Board**

Student tuition and residence hall fees are presented net of scholarships 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, including 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 funding for construction and renovation of major plant facilities on the university's campuses. This funding is reported as state capital appropriations, and the related facilities are reported as capital assets.

**Government Grants and Contracts**

Government grants and contracts normally provide for the recovery of direct and indirect costs and are subject to audit by the appropriate government agency. Federal funds are subject to an annual OMB Uniform Guidance audit. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to three years.

The university generally considers grants, contracts and non-capital appropriations to be exchange transactions. Under these arrangements, the university provides a bargained-for benefit, typically in the form of instruction, research or public service programs, either directly to the funding entity or to its constituents. The overall scope and nature of these program activities is determined by the level of funding and the requirements set forth by these resource providers.

**Federal COVID-19 Assistance Programs**

In response to the COVID-19 outbreak, the federal government has provided support to individuals, companies and non-profit institutions in the form of loans, grants, tax changes and other types of relief. The university is a recipient of grant funds from several federal COVID-19 assistance programs, including Higher Education Emergency Relief Fund (HEERF) grants to students, HEERF institutional grants, Provider Relief Funds, FEMA Public Assistance funds, Shuttered Venue Operators grants and pass-through funding from the State of Ohio. Amounts provided to the university under these grant programs are recognized as non-operating revenues in the Statements of Revenues, Expenses and Changes in Net Position as eligibility requirements are met.

(dollars in thousands)

The university's Health System and OSU Physicians, a discretely presented component unit of the university, received advance payments under the Medicare Accelerated and Advance Payment program. These payments are considered short-term loans and are reported as current liabilities in the Statements of Net Position. Current liabilities for advance payments provided to the Health System totaled $79,601 and $254,854 at June 30, 2022 and 2021, respectively. Current liabilities for advance payments provided to OSU Physicians totaled zero and $10,191 at June 30, 2022 and 2021, 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.

Health System patient service revenue amounts recognized from major payor sources (based on primary payor) for the years ended June 30, 2022 and 2021, respectively, are as follows:

| | Primary Institution | |
|---|---|---|
| **Payor** | **2022** | **2021** |
| Medicare | $ 1,055,544 | $ 1,006,113 |
| Medicaid | 553,121 | 532,386 |
| Managed Care: | | |
| Anthem | 707,125 | 636,140 |
| United Healthcare | 474,790 | 470,125 |
| Other | 908,194 | 889,689 |
| Self Pay | 4,678 | 5,908 |
| Total net patient service revenue | 3,703,452 | 3,540,361 |
| Add: Other Health System sales and services revenue | 475,504 | 412,244 |
| Total Health System sales and services, net | $ 4,178,956 | $ 3,952,605 |

**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, 2022 and 2021 are $39,989 and $51,138, respectively, after applying a decrease of $15,370 and $468, respectively, for support received under the Health Care Assurance Program (HCAP). HCAP is administered by the State of Ohio to help hospitals cover a portion of the cost of providing charity care. Charity care costs for OSUP for the years ended June 30, 2022 and 2021 are $14,634 and $7,458, respectively.

**Management Estimates**

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

**Newly Issued Accounting Pronouncements**

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement addresses P3s and APAs and amends current guidance in GASB 60, Accounting and Financial Reporting for Service Concession Arrangements. In general, the Statement 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 Statement 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).

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. This Statement includes an extension of the use of LIBOR, clarifies provisions related to the new Statements for leases, public-private partnerships and subscription-based IT arrangements, and the classification and reporting of derivative instruments. The provisions related to LIBOR are effective upon issuance, the provisions related to leases, PPPs and SBITAs are effective for periods beginning after June 15, 2022 (FY2023), and the provisions related to derivatives are effective for periods beginning after June 15, 2023 (FY2024).

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment to GASB Statement No. 62*. This Statement requires that changes in accounting principles and error corrections be reported retroactively by restating prior periods, changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Statement also provides guidance on related note disclosures and addresses corrections to Required Supplementary Information and Supplementary Information. The Statement is effective for fiscal years beginning after June 15, 2023 (FY2024).

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The Statement is effective for fiscal years beginning after December 15, 2023 (FY2025).

University management is currently assessing the impact that implementation of GASB Statements No. 93, 94, 96, 99, 100 and 101 will have on the university's financial statements.

**Implementation of GASB Statement No. 87**

In fiscal year 2022, the university implemented GASB 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 record an intangible right-of-use asset and corresponding lease liability, based on the present value of payments expected to be made during the lease term. Lessors 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. The cumulative effect of adopting GASB Statement No. 87 was a $4,128 increase in net position as of July 1, 2020 for the primary institution and a $1,269 decrease in net position for the discretely presented component units as of July 1, 2020. The effects of adopting Statement No. 87 retroactively to the university's financial statements for the year ended June 30, 2021 were as follows:

(dollars in thousands)

| ***2021 Statement of Net Position - Primary Institution*** | As Previously Reported | Effect of Adoption of Statement No. 87 | As Restated |
|---|---|---|---|
| Current Assets: | | | |
| Inventories and prepaid expenses | $ 150,576 | $ (3,759) | $ 146,817 |
| Total current assets | 4,409,973 | (3,759) | 4,406,214 |
| Noncurrent Assets: | | | |
| Leases receivable | - | 37,427 | 37,427 |
| Capital assets, net | 6,267,672 | 140,751 | 6,408,423 |
| Amounts due from (to) primary institution for leases | - | (71,086) | (71,086) |
| Total noncurrent assets | 14,546,415 | 107,092 | 14,653,507 |
| Total assets | 18,956,388 | 103,333 | 19,059,721 |
| Current Liabilities: | | | |
| Current portion of bonds, notes and leases payable | 62,746 | 7,247 | 69,993 |
| Deposits and advance payments for goods and services | | | |
| Amounts due to (from) primary institution for leases - current | - | (3,855) | (3,855) |
| Total current liabilities | 1,847,334 | 3,392 | 1,850,726 |
| Noncurrent Liabilities: | | | |
| Bonds, notes and leases payable | 2,690,587 | 45,854 | 2,736,441 |
| Amounts due to (from) primary institution for leases - noncurrent | - | (29,800) | (29,800) |
| Total noncurrent liabilities | 7,163,497 | 16,054 | 7,179,551 |
| Total liabilities | 9,010,831 | 19,446 | 9,030,277 |
| Deferred Inflows: | | | |
| Other deferred inflows | 40,766 | 69,129 | 109,895 |
| Total deferred inflows | 1,796,237 | 69,129 | 1,865,366 |
| Net Position: | | | |
| Net investment in capital assets | 3,471,509 | 1,600 | 3,473,109 |
| Unrestricted | 1,325,179 | 13,158 | 1,338,337 |
| Total net position | $ 8,616,920 | $ 14,758 | $ 8,631,678 |

(dollars in thousands)

| ***2021 Statement of Revenues, Expenses and Other Changes in Net Position - Primary Institution*** | As Previously Reported | Effect of Adoption of Statement No. 87 | As Restated |
|---|---|---|---|
| Other operating revenues | $ 37,198 | $ 1,952 | $ 39,150 |
| Total operating revenues | 5,988,232 | 1,952 | 5,990,184 |
| Operating Expenses: | | | |
| Public service | 139,588 | (23) | 139,565 |
| Institutional support | 229,993 | (9,318) | 220,675 |
| Auxiliary enterprises | 206,123 | (195) | 205,928 |
| OSU Health System | 2,733,141 | (4,763) | 2,728,378 |
| Depreciation and amortization | 457,950 | 2,528 | 460,478 |
| Total operating expenses | 5,645,227 | (11,771) | 5,633,456 |
| Net operating income (loss) | 343,005 | 13,723 | 356,728 |
| Interest expense | (125,687) | (3,093) | (128,780) |
| Net Non-operating Revenue | 2,636,411 | (3,093) | 2,633,318 |
| Increase (Decrease) in Net Position | 3,192,426 | 10,630 | 3,203,056 |
| Net Position - Beginning of Year | $ 5,424,494 | $ 4,128 | $ 5,428,622 |

| ***2021 Statement of Cash Flows - Primary Institution*** | As Previously Reported | Effect of Adoption of Statement No. 87 | As Restated |
|---|---|---|---|
| Cash Flows from Operating Activities: | | | |
| Payments to vendors for supplies and services | $ (2,419,832) | $ 14,081 | $ (2,405,751) |
| Net cash provided (used) by operating activities | (402,268) | 14,081 | (388,187) |
| Cash Flows from Capital Financing Activities: | | | |
| Principal payments on capital debt and leases | (70,566) | (10,988) | (81,554) |
| Interest payments on capital debt and leases | (124,963) | (3,093) | (128,056) |
| Net cash (used) by capital financing activities | (930,764) | (14,081) | (944,845) |
| Reconciliation of Net Operating Income (Loss) to Net Cash Used by Operating Activities: | | | |
| Operating income (loss) | 343,005 | 13,723 | 356,728 |
| Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 457,950 | 2,528 | 460,478 |
| Changes in assets and liabilities: | | | |
| Leases receivable | - | 5,580 | 5,580 |
| Deferred inflows | 562,747 | (7,750) | 554,997 |
| Net cash provided (used) by operating activities | $ (402,268) | $ 14,081 | $ (388,187) |

(dollars in thousands)

| *2021 Statement of Net Position - Discretely Presented Component Units* | As Previously Reported | Effect of Adoption of Statement No. 87 | As Restated |
|---|---|---|---|
| Current Assets: | | | |
| Accounts receivable | $ 69,268 | $ (543) | $ 68,725 |
| Total noncurrent assets | 411,685 | (543) | 411,142 |
| Noncurrent Assets: | | | |
| Leases receivable | - | 15,184 | 15,184 |
| Other noncurrent assets | 1,222 | (665) | 557 |
| Capital assets, net | 296,209 | 48,230 | 344,439 |
| Amounts due from (to) primary institution for leases | - | 71,086 | 71,086 |
| Total noncurrent assets | 298,231 | 133,835 | 432,066 |
| Total assets | 709,916 | 133,292 | 843,208 |
| Current Liabilities: | | | |
| Current portion of bonds, notes and leases payable | 1,455 | 1,231 | 2,686 |
| Deposits and advance payments for goods and services | 4,742 | (2,750) | 1,992 |
| Amounts due to (from) primary institution for leases - current | - | 3,855 | 3,855 |
| Total current liabilities | 197,005 | 2,336 | 199,341 |
| Noncurrent Liabilities: | | | |
| Bonds, notes and leases payable | 14,911 | 14,285 | 29,196 |
| Other noncurrent liabilities | 59,960 | (55,259) | 4,701 |
| Amounts due to (from) primary institution for leases - noncurrent | - | 29,800 | 29,800 |
| Total noncurrent liabilities | 244,541 | (11,174) | 233,367 |
| Total liabilities | 441,546 | (8,838) | 432,708 |
| Deferred Inflows: | | | |
| Other deferred inflows | - | 142,939 | 142,939 |
| Total deferred inflows | - | 142,939 | 142,939 |
| Net Position: | | | |
| Net investment in capital assets | 271,367 | (7,488) | 263,879 |
| Unrestricted | (2,997) | 6,679 | 3,682 |
| Total net position | $ 268,370 | $ (809) | $ 267,561 |

(dollars in thousands)

| *2021 Statement of Revenues, Expenses and Other Changes in Net Position - Discretely Presented Component Units* | As Previously Reported | Effect of Adoption of Statement No. 87 | As Restated |
|---|---|---|---|
| Other operating revenues | $ - | $ 1,847 | $ 1,847 |
| Total operating revenues | 714,084 | 1,847 | 715,931 |
| Operating Expenses: | | | |
| Institutional support | 22,345 | (1,462) | 20,883 |
| OSU Physicians | 603,324 | (5,849) | 597,475 |
| Depreciation and amortization | 12,754 | 6,219 | 18,973 |
| Total operating expenses | 674,241 | (1,092) | 673,149 |
| Net operating income (loss) | 39,843 | 2,939 | 42,782 |
| Interest expense | (1,549) | (2,479) | (4,028) |
| Increase (Decrease) in Net Position | 10,543 | 460 | 11,003 |
| Net Position - Beginning of Year | $ 257,827 | $ (1,269) | $ 256,558 |

| *2021 Statement of Cash Flows - Discretely Presented Component Units* | As Previously Reported | Effect of Adoption of Statement No. 87 | As Restated |
|---|---|---|---|
| Cash Flows from Operating Activities: | | | |
| Payments to vendors for supplies and services | $ (24,650) | $ 7,311 | $ (17,339) |
| Net cash provided (used) by operating activities | 118,493 | 7,311 | 125,804 |
| Cash Flows from Capital Financing Activities: | | | |
| Principal payments on capital debt and leases | (1,191) | (4,832) | (6,023) |
| Interest payments on capital debt and leases | (1,531) | (2,479) | (4,010) |
| Net cash (used) by capital financing activities | $ (67,666) | $ (7,311) | $ (74,977) |

### Income Tax Status

As an integral part of the State of Ohio, the university is generally exempt from Federal and state income tax. The university is subject to the unrelated business income tax for activities that are not related to its tax-exempt purposes.

### Related Parties

Members of the Board of Trustees, officers, and employees are subject to the university's conflict of interest policies, under which business and financial relationships must be disclosed and are subject to review and approval. Disclosures about the university's related parties, including its discretely presented component units, are included in notes 1, 20, and 21 to the financial statements.

## NOTE 2 — CASH AND CASH EQUIVALENTS

At June 30, 2022, the carrying amount of the primary institution's cash and cash equivalents is $303,120 as compared to bank balances of $362,460. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit.

Of the bank balances, $3,105 is covered by federal deposit insurance and $359,355 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 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, 2022, the carrying amount of the discretely presented component units' cash, cash equivalents and restricted cash is $176,481 as compared to bank balances of $174,704. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, $2,007 is covered by federal deposit insurance and $172,697 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.



## NOTE 3 — INVESTMENTS

University investments are grouped into three major categories for financial reporting purposes: Temporary Investments, the Long-Term Investment Pool and Other Long-Term Investments.

Temporary Investments are amounts available for current operations. The target is to maximize value while protecting the liquidity of the assets. Temporary Investments include the following instruments with varying maturities: obligations of the U. S. Treasury and other federal agencies and instrumentalities, municipal and state bonds, corporate bonds, certificates of deposit, commercial paper, repurchase agreements, money market funds and equity and bond funds.

The Long-Term Investment Pool is a unitized investment pool consisting of gifted endowment funds of the university, gifted endowment funds of the OSU Foundation, and quasi-endowment funds which are internally designated funds that are to function as endowments.

The Long-Term Investment Pool operates with a long-term investment goal of preserving and maintaining the real purchasing power of the principal while allowing for the generation of a predictable stream of annual distribution.

The university's Board of Trustees approved the following thematic asset classes, allocation ranges and benchmarks for the Long-Term Investment Pool:

| Asset Class | Range | Benchmark |
|---|---|---|
| Public Equity | 30-55% | MSCI All Country World Index (ACWI) – Net Dividend (ND) |
| Private Equity (Includes Buyouts, Growth & Venture Capital) | 15-40% | MSCI ACWI ND - 1-Qtr. Lag |
| Real Estate & Infrastructure | 5-15% | Cambridge Associates Real Estate (50%) & Infrastructure (50%) – 1 Qtr. Lag |
| Legacy Investments | N/A | Return of Actual Underlying Funds |
| Hedge Funds (Includes Opportunistic Credit) | 0-25% | HFRI Fund of Funds Composite (Final) |
| Cash & High-Grade Bonds | 0-25% | Bloomberg Barclays U.S. Aggregate Bond |

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 equity and bond 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.

(dollars in thousands)

Total university investments by major category for the primary institution at June 30, 2022 and 2021 are as follows:

| | Primary Institution | |
|---|---|---|
| | **2022** | **2021** |
| Temporary Investments (a) | $ 3,226,755 | $ 2,693,789 |
| Long-Term Investment Pool: | | |
| Gifted Endowment - University | 1,261,196 | 1,333,836 |
| Gifted Endowment - OSU Foundation | 1,344,732 | 1,345,059 |
| Quasi Endowment - Operating | 1,740,849 | 1,740,687 |
| Quasi Endowment - Designated | 2,614,005 | 2,622,391 |
| Total Long-Term Investment Pool | 6,960,782 | 7,041,973 |
| Securities Lending Collateral Investments | 201,994 | 118,266 |
| Other Long-Term Investments | 301,855 | 348,227 |
| Total Investments | $ 10,691,386 | $ 10,202,255 |

(a) At June 30, 2022, Temporary Investments included $679,040 of unexpended bond proceeds. At June 30, 2021, unexpended bond proceeds totaling $276,243 were reported as restricted cash. Unexpended bond proceeds represent bond proceeds restricted for capital expenditures.

(dollars in thousands)

Total university investments by investment type for the primary institution at June 30, 2022 are as follows:

| | Primary Institution | | | | |
|---|---|---|---|---|---|
| | Temporary Investments & Unexpended Bond Proceeds | Long-Term Investment Pool | Other Long-Term Investments | Securities Lending Collateral Investments | Total |
| U.S. equity | $ 5 | $ 1,084,100 | $ - | $ - | $ 1,084,105 |
| International equity | - | 227,665 | - | - | 227,665 |
| Equity funds | 89,406 | 1,107,523 | 21,637 | - | 1,218,566 |
| U.S. government obligations | 502,453 | (740) | 756 | - | 502,469 |
| U.S. government agency obligations | 178,298 | - | - | - | 178,298 |
| Corporate bonds and notes | 1,885,371 | - | - | - | 1,885,371 |
| Bond funds | 333,094 | 290,925 | 43,261 | - | 667,280 |
| Foreign government bonds | 40,629 | - | - | - | 40,629 |
| Real assets | 5 | 806,152 | 22,080 | - | 828,237 |
| Hedge funds | - | 688,079 | - | - | 688,079 |
| Private equity | - | 2,274,497 | 192,339 | - | 2,466,836 |
| Commercial paper | 146,685 | - | - | - | 146,685 |
| Cash equivalents | - | 482,581 | - | - | 482,581 |
| Certificates of deposit | 13,056 | - | - | - | 13,056 |
| Other | 37,753 | - | 21,782 | - | 59,535 |
| Securities Lending Collateral Assets: | | | | | |
| Repurchase agreements | - | - | - | 51,173 | 51,173 |
| Certificates of deposit | - | - | - | 114,730 | 114,730 |
| Cash and other adjustments | - | - | - | 36,091 | 36,091 |
| | $ 3,226,755 | $ 6,960,782 | $ 301,855 | $ 201,994 | $ 10,691,386 |

(dollars in thousands)

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 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 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 |
| Cash and other adjustments | - | - | - | 46,224 | 46,224 |
| | $ 2,693,789 | $ 7,041,973 | $ 348,227 | $ 118,266 | $ 10,202,255 |

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

| | 2022 | 2021 |
|---|---|---|
| Interest and dividends | $ 219,884 | $ 190,698 |
| Net increase (decrease) in fair value of investments | (441,354) | 1,727,863 |
| Investment expenses | (70,865) | (59,388) |
| Total | $ (292,335) | $ 1,859,173 |

**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 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, certain 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 relevant to investment companies. Interests in investment funds with a NAV reported under an alternative basis or which meet the intent to sell criteria are reflected as Level 3 investments. As of June 30, 2022, the Long-Term Investment Pool does not have any funds held for secondary sale.



Investments measured at NAV consist mainly of non-publicly traded equity and bond 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 $140,606 and $123,786 at June 30, 2022 and 2021, respectively.

(dollars in thousands)

Investments by fair value category for the primary institution at June 30, 2022 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 | $ 1,084,105 | $ - | $ - | $ - | $ 1,084,105 |
| International equity | 227,665 | - | - | - | 227,665 |
| Equity funds | 244,466 | - | - | 974,100 | 1,218,566 |
| U.S. government obligations | (740) | 503,209 | - | - | 502,469 |
| U.S. government agency obligations | - | 178,298 | - | - | 178,298 |
| Corporate bonds and notes | - | 1,885,371 | - | - | 1,885,371 |
| Bond funds | 523,891 | - | - | 143,389 | 667,280 |
| Foreign government bonds | - | 40,629 | - | - | 40,629 |
| Real assets | 123,734 | - | 25,387 | 679,116 | 828,237 |
| Hedge funds | - | - | - | 688,079 | 688,079 |
| Private equity | - | - | 73,057 | 2,393,779 | 2,466,836 |
| Commercial paper | - | 146,685 | - | - | 146,685 |
| Cash equivalents | 341,975 | - | - | - | 341,975 |
| Certificates of deposit | - | 13,056 | - | - | 13,056 |
| Other | - | 37,208 | 22,327 | - | 59,535 |
| Securities Lending Collateral Assets: | | | | | |
| Repurchase agreements | - | 51,173 | - | - | 51,173 |
| Certificates of deposit | - | 114,730 | - | - | 114,730 |
| Cash and other adjustments | - | 36,091 | - | - | 36,091 |
| | $ 2,545,096 | $ 3,006,450 | $ 120,771 | $ 4,878,463 | $ 10,550,780 |

(dollars in thousands)

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 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 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 |
| Cash and other adjustments | - | 46,224 | - | - | 46,224 |
| | $ 3,374,347 | $ 2,198,059 | $ 521,562 | $ 3,984,501 | $ 10,078,469 |



**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, 2022 is as follows:

| | Fair Value | Unfunded Commitments | Remaining Life | Redemption Notice Period | Redemption Restrictions |
|---|---|---|---|---|---|
| Equity and bond funds - non-public international | $ 1,117,489 | - | No limit | 1 to 30 days | None |
| Hedge funds - absolute return, credit, long/short equities | 688,079 | 36,000 | 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 | 2,393,779 | 1,037,889 | 1-12 years | Partnerships ineligible for redemption | Not redeemable |
| Real assets - natural resources, real estate, infrastructure | 679,116 | 163,336 | 1-12 years | Partnerships ineligible for redemption | Not redeemable |
| | $ 4,878,463 | $ 1,237,225 | | | |

**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.

(dollars in thousands)

**Liquidity risk –** The university's private equity and real asset investments in the Long-Term Investment Pool are illiquid and subject to redemption restrictions in accordance with their respective governing documents. The university's Investment Policy defines Operating Funds available for liquidity to exclude funds invested in the LTIP, bond proceeds and certain other funds designated by leadership and requires a minimum of 90 days liquidity be maintained at all times (based on the most recent Board of Trustees' approved budget for total expenditures).

**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. University Operating Funds are used to maintain adequate liquidity within an appropriate risk profile. Under the university's Investment Policy, the short-term working capital pool's weighted average duration may not exceed one (1) year. The intermediate-term investment pool's weighted average duration may not exceed five (5) years.

The maturities of the university's interest-bearing investments for the primary institution at June 30, 2022 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 | $ 502,469 | $ 152,176 | $ 346,919 | $ 3,374 | $ - |
| U.S. government agency obligations (a) | 133,701 | 14 | 42,366 | 9,793 | 81,528 |
| Corporate bonds | 1,885,371 | 422,836 | 1,157,479 | 155,660 | 149,396 |
| Bond funds | 667,280 | 184,396 | 231,999 | 106,518 | 144,367 |
| Foreign governmental bonds | 40,629 | 32,380 | 7,937 | - | 312 |
| Commercial paper | 146,685 | 146,685 | - | - | - |
| Certificates of deposit | 13,056 | 13,056 | - | - | - |
| Other governmental bonds (b) | 37,209 | 16,601 | 20,430 | 178 | - |
| Securities Lending Collateral: | | | | | |
| Repurchase agreements | 51,173 | 51,173 | - | - | - |
| Certificates of deposit | 114,730 | 114,730 | - | - | - |
| Total | $ 3,592,303 | $ 1,134,047 | $ 1,807,130 | $ 275,523 | $ 375,603 |

(a) TBA investments are excluded from this caption as there are no maturities.
(b) Life insurance policies and hospital in investment subsidiaries are excluded from this caption as there are no maturities.

(dollars in thousands)

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 (a) | 128,784 | 1,351 | 23,943 | 33,736 | 69,754 |
| Corporate bonds | 1,663,809 | 373,786 | 968,603 | 154,052 | 167,368 |
| Bond funds | 1,070,590 | 337,094 | 478,241 | 114,304 | 140,951 |
| Foreign governmental bonds | 25,119 | 13,101 | 10,994 | 832 | 192 |
| Commercial paper | 32,534 | 32,534 | - | - | - |
| Other governmental bonds (b) | 44,584 | 5,803 | 31,732 | 253 | 6,796 |
| Securities Lending Collateral: | | | | | |
| Repurchase agreements | 72,042 | 72,042 | - | - | - |
| Total | $ 3,222,823 | $ 871,665 | $ 1,661,204 | $ 304,893 | $ 385,061 |

(a) TBA investments are excluded from this caption as there are no maturities.
(b) Life insurance policies and hospital in investment subsidiaries are excluded from this caption as there are no maturities.

**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. The university's Investment Policy requires Operating Funds to be invested in securities that, in aggregate, represent a credit quality of "A" or better (on a weighted average basis). Not more than five percent (5%) of operating funds will be invested in below investment grade securities.

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.

(dollars in thousands)

The credit ratings of the university's interest-bearing investments for the primary institution at June 30, 2022 are as follows:

| | Primary Institution | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | AAA | AA | A | BBB | BB | B | CCC | CC | C | D | Not Rated |
| U.S. government obligations | $ 502,469 | $ - | $ 502,469 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| U.S. government agency obligations | 178,297 | 3,275 | 91,903 | 77,258 | 2,673 | - | - | - | - | - | - | 3,188 |
| Corporate bonds | 1,885,371 | 171,241 | 116,673 | 592,039 | 656,678 | 29,977 | 7,080 | - | - | - | - | 311,683 |
| Bond funds | 667,280 | 116,283 | 79,439 | 115,267 | 142,641 | 24,895 | 26,323 | 16,887 | 24,412 | 5,460 | 266 | 115,407 |
| Foreign government bonds | 40,629 | 21,071 | 13,035 | 1,465 | 312 | - | - | - | - | - | - | 4,746 |
| Commercial paper | 146,685 | - | 7,949 | 87,040 | - | - | - | - | - | - | - | 51,696 |
| Certificates of deposit | 13,056 | - | - | 1,990 | - | - | - | - | - | - | - | 11,066 |
| Other governmental bonds (a) | 37,209 | 5,647 | 15,141 | 12,065 | 346 | - | - | - | - | - | - | 4,010 |
| Securities Lending Collateral: | | | | | | | | | | | | |
| Repurchase agreements | 51,173 | - | - | - | - | - | - | - | - | - | - | 51,173 |
| Certificates of deposit | 114,730 | - | - | 105,750 | - | - | - | - | - | - | - | 8,980 |
| Total | $ 3,636,899 | $ 317,517 | $ 826,609 | $ 992,874 | $ 802,650 | $ 54,872 | $ 33,403 | $ 16,887 | $ 24,412 | $ 5,460 | $ 266 | $ 561,949 |

(a) Life insurance policies and hospital in investment subsidiaries are excluded from this caption as they do not have a credit rating.

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 | D | Not Rated |
| U.S. government obligations | $ 185,361 | $ - | $ 185,078 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 283 |
| U.S. government agency obligations | 128,992 | 2,892 | 46,962 | 75,785 | 3,209 | - | - | - | - | - | - | 144 |
| Corporate bonds | 1,663,809 | 128,683 | 151,803 | 556,677 | 582,777 | 35,585 | 7,559 | - | - | - | - | 200,725 |
| Bond funds | 1,070,590 | 147,791 | 110,394 | 258,440 | 274,999 | 31,019 | 17,545 | 3,993 | 2,148 | 514 | 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 governmental bonds (a) | 44,584 | 655 | 24,123 | 13,591 | 1,483 | - | - | - | - | - | - | 4,732 |
| Securities Lending Collateral: | | | | | | | | | | | | |
| Repurchase agreements | 72,042 | - | - | - | - | - | - | - | - | - | - | 72,042 |
| Total | $ 3,223,031 | $ 286,086 | $ 534,714 | $ 933,480 | $ 866,413 | $ 66,604 | $ 27,128 | $ 3,993 | $ 2,148 | $ 514 | $ 514 | $ 501,437 |

(a) Life insurance policies and hospital in investment subsidiaries are excluded from this caption as they do not have a credit rating.

**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, 2022 and June 30, 2021.

**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. A portion of the university's investments in limited partnerships are held in Sterling, Euro, and Francs. The university is indirectly invested in additional foreign currencies through commingled funds. Commingled funds may hold a variety of international assets that align with the university's investment strategy. Currency risk can be managed by hedging the foreign currency, but many managers choose to go unhedged and accept the currency risk, which also presents an opportunity if the foreign currency becomes more valuable than the U.S. Dollar on a relative basis.

(dollars in thousands)

At June 30, 2022, exposure to foreign currency risk for the primary institution is as follows:

| | Primary Institution | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | Equity Funds | Bond Funds | Corporate Bonds and Notes | Foreign Government Bonds | Partnerships and Hedge Funds |
| Argentine Peso | $ - | $ - | $ 1 | $ - | $ - | $ - |
| Australian Dollar | 9,027 | 50,430 | (26) | 17,401 | - | - |
| Brazilian Real | - | 8,883 | 266 | - | - | - |
| Canadian Dollar | 9,592 | 28,833 | 59 | 7,540 | - | - |
| Cayman Islands Dollar | - | 1,617 | - | - | - | - |
| Chilean Peso | 42 | 61 | 23 | - | - | - |
| Chinese Yuan/Yuan Renminbi | 66,823 | 113,022 | (329) | - | - | - |
| Colombian Peso | - | 23 | 15 | - | - | - |
| Costa Rican Colon | - | 35 | - | - | - | - |
| Czech Koruna | - | 469 | 29 | - | - | - |
| Danish Krone | 1,693 | 21,373 | (14) | - | - | - |
| Egyptian Pound | - | 229 | - | - | - | - |
| Euro | 47,273 | 112,791 | (3,545) | 9,421 | - | 207,978 |
| Great Britain Pound Sterling | 13,475 | 31,819 | (398) | 18,300 | - | 215,642 |
| Hong Kong Dollar | 10,589 | 44,934 | 44 | - | - | - |
| Hungarian Forint | - | 682 | 14 | - | - | - |
| Iceland Krona | - | - | 1 | - | - | - |
| Indian Rupee | - | 70,900 | 45 | - | - | - |
| Indonesian Rupiah | - | 8,057 | (74) | - | - | - |
| Israeli Shekel | - | (76) | (1) | - | 1,199 | - |
| Japanese Yen | 58,087 | 42,458 | 295 | - | - | - |
| Kenyan Shilling | - | 361 | - | - | - | - |
| Kuwaiti Dinar | - | 83 | - | - | - | - |
| Malaysian Ringgit | - | 1,294 | - | - | - | - |
| Mexican Peso | 439 | 3,549 | 40 | - | - | - |
| Netherlands Antillean Guilder | - | 143 | - | - | - | - |
| New Taiwan Dollar | 759 | 26,643 | - | - | - | - |
| New Turkish Lira | - | 57 | (44) | - | - | - |
| New Zealand Dollar | - | 81 | 2 | - | - | - |
| Norwegian Krone | 332 | 304 | 533 | - | - | - |
| Pakistan Rupee | - | 6 | - | - | - | - |
| Peruvian Nuevo Sol | - | 2 | (6) | - | - | - |
| Philippine Peso | - | 3,188 | - | - | - | - |
| Polish Zloty | - | 764 | 59 | - | - | - |
| Qatar Rial | - | 113 | - | - | - | - |
| Romanian New Leu | - | 6 | - | - | - | - |
| Russian Ruble | - | 573 | 15 | - | - | - |
| Saudi Riyal | - | 3,350 | - | - | - | - |
| Singapore Dollar | - | 10,984 | - | - | - | - |
| South African Rand | - | 3,090 | (52) | - | - | - |
| South Korean Won | 822 | 21,094 | 15 | - | - | - |
| Sri Lanka Rupee | - | - | 15 | - | - | - |
| Swedish Krona | 410 | 9,439 | 59 | - | - | - |
| Swiss Franc | 8,302 | 14,704 | 880 | - | - | 27,782 |
| Thai Baht | - | 2,020 | - | - | - | - |
| UAE dirham | - | 1,483 | - | - | - | - |
| Vietnamese Dong | - | 2 | - | - | - | - |
| Total | $ 227,665 | $ 639,873 | $ (2,079) | $ 52,662 | $ 1,199 | $ 451,402 |

(dollars in thousands)

At June 30, 2021, exposure to foreign currency risk for the primary institution is as follows:

| | Primary Institution | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | Equity Funds | Bond Funds | Corporate Bonds and Notes | Foreign Government Bonds | Partnerships and Hedge Funds |
| Argentine peso | $ - | $ - | $ 2 | $ - | $ - | $ - |
| Australian dollar | 13,268 | 17,509 | 37 | 12,060 | - | - |
| 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 | - | - | - | - |
| Qatarian rial | 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 | - | - | - |
| 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 |



## 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, 2022 and 2021 were comprised completely of equities, and these loans were secured by collateral in the form of repurchase agreements, certificates of deposit, and cash and other adjustments. 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.

(dollars in thousands)

As of June 30, 2022, 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, 2022, securities loaned by the university amounted to a fair value of $216,214 and were secured by collateral in the amount of $222,411. The portion of this collateral that was received in cash amounted to $201,994 and is reflected within the university's Statement of Net Position as a current asset and a corresponding current liability.

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.

## NOTE 4 — ACCOUNTS, NOTES AND PLEDGES RECEIVABLE

Accounts receivable for the primary institution at June 30, 2022 and 2021 consist of the following:

| | Primary Institution | |
|---|---|---|
| | **2022** | **2021** |
| Patient and other receivables - OSU Health System | $ 625,406 | $ 585,599 |
| Grant and contract receivables | 171,363 | 154,484 |
| Tuition and fees receivable | 18,273 | 16,486 |
| Receivables for departmental and auxiliary sales and services | 58,281 | 65,097 |
| State and federal receivables | 5,244 | 11,629 |
| Other receivables | 2,120 | 3,379 |
| Total receivables | 880,687 | 836,674 |
| Less: Allowances for doubtful accounts | 108,637 | 100,174 |
| Total receivables, net | $ 772,050 | $ 736,500 |

Notes receivable consist primarily of Perkins and health professions loans and are net of an allowance for doubtful accounts of $12,373 and $16,294 at June 30, 2022 and 2021, respectively. Federal capital contributions to the Perkins loan programs represent advances which are ultimately refundable to the federal government.

(dollars in thousands)

The university has recorded $187,043 in non-endowment pledges receivable and a related allowance for doubtful accounts of $9,418 at June 30, 2022. The university recorded $168,613 in non-endowment pledges receivable and a related allowance for doubtful accounts of $7,372 at June 30, 2021.

Accounts receivable for the discretely presented component units at June 30, 2022 and 2021 consist of the following:

| | Discretely Presented Component Units | |
|---|---|---|
| | **2022** | **2021** |
| Patient and other receivables - OSU Physicians | $ 72,694 | $ 64,350 |
| Other receivables | 14,732 | 11,895 |
| Total receivables | 87,426 | 76,245 |
| Less: Allowances for doubtful accounts | 10,716 | 7,520 |
| Total receivables, net | $ 76,710 | $ 68,725 |



## NOTE 5 — CAPITAL ASSETS

Capital assets activity for the primary institution for the year ended June 30, 2022 is summarized as follows:

| | Primary Institution | | | |
|---|---|---|---|---|
| | **Beginning Balance** | **Additions** | **Retirements and Transfers** | **Ending Balance** |
| Capital assets not being depreciated: | | | | |
| Land | $ 110,207 | $ 28,107 | $ - | $ 138,314 |
| Intangibles | 18,465 | - | - | 18,465 |
| Construction in progress | 1,021,812 | 1,088,759 | 256,661 | 1,853,910 |
| Total non depreciable assets | 1,150,484 | 1,116,866 | 256,661 | 2,010,689 |
| Capital assets being depreciated: | | | | |
| Improvements other than buildings | 977,247 | 21,855 | - | 999,102 |
| Buildings and fixed equipment | 7,357,954 | 234,806 | 5,121 | 7,587,639 |
| Movable equipment, furniture and software | 1,989,614 | 159,177 | 87,003 | 2,061,788 |
| Library books | 200,191 | 2,710 | - | 202,901 |
| Total depreciable assets | 10,525,006 | 418,548 | 92,124 | 10,851,430 |
| Less: Accumulated depreciation for | | | | |
| Improvements other than buildings | 432,067 | 47,772 | - | 479,839 |
| Buildings and fixed equipment | 3,488,749 | 243,503 | 956 | 3,731,296 |
| Movable equipment, furniture and software | 1,378,778 | 174,801 | 85,593 | 1,467,986 |
| Library books | 176,939 | 4,343 | - | 181,282 |
| Total accumulated depreciation | 5,476,533 | 470,419 | 86,549 | 5,860,403 |
| Total depreciable assets, net | 5,048,473 | (51,871) | 5,575 | 4,991,027 |
| Capital assets, net excluding lease assets | $ 6,198,957 | $ 1,064,995 | $ 262,236 | $ 7,001,716 |
| Lease assets, net (Note 11) | | | | 192,849 |
| Total capital assets, net as reported in statement of net position | | | | $ 7,194,565 |

(dollars in thousands)

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 | 26,477 | - | 977,247 |
| Buildings and fixed equipment | 6,876,603 | 506,100 | 24,749 | 7,357,954 |
| Movable equipment, furniture and software | 1,703,984 | 310,588 | 24,958 | 1,989,614 |
| Library books | 196,468 | 3,942 | 219 | 200,191 |
| Total depreciable assets | 9,727,825 | 847,107 | 49,926 | 10,525,006 |
| Less: Accumulated depreciation for | | | | |
| Improvements other than buildings | 388,856 | 43,211 | - | 432,067 |
| Buildings and fixed equipment | 3,277,305 | 231,631 | 20,187 | 3,488,749 |
| Movable equipment, furniture and software | 1,237,210 | 164,541 | 22,973 | 1,378,778 |
| Library books | 172,531 | 4,626 | 218 | 176,939 |
| Total accumulated depreciation | 5,075,902 | 444,009 | 43,378 | 5,476,533 |
| Total depreciable assets, net | 4,651,923 | 403,098 | 6,548 | 5,048,473 |
| Capital assets, net excluding lease assets | $ 5,658,846 | $ 546,757 | $ 6,646 | $ 6,198,957 |
| Lease assets, net (Note 11) | | | | 209,466 |
| Total capital assets, net as reported in statement of net position | | | | $ 6,408,423 |

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.

(dollars in thousands)

Capital assets activity for the discretely presented component units for the year ended June 30, 2022 is summarized as follows:

| | Discretely Presented Component Units | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Retirements and Transfers | Ending Balance |
| Capital assets not being depreciated: | | | | |
| Land | $ 31,461 | - | - | $ 31,461 |
| Intangibles | - | - | - | - |
| Construction in progress | 50,159 | 36,752 | 20,888 | 66,023 |
| Total non depreciable assets | 81,620 | 36,752 | 20,888 | 97,484 |
| Capital assets being depreciated: | | | | |
| Improvements other than buildings | 31,999 | 7,614 | 7,748 | 31,865 |
| Buildings and fixed equipment | 241,820 | 13,274 | 5,144 | 249,950 |
| Movable equipment, furniture and software | 35,282 | 22,303 | 17,218 | 40,367 |
| Total depreciable assets | 309,101 | 43,191 | 30,110 | 322,182 |
| Less: Accumulated depreciation for | | | | |
| Improvements other than buildings | 18,203 | 3,355 | 2,549 | 19,009 |
| Buildings and fixed equipment | 53,561 | 12,301 | 2,295 | 63,567 |
| Movable equipment, furniture and software | 22,545 | 10,071 | 8,422 | 24,194 |
| Total accumulated depreciation and amortization | 94,309 | 25,727 | 13,266 | 106,770 |
| Total depreciable assets, net | 214,792 | 17,464 | 16,844 | 215,412 |
| Capital assets, net | $ 296,412 | $ 54,216 | $ 37,732 | $ 312,896 |
| Lease assets, net (Note 11) | | | | 75,686 |
| Total capital assets, net as reported in statement of net position | | | | $ 388,582 |

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 | 27 | - | 27 | - |
| Construction in progress | 70,499 | - | 20,340 | 50,159 |
| Total non depreciable assets | 101,987 | - | 20,367 | 81,620 |
| Capital assets being depreciated: | | | | |
| Improvements other than buildings | 28,269 | 3,739 | 9 | 31,999 |
| Buildings and fixed equipment | 159,922 | 81,898 | - | 241,820 |
| Movable equipment, furniture and software | 35,946 | 11,054 | 11,718 | 35,282 |
| Total depreciable assets | 224,137 | 96,691 | 11,727 | 309,101 |
| Less: Accumulated depreciation for | | | | |
| Improvements other than buildings | 14,557 | 2,312 | (1,334) | 18,203 |
| Buildings and fixed equipment | 46,474 | 7,119 | 32 | 53,561 |
| Movable equipment, furniture and software | 21,815 | 3,323 | 2,593 | 22,545 |
| Total accumulated depreciation and amortization | 82,846 | 12,754 | 1,291 | 94,309 |
| Total depreciable assets, net | 141,291 | 83,937 | 10,436 | 214,792 |
| Capital assets, net | $ 243,278 | $ 83,937 | $ 30,803 | $ 296,412 |
| Lease assets, net (Note 11) | | | | 48,027 |
| Total capital assets, net as reported in statement of net position | | | | $ 344,439 |

(dollars in thousands)

The decrease in construction in progress of $20,341 in fiscal year 2021 represents the amount of capital expenditures for new projects of $58,481, net of assets placed in service of $78,822.

The university recognized asset retirement obligations (AROs) of $17,934 at both June 30, 2022 and 2021. 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, 2022 and 2021 consist of the following:

| | Primary Institution | |
|---|---|---|
| | 2022 | 2021 |
| Payables to vendors for supplies and services | $ 506,899 | $ 518,560 |
| Accrued compensation and benefits | 167,942 | 132,067 |
| Retirement system contributions payable | 69,575 | 67,256 |
| Other accrued expenses | 13,190 | 56,958 |
| Total payables and accrued expenses | $ 757,606 | $ 774,841 |

(dollars in thousands)

## 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, 2022 and 2021 consist of the following:

| | Primary Institution | |
|---|---|---|
| | 2022 | 2021 |
| Current deposits and advance payments: | | |
| Tuition and fees | $ 88,233 | $ 56,453 |
| Departmental and auxiliary sales and services | 94,718 | 68,105 |
| Affinity agreements | 1,848 | 7,177 |
| Advance from concessionaire | 24,648 | 21,786 |
| Grant and contract advances | 166,601 | 156,179 |
| Health system advances | 24,964 | 24,263 |
| Other deposits and advance payments | 46,392 | 37,077 |
| Total current deposits and advance payments | $ 447,404 | $ 371,040 |
| Noncurrent deposits and advance payments: | | |
| Advance from concessionaire | $ 963,663 | $ 980,953 |

Deposits and advance payments for goods and services for the discretely presented component units at June 30, 2022 and 2021 consist of the following:

| | Discretely Presented Component Units | |
|---|---|---|
| | 2022 | 2021 |
| Current deposits and advance payments: | | |
| Unearned rental income and deposits - Campus Partners | $ 127 | $ 113 |
| Unearned revenues - Transportation Research Center | 2,412 | 1,597 |
| Unearned rental income - SciTech | 172 | 282 |
| Total current deposits and advance payments | $ 2,711 | $ 1,992 |
| Non-current deposits and advance payments: | | |
| Unearned rental income and deposits - SciTech | $ 4,701 | $ 4,700 |
| Total (shown as other non-current liabilities) | $ 4,701 | $ 4,700 |



## 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.

(dollars in thousands)

**Medical Malpractice**

The university has established trusteed 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, 2021, Oval Limited provides coverage with limits of $85,000 per occurrence and in the aggregate.

Previous coverage levels for Oval Limited are as follows:

| Accident Period for Oval | Gross Oval Limit (Occurrence and Annual Aggregate) |
|---|---|
| 7/1/21 – 6/30/22 | $85,000 |
| 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 |

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, 2022, 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 Arch Specialty Insurance Company, with the next $10,000 ceded to Chubb, then $5,000 was ceded to The Medical Protective Company and above that the Company ceded $10,000 of the risk to Markel, with the remaining $15,000 of the risk to Liberty Specialty Markets Agency Limited.

The estimated liability and the related contributions to the trustee fund are based upon an independent actuarial determination as of June 30, 2022. 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, 2022 of the anticipated future payments on gross claims is estimated at its present value of $65,019 discounted at an estimated rate of 3% (university funds) and an additional $23,487 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 $197,629 (which primarily consist of bond and equity funds, money market funds and U.S. treasury notes) are more than the recorded liability at June 30, 2022, and the surplus of $109,123 is included in unrestricted net position.

(dollars in thousands)

At June 30, 2021, the anticipated future payments on gross claims was 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). The self-insurance fund assets of $222,299 (which primarily consist of bond and equity funds, money market funds and U.S. treasury notes) were more than the recorded liability at June 30, 2021, and the surplus of $148,002 was included in unrestricted net position.

### Employee Health Insurance

The university is also self-insured for employee health insurance. As of June 30, 2022 and 2021, $42,100 and $46,332, 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, 2022 and 2021, respectively, $17,073 and $17,122, 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, 2020 result from the following activities:

| | Malpractice | | Health | | Workers' Compensation | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Liability at beginning of fiscal year | $ 74,297 | $ 76,166 | $ 46,332 | $ 32,583 | $ 17,122 | $ 18,102 |
| Current year provision for losses | 18,683 | 1,977 | 419,002 | 416,109 | 5,026 | 5,355 |
| Claim payments | (4,475) | (3,846) | (423,234) | (402,360) | (5,074) | (6,335) |
| Balance at fiscal year end | $ 88,505 | $ 74,297 | $ 42,100 | $ 46,332 | $ 17,073 | $ 17,122 |

## 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.

(dollars in thousands)

Debt activity for the primary institution for the year ended June 30, 2022 is as follows:

| | Primary Institution | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| **Direct Borrowings and Direct Placements - Notes:** | | | | | |
| WOSU | $ 1,508 | $ - | $ 159 | $ 1,349 | $ 159 |
| OH Air Quality Note Series A | 1,338 | - | 440 | 898 | 447 |
| OH Air Quality Note Series B | 2,340 | - | - | 2,340 | - |
| St. Stephens Church Note | 2,401 | - | 93 | 2,308 | 98 |
| **Direct Borrowings and Direct Placements - Other:** | | | | | |
| Financed Equipment Purchases | 1,115 | - | 1,115 | - | - |
| Ohio State Energy Partners | 235,869 | 150,843 | 12,172 | 374,540 | 18,754 |
| **General Receipts Bonds - Fixed Rate:** | | | | | |
| 2010C, due 2040 | 654,785 | - | - | 654,785 | - |
| 2010D, due serially through 2032 | 79,990 | - | 11,675 | 68,315 | 9,640 |
| 2011, due 2111 | 500,000 | - | - | 500,000 | - |
| 2012A, due 2030 | 41,440 | - | 8,190 | 33,250 | 8,425 |
| 2012B, due serially through 2033 | 8,985 | - | 1,575 | 7,410 | 1,610 |
| 2014A, due serially through 2044 | 121,560 | - | 2,825 | 118,735 | 2,970 |
| 2016A, due in 2046 and 2056 | 600,000 | - | - | 600,000 | - |
| 2016B, due serially through 2030 | 16,130 | - | 1,465 | 14,665 | 1,550 |
| 2017, due serially through 2028 | 55,595 | - | 7,640 | 47,955 | 7,955 |
| 2020A, due serially through 2030 | 185,995 | - | 7,195 | 178,800 | 23,975 |
| 2021A, due serially through 2052 | - | 600,000 | - | 600,000 | 9,415 |
| **Special Purpose General Receipts Bonds - Fixed Rate:** | | | | | |
| 2013A, due 2043 | 337,955 | - | - | 337,955 | 10,195 |
| **General Receipts Bonds - Variable Rate:** | | | | | |
| 1997, due serially through 2027 | 1,700 | - | 1,700 | - | - |
| 1999B1, due serially through 2029 | 820 | - | 820 | - | - |
| 2001, due serially through 2032 | 3,450 | - | 3,450 | - | - |
| 2008B, due serially through 2028 | 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 |
| **Unamortized Bond Premiums** | 105,130 | 118,541 | 12,378 | 211,293 | - |
| Total outstanding debt, excluding lease liabilities | $ 3,242,106 | $ 869,384 | $ 81,892 | $ 4,029,598 | $ 370,193 |
| | | | | | |
| Lease liabilities (Note 11) | | | | 68,584 | 14,265 |
| | | | | | |
| Total outstanding debt as reported in the statement of net position | | | | $ 4,098,182 | $ 384,458 |

(dollars in thousands)

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 |
| **Direct Borrowings and Direct Placements - Notes:** | | | | | |
| 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 |
| **Direct Borrowings and Direct Placements - Other:** | | | | | |
| Financed Equipment Purchases | 2,974 | - | 1,858 | 1,115 | 1,115 |
| Ohio State Energy Partners | 141,932 | 101,507 | 7,570 | 235,869 | 12,148 |
| **General Receipts Bonds - Fixed Rate:** | | | | | |
| 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 |
| **Special Purpose General Receipts Bonds - Fixed Rate:** | | | | | |
| 2013A, due 2043 | 337,955 | - | - | 337,955 | - |
| **General Receipts Bonds - Variable Rate:** | | | | | |
| 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 |
| **Unamortized Bond Premiums** | 114,545 | - | 9,415 | 105,130 | - |
| Total outstanding debt, excluding lease liabilities | $ 3,219,453 | $ 101,507 | $ 78,853 | $ 3,242,106 | $ 344,490 |
| | | | | | |
| Lease liabilities (Note 11) | | | | 78,019 | 15,473 |
| | | | | | |
| Total outstanding debt as reported in the statement of net position | | | | $ 3,320,125 | $ 359,963 |

(dollars in thousands)

Debt activity for the discretely presented component units for the year ended June 30, 2022 is as follows:

| | Discretely Presented Component Units | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| **Direct Borrowings and Direct Placements:** | | | | | |
| OSU Physicians - Series 2013 Health Care Facilities Revenue Bond, due through 2035 | $ 10,754 | $ - | $ 1,117 | $ 9,637 | $ 629 |
| OSU Physicians - Term Loan Payable, due 2023 | 558 | - | 284 | 274 | 267 |
| TRC Ohio Development Service Agency Note Payable | 4,216 | - | 318 | 3,898 | 322 |
| SciTech - Credit Facility | 252 | - | 168 | 84 | 84 |
| Campus Partners PPP Loan | 276 | - | 276 | - | - |
| Campus Partners EIDL Loan | 150 | - | 150 | - | - |
| Campus Partners Finance Fund Loan | 44 | - | 44 | - | - |
| Financed Equipment Purchases | 115 | - | 17 | 98 | 51 |
| Total outstanding debt, excluding lease liabilities | $ 16,365 | $ - | $ 2,374 | $ 13,991 | $ 1,353 |
| Lease liabilities (Note 11) | | | | 20,435 | 2,126 |
| Total outstanding debt as reported in the statement of net position | | | | $ 34,426 | $ 3,479 |

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 |
| **Direct Borrowings and Direct Placements:** | | | | | |
| 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 |
| 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 |
| Financed Equipment Purchases | - | 152 | 37 | 115 | 51 |
| Total outstanding debt, excluding lease liabilities | $ 17,897 | $ 418 | $ 1,950 | $ 16,365 | $ 1,455 |
| Lease liabilities (Note 11) | | | | 15,517 | 1,231 |
| Total outstanding debt as reported in the statement of net position | | | | $ 31,882 | $ 2,686 |

(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 |
| 2023 | $ 350,735 | $ 142,395 | $ 19,458 | $ 28,205 | $ 540,793 |
| 2024 | 70,670 | 136,265 | 19,469 | 26,791 | 253,195 |
| 2025 | 72,040 | 132,765 | 19,020 | 25,380 | 249,205 |
| 2026 | 59,580 | 129,337 | 19,026 | 23,973 | 231,916 |
| 2027 | 62,820 | 126,546 | 19,031 | 22,566 | 230,963 |
| 2028-2032 | 286,235 | 589,465 | 92,034 | 91,681 | 1,059,415 |
| 2033-2037 | 199,755 | 536,151 | 81,455 | 59,930 | 877,291 |
| 2038-2042 | 900,505 | 421,725 | 72,770 | 30,145 | 1,425,145 |
| 2043-2047 | 527,895 | 269,769 | 39,172 | 7,762 | 844,598 |
| 2048-2052 | 156,635 | 181,531 | - | - | 338,166 |
| 2053-2057 | 250,000 | 165,540 | - | - | 415,540 |
| 2058-2062 | - | 120,000 | - | - | 120,000 |
| 2063-2067 | - | 120,000 | - | - | 120,000 |
| 2068-2072 | - | 120,000 | - | - | 120,000 |
| 2073-2077 | - | 120,000 | - | - | 120,000 |
| 2078-2082 | - | 120,000 | - | - | 120,000 |
| 2083-2087 | - | 120,000 | - | - | 120,000 |
| 2088-2092 | - | 120,000 | - | - | 120,000 |
| 2093-2197 | - | 120,000 | - | - | 120,000 |
| 2098-2102 | - | 120,000 | - | - | 120,000 |
| 2103-2107 | - | 120,000 | - | - | 120,000 |
| 2108-2112 | 500,000 | 96,000 | - | - | 596,000 |
| | $ 3,436,870 | $ 4,127,489 | $ 381,435 | $ 316,433 | $ 8,262,227 |

(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 | | |
| | Principal | Interest | Total |
| 2023 | $ 1,353 | $ 286 | $ 1,639 |
| 2024 | 1,017 | 260 | 1,277 |
| 2025 | 991 | 241 | 1,232 |
| 2026 | 1,011 | 220 | 1,231 |
| 2027 | 1,032 | 199 | 1,231 |
| 2028-2032 | 5,489 | 666 | 6,155 |
| 2033-2037 | 3,098 | 146 | 3,244 |
| | $ 13,991 | $ 2,018 | $ 16,009 |

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 $397,157 for future debt service which is included in unrestricted net position.

(dollars in thousands)

The university has defeased various bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The defeased bonds for the primary institution are as follows:

| | Amount Defeased | Amount Outstanding at June 30, 2022 |
|---|---|---|
| General Receipts Bonds: | | |
| Series 2010D | 3,710 | 2,995 |
| | $ 3,710 | $ 2,995 |

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, 2022, the university is in compliance with this covenant. Condensed financial information for the Special Purpose Revenue Facilities is provided in Note 22.

**Variable Rate Demand Bonds**

Series 1997, 1999B1, 2001, 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, 2022 are as follows:

| Series: | Interest Rate Not to Exceed | Effective Average Interest Rate |
|---|---|---|
| 1997 | 12% | 0.022% |
| 1999B1 | 12% | 0.028% |
| 2001 | 12% | 0.028% |
| 2008B | 12% | 0.023% |
| 2010E | 8% | 0.223% |
| 2014B1 | 8% | 0.218% |
| 2014B2 | 8% | 0.223% |

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 $275,000 and $289,970 at June 30, 2022 and 2021, respectively.

## NOTE 10 – DERIVATIVE INSTRUMENTS

In connection with the anticipated refunding of the university's Series 2013A Special Purpose General Receipts Bonds in June 2023, the university has entered into two forward-starting pay fixed/receive floating interest rate swap agreements to convert all or a portion of the associated variable rate debt (anticipated June 2023) to synthetic fixed rates to protect against the potential of rising interest rates.

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

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

The forward-starting pay fixed/receive floating interest rate swap agreements are considered effective hedging derivatives as of June 30, 2022. 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, 2022. 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.

(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, 2022 | $ 50,479 | Other non-current assets |
| Change in Fair Value for Year Ended June 30, 2022 | $ 38,181 | Deferred inflows - other |

| 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 assets |
| Change in Fair Value for Year Ended June 30, 2021 | $ 18,927 | Deferred inflows - other |

Using rates in effect as of June 30, 2022, 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 |
| Fiscal Years | Principal | Interest | Payments, Net | Payments |
| 2024 | $ - | $ 2,992 | $ 1,368 | $ 4,360 |
| 2025 | - | 2,992 | 1,368 | 4,360 |
| 2026 | - | 2,992 | 1,368 | 4,360 |
| 2027 | - | 2,992 | 1,368 | 4,360 |
| 2028-2032 | 74,945 | 14,068 | 6,429 | 95,442 |
| 2033-2037 | 110,820 | 9,561 | 4,369 | 124,750 |
| 2038-2042 | 118,415 | 4,383 | 2,003 | 124,801 |
| 2043 | 24,640 | 224 | 102 | 24,967 |
| | $ 328,820 | $ 40,205 | $ 18,375 | $ 387,399 |

** Variable rate bond interest based on 6/30/2022 SIFMA rate of 0.91%*

**Hedging Derivative Instrument Risk Factors**

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

#### Termination Risk

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

#### Credit Risk

Contracts with positive fair values to the university expose the university to credit risk to the extent the counterparty is unable to pay the termination value upon a Termination Event or an Event of Default. As a mitigant to this risk, the university's swaps include non-parallel collateral posting thresholds under which the counterparties must post collateral if the counterparties' ratings fall to the A+/A1 ratings category for fair values in excess of $75 million, with that threshold declining at each lower ratings category until reaching a threshold of $5 million at BBB/Baa2. No collateral had been posted at June 30, 2022.

## NOTE 11 — LEASES

#### University as Lessee

The university is a lessee for various noncancellable leases of real estate and equipment. Lease assets are reported with capital assets and lease liabilities are reported with long-term debt in the Statement of Net Position. For leases between the primary institution and the university's dicretely presented component units, the related lease receivables and payables are shown separately as amounts due to/from the primary institution in the Statement of Net Position. Transportation Research Center Inc., a discretely presented component unit of the university, entered into a Master Lease agreement and related subleases with Honda of America Manufacturing (HAM) and its affiliates which are considered lease-leaseback transactions under GASB Statement No. 87. In a lease-leaseback transaction, each party is both a lessor and lessee. Because each portion of the transaction is with the same counterparty, a right of offset exists. Lease receivables and deferred inflows associated with the HAM lease and subleases are netted against lease liabilities and lease assets for presentation in the Statement of Net Position.

(dollars in thousands)

Intangible right-of-use asset activity for the primary institution for the year ended June 30, 2022 is summarized as follows:

| | Primary Institution | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| Lease assets: | | | | |
| Real estate | $ 184,762 | $ - | $ 1,610 | $ 183,152 |
| Equipment | 43,937 | 5,725 | - | 49,662 |
| Total lease assets | 228,699 | 5,725 | 1,610 | 232,814 |
| Less accumulated amortization: | | | | |
| Real estate | 9,550 | 12,104 | 1,619 | 20,035 |
| Equipment | 9,683 | 10,247 | - | 19,930 |
| Total accumulated amortization | 19,233 | 22,351 | 1,619 | 39,965 |
| Total lease assets, net | $ 209,466 | $ (16,626) | $ (9) | $ 192,849 |

Intangible right-of-use asset activity for the primary institution for the year ended June 30, 2021 is summarized as follows:

| | Primary Institution | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| Lease assets: | | | | |
| Real estate | $ 94,485 | $ 90,277 | $ - | $ 184,762 |
| Equipment | 40,707 | 3,230 | - | 43,937 |
| Total lease assets | 135,192 | 93,507 | - | 228,699 |
| Less accumulated amortization: | | | | |
| Real estate | - | 9,550 | - | 9,550 |
| Equipment | - | 9,683 | - | 9,683 |
| Total accumulated amortization | - | 19,233 | - | 19,233 |
| Total lease assets, net | $ 135,192 | $ 74,274 | $ - | $ 209,466 |

(dollars in thousands)

Intangible right-of-use asset activity for the discretely presented component units for the year ended June 30, 2022 is summarized as follows:

| | Discretely Presented Component Units | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| Lease assets: | | | | |
| Real estate | $ 67,201 | $ 34,728 | $ - | $ 101,929 |
| Equipment | 689 | 172 | - | 861 |
| Total lease assets | 67,890 | 34,900 | - | 102,790 |
| Less accumulated amortization: | | | | |
| Real estate | 5,821 | 7,818 | - | 13,639 |
| Equipment | 137 | 204 | - | 341 |
| Total accumulated amortization | 5,958 | 8,022 | - | 13,980 |
| Total lease assets, net | $ 61,932 | $ 26,878 | $ - | $ 88,810 |
| | | | | |
| Less: Lease assets netted against deferred inflows for lease-leaseback | | | | $ 13,124 |
| Total lease assets, net, as presented on Statement of Net Position | | | | $ 75,686 |

Intangible right-of-use asset 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 |
| Lease assets: | | | | |
| Real estate | $ 48,916 | $ 18,285 | $ - | $ 67,201 |
| Equipment | 251 | 438 | - | 689 |
| Total lease assets | 49,167 | 18,723 | - | 67,890 |
| Less accumulated amortization: | | | | |
| Real estate | - | 5,821 | - | 5,821 |
| Equipment | - | 137 | - | 137 |
| Total accumulated amortization | - | 5,958 | - | 5,958 |
| Total lease assets, net | $ 49,167 | $ 12,765 | $ - | $ 61,932 |
| | | | | |
| Less: Lease assets netted against deferred inflows for lease-leaseback | | | | $ 13,905 |
| Total lease assets, net, as presented on Statement of Net Position | | | | $ 48,027 |

(dollars in thousands)

Lease liability activity for the primary institution includes both leases with external parties and leases with discretely presented component units. Lease liability activity for the primary institution for the year ended June 30, 2022 is summarized as follows:

| | Primary Institution | | | | | |
|---|---|---|---|---|---|---|
| | **Beginning Balance** | **Additions** | **Remeasurements** | **Reductions** | **Ending Balance** | **Current Portion** |
| Gross lease liabilities | $ 149,105 | $ 3,447 | $ - | $ 16,787 | $ 135,765 | $ 16,377 |
| Less: Amounts due to discretely presented component units | | | | | (67,181) | |
| Lease liabilities with external parties (Note 9) | | | | | $ 68,584 | $ 14,265 |

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

| | Primary Institution | | | | | |
|---|---|---|---|---|---|---|
| | **Beginning Balance** | **Additions** | **Remeasurements** | **Reductions** | **Ending Balance** | **Current Portion** |
| Gross lease liabilities | $ 107,752 | $ 57,553 | $ - | $ 16,200 | $ 149,105 | $ 16,580 |
| Less: Amounts due to discretely presented component units | | | | | $ (71,086) | |
| Lease liabilities with external parties (Note 9) | | | | | $ 78,019 | $ 15,473 |

Lease liability activity for the discretely presented component units includes both leases with external parties and leases with the primary institution. Total lease liability activity for the discretely presented component units for the year ended June 30, 2022 is summarized as follows:

| | Discretely Presented Component Units | | | | | |
|---|---|---|---|---|---|---|
| | **Beginning Balance** | **Additions** | **Remeasurements** | **Reductions** | **Ending Balance** | **Current Portion** |
| Gross lease liabilities | $ 63,510 | $ 34,708 | $ - | $ 4,791 | $ 93,427 | $ 6,458 |
| Less: Lease liabilities netted against receivables for lease-leaseback | | | | | (13,815) | |
| Less: Amounts due to primary institution | | | | | (59,177) | |
| Lease liabilities with external parties, net (Note 9) | | | | | $ 20,435 | $ 2,126 |

(dollars in thousands)

Lease liability 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 | Remeasurements | Reductions | Ending Balance | Current Portion |
| Gross lease liabilities | $ 49,167 | $ 19,913 | $ - | $ 5,570 | $ 63,510 | $ 4,885 |
| Less: Lease liabilities netted against receivables for lease-leaseback | | | | | (14,338) | |
| Less: Amounts due to primary institution | | | | | (33,655) | |
| Lease liabilities with external parties, net (Note 9) | | | | | $ 15,517 | $ 1,231 |

Future annual lease payments for the primary institution are as follows:

| | Primary Institution | | |
|---|---|---|---|
| | Principal | Interest | Total |
| Year Ending June 30, | | | |
| 2023 | $ 16,377 | $ 5,550 | $ 21,927 |
| 2024 | 11,536 | 5,078 | 16,614 |
| 2025 | 7,972 | 4,759 | 12,731 |
| 2026 | 4,294 | 4,531 | 8,825 |
| 2027 | 3,462 | 4,372 | 7,834 |
| 2028-2032 | 14,528 | 19,881 | 34,409 |
| 2033-2037 | 16,565 | 16,316 | 32,881 |
| 2038-2042 | 15,082 | 12,636 | 27,718 |
| 2043-2047 | 19,700 | 8,632 | 28,332 |
| 2048-2052 | 21,189 | 3,286 | 24,475 |
| 2053-2057 | 3,057 | 744 | 3,801 |
| 2058-2062 | 1,012 | 356 | 1,368 |
| 2063-2067 | 990 | 93 | 1,083 |
| | $ 135,764 | $ 86,234 | $ 221,998 |

(dollars in thousands)

Future annual lease payments for the discretely presented component units are as follows:

| | Discretely Presented Component Units | | |
|---|---|---|---|
| | Principal | Interest | Total |
| Year Ending June 30, | | | |
| 2023 | $ 6,458 | $ 3,932 | $ 10,390 |
| 2024 | 5,665 | 3,693 | 9,358 |
| 2025 | 6,162 | 3,455 | 9,617 |
| 2026 | 7,993 | 3,143 | 11,136 |
| 2027 | 6,960 | 2,824 | 9,784 |
| 2028-2032 | 33,519 | 9,390 | 42,909 |
| 2033-2037 | 16,890 | 3,992 | 20,882 |
| 2038-2042 | 9,780 | 816 | 10,596 |
| | $ 93,427 | $ 31,245 | $ 124,672 |

**University as Lessor**

The university is lessor for various noncancellable leases of real estate. Lease-related revenues recognized by the primary institution and the discretely presented component units for the years ended June 30, 2022 and 2021 are as follows:

| | Primary Institution | | Discretely Presented Component Units | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Lease revenue | $ 9,550 | $ 7,750 | $ 13,057 | $ 10,155 |
| Interest revenue | 4,096 | 2,809 | 4,415 | 2,084 |
| | $ 13,646 | $ 10,559 | $ 17,472 | $ 12,239 |

## NOTE 12 — COMPENSATED ABSENCES

University employees earn vacation and sick leave on a monthly basis.

Classified civil service employees may accrue vacation benefits up to a maximum of three years credit. Administrative and professional staff and faculty may accrue vacation benefits up to a maximum of 240 hours. For all classes of employees, any earned but unused vacation benefit is payable upon termination.

Sick leave may be accrued without limit. However, earned but unused sick leave benefits are payable only upon retirement from the university with ten or more years of service with the state. The amount of sick leave benefit payable at retirement is one fourth of the value of the accrued but unused sick leave up to a maximum of 240 hours.

(dollars in thousands)

The university accrues sick leave liability for those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments. This liability is calculated using the "termination payment method" which is set forth in Appendix C, Example 4 of the GASB Statement No. 16, *Accounting for Compensated Absences*. Under the termination method, the university calculates a ratio, Sick Leave Termination Cost per Year Worked, that is based on the university's actual historical experience of sick leave payouts to terminated employees. This ratio is then applied to the total years-of-service for current employees.

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

## NOTE 13 — OTHER LIABILITIES

Other liability activity for the primary institution for the year ended June 30, 2022 is as follows:

| | Primary Institution | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| Compensated absences | $ 238,720 | $ 31,143 | $ 33,179 | $ 236,684 | $ 33,179 |
| Self-insurance accruals | 137,751 | 442,710 | 432,783 | 147,678 | 47,181 |
| Amounts due to third party payors | 119,790 | 3,052 | 17,183 | 105,659 | 18,353 |
| Irrevocable split-interest agreements | 39,592 | 1,415 | 5,419 | 35,588 | 3,264 |
| Refundable advances for Federal Perkins loans | 26,004 | - | 2,766 | 23,238 | - |
| Other noncurrent liabilities | 283,646 | - | 7,301 | 276,345 | - |
| Other current liabilities | 1,236 | - | 1,224 | 12 | 12 |
| | $ 846,739 | $ 478,320 | $ 499,855 | $ 825,204 | $ 101,989 |

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 |
| | $ 632,614 | $ 672,634 | $ 458,511 | $ 846,737 | $ 110,847 |

## NOTE 14 — OPERATING EXPENSES BY OBJECT

In accordance with requirements set forth by the Ohio Board of Regents, the university reports operating expenses by functional classification on the Statement of Revenues, Expenses and

(dollars in thousands)

Changes in Net Position. Operating expenses by object for the primary institution for the years ended June 30, 2022 and 2021 are summarized as follows:

**Year Ended June 30, 2022**

| | Primary Institution | | | | |
|---|---|---|---|---|---|
| | **Compensation and Benefits** | **Supplies and Services** | **Scholarships and Fellowships** | **Depreciation** | **Total** |
| Instruction | $ 871,372 | $ 155,824 | $ - | $ - | $ 1,027,196 |
| Separately budgeted research | 286,811 | 215,664 | - | - | 502,475 |
| Public service | 73,332 | 74,568 | - | - | 147,900 |
| Academic support | 150,381 | 84,989 | - | - | 235,370 |
| Student services | 69,080 | 17,265 | - | - | 86,345 |
| Institutional support | 178,027 | 83,321 | - | - | 261,348 |
| Operation and maintenance of plant | 38,936 | 88,358 | - | - | 127,294 |
| Scholarships and fellowships | 9,685 | 2,681 | 151,727 | - | 164,093 |
| Auxiliary enterprises | 140,990 | 210,564 | - | - | 351,554 |
| OSU Health System | 1,466,625 | 1,770,310 | - | - | 3,236,935 |
| Depreciation | - | - | - | 494,360 | 494,360 |
| Total operating expenses | $ 3,285,239 | $ 2,703,544 | $ 151,727 | $ 494,360 | $ 6,634,870 |

**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 | 78,736 | - | - | 139,565 |
| Academic support | 119,728 | 70,369 | - | - | 190,097 |
| Student services | 40,796 | 11,290 | - | - | 52,086 |
| Institutional support | 165,206 | 55,469 | - | - | 220,675 |
| 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 | 117,053 | - | - | 205,928 |
| OSU Health System | 936,366 | 1,792,012 | - | - | 2,728,378 |
| Depreciation | - | - | - | 460,478 | 460,478 |
| Total operating expenses | $ 2,544,774 | $ 2,494,298 | $ 133,906 | $ 460,478 | $ 5,633,456 |



## NOTE 15 — RETIREMENT PLANS

University employees are covered by one of three retirement systems. The university faculty is covered by the State Teachers Retirement System of Ohio (STRS Ohio). Substantially all other employees are covered by the Public Employees Retirement System of Ohio (OPERS). Employees may opt out of STRS Ohio and OPERS and participate in the Alternative Retirement Plan (ARP) if they meet certain eligibility requirements.

(dollars in thousands)

STRS Ohio and OPERS are cost-sharing multiple-employer defined benefit pension plans. STRS Ohio and OPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. In addition, the retirement systems provide other post-employment benefits (OPEB), consisting primarily of healthcare. Benefits are established by state statute and are calculated using formulas that include years of service and final average salary as factors.

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 (except for contributions subsequent to the measurement date) are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 3 to 10 years).

**Defined Benefit Pension and OPEB Plans – Year Ended June 30, 2022**

The collective net pension liabilities of the retirement systems and the university's proportionate share of these liabilities as of June 30, 2022 are as follows:

| | STRS-Ohio | OPERS | Total |
|---|---|---|---|
| Net pension liability - all employers | $ 12,785,899 | $ 8,288,243 | |
| Proportion of the net pension liability - university | 5.0% | 10.4% | |
| Proportionate share of net pension liability | $ 638,605 | $ 859,188 | $ 1,497,793 |

The collective net OPEB assets of the retirement systems and the university's proportionate share of these assets as of June 30, 2022 are as follows:

| | STRS-Ohio | OPERS | Total |
|---|---|---|---|
| Net OPEB (asset) liability - all employers | $ (2,108,418) | $ (3,132,153) | |
| Proportion of the net OPEB (asset) liability - university | 5.0% | 10.7% | |
| Proportionate share of net OPEB (asset) liability | $ (105,307) | $ (335,820) | $ (441,127) |

(dollars in thousands)

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2022:

| | STRS-Ohio | OPERS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources:** | | | |
| Differences between expected and actual experience | $ 19,730 | $ 49,339 | $ 69,069 |
| Changes in assumptions | 177,160 | 117,455 | 294,615 |
| Changes in proportion of university contributions | 2,429 | 2,254 | 4,683 |
| University contributions subsequent to the measurement date | 90,864 | 125,132 | 215,996 |
| **Total** | **$ 290,183** | **$ 294,180** | **$ 584,363** |
| **Deferred Inflows of Resources:** | | | |
| Differences between expected and actual experience | $ 4,003 | $ 26,144 | $ 30,147 |
| Net difference between projected and actual earnings on pension plan investments | 550,355 | 1,100,745 | 1,651,100 |
| Changes in proportion of university contributions | - | 70 | 70 |
| **Total** | **$ 554,358** | **$ 1,126,959** | **$ 1,681,317** |

Deferred outflows of resources and deferred inflows of resources for OPEB were related to the following sources as of June 30, 2022:

| | STRS-Ohio | OPERS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources:** | | | |
| Differences between expected and actual experience | $ 3,750 | $ - | $ 3,750 |
| Changes in assumptions | 6,727 | - | 6,727 |
| Changes in proportion of university contributions | 94 | 974 | 1,068 |
| **Total** | **$ 10,571** | **$ 974** | **$ 11,545** |
| **Deferred Inflows of Resources:** | | | |
| Differences between expected and actual experience | $ 19,294 | $ 50,642 | $ 69,936 |
| Changes in assumptions | 62,823 | 135,156 | 197,979 |
| Net difference between projected and actual earnings on pension plan investments | 29,189 | 159,719 | 188,908 |
| **Total** | **$ 111,306** | **$ 345,517** | **$ 456,823** |

Amounts reported as deferred outflows of resources related to pensions resulting from university contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as 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:

(dollars in thousands)

| | STRS-Ohio | OPERS | Total |
|---|---|---|---|
| 2023 | $ (88,300) | $ (150,384) | $ (238,684) |
| 2024 | (76,240) | (373,497) | (449,737) |
| 2025 | (82,238) | (258,778) | (341,016) |
| 2026 | (108,260) | (175,669) | (283,929) |
| 2027 | - | (63) | (63) |
| 2028 and Thereafter | - | 479 | 479 |
| **Total** | **$ (355,038)** | **$ (957,912)** | **$ (1,312,950)** |

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 |
|---|---|---|---|
| 2023 | $ (28,266) | $ (213,312) | $ (241,578) |
| 2024 | (27,561) | (73,337) | (100,898) |
| 2025 | (27,140) | (34,902) | (62,042) |
| 2026 | (12,914) | (22,994) | (35,908) |
| 2027 | (4,664) | - | (4,664) |
| 2028 and Thereafter | (188) | - | (188) |
| **Total** | **$ (100,733)** | **$ (344,545)** | **$ (445,278)** |

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 for the year ended June 30, 2022 (information below applies to both pensions and OPEB unless otherwise indicated).

| | **STRS-Ohio** | **OPERS** |
|---|---|---|
| **Statutory Authority** | Ohio Revised Code Chapter 3307 | Ohio Revised Code Chapter 145 |

(dollars in thousands)

| | | |
|---|---|---|
| **Benefit Formula** | **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.<br><br>**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 partial reimbursement of the monthly Medicare Part B premiums. 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 $254.0 million or 58% of the total health care costs in fiscal 2021 (excluding deductibles, coinsurance and copayments).<br><br>Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage. For the year ended June 30, 2021, STRS Ohio received $96.5 million in Medicare Part D reimbursements. | **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. 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.<br><br>**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 included hospitalization, medical expenses and prescription drugs through December 31, 2021. The System determines |

(dollars in thousands)

| | STRS-Ohio | OPERS |
|---|---|---|
| | | the amount, if any, of the associated health care costs that will be absorbed by the System and attempted to control costs by using managed care, case management, and other programs. Effective January 1, 2022, eligible non-Medicare retirees are part of a Connector program, similar to Medicare-enrolled retirees. Additional details on health care coverage can be found in the Plan Statement in the annual report.<br><br>OPERS no longer participates in the Medicare Part D program as of December 31, 2016. |
| **Cost-of-Living Adjustments (COLAs)** | Effective July 1, 2017, the COLA was reduced to 0%. | Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, current law provides for an annual COLA. The COLA is calculated on the member's base pension benefit at the date of retirement and is not compounded. Members retiring under the Combined Plan receive a COLA on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, current law provides for a 3% COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%. |
| **Contribution Rates** | Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll. Under Ohio law, funds to pay health care costs may be deducted from employer contributions. For the year ended June 30, 2021, no employer allocation was made to the health care fund. | Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 2019, employer rates for the State and Local Divisions were 14% of covered payroll (and 18.1% for the Law Enforcement and Public Safety Divisions). Member rates for the State and Local Divisions were 10% of covered payroll (13% for Law Enforcement and 12% for Public Safety). |
| **Measurement Date** | June 30, 2021 | December 31, 2021 (OPEB is rolled forward from December 31, 2020 actuarial valuation date) |

(dollars in thousands)

| | STRS-Ohio | OPERS |
|---|---|---|
| **Actuarial Assumptions** | **Valuation Date:** June 30, 2021 for pensions and OPEB<br>**Actuarial Cost Method:** Individual entry age<br>**Investment Rate of Return:** 7.00%<br>**Inflation:** 2.50%<br>**Projected Salary Increases:** 12.50% at age 20 to 2.50% at age 65<br>**Cost-of-Living Adjustments:** 0% effective July 1, 2017<br>**Payroll Increases:** 3.00%<br>**Health Care Cost Trends:** 5.00% to 29.98% initial; 4% ultimate | **Valuation Date:** December 31, 2021 for pensions; December 31, 2020 for OPEB<br>**Actuarial Cost Method:** Individual entry age<br>**Investment Rate of Return:** 6.9% for pensions; 6.0% for OPEB<br>**Inflation:** 2.75%<br>**Projected Salary Increases:** 2.75% - 10.75%<br>**Cost-of-Living Adjustments:**<br>Pre-1/7/2013 Retirees: 3.00% Simple<br>Post-1/7/2013 Retirees: 3.00%<br>Simple through 2022, then 2.05% Simple<br>**Health Care Cost Trends:** 5.50% initial; 3.50% ultimate in 2034 |
| **Mortality Rates** | Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality 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. | Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables. |
| **Date of Last Experience Study** | June 30, 2016 | December 31, 2020 |

(dollars in thousands)

## Investment Return Assumptions

### STRS-Ohio

The 10 year expected real rate of return on defined benefit pension and health care plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and long-term expected real rate of return for each major asset class are summarized as follows:

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

* Returns presented as geometric means

### OPERS

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

The following table displays the Board-approved asset allocation policy for defined benefit pension assets for 2021 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Long Term Expected Return* |
|---|---|---|
| Fixed Income | 24.0% | 1.03% |
| Domestic Equities | 21.0% | 3.78% |
| Real Estate | 11.0% | 3.66% |
| Private Equity | 12.0% | 7.43% |
| International Equities | 23.0% | 4.88% |
| Risk Parity | 5.0% | 2.92% |
| Other Investments | 4.0% | 2.85% |
| Total | 100.0% | |

* Returns presented as geometric means

The following table displays the Board-approved asset allocation policy for health care assets for 2021 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Long Term Expected Return* |
|---|---|---|
| Fixed Income | 34.0% | 0.91% |
| Domestic Equities | 25.0% | 3.78% |
| REITs | 7.0% | 3.71% |
| International Equities | 25.0% | 4.88% |
| Risk Parity | 2.0% | 2.92% |
| Other Investments | 7.0% | 1.93% |
| Total | 100.0% | |

* Returns presented as geometric means

(dollars in thousands)

| | | |
|---|---|---|
| **Discount Rate** | **Pensions** -- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.<br><br>**OPEB** -- The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2021. 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 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2021. | **Pensions** -- The discount rate used to measure the total pension liability was 6.9% 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.<br><br>**OPEB** – A single discount rate of 6.00% was used to measure the OPEB liability on the measurement date of December 31, 2021. 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 1.84%. 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 2121. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period |

(dollars in thousands)

| | STRS-Ohio | OPERS |
|---|---|---|
| | | through which projected health care payments are fully funded. |
| **Changes in Assumptions Since the Prior Measurement Date** | **Pensions** – The discount rate was adjusted to 7.00% from 7.45% for the June 30, 2021 valuation.<br><br>**OPEB** – The discount rate was adjusted to 7.00% from 7.45% for the June 30, 2021 valuation. | **Pensions** – The discount rate was adjusted to 6.90% from 7.20% for the December 31, 2021 valuation.<br><br>**OPEB** – There were no changes in assumptions since the prior measurement date of December 31, 2019. |
| **Benefit Term Changes Since the Prior Measurement Date** | **Pensions** – There were no changes in benefit terms since the prior measurement date of June 30, 2020.<br><br>**OPEB** -- The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely. | **Pensions** – There were no changes in benefit terms since the prior measurement date of December 31, 2020.<br><br>**OPEB** – On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. |
| **Sensitivity of Net Pension Liability to Changes in Discount Rate** | 1% Decrease (6.00%): $ 1,195,868<br>Current Rate (7.00%): $ 638,605<br>1% Increase (8.00%): $ 167,719 | 1% Decrease (5.90%): $ 2,345,870<br>Current Rate (6.90%): $ 859,188<br>1% Increase (7.90%): $ (377,346) |
| **Sensitivity of Net OPEB Liability (Asset) to Changes in Discount Rate** | 1% Decrease (6.00%): $ (88,863)<br>Current Rate (7.00%): $ (105,307)<br>1% Increase (8.00%): $ (119,044) | 1% Decrease (5.00%): $ (197,503)<br>Current Rate (6.00%): $ (335,820)<br>1% Increase (7.00%): $ (450,655) |
| **Sensitivity of Net OPEB Liability (Asset) to Changes in Medical Trend Rate** | 1% Decrease in Trend Rate: $ (118,487)<br>Current Trend Rate: $ (105,307)<br>1% Increase in Trend Rate: $ (89,009) | 1% Decrease in Trend Rate: $ (339,466)<br>Current Trend Rate: $ (335,820)<br>1% Increase in Trend Rate: $ (331,531) |

(dollars in thousands)

### Defined Benefit Pension and OPEB Plans – Year Ended June 30, 2021

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 | $ 1,175,835 | $ 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) |

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 |
|---|---|---|---|
| **Deferred Outflows of Resources:** | | | |
| Differences between expected and actual experience | $ 2,638 | $ 1,579 | $ 4,217 |
| 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 |
| **Total** | **$ 211,950** | **$ 127,730** | **$ 339,680** |
| | | | |
| **Deferred Inflows of Resources:** | | | |
| 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 |
| **Total** | **$ 7,519** | **$ 674,971** | **$ 682,490** |

(dollars in thousands)

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 |
|---|---|---|---|
| **Deferred Outflows of Resources:** | | | |
| 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 |
| **Total** | **$ 9,994** | **$ 94,188** | **$ 104,182** |
| **Deferred Inflows of Resources:** | | | |
| 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 | - | 100,069 | 100,069 |
| **Total** | **$ 98,134** | **$ 577,565** | **$ 675,699** |

Amounts reported as deferred outflows of resources related to pensions resulting from university contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as 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 | $ 39,364 | $ (245,432) | $ (206,068) |
| 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) |
| **Total** | **$ 117,367** | **$ (665,979)** | **$ (548,612)** |

(dollars in thousands)

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) |
| **Total** | **$ (88,138)** | **$ (483,379)** | **$ (571,517)** |

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 for the year ended June 30, 2021 (information below applies to both pensions and OPEB unless otherwise indicated).

| | STRS-Ohio | OPERS |
|---|---|---|
| **Statutory Authority** | Ohio Revised Code Chapter 3307 | Ohio Revised Code Chapter 145 |

(dollars in thousands)

| | | |
|---|---|---|
| **Benefit Formula** | **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.<br><br>**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).<br><br>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. | **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. 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.<br><br>**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 |

(dollars in thousands)

| | STRS-Ohio | OPERS |
|---|---|---|
| | For the year ended June 30, 2020, STRS Ohio received $81.9 million in Medicare Part D reimbursements. | 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.<br><br>OPERS no longer participates in the Medicare Part D program as of December 31, 2016. |
| **Cost-of-Living Adjustments (COLAs)** | Effective July 1, 2017, the COLA was reduced to 0%. | Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, current law provides for an annual COLA. The COLA is calculated on the member's base pension benefit at the date of retirement and is not compounded. Members retiring under the Combined Plan receive a COLA on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, current law provides for a 3% COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%. |
| **Contribution Rates** | Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll. Under Ohio law, funds to pay health care costs may be deducted from employer contributions. For the year ended June 30, 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). |
| **Measurement Date** | June 30, 2020 | December 31, 2020 (OPEB is rolled forward from December 31, 2019 actuarial valuation date) |

(dollars in thousands)

| | STRS-Ohio | OPERS |
|---|---|---|
| **Actuarial Assumptions** | **Valuation Date:** June 30, 2020 for pensions and OPEB<br>**Actuarial Cost Method:** Individual entry age<br>**Investment Rate of Return:** 7.45%<br>**Inflation:** 2.50%<br>**Projected Salary Increases:** 12.50% at age 20 to 2.50% at age 65<br>**Cost-of-Living Adjustments:** 0% effective July 1, 2017<br>**Payroll Increases:** 3.00%<br>**Health Care Cost Trends:** 5.00% to 11.87% initial; 4% ultimate | **Valuation Date:** December 31, 2020 for pensions; December 31, 2019 for OPEB<br>**Actuarial Cost Method:** Individual entry age<br>**Investment Rate of Return:** 7.2% for pensions; 6.0% for OPEB<br>**Inflation:** 3.25%<br>**Projected Salary Increases:** 3.25% - 10.75%<br>**Cost-of-Living Adjustments:**<br>Pre-1/7/2013 Retirees: 3.00% Simple<br>Post-1/7/2013 Retirees: 0.50%<br>Simple through 2021, then 2.15% Simple<br>**Health Care Cost Trends:** 8.50% initial; 3.50% ultimate in 2035 |
| **Mortality Rates** | Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality 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. | Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. |
| **Date of Last Experience Study** | June 30, 2016 | December 31, 2015 |

(dollars in thousands)

| | STRS-Ohio | OPERS |
|---|---|---|
| **Investment Return Assumptions** | The 10 year expected real rate of return on defined benefit pension and health care plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and long-term expected real rate of return for each major asset class are summarized as follows: | The long term expected rates of return on defined benefit pension and health care investment assets were determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The following table displays the Board-approved asset allocation policy for defined benefit pension assets for 2020 and the long-term expected real rates of return: |

**STRS-Ohio**

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

* Returns presented as geometric means

**OPERS**

| 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% | |

* Returns presented as arithmetic means

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:

| 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% | |

* Returns presented as arithmetic means

(dollars in thousands)

| | | |
|---|---|---|
| **Discount Rate** | **Pensions** -- 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.<br><br>**OPEB** -- 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. | **Pensions** -- The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan, the Combined Plan and the Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.<br><br>**OPEB** – 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 |

(dollars in thousands)

| | STRS-Ohio | OPERS |
|---|---|---|
| | | through which projected health care payments are fully funded. |
| **Changes in Assumptions Since the Prior Measurement Date** | **Pensions** – There were no changes in assumptions since the prior measurement date of June 30, 2019.<br><br>**OPEB** -- There were no changes in assumptions since the prior measurement date of June 30, 2019. | **Pensions** – There were no changes in assumptions since the prior measurement date of December 31, 2019.<br><br>**OPEB** -- The discount rate was increased from 3.16% to 6.00% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. |
| **Benefit Term Changes Since the Prior Measurement Date** | **Pensions** – There were no changes in benefit terms since the prior measurement date of June 30, 2019.<br><br>**OPEB** -- 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. | **Pensions** – There were no changes in benefit terms since the prior measurement date of December 31, 2019.<br><br>**OPEB** – On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. |
| **Sensitivity of Net Pension Liability to Changes in Discount Rate** | 1% Decrease (6.45%): $ 1,674,185<br>Current Rate (7.45%): $ 1,175,835<br>1% Increase (8.45%): $ 753,526 | 1% Decrease (6.2%): $ 2,906,112<br>Current Rate (7.2%): $ 1,503,497<br>1% Increase (8.2%): $ 338,004 |
| **Sensitivity of Net OPEB Liability (Asset) to Changes in Discount Rate** | 1% Decrease (6.45%): $ (74,309)<br>Current Rate (7.45%): $ (85,406)<br>1% Increase (8.45%): $ (94,822) | 1% Decrease (5.00%): $ (47,204)<br>Current Rate (6.00%): $ (189,776)<br>1% Increase (7.00%): $ (307,093) |
| **Sensitivity of Net OPEB Liability (Asset) to Changes in Medical Trend Rate** | 1% Decrease in Trend Rate: $ (94,237)<br>Current Trend Rate: $ (85,406)<br>1% Increase in Trend Rate: $ (74,649) | 1% Decrease in Trend Rate: $ (194,464)<br>Current Trend Rate: $ (189,776)<br>1% Increase in Trend Rate: $ (184,661) |

#### 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

For the years ended June 30, 2022 and 2021, the university recognized pension and OPEB expense of ($310,382) and ($770,322), respectively.

Pension and OPEB expenses are allocated to institutional functions on the Statement of Revenues, Expenses and Other 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.

(dollars in thousands)

| **STRS Ohio** | **OPERS** |
|---|---|
| 275 East Broad Street | 277 East Town Street |
| Columbus, OH 43215-3371 | Columbus, OH 43215-4642 |
| (614) 227-4090 | (614) 222-5601 |
| (888) 227-7877 | (800) 222-7377 |
| www.strsoh.org | www.opers.org/investments/cafr.shtml |

**OSU Physicians Retirement Plan**

Retirement benefits are provided for the employees of OSUP through a tax-sheltered 403(b) and 401(a) defined contribution plan administered by an insurance company. OSUP is required to make nondiscretionary contributions of no less than 7.5% under the Interim Retirement Plan; however, some 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 $7,800 and $6,600 for the years ended June 30, 2022 and 2021, respectively. Employee contributions were $3,500 and $2,700 for the years ended June 30, 2022 and 2021, 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. These assets totaled $176,092 and $190,613 at June 30, 2022 and 2021, respectively, and are reported as Other Noncurrent Assets and Other Noncurrent Liabilities in the Statement of Net Position.

(dollars in thousands)

## NOTE 16 — CAPITAL PROJECT COMMITMENTS

At June 30, 2022, the university is committed to future contractual obligations for capital expenditures of approximately $1,351,438 for the primary institution and $18,900 for discretely presented component units. These projects are funded by the following sources:

| | Primary Institution | Discretely Presented Component Units |
|---|---|---|
| State appropriations | $ 14,835 | $ - |
| Internal and other sources | 1,336,603 | 18,900 |
| Total | $ 1,351,438 | $ 18,900 |

## NOTE 17 — CONTINGENCIES AND RISK MANAGEMENT

The university is a party in a number of legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material adverse effect on the university's financial position.

The university is self-insured for the Health System's professional malpractice liability, employee health benefits, workers' compensation and employee life, accidental death and dismemberment benefits. Additional details regarding these self-insurance arrangements are provided in Note 8. The university also carries commercial insurance policies for various property, casualty and excess liability risks. Over the past three years, settlement amounts related to these insured risks have not exceeded the university's coverage amounts.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. While questioned costs may occur, ultimate repayments required of the university have been infrequent in prior years.

The global outbreak of COVID-19, a new strain of coronavirus that can result in severe respiratory disease, was first detected in December of 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. 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 on-line, in-person and blended courses to reduce the number of students, faculty and staff that were on campus at any one time. The university conducted extensive testing of students, faculty and staff throughout the 2020-2021 academic year. 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.

Ohio and the rest of the nation experienced a significant surge of COVID-19 cases starting in the last two months of 2021, due in large part to the rapid spread of the Omicron variant. Prior to commencement of the Spring 2022 semester, the university implemented a number of measures to continue to minimize the spread of COVID-19 on its campuses. As the spread of the Omicron variant slowed in late January 2022, the university announced adjustments to its health and safety protocols, including transitioning back to in-person student meetings and events, restoring seating to full capacity in on-campus dining areas and expanding group activities at campus recreation centers. The university also announced it was reinstating concessions at athletic events.

The impact of COVID-19 on university finances and operations may continue for at least the coming (FY2023) fiscal year, depending on vaccination rates and whether the COVID-19 virus or variations of the virus (including the Omicron variant) 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 uUniversity 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.

## NOTE 18 — PARKING LEASE AND CONCESSION AGREEMENT

On September 21, 2012, the university entered into a 50-year lease and concession agreement with QIC Global Infrastructure (QIC GI). CampusParc LP, a QIC GI affiliate, owns and operates the university's parking concession on QIC GI's behalf. Under the agreement, CampusParc 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 unamortized 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 $387,652 and $397,283 at June 30, 2022 and 2021, respectively. The university reports the parking lots and garages as capital assets with a carrying amount of $122,953 and $122,968 at June 30, 2022 and 2021, respectively.

## NOTE 19 — UTILITY SYSTEM LEASE AND CONCESSION AGREEMENT

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

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

The university recognized fixed and O&M utility fees totaling $61,707 and $59,372, respectively for the years ended June 30, 2022 and 2021. The carrying amounts of OSEP capital investments and related payable to the concessionaire at June 30, 2022 and 2021 were $374,540 and $235,869, respectively.

## NOTE 20 — 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, 2022 and 2021 is presented below.

(dollars in thousands)

## Condensed Combining Information – Year Ended June 30, 2022

| | OSU Foundation | OSU Health Plan | Oval Limited | Pelotonia | Eliminations |
|---|---|---|---|---|---|
| **Condensed statements of net position:** | | | | | |
| Current assets | $ 59,060 | $ 4,379 | $ 51,962 | $ 26,550 | $ (12,720) |
| Capital assets, net | - | 365 | - | 4,033 | - |
| Other assets | 1,572,142 | 731 | - | 1,400 | (63,940) |
| Amounts receivable from the university | - | 4,248 | - | | |
| Total assets | $ 1,631,202 | $ 9,723 | $ 51,962 | $ 31,983 | $ (76,660) |
| Current liabilities | $ 2,708 | $ 912 | $ 41 | $ 1,178 | $ - |
| Noncurrent liabilities | 42,335 | 635 | 23,487 | 76,660 | (76,660) |
| Amounts payable to the university | 2 | 4,248 | - | - | - |
| Deferred inflows | 9,475 | - | - | - | - |
| Total liabilities and deferred inflows | 54,520 | 5,795 | 23,528 | 77,838 | (76,660) |
| Net investment in capital assets | - | - | - | 4,033 | - |
| Restricted: | | | | | |
| Nonexpendable | 1,150,341 | - | - | - | - |
| Expendable | 409,874 | - | - | 26,772 | (76,660) |
| Unrestricted | 16,467 | 3,928 | 28,434 | (76,660) | 76,660 |
| Total net position | 1,576,682 | 3,928 | 28,434 | (45,855) | - |
| Total liabilities, deferred inflows and net position | $ 1,631,202 | $ 9,723 | $ 51,962 | $ 31,983 | $ (76,660) |

(dollars in thousands)

| | OSU Foundation | OSU Health Plan | Oval Limited | Pelotonia | Eliminations |
|---|---|---|---|---|---|
| **Condensed statements of revenues, expenses and changes in net position:** | | | | | |
| Operating revenues: | | | | | |
| Other sales, services and rental income | $ 385 | $ 12,947 | $ (3,223) | $ 272 | $ - |
| Total operating revenues | 385 | 12,947 | (3,223) | 272 | - |
| Operating expenses, excluding depreciation | 7,168 | 12,936 | (213) | 21,777 | - |
| Depreciation expense | - | 51 | - | 1,677 | - |
| Total operating expenses | 7,168 | 12,987 | (213) | 23,454 | - |
| Net operating income (loss) | (6,783) | (40) | (3,010) | (23,182) | - |
| Non-operating revenues and expenses: | | | | | |
| Gifts for current use | 198,839 | - | - | 29,510 | - |
| Net investment income (loss) | (32,384) | 14 | (5,470) | 40 | - |
| Other non-operating revenue (expense) | 1,191 | - | - | - | - |
| Net non-operating revenue (expense) | 167,646 | 14 | (5,470) | 29,550 | - |
| Capital contributions and additions to permanent endowments | 136,982 | - | - | - | - |
| Transfers from (to) the university | (293,217) | (84) | - | 12,673 | - |
| Change in net position | 4,628 | (110) | (8,480) | 19,041 | - |
| Beginning net position, as reported | 1,572,054 | 4,038 | 36,914 | (64,896) | - |
| Cumulative effect of Pelotonia merger | - | | | - | |
| Ending net position | $ 1,576,682 | $ 3,928 | $ 28,434 | $ (45,855) | $ - |
| **Condensed statements of cash flows:** | | | | | |
| Net cash provided (used) by: | | | | | |
| Operating activities | $ (4,477) | $ 39 | $ (1,108) | $ (20,655) | $ - |
| Noncapital financing activities | (40,255) | (872) | - | 30,866 | - |
| Capital and related financing activities | 59,775 | (375) | - | (3,667) | - |
| Investing activities | (14,026) | 84 | 996 | 40 | - |
| Net increase (decrease) in cash | 1,017 | (1,124) | (112) | 6,584 | - |
| Beginning cash and cash equivalents | 217 | 4,104 | 1,290 | 6,124 | - |
| Ending cash and cash equivalents | $ 1,234 | $ 2,980 | $ 1,178 | $ 12,708 | $ - |

(dollars in thousands)

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

| | OSU Foundation | OSU Health Plan | Oval Limited | Pelotonia | Eliminations |
|---|---|---|---|---|---|
| **Condensed statements of net position:** | | | | | |
| 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) |

(dollars in thousands)

| | OSU Foundation | OSU Health Plan | Oval Limited | Pelotonia | Eliminations |
|---|---|---|---|---|---|
| **Condensed statements of revenues, expenses and changes in net position:** | | | | | |
| Operating revenues: | | | | | |
| Other sales, services and rental income | $ 15 | $ 12,702 | $ (1,781) | $ 281 | $ - |
| Total operating revenues | 15 | 12,702 | (1,781) | 281 | - |
| Operating expenses, excluding depreciation | 5,270 | 12,656 | (202) | 4,428 | - |
| Depreciation expense | - | 33 | - | 162 | - |
| Total operating expenses | 5,270 | 12,689 | (202) | 4,590 | - |
| Net operating income (loss) | (5,255) | 13 | (1,579) | (4,309) | - |
| Non-operating revenues and expenses: | | | | | |
| Gifts for current use | 136,414 | - | - | 23,249 | - |
| Net investment income (loss) | 335,238 | 18 | 6,542 | - | - |
| Federal COVID-19 assistance programs | - | - | - | 625 | - |
| Other non-operating revenue (expense) | 3,186 | - | - | - | - |
| Net non-operating revenue (expense) | 474,838 | 18 | 6,542 | 23,874 | - |
| Capital contributions and additions to permanent endowments | 142,943 | - | - | - | - |
| Transfers from (to) the university | (258,132) | 120 | - | 12,795 | - |
| Change in net position | 354,394 | 151 | 4,963 | 32,360 | - |
| Beginning net position, as reported | 1,217,660 | 3,887 | 31,952 | (97,255) | - |
| Cumulative effect of Pelotonia merger | - | | | - | |
| Ending net position | $ 1,572,054 | $ 4,038 | $ 36,915 | $ (64,895) | $ - |
| **Condensed statements of cash flows:** | | | | | |
| Net cash provided (used) by: | | | | | |
| Operating activities | $ (4,850) | $ (875) | $ (2,028) | $ (4,677) | $ - |
| Noncapital financing activities | (60,754) | 908 | - | 8,103 | - |
| Capital and related financing activities | 79,612 | - | - | (2,205) | - |
| Investing activities | (14,026) | (708) | 2,223 | - | - |
| Net increase (decrease) in cash | (18) | (675) | 195 | 1,221 | - |
| Beginning cash and cash equivalents | 235 | 4,779 | 1,095 | 4,903 | - |
| Ending cash and cash equivalents | $ 217 | $ 4,104 | $ 1,290 | $ 6,124 | $ - |

(dollars in thousands)

## NOTE 21 — 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, 2022 and 2021 is presented below.

### Condensed Combining Information – Year Ended June 30, 2022

| | OSU Physicians | Campus Partners | Transportation Research Center | Dental Faculty Practice Plan | Science and Technology Campus Corporation | Total Discretely Presented Component Units |
|---|---|---|---|---|---|---|
| **Condensed statements of net position:** | | | | | | |
| Current assets | $ 218,737 | $ 7,890 | $ 13,047 | $ 5,189 | $ 14,345 | $ 259,208 |
| Capital assets, net | 97,967 | 210,744 | 52,515 | 233 | 27,123 | 388,582 |
| Other assets | 82,064 | 16,223 | 1,713 | - | 2,187 | 102,187 |
| Amounts receivable from the university | 72,383 | 56,656 | 4,609 | - | 1,934 | 135,582 |
| Deferred outflows | - | - | - | - | - | - |
| Total assets and deferred outflows | $ 471,151 | $ 291,513 | $ 71,884 | $ 5,422 | $ 45,589 | $ 885,559 |
| | | | | | | |
| Current liabilities | $ 52,485 | $ 6,327 | $ 13,297 | $ - | $ 2,966 | $ 75,075 |
| Noncurrent liabilities | 21,126 | - | 9,822 | - | 4,700 | 35,648 |
| Amounts payable to the university | 168,377 | 171,204 | 18,134 | 45 | 8,976 | 366,736 |
| Deferred inflows | 8,827 | 120,995 | 1,708 | - | 4,986 | 136,516 |
| Total liabilities and deferred inflows | 250,815 | 298,526 | 42,961 | 45 | 21,628 | 613,975 |
| | | | | | | |
| Net investment in capital assets | 2,314 | 210,744 | 38,140 | 233 | 27,038 | 278,469 |
| Unrestricted | 218,022 | (217,757) | (9,217) | 5,144 | (3,077) | (6,885) |
| Total net position | 220,336 | (7,013) | 28,923 | 5,377 | 23,961 | 271,584 |
| Total liabilities, deferred inflows and net position | $ 471,151 | $ 291,513 | $ 71,884 | $ 5,422 | $ 45,589 | $ 885,559 |

(dollars in thousands)

| | OSU Physicians | Campus Partners | Transportation Research Center | Dental Faculty Practice Plan | Science and Technology Campus Corporation | Total Discretely Presented Component Units |
|---|---|---|---|---|---|---|
| **Condensed statements of revenues, expenses and changes in net position:** | | | | | | |
| Operating revenues: | | | | | | |
| Grants and contracts | $ - | $ 12,844 | $ 53,989 | $ - | $ 7,623 | $ 74,456 |
| Sales and services of OSU Physicians | 701,680 | - | - | - | - | 701,680 |
| Other sales, services and rental income | 2,079 | 1,423 | 252 | 10,027 | 379 | 14,160 |
| Total operating revenues | 703,759 | 14,267 | 54,241 | 10,027 | 8,002 | 790,296 |
| Operating expenses, excluding depreciation | 660,835 | 9,950 | 52,165 | 8,597 | 3,743 | 735,290 |
| Depreciation expense | 9,788 | 5,381 | 6,982 | 101 | 1,332 | 23,584 |
| Total operating expenses | 670,623 | 15,331 | 59,147 | 8,698 | 5,075 | 758,874 |
| Net operating income (loss) | 33,136 | (1,064) | (4,906) | 1,329 | 2,927 | 31,422 |
| Non-operating revenues and expenses: | | | | | | |
| CARES Assistance | 11,686 | - | - | - | - | 11,686 |
| Net investment income (loss) | (8,439) | 104 | 178 | (232) | 13 | (8,376) |
| Interest expense | (3,187) | - | (1,802) | - | (467) | (5,456) |
| Other non-operating revenue (expense) | (27,383) | 1,306 | (358) | - | - | (26,435) |
| Net non-operating revenue (expense) | (27,323) | 1,410 | (1,982) | (232) | (454) | (28,581) |
| Capital contributions and additions to permanent endowments | - | - | 1,182 | - | - | 1,182 |
| Change in net position | 5,813 | 346 | (5,706) | 1,097 | 2,473 | 4,023 |
| Beginning net position, as previously reported | 214,523 | (7,359) | 34,629 | 4,280 | 21,488 | 267,561 |
| Ending net position | $ 220,336 | $ (7,013) | $ 28,923 | $ 5,377 | $ 23,961 | $ 271,584 |
| **Condensed statements of cash flows:** | | | | | | |
| Net cash provided (used) by: | | | | | | |
| Operating activities | $ 60,301 | $ (739) | $ 2,332 | $ 1,884 | $ 3,663 | $ 67,441 |
| Noncapital financing activities | (15,708) | 26,422 | 4,661 | - | (1,034) | 14,341 |
| Capital and related financing activities | (40,032) | (26,893) | (6,745) | (633) | (943) | (75,246) |
| Investing activities | (90,355) | (471) | - | - | 13 | (90,813) |
| Net increase (decrease) in cash | (85,794) | (1,681) | 248 | 1,251 | 1,699 | (84,277) |
| Beginning cash and cash equivalents | 237,247 | 5,774 | 3,093 | 2,562 | 12,082 | 260,758 |
| Ending cash and cash equivalents | $ 151,453 | $ 4,093 | $ 3,341 | $ 3,813 | $ 13,781 | $ 176,481 |

(dollars in thousands)

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

| | OSU Physicians | Campus Partners | Transportation Research Center | Dental Faculty Practice Plan | Science and Technology Campus Corporation | Total Discretely Presented Component Units |
|---|---|---|---|---|---|---|
| **Condensed statements of net position:** | | | | | | |
| Current assets | $ 298,779 | $ 8,526 | $ 10,966 | $ 4,625 | $ 12,824 | $ 335,720 |
| Capital assets, net | 68,362 | 194,459 | 53,200 | 271 | 28,147 | 344,439 |
| Other assets | 27 | 14,269 | 1,714 | - | 530 | 16,540 |
| Amounts receivable from the university | 80,023 | 57,219 | 4,908 | - | 4,359 | 146,509 |
| Deferred outflows | - | - | - | - | - | - |
| Total assets and deferred outflows | $ 447,191 | $ 274,473 | $ 70,788 | $ 4,896 | $ 45,860 | $ 843,208 |
| Current liabilities | $ 37,353 | $ 10,907 | $ 10,663 | $ 2 | $ 1,332 | $ 60,257 |
| Noncurrent liabilities | 18,643 | 438 | 10,032 | - | 4,783 | 33,896 |
| Amounts payable to the university | 165,931 | 146,887 | 16,817 | 614 | 10,010 | 340,259 |
| Deferred inflows | 9,728 | 123,717 | - | - | 7,790 | 141,235 |
| Total liabilities and deferred inflows | 231,655 | 281,949 | 37,512 | 616 | 23,915 | 575,647 |
| Net investment in capital assets | 7,431 | 185,856 | 42,770 | (73) | 27,895 | 263,879 |
| Unrestricted | 208,105 | (193,332) | (9,494) | 4,353 | (5,950) | 3,682 |
| Total net position | 215,536 | (7,476) | 33,276 | 4,280 | 21,945 | 267,561 |
| Total liabilities, deferred inflows and net position | $ 447,191 | $ 274,473 | $ 70,788 | $ 4,896 | $ 45,860 | $ 843,208 |

(dollars in thousands)

| | OSU Physicians | Campus Partners | Transportation Research Center | Dental Faculty Practice Plan | Science and Technology Campus Corporation | Total Discretely Presented Component Units |
|---|---|---|---|---|---|---|
| **Condensed statements of revenues, expenses and changes in net position:** | | | | | | |
| Operating revenues: | | | | | | |
| Grants and contracts | $ - | $ 9,445 | $ 41,748 | $ - | $ 7,303 | $ 58,496 |
| Sales and services of OSU Physicians | 647,382 | - | - | - | - | 647,382 |
| Other sales, services and rental income | - | - | - | 10,053 | - | 10,053 |
| Total operating revenues | 647,382 | 9,445 | 41,748 | 10,053 | 7,303 | 715,931 |
| Operating expenses, excluding depreciation | 596,570 | 6,220 | 40,057 | 7,782 | 3,547 | 654,176 |
| Depreciation expense | 7,750 | 3,881 | 5,945 | 65 | 1,332 | 18,973 |
| Total operating expenses | 604,320 | 10,101 | 46,002 | 7,847 | 4,879 | 673,149 |
| Net operating income (loss) | 43,062 | (656) | (4,254) | 2,206 | 2,424 | 42,782 |
| Non-operating revenues and expenses: | | | | | | |
| Net investment income | 53 | 109 | 1,241 | 332 | 18 | 1,753 |
| Interest expense | (2,003) | - | (1,502) | - | (523) | (4,028) |
| Other non-operating revenue (expense) | (31,237) | 1,119 | (327) | - | - | (30,445) |
| Net non-operating revenue (expense) | (33,187) | 1,228 | (588) | 332 | (505) | (32,720) |
| Changes in net position | | | | | | |
| Capital contributions and changes in net position | - | 278 | 663 | - | - | 941 |
| Change in net position | 9,875 | 850 | (4,179) | 2,538 | 1,919 | 11,003 |
| Beginning net position, as previously reported | 205,661 | (7,057) | 37,455 | 1,742 | 20,026 | 257,827 |
| Cumulative effect of accounting change | - | (1,269) | - | - | - | (1,269) |
| Ending net position | $ 215,536 | $ (7,476) | $ 33,276 | $ 4,280 | $ 21,945 | $ 267,561 |
| **Condensed statements of cash flows:** | | | | | | |
| Net cash provided (used) by: | | | | | | |
| Operating activities | $ 82,167 | $ 16,388 | $ (566,854) | $ 1,720 | $ 10,209 | $ (456,370) |
| Noncapital financing activities | (30,532) | 37,844 | 2,442 | - | (984) | 8,770 |
| Capital and related financing activities | 2,697 | (56,923) | 562,571 | 217 | (1,354) | 507,208 |
| Investing activities | 13,908 | - | 519 | - | 18 | 14,445 |
| Net increase (decrease) in cash | 68,240 | (2,691) | (1,322) | 1,937 | 7,889 | 74,053 |
| Beginning cash and cash equivalents | 169,007 | 8,465 | 4,415 | 625 | 4,193 | 186,705 |
| Ending cash and cash equivalents | $ 237,247 | $ 5,774 | $ 3,093 | $ 2,562 | $ 12,082 | $ 260,758 |

## NOTE 22 — 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 $204,783 and $125,371 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 is as follows:

(dollars in thousands)

### Segment Disclosure Information – Year Ended June 30, 2022 and June 30, 2021

| | 2022 | 2021 |
|---|---|---|
| **Condensed Statement of Net Position** | | |
| Assets and deferred outflows: | | |
| Current assets | $ 51,902 | $ 51,391 |
| Capital assets | 659,638 | 673,588 |
| Total assets | $ 711,540 | $ 724,979 |
| Liabilities and deferred inflows: | | |
| Current liabilities | $ 9,664 | $ 6,571 |
| Amounts payable to the university - Series 2013A Bonds | 337,955 | 337,955 |
| Total liabilities | 347,619 | 344,526 |
| Net position: | | |
| Net investment in capital assets | 321,683 | 335,633 |
| Unrestricted | 42,238 | 44,820 |
| Total net position | 363,921 | 380,453 |
| Total liabilities and net position | $ 711,540 | $ 724,979 |

| | 2022 | 2021 |
|---|---|---|
| **Condensed Statement of Revenues, Expenses and Changes in Net Position** | | |
| Special-purpose pledged revenues - operating | $ 204,783 | $ 125,370 |
| Operating expenses, excluding depreciation | (117,919) | (90,296) |
| Depreciation expense | (34,594) | (33,726) |
| Operating income | 52,270 | 1,348 |
| Nonoperating revenues, net | (14,431) | (14,576) |
| Net income (loss) before transfers | 37,839 | (13,228) |
| Transfers from (to) other university units, net | (54,371) | 52,207 |
| Increase (decrease) in net position | (16,532) | 38,979 |
| Beginning net position | 380,453 | 341,474 |
| Ending net position | $ 363,921 | $ 380,453 |
| **Condensed Statement of Cash Flows** | | |
| Net cash provided (used) by: | | |
| Operating activities | $ 83,986 | $ 34,804 |
| Capital and related financing activities | (84,249) | (10,007) |
| Investing activities | 305 | 242 |
| Net increase (decrease) in cash | 42 | 25,039 |
| Beginning cash and cash equivalents | 50,818 | 25,779 |
| Ending cash and cash equivalents | $ 50,860 | $ 50,818 |

# The Ohio State University
## Required Supplementary Information on GASB 68 Pension Liabilities (Unaudited)
## Year Ended June 30, 2022

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

| *(dollars in thousands)* | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| ***STRS-Ohio:*** | | | | | | | | |
| University's proportion of the net pension liability | 4.4% | 4.5% | 4.5% | 4.6% | 4.6% | 4.7% | 4.9% | 5.0% |
| 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 | $ 638,605 |
| University's covered payroll | $ 381,669 | $ 388,309 | $ 392,797 | $ 412,149 | $ 434,106 | $ 452,084 | $ 476,374 | $ 492,780 |
| University's proportionate share of the net pension liability as a percentage of its covered payroll | 281% | 319% | 385% | 262% | 235% | 230% | 247% | 130% |
| 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% | 87.8% |
| ***OPERS:*** | | | | | | | | |
| University's proportion of the net pension liability | 8.8% | 9.0% | 9.1% | 9.4% | 9.9% | 10.2% | 10.4% | 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 | $ 859,188 |
| 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 | $ 1,669,918 |
| University's proportionate share of the net pension liability as a percentage of its covered payroll | 89% | 126% | 159% | 106% | 177% | 126% | 88% | 51% |
| 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% | 93.0% |

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

| *(dollars in thousands)* | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| ***STRS-Ohio:*** | | | | | | | | |
| Contractually required contribution | $ 65,738 | $ 66,975 | $ 70,373 | $ 74,356 | $ 77,781 | $ 82,576 | $ 86,909 | $ 88,264 |
| Contributions in relation to the contractually required | $ 65,738 | $ 66,975 | $ 70,373 | $ 74,356 | $ 77,781 | $ 82,576 | $ 86,909 | $ 88,264 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| University's covered payroll | $ 388,309 | $ 392,797 | $ 412,149 | $ 434,106 | $ 452,084 | $ 476,374 | $ 498,344 | $ 494,613 |
| Contributions as a percentage of covered payroll | 16.9% | 17.1% | 17.1% | 17.1% | 17.2% | 17.3% | 17.4% | 17.8% |
| ***OPERS:*** | | | | | | | | |
| Contractually required contribution | $ 170,979 | $ 178,293 | $ 188,762 | $ 201,072 | $ 220,062 | $ 231,977 | $ 240,142 | $ 247,351 |
| Contributions in relation to the contractually required | $ 170,979 | $ 178,293 | $ 188,762 | $ 201,072 | $ 220,062 | $ 231,977 | $ 240,142 | $ 247,351 |
| 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 | $ 1,714,708 |
| Contributions as a percentage of covered payroll | 14.1% | 14.1% | 14.1% | 14.1% | 14.4% | 14.4% | 14.4% | 14.4% |

## The Ohio State University
## Required Supplementary Information on GASB 75 Net OPEB Liabilities (Unaudited)
## Year Ended June 30, 2022

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

| *(dollars in thousands)* | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| ***STRS-Ohio:*** | | | | | |
| University's proportion of the net OPEB liability (asset) | 4.6% | 4.6% | 4.7% | 4.9% | 5.0% |
| University's proportionate share of the net OPEB liability (asset) | $ 177,556 | $ (74,520) | $ (77,901) | $ (85,406) | $ (105,307) |
| University's covered payroll | $ 412,149 | $ 434,106 | $ 452,084 | $ 452,084 | $ 492,780 |
| University's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 43% | -17% | -17% | -19% | -21% |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | 47.1% | 176.0% | 174.7% | 182.1% | 174.7% |
| ***OPERS:*** | | | | | |
| University's proportion of the net OPEB liability (asset) | 9.7% | 10.1% | 10.4% | 10.7% | 10.7% |
| University's proportionate share of the net OPEB liability (asset) | $ 1,055,239 | $ 1,321,019 | $ 1,436,889 | $ (189,776) | $ (335,820) |
| University's covered payroll | $ 1,381,054 | $ 1,521,447 | $ 1,574,490 | $ 1,704,763 | $ 1,669,918 |
| University's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 76% | 87% | 91% | -11% | -20% |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | 54.1% | 46.3% | 47.8% | 115.6% | 128.2% |

**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 2022 reflect an adjustment of the discount rate from 7.45% to 7.00%. 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 2022 reflect an adjustment of the discount rate from 7.20% to 6.90%. Amounts reported in 2019 reflect an adjustment of the discount rate from 7.50% to 7.20%. Amounts reported in 2017 reflect an adjustment of the discount rate from 8.00% to 7.50%. Amounts reported in 2017 also reflect an updated healthy and disabled mortality assumptions, based on the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**STRS-Ohio – OPEB:**

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

*Changes of assumptions*. Amounts reported in 2022 reflect an adjustment of the discount rate from 7.45% to 7.00%. 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, 2022

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 2022, 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 – decreased $81 million, to $6.96 billion at June 30, 2022. The Long-Term Investment Pool activity for 2022 is summarized below:

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

| | Gifted Endowments | | Quasi-Endowments | | |
|---|---|---|---|---|---|
| | **University** | **Foundation** | **Operating** | **Designated** | **Total** |
| **Balance at June 30, 2021** | **$ 1,333,836** | **$ 1,345,059** | **$ 1,740,687** | **$ 2,622,391** | **$ 7,041,973** |
| Net Principal Additions (Withdrawals) | 9,103 | 86,910 | 112,518 | 155,760 | 364,291 |
| Change in Fair Value | (45,217) | (49,680) | (63,413) | (95,474) | (253,784) |
| Income Earned | 29,946 | 30,982 | 40,238 | 59,472 | 160,638 |
| Distributions | (48,452) | (49,896) | (64,968) | (95,895) | (259,211) |
| Expenses | (18,020) | (18,643) | (24,213) | (32,249) | (93,125) |
| **Balance at June 30, 2022** | **$ 1,261,196** | **$ 1,344,732** | **$ 1,740,849** | **$ 2,614,005** | **$ 6,960,782** |

**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, 2022. Income earned includes interest and dividends and is used primarily to fund distributions. Expenses include investment management expenses ($71 million), University Development related expenses ($21 million) and other investment related expenses ($1 million).

### Investment Returns and Expenses:

The investment return for the Long-Term Investment Pool was 0.98% for fiscal year 2022. The annualized investment returns for the three-year and five-year periods were 9.7% and 7.5%, respectively. These returns -- which are net of investment management expenses as defined by Cambridge Associates in its annual survey -- are used for comparison purposes with other endowments and various benchmarks. In addition to the $71 million of investment management expenses, which reduced the pool by 1.0% in fiscal year 2021, the $21 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**.

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

# DRAFT 11/03/2022

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

The Board of Trustees
The Ohio State University:

We have audited, in accordance with the 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, the financial statements of the business-type activities and the aggregate discretely presented component units of The Ohio State University (the University) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 17, 2022. Our report refers to the University's adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, in 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of financial statement findings as items 2022-001 and 2022-002, that we consider to be significant deficiencies.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The University's Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's responses to the findings identified in our audit and described in the accompanying schedule of financial statement findings. The University's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*(signed) KPMG LLP*

Columbus, Ohio
November 17, 2022

**THE OHIO STATE UNIVERSITY**

Schedule of Financial Statement Findings

Year ended June 30, 2022

**Finding 2022-001: Reconciliation and analysis of bank accounts**

***Criteria***

Timely preparation and review of bank reconciliations is fundamental to preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

***Conditions Found***

During our testing of the University's main operating account, we determined the account was not reconciled to properly identify and evaluate timing differences between the general ledger and bank balance as of June 30, 2022. As a result, we identified a misstatement to reduce cash and accrued expenses by $45.5 million. After this misstatement was corrected by management, cash and cash equivalents reported by the University was $303.1 million as of June 30, 2022. Upon reconciliation of the main operating account and other bank accounts, the University identified certain other reconciling items. Such amounts were determined by management to be immaterial and not recorded in the 2022 financial statements.

***Cause***

The University's central bank reconciliations lacked effective protocols for identifying certain reconciling items. Further, such reconciliations were not independently reviewed before preparing the University's financial statements.

***Effect or potential effect***

Failure to timely identify and properly account for reconciling items between bank balances and the general ledger may result in errors, affect the entity's ability to properly manage and project cash flows, and increase the risk of misappropriation.

***Recommendation***

The University should revise policies and procedures to ensure timely preparation and review of all bank reconciliations by individuals having appropriate knowledge, objectivity, and authority.

***Views of University Officials***

Reconciliation activity is prepared timely; however, limitations and challenges with Workday reporting have made it difficult to identify and evaluate certain general ledger transactions. Work continues to improve Workday reporting capability. Additionally, improvements to the bank reconciliation process have been made to further facilitate analysis and communication, ensuring any necessary accounting entries can be made monthly.

**THE OHIO STATE UNIVERSITY**

Schedule of Financial Statement Findings

Year ended June 30, 2022

**Finding 2022-002: Classification of certain components of net position**

***Criteria***

GASB Codification 2200.117-125 requires entities to classify net position among net investment in capital assets, restricted amounts, and unrestricted amounts.

***Conditions Found***

The University's total net position was approximately $9.3 billion as of June 30, 2022. During our testing of certain net position components, we noted that $68.9 million of net investment in capital assets and $92.2 million of certain internally designated funds classified within restricted expendable net position should have been classified as unrestricted net position. Management corrected these misstatements in the 2022 statement of financial position.

***Cause***

The University had not performed sufficiently detailed analyses of net position balances, including comparison to corresponding prior-year balances.

***Effect or potential effect***

Failure to properly account for and apply consistent policies to net investment in capital assets, expendable net position, and unrestricted net position could result in misclassifications within net position.

***Recommendation***

The University should centralize and strengthen policies and review controls to ensure appropriate evaluation and classification of the above net position components.

***Views of University Officials***

We will review and enhance our policies and processes for the evaluation of appropriate net position classification.

## Acknowledgements

The 2022 Financial Report and the included financial statements are prepared by the staff of the Office of the Controller.

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## Board of Trustees