

**Ohio State University Physicians, Inc.
(A component unit of The Ohio State
University)**

Consolidated Financial Statements as of and
for the Years Ended June 30, 2015 and 2014,
Supplemental Consolidating Schedules as of and
for the Years Ended June 30, 2015 and 2014,
And Independent Auditor's Report



Dave Yost • Auditor of State

Board of Directors
Ohio State University Physicians, Inc.
2040 Blankenship Hall
901 Woody Hayes Dr.
Columbus, OH 43210

We have reviewed the *Independent Auditor's Report* of the Ohio State University Physicians, Inc., Franklin County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio State University Physicians, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 14, 2015

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OHIO STATE UNIVERSITY PHYSICIANS, INC.
(A COMPONENT UNIT OF THE OHIO STATE UNIVERSITY)

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Independent Auditor's Report

To the Board of Directors of
Ohio State University Physicians, Inc.

We have audited the consolidated financial statements of Ohio State University Physicians, Inc. ("OSUP"), a component unit of The Ohio State University, appearing on pages 8 to 27, which comprise the consolidated statements of net position as of June 30, 2015 and June 30, 2014 and the related consolidated statements of revenue, expenses, and changes in net position and of cash flows for the years then ended, which collectively comprise OSUP's basic consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of OSUP at June 30, 2015 and June 30, 2014, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 3 through 7 are required by accounting principles generally accepted in the United States of America to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated 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 consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated 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 basic consolidated financial statements. The consolidating information on pages 30 and 31 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015 on our consideration of OSUP'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 for the year ended June 30, 2015. The purpose of that report is 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 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 OSUP's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

Columbus, OH
October 30, 2015

Management's Discussion and Analysis for the Years Ended June 30, 2015, June 30, 2014, and June 30, 2013 (Unaudited)

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of Ohio State University Physicians, Inc. for the years ended June 30, 2015, June 30, 2014, and June 30, 2013. We encourage you to read this MD&A section in conjunction with the audited financial statements and the accompanying footnotes and supplemental consolidating schedules appearing in this report.

About Ohio State University Physicians

Ohio State University Physicians, Inc. and subsidiaries (collectively, "OSUP") located in Columbus, Ohio, is a 501(c)(3) tax-exempt physician organization for the physicians providing medical care, supporting medical research and supporting medical education at The Ohio State University (the "University"). OSUP was incorporated in Ohio in 2002, and the physicians primarily serve communities within the Central Ohio region.

OSUP is the single member of 18 limited liability companies ("LLCs"). As of June 30, 2015, only 16 of the LLCs are active and included in the consolidated financial statements and the accompanying supplemental consolidating schedules. Two of the LLCs (Anesthesiology and Orthopedics) have been created, but had no operations within the OSUP structure through June 30, 2015. OSU Community Outreach LLC, a new limited liability company created during fiscal year 2015, is utilized for community providers that do not wish to be included in the research and teaching missions of the University. This group is a small number of providers that wished to have a clinical relationship with The Ohio State University Wexner Medical Center ("OSUWMC") and OSUP. Additionally we have expanded our billing services for non-University related physician groups which is reported within the OSUP corporate function as presented in the accompanying supplemental consolidating schedules.

OSUP is governed by a board of managers who are responsible for oversight of clinical programs, budgets, general administration, and employment of faculty and staff. Effective January 1, 2011 any new faculty members hired were employed through The Ohio State University Faculty Group Practice ("FGP") and were leased back to OSUP, with the exception of Community Outreach physicians. Physicians previously employed through OSUP began integrating to the FGP effective July 1, 2011. All physicians that were to be employed through the FGP were integrated by June 30, 2014 and are being leased back to OSUP in the same manner as new hires that started after January 1, 2011.

The following financial statements reflect all assets, liabilities and net position (equity) of OSUP. The complete set of entities reflected in the financial statements is provided in the Basis of Presentation section of Note 1 to the consolidated financial statements.

About the Financial Statements

OSUP presents its financial statements in a "business type activity" format, in accordance with GASB Statement No. 61, *The Financial Reporting Entity*. In addition to this MD&A section, the financial statements include Consolidated Statements of Net Position, Consolidated Statements of Revenues, Expenses and Changes in Net Position, Consolidated Statements of Cash Flows and Notes to the Consolidated Financial Statements.

The Consolidated Statement of Net Position is OSUP's balance sheet. It reflects the total assets, liabilities and net position as of June 30, 2015 and June 30, 2014. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as noncurrent. Investment assets are carried at fair value. Capital assets, which include land, buildings, improvements, and equipment, are shown net of accumulated depreciation.

The Consolidated Statement of Revenues, Expenses and Changes in Net Position is OSUP's income statement. It details how net position has increased (or decreased) during the years ended June 30, 2015 and June 30, 2014. Patient care revenue is shown net of allowances for collectability, depreciation

Management's Discussion and Analysis for the Years Ended June 30, 2015, June 30, 2014, and June 30, 2013 (Unaudited)

is provided for capital assets, and there are required subtotals for operating income (loss) and non-operating income (expense).

The Consolidated Statement of Cash Flows details how cash has increased (or decreased) during the years ended June 30, 2015 and June 30, 2014. It breaks out the sources and uses of OSUP cash into logical categories such as, operating activities, capital financing activities, and investing activities.

The Notes to the Consolidated Financial Statements, which follow the financial statements, provide additional details on the balances in the financial statements. Following the notes is a section that provides supplemental consolidating information.

Financial Highlights and Key Trends

OSUP's net position increased \$8.2 million to \$91.0 million at June 30, 2015 as compared to prior year's growth in net position of \$4.4 million. Net Patient Revenues grew by \$37.0 million, and Other Revenue, which includes Medical Center Investment, increased by \$12.1 million, while operating expenses grew by \$42.9 million.

Condensed Consolidated Statements of Net Position (in thousands)

	June 30, 2015	June 30, 2014	June 30, 2013
ASSETS			
Current assets	\$128,340	\$109,122	\$107,268
Capital assets	26,139	28,294	29,731
Noncurrent assets	999	1,344	1,906
TOTAL ASSETS	\$155,478	\$138,760	\$138,905
LIABILITIES			
Current liabilities	\$44,229	\$34,320	\$39,145
Long term liabilities	20,233	21,606	21,311
TOTAL LIABILITIES	64,462	55,926	60,456
NET POSITION			
Net investment in capital assets	2,768	4,108	3,016
Unrestricted	88,248	78,726	75,433
Total net position	91,016	82,834	78,449
TOTAL LIABILITES & NET POSITION	\$155,478	\$138,760	\$138,905

Current assets consist of cash and cash equivalents, and other assets that are expected to be collected within the year following the balance sheet date. Noncurrent assets consist of Property, Plant, Furniture, and Equipment and other long term assets with more than a one year expected useful life. Current liabilities consist of debt that is expected to be liquidated within the year, and long term liabilities consist of long term debt associated with long term assets and with a lifespan of greater than one year.

Cash and cash equivalents increased \$16.7 million from June 30, 2014 to June 30, 2015 and \$5.2 million from June 30, 2013 to June 30, 2014. The primary drivers for the increase from 2014 to 2015 were cash from operating activities of \$16.7 million and cash from investing activities of \$1.2 million, offset by cash used for capital financing activities of \$1.2 million. The primary drivers for the increase from 2013 to 2014 were cash from operating activities of \$6.2 million and cash from investing activities of \$2.6 million, offset by cash used for capital financing activities of \$3.6 million.

Management's Discussion and Analysis for the Years Ended June 30, 2015, June 30, 2014, and June 30, 2013 (Unaudited)

Net patient care accounts receivable increased by \$2.7 million from June 30, 2014 to June 30, 2015 due to the growth in physicians and thus encounters and productivity (WRVUs). Days in AR were relatively flat thus the process improvements and consolidation of billing offices in prior years greatly benefited cash flows as gross revenue production increased by 16% yet Days in AR stayed the same. Net patient care accounts receivable increased by \$413 thousand from June 30, 2013 to June 30, 2014 as the growth in physicians and thus patient billings exceeded the reductions in accounts receivables that were associated with process improvements in the new central business office. The consolidation of multiple business offices drove billing and cash collection efficiencies as a result of more standardized processes and procedures.

Property, plant, furniture, and equipment, net decreased \$486 thousand from June 30, 2014 to June 30, 2015 as depreciation expense taken was in excess of assets purchased during fiscal year 2015. Property, plant, furniture, and equipment, net increased by \$100 thousand from June 30, 2013 to June 30, 2014 as purchases of PP&E were approximately equal to depreciation expense taken on capital assets.

Long- term investments decreased by \$276 thousand from June 30, 2014 to June 30, 2015 and decreased by \$517 thousand from June 30, 2013 to June 30, 2014. The decreases relate to the organizational needs to invest shorter term based upon the expected needs for future cash flow requirements.

EPIC ambulatory electronic medical records use agreement reflects OSUP's cost of using the electronic medical records system implemented by the Ohio State University Health System ("OSU Health System"), which is accounted for similar to a lease arrangement and depreciated over the useful life of the asset. The physicians of OSUP are funding approximately \$11.3 million in total to this joint project with OSU Health System.

The increase in current liabilities of \$9.9 million from June 30, 2014 to June 30, 2015 and the decrease of \$4.8 million from June 30, 2013 to June 30, 2014 are primarily due to the changes in amounts due to affiliated entities, primarily the University, and are based upon agreements between the LLC's and the University. These agreements are primarily related to the electronic medical record system, and physician support agreements generally in the start-up period of new practices.

Long term liabilities decreased \$1.4 million from June 30, 2014 to June 30, 2015 and increased \$295 thousand from June 30, 2013 to June 30, 2014 associated with fluctuations in long term amounts related to affiliated organizations within the University, which includes the debt for the electronic medical record ("EMR") system. The remaining long term portion due to the OSU Health System for the EMR system was \$4.0 million as of June 30, 2015 and June 30, 2014.

Management's Discussion and Analysis for the Years Ended June 30, 2015, June 30, 2014, and June 30, 2013 (Unaudited)

The Consolidated Statement of Revenue, Expenses, and Changes in Net Position presents OSUP's results of operations. A comparison for the years ended June 30, 2015, 2014, and 2013 is summarized as follows.

Condensed Consolidated Statements of Revenue, Expenses, and Changes in Net Position (in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net patient care revenue less provisions for bad debts	\$ 308,724	\$ 271,678	\$ 249,050
Other revenue	96,896	84,825	82,766
Total operating expense	<u>(398,612)</u>	<u>(355,699)</u>	<u>(329,003)</u>
Operating income	\$ 7,008	\$ 804	\$ 2,813
Nonoperating income	1,174	2,673	2,354
Other changes in net position	-	908	-
Increase in net position	<u>\$ 8,182</u>	<u>\$ 4,385</u>	<u>\$ 5,167</u>
Net Position- Beginning of year	82,834	78,449	73,282
Net Position- End of year	<u>\$ 91,016</u>	<u>\$ 82,834</u>	<u>\$ 78,449</u>

Average monthly patient volume was 187 thousand per month in fiscal year ended June 30, 2015, 162 thousand per month in the fiscal year ended June 30, 2014, and 154 thousand per month in the fiscal year ended June 30, 2013. These year over year increases were primarily related to the growth in the number of physicians and other providers providing patient services. The number of physicians have grown in 2015, 2014 and 2013 by 37, 85 and 92, respectively. The change of billing systems to EPIC from IDX also impacted the way encounters were counted in several LLCs for fiscal year end June 30, 2015.

Increases in net patient care revenue are associated with volume changes noted above as well as changes in rates charged and payments received for services, including the change in mix of services rendered to patients, and the payer mix of patients seen. Net patient care revenue increased by \$37.0 million from fiscal year 2014 to 2015, and \$22.6 million from fiscal year 2013 to fiscal year 2014. Both years relate to growth in physician practitioners during the period. In the last two months of fiscal year 2014 and the full fiscal year of 2015, patients that used to be self-pay were signing up into Medicaid products under the Affordable Care Act ("ACA"). This positively impacted our practices that were in underserved or underinsured areas.

A change in policy during fiscal 2014 changed the mix of adjustments that impact our gross revenue to net revenue calculations. OSUP instituted an upfront Self Pay discount to all Self Pay patients that approximates the discount given to our top 5 managed care contractual agreements. This discount effectively reduced Bad Debts and Charity Care adjustments, however the purpose was to "level the playing field" for Self Pay patients with other payers.

Other revenue increased \$12.1 million and represents both revenue associated with outside health related organizations, and support payments associated with funding of programs deemed important through the University. The primary growth came from contractual arrangements with outside health related organizations.

Operating expenses increased by \$42.9 million from fiscal year ended June 30, 2014 to June 30, 2015 and \$26.7 million from fiscal year ended June 30 2013 to June 30, 2014. Approximately \$27.1 million of the 2015 increase and \$16.6 million of the 2014 increase came from physician related costs. New physicians entering the practice generally take 2-3 years of service to grow their clinical practice before they are considered a mature practice.

Management's Discussion and Analysis for the Years Ended June 30, 2015, June 30, 2014, and June 30, 2013 (Unaudited)

Nonoperating income (expense) decreased \$1.5 million primarily related to a reduction in the accrual for the tax rebate with the City of Columbus for payroll growth incentives.

Other changes in net position – capital contribution for the fiscal year ended June 30, 2014, relates to a donation of a building to OSU GYN and OB Consultants, LLC. The building was recorded at appraised value based upon a gift from a related company. There were no capital contributions in 2015.

Economic Factors That Will Affect the Future

Healthcare reform is a source of concern as estimates of payment reductions over time based upon all commercial payers moving to Medicare payment rates would result in a more than \$50 million negative annual impact. This would be phased in over a number of years which will allow time to adjust, however significant operational changes would be necessary to handle such change. OSUP is undergoing significant financial redesign of operations in order to offset expected revenue losses, which include projects associated with physician productivity, patient access improvements, federal upper payment limit and Medicaid expansion projects, and overhead cost reductions. The locations that historically saw significant self-pay patient populations, such as our East locations, experienced a decrease in self-pay volume and an increase in Medicaid volume during 2015. In an effort to prepare for these changes the Ohio State University College of Medicine ("COM") and physician practice plans have set out to reduce costs and/or increase net revenue by approximately \$50 million over the next two years.

Ongoing governmental funding for our investment in an electronic medical record system (EPIC) has and will continue to pay for OSUP's \$11.3 million share of the system cost. The expectation is to recoup more than the \$11.3 million in system cost over the next several years from the stimulus funding set by Congress in prior years. We have received approximately \$13.6 million in payments as of June 30, 2015. Over the next year we are expecting an additional \$1.4 million from the Centers for Medicare & Medicaid Services related to our year four funding, which began January 1, 2015.

OHIO STATE UNIVERSITY PHYSICIANS, INC.
(A component unit of The Ohio State University)
CONSOLIDATED STATEMENTS OF NET POSITION *(in thousands)*
AS OF JUNE 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 68,107	\$ 51,441
Short-term investments	5,958	8,059
Accounts receivable — patient care — net of allowance	35,408	32,679
Accounts receivable — other	4,879	5,930
Due from affiliates	10,534	8,585
Inventories	1,998	1,389
Prepaid expenses	1,456	1,039
Total current assets	<u>128,340</u>	<u>109,122</u>
NONCURRENT ASSETS:		
Property, plant, furnitures, and equipment — net of accumulated depreciation (\$21,632 in 2015 and \$19,530 in 2014)	21,982	22,468
Long-term investments	736	1,012
EPIC ambulatory electronic medical record use agreement	2,410	4,056
Other assets	2,010	2,102
Total noncurrent assets	<u>27,138</u>	<u>29,638</u>
TOTAL ASSETS	<u>\$ 155,478</u>	<u>\$ 138,760</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,006	\$ 4,111
Accrued expenses	253	202
Accrued salaries and wages	5,142	8,055
Due to affiliates-current portion	28,986	17,200
Notes payable and capital leases-current portion	816	892
Retirement and health plan accrual	375	433
Other current liabilities	5,651	3,427
Total current liabilities	<u>44,229</u>	<u>34,320</u>
LONG TERM LIABILITIES:		
Notes payable and capital leases-less current portion	15,553	16,362
Due to affiliates - less current portion	3,956	4,200
Other long term liabilities	724	1,044
Total long term liabilities	<u>20,233</u>	<u>21,606</u>
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET POSITION:		
Net investment in capital assets	\$ 2,768	\$ 4,108
Unrestricted	88,248	78,726
Total net position	<u>91,016</u>	<u>82,834</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 155,478</u>	<u>\$ 138,760</u>

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

OHIO STATE UNIVERSITY PHYSICIANS, INC.

(A component unit of The Ohio State University)

CONSOLIDATED STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION *(in thousands)*

YEARS ENDED JUNE 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUE:		
Net patient care revenue	\$ 315,201	\$ 281,899
Provisions for bad debts	6,477	10,221
Net patient care revenue less provisions for bad debts	308,724	271,678
Other revenue	96,896	84,825
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Total operating revenue	405,620	356,503
OPERATING EXPENSES:		
Salaries and benefits	303,796	272,187
Supplies and pharmaceuticals	32,889	26,627
Services	35,112	29,575
Malpractice	-	2,177
Dean's tax	10,236	7,889
Occupancy and utilities	8,479	8,175
Amortization and depreciation	4,395	4,561
Interest	477	684
Other expenses	3,228	3,824
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Total operating expenses	398,612	355,699
	<hr/>	<hr/>
Operating income	7,008	804
NONOPERATING INCOME (EXPENSES):		
Interest income	56	113
Nonoperating income	2,269	3,830
Loss from investments	(9)	(66)
Gain (Loss) on sale of assets	19	(9)
Nonoperating expense	(1,161)	(1,195)
	<hr/>	<hr/>
Total nonoperating income	1,174	2,673
Other changes in net position - capital contribution	-	908
INCREASE IN NET POSITION	8,182	4,385
NET POSITION- Beginning of year	82,834	78,449
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NET POSITION- End of year	\$ 91,016	\$ 82,834
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The accompanying notes are an integral part of these consolidated financial statements.

OHIO STATE UNIVERSITY PHYSICIANS, INC.
(A component unit of The Ohio State University)
CONSOLIDATED STATEMENTS OF CASH FLOWS (*in thousands*)
YEARS ENDED JUNE 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flow from operating activities:		
Patient receipts-net	\$ 308,280	\$ 271,271
Other receipts	95,799	84,270
Payments to and on behalf of employees	(299,088)	(271,644)
Payments to vendors for supplies and services	(67,490)	(54,552)
Payments on malpractice and dean's tax	(9,054)	(11,072)
Payments on occupancy and utilities	(8,479)	(8,130)
Payments on other expenses	(3,228)	(3,913)
Net cash provided by operating activities	<u>16,740</u>	<u>6,230</u>
Cash flows from capital financing activities:		
Purchase of capital assets	(1,834)	(1,769)
Proceeds from sale of capital assets	50	306
Proceeds from debt	-	80
Payments on debts and capital leases	(1,316)	(3,899)
Payments on interest	(477)	(732)
Rental income	2,348	2,330
Net cash used in capital financing activities	<u>(1,229)</u>	<u>(3,684)</u>
Cash flows from investing activities		
Purchase of other assets	(408)	(524)
Purchase of investments	(5,700)	(14,922)
Proceeds from sale of investments	8,295	19,003
Proceeds from sale of other assets	35	-
Interest income	56	113
Non operating expense	(1,123)	(1,195)
Other contributions	-	135
Net cash provided by investing activities	<u>1,155</u>	<u>2,610</u>
Net Increase in Cash	16,666	5,156
Cash and cash equivalents- Beginning of year	<u>51,441</u>	<u>46,285</u>
Cash and cash equivalents-End of year	<u>\$ 68,107</u>	<u>\$ 51,441</u>

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

OHIO STATE UNIVERSITY PHYSICIANS, INC.

(A component unit of The Ohio State University)

CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands) (continued)

YEARS ENDED JUNE 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 7,008	\$ 804
Adjustments to reconcile net operating income to net cash		
Amortization and depreciation	4,395	4,561
Interest	477	684
Changes in assets and liabilities:		
Accounts receivable-patient care - net of allowance	(2,729)	(413)
Accounts receivable- other	1,051	(914)
Due from affiliates	(1,949)	1,691
Inventories	(609)	(395)
Other Assets	92	(66)
Prepaid expenses	(417)	(229)
Accounts payable	(1,105)	901
Due to affiliates	11,542	2,755
Accrued salaries and wages	(2,913)	(1,086)
Retirement and health plans accrual	(58)	(6)
Accrued expenses	51	(539)
Other liabilities	1,904	(1,518)
Net cash provided by operating activities	<u>\$ 16,740</u>	<u>\$ 6,230</u>

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

OHIO STATE UNIVERSITY PHYSICIANS, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 and 2014

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Ohio State University Physicians, Inc. and subsidiaries (“OSUP”) located in Columbus, Ohio, is a 501c (3) tax-exempt physician organization for the physicians providing medical care and supporting medical research and medical education at The Ohio State University (the “University”). It was incorporated in Ohio in 2002, and the physicians primarily serve communities within the Central Ohio region.

OSUP is the single member of 18 limited liability companies (“LLCs”). As of June 30, 2015, only 16 of the LLCs are active and included in the consolidated financial statements and the accompanying supplemental consolidating schedules. Two of the LLCs (Anesthesiology and Orthopedics) have been created, but had no operations within the OSUP structure through June 30, 2015. OSU Community Outreach LLC, a new LLC created during fiscal year 2015, is utilized for community providers that do not wish to be included in the research and teaching missions of the University. This group is a small number of providers that wish to have a clinical relationship with The Ohio State University Wexner Medical Center (“OSUWMC”) and OSUP.

Basis of Presentation – The accompanying financial statements present the activity of the following entities:

- Family Medicine Foundation, LLC (“FM”)
- OSU Emergency Medicine, LLC (“EM”)
- OSU Eye Physicians and Surgeons, LLC (“Eye”)
- OSU GYN and OB Consultants, LLC (“OBGYN”)
- OSU Internal Medicine, LLC (“IM”)
- OSU Neuroscience Center, LLC (“Neurology”)
- OSU Otolaryngology-Head and Neck Surgery, LLC (“Otolaryngology”)
- OSU Pathology, LLC (“Pathology”)
- OSU Physical Medicine and Rehabilitation (“Phys Med”)
- OSU Plastic Surgery, LLC (“Plastics”)
- OSU Psychiatry, LLC (“Psychiatry”)
- OSU Radiation Oncology, LLC (“Radiation Oncology”)
- OSU Radiology, LLC (“Radiology”)
- OSU Surgery, LLC (“Surgery”)
- OSU Urology, LLC (“Urology”)
- OSU Community Outreach, LLC (“Community Outreach”)

All LLCs listed above are included within OSUP’s consolidated financial statements on a blended basis. Additionally, OSUP has a corporate function that operates as a shared service center that supports all of the LLCs. Services offered include shared practice management services, clinical information systems, and certain financial management services. Given that this corporate function does not have any substantive activities on its own and exists only to provide the LLCs with these administrative services, the LLCs are displayed in a single column format in the consolidated financial statements.

OSUP obtains certain unique benefits from its association with the University. The consolidated financial statements of OSUP may not necessarily be indicative of the conditions that would have existed or the results of operations if OSUP had been operated without its affiliation with the University.

Principles of Consolidation - The consolidated financial statements include the accounts of OSUP, which are then included in the financial statements of the University because OSUP is a component unit of the University for reporting purposes, in accordance with Governmental Accounting Standards Board

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("GASB") Statement No. 61. All significant LLC intercompany balances and transactions have been eliminated in consolidation.

OSUP is reporting as a special purpose entity engaged in business type activities (BTA). Business type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. In accordance with BTA reporting, OSUP presents Management's Discussion and Analysis; Consolidated Statements of Net Position; Consolidated Statements of Revenue, Expenses, and Changes in Net Position; Consolidated Statements of Cash Flows; and Notes to the Consolidated Financial Statements.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. The consolidated financial statements of OSUP have been prepared on the accrual basis of accounting.

Net Position - Net position is categorized as:

Net investment in capital assets – Capital assets, net of accumulated depreciation and outstanding balances of debt attributable to the acquisition, construction or improvement of those assets.

Unrestricted – Net position that is not subject to externally-imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Cash and Cash Equivalents — Cash and cash equivalents consist of petty cash, demand deposit accounts, money market accounts, savings accounts and investments with original maturities of three months or less, stated at fair market value.

Short Term and Long Term Investments — OSUP holds investments in money market funds and certificates of deposit extending beyond three months. Fair values for these investments are based on market quotes as applicable, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Realized gains and losses are calculated based on the type of investment and are included in loss from investments in nonoperating income (expenses).

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

Accounts Receivable- Patient Care — OSUP accounts receivable are reduced by an allowance for doubtful accounts and contractual adjustments. In evaluating the collectability of accounts receivable, OSUP analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for contractual adjustments and provisions for bad debts. For receivables associated with services provided to patients who have third party coverage, OSUP analyzes contractually due amounts and provides an allowance for contractual adjustments. For receivables associated with self-pay patients, including patient deductibles and co-insurance, OSUP records a provision for bad debts in the period of service on the basis of its past experience, which indicates many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

OSUP utilizes the allowance method for providing for the possibility of uncollectible accounts. The allowance is provided based on management's estimate of the collectability of the accounts receivable as of June 30, 2015 and 2014. The estimates take into consideration historical trends, payment history, and current economic conditions. Actual results could vary from the estimate. Accounts are charged against

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the allowance when management deems them to be uncollectible. Interest is not charged by OSUP on past due accounts.

Inventory — OSUP’s inventory, which consists primarily of prescription drugs and medical supplies, is valued at cost on a first-in, first-out basis.

Property, Plant, Furniture, and Equipment, net— Property, plant, furniture and fixtures, and equipment are stated at cost and include assets leased under capitalized lease obligations. Depreciation and amortization are calculated on the straight-line method. The depreciation and amortization methods are designed to amortize the assets over their estimated useful lives. Capitalized lease amortization is included in depreciation expense. Ranges for useful lives by fixed asset category are shown below:

Land	2-29 years
Buildings	5-40 years
Furniture and fixtures	5-15 years
Equipment	5-15 years

Maintenance and repairs are charged to expense as incurred. Upon retirement of equipment, the cost is removed from the asset accounts and the related depreciation allowance is adjusted with the difference being charged or credited to non-operating income.

EPIC ambulatory electronic medical record use agreement- OSUP entered into a Software System Use agreement with OSU Medical Center for the purchase of an electronic medical records system (i.e. EPIC). The agreement, treated for accounting purposes similar to a capital lease, was between The Ohio State University Health System (“OSU Health System”), a consolidating organization within the University, and OSUP. The total acquisition cost related to OSUP’s share of the software and implementation was approximately \$11.3 million; these costs were discounted using a rate of 2.5% as of June 30, 2015 and 2014, respectively. This cost is being amortized over no more than seven years, and amortization began upon effective implementation within a physician’s group. At June 30, 2015 and 2014, accumulated amortization was \$7.9 million and \$6.3 million, respectively.

Long-Lived Assets — OSUP continually evaluates whether circumstances have occurred that would indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of such assets may not be recoverable. When factors indicate that such assets should be evaluated for possible impairment, OSUP uses an estimate of the undiscounted cash flows over the remaining life of the asset in measuring whether the asset is recoverable. To date, no such impairments have been necessary.

Professional and General Insurance — On July 1, 2003, OSUP joined with OSU Health System to establish a self-insurance fund for professional and patient general liability claims (“Fund II”), covering the employed physicians of OSUP as well as the OSU Health System. The assets and liabilities of Fund II are consolidated in the University’s financial statements, but are not included in OSUP’s financial statements, as a result of the retained risk being held by the University. Annual insurance costs are allocated to OSUP by the University and reflected in the Consolidated Statements of Revenue, Expenses, and Changes in Net Position.

The University has also established a pure captive insurer (“Oval Limited”) that provides excess liability coverage over Fund II which retains \$4 million per occurrence with various annual aggregate limits. Oval Limited covers up to \$55 million per occurrence with a \$55 million annual aggregate limit in excess of the Fund II limits. A portion of the risk written to date is reinsured by a combination of three reinsurance

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companies each of which has a minimum rating of A- by A. M. Best. Oval Limited's net retention is 50% of the first \$15 million and 0% for the remaining \$40 million per occurrence.

Oval Limited's assets and liabilities are consolidated in the University's financial statements, but are not included in OSUP's financial statements, as a result of the retained risk being held by the University.

There have been no settlements in the past three fiscal years which exceeded the combined limits provided by Fund II and Oval Limited. OSUP has not made any additional contributions in the last three years beyond its actuarially determined and Self Insurance Board approved premiums.

Net Patient Care Revenue- Net patient care revenue represents amounts received and estimated net realizable amounts due from patients and third-party payors for services rendered. OSUP provides care to patients under various reimbursement agreements, including governmental and commercial payers (third party payors). These arrangements provide for payment on covered services at agreed-upon rates, which may result in discounts from charges. Provisions have been made in the consolidated financial statements for estimated contractual adjustments, representing the difference between customary charges and related reimbursements, and for administrative adjustments. In fiscal year 2014 and continuing through fiscal year 2015, OSUP utilized a self-pay discount to approximate the average managed care discount for patients with commercial insurance and applied that percentage to self-pay accounts for non-cosmetic services. Self-pay discounts as of June 30, 2015 and 2014 are \$13.0 million and \$12.4 million, respectively, and are recorded in the contractual adjustments and other discounts line in the table below. Additionally, bad debts are recorded as a reduction of net patient care revenues to calculate net patient care revenues less provisions for bad debts. The self-pay discount and continued increase in enrollees to state Medicaid programs decreased the provisions for bad debts. Amounts recorded for fiscal year 2015 and fiscal year 2014 are as follows (in thousands):

	2015	2014
Gross patient care revenue	\$ 847,452	\$ 713,874
Contractual adjustments and other discounts	(528,069)	(427,093)
Administrative adjustments	(4,182)	(4,882)
Net patient care revenue	<u>\$ 315,201</u>	<u>\$ 281,899</u>
Provisions for bad debts	(6,477)	(10,221)
Net patient care revenue less provisions for bad debt	<u>\$ 308,724</u>	<u>\$ 271,678</u>

Additionally, net patient care revenue amounts recognized from major payor sources for fiscal year 2015 and fiscal year 2014 are as follows (in thousands):

	2015	2014
Third party payors	\$ 309,969	\$ 263,465
Self pay	5,232	18,434
Net patient care revenue	<u>\$ 315,201</u>	<u>\$ 281,899</u>

Non-Patient Care Revenue — Non-patient care revenue includes contract services, rent, salary recovery, educational and research revenue. This revenue is recognized in accordance with the underlying agreement when it is earned. OSUP acts as a principal in these types of transactions. As such, income is shown gross of related expenses in accordance with the applicable accounting guidance.

Charity Care — Care is provided to patients regardless of their ability to pay. A patient is classified as charity care in accordance with policies established by OSUP. As collection of amounts determined to qualify as charity care are not pursued, such amounts are written off and not reported as gross patient

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care revenue. OSUP maintains records to identify and monitor the level of charity care provided, including the amount of charges foregone for services furnished. Charity care provision costs as of June 30, 2015 and 2014 are \$6.7 million and \$15.0 million, respectively. The cost of charity care is calculated by taking the ratio of operating expenses divided by gross patient revenue.

Federal Income Taxes — OSUP is a not-for-profit corporation and has been recognized as tax exempt pursuant to Section 501(c) (3) of the Internal Revenue Code. Under a now disregarded legal entity name, OSUP obtained its determination letter on October 21, 1996, in which the Internal Revenue Service stated that the organization was in compliance with applicable requirements of the Internal Revenue Code. OSUP management and legal counsel believe that the organization is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. OSUP has determined no provision for income taxes is necessary nor has been included in the accompanying consolidated financial statements. Any unrelated business income is taxable.

Management Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets including estimated uncollectibles for accounts receivable and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimated Fair Value of Financial Instruments — Carrying values of cash and cash equivalents, receivables, accounts payable, accrued liabilities, and other current liabilities are estimated at approximate fair value because of the short-term maturity. Carrying values of notes payable approximate the fair value due to their variable interest rates.

Meaningful Use- The America Recovery and Reinvestment Act of 2009 (“ARRA”) established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified electronic health record (“EHR”) technology. OSUP recognizes its’ EHR incentive payments using a government grant recognition model. OSUP determined the EHR incentive payments are similar to grants that are related to income and recognizes the incentive payments when there is reasonable assurance that it will comply with the conditions attached to them and that the grants will be received. The recognition of the income related to the EHR incentive payments is based on management’s best estimates and the amounts are subject to change, with such changes impacting the operations in the period in which they occur. Any material changes would be disclosed by OSUP as a change in accounting estimate. OSUP recognized \$3.6 million and \$4.2 million in Other Revenue in the fiscal year ended June 30, 2015 and June 30, 2014, respectively.

Reclassifications – Certain prior year amounts have been reclassified to conform with the current year presentation.

Newly Issued Accounting Pronouncements – In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (“Statement No. 73”). Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement No. 73 for reporting pensions generally are the same as in Statement No. 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for financial statements for fiscal years beginning after June 15, 2016.

In June 2015, the GASB issued Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (“Statement No. 74”), and No. 75, *Accounting and Financial Reporting*

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for *Postemployment Benefits Other Than Pensions* ("Statement No. 75"). Statements No. 74 and 75 establish new accounting and reporting standards for other postemployment benefits ("OPEB"), such as health insurance provided to retirees. Under the new standards, governments that participate in OPEB plans will be required to report in their statement of net position a net OPEB liability, which is the difference between the total OPEB liability and the assets set aside to pay OPEB. Statement No. 74, which applies to plans (such as OPERS and STRS-Ohio), is effective for periods beginning after June 15, 2016. Statement No. 75, which applies to plan participants (including the University), is effective for periods beginning after June 15, 2017.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("Statement No. 76"). Statement No. 76 reduces the GAAP hierarchy for state and local governments to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category consists of GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is specifically cleared by the GASB. The new standard is effective for periods beginning after June 15, 2015.

OSUP management is currently assessing the impact that implementation of GASB Statements No. 73, 74, 75 and 76 will have on OSUP's financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

During fiscal years 2015 and 2014, cash in accounts that are subject to the Federal Depository Insurance Corporation ("FDIC") limits are spread across multiple financial institutions to limit the potential exposure to losses.

Noninterest bearing accounts are covered under FDIC for unlimited balances. Amounts invested in interest bearing accounts are spread through other banks primarily in certificate of deposits in amounts less than \$250 thousand. As of June 30, 2015 and 2014, no losses have been experienced on these accounts. At June 30, 2015, the carrying amount of the primary institution's cash and cash equivalents is \$68.1 million as compared to bank balances of \$70.8 million. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$56.3 million is covered by federal deposit insurance and \$14.5 million is invested in interest bearing accounts spread among certificates of deposits primarily in amounts less than \$250 thousand and money market funds.

OSUP Investments are grouped into three major categories for financial reporting purposes: Cash Equivalents, Short term investments and Long term investments. Instruments with original maturity of 0-90 days are treated as cash equivalents.

Short Term Investments are investments that have a maturity of 1 year or less. Long Term Investments have a maturity of greater than 1 year. All Long Term Investments held at June 30, 2015 and 2014 mature within five years.

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Detail for fiscal years 2015 and 2014 follows (in thousands):

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Short Term</u> <u>Investments</u>	<u>Long Term</u> <u>Investments</u>
2015			
Demand Deposits & Cash	\$ 53,646	\$ -	\$ -
Money Market Fund	13,211	-	-
Certificates of Deposits (maturing 2015-2017)	1,250	5,958	736
	<u>\$ 68,107</u>	<u>\$ 5,958</u>	<u>\$ 736</u>
2014			
Demand Deposits & Cash	\$ 39,108	\$ -	\$ -
Money Market Fund	10,964	-	-
Certificates of Deposits (maturing 2014-2015)	1,369	8,059	1,012
	<u>\$ 51,441</u>	<u>\$ 8,059</u>	<u>\$ 1,012</u>

Additional Risk Disclosures for Investments

Statement Nos. 3 and 40 of the Governmental Accounting Standards Board require certain additional disclosures related to the interest-rate, credit and foreign currency risks associated with deposits and investments.

Interest-rate risk – Interest-rate risk is the risk that changes in interest rates will adversely affect the value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their values as a result of future changes in interest rates.

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

OSUP's interest-bearing investments at June 30, 2015 and 2014 are unrated.

As of June 30, 2015, OSUP had no deposits or investments denominated in foreign currencies.

NOTE 3 - PATIENT ACCOUNTS RECEIVABLE AND CONCENTRATIONS OF CREDIT RISK

OSUP grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Patient accounts receivable as of June 30, 2015 and 2014 consist of the following (in thousands):

	<u>2015</u>	<u>2014</u>
Gross patient accounts receivable	\$ 105,218	\$ 90,862
Allowance for contractual adjustments	(60,983)	(50,147)
Allowance for bad debt	(8,827)	(8,036)
Total	<u>\$ 35,408</u>	<u>\$ 32,679</u>

Risk of loss for third party payors is based upon contractual obligations, legislative changes, or bankruptcy of the payor. Risk of loss for the patient self-payors is related to economic factors of the

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individual, and thus has a higher reserve for loss based upon our historical indicators. The mix of gross receivables from patients and third-party payors as of June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Medicare	23%	28%
Medicaid	18%	17%
Commercial/other third party payors	41%	39%
Patient	18%	16%
	<u>100%</u>	<u>100%</u>

NOTE 4 - PROPERTY, PLANT, FURNITURES, AND EQUIPMENT

The composition of property, plant, furniture, and equipment as of June 30, 2015 is as follows (in thousands):

	<u>Beginning</u>		<u>Retirements/</u>	<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Property, Plant, and Equipment not being depreciated:				
Land	\$ 2,090	\$ -	\$ -	\$ 2,090
Construction in progress	114	657	743	28
Total non-depreciable assets	<u>2,204</u>	<u>657</u>	<u>743</u>	<u>2,118</u>
Property, Plant, and Equipment being depreciated:				
Land improvements	\$ 3,733	\$ 809	\$ 8	\$ 4,534
Buildings	18,783	4	-	18,787
Equipment	14,451	863	186	15,128
Furniture and Fixtures	2,827	244	25	3,046
Total	<u>\$ 39,794</u>	<u>\$ 1,920</u>	<u>\$ 219</u>	<u>\$ 41,495</u>
Less: Accumulated Depreciation	<u>(19,530)</u>	<u>(2,270)</u>	<u>(169)</u>	<u>(21,631)</u>
Total depreciable assets, net	<u>20,264</u>	<u>(350)</u>	<u>50</u>	<u>19,864</u>
Property, Plant, and Equipment, Net	<u>\$ 22,468</u>	<u>\$ 307</u>	<u>\$ 793</u>	<u>\$ 21,982</u>

Depreciation expense for the year ended June 30, 2015 was \$2.3 million.

Additions to property, plant, furniture, and equipment, net of retirements and reductions, include \$743 thousand of transfers from construction in progress.

The composition of property, plant, furniture, and equipment as of June 30, 2014 is as follows (in thousands):

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	<u>Beginning</u>		<u>Retirements/</u>	<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Property, Plant, and Equipment not being depreciated:				
Land	\$ 2,090	\$ -	\$ -	\$ 2,090
Construction in progress	23	339	248	114
Total non-depreciable assets	<u>2,113</u>	<u>339</u>	<u>248</u>	<u>2,204</u>
Property, Plant, and Equipment being depreciated:				
Land improvements	\$ 3,280	\$ 533	\$ 80	\$ 3,733
Buildings	17,831	985	33	18,783
Equipment	13,657	915	121	14,451
Furniture and Fixtures	2,746	153	72	2,827
Total	<u>37,514</u>	<u>2,586</u>	<u>306</u>	<u>39,794</u>
Less: Accumulated Depreciation	<u>(17,259)</u>	<u>(2,447)</u>	<u>(176)</u>	<u>(19,530)</u>
Total depreciable assets, net	<u>20,255</u>	<u>139</u>	<u>130</u>	<u>20,264</u>
Property, Plant, and Equipment, Net	<u>\$ 22,368</u>	<u>\$ 478</u>	<u>\$ 378</u>	<u>\$ 22,468</u>

Depreciation expense for the year ended June 30, 2014 was \$2.4 million.

Additions to property, plant, furniture, and equipment, net of retirements and reductions, include \$248 thousand of transfers from construction in progress.

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NOTE 5 - NOTE PAYABLE — LINE OF CREDIT AND LONG TERM DEBT

LINE OF CREDIT - On November 30, 2007, OSUP and each LLC existing at that time, individually and collectively entered into a line of credit agreement with a bank (the "Agreement"). Since the initiation of this Agreement, certain LLCs have been added and removed as parties to the Agreement, and the maturity date was extended through December 31, 2015. Management does not intend to extend the maturity date of this Agreement.

Each individual LLC is limited to borrow as follows as of June 30, 2015 and June 30, 2014 (in thousands):

	June 30, 2015	June 30, 2014
OSU Emergency Medicine, LLC	500	500
OSU Eye Physicians and Surgeons, LLC	400	400
OSU GYN and OB Consultants, LLC	500	500
OSU Internal Medicine, LLC	2,000	2,000
OSU Neuroscience Center, LLC	250	250
OSU Otolaryngology - Head and Neck Surgery, LLC	500	500
OSU Pathology, LLC	500	500
OSU Physical Medicine and Rehabilitation, LLC	100	100
OSU Plastic Surgery, LLC	500	500
OSU Psychiatry, LLC	100	100
OSU Radiation Oncology, LLC	100	100
OSU Radiology, LLC	500	500
OSU Surgery, LLC	1,000	1,000
OSU Urology, LLC	500	-

Additionally, OSUP's corporate function is limited to borrow \$750 thousand. The total limit to borrow under this agreement is \$4 million and the amounts by LLC above are sub-limits within the Agreement.

The Agreement requires monthly interest payments at the bank's prime rate, less 0.75% (1.10% at June 30, 2015 and 2014). This Agreement is secured by accounts receivable, inventory, deposits, and equipment (not including OSU Eye Physicians and Surgeons, LLC). There were no borrowings on the line of credit as of June 30, 2015. The borrowings made on the line of credit were \$70 thousand as of June 30, 2014.

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DEBT - A summary of debt as of June 30, 2015 and 2014 are as follows (in thousands):

June 30, 2015	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
Series 2013 Health Care Facilities Revenue Bond payable to County of Franklin, Ohio. Monthly installments of principal and fixed interest of 2.103% annum. Bond due July, 2035	\$ 14,785	\$ -	\$ 557	\$ 14,228	\$ 567
Line of credit	70	-	70	-	-
Term loan payable in monthly installments of principal and fixed interest of 2.30% annum. Loan due May, 2023	2,379	-	243	2,136	244
Capital lease obligations	20	-	15	5	5
	<u>\$ 17,254</u>	<u>\$ -</u>	<u>\$ 885</u>	<u>\$ 16,369</u>	<u>\$ 816</u>

June 30, 2014	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
Series 2013 Health Care Facilities Revenue Bond payable to County of Franklin, Ohio. Monthly installments of principal and fixed interest of 2.103% annum. Bond due July, 2035	\$ 15,336	\$ -	\$ 551	\$ 14,785	\$ 563
Line of credit	-	80	10	70	70
Term loan payable in monthly installments of principal and fixed interest of 2.30% annum. Loan due May, 2023	2,616	-	237	2,379	243
Note payable due in monthly installments of principal and interest (LIBOR plus 3.85%, 4.1% as of June 30, 2013) due October, 2013	22	-	22	-	-
Capital lease obligations	101	-	81	20	16
	<u>\$ 18,075</u>	<u>\$ 80</u>	<u>\$ 901</u>	<u>\$ 17,254</u>	<u>\$ 892</u>

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There were no new borrowings in 2015 and OSUP paid cash of \$885 thousand related to repayments in fiscal year 2015. OSUP received cash of \$80 thousand related to new borrowings and paid cash of \$901 thousand related to repayments in fiscal year 2014.

The Series 2013 healthcare facilities revenue bonds, which were issued on May 1, 2013, are subject to certain restrictive and financial covenants, requiring minimum debt service coverage ratios of 1.25 to 1.50 quarterly and minimum tangible net worth, as defined by the agreement, of \$48 million. OSUP was in compliance with all covenants for all applicable quarters during 2014 and 2015.

The Series 2013 healthcare facilities revenue bond is to be paid monthly with payments of principal and fixed interest to be made until July 1, 2035. An interest rate of 2.103% per annum is used to calculate payments.

On May 1, 2013, at the same time the 2013 healthcare facilities revenue bonds were issued, a term loan was issued in the amount of \$2.6 million. Included in the term loan is the taxable portion of OBGYN's build out for their Mill Run location. Monthly payments of principal and fixed interest on the term loan are to be made until May 1, 2023. An interest rate of 2.3% per annum will be used to calculate payments.

Scheduled principal repayments on long term debt as of June 30, 2015, are as follows (in thousands):

	Principal	Interest	Total
2016	\$ 824	\$ 340	\$ 1,164
2017	842	322	1,164
2018	860	304	1,164
2019	879	285	1,164
2020	898	266	1,164
2021-2025	4,165	1,039	5,204
2026-2030	3,702	641	4,343
2031-2035	4,193	231	4,424
	<u>\$ 16,363</u>	<u>\$ 3,428</u>	<u>\$ 19,791</u>

CAPITAL LEASE OBLIGATIONS

OSUP has capital lease obligations that have varying maturity dates through 2016 and carry implicit interest rates ranging from 1.10% to 12.1%. Lease arrangements are being used to provide partial financing for certain movable equipment. Capital asset balances, net of accumulated amortization, of \$52 thousand and \$64 thousand as of June 30, 2015 and 2014, respectively, are financed under capital leases.

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The scheduled maturities of these leases as of June 30, 2015, are as follows (in thousands):

Years Ending June 30	Capital Lease Obligations
2016	\$ 5
Capital lease obligations	<u>\$ 5</u>
Less amount representing interest under capital lease obligations	<u>(1)</u>
Total	<u><u>\$ 4</u></u>

NOTE 6 – OTHER CURRENT AND LONG TERM LIABILITIES

Other liabilities primarily include unearned rent, tenant allowances, retention bonuses and patient credit balances prior to refunding. Other current and long term liability activity as of June 30, 2015 and 2014, respectively, is as follows (in thousands):

	<u>Beginning</u>			<u>Ending</u>	
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Current Portion</u>
2015					
Unearned Revenue	\$ 2,012	\$ 1,231	\$ 1,512	\$ 1,731	\$ 1,134
Retention Bonuses	226	-	99	127	-
Due to Others	2,233	17,670	15,386	4,517	4,517
	<u>\$ 4,471</u>	<u>\$ 18,901</u>	<u>\$ 16,997</u>	<u>\$ 6,375</u>	<u>\$ 5,651</u>
2014					
Unearned Revenue	\$ 3,344	\$ 2,415	\$ 3,747	\$ 2,012	\$ 1,194
Retention Bonuses	418	-	192	226	-
Due to Others	2,227	4,398	4,392	2,233	2,233
	<u>\$ 5,989</u>	<u>\$ 6,813</u>	<u>\$ 8,331</u>	<u>\$ 4,471</u>	<u>\$ 3,427</u>

OHIO STATE UNIVERSITY PHYSICIANS, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 and 2014

NOTE 7 - RELATED-PARTY TRANSACTIONS AND INTERCOMPANY RECEIVABLES AND PAYABLES

OSUP is a component unit of the University. Due to this relationship with the University, related-party transactions are pervasive throughout the consolidated statements of revenue, expenses and changes in net position. A summary of the nature of these transactions and related due to/from affiliate balances reported in the consolidated statement of net position as of June 30, 2015 and 2014, are as follows (in thousands):

Due From:

OSU Health System— OSUP provides staffing, coding support, and medical directorships to The Ohio State University Hospital and The Ohio State University Hospital East. OSU Health System reimburses OSUP for its share of administration and information service overhead, and physician billing services provided to them.

The Ohio State University and The Ohio State University College of Medicine and Public Health (“COMPH”) — OSUP provides staffing, coding support, and medical directorships to The University.

Balances due from each affiliate as of June 30, 2015 and 2014 are as follows (in thousands):

	2015		2014
Due from OSU Health System	\$ 4,591	\$	3,913
Due from COMPH	5,943		4,672
	<u>\$ 10,534</u>	\$	<u>8,585</u>

Due to:

OSU Health System- OSUP pays premiums for the USIF (malpractice) and health insurance to the University Office of the Treasurer. Additionally, OSUP is responsible for certain costs of the EPIC ambulatory electronic medical record (“EMR”) implementation coordinated through OSU Health System. As of June 30, 2015 and 2014, OSUP has \$7.0 million and \$7.0 million payable, respectively, to OSU Health System for the EPIC EMR implementation.

COMPH-Under the College of Medicine Medical Practice Plan, OSUP is obligated to contribute to the OSU College of Medicine Academic Enrichment Fund, Teaching and Research Fund (“Academic Enrichment”), and Strategic Initiative Fund. Academic Enrichment is paid to the Dean’s office for support of the academic, research, and clinical missions of the College. The Strategic Initiative Fund is comprised of various funds established by the College to support resident education. These funds are paid periodically during the year. Dean’s tax and strategic initiative expenses as of June 30, 2015 and 2014 are \$10.2 million and \$7.9 million respectively.

OHIO STATE UNIVERSITY PHYSICIANS, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 and 2014

Balances due to each affiliate as of June 30, 2015 and 2014 are as follows (in thousands):

	<u>2015</u>	<u>2014</u>
Due to OSU Health System	\$ 13,226	\$ 10,381
Due to COMPH	19,716	11,019
	<u>\$ 32,942</u>	<u>\$ 21,400</u>

NOTE 8 - MEDICAL MALPRACTICE CLAIMS

OSUP purchases professional and general liability insurance to cover medical malpractice claims through the University. The University has established a self-insurance fund for professional liability claims. The University's estimated liability and the related contributions to the University's self-insurance fund for professional liability claims are based upon an independent actuarial determination as of June 30, 2015 and 2014. Premiums are assessed to OSUP based on the physician's specialty and the types of procedures performed. There have been no settlements in the past three fiscal years which exceeded the combined limits provided by Fund II and Oval Limited. OSUP has not made any additional contributions in the last three years beyond its actuarially determined and Self Insurance Board approved premiums. No premiums were required to be paid for the year ended June 30, 2015. Premiums paid for the year ended June 30, 2014 were \$2.1 million, net of rebates received.

NOTE 9 - RETIREMENT AND HEALTH PLANS

Retirement benefits are provided for the employees of OSUP through a tax-sheltered 403(b) and 401(a) defined contribution plan administered by an insurance company. OSUP is required to make nondiscretionary contributions of no less than 7.5% under the Interim Retirement Plan; however, some LLCs make an additional discretionary contribution of up to 17.5%, for a range of total employer contributions of 7.5% to 25%. Employees are allowed, but not required, to make contributions to the 403(b) plan. OSUP's share of the cost of these benefits was \$4.4 million and \$4.0 million for the years ended June 30, 2015 and 2014, respectively. Employee contributions were \$1.5 million and \$1.2 million for the years ended June 30, 2015 and 2014, respectively.

OSUP participates in a health insurance plan covering substantially all non-physician employees. All physician employees and certain non-physician employees receive benefits through the health care plan sponsored by the University. Covered services under both plans include medical, dental, and vision benefits, life insurance, and long term disability.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Operating Leases — OSUP leases various equipment and facilities under operating leases expiring at various dates through September 2030. Total rental expense in 2015 and 2014 for all operating leases was approximately \$6.4 million and \$6.8 million, respectively, which includes leases that operate on a month-to-month basis.

OHIO STATE UNIVERSITY PHYSICIANS, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 and 2014

The following is a schedule by year of future minimum lease payments (in thousands) under operating leases as of June 30, 2015, that have initial or remaining lease terms in excess of one year.

Year ended June 30	
2016	\$ 5,300
2017	4,178
2018	3,046
2019	1,491
2020	859
2021-2030	3,433
TOTAL	<u>\$ 18,307</u>

Litigation — OSUP is involved in litigation arising in the course of business. After consultation with legal counsel, management does not believe that claims and lawsuits individually or in the aggregate will have a material adverse effect on OSUP's future consolidated financial position, results from operations, or cash flows.

Health Care Legislation and Regulation — The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, and reimbursement for patient services. Federal and state government activity has continued with respect to investigations and allegations concerning possible violation of billing regulations by health care providers.

Violations of these regulations could result in the imposition of significant fines and penalties, as well as having a significant effect on reported changes in net position and cash flows.

Management believes that OSUP is in compliance with applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.



Independent Auditor's 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*

To the Board of Directors of
Ohio State University Physicians, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Ohio State University Physicians, Inc. ("OSUP"), a component unit of The Ohio State University, appearing on pages 8 to 27, which comprise the consolidated statement of net position as of June 30, 2015, and the related consolidated statements of revenue, expenses, and changes in net position and of cash flows for the year then ended, and have issued our report thereon dated October 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered OSUP's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of OSUP's internal control. Accordingly, we do not express an opinion on the effectiveness of OSUP'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OSUP's consolidated 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 determination of financial statement amounts. 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*.



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.

PricewaterhouseCoopers LLP

Columbus, OH
October 30, 2015

SUPPLEMENTAL CONSOLIDATING SCHEDULES

OHIO STATE UNIVERSITY PHYSICIANS INC., AND SUBSIDIARIES
(A component unit of The Ohio State University)
CONSOLIDATING STATEMENT OF NET POSITION
AS OF JUNE 30, 2015
(IN THOUSANDS)

	OSUP Corporate	Community Outreach	FM	EM	Eye	OBGYN	IM	Neurology	Otolaryngol ogy	Pathology	Phys Med	Plastic Surgery	Psychiatry	Radiation Oncology	Radiology	Surgery	Urology	Aggregated	Elimination s	Total
ASSETS																				
CURRENT ASSETS:																				
Cash and cash equivalents	\$ 12,677	\$ 75	\$ 181	\$ 8,314	\$ 5,022	\$ 1,675	\$ 10,039	\$ 1,590	\$ 2,158	\$ 9,290	\$ 1,240	\$ 598	\$ 1,119	\$ 5,596	\$ 3,986	\$ 3,845	\$ 702	\$ 68,107	\$ 0	\$ 68,107
Short-term investments	0	0	1,226	0	0	0	1,000	0	0	501	0	250	0	0	0	2,501	480	5,958	0	5,958
Accounts receivable — patient care - net of allowance	0	394	0	1,414	1,338	1,192	13,889	1,193	2,271	2,549	517	1,218	474	1,180	3,082	3,935	762	35,408	0	35,408
Accounts receivable — other	3,170	146	2	24	243	230	277	19	315	102	1	16	198	30	2	142	-39	4,879	0	4,879
Due from affiliates	8,735	138	0	244	285	263	2,762	188	283	481	118	1,671	647	172	3,534	465	545	20,528	9,994	10,534
Inventories	254	0	0	0	139	36	1,420	82	0	67	0	0	0	0	0	0	0	1,998	0	1,998
Prepaid expenses	384	0	0	500	0	56	247	22	37	23	9	40	0	0	0	74	64	1,456	0	1,456
Total current assets	25,220	754	1,409	10,495	7,027	3,451	29,634	3,093	5,064	12,945	1,952	3,792	2,439	6,978	10,605	10,962	2,514	138,335	9,994	128,340
NONCURRENT ASSETS:																				
Property, plant, furnitures, and equipment-net of accumulated depreciation	11,887	60	0	0	1,516	1,733	5,304	168	531	55	9	67	0	0	0	269	382	21,982	0	21,982
Long-term investments	0	0	736	0	0	0	0	0	0	0	0	0	0	0	0	0	0	736	0	736
EPIC ambulatory electronic medical record use agreement	0	0	0	152	74	110	928	122	58	236	70	40	166	24	168	260	3	2,410	0	2,410
Other assets	3,212	3	0	11	-0	428	274	18	300	792	71	86	-0	-0	1	-0	-0	5,196	3,187	2,010
Total noncurrent assets	15,099	63	736	164	1,590	2,271	6,506	308	889	1,083	150	193	166	24	168	529	385	30,324	3,187	27,138
TOTAL ASSETS	\$ 40,320	\$ 817	\$ 2,145	\$ 10,659	\$ 8,617	\$ 5,722	\$ 36,140	\$ 3,400	\$ 5,953	\$ 14,028	\$ 2,102	\$ 3,986	\$ 2,605	\$ 7,002	\$ 10,773	\$ 11,491	\$ 2,899	\$ 168,659	\$ 13,181	\$ 155,478
LIABILITIES AND NET POSITION																				
CURRENT LIABILITIES:																				
Accounts payable	\$ 1,880	0	0	4	0	27	840	0	43	195	5	0	0	0	13	0	0	3,006	0	3,006
Accrued expenses	161	0	28	0	0	62	2	0	-0	0	0	1	0	0	0	0	0	253	0	253
Accrued salaries and wages	1,487	210	5	13	59	245	1,459	111	173	1,025	79	64	0	18	4	155	36	5,142	0	5,142
Due to affiliates — current portion	11,502	1,106	0	1,377	1,286	267	8,077	8,190	893	1,411	490	201	97	666	569	1,699	1,149	38,980	9,994	28,986
Notes payable and capital leases — current portion	811	0	0	0	0	0	0	0	5	0	0	0	0	0	0	0	0	816	0	816
Retirement and health plan accrual	60	2	0	1	3	12	124	7	8	139	2	6	0	1	0	5	3	375	0	375
Other current liabilities	311	0	0	324	116	1,172	1,882	305	228	34	65	121	42	153	338	493	66	5,651	0	5,651
Total current liabilities	16,211	1,319	32	1,718	1,464	1,785	12,384	8,613	1,351	2,804	641	393	140	839	924	2,352	1,254	54,223	9,994	44,229
LONG-TERM LIABILITIES:																				
Notes payable and capital leases — less current portion	15,553	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	15,553	0	15,553
Due to affiliates and other — less current portion	3,956	0	0	98	984	352	1,054	62	25	159	80	42	87	-25	107	162	0	7,143	3,187	3,956
Other long term liabilities	352	0	0	0	0	246	0	0	0	0	0	0	0	0	0	0	127	724	0	724
Total long term liabilities	19,860	0	0	98	984	597	1,054	62	25	159	80	42	87	-25	107	162	127	23,419	3,187	20,233
COMMITMENTS AND CONTINGENCIES (Note 10)																				
NET POSITION :																				
Invested in capital assets, net of related debt	-11,479	60	0	163	1,590	2,083	6,506	308	853	1,069	150	193	166	24	168	529	385	2,768	0	2,768
Unrestricted	15,728	-562	2,113	8,680	4,579	1,257	16,197	-5,582	3,724	9,996	1,231	3,357	2,211	6,164	9,574	8,449	1,133	88,248	0	88,248
Total net position	4,249	-502	2,113	8,843	6,169	3,340	22,703	-5,274	4,577	11,065	1,381	3,550	3,377	6,188	9,742	8,978	1,518	91,016	0	91,016
TOTAL LIABILITIES AND NET POSITION	\$ 40,320	\$ 817	\$ 2,145	\$ 10,659	\$ 8,617	\$ 5,722	\$ 36,140	\$ 3,400	\$ 5,953	\$ 14,028	\$ 2,102	\$ 3,986	\$ 2,605	\$ 7,002	\$ 10,773	\$ 11,491	\$ 2,899	\$ 168,659	\$ 13,181	\$ 155,478

OHIO STATE UNIVERSITY PHYSICIANS INC.. AND SUBSIDIARIES
(A component unit of The Ohio State University)
CONSOLIDATING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)

	OSUP Corporate	Community Outreach	OBGYN	Radiation Oncology	Radiology	Surgery	IM	EM	Neurology	Pathology	Phys Med	Psychiatry	FM	Eye	Otolaryngol ogy	Urology	Plastic Surgery	Aggregated	Eliminations	Total
OPERATING REVENUE:																				
Net Patient Care Revenue	0	1,142	13,635	7,569	28,088	28,460	133,130	16,173	12,613	21,075	5,514	4,841	0	13,577	16,554	7,460	5,371	315,201	0	315,201
Provisions for bad debt	0	60	129	-16	219	389	2,528	754	261	416	102	196	0	565	646	144	84	6,477	0	6,477
Net patient care revenue less provisions for bad debts	0	1,082	13,507	7,585	27,869	28,071	130,602	15,419	12,352	20,659	5,412	4,645	0	13,012	15,908	7,315	5,287	308,724	0	308,724
Other revenue	28,988	284	3,765	1,805	4,897	10,163	37,206	4,208	1,474	10,445	2,316	6,794	0	2,687	1,832	640	3,629	121,135	24,239	96,896
Total operating revenue	28,988	1,366	17,272	9,390	32,766	38,234	167,808	19,627	13,827	31,104	7,728	11,438	0	15,699	17,741	7,955	8,915	429,858	24,239	405,620
OPERATING EXPENSES:																				
Salaries and benefits	20,304	1,561	12,461	7,508	24,537	30,538	111,711	16,043	9,732	21,333	5,298	10,714	0	7,932	12,023	5,706	6,519	303,919	124	303,796
Supplies and pharmaceuticals	604	71	1,412	23	49	326	19,982	143	3,591	2,294	1,971	4	0	196	1,000	954	269	32,889	0	32,889
Services	6,211	147	1,411	380	2,048	3,333	22,765	1,836	1,352	2,886	323	383	25	3,428	1,386	683	939	49,536	14,424	35,112
Malpractice	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dean's tax	0	0	486	254	1,384	972	3,351	764	262	746	121	166	0	375	948	246	161	10,236	0	10,236
Occupancy and utilities	1,926	82	1,006	16	307	3,329	24	530	246	108	204	0	0	32	721	299	448	9,278	799	8,479
Amortization and depreciation	818	0	401	16	112	195	1,347	103	118	452	69	110	0	307	184	90	73	4,395	0	4,395
Interest	320	0	11	1	5	39	51	4	5	7	2	3	0	25	3	1	1	477	0	477
Other expenses	497	7	626	447	1,129	1,405	4,286	946	583	790	273	143	0	506	746	303	234	12,921	9,693	3,228
Total operating expenses	30,680	1,868	17,813	8,630	29,278	37,116	166,822	19,863	16,172	28,754	8,166	11,727	25	12,800	17,009	8,281	8,645	423,650	25,040	398,612
Operating income	-1,691	-502	-541	760	3,487	1,118	986	-236	-2,346	2,350	-438	-289	-25	2,899	731	-326	271	6,208	-801	7,008
NONOPERATING INCOME (EXPENSES):																				
Interest Income	4	0	0	3	1	6	8	2	0	19	-0	0	11	1	2	1	1	56	0	56
Nonoperating income	2,051	0	316	0	0	210	386	0	0	0	0	0	0	0	107	0	0	3,069	801	2,269
(Loss) Income from investments	3	0	0	1	2	0	0	0	0	-20	0	0	3	0	0	1	0	-9	0	-9
Loss on sale of assets	0	0	0	0	0	0	-12	0	0	0	0	0	0	0	0	0	31	19	0	19
Nonoperating expense	-0	0	-1	-682	-9	-402	-4	-13	0	-13	0	-9	0	0	-19	-11	0	-1,162	0	-1,161
Total nonoperating income (expense)	2,058	0	315	-678	-8	-184	378	-11	0	-14	-0	-9	13	1	89	-9	32	1,973	801	1,174
Other changes in net position - capital contribution	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INCREASE IN NET POSITION	366	-502	-227	81	3,480	934	1,364	-246	-2,346	2,336	-438	-298	-11	2,901	821	-335	302	8,182	0	8,182
NET POSITION — Beginning of year	3,882	0	3,567	6,106	6,264	8,042	21,339	9,090	-2,929	8,729	1,819	2,675	2,124	3,268	3,757	1,853	3,248	82,834	0	82,834
NET POSITION— End of year	\$ 4,248	-\$ -502	\$ 3,340	\$ 6,187	\$ 9,744	\$ 8,976	\$ 22,703	-\$ 8,844	-\$ -5,275	\$ 11,065	\$ 1,381	\$ 2,377	\$ 2,113	\$ 6,169	\$ 4,578	\$ 1,518	\$ 3,550	\$ 91,016	\$ 0	\$ 91,016



Dave Yost • Auditor of State

THE OHIO STATE UNIVERSITY PHYSICIANS, INC

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 24, 2015**