Oregon State University

A member of the Oregon University System

2014 Annual Financial Report

Oregon State
UNIVERSITY

Oregon State University
2014 Annual Report

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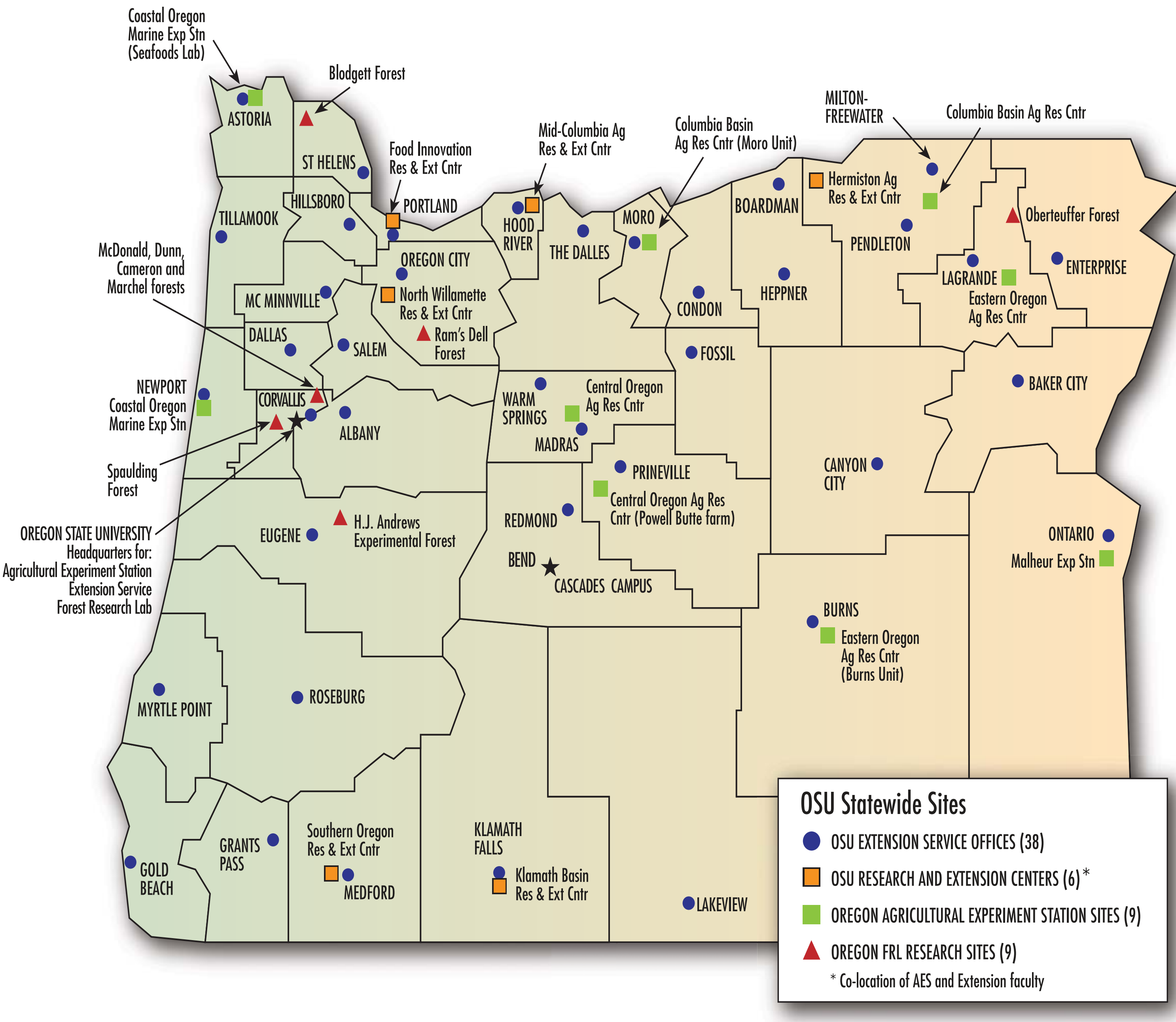
Oregon State University (OSU) is a comprehensive, public, research-intensive university and, through the 2014 fiscal year, a member of the Oregon University System (OUS). It serves as the State's land-, sea-, space- and sun-grant institution - one of only two universities with all such designations in the country. OSU programs and faculty are located in every county of the State and are dedicated to providing solutions for the State's greatest challenges. OSU considers the State its campus and works in partnership with many school districts, Oregon's community colleges and other OUS institutions to provide access to high-quality educational programs. Meanwhile, strong collaborations with industry, state and federal agencies drive OSU's research enterprise.



MISSION

As a land grant institution committed to teaching, research, and outreach and engagement, Oregon State University promotes economic, social, cultural and environmental progress for the people of Oregon, the nation and the world. This mission is achieved by producing graduates competitive in the global economy, supporting a continuous search for new knowledge and solutions, and maintaining a rigorous focus on academic excellence, particularly in three Signature Areas: Advancing the Science of Sustainable Earth Ecosystems; Improving Human Health and Wellness; and Promoting Economic Growth and Social Progress.

VISION

To best serve its mission, Oregon State University will be among the Top 10 land grant institutions in America and will be recognized as a premier international public research university.

GOALS

Strategic Plan 3.0 expands Oregon State's strategic goals to focus on:

- Success that transforms our learners and our world.
- Leadership that integrates scholarship, creativity and collaboration throughout learning and discovery.
- Expansion of the university's diversity, reach and service across Oregon, throughout the nation and around the world.

OSU Strategic Plan: **http://oregonstate.edu/leadership/strategicplan/**

Message from the President

President Edward J. Ray

I am pleased to report again this year that the financial picture of Oregon State University is very strong thanks to the collective efforts of many. Oregon State's strategic planning process that will guide the university through 2018 is complete, and we are confident that this remarkable university community will continue to propel OSU in a powerful and fiscally responsible manner.

Oregon State achieved many major accomplishments this past year. The most sweeping change was responding to the decision to pursue a new governance model with the appointment of an independent board of trustees by Oregon Governor John Kitzhaber. OSU worked with the state and other public universities over the past year to put in place the policies and procedures necessary to operate as an independent university beginning July 1, 2014. This fall, we opened Tebeau Hall, a new student residence hall, and Austin Hall, the new home of the College of Business. We have also broken ground on the Lonnie B. Harris Black Cultural Center and the Asian Pacific Cultural Center. The Campaign for OSU stood at $1.06 billion as of June 30, 2014, with six more months until the official close of the campaign. The original campaign goal was $625 million, which was increased to $850 million and finally, $1 billion. More than $182 million has been raised for student scholarships, fellowships and awards.

While accomplishing these milestones, Oregon State continues to move to the front ranks of international and comprehensive research land grant universities in America. We have a strong and diverse leadership team, who worked with the university's faculty to complete Strategic Plan 3.0.

Our enrollment of Oregon residents remains strong, and growth in resident students at Oregon State accounted for nearly all of the growth at Oregon's public universities last year. As Oregon's statewide university, OSU is strongly committed to help achieve the state's 40-40-20 educational attainment goals. This ambitious plan calls for 40 percent of adult Oregonians to hold a bachelor's or advanced degree; 40 percent to have an associate's degree or a meaningful postsecondary certificate; and all remaining adult Oregonians to hold a high school diploma or equivalent by the year 2025. To help achieve 40-40-20, I have outlined a plan to maintain OSU's 25 percent enrollment share among Oregon's public universities. The plan calls for 28,000 students to be enrolled at our Corvallis campus; 3,000-5,000 students at our OSU-Cascades campus in Bend; up to 500 students at a proposed Marine Studies campus in Newport; and up to 7,000 degree-seeking students enrolled at Oregon State entirely online.

As part of this effort, the Oregon University System Board has endorsed four-year programs in established degree areas to be offered at our OSU-Cascades branch campus by fall 2015. This campus will serve students who want to remain in Central Oregon and attend a four-year college and will provide out-of-state and international students with an alternative to our Corvallis campus. With the strong support of the Board, the Governor and key legislators, the Legislature approved $20 million in state bonds, to be combined with private gifts and Cascades Campus reserves to fund the early development of a separate campus for OSU-Cascades. We have acquired 56 acres for the site of this campus and are working with the City of Bend and various stakeholders to begin construction of the first facilities on the site. The proposal for a Marine Studies campus emerged from a study authored by our Office of Research. I am moving this initiative forward through active conversations with many partners along the coast and throughout Oregon. Meanwhile, Oregon State's Ecampus distance learning program has expanded to offer more than 35 degrees and programs. It is one of the nation's top-ranked programs for online education.

On the financial front, Oregon State had many successes in 2014. The Campaign for OSU raised more than $100 million for the fourth consecutive year and external research awards reached $285 million. The University closed fiscal year 2014 with a fund balance of more than 8 percent of revenue. In the past fiscal year, Oregon State's growing research enterprise achieved its second highest level of funding ever to support work in public health, the environment, advanced engineering and projects to help develop Oregon's and the nation's economy. Our university-industry partnerships produced $37 million last year, an OSU record; royalty revenues reached $6 million. Tuition rates and college affordability continue to be a key concern among OSU leadership, students and their families. The 2013 Oregon Legislature approved $15 million in funding to reduce proposed resident undergraduate tuition rate increases at the state's public universities for the 2013-14 academic year to an average of 3.5 percent. Meeting in a September 2013 special session, the Legislature authorized additional funds to reduce resident undergraduate tuition rate increases for winter and spring terms to an average of 2.0 percent and to freeze undergraduate tuition rate increases for the 2014-15 academic year. It is noteworthy that prior to those tuition buy-down actions, the Fiske Guide to Colleges had identified Oregon State as a "best buy" university for both 2013 and 2014.

OSU's commitment to move to the front ranks of international and comprehensive land grant universities in America remains a top priority. We intend to climb the quality ladder in every dimension in which we operate, and to demonstrate that excellence is achieved through diversity. Over the past five years, OSU has attracted more Oregon high school valedictorians and salutatorians than any other university in the state. We completed the first year of a long-term effort known as the First-Year Experience program to raise retention rates for all first-time students and attain a higher six-year graduation rate. We have completed a plan to hire up to 50 new tenure-track faculty positions in key strategic disciplines and areas of student need in the next year.

We provided a faculty salary increase of 3 percent this January and another 3 percent in July, totaling a 6 percent increase in calendar year 2014. We also implemented a new classification and compensation system for our unclassified employees outside the professorial ranks and completed a review of salary structure and needs for non-tenure track faculty.

Through our partnership with INTO OSU, international student enrollment last year reached more than 10 percent, up from 5 percent in 2007. Founded in 2008, INTO OSU is an initiative to increase the number of international students at OSU and to improve the overall level of service that the University provides these students. This is one piece of our strategy to become a leading international public university. We are working with INTO on programs for the new Bend campus and on approaches to broaden student participation in Study Abroad opportunities.

With regard to facilities, the Centro Cultural César Chávez is now open, as is Eena Haws, the Native American Longhouse and cultural center. The new campus bookstore has been a tremendous success, and the renovation of the Memorial Union and construction of the Student Experience Center are nearing completion. Our new track and field and basketball practice facilities are also open for use. We anticipate bond sales in the next year to contribute to construction of a new $65 million classroom building and Johnson Hall, a $40 million chemical, biological and environmental engineering building. Meanwhile, our Collaboration Corvallis partnership with the city of Corvallis is progressing and continues to bolster the strong relationship between OSU and the Corvallis community. A newly-hired director of Corvallis community relations is further helping our students learn to be even better neighbors.

We will continue to practice sound financial management and work to ensure that cost does not become a barrier to our students' completion of their college degrees. The issue of stable funding for the university's Statewide programs — the OSU Extension Service, our Forest Research labs and many agricultural experiment stations located throughout Oregon — remains unresolved and will need to be addressed in a responsible and timely manner.

As Oregon's statewide university for 146 years, we look to our strong record of service and heritage and exciting future as we move closer to our sesquicentennial in 2018. We will continue to build on the momentum of the past decade, moving toward even greater success for our students and those we serve throughout Oregon, the nation and the world.

Edward J. Ray

Edward J. Ray

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INDEPENDENT AUDITORS' REPORT

Members of the Board

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Oregon State University (the University), an institution of higher education of the Oregon University System (the System), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oregon State Foundation, which represents 96 percent of the assets, 98 percent of the net assets, and 95 percent of revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the 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, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 (A), the financial statements present only the University, and do not purport to, and do not, present fairly the financial position of the System as of June 30, 2014 and 2013, the changes in its financial position, or its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 (A), effective July 1, 2014, the University became an independent public body separate from the System due to the passing of Senate Bill 270.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 – 17 and the schedule of funding progress of Other Post Employment Benefits on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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

The Message from the President has not been subjected to the auditing procedures applied in the audit of the basic 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 December 19, 2014, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 the University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Greenwood Village, Colorado
December 19, 2014

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Oregon State University (OSU) for the years ended June 30, 2014, 2013 and 2012. OSU is comprised of a main campus in Corvallis and a branch campus in Bend, along with the Hatfield Marine Science Center in Newport, Ecampus, and Extension Service, Agricultural Experiment Stations and Forest Research Laboratories throughout the State.

Annual Full Time Equivalent Student Enrollment Summary

	2014	2013	2012	2011	2010
Corvallis	**21,844**	21,634	21,102	20,359	19,035
Cascades	**541**	479	474	442	403
Ecampus	**3,684**	3,030	2,464	2,168	1,828
Total	**26,069**	25,143	24,040	22,969	21,266

Understanding the Financial Statements

The MD&A focuses on OSU as a whole and is intended to foster a greater understanding of OSU's financial activities. Since this presentation includes summarized formats, it should be read in conjunction with the financial statements that have the following six components:

Independent Auditor's Report presents an unmodified opinion rendered by CliftonLarsonAllen LLP, an independent certified public accounting firm, on the fairness in presentation of the financial statements.

Statement of Net Position (SNP) presents a snapshot of OSU's assets, deferred outflows, liabilities and deferred inflows under the accrual basis of accounting at the end of each fiscal year presented. The SNP helps the reader understand the types and amounts of assets available to support operations, how much OSU owes to vendors and bondholders, and OSU's net position, delineated based upon availability for future expenditures.

Statement of Revenues, Expenses, and Changes in Net Position (SRE) presents OSU's revenues and expenses categorized between operating, nonoperating and other related activities. The SRE reports OSU's operating results for each fiscal year presented.

Statement of Cash Flows (SCF) provides information about OSU's sources and uses of cash during the fiscal year. The SCF classifies sources and uses of cash into four categories (cash provided (used) by: operating activities, noncapital financing activities, capital and related financing activities and investing activities).

Notes to the Financial Statements (Notes) provide additional information to clarify and expand on the financial statements.

Component Units, comprised of two supporting foundations, are combined and reported separately in the OSU financial statements and in Notes 2 and 19.

The MD&A provides an objective analysis of OSU's financial activities based on currently known facts, decisions, and conditions. The analysis is about OSU as a whole and is not broken out by individual campuses, schools, colleges or divisions. The MD&A discusses the current and prior year results in comparison to the respective year's prior year. Unless otherwise stated, all years refer to the fiscal year ended June 30.

Statement of Net Position

The term "Net Position" refers to the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, and is an indicator of OSU's current financial condition. Changes in net position that occur over time indicate improvement or deterioration in OSU's financial condition. The following chart summarizes OSU assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position (in millions):

Condensed Statement of Net Position

As of June 30,	**2014**	2013	2012
Current Assets	**$ 237**	$ 186	$ 184
Noncurrent Assets	**156**	204	197
Capital Assets, Net	**890**	789	766
Total Assets	**$ 1,283**	$ 1,179	$ 1,147
Deferred Outflows of Resources	**$ 11**	$ 11	$ 7
Current Liabilities	**$ 162**	$ 126	$ 132
Noncurrent Liabilities	**660**	583	541
Total Liabilities	**$ 822**	$ 709	$ 673
Deferred Inflows of Resources	**$ -**	$ -	$ -
Net Investment in Capital Assets	**$ 312**	$ 302	$ 312
Restricted - Nonexpendable	**4**	3	3
Restricted - Expendable	**115**	101	93
Unrestricted	**41**	75	73
Total Net Position	**$ 472**	$ 481	$ 481

Total Assets

Total Assets increased $104 million, or 9 percent, during the year ended 2014. During 2013, Total Assets increased $32 million, or 3 percent.

Comparison of fiscal year 2014 to fiscal year 2013

Current Assets increased $51 million, or 27 percent.

- Current cash and cash equivalents increased $33 million due to the conversion of some investments to cash prior to the university governance changes effective July 1, 2014.

- Accounts receivable increased $18 million. Increases in receivables related to student tuition and housing revenues, athletics revenues and other receivables of $25 million were slightly offset by a decrease in federal grants and contracts receivable of $6 million and an increase in allowances for bad debt of $1 million.

Noncurrent Assets decreased $48 million, or 24 percent.

- Year-end cash balances in capital construction funds and agency funds for student groups and campus organizations decreased $18 million compared to the prior year mainly due to decreased cash on hand at year-end restricted for capital construction.
- Investments decreased $29 million due to a change in the OUS investment strategy that resulted from the change in university governance effective July 1, 2014.
- Notes Receivable decreased $1 million.

Capital Assets, Net increased $101 million, or 13 percent. See detailed information on Capital Assets in this MD&A for details on this change.

Deferred Outflows of Resources was relatively unchanged.

Comparison of fiscal year 2013 to fiscal year 2012

Current Assets increased $2 million, or 1 percent.

- Current cash and cash equivalents increased $4 million.
- Accounts receivable increased $5 million. Increases to receivables related to student tuition and housing revenues, auxiliary operations, federal grants and contracts and other receivables of $10 million were offset by decreases in receivables from component units and state, other government and private gifts, grants and contracts of $3 million along with a $2 million increase in the allowances for bad debt.
- Collateral from Securities Lending decreased $7 million.

Noncurrent Assets increased $7 million, or 4 percent.

- Year-end cash balances in capital construction funds and agency funds for student groups and campus organizations decreased by $3 million.
- Investments increased $11 million as a result of the investment strategy employed by the OUS.

Capital Assets, Net increased $23 million, or 3 percent. See detailed information on Capital Assets in this MD&A for details on this change.

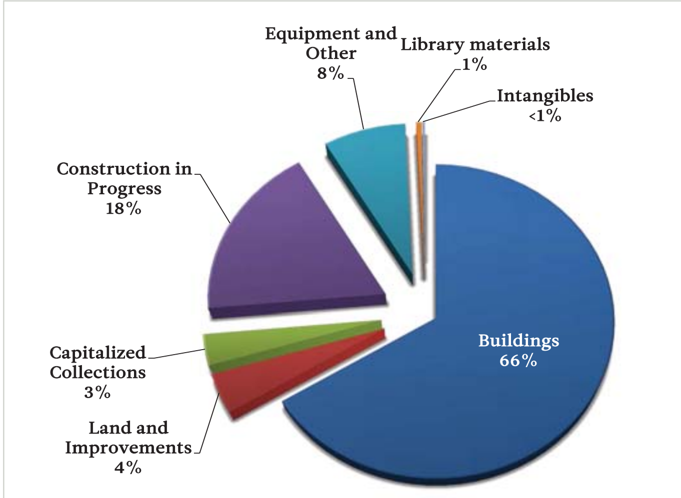
Deferred Outflows of Resources increased $4 million, or 57 percent, due to an increase in the accrued gain/loss on refunding of previously held debt.

Capital Assets and Related Financing Activities

Capital Assets

At June 30, 2014, OSU had $1.5 billion in capital assets, less accumulated depreciation of $655 million, for net capital assets of $890 million. At June 30, 2013, OSU had $1.4 billion in capital assets, less accumulated depreciation of $608 million, for net capital assets of $789 million. During fiscal year 2014, $29 million in construction projects were completed and placed into service. OSU is committed to a comprehensive program of capital investment and facility maintenance that includes addressing current maintenance needs and minimizing OSU's deferred maintenance backlog. State, federal, private, debt, and internal OSU funding were all used to accomplish OSU's capital objectives.

2014 Capital Assets, Net $890 Million



Changes to Capital Assets
(in millions)

	2014	2013	2012
Capital Assets, Beginning of Year	$ 1,397	$ 1,331	$ 1,240
Add: Purchases/Construction	155	71	101
Less: Retirements/Disposals/Adjustments	(6)	(5)	(10)
Total Capital Assets, End of Year	1,546	1,397	1,331
Accum. Depreciation, Beginning of Year	(608)	(565)	(527)
Add: Depreciation Expense	(50)	(47)	(46)
Less: Retirements/Disposals/Adjustments	2	4	8
Total Accum. Depreciation, End of Year	(656)	(608)	(565)
Total Capital Assets, Net, End of Year	$ 890	$ 789	$ 766

Capital additions totaled $155 million for 2014, $71 million for 2013, and $101 million for 2012.

Accumulated depreciation at June 30, 2014 increased $48 million, which represented $50 million in depreciation and amortization expense offset by $2 million in asset retirements and adjustments. Accumulated depreciation at June 30, 2013 increased $43 million, which represented $47 million in depreciation and amortization expense offset by $4 million in asset retirements and adjustments. Depreciation expense was $50 million during 2014 compared to $47 million during 2013 and $46 million in 2012.

Capital Commitments

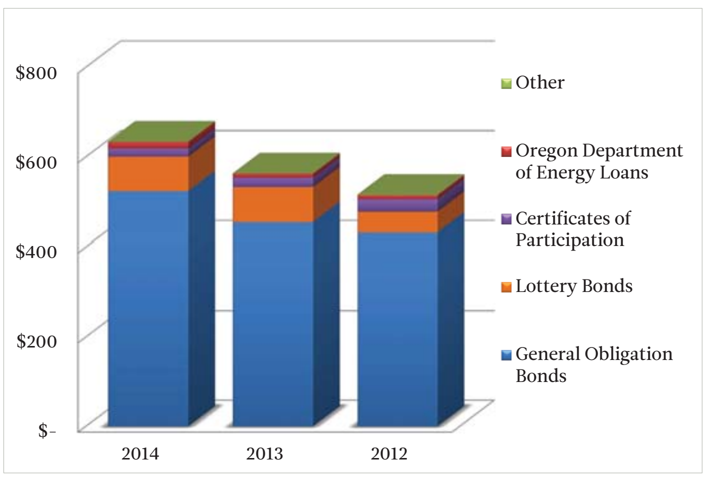
OSU has outstanding capital commitments of $196 million on partially completed and planned but not yet started construction projects authorized by the Oregon State Legislature as of June 30, 2014. See "Note 17. Commitments and Contingent Liabilities" for additional information relating to capital construction commitments.

Debt Administration

During 2014 and 2013, the OUS issued debt on behalf of OSU totaling $70 million and $98 million, respectively, with the proceeds earmarked for construction and acquisition of capital assets and for refunding outstanding debt obligations. General Obligation Bonds increased by $70 million during 2014.

Long-term Debt

(in millions)



Total Liabilities

Total Liabilities increased $113 million, or 16 percent, during 2014. During 2013, Total Liabilities increased $36 million, or 5 percent.

Comparison of fiscal year 2014 to fiscal year 2013

Current Liabilities increased $36 million, or 29 percent.

- Accounts payable and accrued liabilities increased $33 million mainly due to capital construction projects.
- Unearned revenues increased $2 million.
- Deposits decreased $4 million.
- The current portion of long-term liabilities increased $5 million.

Noncurrent Liabilities increased $77 million, or 13 percent, primarily due to debt issued for the construction of capital assets.

Comparison of fiscal year 2013 to fiscal year 2012

Current Liabilities decreased $6 million, or 5 percent.

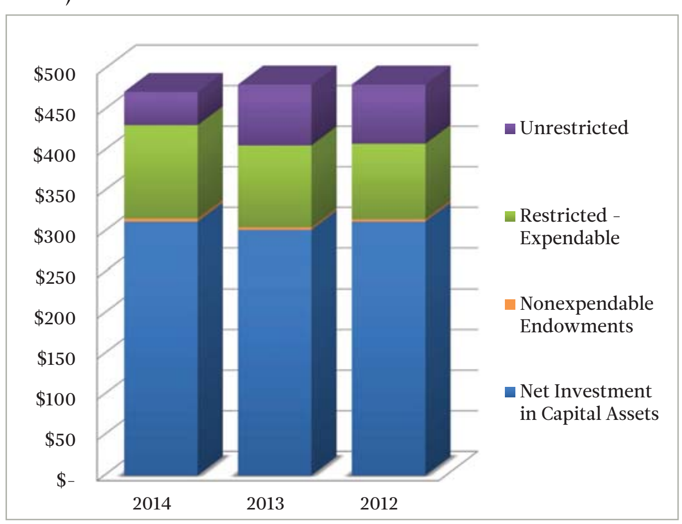
- The current portion of long-term liabilities increased $7 million as the result of increased borrowing for capital construction.
- Accounts payable decreased by $2 million.
- Deposits decreased by $4 million.
- Obligations Under Securities Lending decreased $7 million.

Noncurrent Liabilities increased $42 million, or 8 percent, primarily due to debt issued for the construction of capital assets.

Total Net Position

Changes to Total Liabilities reflected a slightly larger increase than changes to Total Assets which caused Total Net Position to decrease $9 million, or 2 percent, during 2014 compared to no change between 2012 and 2013.

As illustrated by the following graph, the make-up of net position changed between 2014, 2013 and 2012 (in millions).



Comparison of fiscal year 2014 to fiscal year 2013

Net Investment in Capital Assets increased $10 million, or 3 percent.

- A capital asset increase of $149 million was offset by a $48 million increase to accumulated depreciation and a $91 million increase to long-term debt outstanding attributable to the capital assets.

Restricted Expendable Net Assets increased $14 million, or 14 percent.

- Net assets relating to funds reserved for debt service increased by $9 million primarily because the OUS issued $70 million in new debt on OSU's behalf, which resulted in a larger amount of debt service in the sinking funds reserve.
- Net assets restricted for capital projects increased $5 million primarily as a result of an increase in the number of new construction and improvement projects.

Unrestricted Net Assets decreased $34 million, or 45 percent.

- Current year unrestricted funds expenses exceeded revenues by $2 million, resulting in a $2 million decrease in unrestricted net assets.
- During 2014, OSU was required to pay off line of credit loans with the OUS Internal Bank of $32 million which were funding construction projects that are in progress. The repayment of these loans resulted in a reduction of unrestricted net assets. The $32 million construction project expenses will be funded by a future revenue bond sale, at which time the unrestricted funds will be reimbursed.

Comparison of fiscal year 2013 to fiscal year 2012

Net Investment in Capital Assets decreased $10 million, or 3 percent.

- A capital asset increase of $66 million was offset by a $43 million increase to accumulated depreciation and a $33 million increase to long-term debt outstanding attributable to the capital assets.

Restricted Expendable Net Assets increased by $8 million, or 9 percent.

- Net assets relating to funds reserved for debt service increased by $2 million mainly due to new debt issuances that resulted in a larger amount of debt service in the sinking funds reserve.
- Net assets relating to the funding of capital projects increased less than $1 million.
- Gifts, Grants and Contracts increased $5 million due to a larger number of gifts primarily for construction and improvement projects.

Unrestricted Net Assets increased $2 million, or 3 percent.

- Unrestricted funds revenues exceeded expenses by $2 million, resulting in a $2 million increase in unrestricted net assets.

Statement of Revenues, Expenses and Changes in Net Position

Due to the classification of certain revenues as nonoperating revenue, OSU shows a loss from operations. State general fund appropriations, nonexchange grants and non-capital gifts, although considered nonoperating revenue under Governmental Accounting Standards Board (GASB) No. 35 and reflected accordingly in the nonoperating section of the SRE, are used solely for operating purposes.

The following summarizes the revenue and expense activity of OSU (in millions):

Condensed Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30,	2014	2013	2012
Operating Revenues	**$ 622**	$ 587	$ 546
Operating Expenses	**911**	846	798
Operating Loss	**(289)**	(259)	(252)
Nonoperating Revenues, Net of Expenses	**242**	225	207
Other Revenues, Net of Expenses	**38**	34	31
Increase (Decrease) in Net Position	**(9)**	-	(14)
Net Position, Beginning of Year	**481**	481	495
Net Position, End of Year	**$ 472**	$ 481	$ 481

Revenues

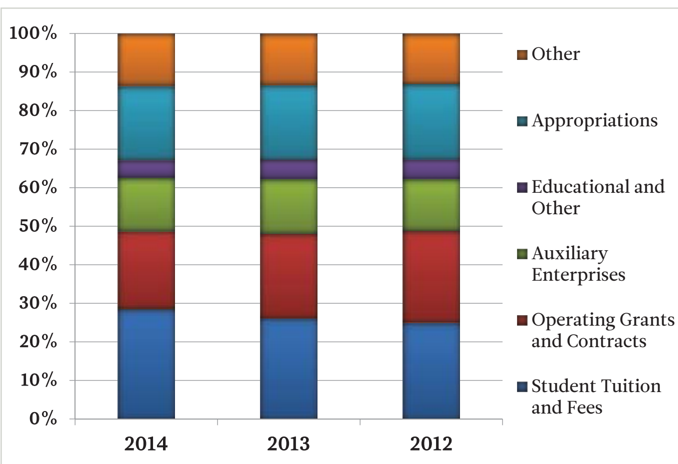
Revenues increased $53 million, or 6 percent, in 2014 over 2013.

Total Operating, Nonoperating and Other Revenues

(in millions)

For the Year Ended June 30,	2014	2013	2012
Student Tuition and Fees	$ 264	$ 228	$ 202
Grants and Contracts	187	192	194
Auxiliary Enterprises	129	124	109
Educational and Other	42	43	41
Total Operating Revenues	622	587	546
Appropriations	178	170	159
Financial Aid Grants	45	43	41
Investment Activity	17	16	8
Capital Grants and Gifts	25	17	21
Nonoperating and Other Items	40	41	36
Total Nonoperating and Other Revenues	305	287	265
Total Revenues	$ 927	$ 874	$ 811

Total Operating, Nonoperating and Other Revenues



Operating Revenues

Operating Revenues increased $35 million in 2014, or 6 percent over 2013, to $622 million. Operating revenues increased $41 million in 2013, or 8 percent over 2012. These changes are primarily due to increases in Student Tuition and Fees and Auxiliary Enterprises Revenues.

Comparison of fiscal year 2014 to fiscal year 2013

Student Tuition and Fees increased $36 million, or 16 percent.

- Higher tuition and fee rates accounted for $20 million of the increase.
- A 4 percent enrollment increase added $15 million in tuition and fees.
- Fee remissions, scholarship allowances and bad debt allowances reduced tuition and fees by $1 million less than in the prior period.

Federal, State and Nongovernmental Grants and Contracts decreased $5 million, or 3 percent.

- Federal grant and contract revenues decreased by $8 million due to decreased research and development grants and contracts.
- State grant activity was relatively unchanged.
- Nongovernmental grant activity increased $3 million due mainly to increases in commercial business grants and contracts.

Auxiliary Enterprises revenues increased $5 million, or 4 percent.

- Housing and Dining revenues increased by $5 million mainly due to increased rates and student occupancy.
- Athletics revenue was relatively unchanged.

Education and Other decreased by $1 million, or 2 percent.

Comparison of fiscal year 2013 to fiscal year 2012

Student Tuition and Fees increased $26 million, or 13 percent.

- A 5 percent enrollment increase added $10 million in tuition and fees.
- Higher tuition and fees rates accounted for $25 million of the increase.
- Fee remissions, scholarship allowances and bad debt allowances reduced tuition and fees by $9 million more than in the prior period.

Federal, State and Nongovernmental Grants and Contracts decreased $2 million, or 1 percent.

- Federal grant and contract revenues decreased by $1 million due to decreased research and development grants and contracts.
- State, local and nongovernmental grant activity decreased by $1 million.

Auxiliary Enterprises revenues increased by $15 million, or 14 percent.

- Athletic revenues increased $11 million due to increased television revenues.
- Student fee revenues for health services and incidentals increased $3 million.
- Housing revenues increased $1 million.

Educational and Other Revenues increased by $2 million, or 5 percent.

Nonoperating and Other Revenues

The increase in Nonoperating and Other Revenues of $18 million during 2014 resulted from increases in all of the related categories except Nonoperating and Other Items. The increase in Nonoperating and Other Revenues of $22 million during 2013 resulted from increases in all of the related categories except Capital Grants and Gifts.

Comparison of fiscal year 2014 to fiscal year 2013

Government Appropriations increased $8 million, or 5 percent.

- State appropriations for OSU operations increased by $10 million due to increased funding received from the State.
- Federal and county appropriations in support of the statewide public services increased $1 million.
- Debt service appropriations decreased $3 million due to lower levels of state paid debt service.

See "Note 12. Government Appropriations" for additional information relating to changes in appropriations.

Financial Aid Grants increased $2 million, or 5 percent.

Investment Activity revenues increased $1 million, or 6 percent. See "Note 10. Investment Activity" for additional information relating to these changes.

Capital Grants and Gifts increased $8 million, or 47 percent.

- Capital gifts from the OSU Foundation for various capital construction projects increased by $8 million.

Nonoperating and Other Items decreased $1 million, or 2 percent.

Comparison of fiscal year 2013 to fiscal year 2012

Government Appropriations increased $11 million, or 7 percent.

- State appropriations for OSU operations increased by $7 million due to higher funding received from the State.
- Federal and county appropriations in support of the statewide public services increased $1 million.
- Debt service appropriations increased $3 million because of higher levels of state paid debt service.

Financial Aid Grants increased $2 million, or 5 percent.

Investment Activity revenues increased $8 million, or 100 percent.

- Net appreciation of investments increased $4 million due to improved market activity.
- Royalty and tech transfer revenue increased $3 million.
- Interest earnings increased $1 million. The ability to retain interest earnings on cash balances was granted in SB 242 by the Oregon Legislature in 2011.

Capital Grants and Gifts decreased $4 million, or 19 percent.

Nonoperating and Other Items increased $5 million, or 14 percent, due to increases in gift revenues as well as increased nonoperating transfers from the OUS Chancellor's Office.

Expenses

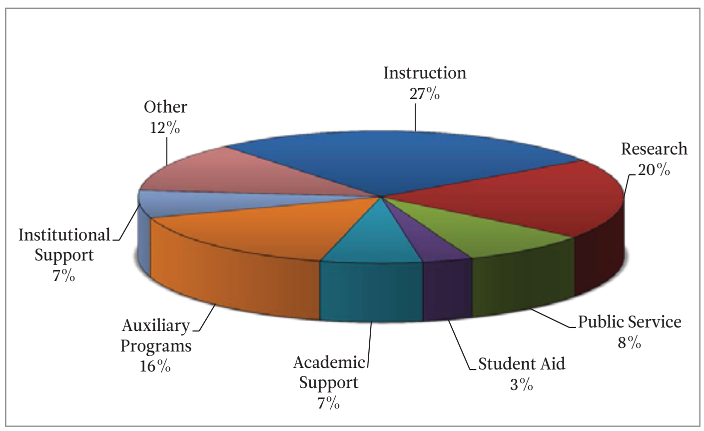
Operating Expenses

Operating Expenses increased $65 million in 2014, or 8 percent, over 2013, to $911 million. The 2014 increase resulted from higher expenses in all categories, with the biggest overall increases in instruction and auxiliary programs. Operating expenses increased $48 million in 2013, or 6 percent, over 2012 to $846 million. The 2013 increase resulted from higher expenses in most categories, with the biggest overall increases in instruction and auxiliary programs. The following charts summarize operating expenses by functional classification (in millions):

Operating Expense by Function

For the Year Ended June 30,	2014	2013	2012
Instruction	**$ 244**	$ 218	$ 193
Research	**180**	179	173
Public Service	**78**	75	81
Academic Support	**62**	56	53
Auxiliary Programs	**144**	130	119
Institutional Support	**61**	57	52
Student Aid	**31**	28	26
Other	**111**	103	101
Total Operating Expenses	**$ 911**	$ 846	$ 798

2014 Operating Expense by Function



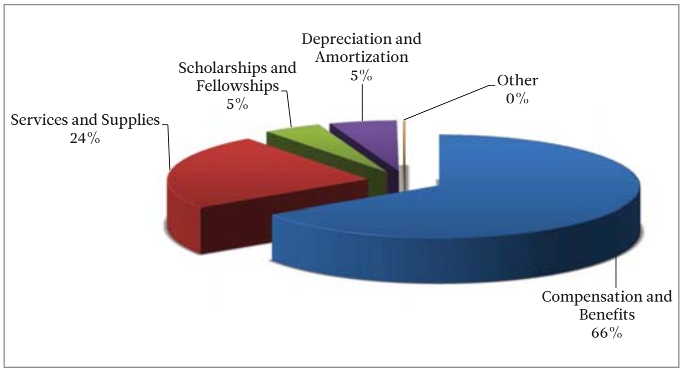
Due to the way in which expenses are incurred by OSU, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to several of the functional expense caption items.

The following summarizes operating expenses by natural classification (in millions):

Operating Expenses by Nature

For the Year Ended June 30,	2014	2013	2012
Compensation and Benefits	$ 598	$ 554	$ 519
Services and Supplies	219	204	195
Scholarships and Fellowships	43	40	37
Depreciation and Amortization	50	47	46
Other	1	1	1
Total Operating Expenses	$ 911	$ 846	$ 798

2014 Operating Expenses by Nature



Comparison of fiscal year 2014 to fiscal year 2013

Compensation and Benefits costs increased $44 million, or 8 percent.

- Salary and wage costs increased $23 million due to additional staff and faculty hires and wage increases.
- Retirement and health insurance costs increased $9 million.
- Wage costs further increased $3 million due to increased student and graduate employment.
- Fee remissions for graduate students increased $4 million.
- Other payroll expenses increased $5 million.

Services and Supplies expense increased $15 million, or 7 percent.

- This increase was experienced across many categories including utilities, rentals and leases, fees and services, assessments, and general supplies.

Scholarships and Fellowships costs increased $3 million, or 8 percent.

- Overall, scholarships and fellowships increased $3 million. The increase in scholarships and fellowships corresponds to revenue increases in state, federal and private funds, partly offset by a decrease in foundation and institutional student aid.

Depreciation and Amortization expense increased $3 million, or 6 percent, primarily due to recently constructed or refurbished buildings being placed in service.

Comparison of fiscal year 2013 to fiscal year 2012

Compensation and Benefits costs increased $35 million, or 7 percent.

- Salary and wage costs increased $20 million due to additional staff and faculty hires and wage increases.
- Retirement and health insurance costs increased $5 million.
- Wage costs further increased $2 million due to increased student and graduate employment.
- Fee remissions for graduate students increased $5 million.
- Other payroll expenses increased $3 million.

Services and Supplies expense increased $9 million, or 5 percent.

- This increase was experienced across many categories including maintenance and repairs, fees and services, travel, subcontractor, and miscellaneous other services and supplies. This was partially offset by lower general supplies and rentals and leases expenses.

Scholarships and Fellowships costs increased $3 million, or 8 percent.

- This net increase corresponds to revenue increases across almost all major categories of student financial aid - state, federal, private and institutional.

Depreciation and Amortization expense increased $1 million, or 2 percent, primarily due to recently constructed or refurbished buildings being placed in service.

Nonoperating Expenses

Comparison of fiscal year 2014 to fiscal year 2013

Interest Expense decreased by $2 million, or 6 percent.

Comparison of fiscal year 2013 to fiscal year 2012

Interest Expense was relatively unchanged.

Economic Outlook

Funding for the major activities of OSU comes from a variety of sources: tuition and fees; financial aid programs; state, federal and county appropriations; federal, foundation and other grants; private and government contracts; royalties; and donor gifts and investment earnings. Revenues are also generated through recovery of costs associated with federal grant and contract activities, which serve to offset related administrative and facilities costs.

Enrollment has grown significantly over the past several years, increasing over 22 percent from fiscal year 2010 to fiscal year 2014. Enrollment projections for fiscal year 2015 indicate continued growth. In fall term 2014, enrollment grew by approximately 1 percent at OSU's Corvallis campus; by 6 percent at the Cascades campus; and by 20 percent in online enrollments.

The Oregon State University Board of Trustees (Board of Trustees) voted to freeze undergraduate tuition rates for fiscal year 2015 for all undergraduate students and increase tuition on graduate resident and non-resident students by 2 percent and 4 percent, respectively. The tuition freeze was made possible by legislative action; with the State increasing its appropriation to the public universities in Oregon to offset the lost revenues from freezing tuition. The Board of Trustees approved continuing the phasing-out of OSU's tuition plateau that began in fiscal year 2014; accordingly, OSU's base tuition for fall term of fiscal year 2015 for a student taking 15 credit hours each term will be $7,650 annually. While this is a significant increase from OSU's fall 2013 annual tuition of $6,876, it is well below the $9,510 median tuition for peer land-grant universities.

With the budget challenges faced at the federal level, overall funding allocations may decline in future years, intensifying competition for these scarce dollars. From fiscal year 2013 to fiscal year 2014, total research and development awards improved 8 percent to $285 million and, of this, including awards from federal agencies for research and development, which improved 11 percent to $170 million. OSU is focusing its research and development strategy on diversifying this portfolio through industry partnering and by expanding research in high impact areas, such as marine studies, food/water security, sustainable energy and built infrastructure, climate change and adaptation and health promotion disease prevention and management, that are in alignment with OSU's Strategic Plan 3.0.

The volatility of state funding levels has been a significant challenge for public universities in Oregon. The State has reduced its total support to state universities by 11 percent over the last three biennia. Funding specifically for education and general purposes has decreased 18 percent over that same time period, which has caused OSU to find operating efficiencies to reduce costs, to look to build enrollments of out-of-state and international students who pay a premium tuition rate, and to increase tuition rates for all students. At the same time, OSU has experienced significant enrollment growth and the Oregon Legislature has established limits on tuition and fee increases. This limitation has put additional pressure on OSU to find ways to meet the increased demand while controlling the growth in operating costs. Lower state support, increasing costs, limits on tuition and fees, and enrollment growth create a very challenging fiscal environment. However, the outlook for state support in the 2015-17 biennium is positive as the State's economic activity continues to improve. Additionally, the establishment of the Oregon Education and Investment Board and the Higher Education Coordinating Commission has focused attention on state funding of education and how best to achieve the State's ambitious 40-40-20 goal: 40 percent of all adult Oregonians to hold a bachelor's or advanced degree; 40 percent to have an associate's degree or meaningful postsecondary certificate; and all remaining adult Oregonians to hold a high school diploma or equivalent by the year 2025.

In order to address some of these challenges, the 2013 Legislature enacted pension reforms and sweeping legislation impacting the governance of OSU, spinning it off as a separate public university with its own governing board as of July 1, 2014. While the pension reforms have resulted in reduced pension costs, it is anticipated that pension costs will continue to be a significant driver of overall costs due to the aging demographics within the State's workforce. The result of the governance changes are expected to increase philanthropic activity, provide operating flexibility, and allow for more institution-specific business choices that will help OSU compete in today's higher education marketplace.

Despite the changes in the healthcare system resulting from the Affordable Care Act, the cost of employee health insurance continues to be a budgetary challenge, with health benefit costs still averaging over 21 percent of employee pay. Employee health insurance benefit costs stayed relatively flat in fiscal year 2014 but are expected to increase 5 percent in fiscal year 2015.

Since OSU is ultimately subject to the same economic variables that affect other entities, it is not possible to predict future outcomes. Management is well aware of the challenges faced and is working diligently to continue to provide quality instruction, research and public service to its students and the citizens of the State, the nation and the world.

As of June 30,		University 2014		2013
		(In thousands)		
ASSETS				
Current Assets				
Cash and Cash Equivalents (Note 2)	**$**	**115,303**	$	82,756
Collateral from Securities Lending (Note 2)		**11,540**		11,012
Accounts Receivable, Net (Note 3)		**98,807**		81,135
Notes Receivable, Net (Note 4)		**5,196**		4,793
Inventories		**1,960**		1,893
Prepaid Expenses		**3,687**		4,313
Total Current Assets		**236,493**		185,902
Noncurrent Assets				
Cash and Cash Equivalents (Note 2)		**33,756**		52,104
Investments (Note 2)		**101,712**		130,615
Notes Receivable, Net (Note 4)		**20,341**		21,553
Capital Assets, Net of Accumulated Depreciation (Note 5)		**890,467**		789,244
Total Noncurrent Assets		**1,046,276**		993,516
Total Assets	**$**	**1,282,769**	$	1,179,418
DEFERRED OUTFLOWS OF RESOURCES	**$**	**10,456**	$	10,839
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Liabilities (Note 6)	**$**	**62,659**	$	30,395
Deposits		**963**		5,384
Obligations Under Securities Lending (Note 2)		**11,540**		11,012
Current Portion of Long-Term Liabilities (Note 8)		**46,825**		41,708
Unearned Revenues		**39,987**		37,893
Total Current Liabilities		**161,974**		126,392
Noncurrent Liabilities				
Long-Term Liabilities (Note 8)		**659,559**		318,665
Due to Other OUS Funds and Entities		**-**		263,904
Total Noncurrent Liabilities		**659,559**		582,569
Total Liabilities	**$**	**821,533**	$	708,961
DEFERRED INFLOWS OF RESOURCES	**$**	**-**	$	-
NET POSITION				
Net Investment in Capital Assets	**$**	**312,017**	$	302,186
Restricted For:				
Nonexpendable Endowments		**4,377**		3,612
Expendable:				
Gifts, Grants and Contracts		**43,125**		42,708
Student Loans		**34,666**		34,508
Capital Projects		**24,121**		19,416
Debt Service		**12,878**		4,353
Unrestricted		**40,508**		74,513
Total Net Position	**$**	**471,692**	$	481,296

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

Statement of Financial Position

As of June 30,		Component Units 2014		2013
		(In thousands)		
ASSETS				
Cash and Cash Equivalents	**$**	**14,397**	$	31,426
Contributions, Pledges and Grants Receivable, Net		**35,224**		43,170
Investments (Note 2)		**625,697**		520,793
Prepaid Expenses and Other Assets		**20,195**		16,250
Property and Equipment, Net		**12,425**		12,617
Total Assets	**$**	**707,938**	$	624,256
LIABILITIES				
Accounts Payable and Accrued Liabilities	**$**	**16,781**	$	9,433
Accounts Payable to University		**9,862**		8,710
Obligations to Beneficiaries of Split-Interest Agreements		**27,734**		26,319
Total Liabilities	**$**	**54,377**	$	44,462
NET ASSETS				
Unrestricted	**$**	**16,930**	$	530
Temporarily Restricted		**283,183**		244,440
Permanently Restricted		**353,448**		334,824
Total Net Assets	**$**	**653,561**	$	579,794

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

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30,	University 2014	2013
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of $60,828 and $61,633, respectively)	**$ 263,975**	$ 228,436
Federal Grants and Contracts	**158,291**	165,544
State and Local Grants and Contracts	**6,786**	6,994
Nongovernmental Grants and Contracts	**22,114**	18,928
Educational Department Sales and Services	**33,704**	35,402
Auxiliary Enterprises Revenues (Net of Allowances of $4,918 and $4,530, respectively)	**128,820**	124,421
Other	**8,186**	7,655
Total Operating Revenues	**621,876**	587,380
OPERATING EXPENSES		
Instruction	**243,734**	218,010
Research	**179,745**	179,196
Public Service	**77,820**	75,395
Academic Support	**61,925**	56,501
Student Services	**26,370**	25,319
Auxiliary Programs	**144,018**	129,770
Institutional Support	**61,523**	56,572
Operation and Maintenance of Plant	**30,805**	30,653
Student Aid	**30,547**	28,326
Other	**54,938**	46,559
Total Operating Expenses (Note 11)	**911,425**	846,301
Operating Loss	**(289,549)**	(258,921)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations (Note 12)	**161,590**	150,487
Financial Aid Grants	**45,197**	43,193
Investment Activity (Note 10)	**17,291**	15,591
Gain (Loss) on Sale of Assets, Net	**(158)**	(66)
Interest Expense	**(25,453)**	(27,141)
Other	**43,768**	43,127
Total Net Nonoperating Revenues	**242,235**	225,191
Income (Loss) Before Other Revenues	**(47,314)**	(33,730)
OTHER REVENUES (EXPENSES)		
Debt Service Appropriations (Note 12)	**16,696**	19,250
Capital Grants and Gifts	**24,739**	17,105
Changes to Permanent Endowments	**766**	238
Transfers within the OUS	**(4,491)**	(2,352)
Total Net Other Revenues	**37,710**	34,241
Increase (Decrease) In Net Position	**(9,604)**	511
NET POSITION		
Beginning Balance	**481,296**	480,785
Ending Balance	**$ 471,692**	$ 481,296

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

Statement of Activities

For The Year Ended June 30,		Component Units 2014		2013
		(In thousands)		
REVENUES				
Grants, Bequests and Gifts	**$**	**73,412**	$	59,874
Interest and Dividends		**14,723**		15,068
Investment Income, Net		**62,237**		27,559
Change in Value of Life Income Agreements		**4,662**		2,009
Other Revenues		**17,761**		15,204
Total Revenues		**172,795**		119,714
EXPENSES				
University Support		**69,602**		55,047
General and Administrative		**19,646**		19,733
Other Expenses		**9,780**		7,846
Total Expenses		**99,028**		82,626
Increase In Net Assets		**73,767**		37,088
NET ASSETS				
Beginning Balance		**579,794**		542,706
Ending Balance	**$**	**653,561**	$	579,794

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

Statement of Cash Flows

For the Year Ended June 30,	University 2014	2013
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	**$ 262,737**	$ 233,930
Grants and Contracts	**189,915**	190,011
Educational Department Sales and Services	**33,704**	35,402
Auxiliary Enterprises Operations	**126,150**	122,450
Payments to Employees for Compensation and Benefits	**(591,607)**	(551,911)
Payments to Suppliers	**(200,462)**	(205,988)
Student Financial Aid	**(42,689)**	(39,792)
Other Operating Receipts (Payments)	**(4,817)**	4,814
Net Cash Provided (Used) by Operating Activities	**(227,069)**	(211,084)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government Appropriations	**161,590**	148,444
Financial Aid Grants	**45,197**	43,193
Private Gifts Received for Endowment Purposes	**766**	238
Other Gifts and Private Contracts	**43,768**	43,127
Net Agency Fund Receipts (Payments)	**(4,421)**	(4,078)
Net Transfers within the OUS	**(7,269)**	15,312
Net Cash Provided (Used) by Noncapital Financing Activities	**239,631**	246,236
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Service Appropriations	**16,114**	19,250
Capital Grants and Gifts	**22,699**	15,104
Bond Proceeds from Capital Debt	**113,956**	82,746
Sales of Capital Assets	**3,972**	257
Purchases of Capital Assets	**(149,205)**	(71,459)
Interest Payments on Capital Debt	**(17,276)**	(27,312)
Principal Payments on Capital Debt	**(37,979)**	(48,488)
Net Cash Provided (Used) by Capital and Related Financing Activities	**(47,719)**	(29,902)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Sales (Purchases) of Investments	**36,947**	(17,159)
Interest Receipts on Investments and Cash Balances	**12,409**	13,011
Net Cash Provided (Used) by Investing Activities	**49,356**	(4,148)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**14,199**	1,102
CASH AND CASH EQUIVALENTS		
Beginning Balance	**134,860**	133,758
Ending Balance	**$ 149,059**	$ 134,860

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

For the Year Ended June 30,		University 2014		2013
		(In thousands)		
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Loss	**$**	**(289,549)**	$	(258,921)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense		**49,518**		47,061
Changes in Assets and Liabilities:				
Accounts Receivable		**(17,090)**		(2,590)
Notes Receivable		**809**		487
Inventories		**(67)**		63
Prepaid Expenses		**626**		(337)
Accounts Payable and Accrued Liabilities		**20,461**		578
Long-Term Liabilities		**6,129**		1,245
Unearned Revenues		**2,094**		1,330
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$**	**(227,069)**	$	(211,084)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS				
Capital Assets Acquired by Gifts-in-Kind	**$**	**2,040**	$	2,001
Increase in Fair Value of Investments Recognized as a Component of Investment Activity		**4,882**		2,580
Internal Bank Loans Converted to XI-F(1) Debt		**248,744**		-

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Oregon State Board of Higher Education (Board), a citizen board appointed by the Governor with confirmation by the State Senate, governs the seven state-supported institutions of higher learning (institutions) in Oregon. These institutions are known as the Oregon University System (OUS). The law creating the Board was passed in 1929 by the Oregon Legislature and went into effect July 1, 1931. Oregon State University (OSU) is one of the seven universities that make up the OUS.

The OSU financial reporting entity is comprised of OSU and its related foundations, which are discretely presented as component units on the basic financial statements. OSU includes the main campus in Corvallis and a branch campus in Bend and receives separate appropriations for statewide activities including agricultural experiment stations, cooperative extension services and forestry research laboratories. See "Note 19. University Foundations" for additional information regarding the related foundations reported as Component Units. Organizations that are not financially accountable to OSU, such as booster and alumni organizations, are not included in the reporting entity.

OSU is also reported as one of the seven universities that make up the OUS and is reported as part of the OUS Annual Financial Report. The OUS is a part of the primary government of the State of Oregon (State) and its financial position and results are included as a proprietary (enterprise) fund in the Comprehensive Annual Financial Report (CAFR) issued by the State.

These financial statements present only OSU, including the discretely presented component units described above, and are not intended to present the financial position, changes in financial position, or, where applicable, the cash flows of the OUS as a whole in conformity with accounting principles generally accepted in the United States of America.

Senate Bill 270 was passed by the Oregon Legislature during fiscal year 2013 and established OSU as an independent public body legally separate from the OUS as of July 1, 2014. OSU will not be included in the OUS financial reporting entity starting with the fiscal year 2015 financial report. OSU will be included as a discretely presented component unit in the CAFR starting with the fiscal year 2015 financial report.

B. Financial Statement Presentation

The OSU financial accounting records are maintained in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB No. 35 provides a comprehensive, entity-wide perspective of OSU assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

In preparing the financial statements, significant interfund transactions and balances between university funds have been eliminated.

Financial statements of the two university foundations are presented in accordance with generally accepted accounting principles prescribed by the Financial Accounting Standards Board (FASB).

NEWLY IMPLEMENTED ACCOUNTING STANDARDS

OSU implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for the fiscal year ended June 30, 2014. GASB No. 65 provides financial reporting guidance to reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities and to recognize, as outflows or inflows of resources, certain items that were previously reported as assets or liabilities. As a result of the implementation, OSU reclassified $10,436,894 and $10,812,423 as of June 30, 2014 and 2013, respectively, in unamortized gain/(loss) on refundings previously reported as a liability to deferred outflows for financial statement purposes.

OSU implemented GASB Statement No. 66, *Technical Corrections–2012–an amendment of GASB Statements No. 10 and No. 62,* effective for the fiscal year ended June 30, 2014. GASB No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-1989 FASB and AICPA Pronouncements.* The adoption of GASB No. 66 did not materially impact the OSU financial statements.

Oregon Public Employees Retirement System (PERS) implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, effective for the fiscal year ended June 30, 2014. GASB No. 67 improves accounting and financial reporting by state and local governments for pensions and pension plans, and therefore applies directly to PERS, and indirectly to OSU. The measurement of net pension liability in accordance with GASB No. 67 will increase liabilities for OSU as it implements GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* in fiscal year 2015.

OSU implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the fiscal year ended June 30, 2014. GASB No. 70 improves the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The adoption of GASB No. 70 did not materially impact the OSU financial statements.

UPCOMING ACCOUNTING STANDARDS

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* GASB No. 68 improves accounting and financial reporting by state and local governments for pensions, and is effective for the fiscal year ending June 30, 2015. The State is currently evaluating the impact of this standard on future financial statements. Information relating to any increase in the liabilities of OSU is unavailable at this time. The adoption of GASB No. 68 is expected to have a significant negative impact on the unrestricted net position of OSU.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* The objective of this statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. GASB No. 69 requirements are effective for the fiscal year ending June 30, 2015. OSU is analyzing the effects of the adoption of GASB No. 69 and is uncertain of the impact on the financial statements and related reporting requirements at this time.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.* GASB No. 71 updates GASB No. 68 and refers to contributions, if any, made to a defined benefit pension plan after the measurement date of the beginning net pension liability. These requirements are effective for the fiscal year ending June 30, 2015. The adoption of GASB No. 71 is not expected to have a material impact on the OSU financial statements.

C. Basis of Accounting

For financial reporting purposes, OSU is considered a special-purpose government engaged only in business-type activities. Accordingly, the OSU financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when incurred.

D. Cash and Cash Equivalents

Cash and cash equivalents includes highly liquid investments with original maturities of three months or less. Cash and cash equivalents classified as current assets consist of: cash on hand; cash and investments held by the State in the Oregon Short-Term Fund (OSTF); cash and cash equivalents restricted for the payment of the current portion of debt service; and cash deposits, if any, of debt proceeds in investment funds held by a trustee.

E. Investments

Investments are reported at fair value as determined by market prices. Unrealized gains or losses on investments are reported as investment activity in the Statement of Revenues, Expenses, and Changes in Net Position.

All investments are classified as noncurrent assets in the Statement of Net Position.

F. Inventories

Inventories are recorded at the lower of average cost or market and consist primarily of supplies in storerooms and physical plant stores.

G. Capital Assets

Capital assets are recorded at cost on the date acquired or at fair market value on the date donated. OSU capitalizes equipment with unit costs of $5 thousand dollars or more and an estimated useful life of greater than one year. OSU capitalizes real property expenditures that increase the functionality and/or extend the useful life of the real property if total expenditures exceed the capitalization thresholds of $50 thousand to $100 thousand, depending on the type of real property. Intangible assets valued in excess of $100 thousand are capitalized. Expenditures below the capitalization threshold and repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

OSU capitalizes interest expense on projects exceeding $20 million that are partially or fully funded by XI-F(1) debt or internally generated funds. Total interest costs of $13,253,556 and $12,968,748 were incurred on XI-F(1) debt, of which $584,996 and $176,153 were capitalized for the fiscal years ended 2014 and 2013, respectively.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets; generally 15 to 50 years for buildings, 10 to 20 years for infrastructure and land improvements, 10 years for library books and 5 to 11 years for equipment. Amortization terms of intangible assets vary depending on the factors relating to the specific asset. Depreciation is not applied to museum collections, works of art or historical treasures, or library special collections.

H. Unearned Revenues

Unearned revenues include amounts received for tuition and fees, grants and contracts, lease income and auxiliary enterprises activities in which cash has been received, but revenues will be earned in subsequent fiscal year(s).

I. Compensated Absences

OSU accrues a liability for vacation leave and other compensated absences that were earned but not used during the current or prior fiscal year for which employees can receive compensation in a future period. Sick leave is recorded as an expense when paid. There is no payout provision for unused sick leave and no liability exists for terminated employees.

J. Net Position

OSU's net position is classified as follows:

NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets represents the total investment in capital assets, net of accumulated depreciation and amortization, and outstanding debt obligations related to those capital assets.

RESTRICTED – NONEXPENDABLE ENDOWMENTS

Restricted-Nonexpendable Endowments consists of endowment funds in which donors have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income. The income may either be expended or, depending on the terms of the gift instrument, added to principal.

RESTRICTED – EXPENDABLE

Restricted-Expendable includes resources which OSU is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

UNRESTRICTED

Unrestricted net assets are resources that may be used at the discretion of the Board.

When an expense is incurred that can be paid using both restricted or unrestricted resources, restricted resources are generally applied first.

K. Endowments

Oregon Revised Statutes (ORS) Section 351.130 gives OSU the authority to use the interest, income, dividends, or profits of endowments. The OUS current Board policy is to annually distribute, for spending purposes, four percent of the preceding 20-quarter moving average of the market value of the endowment funds and to maintain the purchasing power of the funds as nearly as prudent investment permits. In accordance with current board policy, the amount available for distribution during fiscal year 2015 is estimated to be $1,239,179. For the years ended June 30, 2014 and 2013, the net amount of appreciation available for authorization for expenditure was $1,900,029 and $1,444,591, respectively.

Nonexpendable Endowments on the Statement of Net Position of $4,376,903 and $3,611,393 at June 30, 2014 and 2013, respectively, represent the original corpus of true endowment funds and do not include the accumulated gains of those endowments.

L. Income Taxes

OSU is treated as a governmental entity for tax purposes. As such, OSU is generally not subject to federal and state income taxes. However, OSU remains subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which OSU was granted exemption from income taxes. No income tax is recorded because there are no income taxes due on unrelated business income during fiscal year 2014.

M. Revenues and Expenses

OSU has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues and expenses generally have the characteristics of exchange transactions. These transactions can be defined as an exchange in which two or more entities both receive and sacrifice value, such as purchases and sales of goods or services. Examples of operating revenues include student tuition and fees, sales and services of auxiliary enterprises, most federal, state and local grants and contracts, and other operating revenues. Examples of operating expenses include employee compensation, benefits and related expense, scholarships and fellowships, utilities, supplies and other services, professional fees, and depreciation expenses of capital assets.

Nonoperating revenues generally have the characteristics of nonexchange transactions. In a nonexchange transaction, OSU receives value without directly giving equal value in exchange. Examples of nonoperating revenues include state appropriations, nonexchange grants, gifts, and contributions. Nonoperating expenses are defined in GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments*. Examples of nonoperating expenses include interest on capital assets related to debt and bond expenses.

N. Allowances

Student tuition and fees and campus housing revenues included in auxiliary enterprises revenues are reported net of scholarship allowances. A scholarship allowance is the difference between the revenues charged to students and the amounts actually paid. OSU has two types of scholarship allowances that are netted against gross tuition and fees. Tuition and housing waivers, provided directly by OSU, amounted to $30,837,425 and $31,818,897 for the fiscal years ended 2014 and 2013, respectively. Revenues from financial aid programs (e.g., Pell Grants, Supplemental Educational Opportunity Grants, and Oregon Opportunity Grants) used for paying student tuition and fees and campus housing was estimated to be $32,228,225 and $30,789,480 for the fiscal years ended 2014 and 2013, respectively. Bad debt expense related to student accounts is also reported as an allowance against operating revenues and was estimated to be $2,680,545 and $3,554,913 for the fiscal years ended 2014 and 2013, respectively.

O. Federal Student Loan Programs

OSU receives proceeds from the Federal Direct Student Loan Program (FDSLP). Since OSU transmits these grantor supplied moneys without having administrative or direct financial involvement in the program, the activity of the FDSLP is not reported in operations. Federal student loans received by OSU students but not reported in operations were $156,456,339 and $150,790,713 for the fiscal years ended 2014 and 2013, respectively.

P. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Q. Reclassifications

Certain amounts within the June 30, 2013 financial statements have been reclassified to conform to the June 30, 2014 presentation. The reclassifications had no effect on previously reported total net position.

2. CASH AND INVESTMENTS

Substantially all of the cash and investments of the OUS member universities, including OSU, are centrally managed by the OUS. These invested assets are managed through several commingled investment pools at the Oregon State Treasury (State Treasury). Each investment pool has a board approved investment policy and set of objectives identifying risk and return parameters for each investment pool.

In general, deposits and investment securities as described below have exposure to various risks such as credit, concentration of credit, custodial credit, interest rate and foreign currency. Although the objective of each investment pool is to preserve capital within defined risk parameters, it is likely that the value of the investment securities will fluctuate during short periods of time, and it is possible that such changes could materially affect the amounts reported in the financial statements. For more information on the OUS Portfolio risk exposure, see the OUS 2014 Annual Financial Statements at **www.ous.edu/sites/default/files/cont-div/annual_financial_reptg/fy2014_afs.pdf.**

A. Cash and Cash Equivalents

DEPOSITS WITH STATE TREASURY

OSU maintains the majority of its cash balances on deposit with the State Treasury. These deposits at the State Treasury are held, on a pooled basis as described above, in the Oregon Short-Term Fund (OSTF). The OSTF is a cash and investment pool for use by all state agencies. The State Treasurer invests these deposits in high-grade short-term investment securities. At the fiscal years ended June 30, 2014 and 2013, OSU cash and cash equivalents on deposit at State Treasury was $148,917,815 and $134,727,879, respectively.

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash. The 2014 current portion includes $8,094,666 restricted for debt service payments. The noncurrent portion includes $1,188,001 in restricted agency funds for OSU student groups and campus organizations and $32,567,655 restricted for capital construction.

The 2013 current portion included $3,871,640 in restricted agency funds for payroll liabilities and undistributed student loans. The noncurrent portion included $1,080,712 in restricted agency funds for OSU student groups and campus organizations and $51,023,163 restricted for capital construction.

A copy of the State Treasury audited annual financial report may be obtained by writing to the Oregon State Treasury, 350 Winter St. NE, Suite 100, Salem, OR 97301-3896 or by linking to **oregon.gov/treasury/AboutTreasury/Pages/Annual-Reports.aspx.**

CUSTODIAL CREDIT RISK—DEPOSITS

Custodial credit risk is the risk that, in the event of a financial institution failure, cash balances will not be returned to a depositor. OSU cash balances held on deposit at the State Treasury are invested consistently, therefore custodial credit risk exposure to the State Treasury is low.

FOREIGN CURRENCY RISK—DEPOSITS

Deposits in foreign currency run the risk of changing value due to fluctuations in foreign exchange rates. State Treasury deposits are in U.S. currency and therefore not exposed to foreign currency risk. To facilitate study-abroad programs, there are some cash balances held in the local currency of other countries to pay local expenses. The aggregate foreign denominated account balances converted into U.S. dollars equaled $153,516 and $190,551 at June 30, 2014 and 2013, respectively.

To further mitigate foreign currency risks for prospective study abroad activities, OSU periodically enters into forward foreign currency contracts. At June 30, 2014 and 2013, respectively, these contracts totaled $737,202 and $996,628 and had a net fair value loss of $18,780 and $27,073. The net fair value loss is reported in Deferred Outflows on the Statement of Net Position.

June 30, 2014
(in thousands)

Notional Currency	Notional Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value Adj
EUR	$ 437	$ 615	4/30/2014	3/31/2015	$ 1.3692	$ (17)
JPY	12,203	123	5/13/2014	3/31/2014	0.0099	(2)

June 30, 2013
(in thousands)

Notional Currency	Notional Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value
EUR	$ 619	$ 823	5/14/2013	3/31/2014	$ 1.3295	$ (18)
	88	118	4/3/2013	7/31/2013	1.3500	(4)
JPY	5,000	55	4/3/2013	3/14/2014	0.0111	(5)

OTHER DEPOSITS

For the years ended June 30, 2014 and 2013, OSU had vault and petty cash balances of $159,390 and $159,352, respectively. Additionally, OSU had small amounts of cash relating to debt issuances invested with a fiscal agent.

B. Investments

OSU funds are invested by the State Treasury. OSU investments are managed by the OUS Treasury Management, which also develops and implements investment policy. The OUS investment policies are governed by statute, the Oregon Investment Council (Council), and the Board. In accordance with Oregon statutes, investments of those funds are managed as a prudent investor would do, exercising reasonable care, skill and caution. While the State Treasury is authorized to utilize demand deposit accounts and fixed-income investments, equity investments must be directed by external investment managers who are under contract to the Council.

Investments are all classified as noncurrent and include both restricted and unrestricted funds. At June 30, 2014, of the total $101,712,567 in investments, $40,450,672 are restricted endowments, which includes both true and quasi endowments. Quasi endowments have temporary rather than permanent donor restrictions.

At June 30, 2013, of the total $130,615,189 in investments, $34,803,257 were restricted endowments, which includes both true and quasi endowments. Quasi endowments have temporary rather than permanent donor restrictions.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the Statement of Net Position.

Significant events in domestic and international investment markets or aggressive action by the Federal Open Market Committee to influence both short and long-term interest rates contribute to price volatility. Consequently, the fair value of OSU's portion of the OUS pooled investments is exposed to price volatility which could result in a substantial change in the fair value of certain investments from the amounts reported as of June 30, 2014.

The OUS monitors endowment investments to identify any accounts for which estimated fair value is less than historical value. As of June 30, 2014, OSU had no individually named permanent endowment funds with estimated fair values that, in total, were less than their permanently restricted or historical value.

OSU's total investments were managed through the OUS investment pool. As of June 30, 2014, $17,114,943 was invested in an intermediate term pool managed by the State Treasury; $44,146,953 was in individually held investments managed by the State Treasury; $37,757,669 was invested in a diversified portfolio, managed for the benefit of pooled gifts and endowments; and $2,693,002 was separately invested endowments of OSU. As of June 30, 2013, $33,743,799 was invested in an intermediate term pool managed by the State Treasury; $62,068,133 was in individually held investments managed by the State Treasury; $32,664,535 was invested in a diversified portfolio managed for the benefit of pooled gifts and endowments; and $2,138,722 was separately invested endowments of OSU.

Investments of the OSU discretely presented component units are summarized at June 30, 2014 and 2013 as follows (in thousands):

Component Units

Fair Value at June 30,	2014	2013
Investment Type:		
Corporate Stocks, Bonds, Securities and Mutual Funds	**$ 388,242**	$ 320,590
Investment in Common Stock, Voting Trust and Partnerships	**120,895**	90,073
US Treasury Notes and Government Obligations	**15,006**	16,162
Money Market Funds and Certificates of Deposit	**213**	208
Collateralized Mortgages, Mortgage Notes and Contracts, Realty Funds	**22,001**	21,308
Remainder Trusts, Unitrusts and Gift Annuities	**58,311**	53,300
Alternative Investments	**10,125**	8,682
Investment Receivables	**125**	176
Other	**10,779**	10,294
Total Investments	**$ 625,697**	$ 520,793

Credit Risk

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. The OUS has an investment policy for each segment of its investment portfolio. Of these, the endowment investment policy has the least restrictive credit requirements. The policy requires fixed income securities to have an average credit quality of A/Aa or better and limits below investment grade bonds to no more than 15 percent of the bond portfolio, exclusive of guaranteed investment contracts. The policy also permits holding unrated investments such as common stock, venture capital funds, and real estate. OSU, as a member university of the OUS, follows the OUS policy on investments.

Based on these parameters, as of June 30, 2014 and 2013, approximately 80 percent and 86 percent, respectively, of investments in the OUS Pool are subject to credit risk reporting. Corporate bonds rated by the credit agencies as lower medium to high quality, indicating the issuer has a strong capacity to pay principal and interest when due, totaled $154,485,295 and $242,703,214 in fiscal years 2014 and 2013, respectively. Corporate bonds which have not been evaluated by the rating agencies totaled $79,935,027 and $55,908,393 in fiscal years 2014 and 2013, respectively. The OUS Investment Pool totaled $299,160,395 and $364,716,966 at June 30, 2014 and 2013, respectively, of which OSU owned $101,712,567 or 34 percent and $130,615,189 or 36 percent, respectively.

Custodial Credit Risk

Custodial credit risk refers to the OUS investments that are held by others and not registered in the OUS's or the State Treasury's name. This risk typically occurs in repurchase agreements where cash is transferred to a broker-dealer in exchange for securities, but the securities are held by a separate trustee in the name of the broker-dealer. There are policy provisions governing securities lending to control this risk. See "C. Securities Lending" in this footnote for additional information.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk refers to potential losses if total investments are concentrated with one or few issuers. The OUS policy for reducing this risk in fixed income securities is that, with the exception of U.S. Government and Agency issues, no more than 10 percent of the bond portfolio, at market value, will be invested in securities of a single issuer or no more than five percent of the individual issue. For all other types of fixed income investments, not more than five percent of the market value of any investment fund was invested in any single security, unless part of an index fund.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. Of the total OUS Investment Pool of $299,160,395 as of June 30, 2014, $29,969,864 in deposits and mutual funds were primarily invested in international debt and international equities at June 30, 2014. Of those investments, $6,200,796 had foreign currency exchange contracts to offset the associated foreign currency risk. Of the total OUS Investment Pool of $364,716,966 as of June 30, 2013, $38,550,457 in deposits and mutual funds were primarily invested in international debt and international equities at June 30, 2013. Of those investments, $5,184,455 had foreign currency exchange contracts to offset the associated foreign currency risk. A foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. Risk associated with such contracts includes adverse changes in the value of the currency and the failure of the counterparty to perform.

INTEREST RATE RISK

Investments in fixed income securities are subject to the risk that changes in interest rates will adversely affect the fair value of the investments. Securities in the OUS Investment Pool held subject to interest rate risk totaling $245,840,100 and $314,356,094 had an average duration of 3.04 and 3.52 years for fiscal years 2014 and 2013, respectively. Duration measures the change in the value of a fixed income security that will result from a one percent change in interest rates.

C. Securities Lending

In accordance with the state investment policies, the State Treasurer participates in securities lending transactions. The State Treasurer has authorized its custodian to act as its agent in the lending of the OSU and OSTF's securities pursuant to a form of loan agreement, in accordance with OSTF investment policies. There were no significant violations of the provisions of securities lending agreements during the year ended June 30, 2014. Amounts reported on OSU's Statement of Net Position as Collateral From and Obligations Under Securities Lending are a percent share of the amount owned by the OUS in total.

For the years ended June 30, 2014 and 2013, the State Treasurer's securities lending agent lent short-term and fixed income securities and received as collateral U.S. dollar cash. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned security. The State Treasurer did not impose any restrictions during the year on the amount of the loans that the securities lending agent made on its behalf. The State Treasurer is fully indemnified by its securities lending agent against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

The Custodian is authorized by the Securities Lending Agreement to invest cash collateral received for the OUS securities on loan in the OSTF. At June 30, 2014, the OSTF comprised commercial paper, U.S. agency securities, time certificates of deposit (TCD), and corporate notes. The funds' rules provide that broker-dealers meet certain qualifications and that investments are delivered to and held by a third party custodian, which holds the funds' securities in the State's name.

The cash collateral of OSTF securities on loan was invested in a short-term investment fund (STIF) maintained by the custodial agent, into U.S. agency securities, and corporate notes. The investments were held by a third-party custodian in the State's name. The STIF is not rated by a nationally recognized statistical rating organization, although the STIF's portfolio rules provide minimum requirements with respect to the credit quality of the STIF.

The State Treasurer and borrowers maintain the right to terminate all securities lending transactions on demand. As a consequence, the maturities of investments made with the cash collateral generally do not match the maturities of the securities loans.

3. ACCOUNTS RECEIVABLE

Accounts Receivable, including amounts due from component units, comprised the following (in thousands):

	June 30, 2014	June 30, 2013
Student Tuition and Fees	**$ 40,056**	$ 35,249
Auxiliary Enterprises and Other Operating Activities	**9,632**	6,962
Federal Grants and Contracts	**20,223**	22,669
Component Units	**9,898**	8,709
State, Other Government, and Private Gifts, Grants and Contracts	**3,400**	3,443
Other	**21,660**	9,263
	104,869	86,295
Less: Allowance for Doubtful Accounts	**(6,062)**	(5,160)
Accounts Receivable, Net	**$ 98,807**	$ 81,135

4. NOTES RECEIVABLE

Student loans made through the Federal Perkins Loan Program comprise substantially all of the Federal Student Loans receivable at June 30, 2014 and 2013. The program is funded through interest earnings and repayment of loans. Under certain conditions, the repayment of loans can be forgiven at differing annual rates ranging from 10 to 100 percent.

Institutional and other student loans are comprised of institutional and non-federal loan programs administered by the university.

Federal Perkins loans deemed uncollectible are assigned to the U.S. Department of Education for collection. OSU has provided an allowance for uncollectible loans, which in management's opinion will absorb loans that will ultimately be written off. Notes Receivable comprised the following (in thousands):

	June 30, 2014		
	Current	**Noncurrent**	**Total**
Institutional and Other Student Loans	$ 769	$ -	$ 769
Federal Student Loans	4,821	21,959	26,780
	5,590	21,959	27,549
Less: Allowance for Doubtful Accounts	(394)	(1,618)	(2,012)
Notes Receivable, Net	$ 5,196	$ 20,341	$ 25,537

	June 30, 2013		
	Current	Noncurrent	Total
Institutional and Other Student Loans	$ 157	$ 540	$ 697
Federal Student Loans	4,958	22,302	27,260
	5,115	22,842	27,957
Less: Allowance for Doubtful Accounts	(322)	(1,289)	(1,611)
Notes Receivable, Net	$ 4,793	$ 21,553	$ 26,346

5. CAPITAL ASSETS

The following schedule reflects the changes in Capital Assets (in thousands):

	Balance June 30, 2012	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance June 30, 2013	**Additions**	**Transfer Completed Assets**	**Retire. And Adjust.**	**Balance June 30, 2014**
Capital Assets,									
Non-depreciable/Non-amortizable:									
Land	$ 18,272	$ -	$ -	$ (286)	$ 17,986	**$ 5,288**	**$ -**	**$ -**	**$ 23,274**
Capitalized Collections	27,365	1,501	-	-	28,866	**549**	**-**	**(912)**	**28,503**
Construction in Progress	46,430	57,368	(48,318)	527	56,007	**133,295**	**(29,206)**	**460**	**160,556**
Total Capital Assets, Non-depreciable/Non-amortizable	92,067	58,869	(48,318)	241	102,859	**139,132**	**(29,206)**	**(452)**	**212,333**
Capital Assets, Depreciable/ Amortizable:									
Equipment	181,238	11,692	3,284	(4,938)	191,276	**15,273**	**793**	**(4,761)**	**202,581**
Library Materials	82,796	420	-	(465)	82,751	**466**	**-**	**(25)**	**83,192**
Buildings	912,855	-	41,458	611	954,924	**-**	**25,652**	**(426)**	**980,150**
Land Improvements	18,260	-	2,822	(491)	20,591	**-**	**249**	**(525)**	**20,315**
Improvements Other Than Buildings	10,096	-	-	-	10,096	**-**	**337**	**-**	**10,433**
Infrastructure	23,891	-	754	-	24,645	**-**	**2,175**	**-**	**26,820**
Intangible Assets	9,976	-	-	-	9,976	**-**	**-**	**-**	**9,976**
Total Capital Assets, Depreciable/Amortizable	1,239,112	12,112	48,318	(5,283)	1,294,259	**15,739**	**29,206**	**(5,737)**	**1,333,467**
Less Accumulated Depreciation/ Amortization for:									
Equipment	(124,154)	(14,272)	-	4,356	(134,070)	**(14,483)**	**-**	**4,014**	**(144,539)**
Library Materials	(76,049)	(1,813)	-	449	(77,413)	**(1,490)**	**-**	**24**	**(78,879)**
Buildings	(330,441)	(27,451)	-	(123)	(358,015)	**(29,967)**	**-**	**(2,388)**	**(390,370)**
Land Improvements	(7,399)	(1,246)	-	-	(8,645)	**(1,207)**	**-**	**409**	**(9,443)**
Improvements Other Than Buildings	(6,450)	(694)	-	-	(7,144)	**(716)**	**-**	**-**	**(7,860)**
Infrastructure	(14,236)	(981)	-	-	(15,217)	**(1,019)**	**-**	**-**	**(16,236)**
Intangible Assets	(6,734)	(604)	-	(32)	(7,370)	**(636)**	**-**	**-**	**(8,006)**
Total Accumulated Depreciation/ Amortization	(565,463)	(47,061)	-	4,650	(607,874)	**(49,518)**	**-**	**2,059**	**(655,333)**
Total Capital Assets, Net	$ 765,716	$ 23,920	$ -	$ (392)	$ 789,244	**$ 105,353**	**$ -**	**$ (4,130)**	**$ 890,467**
Capital Assets Summary									
Capital Assets, Non-depreciable/ Non-amortizable	$ 92,067	$ 58,869	$ (48,318)	$ 241	$ 102,859	**$ 139,132**	**$ (29,206)**	**$ (452)**	**$ 212,333**
Capital Assets, Depreciable/ Amortizable	1,239,112	12,112	48,318	(5,283)	1,294,259	**15,739**	**29,206**	**(5,737)**	**1,333,467**
Total Cost of Capital Assets	1,331,179	70,981	-	(5,042)	1,397,118	**154,871**	**-**	**(6,189)**	**1,545,800**
Less Accumulated Depreciation/ Amortization	(565,463)	(47,061)	-	4,650	(607,874)	**(49,518)**	**-**	**2,059**	**(655,333)**
Total Capital Assets, Net	$ 765,716	$ 23,920	$ -	$ (392)	$ 789,244	**$ 105,353**	**$ -**	**$ (4,130)**	**$ 890,467**

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities comprised the following (in thousands):

	June 30, 2014	June 30, 2013
Services and Supplies	$ 43,204	$ 23,156
Accrued Interest	8,772	10
Salaries and Wages	5,705	4,520
Payroll Related Expenses	66	838
Contract Retainage Payable	4,912	1,871
Total	$ 62,659	$ 30,395

7. OPERATING LEASES

A. Receivables/Revenues

OSU receives income for land, property and equipment that is leased to non-state entities. Rental income received from leases was $2,013,119 and $2,281,894 for the years ended June 30, 2014 and 2013, respectively. The original cost of assets leased, net of depreciation, was $5,304,835 and $7,971,523 for the years ended June 30, 2014 and 2013, respectively. Minimum future lease revenue from noncancelable operating leases at June 30, 2014 were (in thousands):

For the year ending June 30,	
2015	$ 1,706
2016	1,270
2017	1,111
2018	1,023
2019	807
2020-2024	741
2025-2029	623
2030-2034	623
2035-2039	623
2040-2044	441
2045-2049	258
2050-2054	258
2055-2059	125
Total Minimum Operating Lease Revenues	$ 9,609

B. Payables/Expenses

OSU leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were $2,192,537 and $1,553,035 for the years ended June 30, 2014 and 2013, respectively.

Minimum future lease payments on operating leases at June 30, 2014 were (in thousands):

For the year ending June 30,	
2015	$ 2,057
2016	1,364
2017	965
2018	777
2019	472
2020-2024	1,106
2025-2029	689
Total Minimum Operating Lease Payments	$ 7,430

8. LONG-TERM LIABILITIES

Long-term liability activity was as follows (in thousands):

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the OUS:						
General Obligation Bonds XI-F(1)	$ 43,525	$ 337,471	$ -	$ 380,996	$ 13,420	$ 367,576
Internal Bank Loans	263,904	63,303	(327,207)	-	-	-
General Obligation Bonds XI-G	130,308	459	-	130,767	5,334	125,433
General Obligation Bonds XI-Q	12,295	-	(256)	12,039	263	11,776
Certificates of Participation (COPs)	20,658	-	(2,630)	18,028	1,945	16,083
Lottery Bonds	78,625	-	(1,319)	77,306	1,891	75,415
Oregon Department of Energy Loans (SELP)	8,726	6,711	(467)	14,970	650	14,320
Installment Purchase	290	-	(87)	203	97	106
Total Long-Term Debt	558,331	407,944	(331,966)	634,309	23,600	610,709
Other Noncurrent Liabilities						
PERS pre-SLGRP Pooled Liability	34,697	-	(892)	33,805	625	33,180
Compensated Absences	23,866	22,739	(19,596)	27,009	21,311	5,698
Other Postemployment Benefits	6,890	180	-	7,070	-	7,070
Employee Deferred Compensation	100	50	-	150	-	150
Employee Termination	-	4,041	-	4,041	1,289	2,752
Early Retirement	393	-	(393)	-	-	-
Total Other Noncurrent Liabilities	65,946	27,010	(20,881)	72,075	23,225	48,850
Total Long-Term Liabilities	$ 624,277	$ 434,954	$ (352,847)	$ 706,384	$ 46,825	$ 659,559

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to the OUS:						
General Obligation Bonds XI-F(1)	$ 41,219	$ 14,578	$ (12,272)	$ 43,525	$ -	$ 43,525
Internal Bank Loans	244,233	28,176	(8,505)	263,904	18,742	245,162
General Obligation Bonds XI-G	135,261	18,526	(23,479)	130,308	-	130,308
General Obligation Bonds XI-Q	6,864	5,629	(198)	12,295	256	12,039
Certificates of Participation (COPs)	28,313	-	(7,655)	20,658	2,630	18,028
Lottery Bonds	45,680	37,295	(4,350)	78,625	1,319	77,306
Oregon Department of Energy Loans (SELP)	9,211	-	(485)	8,726	451	8,275
Capital Leases	2	-	(2)	-	-	-
Installment Purchase	369	-	(79)	290	88	202
Total Long-Term Debt	511,152	104,204	(57,025)	558,331	23,486	534,845
Other Noncurrent Liabilities						
PERS pre-SLGRP Pooled Liability	35,470	-	(773)	34,697	645	34,052
Compensated Absences	22,481	20,556	(19,171)	23,866	17,184	6,682
Other Postemployment Benefits	5,804	1,086	-	6,890	-	6,890
Employee Deferred Compensation	50	50	-	100	-	100
Employee Termination	425	-	(425)	-	-	-
Early Retirement	995	-	(602)	393	393	-
Total Other Noncurrent Liabilities	65,225	21,692	(20,971)	65,946	18,222	47,724
Total Long-Term Liabilities	$ 576,377	$ 125,896	$ (77,996)	$ 624,277	$ 41,708	$ 582,569

The schedule of principal and interest payments for OSU debt is as follows (in thousands):

	General Obligation Bonds					Lottery	Other	Total		
For the Year Ending June 30,	XI-F(1)	XI-G	XI-Q	SELP	COPs	Bonds	Borrowings	Payments	Principal	Interest
2015	$ 26,297	$ 10,265	$ 684	$ 1,397	$ 2,602	$ 4,736	$ 115	$ 46,096	$ 19,072	$ 27,024
2016	28,646	10,289	680	1,363	2,600	5,151	115	48,844	21,366	27,478
2017	29,015	10,317	674	1,363	2,606	5,156	-	49,131	21,740	27,391
2018	28,684	10,235	1,028	1,363	2,230	4,973	-	48,513	22,312	26,201
2019	28,695	10,210	1,029	1,288	1,501	4,883	-	47,606	23,074	24,532
2020-2024	128,875	47,135	5,154	5,991	5,966	34,285	-	227,406	124,327	103,079
2025-2029	117,464	42,569	3,978	5,991	5,059	31,709	-	206,770	137,322	69,448
2030-2034	97,441	30,208	2,210	3,134	-	17,093	-	150,086	112,562	37,524
2035-2039	61,190	23,333	884	-	-	-	-	85,407	69,162	16,245
2040-2044	28,851	6,667	-	-	-	-	-	35,518	32,307	3,211
Accreted Interest									12,442	(12,442)
									$ 595,686	$ 349,691
Total Future Debt Service	**575,158**	**201,228**	**16,321**	**21,890**	**22,564**	**107,986**	**230**	**945,377**		
Less: Interest Component of Future Payments	(220,420)	(73,752)	(5,956)	(6,920)	(5,377)	(37,239)	(27)	(349,691)		
Principal Portion of Future Payments	**354,738**	**127,476**	**10,365**	**14,970**	**17,187**	**70,747**	**203**	**595,686**		
Adjusted by:										
Net Unamortized Bond Premiums (Discounts)	26,258	3,291	1,674	-	841	6,559	-	38,623		
Total Long-Term Debt	**$ 380,996**	**$ 130,767**	**$ 12,039**	**$ 14,970**	**$ 18,028**	**$ 77,306**	**$ 203**	**$ 634,309**		

The State and the OUS Board issue various debt instruments to fund capital projects at all the OUS institutions, including OSU. These debt instruments include General Obligation bonds under articles XI-F(1), XI-G, and XI-Q of the Oregon Constitution, Certificates of Participation (COPs) and Lottery bonds. In addition, OSU also borrows funds from the Oregon Department of Energy. Principal and interest amounts due relating to OSU's share of these debt issuances are payable to the OUS.

A. General Obligation Bonds XI-F(1)

XI-F(1) bonds, with effective yields ranging from 0.14 percent to 7.0 percent, are due serially through 2044. During the fiscal year ended June 30, 2014, the OUS Board issued bonded indebtedness as follows:

- $115,105,000 of Series 2013 NO XI-F(1) taxable and tax exempt bonds with an effective rate of 4.3 percent, due serially through 2044 for capital construction.
- $68,440,000 of Series 2014 CD XI-F(1) taxable and tax exempt with an effective rate of 3.6 percent, due serially through 2044 for capital construction.

OSU's portion of the 2013 NO bond sale for new money projects was a par value of $7,711,315, the proceeds of which funded the following projects:

- Cascades Campus: $4,134,524
- Cultural Centers: $3,576,791

OSU's portion of the 2014 CD bond sale for new money projects was a par value of $62,610,000, the proceeds of which funded the following projects:

- Student Experience Center: $37,290,000
- Memorial Union Renovation: $7,935,000
- Student Residence Hall: $14,845,000
- Student Resource Center: $2,540,000

During the fiscal year ended June 30, 2013, the OUS Board issued $231,970,000 of Series 2013 AB XI-F(1) taxable and non-taxable bonds with an effective rate of 2.9 percent, due serially through 2043 for capital construction and refunding.

OSU's portion of the 2013 AB bond sale for new money projects was a par value of $22,150,000, the proceeds of which funded the following projects:

- Gill Coliseum Renovation: $235,000
- Sports Performance Center: $10,580,000
- Student Residence Hall: $8,820,000
- Sackett Hall Renovation: $2,515,000

B. Internal Bank

Through June 30, 2014, the OUS managed an internal bank on behalf of the system universities. One primary role of the internal bank was to provide capital construction funding for the OUS universities, including OSU. As a result of the pending changes in university governance effective July 1, 2014 (See Note 1), the internal bank was closed, with all loans called and repaid prior to June 30, 2014. Prior to the closing of the internal bank, OSU internal bank loans due to the OUS totaled $280,648,347. Of those loans, $248,743,783 were converted to XI-F(1) debt and $31,904,564 was repaid directly to the internal bank.

C. General Obligation Bonds XI-G

XI-G bonds, with effective yields ranging from 0.25 percent to 7.0 percent, are due serially through 2042. During the fiscal year ended June 30, 2014, the State did not issue any XI-G bonds on the OUS's behalf.

During the fiscal year ended June 30, 2013, the State issued on the OUS's behalf $71,345,000 of Series 2013 CD XI-G taxable and tax exempt bonds with an effective rate of 2.8 percent that are due serially through 2037. To achieve debt service savings, $69,945,000 of the proceeds from the 2013 CD sale were used to refund a portion of the Series 2004 E, Series 2005 B and Series 2005 D bonds. OSU did not receive any new money from the 2013 CD sale. All proceeds from that sale, to the benefit of OSU, were applied to the refunding.

D. General Obligation Bonds XI-Q

XI-Q bonds, with effective yields ranging from 0.69 percent to 4.4 percent, are due serially through fiscal year 2036. During the fiscal year ended June 30, 2014, the State did not issue any XI-Q debt on the OUS's behalf.

During the fiscal year ended June 30, 2013, the State issued on the OUS's behalf, $4,542,977 of Series 2013 J XI-Q tax exempt bonds with an effective rate of 2.78 percent that are due serially through 2027 for refunding.

To achieve debt service savings, all of the proceeds allocated to the OUS from the 2013 J sale were used to partially refund 2007 A Certificates of Participation. OSU did not receive any new money from the 2013 J sale.

E. Certificates of Participation

COPs, with effective yields ranging from 2.1 percent to 6.2 percent, are due through fiscal year 2029. The State has not issued COPs on behalf of the OUS since fiscal year 2010. During 2013, Series 2007 A COPs were partially refunded by proceeds from the Series 2013 J XI-Q tax exempt bonds.

F. Lottery Bonds

Lottery bonds, with effective yields ranging from 0.48 percent to 5.3 percent, are due through fiscal year 2033. During the fiscal year ended June 30, 2014, the State did not issue any Lottery bonds on the OUS's behalf.

During the fiscal year ended June 30, 2013, the State issued $108,414,403 of Series 2013 ABC taxable and tax exempt Lottery bonds on the OUS's behalf for technology projects, capital construction and to refund previously issued bonds. The bonds had an effective rate of 3.2 percent and are due serially through 2033. OSU's portion of the 2013 ABC sale for new money projects totaled $28,102,978 par value, the proceeds of which funded the following projects:

- Deferred Maintenance Projects: $7,334,378
- Austin Hall: $20,768,600

G. Oregon Department of Energy Loans

OSU has entered into loan agreements with the State of Oregon Department of Energy (DOE) Small Scale Energy Loan Program (SELP) for energy conservation projects. OSU makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 2.0 percent to 6.0 percent, are due through 2033.

H. Defeased Debt

OSU participates in a debt portfolio managed by the OUS. From time to time and when fiscally appropriate, the OUS will sell bonds and use the proceeds to defease previously held debt. The portion of the refunding bonds sold noted below that benefited OSU were noted in the previous footnote sections by type of debt.

During the year ended June 30, 2014, the OUS issued no XI-F(1), XI-G, XI-Q or Lottery bonds to be used to defease previously issued debt.

During the year ended June 30, 2013, the OUS issued $196,135,000 in XI-F(1) bonds with an average interest rate of 3.2 percent to refund $184,615,000 in XI-F(1) bonds with an average interest rate of 5.1 percent. The net proceeds of the bonds were $208,711,340 (after bond premium of $13,910,772 and payment of $1,334,432 in underwriting costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $16,462,051. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 23 years by $25,013,623 and resulted in an economic gain of $19,773,114.

During the year ended June 30, 2013, the State issued on the OUS's behalf $69,945,000 in XI-G bonds with an average interest rate of 3.2 percent to refund $64,840,000 in XI-G bonds with an average interest rate of 5.1 percent. The net proceeds of the bonds were $71,636,007 (after bond premium of $2,173,007 and payment of $482,000 in underwriting costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $6,277,811. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 13 years by $9,071,840 and resulted in an economic gain of $7,130,439.

During the year ended June 30, 2013, the State issued on the OUS's behalf $4,542,977 in XI-Q bonds with an average interest rate of 5.0 percent to refund $4,675,000 in COPs with an average interest rate of 5.0 percent. The net proceeds of the bonds were $5,604,748 (after bond premium of $1,086,313 and payment of $24,542 in underwriting and issuance costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $733,513. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 19 years by $223,521 and resulted in an economic gain of $180,165.

During the year ended June 30, 2013, the State issued on the OUS's behalf $11,703,025 in Lottery bonds with an average interest rate of 1.7 percent to refund $10,995,188 in Lottery bonds with an average interest rate of 5.1 percent. The net proceeds of the bonds were $11,637,912 (after payment of $65,113 in underwriting costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $648,092. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 10 years by $1,477,920 and resulted in an economic gain of $1,418,776.

I. Financial Guarantees

The OUS, including OSU as a member university, is a governmental agency of the State. Therefore, the State is ultimately responsible for the OUS's financial obligations. As of June 30, 2014, no amounts have been paid by the State for the OUS's financial obligations, both cumulatively and during the current reporting period

J. State and Local Government Rate Pool

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP), and local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP effective January 1, 2002, at which time a transitional, Pre-SLGRP Pooled Liability was created. The Pre-SLGRP Pooled Liability is essentially a debt owed to the SLGRP by the SCCP employers. The balance of the Pre-SLGRP Pooled Liability attributable to the State is being amortized over the period ending December 31, 2027. The liability is allocated by the State, based on salaries and wages, to all proprietary funds and the government-wide reporting fund in the State's Comprehensive Annual Financial Report. Interest expense was paid in the amount of $2,188,526 and $2,293,469 for June 30, 2014 and 2013, respectively. Principal payments of $891,421 and $773,704 were applied to the liability for June 30, 2014 and 2013, respectively.

K. Employee Deferred Compensation

OSU has a Section 415(m) excess benefit plan. Section 415(m) plans are unfunded plans used as a means of deferring taxation on regular pension plan contributions by public employees in excess of the limitations otherwise imposed on the OUS 403(b) plan. The 415(m) plan is offered to highly compensated employees whose contributions would otherwise be limited by Internal Revenue Code Section 415.

L. Employee Termination

OSU has a severance agreement with one former employee relating to early termination of his/her employment contract. The future payout of this liability extends for three years. This liability was calculated using a discounted present value of expected future benefit payments, with a discount rate of 0.87 percent.

9. PRIOR PERIOD RESTATEMENTS

There are no prior period restatements for OSU for fiscal years 2014 or 2013.

10. INVESTMENT ACTIVITY

Investment Activity detail is as follows (in thousands):

	June 30, 2014	June 30, 2013
Interest Income	**$ 265**	$ 248
Net Appreciation of Investments	**4,882**	2,580
Royalties and Technology Transfer Income	**7,454**	9,060
Endowment Income	**1,142**	1,133
Internal Bank Investment Earnings	**2,841**	2,528
Other	**707**	42
Total Investment Activity	**$ 17,291**	$ 15,591

11. OPERATING EXPENSES BY NATURAL CLASSIFICATION

The Statement of Revenues, Expenses and Changes in Net Position reports operating expenses by their functional classification. The following displays operating expenses by natural classification (in thousands):

	June 30, 2014	June 30, 2013
Compensation and Benefits	**$ 598,148**	$ 554,534
Services and Supplies	**219,577**	203,588
Scholarships and Fellowships	**42,689**	39,792
Depreciation and Amortization	**49,518**	47,061
Other	**1,493**	1,326
Total Operating Expenses	**$ 911,425**	$ 846,301

12. GOVERNMENT APPROPRIATIONS

Government appropriations comprised the following (in thousands):

	June 30, 2014		
	General Operations	Debt Service	Total
General Fund	$ 139,703	$ 11,989	$ 151,692
Lottery Funding	500	4,707	5,207
Harvest Tax	3,919	-	3,919
Total State	144,122	16,696	160,818
Federal Appropriations	9,273	-	9,273
County Appropriations	8,195	-	8,195
Total Appropriations	**$ 161,590**	**$ 16,696**	**$ 178,286**

	June 30, 2013		
	General Operations	Debt Service	Total
General Fund	$ 130,168	$ 15,124	$ 145,292
Lottery Funding	907	4,126	5,033
Harvest Tax	3,116	-	3,116
Total State	134,191	19,250	153,441
Federal Appropriations	8,972	-	8,972
County Appropriations	7,324	-	7,324
Total Appropriations	$ 150,487	$ 19,250	$ 169,737

13. EMPLOYEE RETIREMENT PLANS

OSU, as a member university of the OUS, offers various retirement plans to qualified employees as described below.

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM/ OREGON PUBLIC SERVICE RETIREMENT PLAN

Oregon Public Employees Retirement System (System) holds assets in a pension trust and provides a statewide defined benefit retirement plan in which OSU employees are eligible to participate. The plan is administered by the Public Employees Retirement Board (Retirement Board) as required by Chapters 238 and 238A of the ORS. An employee is considered vested and eligible for retirement benefits if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment.

The State of Oregon Public Employees Retirement System (PERS) is a single cost-sharing multiple-employer defined benefit plan consisting of multiple tiers of membership. The 1995 Oregon Legislature enacted a law creating a second tier of PERS benefits. Employees hired into an eligible position prior to January 1, 1996 are enrolled in Tier One, while employees hired into an eligible position on or after January 1, 1996 but before August 29, 2003 are enrolled in Tier Two.

Tier One members are eligible for retirement with unreduced benefits at age 58 or at any age with 30 or more years of service. Employees may retire after reaching age 55; however, benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service.

Tier Two members are eligible for retirement with unreduced benefits at age 60 or at any age with 30 or more years of service. Employees may retire after reaching age 55; however, benefits are reduced if retirement occurs prior to age 60 with less than 30 years of service.

PERS employee contribution requirements are established by ORS 238A.330 and are credited to an employee's account in the Individual Account Program and may be amended by an act of the Oregon Legislature. PERS employer contributions are set by the PERS Board based on actuarial valuations performed in odd numbered years. Beginning July 1, 1979, the employee's contribution rate of 6.0 percent has been paid by the employer. The employer contribution rates for Tier One and Two for the years ended June 30, 2014 and 2013 were 9.86 percent and 9.55 percent, respectively.

The Retirement Bond Debt Service Assessment was authorized by the State of Oregon Legislature in 2003 to sell general obligation bonds in the amount of $2 billion to pay a PERS unfunded actuarial liability. This action reduced the PERS contribution rate for PERS covered employers in the State actuarial pool in November 2003.

The Oregon Department of Administrative Services coordinates the debt service assessments to PERS employers to cover the bond debt service payments. PERS employers are assessed a percentage of PERS-subject payroll to fund the payments. The assessment rate is adjusted biennially over the life of the twenty-four year debt repayment schedule.

The payroll assessment for the pension obligation bond began May 2004 and is currently at a rate of 6.33 percent. Payroll assessments paid by OSU for the fiscal years ended June 30, 2014 and 2013 were $13,180,288 and $11,905,621, respectively.

The **Oregon Public Service Retirement Plan** (OPSRP) is composed of a pension program and an individual account program (IAP). OPSRP defined benefit component is part of the single cost-sharing defined benefit plan administered by PERS. IAP within the OPSRP is considered a defined contribution plan for financial reporting purposes. The 2003 Oregon Legislature enacted ORS 238.025 creating OPSRP. Employees hired into eligible positions on or after August 29, 2003 are enrolled.

OPSRP members are eligible for retirement with unreduced benefits at age 65 or age 58 with 30 or more years of service. Employees may retire after reaching age 55; however, benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service.

OPSRP contribution requirements are established by ORS and may be amended by an act of the Oregon Legislature. OPSRP collects contributions from both employers and employees for the purpose of funding retirement benefits. Beginning July 1, 1979, the employee's contribution rate of 6.0 percent has been paid by the employer. The employer contribution rate for OPSRP for the years ended June 30, 2014 and 2013 were 8.14 percent and 8.05 percent, respectively.

PERS members as of January 1, 2004 have their employee contribution (paid by the employer) deposited to the defined contribution portion of the OPSRP and their employer contribution credited to the defined benefit portion of the OPSRP. They continue to retain their existing PERS accounts and other benefits associated with PERS membership.

OSU employer contributions to PERS and OPSRP for the years ended June 30, 2014 and 2013 were $18,180,320 and $16,826,750, respectively, equal to the required contributions for that year.

An actuarial valuation of the System is performed every two years to determine the level of employer contributions. The most recently completed valuation was performed as of December 31, 2013. The valuation included projected payroll growth at 3.75 percent. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. It is adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The actuarial accrued liability at December 31, 2013, for PERS and OPSRP, determined through an actuarial valuation performed as of that date, was $58.6 billion and $1.8 billion, respectively. PERS and OPSRP net assets available for benefits on that date (valued at market) were $48.1 billion and $1.2 billion, respectively. Information for the OUS, including OSU as a member university, as a stand-alone entity is not available.

The System issues a separate, publicly available financial report that contains audited financial statements and required supplementary information. The report includes ten-year historical trend information showing the progress made in accumulating sufficient assets to pay benefits when due. That report may be obtained by writing to Fiscal Services Division, PERS, 11410 SW 68th Parkway, Tigard, OR 97223, or by linking on the Internet at **oregon.gov/pers/docs/financial_reports/2014_cafr.pdf**, or by calling 1-888-320-7377 or 1-503-598-7377 (in Portland Metro area).

OPTIONAL RETIREMENT PLAN

The 1995 Oregon Legislature enacted legislation that authorized the OUS to offer a defined contribution, participant directed retirement plan as an alternative to PERS. The Board appointed a Retirement Plan Committee to administer the Optional Retirement Plan (ORP) and appointed trustees to manage plan assets. Beginning April 1, 1996, the ORP was made available to OSU unclassified faculty and staff who are eligible for PERS membership. Employees choosing the ORP may invest the employee and employer contributions in one of multiple investment companies.

The ORP consists of three tiers. Membership under ORP Tier One and Tier Two is determined using the same criteria as PERS. The third tier is determined by membership under the OPSRP. Under the ORP Tier One, Tier Two and OPSRP equivalent, the employee's contribution rate is 6.0 percent and is paid by the employer.

The employer contribution rates for the ORP are as follows:

	2014	2013
ORP Tier One	**16.50%**	16.14%
ORP Tier Two	**16.50%**	16.14%
OPSRP Equivalent	**6.42%**	6.21%

TEACHER'S INSURANCE AND ANNUITY ASSOCIATION/ COLLEGE RETIREMENT EQUITIES FUND

Eligible unclassified employees may participate in the Teacher's Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) retirement program, a defined contribution plan, on all salary in excess of forty-eight hundred dollars per calendar year. Employee contributions are directed to PERS on the first forty-eight hundred dollars. The employer contribution to TIAA-CREF is an amount sufficient to provide an annuity pension equal to the employee's contributions. To participate in this retirement option, employees must have been hired on or before September 9, 1995. This plan was closed to new enrollment at the time the ORP started in 1996.

FEDERAL CIVIL SERVICE RETIREMENT

Some OSU Extension Service employees hold federal appointments. Prior to December 31, 1986, federal appointees were required to participate in the Federal Civil Service Retirement System (CSRS), a defined benefit plan. CSRS employees are subject to the Hospital Insurance portion of the Federal Insurance Contributions Act (FICA), CSRS employee deduction of 7.0 percent, and employer contribution of 7.0 percent, and are also eligible for optional membership in PERS.

The Federal Employees Retirement System (FERS) was created beginning January 1, 1987. Employees on federal appointment hired after December 31, 1983 were automatically converted to FERS. Other federal employees not covered by FERS had a one-time option to transfer to FERS up to December 31, 1987. New FERS employees contribute 0.8 percent with an employer contribution rate of 10.7 percent, which changed to 11.9 percent effective October 1, 2004. FERS employees are not eligible for membership in PERS and they contribute at the full FICA rate. They also participate in a Thrift Savings Plan (TSP) with an automatic employer contribution of 1.0 percent. Employees may also contribute to this plan at variable rates up to the limit set by the Internal Revenue Service, in which case the employer contributes at a variable rate up to 5.0 percent. CSRS employees are also eligible for participation in the TSP but without employer contributions.

SUPPLEMENTAL RETIREMENT PLAN (SRP)

OSU maintains an IRC Section 414(d) cash balance defined benefit plan to provide a specific benefit value to the OSU university president upon separation. The 414(d) plan is qualified under IRC Section 401(a) as a governmental plan. As of June 30, 2014, the plan was fully funded.

SUMMARY OF PENSION PAYMENTS

OSU total payroll for the year ended June 30, 2014 was $400,024,672, of which $310,231,299 was subject to retirement contributions. The following schedule lists pension payments made by OSU for the fiscal year (in thousands):

	June 30, 2014			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
PERS/OPSRP	**$ 18,180**	**5.86%**	**$ 12,090**	**3.90%**
ORP	**10,486**	**3.38**	**6,020**	**1.94**
TIAA-CREF	**56**	**0.02**	**56**	**0.02**
Federal	**374**	**0.12**	**118**	**0.04**
FERS - TSP	**108**	**0.03**	**340**	**0.11**
SRP	**138**	**0.04**	**-**	**0.00**
Total	**$ 29,342**	**9.45%**	**$ 18,624**	**6.01%**

Of the employee share, the employer paid $12,078,936 of PERS/OPSRP, $6,020,101 of ORP, and $55,990 of TIAA-CREF during the fiscal year ended June 30, 2014. The federal contributions of $117,885 represent FERS and CSRS employees, and the $340,488 represents employee contributions to the Thrift Savings Plan for FERS employees that were matched from one to five percent by the employer in fiscal year 2014.

OSU total payroll for the year ended June 30, 2013 was $373,431,861, of which $290,008,174 was subject to retirement contributions. The following schedule lists pension payments made by OSU for the fiscal year (in thousands):

	June 30, 2013			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
PERS/OPSRP	$ 16,827	5.80%	$ 11,356	3.92%
ORP	9,791	3.38	5,577	1.92
TIAA-CREF	52	0.02	52	0.02
Federal	406	0.14	123	0.04
FERS - TSP	115	0.04	356	0.12
SRP	138	0.05	-	0.00
Total	$ 27,329	9.43%	$ 17,464	6.02%

Of the employee share, the employer paid $11,337,250 of PERS/OPSRP, $5,577,259 of ORP, and $52,363 of TIAA-CREF during the fiscal year ended June 30, 2013. The federal contributions of $123,044 represent FERS and CSRS employees, and the $355,568 represents employee contributions to the Thrift Savings Plan for FERS employees that were matched from one to five percent by the employer in fiscal year 2013.

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

During the year ended June 30, 2014, OSU was a part of the OUS as a participant in the defined benefit postemployment health care plan.

Plan Description. OSU participates in a defined benefit postemployment healthcare plan, administered by the Public Employees Benefit Board (PEBB), which offers medical, dental and vision benefits to eligible retired state employees and their beneficiaries. The PEBB plan is an agent multiple-employer postemployment healthcare plan. Chapter 243 of the ORS assigns PEBB the authority to establish and amend the benefit provisions of the PEBB plan. As the administrator of the PEBB plan, PEBB has the authority to determine postretirement benefit increases and decreases. PEBB does not issue a separate, publicly available financial report.

The PEBB plan allows OSU employees retiring under PERS or OPSRP to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. This plan creates an "implicit rate subsidy" because the healthcare insurance premiums paid by OSU for its employees is based on a blended premium of both employees and retirees combined, which is a higher premium than would have been paid for employees alone.

The PEBB plan is also offered to retirees of other Oregon state agencies. Therefore, the amounts presented in this note are limited to OSU's share, estimated at 9.7 percent of the total PEBB plan costs attributable to the State. This estimated allocation was based on health insurance premiums paid by state agencies during fiscal year 2014.

Funding Policy. OSU's current policy is to pay the implicit rate subsidy on a pay-as-you-go basis. For fiscal years 2014 and 2013, OSU paid healthcare insurance premiums of $74,221,036 and $71,428,322, respectively. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be $644,817 and $865,890 for the fiscal years ended 2014 and 2013, respectively.

Annual OPEB Cost and Net OPEB Obligation. OSU's annual OPEB expense is calculated based on OSU's annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of OSU's annual OPEB expense for the year, the amount actually contributed to the plan, and changes in OSU's net OPEB obligation (in thousands):

	June 30, 2014	June 30, 2013
Annual Required Contribution	**$ 1,246**	$ 2,165
Interest on Net OPEB Obligation	**256**	234
Adjustment to Annual Required Contribution	**(487)**	(447)
Prior Year Adjustment	**(190)**	-
Annual OPEB Cost	**825**	1,952
Contributions Made	**(645)**	(866)
Increase in Net OPEB Obligation	**180**	1,086
Net OPEB Obligation - Beginning of Year	**6,890**	5,804
Net OPEB Obligation - End of Year	**$ 7,070**	$ 6,890

The OSU annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the change in net OPEB obligation for the fiscal years ended June 30, 2014 and 2013 were as follows (in thousands):

Year Ended	Annual OPEB Cost		Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	
2014	**$**	**825**	**12%**	**$**	**7,070**
2013	$	1,952	28%	$	6,890
2012	$	1,786	31%	$	5,804

Funding Status and Funding Progress. The funded status of the OSU OPEB plan for June 30, 2014 and 2013 were as follows (in thousands):

		June 30, 2014		June 30, 2013
Actuarial Accrued Liabilities	**$**	**10,212**	$	15,094
Actuarial Value of Plan Assets		**-**		-
Unfunded Actuarial Accrued Liability	**$**	**10,212**	$	15,094
Funded Ratio		**0.00%**		0.00%
Covered Payroll (active plan members)	**$**	**306,622**	$	286,923
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll		**3.33%**		5.26%

Actuarial valuations, prepared biennially, involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Accrual Methods and Assumptions. Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between OSU and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	June 30, 2014	June 30, 2013
Actuarial Valuation Date	**7/1/2013**	7/1/2011
Actuarial Cost Method	**Entry Age Normal**	Entry Age Normal
Amortization Method	**Level Percentage**	Level Percentage
Amortization Period	**15 Years (open)**	15 Years (open)
Investment Rate of Return	**3.5%**	3.5%
Projected Salary Increases	**3.5%**	3.5%
Initial Healthcare Inflation Rates	**3.6% (medical)** **2.2% (dental)**	4% (medical) 2.7% (dental)
Ultimate Healthcare Inflation Rates	**5.4% (medical)** **5.0% (dental)**	5.5% (medical) 5% (dental)

15. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others, for which OSU is an income beneficiary, are not recorded in the financial records. The approximate value of such trust funds at June 30, 2014 and 2013 were $1,669,042 and $1,795,403, respectively.

16. RISK FINANCING

OSU participates in the OUS Risk Management Fund managed by the OUS Office of Risk Management. The following risks have been transferred to the OUS fund:

- Real property loss for university owned building, equipment, automobiles and other types of property
- Tort liability claims brought against OSU, its officers, employees or agents
- Workers' compensation and employers liability
- Crime, Fiduciary
- Specialty lines of business including marine, medical practicums, international travel, fine art, aircraft, camps, clinics and other items.

In July of 2012, in accordance with ORS 351.096, the Oregon State Board of Higher Education Finance & Administration Committee established the OUS Risk Management Program to protect the life, safety, reputation, financial, operations, and property risks associated with the System's broad scope of enterprise activities. The OUS Office of Risk Management manages the program in a transparent manner using best practices and industry standards for risk financing including risk retention and transfer, and risk controls while supporting an enhanced culture of risk mitigation within the system. In the policy year ending June 30, 2014, risk mitigation efforts included tightening review of claims and loss prevention efforts which resulted in a decrease of $3 million in case reserves.

In addition to the OUS Office of Risk Management, the program is comprised of the Risk Oversight Committee and the Risk Council. The Risk Oversight Committee has responsibility for overseeing the strategic direction of the program and the Risk Council executes the program strategy. The Risk Oversight Committee is comprised of representatives from each of the seven OUS institutions. The financing for this program is provided through the establishment of a Risk Fund consisting of three sub-funds for Casualty, Property, and Workers' Compensation. The Risk Oversight Committee has oversight responsibility for this fund.

During the year ending June 30, 2014, the OUS Office of Risk Management purchased excess commercial general liability insurance above the self-insurance layer among other underlying coverage as noted above. The total insurable value of property was re-assessed at $9 billion and included a $500 million limit with sub-limits for business interruption, earth movement, and flood. In addition, the universities applied a membership credit of over $190 thousand towards seismic gas shut-off valves in 2013-2014 to help minimize fire damage in the event of an earthquake. The casualty program covers general tort claims as well as director's and officers, errors and omissions, and employment liability. Limits of liability for this program total $50 million and for general liability and educator's legal liability this is an excess of over $1 million in the self-insured program.

OSU is charged an assessment to cover the OUS Risk Management Fund's cost of servicing claims and payments based on the OUS Risk Allocation Model and actuarial estimates of the amounts needed to pay prior and current-year claims.

17. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed and planned but not initiated construction projects authorized by the Oregon State Legislature totaled approximately $196,422,610 at June 30, 2014. These commitments will be primarily funded from gifts and grants, bond proceeds, and other OSU funds. Refer to the table accompanying this note for projects relating to construction commitments as of June 30, 2014.

OSU is contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Management is of the opinion that the outcome of such matters will not have a material effect on the financial statements.

OSU participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor for expenditures disallowed under terms of the grant. Management believes that disallowances, if any, will not have a material effect on the financial statements.

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to ORS 657. OSU reimburses the Oregon Employment Division on a quarterly basis for actual benefits paid. Each year resources are budgeted to pay current charges. The amount of future benefit payments to claimants and the resulting liability to OSU cannot be reasonably determined at June 30, 2014.

CONSTRUCTION COMMITMENTS AS OF JUNE 30, 2014

(in thousands)	Total Commitment	Completed to Date	Outstanding Commitment
AES Animal Research	$ 2,240	$ 100	$ 2,140
Austin Hall (School of Business)	50,400	39,445	10,955
Beth Ray Academic Ctr (Student Success Ctr)	13,324	6,381	6,943
Capital Repair	26,447	21,285	5,162
Cultural Centers	4,015	621	3,394
Goss Stadium Locker Room	2,820	195	2,625
Johnson Hall (Engineering Building)	40,000	1,522	38,478
Learning Innovation Ctr (Classroom Bldg)	65,000	21,719	43,281
MU Renovation	9,578	7,583	1,995
OSU Cascade Campus	33,880	2,169	31,711
Space Improvement Program	3,000	848	2,152
Strand Agriculture Hall	6,851	2,101	4,750
Student Experience Center	42,800	20,198	22,602
Student Resource Center	4,400	31	4,369
Tebeau Hall (Student Residence Hall)	27,000	20,653	6,347
UHDS Renovations	4,650	677	3,973
Projects with <$500 thousand remaining to be spent	97,201	95,232	1,969
Project Budgets <$1 million	6,068	2,491	3,577
	$ 439,674	$ 243,251	$ 196,423

18. SUBSEQUENT EVENTS

BONDED INDEBTEDNESS

On July 29, 2014, the State issued on behalf of the OUS $13,361,369 in Lottery bonds with an average interest rate of 5.0 percent to refund $14,250,000 in Lottery bonds with an average interest rate of 5.0 percent. The net proceeds of the bonds were $15,830,517 (after payment of $65,040 in underwriting costs and bond premium of $2,534,188).

OSU's share of the refunding was $5,262,028 in new bonds to refund $5,611,992 in previously issued debt. The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $409,919. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 12 years by $623,061 and resulted in an economic gain of $517,299.

OREGON UNIVERSITY SYSTEM STRUCTURE CHANGES

Effective July 1, 2014, OSU is an independent legal entity governed by the Board of Trustees of Oregon State University. See Note 1 for additional information about this change in legal status.

RISK MANAGEMENT STRUCTURE CHANGES

Effective as of July 1, 2014, the OUS Risk Fund (see Note 16) was transferred to the Public University Risk Management and Insurance Trust (Trust). The Trust is a separate legal entity which operates for the benefit of the participating universities. Under provisions of SB 270, OSU is required to participate in the Trust until June 30, 2015. At that time, membership in the Trust becomes optional. All assets and liabilities of the previously established the OUS Risk Fund are transferred to the Trust on the effective date.

The following risks have also been transferred from the Fund to the Trust:

- Real property loss for university owned building, equipment, automobiles and other types of property
- Tort liability claims brought against OSU, its officers, employees or agents
- Workers' compensation and employers liability
- Crime, Fiduciary
- Specialty lines of business including marine, medical practicums, international travel, fine art, aircraft, camps, clinics and other items.

19. UNIVERSITY FOUNDATIONS

Under policies approved by the Board, individual university foundations may be established to provide assistance in fund raising, public outreach and other support for the mission of OSU. Each foundation is a legally separate, tax-exempt entity with an independent governing board. Although OSU does not control the timing or amount of receipts from the foundations or income thereon, the majority of resources that each foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by each foundation can only be used by, or for the benefit of the University, the foundations are considered component units of OSU and are discretely presented in the financial statements.

The financial activity is reported for the years ended June 30, 2014 and 2013.

During the years ended June 30, 2014 and 2013 gifts of $59,031,942 and $47,866,749, respectively, were transferred from university foundations to OSU. Both OSU affiliated foundations are audited annually and received unmodified audit opinions.

Please see the combining financial statements for the OSU component units on the following page.

Complete financial statements for the foundations may be obtained by writing to the following:

- *Oregon State University Foundation, 850 SW 35th Street, PO Box 1438, Corvallis, OR 97339-1438*
- *Agricultural Research Foundation, 1600 SW Western Blvd, Suite 320, Corvallis, OR 97333*

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Component Units

Combining Financial Statement

Statements of Financial Position

As of June 30, 2014

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
ASSETS			
Cash and Cash Equivalents	$ 13,693	$ 704	$ 14,397
Contributions, Pledges and Grants Receivable, Net	33,181	2,043	35,224
Investments	604,263	21,434	625,697
Prepaid Expenses and Other Assets	19,835	360	20,195
Property and Equipment, Net	12,407	18	12,425
Total Assets	**$ 683,379**	**$ 24,559**	**$ 707,938**
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 9,827	$ 6,954	$ 16,781
Accounts Payable to University	4,962	4,900	9,862
Obligations to Beneficiaries of Split-Interest Agreements	27,734	-	27,734
Total Liabilities	**$ 42,523**	**$ 11,854**	**$ 54,377**
NET ASSETS			
Unrestricted Surplus (Deficit)	$ 13,319	$ 3,611	$ 16,930
Temporarily Restricted	275,060	8,123	283,183
Permanently Restricted	352,477	971	353,448
Total Net Assets	**$ 640,856**	**$ 12,705**	**$ 653,561**

Statements of Activities

For the Year Ended June 30, 2014

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
REVENUES			
Grants, Bequests and Gifts	$ 65,200	$ 8,212	$ 73,412
Interest and Dividends	14,723	-	14,723
Investment Income, Net	61,125	1,112	62,237
Change in Value of Life Income Agreements	4,662	-	4,662
Other Revenues	17,761	-	17,761
Total Revenues	**163,471**	**9,324**	**172,795**
EXPENSES			
University Support	61,056	8,546	69,602
General and Administrative	19,256	390	19,646
Other Expenses	9,780	-	9,780
Total Expenses	**90,092**	**8,936**	**99,028**
Increase (Decrease) In Net Assets	**73,379**	**388**	**73,767**
NET ASSETS			
Beginning Balance	**567,477**	**12,317**	**579,794**
Ending Balance	**$ 640,856**	**$ 12,705**	**$ 653,561**

Component Units
Combining Financial Statement

Statements of Financial Position
As of June 30, 2013

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
		(in thousands)	
ASSETS			
Cash and Cash Equivalents	$ 30,161	$ 1,265	$ 31,426
Contributions, Pledges and Grants Receivable, Net	42,019	1,151	43,170
Investments	499,486	21,307	520,793
Prepaid Expenses and Other Assets	15,784	466	16,250
Property and Equipment, Net	12,590	27	12,617
Total Assets	**$ 600,040**	**$ 24,216**	**$ 624,256**
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 3,462	$ 5,971	$ 9,433
Accounts Payable to University	2,782	5,928	8,710
Obligations to Beneficiaries of Split-Interest Agreements	26,319	-	26,319
Total Liabilities	**$ 32,563**	**$ 11,899**	**$ 44,462**
NET ASSETS			
Unrestricted Surplus (Deficit)	$ (3,912)	$ 4,442	$ 530
Temporarily Restricted	237,531	6,909	244,440
Permanently Restricted	333,858	966	334,824
Total Net Assets	**$ 567,477**	**$ 12,317**	**$ 579,794**

Statements of Activities
For the Year Ended June 30, 2013

	Oregon State University Foundation	Agricultural Research Foundation	Total Component Units
REVENUES			
Grants, Bequests and Gifts	$ 52,603	$ 7,271	$ 59,874
Interest and Dividends	15,068	-	15,068
Investment Income, Net	27,339	220	27,559
Change in Value of Life Income Agreements	2,009	-	2,009
Other Revenues	15,204	-	15,204
Total Revenues	**112,223**	**7,491**	**119,714**
EXPENSES			
University Support	48,746	6,301	55,047
General and Administrative	18,375	1,358	19,733
Other Expenses	7,839	7	7,846
Total Expenses	**74,960**	**7,666**	**82,626**
Increase (Decrease) In Net Assets	**37,263**	**(175)**	**37,088**
NET ASSETS			
Beginning Balance	**530,214**	**12,492**	**542,706**
Ending Balance	**$ 567,477**	**$ 12,317**	**$ 579,794**

Funding Status of Other Postemployment Benefits

(in thousands)

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2010	$ -	$ 14,015	$ 14,015	0.0%	$ 248,419	5.6%
6/30/2011	-	14,593	14,593	0.0	254,043	5.7
6/30/2012	-	14,397	14,397	0.0	265,095	5.4
6/30/2013	-	15,094	15,094	0.0	286,923	5.3
6/30/2014	-	10,212	10,212	0.0	306,622	3.3

For information about the financial data included in this report, contact:

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