

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

*Financial Statements as of and for the
Years Ended June 30, 2007 and 2006,
and Independent Auditors' Report*



Mary Taylor, CPA
Auditor of State

Board of Trustees
The Ohio State University
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210-4016

We have reviewed the *Independent Auditors' Report* of The Ohio State University, Franklin County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

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Auditor of State

January 15, 2008

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
The Ohio State University
Columbus, Ohio

We have audited the accompanying consolidated statements of net assets of The Ohio State University (the "University"), a component unit of the State of Ohio, as of June 30, 2007 and 2006, and the related consolidated statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Ohio State University as of June 30, 2007 and 2006, and their changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the consolidated financial statements, the financial statements include investments valued at \$364,732 (7.8% of net assets) and \$164,305 (3.9% of net assets) as of June 30, 2007 and June 30, 2006, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

The Management's Discussion and Analysis on pages 2 to 14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the University's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Deloitte + Touche LLP

October 17, 2007

Management's Discussion and Analysis for the Year Ended June 30, 2007

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of The Ohio State University for the year ended June 30, 2007, with comparative information for the years ended June 30, 2006 and June 30, 2005. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About The Ohio State University

The Ohio State University is the State of Ohio's flagship research institution and one of the largest universities in the United States of America, with over 59,000 students, 5,300 faculty members and 19,000 staff members. Founded in 1870 under the Morrill Land Grant Act, the University – which was originally known as the Ohio Agricultural and Mechanical College -- has grown over the years into a comprehensive public institution of higher learning, with 167 undergraduate majors, 132 master's degree programs, 100 doctoral programs and seven professional degree programs. The University operates one of the nation's leading academic medical centers, which includes the OSU Health System. The Health System is comprised of The Ohio State University Hospital, The Arthur G. James Cancer Hospital and Richard J. Solove Research Institute, Richard M. Ross Heart Hospital, University Hospital East, OSU Harding Hospital, and 24 outpatient care centers. The System provided services to over 56,000 inpatients and nearly 900,000 outpatients during fiscal year 2007.

Ohio State is governed by a board of trustees who are responsible for oversight of academic programs, budgets, general administration, and employment of faculty and staff. The University's 17 colleges, two independent schools, the OSU Health System and various academic support units operate largely on a decentralized basis. The Board approves annual budgets for University operations, but these budgets are managed at the college and department level.

In 2005, the Ohio General Assembly voted to expand the board from 11 to 17 members. The standard term for voting members of the board is nine years. However, as part of the transition to a larger board membership, the additional trustees appointed in 2005 and 2006 will serve terms ranging from four to eight years. The board also includes two non-voting student trustees who are appointed to two-year terms.

The following financial statements reflect all assets, liabilities and net assets (equity) of the University, the OSU Health System, the Ohio Agricultural Research and Development Center and the Ohio Supercomputer Center. In addition, these statements include consolidated financial results for a number of legally separate entities subject to Board control, including:

- the OSU Research Foundation (which administers sponsored research grants and contracts for University)
- the OSU Foundation (a fundraising foundation operating exclusively for the benefit of the University)

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- Campus Partners for Community Urban Redevelopment (a non-profit organization participating in the redevelopment of neighborhoods adjacent to the main Columbus campus)
 - Transportation Research Center (an automotive research and testing facility in East Liberty, Ohio)
 - OSU Managed Health Care Systems (a non-profit organization that administers University health care benefits)
 - OSU Physicians, Inc. (the central practice group for physician faculty members of the Colleges of Medicine and Public Health)

The entities listed above meet the “financial accountability” criteria set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. A complete listing of the entities that are included in the University’s financial report is provided in the Basis of Presentation section of the footnotes.

About the Financial Statements

The University presents its financial reports in a “business type activity” format, in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. In addition to this MD&A section, the financial report includes a Statement of Net Assets, a Statement of Revenues, Expenses and Other Changes in Net Assets, a Statement of Cash Flows and Notes to the Financial Statements.

The **Statement of Net Assets** is the University’s balance sheet. It reflects the total assets, liabilities and net assets (equity) of the University as of June 30, 2007, with comparative information as of June 30, 2006. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as non-current. Investment assets are carried at market value. Capital assets, which include the University’s land, buildings, improvements, and equipment, are shown net of accumulated depreciation. Net assets are grouped in the following categories:

- Invested in capital assets, net of related debt
- Restricted – Nonexpendable (endowment and annuity funds)
- Restricted – Expendable (primarily current restricted and quasi-endowment funds)
- Unrestricted

The **Statement of Revenues, Expenses and Other Changes in Net Assets** is the University’s income statement. It details how net assets have increased (or decreased) during the year ended June 30, 2007, with comparative information for Fiscal Year 2006. Tuition revenue is shown net of scholarship allowances, depreciation is provided for capital assets, and there are required subtotals for net operating income (loss) and net income (loss) before capital contributions and additions to permanent endowments.

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

The **Statement of Cash Flows** details how cash has increased (or decreased) during the year ended June 30, 2007, with comparative information for Fiscal Year 2006. It breaks out the sources and uses of University cash into the following categories:

- Operating activities
- Noncapital financing activities
- Capital financing activities
- Investing activities

Cash flows associated with the University’s expendable net assets appear in the operating and noncapital financing categories. Capital financing activities include payments for capital assets, proceeds from long-term debt and debt repayments. Purchases and sales of investments are reflected as investing activities.

The **Notes to the Financial Statements**, which follow the financial statements, provide additional details on the numbers in the financial statements.

Financial Highlights and Key Trends

The University’s financial health remained sound in 2007, with growth in tuition and patient care revenues offsetting similar increases in operating expenses. Total unrestricted and restricted-expendable net assets increased \$113 million, to \$1.50 billion at June 30, 2007. Total University plant debt was stable, increasing \$12 million, to \$1.12 billion. University investments yielded \$430 million of net investment income.

Student enrollment trends reflect continued strong demand for an Ohio State education, improvement in freshman retention rates and a significant improvement in graduation rates. 59,091 students were enrolled in Autumn 2006, up slightly from Autumn 2005 total enrollment of 57,748. 91.5% of the freshmen enrolled in Autumn 2005 returned to OSU in Autumn 2006, up from 89.7% in the comparable 2004-2005 period. Over the past decade, the University’s six-year graduation rate has climbed 16 percentage points, from 55% of students entering OSU in 1990 to 71% of students entering OSU in 2000.

The following sections provide additional details on the University’s 2007 financial results and a look ahead at significant economic conditions that are expected to affect the University in the future.

Statement of Net Assets

Summary Statement of Net Assets <i>(in thousands)</i>			
	2007	2006	2005
Cash and temporary investments	\$ 855,113	\$ 755,036	\$ 565,618
Current receivables, inventories and prepaid expenses	483,998	453,420	470,771
Total current assets	1,339,111	1,208,456	1,036,389
Noncurrent notes and pledges receivable	74,380	75,662	85,426
Long-term investment pool	2,315,591	1,973,020	1,706,243
Other long-term investments	88,186	82,425	83,374
Capital assets, net of accumulated depreciation	2,825,828	2,695,648	2,468,776
Total noncurrent assets	5,303,985	4,826,755	4,343,819
Total assets	\$ 6,643,096	\$ 6,035,211	\$ 5,380,208
Accounts payable and accrued expenses	\$ 470,723	\$ 395,132	\$ 368,127
Deferred revenues and deposits	189,129	165,048	154,424
Commercial paper and current portion of bonds, notes and lease obligations	518,825	487,144	480,580
Other current liabilities	11,905	9,761	10,140
Total current liabilities	1,190,582	1,057,085	1,013,271
Noncurrent portion of bonds, notes and lease obligations	599,266	619,083	396,960
Other noncurrent liabilities	186,430	196,830	190,896
Total noncurrent liabilities	785,696	815,913	587,856
Total liabilities	\$ 1,976,278	\$ 1,872,998	\$ 1,601,127
Invested in capital assets, net of related debt	\$ 1,711,274	\$ 1,589,420	\$ 1,590,235
Restricted-nonexpendable net assets	1,459,705	1,189,475	1,050,685
Restricted-expendable net assets	531,162	486,095	462,574
Unrestricted net assets	964,677	897,223	675,587
Total net assets	\$ 4,666,818	\$ 4,162,213	\$ 3,779,081

Total University **cash and temporary investment** balances increased \$100 million in 2007, primarily due to net cashflows from investing activities. The Statement of Cash Flows, which is discussed in more detail below, provides additional details on sources and uses of University cash. The University holds the bulk of its working capital in the short and intermediate-term investment funds. These funds are invested in a diversified portfolio of money-market instruments as well as short and intermediate-term fixed income securities. The average maturity of the portfolio is typically less than one year.

The market value of the University's **long-term investment pool** increased \$343 million, to \$2.32 billion at June 30, 2007, primarily due to a combination of net investment income (\$322 million), transfers from temporary investments (\$30 million) and new endowment gifts

(\$46 million). These additions were partially offset by endowment income distributions and expenses. The long-term investment pool operates similar to a mutual fund, in that each named fund is assigned a number of shares in the pool. It includes the gifted endowment funds of the University, gifted endowment funds of the OSU Foundation, and operating funds which have been internally designated to function as endowments. The pool is invested in a diversified portfolio of equities, fixed income, real estate, hedge funds, private equity, venture capital and natural resources that is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support the University's mission.

Other long-term investments are non-unitized investments that relate primarily to gift arrangements between donors and the OSU Foundation. These investments increased \$6 million, to \$88 million at June 30, 2007, due to a combination of new gifts and increases in market value.

Capital assets, which include the University's land, buildings, improvements, equipment and library books, grew \$130 million, to \$2.83 billion at June 30, 2007. The University depreciates its capital assets on a straight-line basis, using estimated useful lives ranging from 5 years (for computer equipment) to 100 years (for certain building components such as foundations).

Major projects completed in 2007 include the Biomedical Research Tower, the new Mechanical Engineering Building (Scott Laboratory), and Phase II of the Recreation & Physical Activity Center and Physical Activity and Education Services buildings. In addition, several major construction projects are currently underway or in advanced planning stages, including:

- McCracken Power Plant Improvements – Work is nearing completion on a \$69 million Emissions Compliance Project to replace four boilers at the main campus power plant. The new boilers will reduce emissions, increase capacity and meet future campus steam demands.
- Jennings Hall Renovation (Botany and Zoology) – Work continues on a \$33 million project to renovate Jennings Hall for use by the College of Biological Sciences, the Mathematical Biosciences Institute and the central classroom pool.
- William Oxley Thompson Memorial Library Renovation – Work continues on a \$108 million renovation of the University's main library, which will include an addition to the building, new landscaping of the surrounding area and an expansion of the Library Book Depository. The renovation project is scheduled for completion in Autumn 2009.
- Ohio Union Replacement – The old Ohio Union has been demolished to make way for a new 300,000 square foot student union. The \$118 million project is scheduled for completion in 2010.

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- **Medical Center Facilities Plan** – The University continues work on a master plan to invest more than \$780 million in construction and capital improvements to the Medical Center. Current plans call for a new cancer hospital, expansion of several existing patient care facilities and various infrastructure improvements.

The University's estimated future capital commitments, based on contracts and purchase orders, total approximately \$256 million at June 30, 2007.

Accounts payable and accrued expenses increased \$76 million, to \$471 million at June 30, 2007. The increase relates primarily to timing differences in the remittance of contributions to the state retirement funds (up \$34 million compared with June 30, 2006), increases in payables to vendors for supplies and services (up \$21 million) and increases in medical malpractice liabilities (up \$11 million).

Total University debt, in the form of **commercial paper, bonds, notes and capital lease obligations**, increased \$12 million, to \$1.12 billion at June 30, 2007, with principal payments on existing debt offsetting issuance of commercial paper.

The University's plant debt includes variable rate demand bonds that mature at various dates through 2035. Governmental Accounting Standards Board Interpretation 1, *Demand Bonds Issued by State and Local Governmental Entities*, provides guidance on the balance sheet classification of these bonds. Under GASB Interpretation 1, outstanding principal balances on variable rate demand bonds may be classified as noncurrent liabilities if the issuer has entered into a "take-out agreement" to convert bonds "put" but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities.

Although it is the University's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the University does not have "take-out agreements" in place per the GASB Interpretation 1 requirements. Accordingly, the University has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. These obligations totaled \$404 million and \$420 million at June 30, 2007 and 2006, respectively.

2005-2006 Highlights: *In 2005*, the University transferred approximately \$478 million of temporary investments to the Long-Term Investment Pool to establish the Operating Funds Long-Term Component and the President's Strategic Initiative Fund. Total unrestricted and restricted-expendable net assets decreased \$49 million, to \$1.14 billion at June 30, 2005. Total University plant debt increased \$63 million, to \$878 million. *In 2006*, total unrestricted and restricted-expendable net assets increased \$245 million, to \$1.38 billion at June 30, 2006, primarily due to the issuance of long-term bonds (which shifted the negative equity associated with construction activity from unrestricted net assets to capital assets, net of related plant debt). Total University plant debt increased \$229 million, to \$1.11 billion.

Statement of Revenues, Expenses and Other Changes in Net Assets

Summary of Revenues, Expenses and Changes in Net Assets <i>(in thousands)</i>			
	2007	2006	2005
Operating Revenues:			
Tuition and fees, net	\$ 583,580	\$ 537,386	\$ 501,941
Grants and contracts	598,585	584,708	534,476
Auxiliary enterprises sales and services, net	179,855	170,685	160,711
OSU Health System sales and services, net	1,354,702	1,222,974	1,078,181
OSU Physicians sales and services, net	239,852	215,757	189,101
Departmental sales and other operating revenues	142,504	119,243	119,531
Total operating revenues	<u>3,099,078</u>	<u>2,850,753</u>	<u>2,583,941</u>
Operating Expenses:			
Educational and general	1,770,232	1,666,785	1,536,533
Auxiliary enterprises	204,709	189,656	175,925
OSU Health System	1,216,897	1,082,662	991,409
OSU Physicians	226,612	182,169	169,005
Depreciation	193,657	191,991	145,975
Total operating expenses	<u>3,612,107</u>	<u>3,313,263</u>	<u>3,018,847</u>
Net operating income (loss)	(513,029)	(462,510)	(434,906)
Non-operating revenues (expenses):			
State share of instruction and line-item appropriations	451,964	443,933	438,499
Gifts - current use	76,541	70,293	65,676
Net investment income (loss)	429,584	220,313	154,289
Other non-operating revenue (expense)	<u>(56,534)</u>	<u>(45,474)</u>	<u>(29,895)</u>
Income (loss) before other revenues, expenses gains or losses	388,526	226,555	193,663
State capital appropriations	40,928	90,606	87,305
Private capital gifts	28,725	18,548	16,638
Additions to permanent endowments	<u>46,426</u>	<u>47,423</u>	<u>54,723</u>
Increase (decrease) in net assets	504,605	383,132	352,329
Net assets - beginning of year	<u>4,162,213</u>	<u>3,779,081</u>	<u>3,426,752</u>
Net assets - end of year	<u>\$ 4,666,818</u>	<u>\$ 4,162,213</u>	<u>\$ 3,779,081</u>

Net **tuition and fees** increased \$46 million, to \$584 million in 2007. Undergraduate instructional and general fees were increased 6% for the 2006-2007 academic year. Tuition increases for graduate and professional programs ranged from 5% to 10%.

Grant and contract revenues increased \$14 million, to \$599 million in 2007. Revenues for sponsored research programs administered by the OSU Research Foundation were relatively stable in 2007, with slight decreases from federal sources partially offsetting increases from private sources.

Educational and general expenses increased 6%, to \$1.77 billion in 2007. Additional details are provided below.

Educational and General Expenses <i>(in thousands)</i>	2007	2006	2005
Instruction and departmental research	\$ 760,923	\$ 705,544	\$ 670,662
Separately budgeted research	364,170	368,114	353,194
Public service	116,504	120,266	100,516
Academic support	128,932	120,380	110,434
Student services	78,501	75,962	71,465
Institutional support	143,956	115,320	89,041
Operation and maintenance of plant	106,564	95,465	84,475
Scholarships and fellowships	70,682	65,734	56,746
Total	\$ 1,770,232	\$ 1,666,785	\$ 1,536,533

Total **instructional and departmental research** expenses increased \$55 million in 2007, primarily due to a combination of faculty/staff salary and benefit increases and increases in fee authorizations for graduate associates. The University's budget process directs the bulk of annual increases in tuition, state share of instruction and facilities and administrative cost recoveries to the colleges, for investment in academic programs. Decreases in **separately budgeted research** reflect declines in funding from federal sources and elimination entries for capital expenditures. **Institutional support** increased \$29 million, primarily due to expenditures for the Student Information System project and central accrual activity related to tuition receivables, legal liabilities and self-insured employee health plans. **Operation and maintenance of plant** expenses increased \$11 million, reflecting a combination of increased funding for Facilities Operation and Development and higher facilities costs in the colleges and regional campuses.

Sales and service revenues of the University's **Auxiliary Enterprises** increased \$9 million, to \$180 million in 2007, primarily due to increases in Athletics and Housing, Food Service and Event Center (HFSEC) revenues. Auxiliary expenses increased \$15 million, reflecting increased expenditures in Athletics and HFSEC.

The Ohio State University Health System continued its planned growth during Fiscal Year 2007 with its continuing construction of two additional floors on the Ross Heart Hospital, expansion of the digestive disease program, development of additional faculty space, and expanding the breadth of outpatient services at the Morehouse Medical Plaza on Kenny Road.

Health System inpatient admissions increased 3.7%, while outpatient volume grew by approximately 80,000 patients after accounting for restructuring of the Primary Care Network. Consolidated Health System Total Operating Revenues increased \$132 million (10.8%) due to volume increases along with selective rate increases. Expenses for the consolidated Health System (excluding depreciation, interest and interfund transfers) increased \$134 million (12.4%). Salaries and benefits increased 11% due to increased

patient activity and a competitive labor market. Supplies increased 15% due to volume, medical advances, inflation and more intensive patient care services. The Health System's Excess of Revenue over Expense for 2007 was \$109.3 million. After investing \$62.8 million in research and education, the change in net assets was \$46.5 million.

Looking ahead, the OSU Health System will be challenged by the national trend to meet the increase in demand for health services arising from an aging population and increasing consumer expectations. The Health System expects revenues to increase by 11% with focus on the six signature programs – Cancer, Critical Care, Heart, Imaging, Neuroscience and Transplantation. The Health System will continue to be challenged by the increasing cost for care givers, malpractice costs, supplies, pharmaceuticals and technology.

The Health System continues to invest in the Medical Center's research and teaching initiatives, resulting in the delivery of additional leading edge clinical services while fulfilling its academic mission. In response to the increased demand for services, the Health System continues its planning for significant expansion of clinical facilities in the next decade. Despite the challenges and the changing healthcare environment, the Health System expects to improve its financial position during the upcoming year, and will continue to play a key role in supporting the Medical Center and its goal of maintaining its status as a leading academic medical center.

Revenues and operating expenses of **OSU Physicians, Inc.**, the University's central practice group for physician faculty members of the Colleges of Medicine and Public Health, continued to grow in 2007. Total operating revenues grew from \$216 million to \$240 million as a result of volume increases as well as increased rates from contract negotiations. Total OSUP expenses (excluding depreciation, interest and interfund transfers) grew from \$182 million to \$227 million.

OSUP is the single member of 17 limited liability companies ("LLCs"). As of June 30, 2007, only 15 of the limited liability companies were active. The Urology division split off from Surgery forming "OSU Urology, LLC" starting 7/1/06. The other two LLCs (Anesthesiology and Orthopedics) have been created but had no 2007 activity.

The following table lists the LLCs that were included in OSUP's financial statements as of June 30, 2007 and 2006:

Practice Plan	2007	2006
Family Medicine Foundation, LLC ("FM")	X	X
OSU Anesthesiology, LLC ("Anesthesiology")		
OSU Children's Pediatrics, LLC	X	X
OSU Emergency Medicine, LLC ("EM")	X	X
OSU Eye Physicians and Surgeons, LLC ("Eye")	X	X
OSU GYN and OB Consultants, LLC ("OBGYN")	X	X
OSU Internal Medicine, LLC ("IM")	X	X
OSU Neuroscience Center, LLC ("Neurology")	X	X
OSU Orthopedics, LLC ("Orthopedics")		
OSU Otolaryngology-Head and Neck Surgery, LLC ("Otolaryngology")	X	X
OSU Pathology, LLC ("Pathology")	X	X
OSU Physical Medicine and Rehabilitation ("Phys Med")	X	X
OSU Psychiatry, LLC ("Psychiatry")	X	X
OSU Radiation Medicine, LLC ("Rad Med")	X	X
OSU Radiology, LLC ("Radiology")	X	X
OSU Surgery, LLC ("Surgery")	X	X
OSU Urology, LLC ("Urology")	X	

Non-endowment gifts to the University (including gifts for current use and gifts to capital projects) increased 18%, from \$89 million in 2006 to \$105 million in 2007. New gift **additions to permanent endowments** decreased \$1 million, from \$47 million in 2006 to \$46 million in 2007. University Development estimates that total gift revenues will increase 6%, from \$152 million in 2007 to \$161 million in 2008.

During 2007, a record breaking 121,173 donors made gifts to the University, a 5% increase over the 2006 record of 115,723.

The University's **net investment income** jumped from \$220 million in 2006 to \$430 million in 2007. Strong returns in the equity markets, led by international equities, accounted for the bulk of the increase. Interest rates were relatively stable in 2007, resulting in modest fixed income returns, led by the high-yield category. Absolute return strategies had a very good year, as did real estate. The net investment income figure includes \$99 million of interest and dividend income and \$331 million net appreciation in the fair market value of University investments.

2005-2006 Highlights: *In 2005*, the University reported significant growth in tuition, OSU Health System and OSU Physicians revenues, with total operating revenues increasing \$321 million, to \$2.58 billion. Modest returns in the equity market, coupled with a decrease in bond prices, resulted in net investment income of \$154 million. Total operating expenses increased \$252 million, to \$3.02 billion, primarily due to increases in OSU Health System and OSU Physicians expenses. *In 2006*, total operating revenues increased \$267 million, to \$2.85 billion, primary due to growth in tuition, grant and contract and patient care revenues. A strong equity market, particularly for international equities, and a decrease in bond prices resulted in net investment income of \$220 million. Total operating expenses increased \$294 million, to \$3.31 billion, primarily due to increases in educational and general and OSU Health System expenses.

Statement of Cash Flows

University Cash Flows Summary <i>(in thousands)</i>	2007	2006	2005
Net cash flows from operating activities	\$ (276,456)	\$ (226,525)	\$ (281,695)
Net cash flows from noncapital financing activities	582,899	568,947	562,654
Capital appropriations and gifts for capital projects	76,837	117,169	102,938
Proceeds from issuance of bonds and notes payable	77,598	493,887	174,622
Payments for purchase and construction of capital assets	(311,128)	(424,869)	(527,563)
Principal and interest payments on capital debt	(129,389)	(298,961)	(140,854)
Net cash flows from investing activities	98,504	(112,809)	16,554
Net increase (decrease) in cash	<u>\$ 118,865</u>	<u>\$ 116,839</u>	<u>\$ (93,344)</u>

Total University cash and cash equivalents increased \$119 million in 2007. Total cash provided by operating and noncapital financing activities was \$306 million, down \$36 million compared with 2006. Although the University issued a limited amount of commercial paper in 2007, the lack of a major bond issue, combined with \$311 million of capital expenditures, resulted in a \$173 million increase in total cash used for capital financing activities. Total cash provided by investing activities was \$99 million, reflecting investment income and net sales of temporary investments.

Economic Factors That Will Affect the Future

The Academic Plan, which was adopted in 2000, drives University spending and budgeting priorities. It focuses on six core strategies that are necessary for Ohio State to become a truly great teaching and research university:

- Build a world-class faculty
- Develop academic programs that define Ohio State as the nation's leading land-grant university
- Enhance the quality of the teaching and learning environment
- Enhance and better serve the student body
- Create a diverse University community
- Help build Ohio's future

The colleges are the key focal points to advance the objectives of the Academic Plan. Consequently, the University's decentralized budget system is designed to make sure that

at least three quarters of increased annual revenues from tuition and fees and state share of instruction, as well as all indirect cost recoveries, are distributed back to the generating colleges. Key University-wide initiatives identified in the Fiscal Year 2008 budget process include:

Competitive Compensation – College and support unit operating budgets will fund salary increases averaging 3.5% to 4% for faculty and staff. In addition, the Provost is selectively supporting high quality academic units that lag behind their benchmark faculty salary levels.

Reform of the Undergraduate Curriculum – The University is implementing a reduction of 10 credit hours in the graduation requirements for new students, beginning in Autumn Quarter 2007. Beginning in FY2010, a significant financial impact is expected, as students are allowed to graduate with fewer credit hours. Work continues on addressing the financial implications of this change on future budgets.

Quality Graduate Programs – The University has approved changes proposed by the Faculty Senate Fiscal Committee to support quality graduate programs, including a 1.5% reallocation of doctoral subsidy and a program review process to identify those doctoral programs that should be improved, downsized or eliminated.

Targeted Investments in Excellence – Over the next five years, the University will reallocate \$50 million in central funds and \$50 million in college funds to support ten research initiatives chosen through a competitive selection process.

Other key University-wide initiatives identified in the budget process include the 2008 enrollment plan (to support recruitment of highly qualified undergraduates), the Student Information System project, safety and security improvements, and various compliance initiatives.

The University continues to seek ways to reduce expenses and improve services in its core academic support processes. Three continuing cost reduction initiatives are being funded in 2008:

Transition to Work – This plan is modeled after successful efforts elsewhere that demonstrate savings to employers in Workers' Compensation costs and significant benefits to employees by returning employees with temporary medical or psychological restrictions to work sooner. An upfront investment of \$241,000 is expected to save between \$1.5 and \$2.8 million annually by 2010.

Energy Projects – The rising cost of energy has made it cost effective to enhance conservation efforts and explore alternative energy sources across campus. This initiative includes \$250,000 in one-time funds to enable the Energy Services and Sustainability group to move forward with projects to reduce energy costs. Projects in the first phase of this initiative have resulted in purchased energy cost avoidance with a net present value of \$751,000 over five years. Similar savings are expected from the second phase of this initiative.

E-Procurement – The University is investing \$285,000 in continuing funds and \$480,000 in one-time funds to continue its implementation of the E-Procurement System. This initiative is expected to reduce costs for purchases of goods and services, improve internal controls related to procurement, and allow for an improved bidding and negotiation position with vendors and enable central purchasing staff to focus on strategic purchasing and contract management. Projections show that for each additional dollar of purchases processed through the E-Procurement System, the department saves \$0.10. In FY2005 and FY2006, \$67 million in cost savings was achieved through more strategic use of contracts.

Sound finances are crucial to the University's quest to become a truly great teaching and research institution. As part of the FY2008 budget process, University management has proposed the following long-term financial goals and targets:

- **Resource Sufficiency and Flexibility** – Maintain a Primary Reserve Ratio of at least 0.4 times annual expenditures, which translates into 146 days of cash on hand
- **Operating Margin** – Maintain operating margins of at least 1% for General Funds, and 10%-11.5% for the OSU Health System
- **Credit Rating** – Maintain the University's "AA" credit rating
- **Debt Ratios** – Maintain a Total Financial Resources to Direct Debt ratio of at least 2.0x, an Actual Debt Service to Operations ratio of no more than 4.0%, and a Debt Service Coverage ratio of at least 3.0x
- **Senate Bill 6 Composite Score** – Maintain an S.B. 6 composite score of at least 3.6 (maximum score is 5.0)

The proposed goals and targets are currently under review by the University's Board of Trustees.

The state budget bill for the 2008-2009 biennium calls for a freeze in undergraduate tuition. State support for the Columbus campus is expected to increase approximately 4.8% in 2008, and additional increases in state support are anticipated for 2009. Based on what is now known about FY 2008, University management believes that Ohio State will continue to maintain its sound financial position in the year ahead.

Looking ahead to FY 2009 and beyond, University management sees continuing challenges regarding the levels of state support, increased competition from other institutions for the best faculty, staff and students, and continued political uncertainty internationally. Consequently, we are committed to building upon current efforts to enhance the University's academic reputation, diversify our revenue base, reduce our operating and capital costs, strengthen internal controls and effectively manage our financial risks. By doing so, we feel The Ohio State University will continue to maintain its sound financial position while continuing its progress towards becoming a top-tier public research university.

**THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF NET ASSETS**

June 30, 2007 and 2006
(in thousands)

	<u>2007</u>	<u>2006</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents (including bond proceeds restricted for capital expenditures of \$67,756 and \$96,704, respectively)	\$ 331,289	\$ 212,424
Temporary investments	523,824	542,612
Accounts receivable, net	375,611	358,332
Notes receivable -current portion, net	8,521	8,429
Pledges receivable - current portion, net	15,906	15,140
Accrued interest receivable	16,852	15,127
Inventories and prepaid expenses	67,108	56,392
Total Current Assets	<u>1,339,111</u>	<u>1,208,456</u>
Noncurrent Assets:		
Notes receivable, net	61,043	61,444
Pledges receivable, net	13,337	14,218
Long-term investment pool	2,315,591	1,973,020
Other long-term investments	88,186	82,425
Capital assets, net	2,825,828	2,695,648
Total Noncurrent Assets	<u>5,303,985</u>	<u>4,826,755</u>
Total Assets	<u>\$ 6,643,096</u>	<u>\$ 6,035,211</u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 470,723	\$ 395,132
Deposits and deferred revenues	189,129	165,048
Commercial paper and current portion of bonds, notes and leases payable	518,825	487,144
Compensated absences - current portion	6,829	5,554
Obligations under annuity and life income agreements-current portion	5,076	4,207
Total Current Liabilities	<u>1,190,582</u>	<u>1,057,085</u>
Noncurrent Liabilities:		
Bonds, notes and leases payable	599,266	619,083
Compensated absences	84,649	79,500
Obligations under annuity and life income agreements	50,327	45,266
Refundable advances for Federal Perkins loans	29,409	30,065
Other noncurrent liabilities	22,045	41,999
Total Noncurrent Liabilities	<u>785,696</u>	<u>815,913</u>
Total Liabilities	<u>1,976,278</u>	<u>1,872,998</u>
Net Assets:		
Invested in capital assets, net of related debt	1,711,274	1,589,420
Restricted:		
Nonexpendable	1,459,705	1,189,475
Expendable	531,162	486,095
Unrestricted	964,677	897,223
Total Net Assets	<u>4,666,818</u>	<u>4,162,213</u>
Total Liabilities and Net Assets	<u>\$ 6,643,096</u>	<u>\$ 6,035,211</u>

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

**THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES,
AND OTHER CHANGES IN NET ASSETS**

**Years Ended June 30, 2007 and 2006
(in thousands)**

	<u>2007</u>	<u>2006</u>
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of \$100,280 and \$92,943, respectively)	\$ 583,580	\$ 537,386
Federal grants and contracts	311,156	311,712
State grants and contracts	60,130	59,155
Local grants and contracts	23,776	22,495
Private grants and contracts	203,523	191,346
Sales and services of educational departments	93,847	73,063
Sales and services of auxiliary enterprises (net of scholarship allowances of \$12,228 and \$11,218, respectively)	179,855	170,685
Sales and services of the OSU Health System (net of charity care of \$101,543 and \$74,537, respectively)	1,354,702	1,222,974
Sales and services of OSU Physicians, Inc., (net of charity care of \$5,074 and \$2,053, respectively)	239,852	215,757
Other operating revenues	48,657	46,180
Total Operating Revenues	<u>3,099,078</u>	<u>2,850,753</u>
Operating Expenses:		
Educational and General:		
Instruction and departmental research	760,923	705,544
Separately budgeted research	364,170	368,114
Public service	116,504	120,266
Academic support	128,932	120,380
Student services	78,501	75,962
Institutional support	143,956	115,320
Operation and maintenance of plant	106,564	95,465
Scholarships and fellowships	70,682	65,734
Auxiliary enterprises	204,709	189,656
OSU Health System	1,216,897	1,082,662
OSU Physicians, Inc.	226,612	182,169
Depreciation	193,657	191,991
Total Operating Expenses	<u>3,612,107</u>	<u>3,313,263</u>
Operating Loss	(513,029)	(462,510)
Non-operating Revenues (Expenses):		
State share of instruction and line-item appropriations	451,964	443,933
Gifts	76,541	70,293
Net investment income (loss)	429,584	220,313
Interest expense on plant debt	(47,038)	(42,313)
Other non-operating revenues(expenses)	(9,496)	(3,161)
Net Non-operating Revenue (Expense)	<u>901,555</u>	<u>689,065</u>
Income (Loss) before Other Revenues, Expenses, Gains or Losses	388,526	226,555
State capital appropriations	40,928	90,606
Private capital gifts	28,725	18,548
Additions to permanent endowments	46,426	47,423
Increase (Decrease) in Net Assets	504,605	383,132
Net Assets - Beginning of Year	<u>4,162,213</u>	<u>3,779,081</u>
Net Assets - End of Year	<u>\$ 4,666,818</u>	<u>\$ 4,162,213</u>

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

THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2007 and 2006
(in thousands)

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities:		
Tuition and fee receipts	\$ 466,451	\$ 457,313
Grant and contract receipts	621,402	582,736
Receipts for sales and services	1,831,329	1,675,894
Payments to or on behalf of employees	(1,649,820)	(1,547,608)
University employee benefit payments	(389,203)	(381,667)
Payments to vendors for supplies and services	(1,145,101)	(1,012,333)
Payments to students and fellows	(59,064)	(54,945)
Student loans issued	(16,223)	(10,375)
Student loans collected	13,070	15,512
Student loan interest and fees collected	1,197	1,727
Other receipts (payments)	49,506	47,221
Net cash provided (used) by operating activities	<u>(276,456)</u>	<u>(226,525)</u>
Cash Flows from Noncapital Financing Activities:		
State share of instruction and line-item appropriations	451,964	443,933
Gift receipts for current use	76,656	79,819
Additions to permanent endowments	46,426	47,423
Drawdowns of federal direct loan proceeds	266,492	274,877
Disbursements of federal direct loans to students	(266,961)	(273,271)
Disbursement of loan proceeds to related organization	0	(3,465)
Repayment of loans to related organization	2,518	1,007
Amounts received for annuity and life income funds	10,463	2,938
Amounts paid to annuitants and life beneficiaries	(4,533)	(4,325)
Agency funds receipts	5,004	4,434
Agency funds disbursements	(5,130)	(4,423)
Net cash provided (used) by noncapital financing activities	<u>582,899</u>	<u>568,947</u>
Cash Flows from Capital Financing Activities:		
Proceeds from capital debt	77,598	493,887
State capital appropriations	48,112	98,621
Gift receipts for capital projects	28,725	18,548
Payments for purchase or construction of capital assets	(311,128)	(424,869)
Principal payments on capital debt and leases	(82,287)	(255,488)
Interest payments on capital debt and leases	(47,102)	(43,473)
Net cash provided (used) by capital financing activities	<u>(286,082)</u>	<u>(112,774)</u>
Cash Flows from Investing Activities:		
Net (purchases) sales of temporary investments	18,788	(72,579)
Proceeds from sales and maturities of long-term investments	1,619,700	851,041
Investment income, net of related fees	97,476	76,255
Purchases of long-term investments	(1,637,460)	(967,526)
Net cash provided (used) by investing activities	<u>98,504</u>	<u>(112,809)</u>
Net Increase (Decrease) in Cash	118,865	116,839
Cash and Cash Equivalents - Beginning of Year	<u>212,424</u>	<u>95,585</u>
Cash and Cash Equivalents - End of Year	<u>\$ 331,289</u>	<u>\$ 212,424</u>

THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS, Cont'd

Reconciliation of Net Operating Loss to Net Cash		
Provided (Used) by Operating Activities:		
Operating loss	\$ (513,029)	\$ (462,510)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities:		
Depreciation expense	193,657	191,991
Changes in assets and liabilities:		
Accounts receivable, net	(23,991)	5,268
Notes receivable, net	(2,208)	4,638
Accrued interest receivable	(181)	(781)
Inventories and prepaid expenses	(10,716)	(3,993)
Accounts payable and accrued liabilities	69,638	30,998
Deposits and deferred credits	24,171	10,633
Compensated absences	6,425	6,302
Refundable advances for federal Perkins loans	(656)	741
Other noncurrent liabilities	(19,566)	(9,812)
	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$ (276,456)</u>	<u>\$ (226,525)</u>
Non Cash Transactions:		
Equipment	\$ 16,165	\$ 5,557
Capital Lease	(16,165)	(5,557)

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

Notes to Financial Statements – Years Ended June 30, 2007 and 2006

(dollars in thousands)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization

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

The University is governed by a Board of Trustees which is granted authority under Ohio law to do all things necessary for the proper maintenance and continual successful operation of the University. Trustees are appointed by the governor, with the advice and consent of the state Senate. In 2005, the Ohio General Assembly voted to expand the board from 11 to 17 members. The standard term for voting members of the board is nine years. However, as part of the transition to a larger board membership, the additional trustees appointed in 2005 and 2006 will serve terms ranging from four to eight years. The board also includes two non-voting student trustees who are appointed to two-year terms.

The Board of Trustees has responsibility for all the University's financial affairs and assets. The University operates largely on a decentralized basis by delegating this authority to its academic and support departments. The Board must approve the annual budgets for unrestricted academic and support functions, departmental earnings operations and restricted funds operations, but these budgets are managed at the department level.

Basis of Presentation

The accompanying financial statements present the accounts of the following entities:

The Ohio State University and its hospitals and clinics;
The Ohio State University Foundation, a not-for-profit fundraising organization operating exclusively for the benefit of The Ohio State University;

Two separate statutory entities for which the University has special responsibility

- Ohio Agricultural Research and Development Center
- Ohio Supercomputer Center

Thirteen legally independent corporations engaged in activities related to the University

- The Ohio State University Research Foundation
- The Ohio State University Student Loan Foundation, Inc.
- Transportation Research Center of Ohio, Inc.
- Campus Partners for Community Urban Redevelopment, Inc.
- Reading Recovery and Early Literacy, Inc.
- Ohio State University Retirees Association
- OSU Managed Health Care Systems, Inc.
- The Ohio State University Physicians, Inc.

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- UMC Partners
 - Prologue Research International, Inc.
 - Oval Limited
 - Adria Kravinsky Foundation
 - Dental Faculty Practice Association, Inc.

Component units (legally separate organizations for which the University is financially accountable) comprise, in part, the University's reporting entity. Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- Appointment of a voting majority of an organization's governing authority and the ability of the primary government (i.e. the University) to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or;
- An organization is fiscally dependent on the primary government

The legally separate organizations listed above meet the financial accountability criteria set forth in GASB Statement No. 14. In addition, these organizations provide services entirely, or almost entirely, to the University or otherwise exclusively, or almost exclusively, benefit the University. Therefore, the transactions and balances for these organizations have been blended with those of the University.

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

Basis of Accounting

The financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB. The University is reporting as a special purpose government engaged in business type activities (BTA). Business type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. In accordance with BTA reporting, the University presents Management's Discussion and Analysis; a Consolidated Statement of Net Assets; a Consolidated Statement of Revenues, Expenses and Other Changes in Net Assets; a Consolidated Statement of Cash Flows; and Notes to the Financial Statements.

The University follows all GASB pronouncements as well as Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

The University's financial resources are classified for accounting and reporting purposes into the following four net asset categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. These balances are maintained in the plant funds in the University's detailed accounting records.
- **Restricted - nonexpendable:** Net assets subject to externally-imposed stipulations that they be maintained in perpetuity by the University. These assets primarily consist of the University's permanent endowment funds.
- **Restricted - expendable:** Net assets whose use is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. These resources include the current restricted funds, student loan funds, certain plant funds, annuity and life income funds, and restricted funds internally designated to function as endowments (restricted quasi-endowments).
- **Unrestricted:** Net assets that are not subject to externally-imposed stipulations. These resources include educational and general funds, auxiliary funds, hospitals funds, certain plant funds, and unrestricted quasi-endowments. Substantially all unrestricted net assets are internally designated for use by University departments to support working capital needs, to fund related academic or research programs, and to provide for unanticipated shortfalls in revenues and deviations in enrollment.

Under the University's decentralized management structure, it is the responsibility of individual departments to determine whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

Cash and Investments

Cash and cash equivalents consist primarily of petty cash, demand deposit accounts, money market accounts, and savings accounts and include bond proceeds restricted for capital expenditures.

Investments are carried at market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The fair value of private equity investments is based on estimated current values. The weighted average method is used for purposes of determining gains and losses on the

sale of investments. The specific identification method is used for purposes of determining gains and losses on the sale of gifted securities.

The University holds investments in limited partnerships, private equity and other investments, which are carried at estimated fair value provided by the management of these funds. The purpose of this alternative investment class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes. Methods for determining estimated fair values include discounted cash flows and estimates provided by general partners. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements using the equity method of accounting. As of June 30, 2007, the University has made commitments to limited partnerships totaling \$134,268 that have not yet been funded. In the prior fiscal year, the University had made commitments to limited partnerships totaling \$41,324 that had not yet been funded as of June 30, 2006.

Investment in real estate is carried at cost, if purchased, or appraised value at the date of the gift. Holdings in real estate investment trusts (REITs) are carried at estimated fair values. The carrying and market values of real estate at June 30, 2007 are \$148,452 and \$170,964, respectively. The carrying and market values of real estate at June 30, 2006 are \$99,457 and \$123,276, respectively.

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

Endowment Policy

All endowments are invested in the University's Long Term Investment Pool, which consists of more than 4,000 named funds. Each named fund is assigned a number of shares in the Long Term Investment Pool based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. For donor restricted endowments, the Uniform Management of Institutional Funds Act, as adopted in Ohio, permits the University's Board of Trustees to appropriate an amount of realized and unrealized endowment appreciation as the Board deems prudent. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the Long Term Investment Pool.

Annual distributions to named funds in the Long Term Investment Pool are computed using the share method of accounting for pooled investments. Annual distributions are based on the average market value per share of the Long Term Investment Pool over the past five years multiplied by a stated rate. For funds established prior to June 30, 2004, the stated rate was 4.5% for fiscal years 2006 and 2007. For funds established after June 30, 2004, the stated rate was 4%. To minimize volatility in the year-to-year distribution amounts, actual distributions are subject to a "collar". The collar limits increases in distributions per share to 3% a year, and it limits decreases to 1% a year. Based on this method, undistributed gains were transferred from the Long Term Investment Pool to current funds. These transfers total \$89,876 and \$84,147 in fiscal years 2007 and 2006, respectively.

Gift Pledges Receivable

The University receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, endowment pledges are not recorded as assets until the related gift is received. It should be noticed that, unlike other receivables, gift pledges are generally not considered to be legally enforceable and may be rescinded at any time by the donors.

Inventories

The University's inventories, which consist principally of publications, general stores and other goods for resale by earnings operations, are valued at the lower of moving average cost or market. The inventories of the hospitals, which consist principally of pharmaceuticals and operating supplies, are valued at cost on a first-in, first-out basis.

Capital Assets and Collections

Capital assets are long-life assets in the service of the University and include land, buildings, improvements, equipment and library books. Capital assets are stated at cost or fair value at date of gift. Depreciation of capital assets (excluding land and construction in progress) is provided on a straight-line basis over the following estimated useful lives:

Type of Asset	Estimated Useful Life
Improvements other than buildings	20 years
Buildings	10 to 100 years
Moveable equipment and furniture	5 to 15 years
Library Books	10 years

Interest incurred during the construction of capital assets is included in the cost of the asset when capitalized. \$11,779 and \$7,928 of interest was capitalized in the years ended June 30, 2007 and 2006, respectively. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any way. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Deferred Revenues

Deferred revenues primarily consist of receipts relating to tuition, room, board, and athletic events received in advance of the services to be provided. Tuition and fees relating to the summer academic quarter are recorded as revenue in the year to which they pertain. The

University will recognize revenue to the extent these services are provided over the coming fiscal year.

Operating and Non-Operating Revenues

The University defines operating activities, for purposes of reporting on the Statement of Revenues, Expenses, and Other Changes in Net Assets, as those activities that generally result from exchange transactions, such as payments received for providing services and payments made for goods or services received. With the exception of interest expense on long-term indebtedness, substantially all University expenses are considered to be operating expenses. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, current-use gifts and investment income.

Tuition, Room and Board

Student tuition and residence hall fees are presented net of scholarships and fellowships applied to student accounts. Stipends and other payments made directly to students are presented as scholarship and fellowship expense. Fee authorizations provided to graduate teaching, research and administrative associates as part of an employment arrangement are presented in instruction, research and other functional categories of operating expense.

State Support

The University is a state-assisted institution of higher education which receives a student enrollment-based instructional subsidy from the State of Ohio. This subsidy, which is based upon a formula devised by the Ohio Board of Regents, is determined annually and is adjusted to state resources available.

The state also provides line-item appropriations which partially support the current operations of various activities, which include clinical teaching expenditures incurred at The Ohio State University Hospitals and other health sciences teaching facilities, The Ohio State University Extension, the Ohio Agricultural Research and Development Center, and the Center for Labor Research.

In addition to current operating support, the State of Ohio provides the funding for and constructs major plant facilities on the University's campuses. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC) which, in turn, initiates the construction and subsequent lease of the facility by the Ohio Board of Regents.

Such facilities are reflected as buildings or construction in progress in the accompanying balance sheet. Neither the obligations for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the University's financial statements. Debt service is funded through appropriations to the Ohio Board of Regents by the General Assembly.

These facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund and future payments to be received by such fund, which is established in the custody of the Treasurer of State.

Government Grants and Contracts

Government grants and contracts normally provide for the recovery of direct and indirect costs and are subject to audit by the appropriate government agency. Federal funds are subject to an annual OMB Circular A-133 audit. Grants and contracts determined to be exchange transactions are recognized as revenue when the exchange occurs. Grants and contracts determined to be non- exchange transactions are recognized as revenue when all eligibility requirements have been met. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to three years.

Hospital Revenue

Revenue received under third-party cost reimbursement agreements (primarily the federal Medicare and Medicaid programs) are subject to examination and retroactive adjustments by the agencies administering the programs. In the normal course of business, the hospitals contest certain issues resulting from examination of prior years' reimbursement reports. The accompanying financial statements include provisions for estimated retroactive adjustments arising from such examinations and contested issues. The hospitals recognize settlements of protested adjustments or appeals upon resolution of the matters.

OSU Physicians Revenue

Net patient service revenue represents amounts received and the estimated net realizable amounts due from patients and third-party payers for services rendered. OSU Physicians provides care to patients under various reimbursable agreements, including Medicare and Medicaid. These arrangements provide for payment for covered services at agreed-upon rates and under certain fee schedules and various discounts from charges. Provisions have been made in the consolidated financial statements for estimated contractual adjustments, representing the difference between the customary charges for services rendered and related reimbursement.

Management Estimates

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

Newly Issued Accounting Pronouncements

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. This Statement is effective for periods beginning after December 15, 2006.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006.

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement explains when pollution remediation-related obligations should be reported and how those obligations' costs and liabilities should be determined. The Statement also requires note disclosures about the liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2007.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This Statement is effective for periods beginning after June 15, 2007.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes standards for the capitalization, amortization and financial reporting of intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

University management has not yet determined the impact that implementation of GASB Statements 45, 48, 49, 50 and 51 will have on the University's financial statements.

Other

The University is exempt from income taxes as a non-profit organization under Internal Revenue Code §115 and Internal Revenue Service regulations. Any unrelated business income is taxable.

Certain reclassifications have been made to the 2006 comparative information to conform with the 2007 presentation.

NOTE 2 — CASH AND CASH EQUIVALENTS

At June 30, 2007, the carrying amount of the University's cash and cash equivalents for all funds is \$331,289 as compared to bank balances of \$380,649. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$4,318 is covered by federal deposit insurance and \$376,331 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

NOTE 3 — INVESTMENTS

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

Temporary Investments are funds available for current operating expenses and capital projects. Under the University's investment policies, Temporary Investment funds may be invested in the following instruments:

- Obligations of the US Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- Certificates of deposit
- Repurchase agreements
- Mutual funds and mutual fund pools
- Money market funds

The Long-Term Investment Pool is a unitized investment pool consisting of gifted endowment funds of the University, gifted endowment funds of the OSU Foundation, and operating funds which have been internally designated to function as endowments (referred to below as the Operating Endowment). The Long-Term Investment Pool operates with a long-term investment goal of preserving the purchasing power of the principal in a diversified portfolio. The following table summarizes the University's target asset allocation and associated benchmarks for the Long-Term Investment Pool:

Asset Class	Target	Benchmark
US Large Cap	15%	S&P 500
US Mid Cap	10%	Russell Mid Cap
US Small Cap	10%	Russell 2000
International Equity	25%	ACWI excluding US
US Fixed Income	7%	Lehman Aggregate
High Yield	3%	Lehman US Corporate High Yield
International Fixed	3%	Citigroup WBGI excluding US
Absolute Return	14%	90 Day T-Bill + 4%
Real Estate	8%	NCREIF Property Index
Private Equity	7%	Venture Economics
Natural Resources	3%	90 Day T-Bill +5%
Cash	-5%	90 Day T-Bill

Mutual funds held by the University include a wide range of investments, including hedge funds. These hedge funds may include, but are not limited to, investments in equity securities, mutual funds, limited and general partnerships, foreign securities, short sales positions, distressed securities, fixed income securities, options, currencies, commodities, futures and derivatives. The University's objective for investing in these hedge funds is to provide stable, absolute returns that are uncorrelated to fluctuations in the stock and bond markets.

Other Long-Term Investments are non-unitized investments that relate primarily to gift arrangements between donors and the OSU Foundation. Included in this category are charitable remainder trust assets invested in mutual funds, OSU Foundation interests in unitrust, annuity trust and pooled income agreements, life insurance policies for which the OSU Foundation has been named owner and beneficiary, and certain real estate investments. Also included in this category are investments in certain organizations that are affiliated with the OSU Health System.

US Government and Agency securities are invested through trust agreements with banks who keep the securities in their safekeeping accounts at the Federal Reserve Bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the University. Common stocks, corporate bonds, money market instruments, mutual funds and other investments are invested through trust agreements with banks who keep the investments in their safekeeping accounts at the Depository Trust Company, JPMorgan Chase or State Street in "book entry" form. The banks internally designate the securities as owned by or pledged to the University.

Total University investments by major category at June 30, 2007 and 2006 are as follows:

	2007	2006
Temporary Investments	\$ 523,824	\$ 542,612
Long-Term Investment Pool:		
Gifted Endowment - University	1,122,550	977,497
Gifted Endowment – OSU Foundation	438,362	351,287
Operating Endowment:		
Operating Funds Long-Term Component	592,242	561,225
President's Strategic Initiative Fund	159,170	81,548
Maintenance and Renewal Fund	3,267	1,463
Total Long-Term Investment Pool	2,315,591	1,973,020
Other Long-Term Investments	88,186	82,425
Total Investments	<u>\$ 2,927,601</u>	<u>\$ 2,598,057</u>

Total University investments by investment type at June 30, 2007 are as follows:

	Temporary Investments	Long-Term Investment Pool	Other Long-Term Investments	Total
Common stock	\$ 42	\$ 761,068	\$ 287	\$ 761,397
Equity mutual funds	49,102	694,262	37,360	780,724
US government obligations	18,501	40,424	4,196	63,121
US government agency obligations	39,968	57,313	-	97,281
Repurchase agreements	155,245	-	-	155,245
Corporate bonds and notes	16,458	86,620	267	103,345
Bond mutual funds	230,470	96,477	22,593	349,540
International bonds	16	17,123	-	17,139
Real estate	5	147,343	1,104	148,452
Partnerships and hedge funds	-	353,358	-	353,358
Cash and cash equivalents	-	61,603	-	61,603
Other	14,017	-	22,379	36,396
Total	<u>\$ 523,824</u>	<u>\$2,315,591</u>	<u>\$ 88,186</u>	<u>\$ 2,927,601</u>

Total University investments by investment type at June 30, 2006 are as follows:

	Temporary Investments	Long-Term Investment Pool	Other Long-Term Investments	Total
Common stock	\$ 88	\$ 638,657	\$ 239	\$ 638,984
Equity mutual funds	34,777	668,167	32,750	735,694
US government obligations	38,778	25,211	3,141	67,130
US government agency obligations	144,368	35,473	-	179,841
Repurchase agreements	136,873	-	-	136,873
Corporate bonds and notes	28,654	69,072	270	97,996
Bond mutual funds	148,173	258,656	24,675	431,504
International bonds	248	19,136	-	19,384
Real estate	5	98,796	656	99,457
Partnerships and hedge funds	-	154,110	-	154,110
Cash and cash equivalents	-	5,742	-	5,742
Other	10,648	-	20,694	31,342
Total	\$ 542,612	\$ 1,973,020	\$ 82,425	\$ 2,598,057

Net appreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. During the year ended June 30, 2007, the University realized a net gain of \$212,113 from the sale of investments. The calculation of realized gains and losses is independent of the net appreciation in the fair value of investments held at year-end. Realized gains and losses on investments that had been held for more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year. The net appreciation in the fair value of investments during the year ended June 30, 2007, was \$330,572. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year. The unrealized appreciation during the year on investments was \$118,459.

The components of the net investment income (loss) are as follows:

	Interest and Dividends (net)	Net Appreciation (Depreciation) in Market Value of Investments	Net Investment Income (Loss)
Temporary Investments	\$ 86,113	\$ 10,006	\$96,119
Long-Term Investment Pool	1,005	320,566	321,571
Other Long-Term Investments	11,894	-	11,894
Total 2007	\$ 99,012	\$ 330,572	\$ 429,584
Total 2006	\$ 76,601	\$ 143,712	\$220,313

Additional Risk Disclosures for Investments:

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

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

The maturities of the University's interest-bearing investments at June 30, 2007 are as follows:

	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
US government obligations	\$ 63,121	\$ 2,266	\$ 17,671	\$ 33,626	\$ 9,558
US agency obligations	97,281	12,253	39,685	12,122	33,221
Repurchase agreements	155,245	155,245	-	-	-
Corporate bonds	103,345	6,635	32,163	37,160	27,387
Bond mutual funds	349,540	105,879	152,736	68,139	22,786
International bonds	17,139	-	2,941	3,105	11,093
Total	\$ 785,671	\$ 282,278	\$ 245,196	\$ 154,152	\$ 104,045

The maturities of the University's interest-bearing investments at June 30, 2006 are as follows:

	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
US government obligations	\$ 67,130	\$ 2,825	\$ 41,292	\$ 13,534	\$ 9,479
US agency obligations	179,841	39,183	104,046	15,400	21,212
Repurchase agreements	136,873	136,873	-	-	-
Corporate bonds	97,996	4,647	43,981	27,432	21,936
Bond mutual funds	431,504	84,757	190,055	105,045	51,647
International bonds	19,384	236	339	8,005	10,804
Total	\$ 932,728	\$ 268,521	\$ 379,713	\$ 169,416	\$ 115,078

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information – as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings – provides a current depiction of potential variable cash flows and credit risk.

The credit ratings of the University's interest-bearing investments at June 30, 2007 are as follows:

Credit Rating (Moody's)	US					
	Total	Government and Agency Obligations	Repurchase Agreements	Corporate Bonds	Bond Mutual Funds	International Bonds
Aaa	\$ 555,115	\$ 159,323	\$ 155,245	\$ 19,361	\$ 221,186	-
Aa	38,272	710	-	9,246	28,096	\$ 220
A	71,340	-	-	19,031	52,309	-
Baa	25,909	-	-	16,740	8,076	1,093
Ba	26,719	-	-	4,770	14,505	7,444
B	39,536	-	-	19,605	18,966	965
Caa	12,782	-	-	7,210	5,572	-
Ca	-	-	-	-	-	-
C	-	-	-	-	-	-
Not Rated	15,998	369	-	7,382	830	7,417
Total	\$ 785,671	\$ 160,402	\$ 155,245	\$ 103,345	\$ 349,540	\$ 17,139

The credit ratings of the University's interest-bearing investments at June 30, 2006 are as follows:

Credit Rating (Moody's)	US					
	Total	Government and Agency Obligations	Repurchase Agreements	Corporate Bonds	Bond Mutual Funds	International Bonds
Aaa	\$ 659,311	\$ 246,971	\$ 136,873	\$ 24,812	\$ 250,655	-
Aa	37,133	-	-	6,987	30,146	-
A	87,502	-	-	22,550	63,821	\$ 1,131
Baa	43,426	-	-	16,025	24,781	2,620
Ba	32,453	-	-	4,321	16,846	11,286
B	56,311	-	-	18,691	34,456	3,164
Caa	9,494	-	-	4,610	4,686	198
Ca	-	-	-	-	-	-
C	551	-	-	-	551	-
Not Rated	6,547	-	-	-	5,562	985
Total	\$ 932,728	\$ 246,971	\$ 136,873	\$ 97,996	\$ 431,504	\$ 19,384

Foreign currency risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

At June 30, 2007, the University's exposure to foreign currency risk is as follows:

Currency	Common Stock	Equity Mutual Funds	Bond Mutual Funds	Corporate Bonds	International Bonds
Argentine peso	-	\$ 19,012	-	-	\$ 1,914
Australian dollar	\$ 4,336	4,790	\$ 2,643	-	-
Brazilian real	4,694	9,118	992	-	-
Canadian dollar	7,883	28,629	1,669	-	-
Chinese yuan	-	8,088	-	-	-
Danish krone	468	935	294	-	-
Egyptian pound	326	773	-	-	-
Euro	57,250	134,297	13,646	-	-
Hong Kong dollar	8,040	5,700	-	-	-
Hungarian forint	-	1,289	-	-	-
Indian rupee	-	1,529	-	-	-
Indonesian rupiah	993	1,819	652	-	-
Israeli shekel	542	523	-	-	-
Japanese yen	36,012	78,360	12,704	-	-
Malaysian ringgit	4,508	972	996	-	-
Mexican peso	1,088	4,805	942	\$ 392	489
New Taiwan dollar	3,567	5,720	-	-	-
New Zealand dollar	152	849	850	-	-
Norwegian kroner	7,596	5,685	-	-	-
Peruvian nuevo sol	-	1,059	-	-	-
Phillippine peso	597	1,019	-	-	-
Polish zioty	440	1,163	1,577	-	-
Pound sterling	25,653	81,853	1,956	-	-
Russian ruble	-	5,665	-	-	-
Singapore dollar	2,272	2,954	1,462	-	-
South African rand	8,357	4,915	1,024	-	-
South Korean won	9,152	8,220	-	-	-
Swedish krona	4,101	11,432	610	-	-
Swiss franc	4,112	23,433	202	-	-
Thailand bhat	1,307	1,127	-	-	-
Turkish lira	-	1,831	-	-	970
Other currencies	-	1,041	4	-	197
Total	\$ 193,446	\$ 458,605	\$ 42,223	\$ 392	\$ 3,570

At June 30, 2006, the University's exposure to foreign currency risk is as follows:

Currency	Common Stock	Equity Mutual Funds	Bond Mutual Funds	Corporate Bonds	International Bonds
Argentine peso	-	\$ 218	-	-	\$ 962
Australian dollar	\$ 2,061	3,763	\$ 2,358	-	-
Brazilian real	894	1,718	554	-	1,583
Canadian dollar	4,300	5,373	3,346	-	-
Chinese yuan	-	1,124	-	-	-
Euro	31,683	23,814	14,930	\$ 226	-
Hong Kong dollar	2,963	1,090	-	-	-
Japanese yen	23,301	16,998	7,761	-	-
Mexican peso	542	704	851	-	610
Norwegian kroner	4,169	1,274	-	-	-
Polish zioty	-	103	1,366	-	-
Pound sterling	18,141	18,112	2,454	-	-
Russian ruble	-	1,265	-	-	-
Singapore dollar	676	563	1,425	-	-
South African rand	3,228	1,072	79	-	-
South Korean won	1,926	2,184	-	-	-
Swedish krona	2,776	1,598	950	-	-
Swiss franc	3,849	2,836	-	-	-
Taiwan dollar	-	1,312	-	-	-
Thailand bhat	789	399	119	-	-
Other currencies	1,500	1,422	1,287	-	23
Total	\$ 102,798	\$ 86,942	\$ 37,480	\$ 226	\$ 3,178

NOTE 4 — ACCOUNTS, NOTES AND PLEDGES RECEIVABLE

Accounts receivable at June 30, 2007 and 2006 consist of the following:

	2007	2006
Patient receivables – OSU Health System	\$631,962	\$558,062
Patient receivables – OSU Physicians, Inc.	69,375	67,375
Grant and contract receivables	77,594	70,134
Tuition and fees receivable	33,627	33,023
Receivables for departmental and auxiliary sales and services	57,756	44,861
State and federal receivables	3,092	9,806
	873,406	783,261
Less: Allowances for doubtful accounts	497,795	424,929
	<u>\$375,611</u>	<u>\$358,332</u>

Notes receivable consist primarily of Perkins Loans and are net of an allowance for doubtful accounts of \$15,650 at June 30, 2007 and \$13,800 at June 30, 2006. Federal capital contributions to the Perkins loan programs represent advances which are ultimately refundable to the federal government.

In accordance with GASB Statement No. 33, *Accounting and Reporting for Non-exchange Transactions*, the University has recorded \$41,583 in non-endowment pledges receivable at June 30, 2007 and a related allowance for doubtful accounts of \$12,340. The University recorded \$39,156 in non-endowment pledges receivable and a related allowance for doubtful accounts of \$9,798 at June 30, 2006.

NOTE 5 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 52,543	\$ 211	\$ 701	\$ 52,053
Improvements other than buildings	241,209	15,808	-	257,017
Buildings and fixed equipment	2,877,674	391,445	21,280	3,247,839
Movable equipment and furniture	806,761	81,517	67,310	820,968
Library books	162,924	3,472	2,629	163,767
Construction in progress	433,357	(151,782)	-	281,575
	4,574,468	340,671	91,920	4,823,219
Less: Accumulated depreciation	1,878,820	193,657	75,086	1,997,391
Capital assets, net	\$ 2,695,648	\$ 147,014	\$ 16,834	\$ 2,825,828

Capital assets activity for the year ended June 30, 2006 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 44,016	\$ 8,962	\$ 435	\$ 52,543
Improvements other than buildings	217,841	23,421	53	241,209
Buildings and fixed equipment	2,670,413	225,815	18,554	2,877,674
Movable equipment and furniture	748,383	98,029	39,651	806,761
Library books	161,043	3,857	1,976	162,924
Construction in progress	370,753	62,604	-	433,357
	4,212,449	422,688	60,669	4,574,468
Less: Accumulated depreciation	1,743,673	191,991	56,844	1,878,820
Capital assets, net	\$ 2,468,776	\$ 230,697	\$ 3,825	\$ 2,695,648

In the above tables, additions to construction in progress represent expenditures for new projects, net of the amount of capital assets placed in service.

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2007 and 2006 consist of the following:

	2007	2006
Payables to vendors for supplies and services	\$ 150,603	\$ 129,408
Accrued compensation and benefits	105,047	93,897
Retirement system contributions payable	63,503	29,402
Self-insurance accruals:		
Medical malpractice	103,447	92,387
Employee health insurance	17,216	17,359
Current portion of amounts due to third-party payers – OSU Health System	16,987	19,428
Other accrued expenses	13,920	13,251
	<u>\$ 470,723</u>	<u>\$ 395,132</u>

Self-Insurance Programs

The Hospitals have established trusteed self-insurance funds for professional medical malpractice liability claims with a \$4 million limit per occurrence with no annual aggregate. The University self-insurance funds have insurance in excess of \$4 million per occurrence through Oval Limited, a blended component unit of the University. Oval Limited provides coverage with limits of \$40 million per occurrence and in the aggregate (prior to June 30, 2005 - \$25 million per occurrence and in the aggregate; prior to June 30, 2002 - \$15 million per occurrence and in the aggregate; prior to June 30, 1997 - \$10 million per occurrence and in the aggregate). The limits are in excess of underlying policies with limits ranging from \$4 million to \$10 million. A portion of the risks written by Oval Limited to date is reinsured by two reinsurance companies. Oval Limited retains 50% of the first \$15 million of risk and cedes the remainder plus the second \$15 million to AIG (rated A by A.M. Best). Above that, Oval Limited cedes the remaining \$10 million of risk to Endurance Specialty Insurance (rated A- by A.M. Best). The estimated liability and the related contributions to the fund are based upon an independent actuarial determination as of June 30, 2007. OSU Physicians, Inc. participates in the University self-insurance fund for professional medical malpractice liability claims. OSU Physicians premiums incurred and paid to the University were \$10,252 and \$9,626 during the years ended June 30, 2007 and 2006, respectively.

The Hospitals' estimate of professional malpractice liability includes provisions for known claims and actuarially determined estimates of incurred but not reported claims and incidents. This liability at June 30, 2007 of the anticipated future payments on gross claims is estimated at its present value of \$66,193 discounted at an estimated rate of 5.0% (University funds) and an additional \$37,254 discounted at an estimated rate of 3.0% (Oval Limited).

Although actual experience upon the ultimate disposition of the claims may vary from this estimate, the self-insurance fund assets of \$137,156 are more than the recorded liability at June 30, 2007, and the surplus of \$33,708 is included in unrestricted net assets.

The University is also self-insured for employee health insurance. As of June 30, 2007, \$17,216 is recorded as a liability relating to both claims received but not paid and estimates of claims incurred but not yet reported.

Changes in the reported liabilities since June 30, 2005 result from the following activities:

	Malpractice		Health	
	2007	2006	2007	2006
Liability at beginning of fiscal year	\$ 92,387	\$71,549	\$17,359	\$15,373
Current year claims, changes in estimates	19,390	21,973	152,562	126,090
Claim payments	(8,330)	(1,135)	(152,705)	(124,104)
Balance at fiscal year end	<u>\$103,447</u>	<u>\$92,387</u>	<u>\$17,216</u>	<u>\$17,359</u>

NOTE 7 — DEBT

The University may finance the construction, renovation and acquisition of certain facilities through the issuance of debt obligations which may include general receipts bonds, certificates of participation, commercial paper, capital lease obligations and other borrowings.

Debt activity for the year ended June 30, 2007 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Commercial Paper:					
Series G	\$29,000	-	\$29,000	-	-
Series H	-	\$72,600	-	\$72,600	\$72,600
Notes:					
Transportation Research Center - Capital One Funding Corporation, due through 2014	2,027	-	121	1,906	219
OSU Physicians - Fifth Third Note, due through 2008	5,696	3,201	1,036	7,861	1,012
Campus Partners - ESIC	12,000	-	-	12,000	400
Campus Partners - UDCDE Note A	23,077	-	63	23,014	200
Campus Partners - UDCDE Note B	10,376	-	-	10,376	-
UMC Partners – Notes Payable	2,100	2,186	-	4,286	4,286
Adria Kravinsky Foundation – Notes Payable	4,599	-	275	4,324	275
General Receipts Bonds – Fixed Rate:					
1999A, due serially through 2029	10,885	-	2,535	8,350	2,650
2002A, due serially through 2031	126,885	-	6,680	120,205	6,980
2003B, due serially through 2033	171,090	-	7,065	164,025	7,220
2005A, due serially through 2035	267,125	-	12,015	255,110	12,570
General Receipts Bonds – Variable Rate:					
1997, due serially through 2027	39,540	-	4,200	35,340	35,340
1999B1, due serially through 2029	56,300	-	3,700	52,600	52,600
1999B2, due 2006	4,300	-	4,300	-	-
2001, due serially through 2032	76,950	-	-	76,950	76,950
2003C, due serially through 2031	113,355	-	3,810	109,545	109,545
2005B, due serially through 2035	129,990	-	-	129,990	129,990
Capital Lease Obligations	20,932	16,164	7,487	29,609	5,988
	\$1,106,227	\$94,151	\$82,287	\$1,118,091	\$518,825

Debt activity for the year ended June 30, 2006 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Commercial Paper:					
Series F	\$150,000	-	\$150,000	-	-
Series G	-	\$29,000	-	\$29,000	\$29,000
Notes:					
Ohio Board of Regents Note, due through 2006	212	-	212	-	-
Transportation Research Center - Capital One Funding Corporation, due through 2014	2,223	-	196	2,027	204
OSU Physicians - Fifth Third Note, due through 2008	6,548	6,677	7,529	5,696	871
Campus Partners - Fifth Third Line of Credit	134	-	134	-	-
Campus Partners - ESIC	12,000	-	-	12,000	-
Campus Partners - UDCDE Note A	-	23,077	-	23,077	95
Campus Partners - UDCDE Note B	-	10,376	-	10,376	-
UMC Partners - Notes Payable	-	2,100	-	2,100	2,100
Adria Kravinsky Foundation - Notes Payable	-	4,599	-	4,599	275
General Receipts Bonds - Fixed Rate:					
1999A, due serially through 2029	68,965	-	58,080	10,885	2,535
2002A, due serially through 2031	133,330	-	6,445	126,885	6,680
2003B, due serially through 2033	177,345	-	6,255	171,090	7,065
2005A, due serially through 2035	-	279,050	11,925	267,125	12,015
General Receipts Bonds - Variable Rate:					
1997, due serially through 2027	43,540	-	4,000	39,540	39,540
1999B1, due serially through 2029	60,000	-	3,700	56,300	56,300
1999B2, due 2006	8,300	-	4,000	4,300	4,300
2001, due serially through 2032	76,950	-	-	76,950	76,950
2003C, due serially through 2031	116,355	-	3,000	113,355	113,355
2005B, due serially through 2035	-	129,990	-	129,990	129,990
Capital Lease Obligations	21,638	6,974	7,680	20,932	5,869
	\$877,540	\$491,843	\$263,156	\$1,106,227	\$487,144

Debt obligations are generally callable by the University, bear interest at fixed and variable rates ranging from 0% to 6% and mature at various dates through 2036. Maturities and interest on debt obligations for the next five years and in five-year periods are as follows:

	Commercial Paper, Bonds and Notes Payable		Capital Leases and Certificates of Participation	
	Principal	Interest	Principal	Interest
2008	\$ 512,837	\$ 42,821	\$ 5,988	\$ 969
2009	32,715	26,510	6,557	789
2010	33,959	25,206	5,311	604
2011	44,689	23,785	3,471	449
2012	36,753	22,182	2,153	143
2013-2017	149,317	82,508	4,910	749
2018-2022	125,517	51,947	1,219	62
2023-2027	82,169	25,121	-	-
2027-2032	54,849	8,767	-	-
2033-2036	15,677	452	-	-
	<u>\$1,088,482</u>	<u>\$309,299</u>	<u>\$29,609</u>	<u>\$3,765</u>

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

The outstanding bond indentures do not require mandatory reserves for future payment of principal and interest. However, the University has set aside \$48,344 for future debt service which is included in unrestricted net assets.

In prior years, the University defeased various bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The defeased bonds are as follows:

	Amount Defeased	Amount Outstanding at June 30, 2007
Revenue Bonds: Series I	\$ 5,951	\$ -

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

Variable Rate Demand Bonds

Series 1997, 1999B1, 1999B2, 2001, 2003C and 2005B variable rate demand bonds bear interest at rates based upon yield evaluations at par of comparable securities. The maximum interest rate allowable and the effective average interest rate from issue date to June 30, 2007 are as follows:

Series:	Interest Rate Not to Exceed	Effective Average Interest Rate
1997	12%	2.509%
1999 B1	12%	2.309%
1999 B2	12%	2.359%
2001	12%	2.067%
2003 C	12%	2.396%
2005 B	12%	3.321%

At the discretion of the University, the interest rate on the bonds can be converted to a fixed rate. The bonds may be redeemed by the University or sold by the bondholders to a remarketing agent appointed by the University at any time prior to conversion to a fixed rate at a price equal to the principal amount plus accrued interest.

The University's variable rate demand bonds mature at various dates through 2035. GASB Interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities*, provides guidance on the balance sheet classification of these bonds. Under GASB Interpretation No. 1, outstanding principal balances on variable rate demand bonds may be classified as non-current liabilities if the issuer has entered into a "take-out agreement" to convert bonds "put" but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities.

Although it is the University's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the University does not have "take-out agreements" in place per the GASB Interpretation No. 1 requirements. Accordingly, the University has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. The obligations totaled \$404,425 and \$420,435 at June 30, 2007 and 2006, respectively.

Commercial Paper

The General Receipts Commercial Paper Notes (the "Notes") are limited obligations of the University secured by a pledge of the General Receipts of the University. The Notes are not debts or bonded indebtedness of the State of Ohio and are not general obligations of the State of Ohio or the University, and neither the full faith and credit of the State of Ohio nor the University are pledged to the payment of the Notes. The Notes have been issued to provide for interim financing of various projects approved by the Board of Trustees. It is the University's intention to roll each maturity into new Notes as they mature and to issue additional Notes as project expenditures are incurred. It is the University's intention ultimately to roll the Notes into permanent tax exempt bonds.

Capital Lease Obligations

Computer equipment and the facilities for child care, stores/receiving and ATI residence hall are financed as capital leases. The original cost and lease obligations related to these capital leases as of June 30, 2007 are \$63,363 and \$29,609 respectively. The original cost

and lease obligations related to these capital leases as of June 30, 2006 are \$53,928 and \$20,932 respectively.

NOTE 8 — OPERATING LEASES

The University leases various buildings, office space, and equipment under operating lease agreements. These facilities and equipment are not recorded as assets on the balance sheet. The total rental expense under these agreements was \$25,279 and \$28,100 for the years ended June 30, 2007 and 2006, respectively.

Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2007 are as follows:

Year Ending June 30,	
2008	\$ 15,992
2009	9,487
2010	8,078
2011	6,519
2012	3,186
2013-2017	15,432
2018-2022	8,211
2023-2027	1,701
2028-2032	13
2033-2037	13
2038-2042	12
2043-2047	12
2048-2052	2
Total minimum lease payments	<u>\$ 68,658</u>

NOTE 9 — COMPENSATED ABSENCES

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

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

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

The University accrues sick leave liability for those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments. This liability is calculated using the "termination payment

method” which is set forth in Appendix C, Example 4 of the GASB Statement No. 16, *Accounting for Compensated Absences*. Under the termination method, the University calculates a ratio, Sick Leave Termination Cost per Year Worked, that is based on the University’s actual historical experience of sick leave payouts to terminated employees. This ratio is then applied to the total years-of-service for current employees.

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

NOTE 10 — NONCURRENT LIABILITIES

Non-current liability activity for the year ended June 30, 2007 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 85,054	\$ 13,253	\$ 6,829	\$ 91,478
Obligations under annuity and life income agreements	49,473	10,463	4,533	55,403
Refundable advances for Federal Perkins loans	30,065	-	656	29,409
Other non-current liabilities	41,999	-	19,954	22,045
	206,591	\$ 23,716	\$ 31,972	198,335
Less: Current portion	9,761			11,905
	<u>\$ 196,830</u>			<u>\$ 186,430</u>

Non-current liability activity for the year ended June 30, 2006 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 78,752	\$ 11,856	\$ 5,554	\$ 85,054
Obligations under annuity and life income agreements	50,860	2,938	4,325	49,473
Refundable advances for Federal Perkins loans	29,323	742	-	30,065
Other non-current liabilities	42,101	1,898	2,000	41,999
	201,036	\$ 17,434	\$ 11,879	206,591
Less: Current portion	10,140			9,761
	<u>\$ 190,896</u>			<u>\$ 196,830</u>

Other non-current liabilities at June 30, 2007 and 2006 consist of the following:

	2007	2006
Amounts due to third-party payers - OSU Health System	\$ 8,406	\$ 25,973
Advance payments under exclusivity agreements	-	2,000
Bond premium	13,639	14,026
	<u>\$22,045</u>	<u>\$ 41,999</u>

NOTE 11 — UNRESTRICTED AND RESTRICTED-EXPENDABLE NET ASSETS

Substantially all unrestricted net assets are internally designated for use by University departments to support working capital needs, to fund related academic or research programs, and to provide for unanticipated shortfalls in revenues and deviations in enrollment. Major components of unrestricted net assets at June 30, 2007 and 2006 are as follows:

	2007	2006
Educational and general	\$ 587,895	\$ 524,479
Auxiliary enterprises	5,826	4,999
OSU Health System	249,437	181,712
Loan funds	3,011	2,823
Unrestricted quasi-endowments	56,699	47,080
Plant	61,809	136,130
	<u>\$ 964,677</u>	<u>\$ 897,223</u>

Restricted expendable net assets are subject to various purpose or time-based restrictions set forth by donors or granting agencies. Major components of restricted-expendable net assets at June 30, 2007 and 2006 are as follows:

	2007	2006
Current operations	\$ 309,777	\$ 287,914
Loan funds	42,076	41,304
Restricted quasi-endowments	179,309	148,182
Plant	-	8,695
	<u>\$ 531,162</u>	<u>\$ 486,095</u>

NOTE 12 – OPERATING EXPENSES BY OBJECT

In accordance with requirements set forth by the Ohio Board of Regents, the University reports operating expenses by functional classification on the Statement of Revenues, Expenses and Other Changes in Net Assets. Operating expenses by object for the years ended June 30, 2007 and 2006 are summarized as follows:

Year Ended June 30, 2007

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 661,881	\$ 99,042			\$ 760,923
Separately budgeted research	243,769	120,401			364,170
Public service	80,680	35,824			116,504
Academic support	103,763	25,169			128,932
Student services	54,246	24,255			78,501
Institutional support	101,770	42,186			143,956
Operation and maintenance of plant	36,250	70,314			106,564
Scholarships and fellowships	4,633	6,985	\$ 59,064		70,682
Auxiliary enterprises	95,210	109,499			204,709
OSU Health System	663,345	553,552			1,216,897
OSU Physicians, Inc.	154,264	72,348			226,612
Depreciation				\$ 193,657	193,657
Total operating expenses	\$ 2,199,811	\$ 1,159,575	\$ 59,064	\$ 193,657	\$ 3,612,107

Year Ended June 30, 2006

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 613,601	\$ 91,943			\$ 705,544
Separately budgeted research	240,522	127,592			368,114
Public service	75,246	45,020			120,266
Academic support	99,055	21,325			120,380
Student services	51,761	24,201			75,962
Institutional support	104,853	10,467			115,320
Operation and maintenance of plant	37,590	57,875			95,465
Scholarships and fellowships	3,815	6,985	\$ 54,934		65,734
Auxiliary enterprises	89,579	100,077			189,656
OSU Health System	589,547	493,115			1,082,662
OSU Physicians, Inc.	134,448	47,721			182,169
Depreciation				\$ 191,991	191,991
Total operating expenses	\$ 2,040,097	\$ 1,026,321	\$ 54,934	\$ 191,991	\$ 3,313,263

NOTE 13 — RETIREMENT PLANS

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

STRS Ohio and OPERS each offer three separate plans: 1) a defined benefit plan, 2) a defined contribution plan and 3) a combined plan. Each of these three options is discussed in greater detail in the following sections.

Defined Benefit Plans

STRS Ohio and OPERS offer statewide cost-sharing multiple-employer defined benefit pension plans. STRS Ohio and OPERS provide retirement and disability benefits, annual

cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute and are calculated using formulas that include years of service and final average salary as factors. Both STRS Ohio and OPERS issue separate, publicly available financial reports that include financial statements and required supplemental information. These reports may be obtained by contacting the two organizations.

STRS Ohio
275 East Broad Street
Columbus, OH 43215-3371
(614) 227-4090
(888) 227-7877
www.strsoh.org

OPERS
277 East Town Street
Columbus, OH 43215-4642
(614) 222-5601
(800) 222-7377
www.opers.org

In addition to the retirement benefits described above, STRS Ohio and OPERS provide postemployment health care benefits.

OPERS currently provides postemployment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For the fiscal year ended December 31, 2006, OPERS allocated 4.5% of the employer contribution rate to fund the health care program for retirees.

The actuarial value of assets available for these benefits at December 31, 2005 (the date of the system's latest actuarial review) was \$11.1 billion. There were 369,214 active contributing participants as of December 31, 2006 and 358,804 active contributing participants used in the December 31, 2005 actuarial valuation.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. In response to skyrocketing health care costs, the HCPP restructured OPERS' health care coverage to improve the financial solvency of the fund by creating a separate investment pool for health care assets.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. HCPP incorporates a cafeteria approach, offering a broad range of health care options which allows benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

STRS Ohio currently provides access to health care coverage to retirees who participated in the deferred benefit or combined plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial

reimbursement of monthly Medicare Part B premiums. Pursuant to ORC, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of monthly premiums. Under ORC, medical costs paid from the funds of STRS Ohio are included in the employer contribution rate. For the fiscal year ended June 30, 2006, STRS Ohio allocated employer contributions equal to 1% of covered payroll to a Health Care Stabilization Fund (HCSF) from which payments for health care benefits are paid. The balance in the HCSF was \$3.5 billion at June 30, 2006.

STRS Ohio expenditures for postemployment benefits during the year ended June 30, 2006 were \$282.7 million. There were 119,184 benefit recipients eligible for postemployment benefits at that date.

Postemployment health care benefits are not guaranteed by ORC to be covered under either OPERS or STRS Ohio defined benefit plans.

Defined Contribution Plans

ARP is a defined contribution pension plan. Full-time administrative and professional staff and faculty may choose enrollment in ARP in lieu of OPERS or STRS Ohio. Classified civil service employees hired on or after August 1, 2005 are also eligible to participate in ARP. ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

STRS Ohio also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 10.5% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no postretirement health care benefits.

Combined Plans

STRS Ohio offers a combined plan with features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits.

OPERS also offers a combined plan. This is a cost-sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the

combined plan, employee contributions are invested in self directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits. OPERS provides retirement, disability, survivor and postretirement health benefits to qualifying members of the combined plan.

Funding Policy

ORC provides STRS Ohio and OPERS statutory authority to set employee and employer contributions. Contributions equal to those required by STRS Ohio and OPERS are required for ARP. For employees enrolling in ARP, ORC requires a portion (which may be revised pursuant to periodic actuarial studies) of the employer contribution be contributed to STRS Ohio and OPERS to enhance the stability of these plans. The required contribution rates (as a percentage of covered payroll) for plan members and the University are as follows:

	STRS Ohio	OPERS	ARP
Faculty:			
Plan member (entire year)	10.00%		10.00%
University (entire year)	14.00%		14.00%*
Staff:			
Plan member (7/06 – 12/06)		9.00%	9.00%
Plan member (1/07 – 6/07)		9.50%	9.50%
University (7/06 – 12/06)		13.54%	13.54%
University (1/07 – 6/07)		13.77%	13.77%
Law enforcement staff:			
Plan member (entire year)		10.10%	10.10%
University (7/06 – 12/06)		16.93%	16.93%
University (1/07 – 6/07)		17.17%	17.17%

* Employer contributions include 3.5% paid to STRS Ohio. The remaining amount, 10.5%, is credited to employee's ARP account.

The University's contributions, which represent 100% of required employer contributions, for the year ended June 30, 2005 and for each of the two preceding years are as follows:

Year Ended June 30,	STRS Ohio Annual Required Contribution	OPERS Annual Required Contribution	ARP Annual Required Contribution
2005	\$ 40,597	\$ 91,424	\$ 27,094
2006	\$ 42,599	\$ 103,502	\$ 30,055
2007	\$ 45,252	\$ 110,958	\$ 32,726

OSU Physicians Retirement Plan

Retirement benefits are provided for the employees of OSU Physicians (OSUP) through a tax-sheltered 403(b) and 401(a) program administered by an insurance company. OSUP is

required to make nondiscretionary contributions of no less than 7.5% under the Interim Retirement Plan; however, some subsidiaries make an additional discretionary contribution of up to 17.5%, for a range of total employer contributions of 7.5% to 17.5%. Employees are allowed, but not required, to make contributions to the 403(b) plan. OSUP's share of the cost of these benefits was \$12,772 and \$11,164 for the years ended June 30, 2007 and 2006, respectively.

NOTE 14 — CAPITAL PROJECT COMMITMENTS

At June 30, 2007, the University is committed to future contractual obligations for capital expenditures of approximately \$255,620.

These projects are funded by the following sources:

State appropriations	\$114,611
Internal and other sources	141,009
Total	<u>\$255,620</u>

NOTE 15 — CONTINGENCIES AND RISK MANAGEMENT

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

The University is self-insured for Hospitals professional malpractice liability, employee health benefits, and employee life, accidental death and dismemberment benefits. Additional details regarding these self-insurance arrangements are provided in Note 5. The University also carries commercial insurance policies for various property, casualty and excess liability risks. Over the past three years, settlement amounts related to these insured risks have not exceeded the University's coverage amounts.

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

NOTE 16 — FUNDS HELD IN TRUST BY OTHERS

The University is the beneficiary of and annually receives income from funds held in trust by other trustees. These funds are administered by outside trustees and are neither in the possession nor under the control of the University. The principal amount of these funds is not determinable at the present time.

Acknowledgements

The 2007 Financial Report and the included financial statements are prepared by the staff of the Office of the Controller, Division of Accounting.

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Jan E. Soboslai - Senior Accountant

Anne M. Wilcheck - Senior Accountant

William J. Shkurti - Senior Vice President and Chief Financial Officer

Greta J. Russell - University Controller

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The expiration date of each trustee's term is given in parentheses.

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David O. Frantz, Columbus - Secretary

The Ohio State University

(A Component Unit of the State of Ohio)

Consolidated Financial Statements as of and
for the Years Ended June 30, 2007 and 2006,
and Report on Federal Awards in Accordance with
OMB Circular A-133 for the Year Ended June 30,
2007, and Independent Auditors' Reports

THE OHIO STATE UNIVERSITY

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
The Ohio State University
Columbus, Ohio

We have audited the accompanying consolidated statements of net assets of The Ohio State University, a component unit of the State of Ohio (the "University"), as of June 30, 2007 and 2006, and the related consolidated statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Ohio State University as of June 30, 2007 and 2006, and their changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the consolidated financial statements, the financial statements include investments valued at \$364,732,000 (7.8% of net assets) and \$164,305,000 (3.9% of net assets) as of June 30, 2007 and June 30, 2006, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund management or the general partners.

The Management's Discussion and Analysis on pages 3 to 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the University's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information, and we do not express an opinion on it.

Our audit was performed for the purpose of forming an opinion on the University's consolidated financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, on pages 51 to 77, and the notes to the schedule of expenditures of federal awards on pages 78 to 80 are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. These schedules are the responsibility of the management of the University. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the consolidated financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 17, 2007, on our consideration of internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

October 17, 2007

Management's Discussion and Analysis for the Year Ended June 30, 2007

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of The Ohio State University for the year ended June 30, 2007, with comparative information for the years ended June 30, 2006 and June 30, 2005. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About The Ohio State University

The Ohio State University is the State of Ohio's flagship research institution and one of the largest universities in the United States of America, with over 59,000 students, 5,300 faculty members and 19,000 staff members. Founded in 1870 under the Morrill Land Grant Act, the University – which was originally known as the Ohio Agricultural and Mechanical College -- has grown over the years into a comprehensive public institution of higher learning, with 167 undergraduate majors, 132 master's degree programs, 100 doctoral programs and seven professional degree programs. The University operates one of the nation's leading academic medical centers, which includes the OSU Health System. The Health System is comprised of The Ohio State University Hospital, The Arthur G. James Cancer Hospital and Richard J. Solove Research Institute, Richard M. Ross Heart Hospital, University Hospital East, OSU Harding Hospital, and 24 outpatient care centers. The System provided services to over 56,000 inpatients and nearly 900,000 outpatients during fiscal year 2007.

Ohio State is governed by a board of trustees who are responsible for oversight of academic programs, budgets, general administration, and employment of faculty and staff. The University's 17 colleges, two independent schools, the OSU Health System and various academic support units operate largely on a decentralized basis. The Board approves annual budgets for University operations, but these budgets are managed at the college and department level.

In 2005, the Ohio General Assembly voted to expand the board from 11 to 17 members. The standard term for voting members of the board is nine years. However, as part of the transition to a larger board membership, the additional trustees appointed in 2005 and 2006 will serve terms ranging from four to eight years. The board also includes two non-voting student trustees who are appointed to two-year terms.

The following financial statements reflect all assets, liabilities and net assets (equity) of the University, the OSU Health System, the Ohio Agricultural Research and Development Center and the Ohio Supercomputer Center. In addition, these statements include consolidated financial results for a number of legally separate entities subject to Board control, including:

- the OSU Research Foundation (which administers sponsored research grants and contracts for University)
- the OSU Foundation (a fundraising foundation operating exclusively for the benefit of the University)

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- Campus Partners for Community Urban Redevelopment (a non-profit organization participating in the redevelopment of neighborhoods adjacent to the main Columbus campus)
 - Transportation Research Center (an automotive research and testing facility in East Liberty, Ohio)
 - OSU Managed Health Care Systems (a non-profit organization that administers University health care benefits)
 - OSU Physicians, Inc. (the central practice group for physician faculty members of the Colleges of Medicine and Public Health)

The entities listed above meet the “financial accountability” criteria set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. A complete listing of the entities that are included in the University’s financial report is provided in the Basis of Presentation section of the footnotes.

About the Financial Statements

The University presents its financial reports in a “business type activity” format, in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. In addition to this MD&A section, the financial report includes a Statement of Net Assets, a Statement of Revenues, Expenses and Other Changes in Net Assets, a Statement of Cash Flows and Notes to the Financial Statements.

The **Statement of Net Assets** is the University’s balance sheet. It reflects the total assets, liabilities and net assets (equity) of the University as of June 30, 2007, with comparative information as of June 30, 2006. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as non-current. Investment assets are carried at market value. Capital assets, which include the University’s land, buildings, improvements, and equipment, are shown net of accumulated depreciation. Net assets are grouped in the following categories:

- Invested in capital assets, net of related debt
- Restricted – Nonexpendable (endowment and annuity funds)
- Restricted – Expendable (primarily current restricted and quasi-endowment funds)
- Unrestricted

The **Statement of Revenues, Expenses and Other Changes in Net Assets** is the University’s income statement. It details how net assets have increased (or decreased) during the year ended June 30, 2007, with comparative information for Fiscal Year 2006. Tuition revenue is shown net of scholarship allowances, depreciation is provided for capital assets, and there are required subtotals for net operating income (loss) and net income (loss) before capital contributions and additions to permanent endowments.

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

The **Statement of Cash Flows** details how cash has increased (or decreased) during the year ended June 30, 2007, with comparative information for Fiscal Year 2006. It breaks out the sources and uses of University cash into the following categories:

- Operating activities
- Noncapital financing activities
- Capital financing activities
- Investing activities

Cash flows associated with the University’s expendable net assets appear in the operating and noncapital financing categories. Capital financing activities include payments for capital assets, proceeds from long-term debt and debt repayments. Purchases and sales of investments are reflected as investing activities.

The **Notes to the Financial Statements**, which follow the financial statements, provide additional details on the numbers in the financial statements.

Financial Highlights and Key Trends

The University’s financial health remained sound in 2007, with growth in tuition and patient care revenues offsetting similar increases in operating expenses. Total unrestricted and restricted-expendable net assets increased \$113 million, to \$1.50 billion at June 30, 2007. Total University plant debt was stable, increasing \$12 million, to \$1.12 billion. University investments yielded \$430 million of net investment income.

Student enrollment trends reflect continued strong demand for an Ohio State education, improvement in freshman retention rates and a significant improvement in graduation rates. 59,091 students were enrolled in Autumn 2006, up slightly from Autumn 2005 total enrollment of 57,748. 91.5% of the freshmen enrolled in Autumn 2005 returned to OSU in Autumn 2006, up from 89.7% in the comparable 2004-2005 period. Over the past decade, the University’s six-year graduation rate has climbed 16 percentage points, from 55% of students entering OSU in 1990 to 71% of students entering OSU in 2000.

The following sections provide additional details on the University’s 2007 financial results and a look ahead at significant economic conditions that are expected to affect the University in the future.

Statement of Net Assets

Summary Statement of Net Assets <i>(in thousands)</i>			
	2007	2006	2005
Cash and temporary investments	\$ 855,113	\$ 755,036	\$ 565,618
Current receivables, inventories and prepaid expenses	483,998	453,420	470,771
Total current assets	1,339,111	1,208,456	1,036,389
Noncurrent notes and pledges receivable	74,380	75,662	85,426
Long-term investment pool	2,315,591	1,973,020	1,706,243
Other long-term investments	88,186	82,425	83,374
Capital assets, net of accumulated depreciation	2,825,828	2,695,648	2,468,776
Total noncurrent assets	5,303,985	4,826,755	4,343,819
Total assets	\$ 6,643,096	\$ 6,035,211	\$ 5,380,208
Accounts payable and accrued expenses	\$ 470,723	\$ 395,132	\$ 368,127
Deferred revenues and deposits	189,129	165,048	154,424
Commercial paper and current portion of bonds, notes and lease obligations	518,825	487,144	480,580
Other current liabilities	11,905	9,761	10,140
Total current liabilities	1,190,582	1,057,085	1,013,271
Noncurrent portion of bonds, notes and lease obligations	599,266	619,083	396,960
Other noncurrent liabilities	186,430	196,830	190,896
Total noncurrent liabilities	785,696	815,913	587,856
Total liabilities	\$ 1,976,278	\$ 1,872,998	\$ 1,601,127
Invested in capital assets, net of related debt	\$ 1,711,274	\$ 1,589,420	\$ 1,590,235
Restricted-nonexpendable net assets	1,459,705	1,189,475	1,050,685
Restricted-expendable net assets	531,162	486,095	462,574
Unrestricted net assets	964,677	897,223	675,587
Total net assets	\$ 4,666,818	\$ 4,162,213	\$ 3,779,081

Total University **cash and temporary investment** balances increased \$100 million in 2007, primarily due to net cashflows from investing activities. The Statement of Cash Flows, which is discussed in more detail below, provides additional details on sources and uses of University cash. The University holds the bulk of its working capital in the short and intermediate-term investment funds. These funds are invested in a diversified portfolio of money-market instruments as well as short and intermediate-term fixed income securities. The average maturity of the portfolio is typically less than one year.

The market value of the University's **long-term investment pool** increased \$343 million, to \$2.32 billion at June 30, 2007, primarily due to a combination of net investment income (\$322 million), transfers from temporary investments (\$30 million) and new endowment gifts

(\$46 million). These additions were partially offset by endowment income distributions and expenses. The long-term investment pool operates similar to a mutual fund, in that each named fund is assigned a number of shares in the pool. It includes the gifted endowment funds of the University, gifted endowment funds of the OSU Foundation, and operating funds which have been internally designated to function as endowments. The pool is invested in a diversified portfolio of equities, fixed income, real estate, hedge funds, private equity, venture capital and natural resources that is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support the University's mission.

Other long-term investments are non-unitized investments that relate primarily to gift arrangements between donors and the OSU Foundation. These investments increased \$6 million, to \$88 million at June 30, 2007, due to a combination of new gifts and increases in market value.

Capital assets, which include the University's land, buildings, improvements, equipment and library books, grew \$130 million, to \$2.83 billion at June 30, 2007. The University depreciates its capital assets on a straight-line basis, using estimated useful lives ranging from 5 years (for computer equipment) to 100 years (for certain building components such as foundations).

Major projects completed in 2007 include the Biomedical Research Tower, the new Mechanical Engineering Building (Scott Laboratory), and Phase II of the Recreation & Physical Activity Center and Physical Activity and Education Services buildings. In addition, several major construction projects are currently underway or in advanced planning stages, including:

- McCracken Power Plant Improvements – Work is nearing completion on a \$69 million Emissions Compliance Project to replace four boilers at the main campus power plant. The new boilers will reduce emissions, increase capacity and meet future campus steam demands.
- Jennings Hall Renovation (Botany and Zoology) – Work continues on a \$33 million project to renovate Jennings Hall for use by the College of Biological Sciences, the Mathematical Biosciences Institute and the central classroom pool.
- William Oxley Thompson Memorial Library Renovation – Work continues on a \$108 million renovation of the University's main library, which will include an addition to the building, new landscaping of the surrounding area and an expansion of the Library Book Depository. The renovation project is scheduled for completion in Autumn 2009.
- Ohio Union Replacement – The old Ohio Union has been demolished to make way for a new 300,000 square foot student union. The \$118 million project is scheduled for completion in 2010.

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- Medical Center Facilities Plan – The University continues work on a master plan to invest more than \$780 million in construction and capital improvements to the Medical Center. Current plans call for a new cancer hospital, expansion of several existing patient care facilities and various infrastructure improvements.

The University's estimated future capital commitments, based on contracts and purchase orders, total approximately \$256 million at June 30, 2007.

Accounts payable and accrued expenses increased \$76 million, to \$471 million at June 30, 2007. The increase relates primarily to timing differences in the remittance of contributions to the state retirement funds (up \$34 million compared with June 30, 2006), increases in payables to vendors for supplies and services (up \$21 million) and increases in medical malpractice liabilities (up \$11 million).

Total University debt, in the form of **commercial paper, bonds, notes and capital lease obligations**, increased \$12 million, to \$1.12 billion at June 30, 2007, with principal payments on existing debt offsetting issuance of commercial paper.

The University's plant debt includes variable rate demand bonds that mature at various dates through 2035. Governmental Accounting Standards Board Interpretation 1, *Demand Bonds Issued by State and Local Governmental Entities*, provides guidance on the balance sheet classification of these bonds. Under GASB Interpretation 1, outstanding principal balances on variable rate demand bonds may be classified as noncurrent liabilities if the issuer has entered into a "take-out agreement" to convert bonds "put" but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities.

Although it is the University's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the University does not have "take-out agreements" in place per the GASB Interpretation 1 requirements. Accordingly, the University has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. These obligations totaled \$404 million and \$420 million at June 30, 2007 and 2006, respectively.

2005-2006 Highlights: *In 2005*, the University transferred approximately \$478 million of temporary investments to the Long-Term Investment Pool to establish the Operating Funds Long-Term Component and the President's Strategic Initiative Fund. Total unrestricted and restricted-expendable net assets decreased \$49 million, to \$1.14 billion at June 30, 2005. Total University plant debt increased \$63 million, to \$878 million. *In 2006*, total unrestricted and restricted-expendable net assets increased \$245 million, to \$1.38 billion at June 30, 2006, primarily due to the issuance of long-term bonds (which shifted the negative equity associated with construction activity from unrestricted net assets to capital assets, net of related plant debt). Total University plant debt increased \$229 million, to \$1.11 billion.

Statement of Revenues, Expenses and Other Changes in Net Assets

Summary of Revenues, Expenses and Changes in Net Assets <i>(in thousands)</i>			
	2007	2006	2005
Operating Revenues:			
Tuition and fees, net	\$ 583,580	\$ 537,386	\$ 501,941
Grants and contracts	598,585	584,708	534,476
Auxiliary enterprises sales and services, net	179,855	170,685	160,711
OSU Health System sales and services, net	1,354,702	1,222,974	1,078,181
OSU Physicians sales and services, net	239,852	215,757	189,101
Departmental sales and other operating revenues	142,504	119,243	119,531
Total operating revenues	<u>3,099,078</u>	<u>2,850,753</u>	<u>2,583,941</u>
Operating Expenses:			
Educational and general	1,770,232	1,666,785	1,536,533
Auxiliary enterprises	204,709	189,656	175,925
OSU Health System	1,216,897	1,082,662	991,409
OSU Physicians	226,612	182,169	169,005
Depreciation	193,657	191,991	145,975
Total operating expenses	<u>3,612,107</u>	<u>3,313,263</u>	<u>3,018,847</u>
Net operating income (loss)	(513,029)	(462,510)	(434,906)
Non-operating revenues (expenses):			
State share of instruction and line-item appropriations	451,964	443,933	438,499
Gifts - current use	76,541	70,293	65,676
Net investment income (loss)	429,584	220,313	154,289
Other non-operating revenue (expense)	(56,534)	(45,474)	(29,895)
Income (loss) before other revenues, expenses gains or losses	388,526	226,555	193,663
State capital appropriations	40,928	90,606	87,305
Private capital gifts	28,725	18,548	16,638
Additions to permanent endowments	46,426	47,423	54,723
Increase (decrease) in net assets	504,605	383,132	352,329
Net assets - beginning of year	<u>4,162,213</u>	<u>3,779,081</u>	<u>3,426,752</u>
Net assets - end of year	<u>\$ 4,666,818</u>	<u>\$ 4,162,213</u>	<u>\$ 3,779,081</u>

Net tuition and fees increased \$46 million, to \$584 million in 2007. Undergraduate instructional and general fees were increased 6% for the 2006-2007 academic year. Tuition increases for graduate and professional programs ranged from 5% to 10%.

Grant and contract revenues increased \$14 million, to \$599 million in 2007. Revenues for sponsored research programs administered by the OSU Research Foundation were relatively stable in 2007, with slight decreases from federal sources partially offsetting increases from private sources.

Educational and general expenses increased 6%, to \$1.77 billion in 2007. Additional details are provided below.

Educational and General Expenses <i>(in thousands)</i>	2007	2006	2005
Instruction and departmental research	\$ 760,923	\$ 705,544	\$ 670,662
Separately budgeted research	364,170	368,114	353,194
Public service	116,504	120,266	100,516
Academic support	128,932	120,380	110,434
Student services	78,501	75,962	71,465
Institutional support	143,956	115,320	89,041
Operation and maintenance of plant	106,564	95,465	84,475
Scholarships and fellowships	70,682	65,734	56,746
Total	\$ 1,770,232	\$ 1,666,785	\$ 1,536,533

Total **instructional and departmental research** expenses increased \$55 million in 2007, primarily due to a combination of faculty/staff salary and benefit increases and increases in fee authorizations for graduate associates. The University's budget process directs the bulk of annual increases in tuition, state share of instruction and facilities and administrative cost recoveries to the colleges, for investment in academic programs. Decreases in **separately budgeted research** reflect declines in funding from federal sources and elimination entries for capital expenditures. **Institutional support** increased \$29 million, primarily due to expenditures for the Student Information System project and central accrual activity related to tuition receivables, legal liabilities and self-insured employee health plans. **Operation and maintenance of plant** expenses increased \$11 million, reflecting a combination of increased funding for Facilities Operation and Development and higher facilities costs in the colleges and regional campuses.

Sales and service revenues of the University's **Auxiliary Enterprises** increased \$9 million, to \$180 million in 2007, primarily due to increases in Athletics and Housing, Food Service and Event Center (HFSEC) revenues. Auxiliary expenses increased \$15 million, reflecting increased expenditures in Athletics and HFSEC.

The Ohio State University Health System continued its planned growth during Fiscal Year 2007 with its continuing construction of two additional floors on the Ross Heart Hospital, expansion of the digestive disease program, development of additional faculty space, and expanding the breadth of outpatient services at the Morehouse Medical Plaza on Kenny Road.

Health System inpatient admissions increased 3.7%, while outpatient volume grew by approximately 80,000 patients after accounting for restructuring of the Primary Care Network. Consolidated Health System Total Operating Revenues increased \$132 million (10.8%) due to volume increases along with selective rate increases. Expenses for the consolidated Health System (excluding depreciation, interest and interfund transfers) increased \$134 million (12.4%). Salaries and benefits increased 11% due to increased

patient activity and a competitive labor market. Supplies increased 15% due to volume, medical advances, inflation and more intensive patient care services. The Health System's Excess of Revenue over Expense for 2007 was \$109.3 million. After investing \$62.8 million in research and education, the change in net assets was \$46.5 million.

Looking ahead, the OSU Health System will be challenged by the national trend to meet the increase in demand for health services arising from an aging population and increasing consumer expectations. The Health System expects revenues to increase by 11% with focus on the six signature programs – Cancer, Critical Care, Heart, Imaging, Neuroscience and Transplantation. The Health System will continue to be challenged by the increasing cost for care givers, malpractice costs, supplies, pharmaceuticals and technology.

The Health System continues to invest in the Medical Center's research and teaching initiatives, resulting in the delivery of additional leading edge clinical services while fulfilling its academic mission. In response to the increased demand for services, the Health System continues its planning for significant expansion of clinical facilities in the next decade. Despite the challenges and the changing healthcare environment, the Health System expects to improve its financial position during the upcoming year, and will continue to play a key role in supporting the Medical Center and its goal of maintaining its status as a leading academic medical center.

Revenues and operating expenses of **OSU Physicians, Inc.**, the University's central practice group for physician faculty members of the Colleges of Medicine and Public Health, continued to grow in 2007. Total operating revenues grew from \$216 million to \$240 million as a result of volume increases as well as increased rates from contract negotiations. Total OSUP expenses (excluding depreciation, interest and interfund transfers) grew from \$182 million to \$227 million.

OSUP is the single member of 17 limited liability companies ("LLCs"). As of June 30, 2007, only 15 of the limited liability companies were active. The Urology division split off from Surgery forming "OSU Urology, LLC" starting 7/1/06. The other two LLCs (Anesthesiology and Orthopedics) have been created but had no 2007 activity.

The following table lists the LLCs that were included in OSUP's financial statements as of June 30, 2007 and 2006:

Practice Plan	2007	2006
Family Medicine Foundation, LLC ("FM")	X	X
OSU Anesthesiology, LLC ("Anesthesiology")		
OSU Children's Pediatrics, LLC	X	X
OSU Emergency Medicine, LLC ("EM")	X	X
OSU Eye Physicians and Surgeons, LLC ("Eye")	X	X
OSU GYN and OB Consultants, LLC ("OBGYN")	X	X
OSU Internal Medicine, LLC ("IM")	X	X
OSU Neuroscience Center, LLC ("Neurology")	X	X
OSU Orthopedics, LLC ("Orthopedics")		
OSU Otolaryngology-Head and Neck Surgery, LLC ("Otolaryngology")	X	X
OSU Pathology, LLC ("Pathology")	X	X
OSU Physical Medicine and Rehabilitation ("Phys Med")	X	X
OSU Psychiatry, LLC ("Psychiatry")	X	X
OSU Radiation Medicine, LLC ("Rad Med")	X	X
OSU Radiology, LLC ("Radiology")	X	X
OSU Surgery, LLC ("Surgery")	X	X
OSU Urology, LLC ("Urology")	X	

Non-endowment gifts to the University (including gifts for current use and gifts to capital projects) increased 18%, from \$89 million in 2006 to \$105 million in 2007. New gift **additions to permanent endowments** decreased \$1 million, from \$47 million in 2006 to \$46 million in 2007. University Development estimates that total gift revenues will increase 6%, from \$152 million in 2007 to \$161 million in 2008.

During 2007, a record breaking 121,173 donors made gifts to the University, a 5% increase over the 2006 record of 115,723.

The University's **net investment income** jumped from \$220 million in 2006 to \$430 million in 2007. Strong returns in the equity markets, led by international equities, accounted for the bulk of the increase. Interest rates were relatively stable in 2007, resulting in modest fixed income returns, led by the high-yield category. Absolute return strategies had a very good year, as did real estate. The net investment income figure includes \$99 million of interest and dividend income and \$331 million net appreciation in the fair market value of University investments.

2005-2006 Highlights: *In 2005*, the University reported significant growth in tuition, OSU Health System and OSU Physicians revenues, with total operating revenues increasing \$321 million, to \$2.58 billion. Modest returns in the equity market, coupled with a decrease in bond prices, resulted in net investment income of \$154 million. Total operating expenses increased \$252 million, to \$3.02 billion, primarily due to increases in OSU Health System and OSU Physicians expenses. *In 2006*, total operating revenues increased \$267 million, to \$2.85 billion, primary due to growth in tuition, grant and contract and patient care revenues. A strong equity market, particularly for international equities, and a decrease in bond prices resulted in net investment income of \$220 million. Total operating expenses increased \$294 million, to \$3.31 billion, primarily due to increases in educational and general and OSU Health System expenses.

Statement of Cash Flows

University Cash Flows Summary <i>(in thousands)</i>	2007	2006	2005
Net cash flows from operating activities	\$ (276,456)	\$ (226,525)	\$ (281,695)
Net cash flows from noncapital financing activities	582,899	568,947	562,654
Capital appropriations and gifts for capital projects	76,837	117,169	102,938
Proceeds from issuance of bonds and notes payable	77,598	493,887	174,622
Payments for purchase and construction of capital assets	(311,128)	(424,869)	(527,563)
Principal and interest payments on capital debt	(129,389)	(298,961)	(140,854)
Net cash flows from investing activities	98,504	(112,809)	16,554
Net increase (decrease) in cash	<u>\$ 118,865</u>	<u>\$ 116,839</u>	<u>\$ (93,344)</u>

Total University cash and cash equivalents increased \$119 million in 2007. Total cash provided by operating and noncapital financing activities was \$306 million, down \$36 million compared with 2006. Although the University issued a limited amount of commercial paper in 2007, the lack of a major bond issue, combined with \$311 million of capital expenditures, resulted in a \$173 million increase in total cash used for capital financing activities. Total cash provided by investing activities was \$99 million, reflecting investment income and net sales of temporary investments.

Economic Factors That Will Affect the Future

The Academic Plan, which was adopted in 2000, drives University spending and budgeting priorities. It focuses on six core strategies that are necessary for Ohio State to become a truly great teaching and research university:

- Build a world-class faculty
- Develop academic programs that define Ohio State as the nation's leading land-grant university
- Enhance the quality of the teaching and learning environment
- Enhance and better serve the student body
- Create a diverse University community
- Help build Ohio's future

The colleges are the key focal points to advance the objectives of the Academic Plan. Consequently, the University's decentralized budget system is designed to make sure that

at least three quarters of increased annual revenues from tuition and fees and state share of instruction, as well as all indirect cost recoveries, are distributed back to the generating colleges. Key University-wide initiatives identified in the Fiscal Year 2008 budget process include:

Competitive Compensation – College and support unit operating budgets will fund salary increases averaging 3.5% to 4% for faculty and staff. In addition, the Provost is selectively supporting high quality academic units that lag behind their benchmark faculty salary levels.

Reform of the Undergraduate Curriculum – The University is implementing a reduction of 10 credit hours in the graduation requirements for new students, beginning in Autumn Quarter 2007. Beginning in FY2010, a significant financial impact is expected, as students are allowed to graduate with fewer credit hours. Work continues on addressing the financial implications of this change on future budgets.

Quality Graduate Programs – The University has approved changes proposed by the Faculty Senate Fiscal Committee to support quality graduate programs, including a 1.5% reallocation of doctoral subsidy and a program review process to identify those doctoral programs that should be improved, downsized or eliminated.

Targeted Investments in Excellence – Over the next five years, the University will reallocate \$50 million in central funds and \$50 million in college funds to support ten research initiatives chosen through a competitive selection process.

Other key University-wide initiatives identified in the budget process include the 2008 enrollment plan (to support recruitment of highly qualified undergraduates), the Student Information System project, safety and security improvements, and various compliance initiatives.

The University continues to seek ways to reduce expenses and improve services in its core academic support processes. Three continuing cost reduction initiatives are being funded in 2008:

Transition to Work – This plan is modeled after successful efforts elsewhere that demonstrate savings to employers in Workers' Compensation costs and significant benefits to employees by returning employees with temporary medical or psychological restrictions to work sooner. An upfront investment of \$241,000 is expected to save between \$1.5 and \$2.8 million annually by 2010.

Energy Projects – The rising cost of energy has made it cost effective to enhance conservation efforts and explore alternative energy sources across campus. This initiative includes \$250,000 in one-time funds to enable the Energy Services and Sustainability group to move forward with projects to reduce energy costs. Projects in the first phase of this initiative have resulted in purchased energy cost avoidance with a net present value of \$751,000 over five years. Similar savings are expected from the second phase of this initiative.

E-Procurement – The University is investing \$285,000 in continuing funds and \$480,000 in one-time funds to continue its implementation of the E-Procurement System. This initiative is expected to reduce costs for purchases of goods and services, improve internal controls related to procurement, and allow for an improved bidding and negotiation position with vendors and enable central purchasing staff to focus on strategic purchasing and contract management. Projections show that for each additional dollar of purchases processed through the E-Procurement System, the department saves \$0.10. In FY2005 and FY2006, \$67 million in cost savings was achieved through more strategic use of contracts.

Sound finances are crucial to the University's quest to become a truly great teaching and research institution. As part of the FY2008 budget process, University management has proposed the following long-term financial goals and targets:

- **Resource Sufficiency and Flexibility** – Maintain a Primary Reserve Ratio of at least 0.4 times annual expenditures, which translates into 146 days of cash on hand
- **Operating Margin** – Maintain operating margins of at least 1% for General Funds, and 10%-11.5% for the OSU Health System
- **Credit Rating** – Maintain the University's "AA" credit rating
- **Debt Ratios** – Maintain a Total Financial Resources to Direct Debt ratio of at least 2.0x, an Actual Debt Service to Operations ratio of no more than 4.0%, and a Debt Service Coverage ratio of at least 3.0x
- **Senate Bill 6 Composite Score** – Maintain an S.B. 6 composite score of at least 3.6 (maximum score is 5.0)

The proposed goals and targets are currently under review by the University's Board of Trustees.

The state budget bill for the 2008-2009 biennium calls for a freeze in undergraduate tuition. State support for the Columbus campus is expected to increase approximately 4.8% in 2008, and additional increases in state support are anticipated for 2009. Based on what is now known about FY 2008, University management believes that Ohio State will continue to maintain its sound financial position in the year ahead.

Looking ahead to FY 2009 and beyond, University management sees continuing challenges regarding the levels of state support, increased competition from other institutions for the best faculty, staff and students, and continued political uncertainty internationally. Consequently, we are committed to building upon current efforts to enhance the University's academic reputation, diversify our revenue base, reduce our operating and capital costs, strengthen internal controls and effectively manage our financial risks. By doing so, we feel The Ohio State University will continue to maintain its sound financial position while continuing its progress towards becoming a top-tier public research university.

**THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF NET ASSETS**

June 30, 2007 and 2006
(in thousands)

	<u>2007</u>	<u>2006</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents (including bond proceeds restricted for capital expenditures of \$67,756 and \$96,704, respectively)	\$ 331,289	\$ 212,424
Temporary investments	523,824	542,612
Accounts receivable, net	375,611	358,332
Notes receivable -current portion, net	8,521	8,429
Pledges receivable - current portion, net	15,906	15,140
Accrued interest receivable	16,852	15,127
Inventories and prepaid expenses	67,108	56,392
Total Current Assets	<u>1,339,111</u>	<u>1,208,456</u>
Noncurrent Assets:		
Notes receivable, net	61,043	61,444
Pledges receivable, net	13,337	14,218
Long-term investment pool	2,315,591	1,973,020
Other long-term investments	88,186	82,425
Capital assets, net	2,825,828	2,695,648
Total Noncurrent Assets	<u>5,303,985</u>	<u>4,826,755</u>
Total Assets	<u>\$ 6,643,096</u>	<u>\$ 6,035,211</u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 470,723	\$ 395,132
Deposits and deferred revenues	189,129	165,048
Commercial paper and current portion of bonds, notes and leases payable	518,825	487,144
Compensated absences - current portion	6,829	5,554
Obligations under annuity and life income agreements-current portion	5,076	4,207
Total Current Liabilities	<u>1,190,582</u>	<u>1,057,085</u>
Noncurrent Liabilities:		
Bonds, notes and leases payable	599,266	619,083
Compensated absences	84,649	79,500
Obligations under annuity and life income agreements	50,327	45,266
Refundable advances for Federal Perkins loans	29,409	30,065
Other noncurrent liabilities	22,045	41,999
Total Noncurrent Liabilities	<u>785,696</u>	<u>815,913</u>
Total Liabilities	<u>1,976,278</u>	<u>1,872,998</u>
Net Assets:		
Invested in capital assets, net of related debt	1,711,274	1,589,420
Restricted:		
Nonexpendable	1,459,705	1,189,475
Expendable	531,162	486,095
Unrestricted	964,677	897,223
Total Net Assets	<u>4,666,818</u>	<u>4,162,213</u>
Total Liabilities and Net Assets	<u>\$ 6,643,096</u>	<u>\$ 6,035,211</u>

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

THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES,
AND OTHER CHANGES IN NET ASSETS

Years Ended June 30, 2007 and 2006
(in thousands)

	<u>2007</u>	<u>2006</u>
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of \$100,280 and \$92,943, respectively)	\$ 583,580	\$ 537,386
Federal grants and contracts	311,156	311,712
State grants and contracts	60,130	59,155
Local grants and contracts	23,776	22,495
Private grants and contracts	203,523	191,346
Sales and services of educational departments	93,847	73,063
Sales and services of auxiliary enterprises (net of scholarship allowances of \$12,228 and \$11,218, respectively)	179,855	170,685
Sales and services of the OSU Health System (net of charity care of \$101,543 and \$74,537, respectively)	1,354,702	1,222,974
Sales and services of OSU Physicians, Inc., (net of charity care of \$5,074 and \$2,053, respectively)	239,852	215,757
Other operating revenues	48,657	46,180
Total Operating Revenues	<u>3,099,078</u>	<u>2,850,753</u>
Operating Expenses:		
Educational and General:		
Instruction and departmental research	760,923	705,544
Separately budgeted research	364,170	368,114
Public service	116,504	120,266
Academic support	128,932	120,380
Student services	78,501	75,962
Institutional support	143,956	115,320
Operation and maintenance of plant	106,564	95,465
Scholarships and fellowships	70,682	65,734
Auxiliary enterprises	204,709	189,656
OSU Health System	1,216,897	1,082,662
OSU Physicians, Inc.	226,612	182,169
Depreciation	193,657	191,991
Total Operating Expenses	<u>3,612,107</u>	<u>3,313,263</u>
Operating Loss	(513,029)	(462,510)
Non-operating Revenues (Expenses):		
State share of instruction and line-item appropriations	451,964	443,933
Gifts	76,541	70,293
Net investment income (loss)	429,584	220,313
Interest expense on plant debt	(47,038)	(42,313)
Other non-operating revenues(expenses)	(9,496)	(3,161)
Net Non-operating Revenue (Expense)	<u>901,555</u>	<u>689,065</u>
Income (Loss) before Other Revenues, Expenses, Gains or Losses	388,526	226,555
State capital appropriations	40,928	90,606
Private capital gifts	28,725	18,548
Additions to permanent endowments	46,426	47,423
Increase (Decrease) in Net Assets	504,605	383,132
Net Assets - Beginning of Year	<u>4,162,213</u>	<u>3,779,081</u>
Net Assets - End of Year	<u>\$ 4,666,818</u>	<u>\$ 4,162,213</u>

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

**THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2007 and 2006
(in thousands)

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities:		
Tuition and fee receipts	\$ 466,451	\$ 457,313
Grant and contract receipts	621,402	582,736
Receipts for sales and services	1,831,329	1,675,894
Payments to or on behalf of employees	(1,649,820)	(1,547,608)
University employee benefit payments	(389,203)	(381,667)
Payments to vendors for supplies and services	(1,145,101)	(1,012,333)
Payments to students and fellows	(59,064)	(54,945)
Student loans issued	(16,223)	(10,375)
Student loans collected	13,070	15,512
Student loan interest and fees collected	1,197	1,727
Other receipts (payments)	49,506	47,221
Net cash provided (used) by operating activities	<u>(276,456)</u>	<u>(226,525)</u>
Cash Flows from Noncapital Financing Activities:		
State share of instruction and line-item appropriations	451,964	443,933
Gift receipts for current use	76,656	79,819
Additions to permanent endowments	46,426	47,423
Drawdowns of federal direct loan proceeds	266,492	274,877
Disbursements of federal direct loans to students	(266,961)	(273,271)
Disbursement of loan proceeds to related organization	0	(3,465)
Repayment of loans to related organization	2,518	1,007
Amounts received for annuity and life income funds	10,463	2,938
Amounts paid to annuitants and life beneficiaries	(4,533)	(4,325)
Agency funds receipts	5,004	4,434
Agency funds disbursements	(5,130)	(4,423)
Net cash provided (used) by noncapital financing activities	<u>582,899</u>	<u>568,947</u>
Cash Flows from Capital Financing Activities:		
Proceeds from capital debt	77,598	493,887
State capital appropriations	48,112	98,621
Gift receipts for capital projects	28,725	18,548
Payments for purchase or construction of capital assets	(311,128)	(424,869)
Principal payments on capital debt and leases	(82,287)	(255,488)
Interest payments on capital debt and leases	(47,102)	(43,473)
Net cash provided (used) by capital financing activities	<u>(286,082)</u>	<u>(112,774)</u>
Cash Flows from Investing Activities:		
Net (purchases) sales of temporary investments	18,788	(72,579)
Proceeds from sales and maturities of long-term investments	1,619,700	851,041
Investment income, net of related fees	97,476	76,255
Purchases of long-term investments	(1,637,460)	(967,526)
Net cash provided (used) by investing activities	<u>98,504</u>	<u>(112,809)</u>
Net Increase (Decrease) in Cash	118,865	116,839
Cash and Cash Equivalents - Beginning of Year	<u>212,424</u>	<u>95,585</u>
Cash and Cash Equivalents - End of Year	<u>\$ 331,289</u>	<u>\$ 212,424</u>

**THE OHIO STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS, Cont'd**

Reconciliation of Net Operating Loss to Net Cash		
Provided (Used) by Operating Activities:		
Operating loss	\$ (513,029)	\$ (462,510)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities:		
Depreciation expense	193,657	191,991
Changes in assets and liabilities:		
Accounts receivable, net	(23,991)	5,268
Notes receivable, net	(2,208)	4,638
Accrued interest receivable	(181)	(781)
Inventories and prepaid expenses	(10,716)	(3,993)
Accounts payable and accrued liabilities	69,638	30,998
Deposits and deferred credits	24,171	10,633
Compensated absences	6,425	6,302
Refundable advances for federal Perkins loans	(656)	741
Other noncurrent liabilities	(19,566)	(9,812)
	<hr/>	<hr/>
Net cash provided (used) by operating activities	\$ <u>(276,456)</u>	\$ <u>(226,525)</u>
Non Cash Transactions:		
Equipment	\$ 16,165	\$ 5,557
Capital Lease	(16,165)	(5,557)

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

Notes to Financial Statements – Years Ended June 30, 2007 and 2006

(dollars in thousands)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization

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

The University is governed by a Board of Trustees which is granted authority under Ohio law to do all things necessary for the proper maintenance and continual successful operation of the University. Trustees are appointed by the governor, with the advice and consent of the state Senate. In 2005, the Ohio General Assembly voted to expand the board from 11 to 17 members. The standard term for voting members of the board is nine years. However, as part of the transition to a larger board membership, the additional trustees appointed in 2005 and 2006 will serve terms ranging from four to eight years. The board also includes two non-voting student trustees who are appointed to two-year terms.

The Board of Trustees has responsibility for all the University's financial affairs and assets. The University operates largely on a decentralized basis by delegating this authority to its academic and support departments. The Board must approve the annual budgets for unrestricted academic and support functions, departmental earnings operations and restricted funds operations, but these budgets are managed at the department level.

Basis of Presentation

The accompanying financial statements present the accounts of the following entities:

The Ohio State University and its hospitals and clinics;
The Ohio State University Foundation, a not-for-profit fundraising organization operating exclusively for the benefit of The Ohio State University;

Two separate statutory entities for which the University has special responsibility

- Ohio Agricultural Research and Development Center
- Ohio Supercomputer Center

Thirteen legally independent corporations engaged in activities related to the University

- The Ohio State University Research Foundation
- The Ohio State University Student Loan Foundation, Inc.
- Transportation Research Center of Ohio, Inc.
- Campus Partners for Community Urban Redevelopment, Inc.
- Reading Recovery and Early Literacy, Inc.
- Ohio State University Retirees Association
- OSU Managed Health Care Systems, Inc.
- The Ohio State University Physicians, Inc.

-
- UMC Partners
 - Prologue Research International, Inc.
 - Oval Limited
 - Adria Kravinsky Foundation
 - Dental Faculty Practice Association, Inc.

Component units (legally separate organizations for which the University is financially accountable) comprise, in part, the University's reporting entity. Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- Appointment of a voting majority of an organization's governing authority and the ability of the primary government (i.e. the University) to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or;
- An organization is fiscally dependent on the primary government

The legally separate organizations listed above meet the financial accountability criteria set forth in GASB Statement No. 14. In addition, these organizations provide services entirely, or almost entirely, to the University or otherwise exclusively, or almost exclusively, benefit the University. Therefore, the transactions and balances for these organizations have been blended with those of the University.

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

Basis of Accounting

The financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB. The University is reporting as a special purpose government engaged in business type activities (BTA). Business type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. In accordance with BTA reporting, the University presents Management's Discussion and Analysis; a Consolidated Statement of Net Assets; a Consolidated Statement of Revenues, Expenses and Other Changes in Net Assets; a Consolidated Statement of Cash Flows; and Notes to the Financial Statements.

The University follows all GASB pronouncements as well as Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

The University's financial resources are classified for accounting and reporting purposes into the following four net asset categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. These balances are maintained in the plant funds in the University's detailed accounting records.
- **Restricted - nonexpendable:** Net assets subject to externally-imposed stipulations that they be maintained in perpetuity by the University. These assets primarily consist of the University's permanent endowment funds.
- **Restricted - expendable:** Net assets whose use is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. These resources include the current restricted funds, student loan funds, certain plant funds, annuity and life income funds, and restricted funds internally designated to function as endowments (restricted quasi-endowments).
- **Unrestricted:** Net assets that are not subject to externally-imposed stipulations. These resources include educational and general funds, auxiliary funds, hospitals funds, certain plant funds, and unrestricted quasi-endowments. Substantially all unrestricted net assets are internally designated for use by University departments to support working capital needs, to fund related academic or research programs, and to provide for unanticipated shortfalls in revenues and deviations in enrollment.

Under the University's decentralized management structure, it is the responsibility of individual departments to determine whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

Cash and Investments

Cash and cash equivalents consist primarily of petty cash, demand deposit accounts, money market accounts, and savings accounts and include bond proceeds restricted for capital expenditures.

Investments are carried at market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The fair value of private equity investments is based on estimated current values. The weighted average method is used for purposes of determining gains and losses on the

sale of investments. The specific identification method is used for purposes of determining gains and losses on the sale of gifted securities.

The University holds investments in limited partnerships, private equity and other investments, which are carried at estimated fair value provided by the management of these funds. The purpose of this alternative investment class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes. Methods for determining estimated fair values include discounted cash flows and estimates provided by general partners. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements using the equity method of accounting. As of June 30, 2007, the University has made commitments to limited partnerships totaling \$134,268 that have not yet been funded. In the prior fiscal year, the University had made commitments to limited partnerships totaling \$41,324 that had not yet been funded as of June 30, 2006.

Investment in real estate is carried at cost, if purchased, or appraised value at the date of the gift. Holdings in real estate investment trusts (REITs) are carried at estimated fair values. The carrying and market values of real estate at June 30, 2007 are \$148,452 and \$170,964, respectively. The carrying and market values of real estate at June 30, 2006 are \$99,457 and \$123,276, respectively.

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

Endowment Policy

All endowments are invested in the University's Long Term Investment Pool, which consists of more than 4,000 named funds. Each named fund is assigned a number of shares in the Long Term Investment Pool based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. For donor restricted endowments, the Uniform Management of Institutional Funds Act, as adopted in Ohio, permits the University's Board of Trustees to appropriate an amount of realized and unrealized endowment appreciation as the Board deems prudent. Net realized and unrealized appreciation, after the spending rule distributions, is retained in the Long Term Investment Pool.

Annual distributions to named funds in the Long Term Investment Pool are computed using the share method of accounting for pooled investments. Annual distributions are based on the average market value per share of the Long Term Investment Pool over the past five years multiplied by a stated rate. For funds established prior to June 30, 2004, the stated rate was 4.5% for fiscal years 2006 and 2007. For funds established after June 30, 2004, the stated rate was 4%. To minimize volatility in the year-to-year distribution amounts, actual distributions are subject to a "collar". The collar limits increases in distributions per share to 3% a year, and it limits decreases to 1% a year. Based on this method, undistributed gains were transferred from the Long Term Investment Pool to current funds. These transfers total \$89,876 and \$84,147 in fiscal years 2007 and 2006, respectively.

Gift Pledges Receivable

The University receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, endowment pledges are not recorded as assets until the related gift is received. It should be noticed that, unlike other receivables, gift pledges are generally not considered to be legally enforceable and may be rescinded at any time by the donors.

Inventories

The University's inventories, which consist principally of publications, general stores and other goods for resale by earnings operations, are valued at the lower of moving average cost or market. The inventories of the hospitals, which consist principally of pharmaceuticals and operating supplies, are valued at cost on a first-in, first-out basis.

Capital Assets and Collections

Capital assets are long-life assets in the service of the University and include land, buildings, improvements, equipment and library books. Capital assets are stated at cost or fair value at date of gift. Depreciation of capital assets (excluding land and construction in progress) is provided on a straight-line basis over the following estimated useful lives:

Type of Asset	Estimated Useful Life
Improvements other than buildings	20 years
Buildings	10 to 100 years
Moveable equipment and furniture	5 to 15 years
Library Books	10 years

Interest incurred during the construction of capital assets is included in the cost of the asset when capitalized. \$11,779 and \$7,928 of interest was capitalized in the years ended June 30, 2007 and 2006, respectively. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any way. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Deferred Revenues

Deferred revenues primarily consist of receipts relating to tuition, room, board, and athletic events received in advance of the services to be provided. Tuition and fees relating to the summer academic quarter are recorded as revenue in the year to which they pertain. The

University will recognize revenue to the extent these services are provided over the coming fiscal year.

Operating and Non-Operating Revenues

The University defines operating activities, for purposes of reporting on the Statement of Revenues, Expenses, and Other Changes in Net Assets, as those activities that generally result from exchange transactions, such as payments received for providing services and payments made for goods or services received. With the exception of interest expense on long-term indebtedness, substantially all University expenses are considered to be operating expenses. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, current-use gifts and investment income.

Tuition, Room and Board

Student tuition and residence hall fees are presented net of scholarships and fellowships applied to student accounts. Stipends and other payments made directly to students are presented as scholarship and fellowship expense. Fee authorizations provided to graduate teaching, research and administrative associates as part of an employment arrangement are presented in instruction, research and other functional categories of operating expense.

State Support

The University is a state-assisted institution of higher education which receives a student enrollment-based instructional subsidy from the State of Ohio. This subsidy, which is based upon a formula devised by the Ohio Board of Regents, is determined annually and is adjusted to state resources available.

The state also provides line-item appropriations which partially support the current operations of various activities, which include clinical teaching expenditures incurred at The Ohio State University Hospitals and other health sciences teaching facilities, The Ohio State University Extension, the Ohio Agricultural Research and Development Center, and the Center for Labor Research.

In addition to current operating support, the State of Ohio provides the funding for and constructs major plant facilities on the University's campuses. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC) which, in turn, initiates the construction and subsequent lease of the facility by the Ohio Board of Regents.

Such facilities are reflected as buildings or construction in progress in the accompanying balance sheet. Neither the obligations for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the University's financial statements. Debt service is funded through appropriations to the Ohio Board of Regents by the General Assembly.

These facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund and future payments to be received by such fund, which is established in the custody of the Treasurer of State.

Government Grants and Contracts

Government grants and contracts normally provide for the recovery of direct and indirect costs and are subject to audit by the appropriate government agency. Federal funds are subject to an annual OMB Circular A-133 audit. Grants and contracts determined to be exchange transactions are recognized as revenue when the exchange occurs. Grants and contracts determined to be non-exchange transactions are recognized as revenue when all eligibility requirements have been met. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to three years.

Hospital Revenue

Revenue received under third-party cost reimbursement agreements (primarily the federal Medicare and Medicaid programs) are subject to examination and retroactive adjustments by the agencies administering the programs. In the normal course of business, the hospitals contest certain issues resulting from examination of prior years' reimbursement reports. The accompanying financial statements include provisions for estimated retroactive adjustments arising from such examinations and contested issues. The hospitals recognize settlements of protested adjustments or appeals upon resolution of the matters.

OSU Physicians Revenue

Net patient service revenue represents amounts received and the estimated net realizable amounts due from patients and third-party payers for services rendered. OSU Physicians provides care to patients under various reimbursable agreements, including Medicare and Medicaid. These arrangements provide for payment for covered services at agreed-upon rates and under certain fee schedules and various discounts from charges. Provisions have been made in the consolidated financial statements for estimated contractual adjustments, representing the difference between the customary charges for services rendered and related reimbursement.

Management Estimates

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

Newly Issued Accounting Pronouncements

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. This Statement is effective for periods beginning after December 15, 2006.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006.

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement explains when pollution remediation-related obligations should be reported and how those obligations' costs and liabilities should be determined. The Statement also requires note disclosures about the liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2007.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This Statement is effective for periods beginning after June 15, 2007.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes standards for the capitalization, amortization and financial reporting of intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

University management has not yet determined the impact that implementation of GASB Statements 45, 48, 49, 50 and 51 will have on the University's financial statements.

Other

The University is exempt from income taxes as a non-profit organization under Internal Revenue Code §115 and Internal Revenue Service regulations. Any unrelated business income is taxable.

Certain reclassifications have been made to the 2006 comparative information to conform with the 2007 presentation.

NOTE 2 — CASH AND CASH EQUIVALENTS

At June 30, 2007, the carrying amount of the University's cash and cash equivalents for all funds is \$331,289 as compared to bank balances of \$380,649. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$4,318 is covered by federal deposit insurance and \$376,331 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

NOTE 3 — INVESTMENTS

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

Temporary Investments are funds available for current operating expenses and capital projects. Under the University's investment policies, Temporary Investment funds may be invested in the following instruments:

- Obligations of the US Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- Certificates of deposit
- Repurchase agreements
- Mutual funds and mutual fund pools
- Money market funds

The Long-Term Investment Pool is a unitized investment pool consisting of gifted endowment funds of the University, gifted endowment funds of the OSU Foundation, and operating funds which have been internally designated to function as endowments (referred to below as the Operating Endowment). The Long-Term Investment Pool operates with a long-term investment goal of preserving the purchasing power of the principal in a diversified portfolio. The following table summarizes the University's target asset allocation and associated benchmarks for the Long-Term Investment Pool:

Asset Class	Target	Benchmark
US Large Cap	15%	S&P 500
US Mid Cap	10%	Russell Mid Cap
US Small Cap	10%	Russell 2000
International Equity	25%	ACWI excluding US
US Fixed Income	7%	Lehman Aggregate
High Yield	3%	Lehman US Corporate High Yield
International Fixed	3%	Citigroup WBGI excluding US
Absolute Return	14%	90 Day T-Bill + 4%
Real Estate	8%	NCREIF Property Index
Private Equity	7%	Venture Economics
Natural Resources	3%	90 Day T-Bill +5%
Cash	-5%	90 Day T-Bill

Mutual funds held by the University include a wide range of investments, including hedge funds. These hedge funds may include, but are not limited to, investments in equity securities, mutual funds, limited and general partnerships, foreign securities, short sales positions, distressed securities, fixed income securities, options, currencies, commodities, futures and derivatives. The University's objective for investing in these hedge funds is to provide stable, absolute returns that are uncorrelated to fluctuations in the stock and bond markets.

Other Long-Term Investments are non-unitized investments that relate primarily to gift arrangements between donors and the OSU Foundation. Included in this category are charitable remainder trust assets invested in mutual funds, OSU Foundation interests in unitrust, annuity trust and pooled income agreements, life insurance policies for which the OSU Foundation has been named owner and beneficiary, and certain real estate investments. Also included in this category are investments in certain organizations that are affiliated with the OSU Health System.

US Government and Agency securities are invested through trust agreements with banks who keep the securities in their safekeeping accounts at the Federal Reserve Bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the University. Common stocks, corporate bonds, money market instruments, mutual funds and other investments are invested through trust agreements with banks who keep the investments in their safekeeping accounts at the Depository Trust Company, JPMorgan Chase or State Street in "book entry" form. The banks internally designate the securities as owned by or pledged to the University.

Total University investments by major category at June 30, 2007 and 2006 are as follows:

	2007	2006
Temporary Investments	\$ 523,824	\$ 542,612
Long-Term Investment Pool:		
Gifted Endowment - University	1,122,550	977,497
Gifted Endowment – OSU Foundation	438,362	351,287
Operating Endowment:		
Operating Funds Long-Term Component	592,242	561,225
President's Strategic Initiative Fund	159,170	81,548
Maintenance and Renewal Fund	3,267	1,463
Total Long-Term Investment Pool	2,315,591	1,973,020
Other Long-Term Investments	88,186	82,425
Total Investments	<u>\$ 2,927,601</u>	<u>\$ 2,598,057</u>

Total University investments by investment type at June 30, 2007 are as follows:

	Temporary Investments	Long-Term Investment Pool	Other Long-Term Investments	Total
Common stock	\$ 42	\$ 761,068	\$ 287	\$ 761,397
Equity mutual funds	49,102	694,262	37,360	780,724
US government obligations	18,501	40,424	4,196	63,121
US government agency obligations	39,968	57,313	-	97,281
Repurchase agreements	155,245	-	-	155,245
Corporate bonds and notes	16,458	86,620	267	103,345
Bond mutual funds	230,470	96,477	22,593	349,540
International bonds	16	17,123	-	17,139
Real estate	5	147,343	1,104	148,452
Partnerships and hedge funds	-	353,358	-	353,358
Cash and cash equivalents	-	61,603	-	61,603
Other	14,017	-	22,379	36,396
Total	<u>\$ 523,824</u>	<u>\$2,315,591</u>	<u>\$ 88,186</u>	<u>\$ 2,927,601</u>

Total University investments by investment type at June 30, 2006 are as follows:

	Temporary Investments	Long-Term Investment Pool	Other Long-Term Investments	Total
Common stock	\$ 88	\$ 638,657	\$ 239	\$ 638,984
Equity mutual funds	34,777	668,167	32,750	735,694
US government obligations	38,778	25,211	3,141	67,130
US government agency obligations	144,368	35,473	-	179,841
Repurchase agreements	136,873	-	-	136,873
Corporate bonds and notes	28,654	69,072	270	97,996
Bond mutual funds	148,173	258,656	24,675	431,504
International bonds	248	19,136	-	19,384
Real estate	5	98,796	656	99,457
Partnerships and hedge funds	-	154,110	-	154,110
Cash and cash equivalents	-	5,742	-	5,742
Other	10,648	-	20,694	31,342
Total	\$ 542,612	\$ 1,973,020	\$ 82,425	\$ 2,598,057

Net appreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. During the year ended June 30, 2007, the University realized a net gain of \$212,113 from the sale of investments. The calculation of realized gains and losses is independent of the net appreciation in the fair value of investments held at year-end. Realized gains and losses on investments that had been held for more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year. The net appreciation in the fair value of investments during the year ended June 30, 2007, was \$330,572. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year. The unrealized appreciation during the year on investments was \$118,459.

The components of the net investment income (loss) are as follows:

	Interest and Dividends (net)	Net Appreciation (Depreciation) in Market Value of Investments	Net Investment Income (Loss)
Temporary Investments	\$ 86,113	\$ 10,006	\$96,119
Long-Term Investment Pool	1,005	320,566	321,571
Other Long-Term Investments	11,894	-	11,894
Total 2007	\$ 99,012	\$ 330,572	\$ 429,584
Total 2006	\$ 76,601	\$ 143,712	\$220,313

Additional Risk Disclosures for Investments:

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

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

The maturities of the University's interest-bearing investments at June 30, 2007 are as follows:

	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
US government obligations	\$ 63,121	\$ 2,266	\$ 17,671	\$ 33,626	\$ 9,558
US agency obligations	97,281	12,253	39,685	12,122	33,221
Repurchase agreements	155,245	155,245	-	-	-
Corporate bonds	103,345	6,635	32,163	37,160	27,387
Bond mutual funds	349,540	105,879	152,736	68,139	22,786
International bonds	17,139	-	2,941	3,105	11,093
Total	\$ 785,671	\$ 282,278	\$ 245,196	\$ 154,152	\$ 104,045

The maturities of the University's interest-bearing investments at June 30, 2006 are as follows:

	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
US government obligations	\$ 67,130	\$ 2,825	\$ 41,292	\$ 13,534	\$ 9,479
US agency obligations	179,841	39,183	104,046	15,400	21,212
Repurchase agreements	136,873	136,873	-	-	-
Corporate bonds	97,996	4,647	43,981	27,432	21,936
Bond mutual funds	431,504	84,757	190,055	105,045	51,647
International bonds	19,384	236	339	8,005	10,804
Total	\$ 932,728	\$ 268,521	\$ 379,713	\$ 169,416	\$ 115,078

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information – as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings – provides a current depiction of potential variable cash flows and credit risk.

The credit ratings of the University's interest-bearing investments at June 30, 2007 are as follows:

Credit Rating (Moody's)	US					
	Total	Government and Agency Obligations	Repurchase Agreements	Corporate Bonds	Bond Mutual Funds	International Bonds
Aaa	\$ 555,115	\$ 159,323	\$ 155,245	\$ 19,361	\$ 221,186	-
Aa	38,272	710	-	9,246	28,096	\$ 220
A	71,340	-	-	19,031	52,309	-
Baa	25,909	-	-	16,740	8,076	1,093
Ba	26,719	-	-	4,770	14,505	7,444
B	39,536	-	-	19,605	18,966	965
Caa	12,782	-	-	7,210	5,572	-
Ca	-	-	-	-	-	-
C	-	-	-	-	-	-
Not Rated	15,998	369	-	7,382	830	7,417
Total	\$ 785,671	\$ 160,402	\$ 155,245	\$ 103,345	\$ 349,540	\$ 17,139

The credit ratings of the University's interest-bearing investments at June 30, 2006 are as follows:

Credit Rating (Moody's)	US					
	Total	Government and Agency Obligations	Repurchase Agreements	Corporate Bonds	Bond Mutual Funds	International Bonds
Aaa	\$ 659,311	\$ 246,971	\$ 136,873	\$ 24,812	\$ 250,655	-
Aa	37,133	-	-	6,987	30,146	-
A	87,502	-	-	22,550	63,821	\$ 1,131
Baa	43,426	-	-	16,025	24,781	2,620
Ba	32,453	-	-	4,321	16,846	11,286
B	56,311	-	-	18,691	34,456	3,164
Caa	9,494	-	-	4,610	4,686	198
Ca	-	-	-	-	-	-
C	551	-	-	-	551	-
Not Rated	6,547	-	-	-	5,562	985
Total	\$ 932,728	\$ 246,971	\$ 136,873	\$ 97,996	\$ 431,504	\$ 19,384

Foreign currency risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

At June 30, 2007, the University's exposure to foreign currency risk is as follows:

Currency	Common Stock	Equity Mutual Funds	Bond Mutual Funds	Corporate Bonds	International Bonds
Argentine peso	-	\$ 19,012	-	-	\$ 1,914
Australian dollar	\$ 4,336	4,790	\$ 2,643	-	-
Brazilian real	4,694	9,118	992	-	-
Canadian dollar	7,883	28,629	1,669	-	-
Chinese yuan	-	8,088	-	-	-
Danish krone	468	935	294	-	-
Egyptian pound	326	773	-	-	-
Euro	57,250	134,297	13,646	-	-
Hong Kong dollar	8,040	5,700	-	-	-
Hungarian forint	-	1,289	-	-	-
Indian rupee	-	1,529	-	-	-
Indonesian rupiah	993	1,819	652	-	-
Israeli shekel	542	523	-	-	-
Japanese yen	36,012	78,360	12,704	-	-
Malaysian ringgit	4,508	972	996	-	-
Mexican peso	1,088	4,805	942	\$ 392	489
New Taiwan dollar	3,567	5,720	-	-	-
New Zealand dollar	152	849	850	-	-
Norwegian kroner	7,596	5,685	-	-	-
Peruvian nuevo sol	-	1,059	-	-	-
Phillippine peso	597	1,019	-	-	-
Polish zioty	440	1,163	1,577	-	-
Pound sterling	25,653	81,853	1,956	-	-
Russian ruble	-	5,665	-	-	-
Singapore dollar	2,272	2,954	1,462	-	-
South African rand	8,357	4,915	1,024	-	-
South Korean won	9,152	8,220	-	-	-
Swedish krona	4,101	11,432	610	-	-
Swiss franc	4,112	23,433	202	-	-
Thailand bhat	1,307	1,127	-	-	-
Turkish lira	-	1,831	-	-	970
Other currencies	-	1,041	4	-	197
Total	\$ 193,446	\$ 458,605	\$ 42,223	\$ 392	\$ 3,570

At June 30, 2006, the University's exposure to foreign currency risk is as follows:

Currency	Common Stock	Equity Mutual Funds	Bond Mutual Funds	Corporate Bonds	International Bonds
Argentine peso	-	\$ 218	-	-	\$ 962
Australian dollar	\$ 2,061	3,763	\$ 2,358	-	-
Brazilian real	894	1,718	554	-	1,583
Canadian dollar	4,300	5,373	3,346	-	-
Chinese yuan	-	1,124	-	-	-
Euro	31,683	23,814	14,930	\$ 226	-
Hong Kong dollar	2,963	1,090	-	-	-
Japanese yen	23,301	16,998	7,761	-	-
Mexican peso	542	704	851	-	610
Norwegian kroner	4,169	1,274	-	-	-
Polish zloty	-	103	1,366	-	-
Pound sterling	18,141	18,112	2,454	-	-
Russian ruble	-	1,265	-	-	-
Singapore dollar	676	563	1,425	-	-
South African rand	3,228	1,072	79	-	-
South Korean won	1,926	2,184	-	-	-
Swedish krona	2,776	1,598	950	-	-
Swiss franc	3,849	2,836	-	-	-
Taiwan dollar	-	1,312	-	-	-
Thailand bhat	789	399	119	-	-
Other currencies	1,500	1,422	1,287	-	23
Total	\$ 102,798	\$ 86,942	\$ 37,480	\$ 226	\$ 3,178

NOTE 4 — ACCOUNTS, NOTES AND PLEDGES RECEIVABLE

Accounts receivable at June 30, 2007 and 2006 consist of the following:

	2007	2006
Patient receivables – OSU Health System	\$631,962	\$558,062
Patient receivables – OSU Physicians, Inc.	69,375	67,375
Grant and contract receivables	77,594	70,134
Tuition and fees receivable	33,627	33,023
Receivables for departmental and auxiliary sales and services	57,756	44,861
State and federal receivables	3,092	9,806
	873,406	783,261
Less: Allowances for doubtful accounts	497,795	424,929
	\$375,611	\$358,332

Notes receivable consist primarily of Perkins Loans and are net of an allowance for doubtful accounts of \$15,650 at June 30, 2007 and \$13,800 at June 30, 2006. Federal capital contributions to the Perkins loan programs represent advances which are ultimately refundable to the federal government.

In accordance with GASB Statement No. 33, *Accounting and Reporting for Non-exchange Transactions*, the University has recorded \$41,583 in non-endowment pledges receivable at June 30, 2007 and a related allowance for doubtful accounts of \$12,340. The University recorded \$39,156 in non-endowment pledges receivable and a related allowance for doubtful accounts of \$9,798 at June 30, 2006.

NOTE 5 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 52,543	\$ 211	\$ 701	\$ 52,053
Improvements other than buildings	241,209	15,808	-	257,017
Buildings and fixed equipment	2,877,674	391,445	21,280	3,247,839
Movable equipment and furniture	806,761	81,517	67,310	820,968
Library books	162,924	3,472	2,629	163,767
Construction in progress	433,357	(151,782)	-	281,575
	4,574,468	340,671	91,920	4,823,219
Less: Accumulated depreciation	1,878,820	193,657	75,086	1,997,391
Capital assets, net	\$ 2,695,648	\$ 147,014	\$ 16,834	\$ 2,825,828

Capital assets activity for the year ended June 30, 2006 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 44,016	\$ 8,962	\$ 435	\$ 52,543
Improvements other than buildings	217,841	23,421	53	241,209
Buildings and fixed equipment	2,670,413	225,815	18,554	2,877,674
Movable equipment and furniture	748,383	98,029	39,651	806,761
Library books	161,043	3,857	1,976	162,924
Construction in progress	370,753	62,604	-	433,357
	4,212,449	422,688	60,669	4,574,468
Less: Accumulated depreciation	1,743,673	191,991	56,844	1,878,820
Capital assets, net	\$ 2,468,776	\$ 230,697	\$ 3,825	\$ 2,695,648

In the above tables, additions to construction in progress represent expenditures for new projects, net of the amount of capital assets placed in service.

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2007 and 2006 consist of the following:

	2007	2006
Payables to vendors for supplies and services	\$ 150,603	\$ 129,408
Accrued compensation and benefits	105,047	93,897
Retirement system contributions payable	63,503	29,402
Self-insurance accruals:		
Medical malpractice	103,447	92,387
Employee health insurance	17,216	17,359
Current portion of amounts due to third-party payers – OSU Health System	16,987	19,428
Other accrued expenses	13,920	13,251
	<u>\$ 470,723</u>	<u>\$ 395,132</u>

Self-Insurance Programs

The Hospitals have established trustee self-insurance funds for professional medical malpractice liability claims with a \$4 million limit per occurrence with no annual aggregate. The University self-insurance funds have insurance in excess of \$4 million per occurrence through Oval Limited, a blended component unit of the University. Oval Limited provides coverage with limits of \$40 million per occurrence and in the aggregate (prior to June 30, 2005 - \$25 million per occurrence and in the aggregate; prior to June 30, 2002 - \$15 million per occurrence and in the aggregate; prior to June 30, 1997 - \$10 million per occurrence and in the aggregate). The limits are in excess of underlying policies with limits ranging from \$4 million to \$10 million. A portion of the risks written by Oval Limited to date is reinsured by two reinsurance companies. Oval Limited retains 50% of the first \$15 million of risk and cedes the remainder plus the second \$15 million to AIG (rated A by A.M. Best). Above that, Oval Limited cedes the remaining \$10 million of risk to Endurance Specialty Insurance (rated A- by A.M. Best). The estimated liability and the related contributions to the fund are based upon an independent actuarial determination as of June 30, 2007. OSU Physicians, Inc. participates in the University self-insurance fund for professional medical malpractice liability claims. OSU Physicians premiums incurred and paid to the University were \$10,252 and \$9,626 during the years ended June 30, 2007 and 2006, respectively.

The Hospitals' estimate of professional malpractice liability includes provisions for known claims and actuarially determined estimates of incurred but not reported claims and incidents. This liability at June 30, 2007 of the anticipated future payments on gross claims is estimated at its present value of \$66,193 discounted at an estimated rate of 5.0% (University funds) and an additional \$37,254 discounted at an estimated rate of 3.0% (Oval Limited).

Although actual experience upon the ultimate disposition of the claims may vary from this estimate, the self-insurance fund assets of \$137,156 are more than the recorded liability at June 30, 2007, and the surplus of \$33,708 is included in unrestricted net assets.

The University is also self-insured for employee health insurance. As of June 30, 2007, \$17,216 is recorded as a liability relating to both claims received but not paid and estimates of claims incurred but not yet reported.

Changes in the reported liabilities since June 30, 2005 result from the following activities:

	Malpractice		Health	
	2007	2006	2007	2006
Liability at beginning of fiscal year	\$ 92,387	\$71,549	\$17,359	\$15,373
Current year claims, changes in estimates	19,390	21,973	152,562	126,090
Claim payments	(8,330)	(1,135)	(152,705)	(124,104)
Balance at fiscal year end	<u>\$103,447</u>	<u>\$92,387</u>	<u>\$17,216</u>	<u>\$17,359</u>

NOTE 7 — DEBT

The University may finance the construction, renovation and acquisition of certain facilities through the issuance of debt obligations which may include general receipts bonds, certificates of participation, commercial paper, capital lease obligations and other borrowings.

Debt activity for the year ended June 30, 2007 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Commercial Paper:					
Series G	\$29,000	-	\$29,000	-	-
Series H	-	\$72,600	-	\$72,600	\$72,600
Notes:					
Transportation Research Center - Capital One Funding Corporation, due through 2014	2,027	-	121	1,906	219
OSU Physicians - Fifth Third Note, due through 2008	5,696	3,201	1,036	7,861	1,012
Campus Partners - ESIC	12,000	-	-	12,000	400
Campus Partners - UDCDE Note A	23,077	-	63	23,014	200
Campus Partners - UDCDE Note B	10,376	-	-	10,376	-
UMC Partners – Notes Payable	2,100	2,186	-	4,286	4,286
Adria Kravinsky Foundation – Notes Payable	4,599	-	275	4,324	275
General Receipts Bonds – Fixed Rate:					
1999A, due serially through 2029	10,885	-	2,535	8,350	2,650
2002A, due serially through 2031	126,885	-	6,680	120,205	6,980
2003B, due serially through 2033	171,090	-	7,065	164,025	7,220
2005A, due serially through 2035	267,125	-	12,015	255,110	12,570
General Receipts Bonds – Variable Rate:					
1997, due serially through 2027	39,540	-	4,200	35,340	35,340
1999B1, due serially through 2029	56,300	-	3,700	52,600	52,600
1999B2, due 2006	4,300	-	4,300	-	-
2001, due serially through 2032	76,950	-	-	76,950	76,950
2003C, due serially through 2031	113,355	-	3,810	109,545	109,545
2005B, due serially through 2035	129,990	-	-	129,990	129,990
Capital Lease Obligations	20,932	16,164	7,487	29,609	5,988
	\$1,106,227	\$94,151	\$82,287	\$1,118,091	\$518,825

Debt activity for the year ended June 30, 2006 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Commercial Paper:					
Series F	\$150,000	-	\$150,000	-	-
Series G	-	\$29,000	-	\$29,000	\$29,000
Notes:					
Ohio Board of Regents Note, due through 2006	212	-	212	-	-
Transportation Research Center - Capital One Funding Corporation, due through 2014	2,223	-	196	2,027	204
OSU Physicians - Fifth Third Note, due through 2008	6,548	6,677	7,529	5,696	871
Campus Partners - Fifth Third Line of Credit	134	-	134	-	-
Campus Partners - ESIC	12,000	-	-	12,000	-
Campus Partners - UDCDE Note A	-	23,077	-	23,077	95
Campus Partners - UDCDE Note B	-	10,376	-	10,376	-
UMC Partners – Notes Payable	-	2,100	-	2,100	2,100
Adria Kravinsky Foundation – Notes Payable	-	4,599	-	4,599	275
General Receipts Bonds – Fixed Rate:					
1999A, due serially through 2029	68,965	-	58,080	10,885	2,535
2002A, due serially through 2031	133,330	-	6,445	126,885	6,680
2003B, due serially through 2033	177,345	-	6,255	171,090	7,065
2005A, due serially through 2035	-	279,050	11,925	267,125	12,015
General Receipts Bonds – Variable Rate:					
1997, due serially through 2027	43,540	-	4,000	39,540	39,540
1999B1, due serially through 2029	60,000	-	3,700	56,300	56,300
1999B2, due 2006	8,300	-	4,000	4,300	4,300
2001, due serially through 2032	76,950	-	-	76,950	76,950
2003C, due serially through 2031	116,355	-	3,000	113,355	113,355
2005B, due serially through 2035	-	129,990	-	129,990	129,990
Capital Lease Obligations	21,638	6,974	7,680	20,932	5,869
	\$877,540	\$491,843	\$263,156	\$1,106,227	\$487,144

Debt obligations are generally callable by the University, bear interest at fixed and variable rates ranging from 0% to 6% and mature at various dates through 2036. Maturities and interest on debt obligations for the next five years and in five-year periods are as follows:

	Commercial Paper, Bonds and Notes Payable		Capital Leases and Certificates of Participation	
	Principal	Interest	Principal	Interest
2008	\$ 512,837	\$ 42,821	\$ 5,988	\$ 969
2009	32,715	26,510	6,557	789
2010	33,959	25,206	5,311	604
2011	44,689	23,785	3,471	449
2012	36,753	22,182	2,153	143
2013-2017	149,317	82,508	4,910	749
2018-2022	125,517	51,947	1,219	62
2023-2027	82,169	25,121	-	-
2027-2032	54,849	8,767	-	-
2033-2036	15,677	452	-	-
	<u>\$1,088,482</u>	<u>\$309,299</u>	<u>\$29,609</u>	<u>\$3,765</u>

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

The outstanding bond indentures do not require mandatory reserves for future payment of principal and interest. However, the University has set aside \$48,344 for future debt service which is included in unrestricted net assets.

In prior years, the University defeased various bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The defeased bonds are as follows:

	Amount Defeased	Amount Outstanding at June 30, 2007
Revenue Bonds: Series I	\$ 5,951	\$ -

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

Variable Rate Demand Bonds

Series 1997, 1999B1, 1999B2, 2001, 2003C and 2005B variable rate demand bonds bear interest at rates based upon yield evaluations at par of comparable securities. The maximum interest rate allowable and the effective average interest rate from issue date to June 30, 2007 are as follows:

Series:	Interest Rate Not to Exceed	Effective Average Interest Rate
1997	12%	2.509%
1999 B1	12%	2.309%
1999 B2	12%	2.359%
2001	12%	2.067%
2003 C	12%	2.396%
2005 B	12%	3.321%

At the discretion of the University, the interest rate on the bonds can be converted to a fixed rate. The bonds may be redeemed by the University or sold by the bondholders to a remarketing agent appointed by the University at any time prior to conversion to a fixed rate at a price equal to the principal amount plus accrued interest.

The University's variable rate demand bonds mature at various dates through 2035. GASB Interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities*, provides guidance on the balance sheet classification of these bonds. Under GASB Interpretation No. 1, outstanding principal balances on variable rate demand bonds may be classified as non-current liabilities if the issuer has entered into a "take-out agreement" to convert bonds "put" but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities.

Although it is the University's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the University does not have "take-out agreements" in place per the GASB Interpretation No. 1 requirements. Accordingly, the University has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. The obligations totaled \$404,425 and \$420,435 at June 30, 2007 and 2006, respectively.

Commercial Paper

The General Receipts Commercial Paper Notes (the "Notes") are limited obligations of the University secured by a pledge of the General Receipts of the University. The Notes are not debts or bonded indebtedness of the State of Ohio and are not general obligations of the State of Ohio or the University, and neither the full faith and credit of the State of Ohio nor the University are pledged to the payment of the Notes. The Notes have been issued to provide for interim financing of various projects approved by the Board of Trustees. It is the University's intention to roll each maturity into new Notes as they mature and to issue additional Notes as project expenditures are incurred. It is the University's intention ultimately to roll the Notes into permanent tax exempt bonds.

Capital Lease Obligations

Computer equipment and the facilities for child care, stores/receiving and ATI residence hall are financed as capital leases. The original cost and lease obligations related to these capital leases as of June 30, 2007 are \$63,363 and \$29,609 respectively. The original cost

and lease obligations related to these capital leases as of June 30, 2006 are \$53,928 and \$20,932 respectively.

NOTE 8 — OPERATING LEASES

The University leases various buildings, office space, and equipment under operating lease agreements. These facilities and equipment are not recorded as assets on the balance sheet. The total rental expense under these agreements was \$25,279 and \$28,100 for the years ended June 30, 2007 and 2006, respectively.

Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2007 are as follows:

Year Ending June 30,	
2008	\$ 15,992
2009	9,487
2010	8,078
2011	6,519
2012	3,186
2013-2017	15,432
2018-2022	8,211
2023-2027	1,701
2028-2032	13
2033-2037	13
2038-2042	12
2043-2047	12
2048-2052	2
Total minimum lease payments	<u>\$ 68,658</u>

NOTE 9 — COMPENSATED ABSENCES

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

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

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

The University accrues sick leave liability for those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments. This liability is calculated using the "termination payment

method” which is set forth in Appendix C, Example 4 of the GASB Statement No. 16, *Accounting for Compensated Absences*. Under the termination method, the University calculates a ratio, Sick Leave Termination Cost per Year Worked, that is based on the University’s actual historical experience of sick leave payouts to terminated employees. This ratio is then applied to the total years-of-service for current employees.

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

NOTE 10 — NONCURRENT LIABILITIES

Non-current liability activity for the year ended June 30, 2007 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 85,054	\$ 13,253	\$ 6,829	\$ 91,478
Obligations under annuity and life income agreements	49,473	10,463	4,533	55,403
Refundable advances for Federal Perkins loans	30,065	-	656	29,409
Other non-current liabilities	41,999	-	19,954	22,045
	206,591	\$ 23,716	\$ 31,972	198,335
Less: Current portion	9,761			11,905
	<u>\$ 196,830</u>			<u>\$ 186,430</u>

Non-current liability activity for the year ended June 30, 2006 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 78,752	\$ 11,856	\$ 5,554	\$ 85,054
Obligations under annuity and life income agreements	50,860	2,938	4,325	49,473
Refundable advances for Federal Perkins loans	29,323	742	-	30,065
Other non-current liabilities	42,101	1,898	2,000	41,999
	201,036	\$ 17,434	\$ 11,879	206,591
Less: Current portion	10,140			9,761
	<u>\$ 190,896</u>			<u>\$ 196,830</u>

Other non-current liabilities at June 30, 2007 and 2006 consist of the following:

	2007	2006
Amounts due to third-party payers - OSU Health System	\$ 8,406	\$ 25,973
Advance payments under exclusivity agreements	-	2,000
Bond premium	13,639	14,026
	<u>\$22,045</u>	<u>\$ 41,999</u>

NOTE 11 — UNRESTRICTED AND RESTRICTED-EXPENDABLE NET ASSETS

Substantially all unrestricted net assets are internally designated for use by University departments to support working capital needs, to fund related academic or research programs, and to provide for unanticipated shortfalls in revenues and deviations in enrollment. Major components of unrestricted net assets at June 30, 2007 and 2006 are as follows:

	2007	2006
Educational and general	\$ 587,895	\$ 524,479
Auxiliary enterprises	5,826	4,999
OSU Health System	249,437	181,712
Loan funds	3,011	2,823
Unrestricted quasi-endowments	56,699	47,080
Plant	61,809	136,130
	<u>\$ 964,677</u>	<u>\$ 897,223</u>

Restricted expendable net assets are subject to various purpose or time-based restrictions set forth by donors or granting agencies. Major components of restricted-expendable net assets at June 30, 2007 and 2006 are as follows:

	2007	2006
Current operations	\$ 309,777	\$ 287,914
Loan funds	42,076	41,304
Restricted quasi-endowments	179,309	148,182
Plant	-	8,695
	<u>\$ 531,162</u>	<u>\$ 486,095</u>

NOTE 12 – OPERATING EXPENSES BY OBJECT

In accordance with requirements set forth by the Ohio Board of Regents, the University reports operating expenses by functional classification on the Statement of Revenues, Expenses and Other Changes in Net Assets. Operating expenses by object for the years ended June 30, 2007 and 2006 are summarized as follows:

Year Ended June 30, 2007

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 661,881	\$ 99,042			\$ 760,923
Separately budgeted research	243,769	120,401			364,170
Public service	80,680	35,824			116,504
Academic support	103,763	25,169			128,932
Student services	54,246	24,255			78,501
Institutional support	101,770	42,186			143,956
Operation and maintenance of plant	36,250	70,314			106,564
Scholarships and fellowships	4,633	6,985	\$ 59,064		70,682
Auxiliary enterprises	95,210	109,499			204,709
OSU Health System	663,345	553,552			1,216,897
OSU Physicians, Inc.	154,264	72,348			226,612
Depreciation				\$ 193,657	193,657
Total operating expenses	\$ 2,199,811	\$ 1,159,575	\$ 59,064	\$ 193,657	\$ 3,612,107

Year Ended June 30, 2006

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 613,601	\$ 91,943			\$ 705,544
Separately budgeted research	240,522	127,592			368,114
Public service	75,246	45,020			120,266
Academic support	99,055	21,325			120,380
Student services	51,761	24,201			75,962
Institutional support	104,853	10,467			115,320
Operation and maintenance of plant	37,590	57,875			95,465
Scholarships and fellowships	3,815	6,985	\$ 54,934		65,734
Auxiliary enterprises	89,579	100,077			189,656
OSU Health System	589,547	493,115			1,082,662
OSU Physicians, Inc.	134,448	47,721			182,169
Depreciation				\$ 191,991	191,991
Total operating expenses	\$ 2,040,097	\$ 1,026,321	\$ 54,934	\$ 191,991	\$ 3,313,263

NOTE 13 — RETIREMENT PLANS

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

STRS Ohio and OPERS each offer three separate plans: 1) a defined benefit plan, 2) a defined contribution plan and 3) a combined plan. Each of these three options is discussed in greater detail in the following sections.

Defined Benefit Plans

STRS Ohio and OPERS offer statewide cost-sharing multiple-employer defined benefit pension plans. STRS Ohio and OPERS provide retirement and disability benefits, annual

cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute and are calculated using formulas that include years of service and final average salary as factors. Both STRS Ohio and OPERS issue separate, publicly available financial reports that include financial statements and required supplemental information. These reports may be obtained by contacting the two organizations.

STRS Ohio
275 East Broad Street
Columbus, OH 43215-3371
(614) 227-4090
(888) 227-7877
www.strsoh.org

OPERS
277 East Town Street
Columbus, OH 43215-4642
(614) 222-5601
(800) 222-7377
www.opers.org

In addition to the retirement benefits described above, STRS Ohio and OPERS provide postemployment health care benefits.

OPERS currently provides postemployment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For the fiscal year ended December 31, 2006, OPERS allocated 4.5% of the employer contribution rate to fund the health care program for retirees.

The actuarial value of assets available for these benefits at December 31, 2005 (the date of the system's latest actuarial review) was \$11.1 billion. There were 369,214 active contributing participants as of December 31, 2006 and 358,804 active contributing participants used in the December 31, 2005 actuarial valuation.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. In response to skyrocketing health care costs, the HCPP restructured OPERS' health care coverage to improve the financial solvency of the fund by creating a separate investment pool for health care assets.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. HCPP incorporates a cafeteria approach, offering a broad range of health care options which allows benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

STRS Ohio currently provides access to health care coverage to retirees who participated in the deferred benefit or combined plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial

reimbursement of monthly Medicare Part B premiums. Pursuant to ORC, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of monthly premiums. Under ORC, medical costs paid from the funds of STRS Ohio are included in the employer contribution rate. For the fiscal year ended June 30, 2006, STRS Ohio allocated employer contributions equal to 1% of covered payroll to a Health Care Stabilization Fund (HCSF) from which payments for health care benefits are paid. The balance in the HCSF was \$3.5 billion at June 30, 2006.

STRS Ohio expenditures for postemployment benefits during the year ended June 30, 2006 were \$282.7 million. There were 119,184 benefit recipients eligible for postemployment benefits at that date.

Postemployment health care benefits are not guaranteed by ORC to be covered under either OPERS or STRS Ohio defined benefit plans.

Defined Contribution Plans

ARP is a defined contribution pension plan. Full-time administrative and professional staff and faculty may choose enrollment in ARP in lieu of OPERS or STRS Ohio. Classified civil service employees hired on or after August 1, 2005 are also eligible to participate in ARP. ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

STRS Ohio also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 10.5% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no postretirement health care benefits.

Combined Plans

STRS Ohio offers a combined plan with features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits.

OPERS also offers a combined plan. This is a cost-sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the

combined plan, employee contributions are invested in self directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits. OPERS provides retirement, disability, survivor and postretirement health benefits to qualifying members of the combined plan.

Funding Policy

ORC provides STRS Ohio and OPERS statutory authority to set employee and employer contributions. Contributions equal to those required by STRS Ohio and OPERS are required for ARP. For employees enrolling in ARP, ORC requires a portion (which may be revised pursuant to periodic actuarial studies) of the employer contribution be contributed to STRS Ohio and OPERS to enhance the stability of these plans. The required contribution rates (as a percentage of covered payroll) for plan members and the University are as follows:

	STRS Ohio	OPERS	ARP
Faculty:			
Plan member (entire year)	10.00%		10.00%
University (entire year)	14.00%		14.00%*
Staff:			
Plan member (7/06 – 12/06)		9.00%	9.00%
Plan member (1/07 – 6/07)		9.50%	9.50%
University (7/06 – 12/06)		13.54%	13.54%
University (1/07 – 6/07)		13.77%	13.77%
Law enforcement staff:			
Plan member (entire year)		10.10%	10.10%
University (7/06 – 12/06)		16.93%	16.93%
University (1/07 – 6/07)		17.17%	17.17%

* Employer contributions include 3.5% paid to STRS Ohio.
The remaining amount, 10.5%, is credited to employee's ARP account.

The University's contributions, which represent 100% of required employer contributions, for the year ended June 30, 2005 and for each of the two preceding years are as follows:

Year Ended June 30,	STRS Ohio Annual Required Contribution	OPERS Annual Required Contribution	ARP Annual Required Contribution
2005	\$ 40,597	\$ 91,424	\$ 27,094
2006	\$ 42,599	\$ 103,502	\$ 30,055
2007	\$ 45,252	\$ 110,958	\$ 32,726

OSU Physicians Retirement Plan

Retirement benefits are provided for the employees of OSU Physicians (OSUP) through a tax-sheltered 403(b) and 401(a) program administered by an insurance company. OSUP is

required to make nondiscretionary contributions of no less than 7.5% under the Interim Retirement Plan; however, some subsidiaries make an additional discretionary contribution of up to 17.5%, for a range of total employer contributions of 7.5% to 17.5%. Employees are allowed, but not required, to make contributions to the 403(b) plan. OSUP's share of the cost of these benefits was \$12,772 and \$11,164 for the years ended June 30, 2007 and 2006, respectively.

NOTE 14 — CAPITAL PROJECT COMMITMENTS

At June 30, 2007, the University is committed to future contractual obligations for capital expenditures of approximately \$255,620.

These projects are funded by the following sources:

State appropriations	\$114,611
Internal and other sources	<u>141,009</u>
Total	<u>\$255,620</u>

NOTE 15 — CONTINGENCIES AND RISK MANAGEMENT

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

The University is self-insured for Hospitals professional malpractice liability, employee health benefits, and employee life, accidental death and dismemberment benefits. Additional details regarding these self-insurance arrangements are provided in Note 5. The University also carries commercial insurance policies for various property, casualty and excess liability risks. Over the past three years, settlement amounts related to these insured risks have not exceeded the University's coverage amounts.

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

NOTE 16 — FUNDS HELD IN TRUST BY OTHERS

The University is the beneficiary of and annually receives income from funds held in trust by other trustees. These funds are administered by outside trustees and are neither in the possession nor under the control of the University. The principal amount of these funds is not determinable at the present time.

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
National Endowment for the Humanities	45.161	34000100	\$ (6,309)
National Endowment for the Humanities	45.163	34000100	69,379
National Endowment for the Arts	45.024	34000200	34,995
National Science Foundation	47.014	35000000	21,678
National Science Foundation	47.041	35000000	555,919
National Science Foundation	47.049	35000000	3,997,180
National Science Foundation	47.050	35000000	681,182
National Science Foundation	47.070	35000000	785,112
National Science Foundation	47.074	35000000	1,252,914
National Science Foundation	47.075	35000000	34,627
National Science Foundation	47.076	35000000	240,908
National Science Foundation	47.078	35000000	27,564
National Science Foundation Directorate for Biological Sciences	47.074	35000100	703,878
National Science Foundation Div of Biological Instrumentation & Resources	47.074	35000101	245,921
National Science Foundation Div of Integrative Organismal Biology	47.074	35000102	919,386
National Science Foundation Div of Molecular & Cellular Biosciences	47.074	35000103	1,579,442
National Science Foundation Div of Environmental Biology	47.074	35000104	766,302
National Science Foundation Div of Biological & Neural Sciences	47.074	35000105	77,906
National Science Foundation Div of Social & Economic Sciences	47.075	35000106	170,999
National Science Foundation Div of Biological Infrastructure	47.074	35000107	153,057
National Science Foundation Div of Emerging Frontiers	47.074	35000108	114,711
National Science Foundation Directorate for Computer & Info Sciences & Eng	47.070	35000200	974,040
National Science Foundation Div of Computer & Computation Research	47.070	35000202	174,124
National Science Foundation Div of Info Robotics & Intelligent Systems	47.070	35000203	702,889
National Science Foundation Div of Advanced Scientific Computing	47.070	35000205	223,168
National Science Foundation Div of Computer and Network Systems	47.070	35000207	810,837
National Science Foundation Directorate for Engineering	47.070	35000208	68,930
National Science Foundation Directorate for Engineering	47.041	35000300	442,092
National Science Foundation Directorate for Engineering	47.049	35000300	98,366
National Science Foundation Div of Engineering Education and Centers	47.070	35000300	26,256
National Science Foundation Div of Chemical & Transport Systems	47.041	35000302	2,981,220
National Science Foundation Div of Civil & Mechanical Structures	47.041	35000303	402,027
National Science Foundation Div of Electrical, Communications and CyberSys	47.041	35000304	(311)
National Science Foundation Div of Design & Manufacturing Innovation	47.041	35000305	454,753
National Science Foundation Div of Bioengineering & Environmental Systems	47.041	35000306	495,256
National Science Foundation Div of Atmospheric Sciences	47.041	35000307	482,804
National Science Foundation Div of Earth Sciences	47.050	35000401	713,764
National Science Foundation Div of Earth Sciences	47.050	35000402	505,628
National Science Foundation Div of Earth Sciences	47.070	35000402	112,367

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THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
National Science Foundation Div of Earth Sciences	47.074	35000402	\$ 52,883
National Science Foundation Div of Ocean Sciences	47.050	35000403	(4,191)
National Science Foundation Office of Polar Programs	47.050	35000404	3,399
National Science Foundation Office of Polar Programs	47.078	35000404	2,220,875
National Science Foundation Div of Mathematical Sciences	47.049	35000501	4,428,720
National Science Foundation Div of Physics	47.049	35000502	1,282,917
National Science Foundation Div of Physics	47.070	35000502	45,799
National Science Foundation Div of Chemistry	47.050	35000503	1,362,110
National Science Foundation Div of Materials Research	47.049	35000504	995,649
National Science Foundation Div of Astronomical Sciences	47.049	35000505	175,012
National Science Foundation Div of Research Career Development	47.050	35000604	46,219
National Science Foundation Div of Research Career Development	47.070	35000604	80,650
National Science Foundation Div of Undergraduate Education	47.046	35000605	7,176
National Science Foundation Div of Undergraduate Education	47.076	35000605	798,917
National Science Foundation Div of Human Resource Development	47.076	35000606	686,651
National Science Foundation Div of Elementary, Secondary & Informal Educ	47.076	35000606	112,704
National Science Foundation Div of Graduate Educ & Res Development	47.076	35000607	1,670,811
National Science Foundation Div of Research, Evaluation & Communication	47.076	35000611	(9,023)
National Science Foundation Div of Social, Behavioral & Economic Sciences	47.075	35000800	8,921
National Science Foundation Div of Social, Behavioral & Economic Research	47.075	35000801	1,649,220
National Science Foundation Office of International Science & Eng	47.075	35000803	746
National Science Foundation Office of International Science & Eng	47.045	35000803	5,853
National Science Foundation Office of Behavioral & Cognitive Sciences	47.074	35000804	73,381
National Science Foundation Div of Behavioral & Cognitive Sciences	47.075	35000804	61,539
National Science Foundation Office of Behavioral & Cognitive Sciences	47.041	35001000	173,714
US Department of Agriculture	10.219	40000000	25,025
USDA Forest Service	10.40020000	40020000	46,571
USDA Forest Service	10.652	40020000	259,703
USDA Forest Service	10.664	40020000	69,033
USDA Forest Service	10.670	40020000	(762)
USDA Forest Service	10.673	40020000	16,858
Cooperative State Research, Education, and Extension Service	10.200	40040100	2,640,928
Cooperative State Research, Education, and Extension Service	10.206	40040100	2,453,457
Cooperative State Research, Education, and Extension Service	10.207	40040100	26,650
Cooperative State Research, Education, and Extension Service	10.210	40040100	37,778
Cooperative State Research, Education, and Extension Service	10.217	40040100	198,911
Cooperative State Research, Education, and Extension Service	10.219	40040100	109,774
Cooperative State Research, Education, and Extension Service	10.302	40040100	4,132
Cooperative State Research, Education, and Extension Service	10.303	40040100	1,345,460

(Continued)

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
Cooperative State Research, Education, and Extension Service	10.305	40040100	\$ 11,347
Cooperative State Research, Education, and Extension Service	10.307	40040100	20,672
Cooperative State Research, Education, and Extension Service	10.500	40040100	487,534
North Central Region Integrated Pest Management Program	10.200	40040102	(21,533)
National Research Initiative Competitive Grants Program	10.206	40040103	451,954
Initiative for Future Agriculture and Food Systems	10.302	40040104	388,334
USDA Agricultural Research Service	10.001	40040200	1,243,125
Natural Resources Conservation Service	10.40060000	40060000	(139)
Natural Resources Conservation Service	10.902	40060000	15,734
Animal and Plant Health Inspection Service	10.025	40070000	119,465
Office of International Cooperation and Development	10.960	40100000	65,575
Economic Research Service	10.250	40120000	8,159
Food Safety and Inspection Service	10.40130000	40130000	98,017
Food Safety and Inspection Service	10.475	40130000	7,094
USDA Risk Management Agency	10.450	40180000	202
USDA Rural Development	10.771	40190000	299,070
USDA Foreign Agricultural Service	10.960	40200000	747
USDA Foreign Agricultural Service	10.961	40200000	72,257
USDA Foreign Agricultural Service	10.962	40200000	1,030
National Oceanic & Atmospheric Administration	11.400	42020000	(109,156)
National Oceanic & Atmospheric Administration	11.417	42020000	1,314,098
National Oceanic & Atmospheric Administration	11.431	42020000	26,859
National Oceanic & Atmospheric Administration	11.432	42020000	54,335
National Oceanic & Atmospheric Administration	11.440	42020000	127,848
National Geodetic Survey	11.42020400	42020400	33,715
US Department of Defense	12.420	50000000	112,285
US Department of Defense	12.50000000	50000000	66,287
United States Air Force	12.50010000	50010000	265,898
United States Air Force	12.800	50010000	117,532
Air Force Materiel Command	12.800	50010100	5,735,221
Air Force Office of Scientific Research	12.630	50010105	2,546,011
Air Force Office of Scientific Research	12.800	50010105	2,987,899
Air Force Office of Scientific Research	12.910	50010105	(629)
Air Force Research Laboratory	12.50010126	50010126	271,631
Air Force Research Laboratory	12.800	50010126	203,291
Air Force Institute of Technology	12.50010201	50010201	185,521
United States Army	12.420	50020000	4,428
Army Corps of Engineers	12.50020100	50020100	13,946
Humphreys Engineer Center Support Activity	12.50020106	50020106	385,914

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THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
Army Tank Command	12.50020204	50020204	\$ 931
Army Natick Research, Development and Engineering Center	12.50020213	50020213	7,852
Army Research, Development and Engineering Command	12.50020219	50020219	3,884
Army Medical Command	12.420	50020300	(9,816)
Army Medical Research and Materiel Command	12.420	50020301	403,983
Army Research Office	12.300	50020400	453,073
Army Robert Morris Acquisition Center	12.431	50022400	549,793
Army Robert Morris Acquisition Center	12.50022400	50022400	(391)
Army Yuma Proving Ground	12.50022600	50022600	328,475
Army Medical Research Acquisition Activity	12.420	50022700	643,618
Army Medical Research Acquisition Activity	12.50022700	50022700	19,243
United States Navy	12.50040000	50040000	536,771
Naval Air Systems Command	12.50040101	50040101	251,141
Navy Research Lab	12.300	50040301	3,523,869
Navy Research Lab	12.50040301	50040301	70,024
Naval Air Warfare Center Aircraft Division	12.50041600	50041600	(225)
Defense Advanced Research Projects Agency	12.431	50060000	12,765
Defense Advanced Research Projects Agency	12.50060000	50060000	(8,025)
National Geospatial-Intelligence Agency	12.630	50080000	558,917
Defense Logistics Agency	12.50130000	50130000	23,352
National Security Agency	12.50140000	50140000	290,107
National Security Agency	12.901	50140000	135,399
Uniformed Services University of the Health Sciences	12.50190000	50190000	290,811
National Reconnaissance Office	12.50200000	50200000	200,524
Defense Threat Reduction Agency	12.50220000	50220000	286,291
US Department of Education	84.047	53000000	292,693
US Department of Education	84.184	53000000	47,707
US Department of Education	84.305	53000000	177,139
US Department of Education	84.325	53000000	32,322
US Department of Education	84.327	53000000	899
US Department of Education	84.333	53000000	4,015
Institute of Education Sciences	84.53000000	53000000	1,455,651
Institute of Education Sciences	84.305	53020000	27,083
Fund Improvement Postsecondary Education	84.53020000	53020000	626,723
Office of Elementary and Secondary Education	84.116	53020300	102,798
Office of Postsecondary Education	84.53030000	53030000	433,807
Office of Postsecondary Education	84.042	53040000	(14,573)
Office of Postsecondary Education	84.220	53040000	285,705
Office of Postsecondary Education	84.229	53040000	110,858

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THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
Office of Postsecondary Education	84.53040000	53040000	\$ 188,769
Center for International Education	84.015	53040200	179,148
Center for International Education	84.53040200	53040200	118,481
Office of Special Education and Rehabilitative Services	84.324	53050000	(3,100)
Office of Special Education and Rehabilitative Services	84.325	53050000	88,281
Office of Special Education Programs	84.324	53050100	167,822
Office of Special Education Programs	84.325	53050100	303,995
Rehabilitation Services Administration	84.129	53050200	(2,174)
National Institute on Disability and Rehabilitation Research	84.133	53050300	364,543
National Institute on Disability and Rehabilitation Research	84.224	53050300	(2,089)
National Institute on Disability and Rehabilitation Research	84.53050300	53050300	176,739
US Department of Energy	81.049	55000000	6,283,458
US Department of Energy	81.086	55000000	(330,530)
US Department of Energy	81.087	55000000	(28)
US Department of Energy	81.089	55000000	177,585
US Department of Energy	81.112	55000000	151,650
US Department of Energy	81.114	55000000	181,454
US Department of Energy	81.115	55000000	87
US Department of Energy	81.117	55000000	415,937
US Department of Energy	81.123	55000000	42,717
US Department of Energy	81.55000000	55000000	544,294
Oak Ridge National Laboratory	81.55110000	55110000	7,155
National Energy Technology Laboratory	81.064	55130000	(3,237)
National Energy Technology Laboratory	81.086	55130000	(125)
National Energy Technology Laboratory	81.089	55130000	325,553
National Energy Technology Laboratory	81.117	55130000	162,821
National Energy Technology Laboratory	81.55130000	55130000	(27,246)
US Department of Health & Human Services	93.887	60000000	1,685
Public Health Service	93.137	60040000	107,696
Agency for Healthcare Research and Quality	93.226	60041200	89,835
Food and Drug Administration	93.62000000	62000000	32,625
National Institutes of Health	93.113	64000000	364,166
National Institutes of Health	93.172	64000000	20,001
National Institutes of Health	93.173	64000000	165,705
National Institutes of Health	93.213	64000000	128,758
National Institutes of Health	93.389	64000000	499,900
National Institutes of Health	93.394	64000000	(1,221)
National Institutes of Health	93.395	64000000	87,719
National Institutes of Health	93.398	64000000	29,478

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THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
National Institutes of Health	93.64000000	64000000	\$ (5,539)
National Institutes of Health	93.848	64000000	259,169
National Institutes of Health	93.849	64000000	19,830
National Institutes of Health	93.853	64000000	265,018
National Institutes of Health	93.855	64000000	284,456
National Institutes of Health	93.856	64000000	381,094
National Institutes of Health	93.859	64000000	377,642
National Cancer Institute	93.393	64000002	6,252,615
National Cancer Institute	93.394	64000002	1,564,056
National Cancer Institute	93.395	64000002	14,926,786
National Cancer Institute	93.396	64000002	7,019,211
National Cancer Institute	93.397	64000002	5,182,983
National Cancer Institute	93.398	64000002	1,938,234
National Cancer Institute	93.399	64000002	2,065,322
National Cancer Institute	93.64000002	64000002	1,783,148
National Cancer Institute	93.981	64000002	149,636
National Cancer Institute	93.837	64000003	331,295
National Heart, Lung, and Blood Institute	93.838	64000003	7,587,344
National Heart, Lung, and Blood Institute	93.839	64000003	2,070,311
National Heart, Lung, and Blood Institute	93.846	64000003	411,545
National Heart, Lung, and Blood Institute	96.838	64000003	1,414,252
National Heart, Lung, and Blood Institute	93.855	64000004	156,221
National Institute of Allergy and Infectious Diseases	93.856	64000004	5,732,139
National Institute of Allergy and Infectious Diseases	93.847	64000005	5,009,839
National Institute of Diabetes and Digestive and Kidney Diseases	93.848	64000005	1,498,517
National Institute of Diabetes and Digestive and Kidney Diseases	93.849	64000005	1,387,624
National Institute of Diabetes and Digestive and Kidney Diseases	93.864	64000005	833,706
National Institute of Diabetes and Digestive and Kidney Diseases	93.865	64000006	316,224
National Institute of Child Health and Human Development	93.929	64000006	3,629,550
National Institute of Child Health and Human Development	93.821	64000006	73,242
National Institute of Child Health and Human Development	93.859	64000007	622,940
National Institute of General Medical Sciences	93.862	64000007	7,206,396
National Institute of General Medical Sciences	93.310	64000007	998,351
National Institute of Neurological Disorders and Stroke	95.853	64000008	155,122
National Institute of Neurological Disorders and Stroke	93.306	64000010	6,761,911
National Center for Research Resources	93.333	64000010	(2,071)
National Center for Research Resources	93.389	64000010	(1,151)
National Center for Research Resources	93.865	64000010	5,032,072
National Center for Research Resources		64000010	485,667

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
National Eye Institute	93.867	64000011	\$ 4,698,940
National Institute of Dental and Craniofacial Research	93.121	64000012	3,170,071
National Institute of Environmental Health Sciences	93.113	64000014	1,605,127
National Institute on Aging	93.866	64000015	1,526,087
John F Fogarty International Center	93.934	64000017	(1,759)
John F Fogarty International Center	93.989	64000017	82,575
National Institute of Nursing Research	93.361	64000018	836,914
National Institute of Arthritis and Musculoskeletal and Skin Diseases	93.846	64000019	1,300,412
National Institute on Deafness and Other Communication Disorders	93.173	64000020	3,170,927
National Institute of Mental Health	93.242	64000021	3,244,784
National Institute of Mental Health	93.281	64000021	(6,147)
National Institute of Mental Health	93.282	64000021	220,150
National Institute on Drug Abuse	93.277	64000022	133,157
National Institute on Drug Abuse	93.278	64000022	16,619
National Institute on Drug Abuse	93.279	64000022	3,193,191
National Institute on Alcohol Abuse and Alcoholism	93.273	64000023	671,522
National Human Genome Research Institute	93.172	64000026	519,985
National Center for Complementary and Alternative Medicine	93.213	64000027	381,811
National Institute of Biomedical Imaging and Bioengineering	93.286	64000028	2,968,383
Health Resources and Services Administration	93.191	65000000	34,509
Health Resources and Services Administration	93.358	65000000	90,809
Health Resources and Services Administration	93.359	65000000	275,554
Health Resources and Services Administration	93.884	65000000	255,148
Health Resources and Services Administration	93.887	65000000	1,350,211
Health Resources and Services Administration	93.888	65000000	84,300
Bureau of Health Professions	93.884	65000001	95,933
Bureau of Health Professions	93.964	65000001	15,309
Maternal & Child Health Bureau	93.110	65000005	480,627
Centers for Disease Control and Prevention	93.136	66000000	234,734
Centers for Disease Control and Prevention	93.262	66000000	84,132
Centers for Disease Control and Prevention	93.283	66000000	1,302,439
Centers for Disease Control and Prevention	93.66000000	66000000	66,275
National Institute for Occupational Safety and Health	93.262	66000001	851,444
National Institute for Occupational Safety and Health	93.956	66000001	617,630
National Center for Infectious Diseases	93.283	66000003	31,977
Administration on Children, Youth and Families	93.632	67000100	523,907
US Department of Housing and Urban Development	14.506	70000000	14,157
US Department of Housing and Urban Development	14.512	70000000	45,483
US Department of Housing and Urban Development	14.516	70000000	18,670

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
US Department of Housing and Urban Development	14.520	70000000	\$ 108,941
US Fish and Wildlife Service	15.228	72030000	97,481
US Fish and Wildlife Service	15.608	72030000	16,641
US Fish and Wildlife Service	15.635	72030000	28,523
US Fish and Wildlife Service	15.637	72030000	273
US Fish and Wildlife Service	15.72030000	72030000	4,357
US Geological Survey	15.72040000	72040000	134
US Geological Survey	15.805	72040000	86,636
US Geological Survey	15.808	72040000	(5,114)
National Park Service	15.72070000	72070000	24,954
Office of Surface Mining Reclamation and Enforcement	15.253	72090000	(238)
National Institute of Justice	16.560	74040100	79,341
Bureau of Justice Statistics	16.734	74040200	71,975
Occupational Safety & Health Administration	17.502	76020000	(209)
Bureau of Labor Statistics	17.76050000	76050000	14,643,152
Bureau of Educational and Cultural Affairs	19.405	80020100	78,417
US Department of Transportation	20.82000000	82000000	242,373
Federal Highway Administration	20.215	82010000	34,228
Federal Transit Administration	20514	82020000	83,721
Federal Aviation Administration	20.108	82030000	65,057
Federal Aviation Administration	20.82030000	82030000	322,873
National Highway Traffic Safety Administration	20.82040000	82040000	610,795

Subtotal of Research and Development Cluster funds received directly from Federal Agencies

239,242,379

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
Research and Development Cluster — Pass-through from other sources:					
National Aeronautics and Space Administration Headquarters	The Boeing Co	43.33000105	33000105	10010013	\$ 4,392
US Department of Defense	Lockheed Martin Corp	12.50000000	50000000	10010042	17,655
US Department of Defense	General Dynamics Corp	12.50000000	50000000	10010725	(2,175)
United States Air Force	General Dynamics Corp	12.50010000	50010000	10010725	6,270
Air Force Office of Scientific Research	CeramPhysics, Inc	12.50010105	50010105	10011166	68,516
US Department of Energy	Sandia Corp	81.55000000	55000000	10011170	97,655
DOE National Institute for Climatic Change Research	Edison Welding Inst Inc	81.55140000	55140000	10011218	48,969
Air Force Research Laboratory	AT&T Inc	12.50010126	50010126	10011298	5,880
National Institute of Standards and Technology	Owens Corning Corp	11.42040000	42040000	10011306	(120)
Agency for International Development	Development Alternatives Inc	98.30300100	30300100	10011316	(3,044)
Air Force Research Laboratory	Sci Applications Intl Corp	12.50010126	50010126	10011324	(21)
Defense Advanced Research Projects Agency	Sci Applications Intl Corp	12.50060000	50060000	10011324	113,193
National Cancer Institute	Sci Applications Intl Corp	93.64000002	64000002	10011324	160,525
National Institute of Neurological Disorders and Stroke	Sci Applications Intl Corp	93.64000008	64000008	10011324	(33,089)
US Department of Defense	General Dynamics Advanced Info Systems	12.50000000	50000000	10011383	(284)
United States Air Force	General Dynamics Advanced Info Systems	12.50010000	50010000	10011383	(859)
Air Force Research Laboratory	General Dynamics Advanced Info Systems	12.50010126	50010126	10011383	11,215
Air Force Research Laboratory	Universal Tech Corp	12.50010000	50010000	10011471	59,453
US Department of Energy	Universal Tech Corp	12.50010126	50010126	10011471	(1,168)
National Institute of Standards and Technology	Honeywell International Inc	81.55000000	55000000	10011512	(3,606)
Agency for International Development	Edison Materials Tech Ctr	11.42040000	42040000	10011518	(6,561)
Air Force Research Laboratory	Chemonics Intl	98.30300100	30300100	10011565	(907)
Defense Advanced Research Projects Agency	Northrop Grumman Corp	12.800	50010126	10011657	148,821
National Reconnaissance Office	Northrop Grumman Corp	12.50060000	50060000	10011657	(3,455)
National Institute of Standards and Technology	Northrop Grumman Corp	12.50200000	50200000	10011657	133,823
National Institute of Neurological Disorders and Stroke	Ford Motor Company	11.42040000	42040000	10011724	809
National Center for Complementary and Alternative Medicine	Mount Sinai Medical Center	93.853	64000008	10011783	46,956
US Department of Defense	Mount Sinai Medical Center	93.64000027	64000027	10011783	4,848
United States Army	Systran Corp	12.50000000	50000000	10011833	1,581
United States Navy	Systran Corp	12.50020000	50020000	10011833	32,034
National Cancer Institute	Raytheon Co	12.50040000	50040000	10011847	21,549
Air Force Office of Scientific Research	Booz Allen Hamilton Inc	93.64000002	64000002	10011980	1,416,479
National Institute of Standards and Technology	Physical Sciences, Incorporated	12.50010105	50010105	10012027	38,005
National Institute of Allergy and Infectious Diseases	Imation Corp	11.42040000	42040000	10012042	(1,062)
US Department of Defense	Social & Scientific Systems, Inc	93.64000004	64000004	10012044	43,338
US Department of Energy	Harris Corp	12.50000000	50000000	10012071	1,178
Defense Advanced Research Projects Agency	US Automotive Material Partnership	81.55000000	55000000	10012073	(1,324)
US Department of Energy	Pratt & Whitney Engines	12.50060000	50060000	10012090	(523)
US Department of Energy	Ashman Technologies	81.087	55000000	10012227	(2,960)
US Department of Energy	Ashman Technologies	81.55000000	55000000	10012227	(26,314)

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
US Department of Energy	Bechtel Bettis, Inc	81.55000000	55000000	10012230	\$ 44,301
National Aeronautics and Space Administration Headquarters	CFD Research Corp	43.33000105	33000105	10012258	24,389
Air Force Office of Scientific Research	CFD Research Corp	12.50010105	50010105	10012258	39,977
National Science Foundation	OG Technologies, Inc	47.35000000	35000000	10012262	22,450
National Science Foundation Directorate for Engineering	OG Technologies, Inc	47.041	35000300	10012262	3,565
National Institute of Standards and Technology	OG Technologies, Inc	11.42040000	42040000	10012262	(25,879)
United States Army	EOIR Technologies	12.50020000	50020000	10012263	37,303
US Department of Agriculture	Environ Energy	10.40000000	40000000	10012272	40,243
US Department of Energy	Environ Energy	81.55000000	55000000	10012272	30,507
United States Army	Ansoft Corp	12.50020000	50020000	10012311	9,293
Army Research Office	Micro Analysis & Design	12.50020400	50020400	10012320	1,022,765
US Department of Defense	Advanced Tech Inst	12.50000000	50000000	10012322	(3,418)
Defense Logistics Agency	Advanced Tech Inst	12.50130000	50130000	10012322	207,147
US Department of Energy	Advanced Tech Inst	81.55000000	55000000	10012322	189,061
United States Army	ARINC Incorporated	12.50020000	50020000	10012359	38,479
Air Force Office of Scientific Research	Monopole Res	12.800	50010105	10012374	(2)
United States Air Force	S & K Technologies Inc	12.50010000	50010000	10012375	(8,261)
NSF Directorate Mathematical & Physical Sciences	Makel Engineering, Inc	47.041	35000500	10012377	1,453
US Department of Energy	Makel Engineering, Inc	81.55000000	55000000	10012377	51,865
US Department of Defense	Syntonics LLC	12.50000000	50000000	10012399	8,785
Air Force Office of Scientific Research	Syntonics LLC	12.50010105	50010105	10012399	73,102
United States Navy	Syntonics LLC	12.50040000	50040000	10012399	64,415
Air Force Research Laboratory	General Dynamics Information Technology, Inc	12.50010126	50010126	10012402	133,670
US Department of Energy	Supergenics LLC	81.049	55000000	10012405	70,435
US Department of Energy	Supergenics LLC	81.55000000	55000000	10012405	(109)
United States Army	APPLIED EM, Inc.	12.50020000	50020000	10012411	1,943
United States Navy	APPLIED EM, Inc.	12.50040000	50040000	10012411	350,608
Naval Air Systems Command	APPLIED EM, Inc.	12.50040101	50040101	10012411	3,617
National Cancer Institute	Molecules for Health Inc	93.64000002	64000002	10012414	(4,713)
United States Army	ESA Environ Specialists Inc	12.50020000	50020000	10012415	(309,570)
National Institutes of Health	Cancervax	93.64000000	64000000	10012419	377
Defense Advanced Research Projects Agency	Smart Transitions LLC	12.50060000	50060000	10012438	454,748
National Institute of Mental Health	Passive Motion Therapeutics Inc	93.242	64000021	10012485	(5,487)
National Science Foundation	RNET Technologies	47.041	35000000	10012505	21,837
Air Force Research Laboratory	RNET Technologies	12.800	50010126	10012505	115,944
National Institutes of Health	Space Hardware Optimization Technology	93.64000000	64000000	10012510	15,242
National Heart, Lung, and Blood Institute	Space Hardware Optimization Technology	93.64000003	64000003	10012510	(2,985)
Air Force Office of Scientific Research	Princeton Scientific Instruments Inc	12.50010105	50010105	10012513	66,343
National Science Foundation	Luna Innovations Inc	47.041	35000000	10012514	(194)
United States Air Force	SET Associates Corp	12.50010000	50010000	10012523	30,098
Defense Advanced Research Projects Agency	SET Associates Corp	12.50060000	50060000	10012523	98,640
United States Air Force	Wyle Laboratories	12.50010000	50010000	10012528	54,497

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FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
Air Force Research Laboratory	MetroLaser Inc	12.50010126	50010126	10012538	\$ 84,586
Air Force Materiel Command	S12 Technologies, Inc.	12.50010100	50010100	10012543	92,616
United States Army	S12 Technologies, Inc.	12.50020000	50020000	10012543	7,926
Naval Air Warfare Center Aircraft Division	S12 Technologies, Inc.	12.50041600	50041600	10012543	19,943
Defense Advanced Research Projects Agency	Kaman Aerospace Corp	12.50060000	50060000	10012550	3,489
US Department of Energy	General Atomics	81.55000000	55000000	10012568	445,635
US Department of Energy	Kitware, Inc	81.55000000	55000000	10012569	19,714
Air Force Research Laboratory	Ball Aerospace & Technologies Corp	12.50010126	50010126	10012578	(2,092)
National Institutes of Health	Biopraxis Inc	93.64000000	64000000	10012596	120,386
US Department of Defense	Intelligent Automation, Inc	12.50000000	50000000	10012597	92,287
Office of Naval Research	Intelligent Automation, Inc	12.50040300	50040300	10012597	103,329
Defense Advanced Research Projects Agency	Boston Micromachines Corp	12.50060000	50060000	10012599	(4,367)
United States Army	VaxDesign Corp	12.50020000	50020000	10012607	(12,935)
Air Force Research Laboratory	ITN Energy Systems, Inc	12.50010126	50010126	10012614	11,124
US Department of Defense	ATK Missile Systems Co	12.50000000	50000000	10012668	41,053
United States Air Force	Trilion Quality Systems	12.50010000	50010000	10012693	(115)
Air Force Office of Scientific Research	Trilion Quality Systems	12.50010105	50010105	10012693	44,187
United States Air Force	Geneva Aerospace, Inc	12.50010000	50010000	10012700	25,699
National Cancer Institute	Klein Buendel, Inc	93.393	64000002	10012707	126,920
National Institute of Neurological Disorders and Stroke	Perfusion Technology, LLC	93.64000008	64000008	10012726	15,450
National Institutes of Health	Fisher BioServices, Inc	93.64000000	64000000	10012728	59,670
National Eye Institute	The EMMES Corp	93.64000011	64000011	10012757	1,501
Air Force Research Laboratory	SRA International, Inc	12.50010126	50010126	10012759	175,538
National Institutes of Health	SRA International, Inc	93.64000000	64000000	10012759	5,427
National Oceanic & Atmospheric Administration	Advanced Resource Technologies, Inc	11.42020000	42020000	10012764	83,178
National Aeronautics and Space Administration Headquarters	InnoSense LLC	43.33000105	33000105	10012779	366
United States Army	Elintrix	12.50020000	50020000	10012795	73,725
Army Corps of Engineers	Sky Research, Inc	12.50020100	50020100	10012799	15,593
United States Navy	Epitaxial Technologies, LLC	12.50040000	50040000	10012800	21,637
United States Army	ANP Technologies, Inc	12.50020000	50020000	10012802	27,170
Agency for International Development	Nexant, Inc	98.30300100	30300100	10012822	8,448
US Department of Energy	Robert C McCune and Associates, LLC	81.55000000	55000000	10012851	4,300
United States Air Force	Jacobs Technology Inc	12.50010000	50010000	10012861	21,286
National Science Foundation	Bioprocessing Innovative Co Inc	47.041	35000000	10020039	41,408
National Science Foundation Div of Design & Manufacturing Innovation	Bioprocessing Innovative Co Inc	47.041	35000306	10020039	11,638
US Department of Agriculture	Bioprocessing Innovative Co Inc	10.40000000	40000000	10020039	15,402
USDA Agricultural Research Service	Bioprocessing Innovative Co Inc	10.40040200	40040200	10020039	32,657
National Institutes of Health	BIOMECH, Inc	93.64000000	64000000	10020062	20,912
National Aeronautics and Space Administration Headquarters	Innovative Scientific Solutions Inc	43.33000105	33000105	10020096	(951)
United States Air Force	Innovative Scientific Solutions Inc	12.50010000	50010000	10020096	165,860
Air Force Office of Scientific Research	Innovative Scientific Solutions Inc	12.50010105	50010105	10020096	400
Air Force Research Laboratory	Innovative Scientific Solutions Inc	12.50010126	50010126	10020096	89,354

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Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
National Aeronautics and Space Administration Headquarters	Hyper Tech Res Inc	43.33000105	33000105	10020102	\$ 21,120
Air Force Office of Scientific Research	Hyper Tech Res Inc	12.50010105	50010105	10020102	16,393
United States Navy	Hyper Tech Res Inc	12.50040000	50040000	10020102	4,917
US Department of Energy	Hyper Tech Res Inc	81.049	55000000	10020102	66,681
US Department of Energy	Hyper Tech Res Inc	81.55000000	55000000	10020102	(746)
National Institutes of Health	Hyper Tech Res Inc	93.286	64000000	10020102	101,195
National Institute of Biomedical Imaging and Bioengineering	Hyper Tech Res Inc	93.64000028	64000028	10020102	7,388
US Department of Energy	Global Res & Dev Inc	81.049	55000000	10020103	36,702
United States Army	SOPCo-EFS Holdings LLC	12.50020000	50020000	10020150	553
US Department of Defense	Spectral Systems Inc	12.50000000	50000000	10020159	53,710
National Institutes of Health	EnteraTech, Inc	93.64000000	64000000	10020162	27,600
National Science Foundation	BioLOC, LLC	47.041	35000000	10020164	1,610
National Cancer Institute	Columbus NanoWorks, Inc	93.396	64000002	10020170	(236)
National Institutes of Health	FutureCom Technologies, Inc	93.64000000	64000000	10020175	1,025
Office of Naval Research	DIW Technology, LLC	12.50040300	50040300	10020182	39,165
Air Force Research Laboratory	MacAulay-Brown, Inc	12.50010126	50010126	10020184	269,468
Army Research Office	BAE Systems	12.50020400	50020400	10030070	10,737
United States Army	Pharmacia & Upjohn Inc	12.50020000	50020000	10040004	(239)
US Department of Energy	Sibtech Inc	81.55000000	55000000	10040112	(3,992)
National Cancer Institute	Cancer & Leukemia Group B Fdn	93.64000002	64000002	20010031	9,403
Army Medical Research and Materiel Command	Childrens Research Institute (Columbus)	12.50020301	50020301	20010182	124
US Department of Health & Human Services	Childrens Research Institute (Columbus)	93.60000000	60000000	20010182	5,460
National Institutes of Health	Childrens Research Institute (Columbus)	93.173	64000000	20010182	188,638
National Institutes of Health	Childrens Research Institute (Columbus)	93.853	64000000	20010182	26,503
National Institutes of Health	Childrens Research Institute (Columbus)	93.865	64000000	20010182	17,368
National Cancer Institute	Childrens Research Institute (Columbus)	93.395	64000002	20010182	61,133
National Cancer Institute	Childrens Research Institute (Columbus)	93.395	64000002	20010289	383,447
National Institute of Neurological Disorders and Stroke	Mayo Foundation for Medical Education and Research	93.853	64000008	20010289	26,236
National Science Foundation Div of Chemical & Transport Systems	Mayo Foundation for Medical Education and Research	47.041	350000303	20010421	(206)
Army Medical Research and Materiel Command	Cleveland Clinic Fdn	12.420	50020301	20010421	4,123
National Institutes of Health	Cleveland Clinic Fdn	93.395	64000000	20010421	113,117
National Heart, Lung, and Blood Institute	Cleveland Clinic Fdn	93.837	64000003	20010421	(36,412)
National Institute of Diabetes and Digestive and Kidney Diseases	Cleveland Clinic Fdn	93.849	64000005	20010421	56,912
Army Medical Research Acquisition Activity	Cleveland Clinic Fdn	12.420	50022700	20010473	28,054
National Cancer Institute	Henry M Jackson Fdn	93.395	64000002	20010527	41,122
National Cancer Institute	NSABP Fdn Inc	93.395	64000002	20010553	77,410
National Science Foundation	Fdn for the Children's Oncology Group	47.076	35000000	20012131	64,093
United States Army	The Shodor Educ Fdn, Inc	12.420	50020000	20012161	385,289
Uniformed Services University of the Health Sciences	H M Jackson Foundation for the Advanced Military Medicine	12.50190000	50190000	20012161	1,100
United States Army	H M Jackson Foundation for the Advanced Military Medicine	12.50020000	50020000	20020012	3,215
Army Tank Command	Battelle Memorial Inst	12.50020204	50020204	20020012	72,067
US Department of Energy	Battelle Memorial Inst	81.089	55000000	20020012	55,209

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Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
US Department of Energy	Battelle Memorial Inst	81.55000000	55000000	20020012	\$ 193,789
National Energy Technology Laboratory	Battelle Memorial Inst	81.55130000	55130000	20020012	(397)
National Cancer Institute	Gynecologic Oncology Group	93.395	64000002	20020024	42,573
National Heart, Lung, and Blood Institute	Am Lung Assn	93.838	64000003	20020041	143,325
Agency for International Development	Am Cncl on Educ	98.012	30300100	20020078	425,718
Agency for International Development	Am Cncl on Educ	98.30300100	30300100	20020078	134,382
National Aeronautics and Space Administration Headquarters	Ctr for Rotorcraft Innovation	43.33000105	33000105	20020103	(6,865)
US Department of Defense	Academy for Educational Dev	81.087	50000000	20020666	46,682
National Science Foundation Div of Chemistry	Woods Hole Oceanographic Inst	47.049	35000503	20020744	(1,139)
Office of Naval Research	Woods Hole Oceanographic Inst	12.300	50040300	20020744	6,909
National Cancer Institute	Cancer Therapy & Res Fdn of South Texas	93.399	64000002	20020745	(410)
National Aeronautics and Space Administration	University Corporation for Atmospheric Research	43.002	33000000	20020793	101,929
National Science Foundation Div of Atmospheric Sciences	University Corporation for Atmospheric Research	47.050	35000401	20020793	303,800
US Department of Energy	National Renewable Energy Lab	81.55000000	55000000	20020800	5,979
National Aeronautics and Space Administration Headquarters	Universities Space Res Assoc	43.002	33000105	20020887	(4,995)
National Cancer Institute	American College of Radiology	93.395	64000002	20020917	7,218
Bureau of Labor Statistics	Nat Opinion Research Center	17.76050000	76050000	20020932	33,068
National Aeronautics and Space Administration	Space Telescope Science Institute	43.002	33000000	20021006	18,989
Maternal & Child Health Bureau	Hemophilia Fdn of Michigan	93.65000005	65000005	20021026	16,591
Centers for Disease Control and Prevention	Hemophilia Fdn of Michigan	93.283	66000000	20021026	310
US Department of Agriculture	Great Lakes Commission	10.902	40000000	20021027	4,223
USDA Agricultural Research Service	Great Lakes Commission	10.802	40040200	20021027	76,815
National Oceanic & Atmospheric Administration	Great Lakes Commission	11.417	42020000	20021027	7,006
Environmental Protection Agency	Consortium Plant Biotechnology Res Inc	66.500	32000000	20021036	12,766
US Department of Energy	Consortium Plant Biotechnology Res Inc	81.087	55000000	20021036	150,778
National Aeronautics and Space Administration Headquarters	Ohio Aerospace Inst	43.001	33000105	20021048	(11,220)
US Department of Energy	Pacific Northwest National Laboratory	81.55000000	55000000	20021070	76,008
National Oceanic & Atmospheric Administration	National Fish & Wildlife Foundation	11.42020000	42020000	20021134	(778)
National Science Foundation	Am Museum of Natural History	47.070	35000000	20021138	9,963
Defense Advanced Research Projects Agency	Am Museum of Natural History	12.431	50060000	20021138	105,308
National Institutes of Health	Brigham & Women's Hosp Inc	93.853	64000000	20021152	199
National Heart, Lung, and Blood Institute	Brigham & Women's Hosp Inc	93.837	64000003	20021152	19,960
National Institute of Neurological Disorders and Stroke	Brigham & Women's Hosp Inc	93.853	64000008	20021152	38,544
National Cancer Institute	Inst for Cancer Prevention	93.393	64000002	20021179	381
National Cancer Institute	Inst for Cancer Prevention	93.64000002	64000002	20021179	(6,513)
US Department of Agriculture	Midwest Advanced Food Manufact Alliance	10.200	40000000	20021278	(257)
US Department of Education	Educational Development Center Inc	93.647	53000000	20021328	19,689
National Institute of Child Health and Human Development	Rand Corp	93.865	64000006	20021340	1,451,144
National Institute on Aging	Rand Corp	93.393	64000015	20021340	29,742
US Department of Education	Rehabilitation Institute of Chicago	84.53000000	53000000	20021341	31,420
National Institute of Child Health and Human Development	Rehabilitation Institute of Chicago	93.865	64000006	20021341	(83)
Centers for Disease Control and Prevention	Assn of Schools of Public Health	93.283	66000000	20021358	258,481

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Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
National Cancer Institute	John Wayne Cancer Inst	93.395	64000002	20021377	\$ 676
US Department of Education	National Writing Project Corp	84.53000000	53000000	20021378	76,261
National Eye Institute	Jacob Center for Health Research	93.867	64000011	20021387	7,715
Army Medical Research and Materiel Command	House Ear Inst	12.420	50020301	20021422	290
US Department of Energy	Gas Tech Inst	81.55000000	55000000	20021447	54,440
US Department of Defense	Concurrent Technologies Corp	12.50000000	50000000	20021460	162,525
Air Force Office of Scientific Research	Concurrent Technologies Corp	12.50010105	50010105	20021460	100,000
US Department of Energy	Universities Research Assn Inc	81.55000000	55000000	20021485	452,281
US Department of Energy	UT-Battelle LLC	81.55000000	55000000	20021486	47,194
National Cancer Institute	Rhode Island Hospital	93.399	64000002	20021502	40,436
National Institute of Diabetes and Digestive and Kidney Diseases	Rhode Island Hospital	93.64000005	64000005	20021502	24,483
National Institute of Child Health and Human Development	Health Res, Inc	93.929	64000006	20021512	(1,501)
National Science Foundation	Am Distance Educ Consr	47.080	35000000	20021544	258
Agency for International Development	Int'l Center for Tropical Agriculture	98.30300100	30300100	20021554	(3,551)
National Institute on Disability and Rehabilitation Research	Institute for Rehabilitation & Research	84.224	53050300	20021559	75,560
Public Health Service	National Marrow Donor Program	93.839	60040000	20021576	16,368
US Department of Justice	American Statistical Association	16.734	74000000	20021578	5,958
United States Air Force	Impact 100, Inc	12.50010000	50010000	20021584	29,920
United States Air Force	Wright Brothers Inst, Inc	12.800	50010000	20021585	30,026
National Institutes of Health	Massachusetts General Hospital	93.226	64000000	20021587	1,057
National Cancer Institute	Massachusetts General Hospital	93.395	64000002	20021587	211,922
Environmental Protection Agency	Midwest Technology Assistance Center	66.32000000	32000000	20021592	4,189
National Science Foundation	Joint Oceanographic Institutions	47.050	35000000	20021599	239
National Institute of Allergy and Infectious Diseases	Sidney Kimmel Cancer Center	93.856	64000004	20021604	(2,930)
National Institute of Arthritis and Musculoskeletal and Skin Diseases	California Pacific Medical Center	93.846	64000019	20021610	(2,328)
US Department of Energy	Brookhaven Science Assoc, LLC	81.55000000	55000000	20021624	28,656
National Heart, Lung, and Blood Institute	Cincinnati Children's Hospital Medical Ctr	93.839	64000003	20021628	25,812
US Department of Energy	Battelle Energy Alliance, LLC	81.55000000	55000000	20021641	39,094
National Institute of Diabetes and Digestive and Kidney Diseases	St Joseph's Hospital & Medical Center	93.849	64000005	20021650	68
Air Force Office of Scientific Research	Advanced Virtual Engine Test Cell, Inc	12.50010105	50010105	20021654	11,978
Air Force Office of Scientific Research	Advanced Virtual Engine Test Cell, Inc	12.800	50010105	20021654	1,467,644
US Department of Defense	Institute of International Education	12.50000000	50000000	20021662	1,012,843
Cooperative State Research, Education, and Extension Service	Nat Center for Genome Resources	10.206	40040100	20021678	27,622
Agency for International Development	Higher Education for Development	98.012	30300100	20021686	12,291
Agency for Healthcare Research and Quality	Group Health Center for Health Studies	93.226	60041200	20021698	9,771
Centers for Disease Control and Prevention	Group Health Center for Health Studies	93.66000000	66000000	20021698	5,934
US Department of Energy	UChicago Argonne, LLC	81.55000000	55000000	20021718	21,550
Social Security Administration	Association of University Centers on Disabilities	93.60030000	60030000	20021719	42,284
National Science Foundation	Massachusetts Inst Tech	47.074	35000000	22000001	133,263
Army Research Office	Massachusetts Inst Tech	12.431	50020400	22000001	114,241
Army Research Office	Massachusetts Inst Tech	12.50020400	50020400	22000001	(11)
Office of Naval Research	Massachusetts Inst Tech	12.300	50040300	22000001	(114)

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Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
US Department of Agriculture	Purdue University	10.206	40000000	22000002	\$ 77,607
US Department of Agriculture	Purdue University	10.217	40000000	22000002	23,097
Cooperative State Research, Education, and Extension Service	Purdue University	10.40040100	40040100	22000002	4,663
Cooperative State Research, Education, and Extension Service	Purdue University	10.500	40040100	22000002	28,550
US Department of Energy	Purdue University	81.121	55000000	22000002	80,140
US Department of Energy	Purdue University	81.55000000	55000000	22000002	3,579
National Institutes of Health	Purdue University	93.173	64000000	22000002	175,603
National Cancer Institute	Purdue University	93.393	64000002	22000002	1,326
National Cancer Institute	Purdue University	93.399	64000002	22000002	209,719
United States Election Assistance Commission	Rutgers University	90.30540000	30540000	22000003	1,357
US Department of Agriculture	Rutgers University	10.200	40000000	22000003	(20)
National Cancer Institute	Rutgers University	93.399	64000002	22000003	129,984
National Aeronautics and Space Administration	Univ of Michigan	43.002	33000000	22000005	109,794
National Science Foundation Dir Social, Behavioral & Economic Sciences	Univ of Michigan	47.075	35000800	22000005	1,916
National Oceanic & Atmospheric Administration	Univ of Michigan	11.417	42020000	22000005	97,677
National Oceanic & Atmospheric Administration	Univ of Michigan	11.432	42020000	22000005	112,071
Office of Naval Research	Univ of Michigan	12.300	50040300	22000005	15,159
National Cancer Institute	Univ of Michigan	93.396	64000002	22000005	15,159
US Department of Agriculture	Univ of Wisconsin	10.303	40000000	22000006	95,961
Cooperative State Research, Education, and Extension Service	Univ of Wisconsin	10.200	40040100	22000006	13,331
Office of Postsecondary Education	Univ of Wisconsin	84.53040000	53040000	22000006	(80)
National Institutes of Health	Univ of Wisconsin	93.865	64000000	22000006	78,472
National Institute on Deafness and Other Communication Disorders	Univ of Wisconsin	93.173	64000020	22000006	71,660
US Department of Defense	Univ of Dayton	12.800	50000000	22000008	101,513
Air Force Research Laboratory	Univ of Dayton	12.800	50010126	22000008	
Agency for International Development	Univ of Illinois	98.30300100	30300100	22000009	58,929
National Science Foundation Div of Chemical & Transport Systems	Univ of Illinois	47.041	35000303	22000009	(1,887)
US Department of Agriculture	Univ of Illinois	10.200	40000000	22000009	36,417
USDA Extension Service	Univ of Illinois	10.217	40140000	22000009	3,752
Air Force Office of Scientific Research	Univ of Illinois	12.190	50010105	22000009	46,374
National Institutes of Health	Univ of Illinois	81.086	55000000	22000009	92,925
National Library of Medicine	Univ of Illinois	93.859	64000000	22000009	57,051
Cooperative State Research, Education, and Extension Service	Univ of Illinois	93.879	64000009	22000009	(1,120)
Army Medical Research and Materiel Command	Univ of Tennessee	10.206	40040100	22000010	20,656
National Institutes of Health	Univ of Tennessee	12.420	50020301	22000010	(30,001)
National Institutes of Health	Univ of Tennessee	93.395	64000000	22000010	(13,180)
National Science Foundation	Univ of Tennessee	93.849	64000000	22000010	108,228
National Science Foundation Div of Undergraduate Education	Univ of California	47.049	35000000	22000011	76,121
Office of Naval Research	Univ of California	47.076	35000605	22000011	53,545
Office of Naval Research	Univ of California	12.300	50040300	22000011	68,708
US Department of Energy	Univ of California	12.800	50040300	22000011	17,918
US Department of Energy	Univ of California	81.121	55000000	22000011	12,978

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Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
US Department of Energy	Univ of California	81.55000000	55000000	22000011	\$ 134,073
US Department of Energy	Indiana University	81.049	55000000	22000012	259,812
National Cancer Institute	Indiana University	93.396	64000002	22000012	6,774
National Institute of Allergy and Infectious Diseases	Indiana University	93.855	64000004	22000012	590
National Science Foundation	Univ of California-Davis	47.070	35000000	22000013	60,781
US Department of Agriculture	Univ of California-Davis	10.206	40000000	22000013	53,323
Institute of Education Sciences	Univ of Chicago	84.305	33020000	22000018	67,717
National Institutes of Health	Univ of Chicago	93.395	64000000	22000018	62,589
National Cancer Institute	Univ of Chicago	93.394	64000002	22000018	195,327
National Cancer Institute	Univ of Chicago	93.395	64000002	22000018	984,852
National Cancer Institute	Univ of Chicago	93.399	64000002	22000018	196,231
National Institute of Allergy and Infectious Diseases	Univ of Chicago	93.64000002	64000002	22000018	71
National Institute on Aging	Univ of Chicago	93.856	64000004	22000018	655,353
Cooperative State Research, Education, and Extension Service	Univ of Chicago	93.866	64000015	22000018	28,268
Agency for International Development	George Mason University	10.40040100	40040100	22000019	(47)
Agency for International Development	Virginia Polytechnic Inst	98.001	30300100	22000023	116,108
National Science Foundation Div of Biological Instrumentation & Resources	Virginia Polytechnic Inst	98.30300100	30300100	22000023	134,009
National Institute of Arthritis and Musculoskeletal and Skin Diseases	Virginia Polytechnic Inst	47.074	35000101	22000023	101,623
National Heart, Lung, and Blood Institute	Virginia Polytechnic Inst	93.846	64000019	22000023	169,510
US Army Aviation Applied Technology Directorate	George Washington University	93.64000003	64000003	22000025	(891)
Office of Naval Research	Pennsylvania State University	COOP agmnt	50020218	22000030	103,083
US Department of Energy	Pennsylvania State University	12.300	50040300	22000030	67,296
National Institute of Allergy and Infectious Diseases	Pennsylvania State University	81.114	55000000	22000030	148,489
National Human Genome Research Institute	Pennsylvania State University	93.856	64000004	22000030	64,042
US Department of Energy	Pennsylvania State University	93.172	64000026	22000030	2,406
National Cancer Institute	West Virginia University	81.55000000	55000000	22000032	61,420
National Heart, Lung, and Blood Institute	Wayne State University	93.64000002	64000002	22000034	125,846
Centers for Disease Control and Prevention	Univ of Pittsburgh	93.837	64000000	22000036	21,814
National Oceanic & Atmospheric Administration	Univ of Pittsburgh	93.849	64000003	22000036	67,960
National Institute of Allergy and Infectious Diseases	Univ of Pittsburgh	93.66000000	66000000	22000036	(448)
National Science Foundation Div of Biological Instrumentation & Resources	Univ of Alaska	11.432	42020000	22000037	(4)
US Department of Agriculture	Northwestern University	93.846	64000019	22000041	26,084
US Department of Agriculture	Michigan State University	47.074	35000101	22000044	162,703
US Department of Agriculture	Michigan State University	10.200	40000000	22000044	66,050
US Department of Agriculture	Michigan State University	10.206	40000000	22000044	27,015
US Department of Agriculture	Michigan State University	10.303	40000000	22000044	38,137
Cooperative State Research, Education, and Extension Service	Michigan State University	10.500	40000000	22000044	3,036
Cooperative State Research, Education, and Extension Service	Michigan State University	10.200	40040100	22000044	(60)
Cooperative State Research, Education, and Extension Service	Michigan State University	10.206	40040100	22000044	22,051
Cooperative State Research, Education, and Extension Service	Michigan State University	10.303	40040100	22000044	53,141
US Department of Agriculture	Michigan State University	10.304	40040100	22000044	130,562
US Department of Agriculture	Iowa State University	10.206	40000000	22000047	57

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Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
US Department of Agriculture	Iowa State University	10.224	40000000	22000047	\$ (6,089)
Cooperative State Research, Education, and Extension Service	Iowa State University	10.200	40040100	22000047	84,520
US Department of Agriculture	Univ of Maine at Orono	10.200	40000000	22000048	(1,002)
Cooperative State Research, Education, and Extension Service	Univ of Maine at Orono	10.200	40040100	22000048	1,248
Centers for Disease Control and Prevention	Univ of Maine at Orono	93.283	66000000	22000048	(168)
National Science Foundation Directorate for Biological Sciences	Miami University	47.074	35000100	22000049	(76)
National Science Foundation Div of Integrative Organismal Biology	Miami University	47.074	35000102	22000049	105,026
USDA Agricultural Research Service	Miami University	10.206	40040200	22000049	38,499
National Science Foundation	Miami University	47.041	35000000	22000051	17,493
United States Air Force	Carnegie-Mellon University	12.50010000	50010000	22000051	82,931
US Department of Energy	Carnegie-Mellon University	81.121	55000000	22000053	24,756
Jet Propulsion Lab	Texas A & M University	43.002	33000303	22000054	52,396
Jet Propulsion Lab	California Inst of Technology	43.33000303	33000303	22000054	103,239
Office of Naval Research	California Inst of Technology	12.300	50040300	22000054	(154)
Cooperative State Research, Education, and Extension Service	California Inst of Technology	10.200	40040100	22000055	20,738
National Cancer Institute	Southern Illinois University	93.846	64000002	22000056	46,114
National Institute of Dental and Craniofacial Research	Univ of New Mexico	93.121	64000012	22000056	11,371
National Institute on Alcohol Abuse and Alcoholism	Univ of New Mexico	93.279	64000023	22000056	85,172
US Department of Agriculture	Kansas State University	10.200	40000000	22000062	21,264
National Science Foundation	Univ of Minnesota	47.070	35000000	22000067	5,741
National Science Foundation Div of Research, Evaluation & Communication	Univ of Minnesota	47.076	35000612	22000067	2,311
Cooperative State Research, Education, and Extension Service	Univ of Minnesota	10.200	40040100	22000067	9,313
Cooperative State Research, Education, and Extension Service	Univ of Minnesota	10.303	40040100	22000067	7,470
Office of Vocational and Adult Education Programs	Univ of Minnesota	84.051	53060000	22000067	91,335
National Institutes of Health	Univ of Minnesota	93.837	64000000	22000067	21,408
National Cancer Institute	Univ of Minnesota	93.395	64000002	22000067	2,936
National Institute of Allergy and Infectious Diseases	Univ of Minnesota	93.856	64000004	22000067	23,413
National Institute of Diabetes and Digestive and Kidney Diseases	Univ of Minnesota	93.849	64000005	22000067	21,776
National Institute of Neurological Disorders and Stroke	Univ of Minnesota	93.853	64000008	22000067	(620)
National Science Foundation Div of Integrative Organismal Biology	Univ of Missouri	47.074	35000102	22000073	116,440
National Science Foundation Div of Environmental Biology	Univ of Missouri	47.074	35000104	22000073	(250)
Cooperative State Research, Education, and Extension Service	Univ of Missouri	10.206	40040100	22000073	41,251
National Institute of General Medical Sciences	Univ of Missouri	93.859	64000007	22000073	19,530
National Science Foundation Div of Integrative Organismal Biology	Univ of Cincinnati	47.074	35000102	22000074	6,420
Health Resources and Services Administration	Univ of Cincinnati	93.877	65000000	22000074	65,007
Office of Naval Research	Univ of Connecticut	12.300	50040300	22000076	39,910
US Department of Energy	Univ of Connecticut	81.089	55000000	22000076	13,219
National Endowment for the Humanities	Cornell University	45.146	34000100	22000081	5,590
US Department of Agriculture	Cornell University	10.200	40000000	22000081	(1,153)
Cooperative State Research, Education, and Extension Service	Cornell University	10.200	40040100	22000081	22,086
National Institute of Allergy and Infectious Diseases	Cornell University	93.855	64000004	22000081	16,451
Agency for International Development	Univ of Nebraska	98.30300100	30300100	22000085	52,122

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Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
National Science Foundation Office of Polar Programs	Univ of Nebraska	47.078	35000404	22000085	\$ 341,943
US Department of Agriculture	Univ of Nebraska	10.200	40000000	22000085	27,951
US Department of Agriculture	Univ of Nebraska	10.40000000	40000000	22000085	(10,183)
Cooperative State Research, Education, and Extension Service	Univ of Nebraska	10.200	40040100	22000085	127,137
National Institute for Occupational Safety and Health	Univ of Nebraska	93.262	66000001	22000085	15,596
US Department of Education	Wright State University	84.53000000	53000000	22000087	114,739
Army Corps of Engineers	Louisiana State University	12.50020100	50020100	22000091	(972)
National Cancer Institute	Duke University	93.935	64000002	22000094	996
National Heart, Lung, and Blood Institute	Duke University	93.64000003	64000003	22000094	60,901
National Heart, Lung, and Blood Institute	Duke University	93.837	64000003	22000094	8,799
National Institute on Aging	Duke University	93.64000015	64000015	22000094	2,298
National Institute of Mental Health	Duke University	93.64000021	64000021	22000094	23,193
National Science Foundation Div of Atmospheric Sciences	Washington State University	47.050	35000401	22000096	(114)
Agency for International Development	Oregon State University	10.965	30300100	22000103	66,206
National Institutes of Health	Univ of Florida	93.853	64000000	22000108	3,778
National Heart, Lung, and Blood Institute	Univ of Florida	93.837	64000003	22000108	71,436
National Eye Institute	Univ of Florida	93.867	64000011	22000108	11,050
National Science Foundation	Arizona State University	47.049	35000000	22000109	28,692
US Department of Energy	Arizona State University	81.087	55000000	22000109	63,943
Cooperative State Research, Education, and Extension Service	Colorado State University	10.217	40040100	22000110	5,759
Cooperative State Research, Education, and Extension Service	Colorado State University	10.303	40040100	22000110	37,196
US Department of Defense	New Mexico Institute of Mining & Technology	12.50000000	50000000	22000114	20,151
National Science Foundation	Univ of Maryland	47.074	35000000	22000120	98,346
Cooperative State Research, Education, and Extension Service	Univ of Maryland	10.206	40040100	22000120	249,498
USDA Extension Service	Univ of Maryland	10.206	40140000	22000120	61,656
US Department of Defense	Univ of Maryland	12.50000000	50000000	22000120	47,504
Office of Naval Research	Univ of Maryland	12.300	50040300	22000120	60,216
National Cancer Institute	Univ of Maryland	12.300	64000002	22000120	(30,801)
National Cancer Institute	Univ of Maryland	93.399	64000002	22000123	(37,537)
Air Force Office of Scientific Research	Univ of North Texas	12.800	50010105	22000124	58,014
National Science Foundation Div of Integrative Organismal Biology	Denison University	47.074	35000102	22000128	45,661
National Science Foundation	Ohio University	47.074	35000000	22000130	(7,525)
US Department of Education	Ohio University	84.002	53000000	22000130	(129)
National Institute of Child Health and Human Development	Ohio University	93.865	64000006	22000130	38,409
National Institute on Drug Abuse	Ohio University	93.279	64000022	22000130	(1,141)
United States Navy	Johns Hopkins University	12.50040000	50040000	22000133	13,324
National Institutes of Health	Johns Hopkins University	93.242	64000000	22000133	16,059
National Heart, Lung, and Blood Institute	Johns Hopkins University	93.837	64000003	22000133	381,039
National Institute of Child Health and Human Development	Johns Hopkins University	93.864	64000006	22000135	18,846
National Science Foundation Div of Biological Instrumentation & Resources	Columbia University	47.074	35000101	22000136	(575)
National Science Foundation Div of Biological Infrastructure	North Carolina State University	47.074	35000107	22000136	117,252
National Science Foundation Div of Materials Research	North Carolina State University	47.074	35000504	22000136	16,611

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
US Department of Agriculture	North Carolina State University	10.303	40000000	22000136	\$ (1,675)
US Department of Agriculture	North Carolina State University	10.500	40000000	22000136	34,339
Cooperative State Research, Education, and Extension Service	North Carolina State University	10.206	40040100	22000136	24,513
Environmental Protection Agency	Univ of Delaware	66.500	32000000	22000138	(1,204)
National Science Foundation Div of Biological Instrumentation & Resources	Univ of Delaware	47.074	35000101	22000138	137,116
United States Army	Stanford University	12.431	50020000	22000142	17,605
National Science Foundation	Univ of Kentucky	47.070	35000000	22000143	146,948
Cooperative State Research, Education, and Extension Service	Univ of Kentucky	10.200	40040100	22000143	476
National Cancer Institute	Univ of Kentucky	93.399	64000002	22000143	(4,329)
National Park Service	Univ of Georgia	10.000	72070000	22000144	37,513
National Institute of Neurological Disorders and Stroke	Univ of Utah	93.64000008	64000008	22000145	(7,350)
National Science Foundation Div of Mathematical Sciences	Univ of North Carolina	47.049	35000501	22000146	20,000
National Cancer Institute	Univ of North Carolina	93.393	64000002	22000146	4,029
National Cancer Institute	Univ of North Carolina	93.399	64000002	22000146	1,077
National Heart, Lung, and Blood Institute	Univ of North Carolina	93.837	64000003	22000146	56,435
National Institute of Allergy and Infectious Diseases	Univ of North Carolina	93.855	64000004	22000146	199,660
National Institute of General Medical Sciences	Univ of North Carolina	93.859	64000007	22000146	112,378
National Cancer Institute	Harvard University	93.393	64000002	22000169	(15,863)
National Heart, Lung, and Blood Institute	Harvard University	93.837	64000003	22000169	4,641
National Science Foundation Div of Info Robotics & Intelligent Systems	Georgia Inst of Technology	47.070	35000203	22000189	98,694
United States Army	Univ of Rochester	12.420	50020000	22000193	(3,643)
US Department of Energy	Univ of Rochester	81.55000000	55000000	22000193	198,707
National Institutes of Health	Univ of Rochester	93.172	64000000	22000193	5,347
National Heart, Lung, and Blood Institute	Univ of Rochester	93.837	64000003	22000193	550
National Institute of Neurological Disorders and Stroke	Univ of Rochester	93.853	64000008	22000193	(22)
National Eye Institute	Univ of Pennsylvania	93.867	64000011	22000195	85,492
Cooperative State Research, Education, and Extension Service	Mississippi State University	10.206	40040100	22000196	67,412
Cooperative State Research, Education, and Extension Service	Mississippi State University	10.500	40040100	22000196	7,873
US Department of Defense	Mississippi State University	12.50000000	50000000	22000196	2,973,246
US Department of Labor	Mississippi State University	17.261	76000000	22000196	3,612
National Science Foundation	Loram County Community College	47.076	35000000	22000199	5,288
Air Force Office of Scientific Research	Univ of Virginia	12.630	50010105	22000203	629
Air Force Research Laboratory	Univ of Southern California	12.300	50010126	22000206	22,500
National Cancer Institute	Univ of Southern California	93.393	64000002	22000206	(1,358)
National Institute of Child Health and Human Development	Univ of Alabama at Birmingham	93.865	64000006	22000207	79,447
National Institute of General Medical Sciences	Univ of Alabama at Birmingham	93.859	64000007	22000207	264,401
National Institute of Neurological Disorders and Stroke	Univ of Alabama at Birmingham	93.853	64000008	22000207	44
National Cancer Institute	Washington University	93.393	64000002	22000209	35,368
National Cancer Institute	Washington University	93.64000002	64000002	22000209	143,770
National Eye Institute	Washington University	93.867	64000011	22000209	17,562
National Cancer Institute	Medical University of Ohio	93.64000002	64000002	22000210	(339)
National Science Foundation	Univ of Washington	47.041	35000000	22000212	163

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
US Department of Energy	Univ of Washington	81.049	55000000	22000212	\$ 35,565
National Institutes of Health	Univ of Washington	93.279	64000000	22000212	37,600
National Institutes of Health	Univ of Washington	93.846	64000000	22000212	2,625
National Institute of Child Health and Human Development	Univ of Washington	93.846	64000006	22000212	455,975
US Department of Energy	Michigan Technological University	81.049	55000000	22000214	21,710
National Science Foundation	Univ of Kansas	47.078	35000000	22000219	531,209
US Department of Agriculture	Univ of Vermont	10.217	40000000	22000224	1,828
United States Air Force	Mass Institute Technology-Lincoln Lab	12.50010000	50010000	22000228	1,063
Environmental Protection Agency	Case Western Reserve University	66.500	32000000	22000238	(153)
US Department of Energy	Case Western Reserve University	81.000	55000000	22000238	204,310
National Cancer Institute	Case Western Reserve University	93.393	64000002	22000238	49,561
National Heart, Lung, and Blood Institute	Case Western Reserve University	93.64000003	64000003	22000238	698,016
National Heart, Lung, and Blood Institute	Case Western Reserve University	93.839	64000003	22000238	3,747
Health Resources and Services Administration	Case Western Reserve University	93.211	65000000	22000238	(22,165)
Cooperative State Research, Education, and Extension Service	Case Western Reserve University	10.206	40040100	22000239	50,535
National Institute on Aging	Univ of Arkansas	93.856	64000015	22000239	138,074
Goddard Space Flight Center	Univ at Buffalo	43.002	330000301	22000240	15,691
National Institute of Child Health and Human Development	Eastern Virginia Medical School	93.64000006	64000006	22000243	37,468
National Aeronautics and Space Administration	Georgia Tech Research Institute	43.000	33000000	22000245	(2,172)
John Glenn Research Center-Lewis Field	Georgia Tech Research Institute	43.001	33000104	22000245	451,856
National Science Foundation	Drexel University	47.35000000	35000000	22000246	(1,242)
US Department of Education	Oregon Health Sciences University	84.133	55000000	22000252	(150)
National Institute of Neurological Disorders and Stroke	Oregon Health Sciences University	93.64000008	64000008	22000252	14,337
US Department of Agriculture	South Dakota State University	10.200	40000000	22000262	8,830
Air Force Office of Scientific Research	North Dakota State University	12.630	50010105	22000263	49,498
Air Force Office of Scientific Research	North Dakota State University	12.800	50010105	22000263	73,326
National Science Foundation Directorate for Computer & Info Sciences & Eng	North Dakota State University	47.070	35000200	22000266	11,196
National Science Foundation	Auburn University	47.049	35000000	22000269	53,082
National Science Foundation Directorate Mathematical & Physical Sciences	Univ of California at Los Angeles	47.049	35000500	22000269	89,642
National Institute of Diabetes and Digestive and Kidney Diseases	Univ of California at Los Angeles	93.848	64000005	22000269	216,072
National Institute of General Medical Sciences	Univ of California at Los Angeles	93.859	64000007	22000269	67,032
National Aeronautics and Space Administration	Research Corp of the University of Hawaii	43.33000000	33000000	22000271	103,330
Cooperative State Research, Education, and Extension Service	Univ of Massachusetts - Amherst	10.303	40040100	22000274	(17)
National Heart, Lung, and Blood Institute	Wake Forest University	93.64000003	64000003	22000286	32,841
National Institute of Child Health and Human Development	Wake Forest University	93.929	64000006	22000286	(369)
National Institute on Aging	Wake Forest University	93.64000015	64000015	22000286	43,824
National Cancer Institute	Univ of California at San Diego	10.212	64000002	22000288	185
National Cancer Institute	Univ of California at San Diego	93.395	64000002	22000288	721,992
National Cancer Institute	Univ of California at San Diego	93.64000002	64000002	22000288	(4,877)
National Institute on Aging	Univ of California at San Diego	93.866	64000015	22000288	104,482
National Institutes of Health	Emory University	93.855	64000000	22000295	26,558
National Heart, Lung, and Blood Institute	Univ of Louisville	93.837	64000003	22000299	95,996

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
Cooperative State Research, Education, and Extension Service	East Carolina University	10.303	40040100	22000304	\$ 9,064
National Aeronautics and Space Administration Headquarters	Univ of Alabama at Tuscaloosa	43.002	33000105	22000305	9,480
Defense Advanced Research Projects Agency	Oklahoma State University	12.910	50060000	22000313	(1,050)
National Institutes of Health	Univ of Texas SW Medical Center at Dallas	93.853	64000000	22000316	7,496
National Institute of General Medical Sciences	Univ of California San Francisco	93.859	64000007	22000317	149,590
National Institute of Arthritis and Musculoskeletal and Skin Diseases	Univ of California San Francisco	93.846	64000019	22000317	18,289
US Department of Education	Pennsylvania College of Optometry	84.325	53000000	22000322	32,185
National Institutes of Health	Univ of Memphis	93.121	64000000	22000325	(1,377)
National Center for Research Resources	Univ of Texas Medical Branch at Galvestn	93.389	64000010	22000327	25,869
National Institutes of Health	Univ of Texas Health Science Center - San Antonio	93.856	64000000	22000330	100
National Institute of Allergy and Infectious Diseases	Univ of Texas Health Science Center - San Antonio	93.64000004	64000004	22000330	(828)
National Institute of Neurological Disorders and Stroke	Univ of Texas Health Science Center - San Antonio	93.853	64000008	22000330	10,511
National Institutes of Health	Yeshiva University	93.64000000	64000000	22000331	1,583
National Science Foundation Office of Polar Programs	Northern Illinois University	47.078	35000404	22000333	63,993
National Institutes of Health	The Univ of Texas at San Antonio	93.856	64000000	22000348	835
National Institute of Allergy and Infectious Diseases	The Univ of Texas at San Antonio	93.856	64000004	22000348	(17,858)
US Department of Energy	Worcester Polytechnic Institute	81.086	55000000	22000351	(1,094)
US Department of Energy	Thomas Jefferson University	81.049	55000000	22010026	65,512
National Cancer Institute	Thomas Jefferson University	93.396	64000002	22010026	302,165
National Institute of Allergy and Infectious Diseases	Mount Sinai School of Medicine	93.64000004	64000004	22010031	80,975
US Department of Defense	Indiana Univ-Purdue Univ Indianapolis	12.420	50000000	22010034	63,510
US Department of Energy	South Carolina State University	81.114	55000000	22010036	115,358
National Oceanic & Atmospheric Administration	Appalachian State University	11.433	42020000	22010042	14,430
National Science Foundation Directorate for Education & Human Resources	Carleton College	47.076	35000600	22010044	8,605
Environmental Protection Agency	Morgan State University	66.32000000	32000000	22010050	6,211
US Department of Agriculture	Morgan State University	10.40000000	40000000	22010050	2,911
US Department of Education	Columbus Public Schools	84.336	53000000	24000022	429,104
Office of Elementary and Secondary Education	Columbus Public Schools	84.53030000	53030000	24000022	(26)
US Department of Education	Florida Department of Education	84.53000000	53000000	24000215	853,091
US Department of Justice	City of Columbus	16.710	74000000	24000306	25,651
US Department of Education	Livingston Educational Service Agency	84.027	53000000	24000465	165,626
Environmental Protection Agency	Miami Conservancy District	66.439	32000000	24000476	31,988
Centers for Disease Control and Prevention	Cleveland Department of Public Health	93.945	66000000	24000482	68,781
US Department of Education	Marquette-Alger Regional Educational Service Agency	84.53000000	53000000	24000483	(1,480)
US Department of Labor	Ohio Governor's Council On People with Disabilities	17.76000000	76000000	26000002	4,644
Army Corps of Engineers	Ohio Dept of Transportation	12.50020100	50020100	26010000	(3,134)
US Department of Transportation	Ohio Dept of Transportation	84.133	82000000	26010000	72,342
Federal Highway Administration	Ohio Dept of Transportation	20.200	82010000	26010000	65,401
Federal Highway Administration	Ohio Dept of Transportation	20.205	82010000	26010000	6,068
US Department of Education	Ohio Board of Regents	84.215	53000000	26060000	293,578
US Department of Education	Ohio Board of Regents	84.53000000	53000000	26060000	69,546
Office of Elementary and Secondary Education	Ohio Board of Regents	84.367	53030000	26060000	57

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency Sponsor	Pass-Through Sponsor	CFDA No.	Sponsor ID	Pass-Through ID No.	Expenditures
Office of Postsecondary Education	Ohio Board of Regents	84.53040000	53040000	26060000	\$ 123,223
Health Resources and Services Administration	Ohio Board of Regents	93.65000000	65000000	26060000	210,807
US Department of Education	Ohio Dept of Education	84.048	53000000	26080000	4,029
US Department of Education	Ohio Dept of Education	84.53000000	53000000	26080000	236,735
Office of Vocational and Adult Education Programs	Ohio Dept of Education	84.53060000	53060000	26080000	39,933
US Department of Health & Human Services	Ohio Dept of Education	84.298	60000000	26080000	13,975
US Department of Education	Ohio Division of Career Technical & Adult Education	84.002	53000000	26080100	260,249
US Department of Education	Ohio Division of Career Technical & Adult Education	84.048	53000000	26080100	1,044,504
US Department of Education	Ohio Division of Career Technical & Adult Education	84.243	53000000	26080100	160,606
US Department of Education	Ohio Division of Career Technical & Adult Education	84.53000000	53000000	26080100	2
Office of Vocational and Adult Education Programs	Ohio Division of Career Technical & Adult Education	84.002	53060000	26080100	(20)
Office of Vocational and Adult Education Programs	Ohio Division of Career Technical & Adult Education	84.048	53060000	26080100	(56)
US Department of Education	Ohio Office of Exceptional Children	84.027	53000000	26080300	881,873
Administration for Children and Families	Ohio Division of Early Childhood Education	93.600	67000000	26080800	(77)
US Department of Health & Human Services	Ohio Dept of Health	93.994	60000000	26090000	(1,593)
Centers for Disease Control and Prevention	Ohio Dept of Health	93.283	66000000	26090000	198,151
US Fish and Wildlife Service	Ohio Division of Wildlife	15.605	72030000	26110100	1,439,599
US Fish and Wildlife Service	Ohio Division of Wildlife	15.611	72030000	26110100	207,253
US Fish and Wildlife Service	Ohio Division of Wildlife	15.647	72030000	26110100	1,667
US Department of Justice	Office of Criminal Justice Services	16.579	74000000	26140401	(21)
Environmental Protection Agency	Ohio Environ Protection Agency	66.460	32000000	26340000	75,020
US Department of Transportation	Ohio Dept of Public Safety	20.100	82000000	26400000	(42)
USDA Extension Service	Ohio Dept of Job & Family Services	10.561	40140000	26630000	(1,178)
Administration for Children and Families	Ohio Dept of Job & Family Services	93.575	67000000	26630000	4,113
National Aeronautics and Space Administration Headquarters	Smithsonian Astrophysical Observatory	43.33000105	33000105	30060200	38,500
National Aeronautics and Space Administration Headquarters	Jet Propulsion Lab	43.002	33000105	33000303	89,259
Cooperative State Research, Education, and Extension Service	Animal and Plant Health Inspection Service	10.025	40040100	40070000	12,486
US Department of Energy	Los Alamos National Laboratory	81.55000000	55000000	55050000	33,133
US Department of Energy	Oak Ridge National Laboratory	81.55000000	55000000	55110000	54,248
US Department of State	Bureau of Educational and Cultural Affairs	19.406	80000000	80020100	36,944

Subtotal pass-through from other sources

45,059,922

Total Research and Development Cluster

284,302,301

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency Sponsor	CFDA No.	Sponsor ID	Expenditures
Student Financial Aid Cluster:			
U.S. Department of Education:			
Supplemental Educational Opportunity Grants	84.007	P007A073341	\$ 1,237,112
College Workstudy Program	84.033	P007A073341	3,934,617
Federal Direct Student Loan	84.268	N/A	407,033
Pell Grant Program	84.063	P063P070343	27,202,453
Academic Competitiveness Grant	84.375	P375A070343	<u>1,248,562</u>
Total U.S. Department of Education			34,029,777
U.S. Department of Health and Human Services — National Math and Science	84.376	P376S070343	976,085
U.S. Department of Health and Human Services — SDS Award	93.925	6084209-03	<u>182,847</u>
Total Student Financial Aid Cluster			<u>35,188,709</u>
Other Programs:			
Funds Received Directly From the Following Federal Agencies:			
USDA — Cooperative Support Agreement	10.000		(171)
USDA — Grants For Agric Rsrch, Spec Rsrch Grants	10.200		189,845
USDA — Cooperative Forestry Research	10.202		462,355
USDA — Payments to Agricultural Experiment Stations Under the Hatch Act	10.203		6,031,905
USDA — Animal Health and Disease Research	10.207		49,235
USDA — Education and Human Resources	10.303		(4,012)
USDA — Technical Assistance and Training	10.436		2,014
USDA — Cooperative Extension Service	10.500		11,093,017
USDA — Child and Adult Care Food Program	10.558		91,902
USDA — Forestry Research	10.652		14,138
DC — Census Customer Services	10.962		3,203
DC — Census Customer Services	11.002		(4,994)
DC — Public Telecommunications Facilities	11.550		490,811
HUD — Community Development Block Grant	14.246		1,060,247
NSF — Education and Human Resources	27.011		600
USDA — Integrated Programs	47.076		2,775
VA — Veteran's Outpatient Care	64.011		4,817
DOE — Miscellaneous Federal Assistance Actions (The Ohio Supercomputer Center)	81.502		<u>1,688,302</u>

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency Sponsor	CFDA No.	Sponsor ID	Expenditures
USDE — Javits Fellowships	84.170		\$ 27,066
USDE — Fund for the Improvement of Education	84.215		265,733
USDE — Ready to Learn Television	84.295		28,550
USDE — Child Care Means Prints in School	84.335		86,854
DHHS—Temporary Assistance for Needy Families	93.558		128,900
DHHS — Social Services Block Grant	93.667		313,885
DHHS — Specially Selected Health Projects	93.888		711,812
USDE — Student Research Abroad	84.022A		4,809
USDE — Trio: Student Support Services	84.042A		250
Goddard Space Flight Center	43.001	33000301	35,760
National Endowment for the Humanities	45.163	34000100	109,049
National Science Foundation Div of Elementary, Secondary & Informal Educ	47.076	35000607	204
National Science Foundation Div of Social, Behavioral & Economic Research	47.075	35000801	90,049
USDA Forest Service	10.025	40020000	14,773
Cooperative State Research, Education, and Extension Service	10.220	40040100	(54)
Cooperative State Research, Education, and Extension Service	10.500	40040100	139,284
Natural Resources Conservation Service	10.912	40060000	4,498
USDA Rural Development	10.40190000	40190000	1,026
USDA Rural Development	10.771	40190000	39,446
Defense Contracting Command	12.50180000	50180000	(422)
US Department of Education	84.53000000	53000000	372,673
Office of Elementary and Secondary Education	84.149	53030000	214,815
Office of Postsecondary Education	84.016	53040000	57,623
Office of Special Education and Rehabilitative Services	84.53040000	53040000	674,310
Office of Vocational and Adult Education Programs	84.53050000	53050000	8,091
US Department of Energy	84.051	53060000	541,044
Substance Abuse & Mental Health Services Administration	81.087	55000000	980,203
Health Resources and Services Administration	93.243	60041400	123,629
Health Resources and Services Administration	93.359	65000000	3,906
Administration on Children, Youth and Families	93.884	65000000	72,022
US Fish and Wildlife Service	93.600	67000100	(115)
US Department of Justice	15.617	72030000	10,422
US Department of Justice	16.525	74000000	61,601
Subtotal funds received from Federal agencies			<u>61,486,394</u>

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency Sponsor	Pass-Through Sponsor	CFDA Number	Sponsor I.D. Number	Pass-Through I.D. Number	2007 Expenditures
Pass-through from other programs:					
Defense Advanced Research Projects Agency	Northrop Grumman Corp	12.50060000	50060000	10011657	\$ 183,462
Defense Advanced Research Projects Agency	Raytheon Co	12.50060000	50060000	10011847	286,433
US Department of Health & Human Services	Elizabeth's New Life Center	93.086	60000000	10020186	1,591
Health Resources and Services Administration	Childrens Research Institute (Columbus)	93.153	65000000	20010182	73,279
National Endowment for the Arts	Hearland Arts Fund	45.025	340000200	20012068	4,200
Small Business Administration	Ohio Business Dev Org	59.037	30140000	20020062	23,120
US Department of Education	Columbus Chamber of Commerce	84.116	53000000	20020068	2,525
National Endowment for the Arts	Arts Midwest	45.025	340000200	20020844	4,300
Cooperative State Research, Education, and Extension Service	American Distance Education Consortium	10.500	40040100	20021544	9,022
Cooperative State Research, Education, and Extension Service	New Agrarian Center	10.225	40040100	20021627	24,414
Health Resources and Services Administration	Univ of Pittsburgh	93.249	65000000	22000036	130,970
Health Resources and Services Administration	Univ of Pittsburgh	93.145	65000000	22000036	206,768
US Department of Agriculture	Michigan State University	10.303	40000000	22000044	22,890
Cooperative State Research, Education, and Extension Service	Michigan State Univ	10.200	40040100	22000044	5,008
Cooperative State Research, Education, and Extension Service	Kansas State Univ	10.500	40040100	22000062	64,890
Office of Vocational and Adult Education Programs	Univ of Minnesota	84.53060000	53060000	22000067	41,152
US Department of Agriculture	Univ of Nebraska	10.500	40000000	22000085	4,201
Cooperative State Research, Education, and Extension Service	Univ of Nebraska	10.500	40040100	22000085	31,579
USDA Agricultural Research Service	Univ of Nebraska	10.500	40040200	22000085	16,248
National Cancer Institute	Univ of Kentucky	93.393	64000002	22000143	276,906
National Science Foundation	Boston University	47.070	35000000	22000182	37,045
United States Army	Auburn University	12.50020000	50020000	2200266	35,848
US Department of Education	Ohio Board of Regents	84.53000000	53000000	26060000	186,285
US Department of Education	Ohio Dept of Education	84.366	53000000	26080000	5,296
US Department of Education	Ohio Dept of Education	84.330	53000000	26080000	479,216
US Department of Education	Ohio Division of Career Technical & Adult Education	84.243	53000000	26080100	(449)
US Department of Education	Ohio Division of Career Technical & Adult Education	84.048	53000000	26080100	(82)
US Department of Education	Ohio Division of Career Technical & Adult Education	84.002	53000000	26080100	28,134
US Department of Education	Ohio Office of Exceptional Children	84.027	53000000	26080300	66,634
Health Resources and Services Administration	Ohio Dept of Health	93.889	65000000	26090000	353,969
US Department of Education	Ohio Rehabilitation Services Commission	84.126	53000000	26120000	93,358
Small Business Administration	Ohio Department of Development	59.017	30140000	26140000	98,840
National Endowment for the Humanities	Ohio Humanities Council	45.129	340000100	26290000	7,194
US Department of Health & Human Services	Ohio Dept of Mental Health	93.958	60000000	26420000	371,506
Substance Abuse & Mental Health Services Administration	Ohio Dept of Mental Health	93.958	60041400	26420000	22,812
US Department of Health & Human Services	Ohio Dept Alcohol & Drug Addiction Services	93.959	60000000	26530000	25,274
US Department of Health & Human Services	Ohio Dept Job & Family Services	10.561	40000000	26530000	531,341
USDA Extension Service	Ohio Dept of Job & Family Services	10.561	40140000	26630000	(3,970)
Corporation for National and Community Service	Ohio Community Service Council	94.006	310400001	26650000	112,794
US Department of Agriculture	Ohio Department of Education	10.556			309

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THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency Sponsor	Pass-Through Sponsor	CFDA Number	Sponsor I.D. Number	Pass-Through I.D. Number	2007 Expenditures
US Department of Agriculture	Ohio Department of Education	10.559			\$ 36,270
US Department of Justice	Ohio Department of Youth Services	16.540			20,013
US Department of Justice	Ohio Department of Homeland Security	16.607			432
US Department of Labor	Ohio Department of Job and Family Services	17.260			841
National Foundation of the Arts and Humanities	State Library of Ohio	45.310			33,585
Environmental Protection Agency	Ohio Environmental Protection Agency	66.460			206,145
US Department of Education	Ohio Department of Education	84.027			10,000
US Department of Education	Ohio Department of Health	84.181			23,750
US Department of Education	Ohio Department of Education	84.243			44,040
US Department of Education	Ohio Board of Regents	84.342			90,000
US Department of Education	Ohio Board of Regents	84.367			57,452
US Department of Health and Human Services	Ohio Board of Regents	93.162			9,000
US Department of Health and Human Services	Ohio Department of Job and Family Services	93.243			100,000
US Department of Health and Human Services	Ohio Department of Job and Family Services	93.558			8
US Department of Health and Human Services	Ohio Department of Job and Family Services	93.645			49,521
US Department of Health and Human Services	Ohio Department of Job and Family Services	93.630			500
US Department of Health and Human Services	Ohio Department of Job and Family Services	93.658			32
US Department of Health and Human Services	Ohio Board of Regents	93.888			157,056
US Department of Health and Human Services	Ohio Department of Mental Health	93.958			633,520
Social Security Administration	Ohio Rehabilitation Services Commission	96.001			20
Department of Homeland Security	Ohio Department of Homeland Security	97.078			92,482
Subtotal pass-through from other programs					<u>5,428,979</u>
TOTAL FEDERAL AWARDS					<u>\$351,217,674</u>

(Concluded)

THE OHIO STATE UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The accompanying financial schedules include the accounts of the following entities:

The Ohio State University (the “University”) and its hospitals and clinics;
The Ohio State University Foundation, a not-for-profit organization operating exclusively for the benefit of the University;

Two separate statutory entities for which the University has special responsibility

- The Ohio Agricultural Research and Development Center
- The Ohio Supercomputer Center

Thirteen legally independent corporations engaged in activities related to the University

- The Ohio State University Research Foundation (the “Research Foundation”)
- The Ohio State University Student Loan Foundation, Inc.
- Transportation Research Center of Ohio, Inc.
- Campus Partners for Community Urban Redevelopment, Inc.
- University Affiliates, Inc.
- Reading Recovery and Early Literacy, Inc.
- Ohio State University Retirees Association
- OSU Managed Health Care Systems, Inc.
- The Ohio State University Physicians, Inc.
- UMC Partners
- Prologue Research International, Inc.
- Oval Limited
- Adria Kravinsky Foundation
- Dental Faculty Practice Association, Inc.

Such financial schedules have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America for state-assisted colleges and universities.

Subrecipient — Certain funds are passed through to subgrantee organizations by the University. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the schedule of expenditures of federal awards.

The University is also the subrecipient of federal funds which have been reported as expenditures and listed as federal pass-through funds.

2. NONCASH FEDERAL AWARDS

During the year ended June 30, 2007, the University did not receive nonmonetary assistance.

3. FEDERAL LOAN PROGRAMS ADMINISTERED

Total loan advances and disbursements for federal student financial assistance programs are identified below:

	Year Ended June 30, 2007
Perkins Loan Program	\$ 10,218,567
Health Professions Student Loans ("HPSL")	4,373,490
Nursing Student Loans ("NSL")	<u>499,163</u>
 Total	 <u>\$ 15,091,220</u>

The above expenditures include disbursements and expenditures such as loans to students and administrative expenditures. During the year ended June 30, 2007, the University disbursed \$284,949,086 in new loans under the William D. Ford Direct Loan Program (which includes Stafford Loans and Parents Loans for Undergraduate Students).

4. REIMBURSEMENT OF FACILITIES AND ADMINISTRATIVE COSTS

U.S. Office of Management and Budget ("OMB") Circular A-21 ("A-21"), *Costs Principles for Educational Institutions*, requires submission of a Certificate of Facilities and Administrative Costs (the "Certificate") to an institution's cognizant agency. The Certificate is prepared by the University and is used in negotiations with its cognizant agency, the Department of Health and Human Services ("DHHS"), in determining a rate at which the University and the Research Foundation will be reimbursed for the facilities and administrative costs associated with the completion of sponsored research.

The Research Foundation receives reimbursement of facilities and administrative costs as part of the granting agreement at either the rate negotiated with DHHS or at special rates negotiated with the granting agency. Facilities and administrative costs recovered by the Research Foundation are remitted to the University.

On April 26, 2006, DHHS approved facilities and administrative cost recovery rates effective from July 1, 2006 through June 30, 2009. The facilities and administrative cost rate structure, including the rates submitted within the Certificate, are as follows:

Rate Type	Submitted Within Certificate	Negotiated Rate
Organized Research:		
On-Campus—	55.3%	50.0%
Off-Campus	26.0%	26.0%
Instruction:		
On-Campus—	57.0%	49.5%
Off-Campus	26.0%	26.0%
Other Sponsored Activities:		
On-Campus—	40.1%	33.0%
Off-Campus—	26.0%	24.0%

Differences between the rates submitted in the Certificate and the rates negotiated with DHHS result from DHHS's review of the underlying support and assumptions used by the University in the preparation of the Certificate. Despite DHHS's approval, negotiated rates could be adjusted retroactively, and reimbursement to granting agencies could be required if costs identified as unallowable per A-21 were improperly included in amounts included in the Certificate.

* * * * *

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
The Ohio State University
Columbus, Ohio

We have audited the financial statements of The Ohio State University (the "University") as of and for the year ended June 30, 2007, and have issued our report thereon dated October 17, 2007, which included an emphasis of a matter paragraph related to the valuation of alternative investments. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-1, 07-2, 07-3, 07-4, 07-5, 07-6, and 07-7 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration on the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control

that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

COMPLIANCE AND OTHER MATTERS

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

We noted certain matters that we reported to management of the University in a separate letter dated October 17, 2007.

This report is intended solely for the information and use of the Board of Trustees and management of the University, federal awarding agencies, state funding agencies, pass-through entities, and the Auditor of State of Ohio and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte + Touche LLP

October 17, 2007

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees of
The Ohio State University
Columbus, Ohio

COMPLIANCE

We have audited the compliance of The Ohio State University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 07-2, 07-3, 07-8, 07-9, 07-10, 07-11, 07-12, 07-13, 07-14, and 07-15.

INTERNAL CONTROL OVER COMPLIANCE

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but

not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Our consideration on internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency is an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-2, 07-3, 07-8, 07-9, 07-11, and 07-12 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees and management of the University, federal awarding agencies, state funding agencies, pass-through entities, and the Auditor of State of Ohio and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

October 17, 2007

THE OHIO STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

PART I — SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the financial statements expressed an unqualified opinion.
2. Significant deficiencies in internal control over financial reporting were identified.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. Significant deficiencies in internal control over compliance with requirements applicable to major federal award programs were identified.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed findings required to be reported by Office of Management and Budget ("OMB") Circular A-133.
7. The major programs were the Research and Development Cluster, the Student Financial Aid Cluster, and the Payments to Agricultural Experiment Stations Under the Hatch Act (CFDA 10.203), which are included in the schedule of expenditures of federal awards.
8. A threshold of \$3,000,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Ohio State University (the "University") did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

PART II — FINANCIAL STATEMENT FINDINGS SECTION

07-1 Internal Controls in Decentralized Environment

Grantor — All

Sponsor Identification Number — All

Criteria — OMB Circular A-133 defines internal control as it relates to the compliance requirement of Federal Programs as "a process-effected by an entity's management and other personnel-designed to provide reasonable assurance regarding the achievement of the following objectives for Federal programs:

(1) Transactions are properly recorded and accounted for to: (i) Permit the preparation of reliable financial statements and Federal reports; (ii) Maintain accountability over assets; and (iii) Demonstrate compliance with laws, regulations, and other compliance requirements."

Finding — The University operates in a decentralized environment that enables each college or department to design their own business processes with general policy guidance.

Due to the variety of business practices across the University, implementation of central entity-wide monitoring controls that continually evaluate the effectiveness and sustainability of an appropriate internal control environment across the University is very challenging.

Effect — The difficulty in monitoring each college or department in a decentralized environment could lead to the improper design and implementation of internal control practices at the college or department level.

Questioned Cost — N/A

Recommendation — To develop controls sufficient in the decentralized operating environment of the University it is recommended that the University make continuous improvement to address these innate difficulties. The following components are considered necessary and should be continued, enhanced, or implemented toward this end.

- A formalized, required continual training program should be established for all personnel with fiscal responsibilities commensurate to level of responsibility. Trainings should be required in fraud detection and prevention, internal control, best practices, and policies and procedures as part of employee orientation to a new position and on an ongoing annual basis.
- Centralized monitoring control activities be established to ensure departments and colleges are continually operating in an appropriate and sustainable internal control environment.
- Consolidated monthly financial statements be prepared and analyzed. This would include a review of budget to actual and prior year at the consolidated financial statement level.
- Pursue standardization across the University where practicable. Also, review policies and procedures so that internal controls can be standardized and simplified to whatever extent possible across the University.
- Continue enhancement of the “sub-certification” process wherein departments perform a self assessment of internal control risks. Develop centralized policies relative to how to address and remediate control issues identified during the sub-certification process. Those departments with insufficient internal control structure should be placed on a remediation plan.
- Review internal control policies and procedures to ensure that all necessary COSO requirements are met for each business processing cycle, which encompasses both the decentralized controls requirements as well as central monitoring controls.

Views of Responsible Officials — We agree with the above recommendations and have consistently been working towards improving our control environment. We have completed the recommended senior fiscal officer training on internal controls, fraud, and best practices and work is underway to add those programs to our on-going training program. Centralized monitoring procedures are being implemented with the first procurement card review completed in fiscal year 2007 and additional review cycles scheduled for fiscal year 2008. The sub-certification process is completing its final assessment phase in October 2007 with formalized sub-certifications to be completed in June 2008 for all units. In addition, effective November 1, 2007, all senior fiscal officers will have a formalized reporting relationship to the chief financial officer, a change which will assist in our efforts to bring greater consistency to our decentralized operations.

Regarding the recommended comprehensive review, the audit committee and the senior vice president for business & finance have retained a consulting firm to review the university’s control environment and assess

operating controls and compliance. That final report is due in December 2007 and is expected to assist in identification of areas for standardization and process change.

Regarding the preparation of monthly consolidated financial statements, the controller's office has identified the preparation of interim financial statements as a goal in its five-year plan. The current process for compiling the consolidated financial statements is relatively labor-intensive. As such, implementation of this recommendation will require new/enhanced reporting tools. In addition, the controller's office plans to expand its use of the COSO framework to organize its risk assessment, internal control review, and central monitoring activities.

07-2 Payroll Controls

Grantor — All, except the Student Financial Aid Cluster

Sponsor Identification Number — All, except the Student Financial Aid Cluster

Criteria — OMB Circular A-133 defines internal control as it relates to the compliance requirement of Federal Programs as “a process-effected by an entity’s management and other personnel-designed to provide reasonable assurance regarding the achievement of the following objectives for Federal programs: (1) Transactions are properly recorded and accounted for to: (i) Permit the preparation of reliable financial statements and Federal reports; (ii) Maintain accountability over assets; and (iii) Demonstrate compliance with laws, regulations, and other compliance requirements.”

Observation — The University payroll internal control structure operates in a decentralized environment, with the majority of the responsibility surrounding the establishment and monitoring of the internal control environment residing at the individual college department. Central Payroll has established general procedures in the form of a checklist that each college or department is required to follow. The checklist identifies specific procedures that must be completed for each payroll distribution. It is designed to ensure that all payroll expenditures are valid, complete, disbursed to the correct individual, and reconciled to the PeopleSoft general ledger. This checklist was created in 2003 as a stop gap until a formal, comprehensive payroll procedures manual, which would include required mandatory payroll processing internal controls, was developed and rolled out by Central Payroll. This checklist has not been replaced by a formal payroll processing manual because a formal procedures manual has not been written.

During our testing, we noted the following:

- A comprehensive policies and procedures document has not been completed.
- During payroll testing, 50 items were selected for testing from different departments within the University. In evaluating the utilization of the checklist, “sign-offs” were required to be maintained in order for the department to have been considered as having evidence that they completed the checklist. Of these samples, 20 departments completed all steps of a version of the checklist, 19 departments completed some, but not all, steps on the checklist, and 11 departments did not utilize the payroll checklist, nor have alternative procedures or policies in place to accomplish the objectives on the checklist.
- Of the 25 samples that required a timesheet submission, 2 approved time sheets supporting the amount paid to the employee were not available.
- Of the 18 items selected, three applications for leave were not available.
- Segregation of duties is neither consistent nor enforced by the system for payroll control activities. Individuals have access to both enter and approve payroll data.

- There is no central review or monitoring process in place performed by Central Payroll to ensure the college or department is following the procedures iterated in the payroll checklist.
- Various functions (hire, job data, paycheck reprint, etc.) were analyzed for access. In 2007, 674 users with access to various functions were analyzed and 611 individuals had access that was inappropriate or not required to carryout their responsibilities at the University. In 2006, 1,381 users with access to various functions were analyzed and 655 individuals had access that was inappropriate or not required to carryout their responsibilities at the University.
- One hundred and twenty eight (128) user profiles were identified with having write access to both HR and Payroll functions causing segregation of duties conflicts. Additionally, fifty-eight (58) user profiles were identified with having access to modify employee personal and/or compensation data, create paysheets/paylines, run pay confirmation, and pay calculation. Currently, no regular reviews of access or segregation of duties are being performed.
- Row-Level Security has not been configured within the HRMS production environment due to the complexity of administering payroll with various appointment personnel within the University. Without configuring Row-Level Security, users with inappropriate access can view and modify data for all departments across the University. Row-Level Security is a security administration technique which when configured correctly, allows administrators to restrict access to sensitive information by allowing users to only have access to specific rows of table data based on a user's department.
- The payroll financial controls process design and monitoring is assigned to the Associate Vice President of the Office of Human Resources with a dotted line report to the University Controller.

Since the prior fiscal year, progress has been made in elevating the importance of this issue throughout the University. As such, it is apparent that departments are considerate of their part in ensuring proper control in the payroll process. Nonetheless, due to the items noted above there is still a need to enhance the processes and operating effectiveness of these imperative internal controls. A mitigating control was incorporated into the payroll process late in fiscal year 2007 wherein payroll personnel and amounts were certified by supervisors. This control entails each employee's supervisor assert that the employee works for the University, the employee is under their report, and that the pay of that individual is reasonable.

Effect — The inconsistent internal control structure could lead to the misuse of federal funds.

Questioned Cost — N/A

Recommendation — We recommend that the University consider the following:

- Perform a comprehensive review of the current payroll processing function including reviewing the necessity of the complexity surrounding the appointment process, the usefulness and effectiveness of the current system, capabilities of the current system to incorporate standardized automated controls, and an assessment of the usefulness and effectiveness of the current standard payroll reports generated by the system which are expected to be utilized to monitor payroll transactions.
- Establish formal written payroll processing policies for the departments which include specifically required segregation of duties, mandatory reconciliations procedures, mandatory timely termination procedures, payroll hire procedures, and employee data change procedures. Additionally, mandatory payroll financial monitoring procedures should be implemented including analysis of unusual fluctuations or relationships in a department in a standardized format to facilitate overall processing efficiencies as well as effective monitoring of a sustainable control environment.
- Payroll access must be reviewed and all cases with inappropriate access should be eliminated.

- Where departments are too small to implement effective segregation of duties, similar department payroll functions should be aggregated to enable secure payroll processing.
- Provide training courses to both new and existing employees that are designed to reinforce re-engineered payroll process controls and educate users about the various internal control components.
- Simplify the overall human resource and personnel environment to which the payroll process attempts to conform. Due to the overall complexity of the human resource policies of the University, payroll processes are correspondingly complex. An extensive review of the overall processes is recommended to ascertain what changes are necessary to simplify payroll processes and facilitate effective controls.

Views of Responsible Official — Management concurs with the recommendations. Progress was made during the prior year to increase awareness of fiscal responsibilities and the understanding of future expectations for all employees with financial responsibility. HRIS System user roles were thoroughly reviewed with respect to segregation of duties and progress was made in the implementation of these roles in the decentralized user environment. Payroll policies and procedures deemed most critical which includes segregation of duties and terminations were fully implemented within all operating units. The remaining payroll policies currently in draft form will be completed in fiscal year 2008 and distributed to departments for immediate implementation. A series of work teams will be established to focus on long and short term goals. Short term goals are to continue our efforts to ensure financial accountability in our current environment. As a more long term approach, we will conduct a comprehensive review of our current payroll processes which will include the HRIS System, with a goal to create a more simplified and understandable payroll environment with strong and effective financial controls.

07-3 Asset Management

Grantor — All, except the Student Financial Aid Cluster

Sponsor Identification Number — All, except the Student Financial Aid Cluster

Criteria — OMB Circular A-133 defines internal control as it relates to the compliance requirement of Federal Programs as “a process-effected by an entity’s management and other personnel-designed to provide reasonable assurance regarding the achievement of the following objectives for Federal programs: (1) Transactions are properly recorded and accounted for to: (i) Permit the preparation of reliable financial statements and Federal reports; (ii) Maintain accountability over assets; and (iii) Demonstrate compliance with laws, regulations, and other compliance requirements.”

Observation — The Ohio State University has a total of \$818 million invested in movable equipment and furniture, with a net book value of \$275 million as of June 30, 2007. A subset of the above is attributable to equipment purchased on awards made to the Ohio State University Research Foundation. Proper stewardship of these assets is critical to the University, as they were purchased from numerous funding sources including federal, state, and private gifts, which may contain restrictions related to assets purchased with those funds.

Historically the Controller’s Office has requested that all University departments complete a Physical Inventory and Equipment Review (PIER) annually. The PIER is a self-audit that lists all equipment entrusted to a department. Both the equipment coordinator for the department and the VP/Dean are required to sign the report and return it with any changes necessary to the Asset Management group. However, not all PIERs have historically been returned to Controller’s Office.

An outside firm was contracted to work with the University in inventorying fixed assets during fiscal year 2007. This process supported the University controls in the current year, but is not expected to occur in future

periods. Further, there were assets that were not located by the outside firm and follow up was not sufficient to determine the status of all assets. It is our understanding that additional resources and efforts have been assigned internally to progress towards a full inventory and safeguarding of fixed assets for years after fiscal 2007.

Recommendation — We recommend that the University take a comprehensive look at its asset management policies and procedures to ensure the following:

- Departments understand their role in the asset stewardship process and are educated about the potential financial statement and compliance issues related to improper or incomplete asset record keeping.
- The Asset Management group within the Controller's office is officially assigned ownership of complete inventorying of University assets and is held accountable for that assignment.
- Continue the focus on accounting for assets such that all departments with fixed assets participate in the self-audit inventory process and detail records of location and status are continuously accurate. Asset Management should implement a policy that requires timely follow-up until all PIERs are returned, including keeping the Research Foundation notified of the status of equipment purchased on its awards.
- The consolidation process of the University should be reviewed to ensure that capitalized interest from all entities is properly included in the University consolidated financials.
- Policies are written and implemented in a manner such that the asset management systems and tracking tools including fixed asset tags and detail listings are required to be maintained in a current and accurate fashion.

One individual or small group of individuals should be in charge of this project and progress should be measured throughout the fiscal year to ensure accountability and continued improvement.

Effect — The inadequate safeguarding of fixed assets could result in loss or theft of those assets.

Questioned Cost — N/A

Views of Responsible Officials — The University made significant improvements in its Asset Management function during fiscal year 2007. A more intensive follow-up process for Physical Inventory and Equipment Review self-audits was developed and implemented, resulting in 96% of self-audits being returned, which is by far the best-ever compliance.

With regard to moveable equipment for sponsored research projects, the testing that was performed as part of the OSU Research Foundation audit further demonstrated our progress in this area. After an initial audit sample turned up no exceptions, the auditors made a second sample of 292 sponsored project equipment items. Senior Fiscal Officers in the colleges were given five work days to account for 100% of the items in this sample. All 292 items were accounted for by the Senior Fiscal Officers. Next, the auditors selected 10 items from the previous 292-item sample for on-site verification, with only four hours of advance notice. Again, the Senior Fiscal Officers accounted for all 10 items.

Looking ahead to fiscal year 2008, the University will continue to take steps to improve its controls over moveable equipment, including more timely inclusion of the Senior Fiscal Officers in the PIER follow-up process, improved planning and monitoring of Asset Management's physical inventory audit process, and reinforced accountability of the Asset Management equipment auditors for completing the agreed scope of work within the committed time frames. Also, in order to help departments to better understand their role in the asset stewardship process and be educated about the potential financial statement and compliance issues related to improper or incomplete asset record keeping, a training program, "Managing Your Department's

Capitalized Equipment,” has been developed and is in the process of being rolled out to the University community.

Regarding the recommendation on interest capitalization, Central Accounting is working with Health System Finance staff to ensure that a consistent capitalization methodology is used for all construction projects.

07-4 Journal Entry Approval - All accounts

Grantor — All

Sponsor Identification Number — All

Criteria — OMB Circular A-133 defines internal control as it relates to the compliance requirement of Federal Programs as “a process-effected by an entity’s management and other personnel-designed to provide reasonable assurance regarding the achievement of the following objectives for Federal programs: (1) Transactions are properly recorded and accounted for to: (i) Permit the preparation of reliable financial statements and Federal reports; (ii) Maintain accountability over assets; and (iii) Demonstrate compliance with laws, regulations, and other compliance requirements.”

Observation — Journal entries may be posted without an approver signoff. There are several controls in place where the users are restricted to post entries in their departments, but there are also super users in central accounting who have access to post entries without an approver. Out of 53 journal entries selected for testing, 40 journal entries were not approved. An additional 11 of those 53 journal entries tested were “AUTOSYS” entries wherein approver of the entry is not expected, but reconciliations of the account and underlying data is. Further, there were 81 users with central user access, which is considered excessive.

Effect — The lack of approval for journal entries and excessive access to the general ledger could lead to the misuse of federal funds.

Questioned Cost — N/A

Recommendation — The University should require that all journal entries be reviewed and approved by a knowledgeable individual who is separate from the initiator. The University should also do frequent reviews of the individuals given access to post journal entries to ensure that only appropriate users have access to initiate and approve entries. The PeopleSoft system can be utilized to assist in the review and to require an approver signoff on all entries. Further, central user access should be reviewed and pared to only those users in real need of this designation.

Views of Responsible Officials — We will seek to remove this capability from users whose job duties do not require this level of access. Regarding the recommendation to workflow all journal entries, we will need to weigh the business impacts of a dramatic increase in workflow volume, and, in the near term, consider the use of mitigating controls, including expanded central monitoring of central user activity, to address internal control concerns in this area.

07-5 Monitoring Alternative Investments

Grantor — All

Sponsor Identification Number — All

Criteria — OMB Circular A-133 defines internal control as it relates to the compliance requirement of Federal Programs as “a process-effected by an entity’s management and other personnel-designed to provide reasonable assurance regarding the achievement of the following objectives for Federal programs: (1) Transactions are properly recorded and accounted for to: (i) Permit the preparation of reliable financial

statements and Federal reports; (ii) Maintain accountability over assets; and (iii) Demonstrate compliance with laws, regulations, and other compliance requirements.”

Observation — The University has begun pursuing a more diversified investment plan that includes venture capital, private equity, and hedge funds (“alternative investments”). The target investment allocation approved by the Board of Trustees in fiscal year 2007 consists of 7% venture capital/private equity investments and 14% hedge funds. As of June 30, 2007, alternative investments represented approximately 12% of the University’s total portfolio.

With the possibility of greater returns, alternative investments bring greater risk and new challenges for the University’s management. Unlike conventional investments in bonds and equities, alternative investments typically do not have readily determinable fair values and are not traded on an active market. Additionally, for financial reporting purposes, non-registered funds and fund of funds (“investment pools”) are not required to disclose all of their underlying holdings to investors. There are instances where an investor is not able to examine the underlying holdings of the investment pool, and consequently management must estimate the fair value of such investment in good faith in accordance with approved policies and procedures.

Currently accounting literature on this subject states, “Management is responsible for making the fair value measurements and disclosures included in the financial statements. As part of fulfilling its responsibility, management needs to establish an accounting and financial reporting process for determining the fair value measurements and disclosures, select appropriate valuation methods, identify and adequately support any significant assumptions used, prepare the valuation, and ensure that the presentation and disclosure of the fair value measurements in accordance with GAAP.”

Current accounting standards indicate that management is responsible to look-through an investment pool to determine the value of its holdings. If full transparency does not exist, management must establish a method to independently assess the fair valuation of the investment pool.

The University has various monitoring processes including a comparison to benchmarking reports and discussions with fund managers. However, this process maybe documented via handwritten comments or not documented at all.

Effect — Lack of proper documentation could lead to the improper accounting of assets.

Questioned Costs — N/A

Recommendation — We recommend the University establish written procedures to be performed on a monthly basis which evaluate the performance of each fund. These procedures should include the result of comparing actual alternative investment performances to the established benchmark in the Endowment Policy along with documenting whether the fund is meeting expectation or not and why.

Established monitoring procedures for alternative investments should be reviewed. This review should be documented and provide justification that the procedures in place are sufficient to ensure that the University’s assets are properly managed and accounted for in accordance with University policy.

Views of Responsible Officials — As recommended, in accordance with the established monitoring procedures, the Office of the Treasurer will review and maintain documentation to establish the fair value of alternative investment, as well as complying with accounting guidelines.

07-6 Peoplesoft Expenditures — Excessive Access

Grantor — All

Sponsor Identification Number — All

Criteria — OMB Circular A-133 defines internal control as it relates to the compliance requirement of Federal Programs as “a process-effected by an entity’s management and other personnel-designed to provide reasonable assurance regarding the achievement of the following objectives for Federal programs: (1) Transactions are properly recorded and accounted for to: (i) Permit the preparation of reliable financial statements and Federal reports; (ii) Maintain accountability over assets; and (iii) Demonstrate compliance with laws, regulations, and other compliance requirements.”

Observation — Expenditure controls can be rendered ineffective if there is not appropriate segregation of duties among sensitive expenditure functionalities such as entering vouchers, approving vouchers, overriding matching exceptions, etc. Thirty-three user profiles were identified with having the ability to enter and approve vouchers which has the potential for breakdown in internal controls. However, we did note that none of these thirty-three users also have the ability to pay the vouchers or override match exceptions.

Effect — Lack of segregation of duties could result in the misappropriation of federal funds.

Questioned Cost — N/A

Recommendation — The University should restrict access to either Voucher Entry or Voucher Approval for identified users to alleviate segregation of duties conflicts.

Views of Responsible Officials — A report “audit_finding_MLC-04_20070831.xls” indicates users who have VOUCHER_ENTRY, VOUCHER_APPROVER, PAYCYCLE_MANAGER, or OVERRIDE_MATCH access. The access indicators for users who have more than one of these functions are indicated in red. This report, “audit_finding_MLC-04_20070831.xls,” is new. We can monitor this access on a continuous basis.

07-7 Journal Entry Approval - Cash

Grantor — All, except the Student Financial Aid Cluster

Sponsor Identification Number — All, except the Student Financial Aid Cluster

Criteria — OMB Circular A-133 defines internal control as it relates to the compliance requirement of Federal Programs as “a process-effected by an entity’s management and other personnel-designed to provide reasonable assurance regarding the achievement of the following objectives for Federal programs: (1) Transactions are properly recorded and accounted for to: (i) Permit the preparation of reliable financial statements and Federal reports; (ii) Maintain accountability over assets; and (iii) Demonstrate compliance with laws, regulations, and other compliance requirements.”

Observation — Journal entries may be posted to cash accounts without an approver signoff. All journal entries using code DPST (Deposit) or OBA (Other Bank Activity) do not require an approver signoff, thus all deposit and other bank activity entries are not reviewed prior to being entered into the general ledger.

Effect — Lack of review could result in the misappropriation of federal funds.

Questioned Costs — N/A

Recommendation — The University should require that all cash related journal entries be reviewed and approved by a separate reviewer. The University should also perform frequent reviews of the people given access to post journal entries to ensure that only appropriate users have access to initiate and approve entries.

The PeopleSoft system can be utilized to assist in the review and to require an approver signoff on all entries. All deposit and bank activity entries should require an approver to ensure that the entries are properly documented and posted.

Views of Responsible Officials — We will reconsider the use of workflow on deposit/OBA entries. However, we are concerned that the use of workflow on these entries would introduce timing differences in the recognition of cash receipts in the general ledger and erode the efficiency of the bank reconciliation process. The University has several mitigating controls in place, including timely central bank reconciliations, a required 100% departmental reconciliation of deposit/OBA activity (which is verified by Internal Audit as part of its departmental audits), and monthly analyses of deposit/OBA activity in central Accounting. In our view, the controls currently in place provide reasonable assurance that any potential undetected misstatements would clearly be immaterial to the financial statements.

PART III — FEDERAL AWARD FINDING AND QUESTIONED COST SECTION

07-2 Payroll Controls

For the complete version of this finding please refer to Part II — Financial Statement Findings Section

Grantor — All, except the Student Financial Aid Cluster

Sponsor Identification Number — All, except the Student Financial Aid Cluster

Criteria — OMB Circular A-133 defines internal control as it relates to the compliance requirement of Federal Programs as “a process-effected by an entity’s management and other personnel-designed to provide reasonable assurance regarding the achievement of the following objectives for Federal programs: (1) Transactions are properly recorded and accounted for to: (i) Permit the preparation of reliable financial statements and Federal reports; (ii) Maintain accountability over assets; and (iii) Demonstrate compliance with laws, regulations, and other compliance requirements.”

Observation — The University payroll internal control structure operates in a decentralized environment, with the majority of the responsibility surrounding the establishment and monitoring of the internal control environment residing at the individual college department. .

Effect — The inconsistent internal control structure could lead to the misuse of federal funds.

Questioned Cost — N/A

Recommendation — We recommend that the University consider performing a comprehensive review of the current payroll processing function, establish formal written payroll processing policies, review access, develop a training course for new and existing employees to educate users about the various internal control components, and simplify the overall human resource and personnel environment.

Views of Responsible Official — Management concurs with your recommendations. Progress was made during the prior year to increase awareness of fiscal responsibilities and the understanding of future expectations for all employees with financial responsibility. HRIS System user roles were thoroughly reviewed with respect to segregation of duties and progress was made in the implementation of these roles in the decentralized user environment. Payroll policies and procedures deemed most critical which includes segregation of duties and terminations were fully implemented within all operating units. The remaining payroll policies currently in draft form will be completed in fiscal year 2008 and distributed to departments for immediate implementation. A series of work teams will be established to focus on long and short term goals. Short term goals are to continue our efforts to ensure financial accountability in our current environment. As a more long term approach, we will conduct a comprehensive review of our current payroll

processes which will include the HRIS System, with a goal to create a more simplified and understandable payroll environment with strong and effective financial controls.

07-3 Asset Management

For the complete version of this finding, please refer to Part II — Financial Statement Findings Section

Grantor — All, except the Student Financial Aid Cluster

Sponsor Identification Number — All, except the Student Financial Aid Cluster

Criteria — OMB Circular A-133 defines internal control as it relates to the compliance requirement of Federal Programs as “a process-effected by an entity’s management and other personnel-designed to provide reasonable assurance regarding the achievement of the following objectives for Federal programs: (1) Transactions are properly recorded and accounted for to: (i) Permit the preparation of reliable financial statements and Federal reports; (ii) Maintain accountability over assets; and (iii) Demonstrate compliance with laws, regulations, and other compliance requirements.”

Observation — The Ohio State University has \$818 million invested in movable equipment and furniture, with a net book value of \$275 million as of June 30, 2007. Proper stewardship of these assets is critical to the University, as they were purchased from numerous funding sources including federal, state, and private gifts, which may contain restrictions related to assets purchased with those funds.

Recommendation — We recommend that the University take a comprehensive look at its asset management policies and procedures.

Effect — The inadequate safeguarding of fixed assets could result in loss or theft of those assets.

Questioned Cost — N/A

Views of Responsible Officials — The University made significant improvements in its Asset Management function during fiscal year 2007. A more intensive follow-up process for Physical Inventory and Equipment Review self-audits was developed and implemented, resulting in 96% of self-audits being returned, which is by far the best-ever compliance.

With regard to moveable equipment for sponsored research projects, the testing that was performed as part of the OSU Research Foundation audit further demonstrated our progress in this area. After an initial audit sample turned up no exceptions, the auditors made a second sample of 292 sponsored project equipment items. Senior Fiscal Officers in the colleges were given five work days to account for 100% of the items in this sample. All 292 items were accounted for by the Senior Fiscal Officers. Next, the auditors selected 10 items from the previous 292-item sample for on-site verification, with only four hours of advance notice. Again, the Senior Fiscal Officers accounted for all 10 items.

Looking ahead to fiscal year 2008, the University will continue to take steps to improve its controls over moveable equipment, including more timely inclusion of the Senior Fiscal Officers in the PIER follow-up process, improved planning and monitoring of Asset Management’s physical inventory audit process, and reinforced accountability of the Asset Management equipment auditors for completing the agreed scope of work within the committed time frames. Also, in order to help departments to better understand their role in the asset stewardship process and be educated about the potential financial statement and compliance issues related to improper or incomplete asset record keeping, a training program, “Managing Your Department’s Capitalized Equipment,” has been developed and is in the process of being rolled out to the University community.

07-8 Compilation of Schedule of Federal Expenditures

Grantor — All programs in the Research and Development Cluster.

Sponsor Identification Number — All programs in the Research and Development Cluster.

Project Number — All programs in the Research and Development Cluster.

Criteria — OMB Circular A-133, Subpart C, §__.310 (b)(3) states “the auditee shall also prepare a schedule of expenditures of federal awards for the period covered by the auditee’s financial statements. At a minimum, the schedule shall...provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.”

Finding — Items relating to accounts payable were identified that should have been accrued at year-end were not. As a result of this testing, the Research Foundation modified their cut-off procedures, which resulted in an additional accrual of \$1.5 million dollars that needed to be included on the Schedule of Expenditures of Federal Awards in the current year.

Effect — Expenditures on the Schedule of Receipts and Expenditures of Federal Awards may not accurately reflect Federal expenditures of that particular fiscal year.

Questioned Cost — N/A

Recommendation — In order to comply with OMB Circular A-133, the Research Foundation should implement cut-off procedures.

Views of Responsible Officials — We agree and made adjustments to the 2007 accrual method before it was posted to the 2007 Financial Statements. These procedural changes will be used for the 2008 financial statements.

07-9 Compilation of Schedule of Federal Expenditures

Grantor — All programs in the Research and Development Cluster.

Sponsor Identification Number — All programs in the Research and Development Cluster.

Project Number — All programs in the Research and Development Cluster.

Criteria — OMB Circular A-133, Subpart C, §__.310 (b)(3) states “the auditee shall also prepare a schedule of expenditures of federal awards for the period covered by the auditee’s financial statements. At a minimum, the schedule shall...provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.”

Finding — The Schedule of Expenditures of Federal Awards contained 115 overrun closed projects, which will eventually be transferred back to departments for a total of approximately \$1 million. Therefore, the current year Schedule of Expenditures of Federal Awards is overstated by these amounts.

Additionally, the Schedule of Expenditures of Federal Awards has \$1.37 million in credits relating to projects that were closed out during fiscal year 2007 and either transferred back to the department or to another CFDA number. This represents amounts that the SEFA was overstated in previous years.

Effect — Expenditures on the Schedule of Expenditures of Federal Awards may not accurately reflect Federal expenditures of that particular fiscal year.

Questioned Cost — N/A

Recommendation — The Research Foundation should review the Schedule of Federal Expenditures for projects that are overrun and will eventually be transferred back to departments to ensure they are in compliance with the all A-133 Compliance requirements.

Views of Responsible Officials — We agree and started the process to adjust the A-133 report for overruns in 2007 and will continue going forward. The net effect of the entries above was \$370,000 on a \$377 million dollar report or one tenth of one percent of the total.

07-10 Suspension and Debarment

Grantor — USDA — CFDA#: 10.203 — funding year FY07

Project Number — N/A

Criteria — The OMB Circular A-133 *Compliance Supplement Part 3, Compliance Requirements, Procurement and Suspension and Debarment*, states that:

“Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Under rules in effect prior to November 26, 2003, covered transactions included procurement contracts for goods or services equal to or in excess of \$100,000. A change in the nonprocurement suspension and debarment rule took effect on November 26, 2003. As of that date only those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria are considered “covered transactions.” §__.220 of the government-wide nonprocurement debarment and suspension common rule contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients) are considered covered transactions — this was the case before November 26, 2003, and was not changed by the revised rules.

Under rules in effect prior to November 26, 2003, contractors receiving individual awards for \$100,000 or more and all subrecipients must certify that the organization and its principals are not suspended or debarred. Effective November 26, 2003, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (“EPLS”)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (§__.300). The information contained in the EPLS is available in printed and electronic formats. The printed version is published monthly. Copies may be obtained by purchasing a yearly subscription from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402, or by calling the Government Printing Office Inquiry and Order Desk at (202) 783-3238. The electronic version can be accessed on the Internet (<http://epls.arnet.gov>).

Finding — The administrators of the Hatch Program were not aware of this compliance requirement during the life of the grant. There were no procedures in place to make sure that the University was not working with vendors that were on the Federal Suspension and Debarment list.

Effect — The administrators of the Hatch Program could have used Federal money to purchasing goods and services from vendors who on the Excluded Parties List.

Questioned Cost — N/A

Recommendation — Procedures related to federal procurement and suspension debarment should be established University-wide and communicated to all departments that might have responsibilities related to federal awards. This would ensure that all vendors from whom the University purchases goods and services with federal dollars are not on the Excluded Parties List.

Views of Responsible Officials — The OARDC utilizes all of the Hatch funding received to pay for salaries, benefits, and some travel costs. We do not use our Hatch funds to purchase items from a vendor and as a result there has not been a need to check the vendor status under debarment and suspension. In fact, federal year 2007 marks the first year that we have had sub awards for other institutions with our Hatch funding. We have ensured that the institutions receiving these funds are not on the Excluded Parties list based upon this finding and will utilize the USDA Debarment and Suspension Certification form in the future should the need arise.

07-11 Student Financial Aid - Program Income — Calculation of Federal Perkins Loans Interest Allocation

Grantor — Student Financial Aid Cluster

Criteria — The institution must maintain a separate fund account for each program (34 CFR sections 674.8 and 674.19).

Finding — The University does not keep the Perkins Funds in a separate bank account. The student loan services office deposits all University administered student loan funds received into the student loans bank account and twice a year allocates interest earned for each program (Perkins, NSL, HPSL/PCL, etc.) based on the percentage of that program compared to the total account balance. Although this calculation is made twice a year, the calculation covers the twelve-month span from June of 2006 to May of 2007 for the fiscal year ending June 30, 2007.

Effect — The calculation of interest earned and allocated to the Perkins loan program is being allocated in the wrong period.

Questioned Cost — Fiscal year 2006 - \$3,596 and Fiscal year 2007 - \$122

Recommendation — The University should allocate the interest earned for the twelve-month window running concurrent with the fiscal year. The University should reevaluate their overall interest allocation calculation to assess if a minor adjustment to the calculation would result in a more accurate amount.

Views of Responsible Officials — We concur with the recommendation and will implement it for Fiscal year 2008. For this first year we will allocate the interest earned for the thirteen-month window running from June 2007 to June 2008. For subsequent years the allocation of interest earned will be for the twelve-month period running concurrent with the fiscal year.

07-12 University Oversight of Grants external of the Research Foundation

Grantor —

CFDA	Grantor
10.000	USDA—Cooperative Support Agreement
10.200	USDA—Grants For Agric Rsrch, Spec Rsrch Grants
10.202	USDA—Cooperative Forestry Research
10.207	USDA—Animal Health and Disease Research
10.303	USDA—Education and Human Resources
10.436	USDA—Technical Assistance and Training
10.558	USDA—Child and Adult Care Food Program
10.652	USDA—Forestry Research
10.962	DC—Census Customer Services
11.002	DC—Census Customer Services
11.550	DC—Public Telecommunications Facilities
14.246	HUD—Community Development Block Grant
27.011	NSF—Education and Human Resources
47.076	USDA—Integrated Programs
64.011	VA—Veteran's Outpatient Care
81.502	DOE—Miscellaneous Federal Assistance Actions (The Ohio Supercomputer Center)
84.170	USDE—Javits Fellowships
84.215	USDE—Fund for the Improvement of Education
84.295	USDE—Ready to Learn Television
84.335	USDE—Child Care Means Prnts in School
93.558	DHHS—Temporary Assistance for Needy Families
93.667	DHHS—Social Services Block Grant
93.888	DHHS—Specially Selected Health Projects
84.022A	USDE—Student Research Abroad
84.042A	USDE—Trio: Student Support Services
10.556	US Department of Agriculture
10.559	US Department of Agriculture
16.540	US Department of Justice
16.607	US Department of Justice
17.260	US Department of Labor
45.310	National Foundation of the Arts and Humanities
66.460	Environmental Protection Agency
84.027	US Department of Education
84.181	US Department of Education
84.243	US Department of Education
84.342	US Department of Education
84.367	US Department of Education
93.162	US Department of Health and Human Services
93.243	US Department of Health and Human Services
93.558	US Department of Health and Human Services
93.645	US Department of Health and Human Services
93.630	US Department of Health and Human Services
93.658	US Department of Health and Human Services
93.888	US Department of Health and Human Services
93.958	US Department of Health and Human Services
96.001	Social Security Administration
97.078	Department of Homeland Security

Criteria — The OMB Circular A-133 describes the non-Federal entity's responsibilities for managing Federal assistance programs (§___.300) and the auditor's responsibility with respect to the scope of audit (§___.500).

Finding — The University administers federal grants that are separate from the Research Foundation. These grants are administered by many different departments and individuals across the University. The University does not have controls or procedures in place to ensure that the administrators of these grants are aware of the federal requirements. Further, there is no monitoring or oversight of these various grant administrators by the University.

Effect — Federal funds could be improperly administered.

Questioned Cost — N/A

Recommendation — The University should implement monitoring and controls to make sure those managing University grants, which are not under the Research Foundation, understand the compliance requirements. Additionally, the University should provide formal, mandatory A-133 compliance training for those individuals who administer grants that are not under the Research Foundation.

Views of Responsible Officials — Currently, the bulk of federal funds flow through three areas: the Office of Student Financial Aid, the OSU Research Foundation, and the Ohio Agricultural Research and Development Center, with relatively small amounts administered outside of these areas. However, we concur with the recommendation and will take steps to either centralize the administration of these grants or require mandatory A-133 compliance training for those areas that retain administrative control over federal funds.

07-13 Allowable Cost — Purchases Made Without Amending Grant Agreement

Grantor — USDA — Family Farm Beef Industry Network — Value Added Product Development CFDA #10.500

Criteria — The OMB Circular A-133 states that according to the *Basic Considerations to Determine Costs* from Circular A-21:

“In addition to the general criteria applicable to both direct and indirect costs, the basic guidelines affecting the allowability of costs (direct and indirect) are identified in section C. of A-21. To be allowable under Federal awards, costs must meet the following general criteria... Conform with the allowability of costs provisions of A-21, or limitations in the program agreement, program regulations, or program statute.”

Finding — The Family Farm Beef Industry Network grant agreement contains an approved summary-level budget and references the detailed proposal. Within that proposal is a detailed explanation of how the funds will be spent. However, as the grant progressed, the Principal Investigator (“PI”) determined that some of the equipment in the proposal was no longer necessary and that additional items would better accomplish the objectives of the grant. In addition, beef was purchased with grant funds, although no funds were allocated to purchase beef in the grant agreement. No amendments to the grant agreement were requested from the grantor.

Effect — Spending grant funds on equipment and supplies that are not approved as part of the grant agreement could lead to unallowable costs being charged to the grant.

Questioned Cost — N/A

Recommendation — When a detailed budget is submitted and approved as part of a federal grant, deviations from that budget should either be submitted in advance for consideration and approval by the grantor or another alternative process should be implemented to ensure that the expenditures outside of the approved budget are considered appropriate and approved by the grantor. This will ensure that all purchases are made in accordance with the grantor’s intentions for the funds and no violations of allowable costs exist.

Views of Responsible Officials — We concur with the recommendation and will work with administrators in the college to prevent a recurrence of these issues.

07-14 Period of Availability — Failure to Obtain Documentation of Extension

Grantor — USDA — Family Farm Beef Industry Network — Value Added Product Development CFDA #10.500

Criteria — OMB Circular A-133, Subpart H, *Period of Availability of Federal Funds*, states that “Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.”

Finding — The grant agreement for the Family Farm Beef Industry Network states that the period of performance for the grant was July 1, 2002 through June 30, 2005. The general terms and conditions associated with Cooperative State Research, Education, and Extension (“CSREE”) grants allow for “a first-time, no-cost extension of time of up to 10 months under this award prior to its scheduled expiration date,” provided that the authorized organizational representative (“AOR”) notifies the appropriate person at the USDA. Absent that notification, any extension must be approved by the USDA. There was no documentation that an extension had been requested by the PI, nor that one had been granted by the AOR and communicated to the USDA.

Effect — Expenditures totaling \$356,981 were incurred on this grant during the period between July 1, 2005 and June 30, 2006.

Questioned Cost — N/A

Recommendation — Extensions, as well as any other modifications to the grant agreement, should be documented in writing and approved by the grantor, when required by the grant agreement.

Views of Responsible Officials — We concur with the recommendation and will work with administrators in the college to prevent a recurrence of these issues.

07-15 Student Financial Aid - Special Tests and Provisions — Refund Calculation

Grantor — Student Financial Aid Cluster

Criteria — The OMB Circular A-133 *Student Assistance General Provisions (34 CFR 668.22)*:
“When a recipient of title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance (not including Federal Work-Study or the non-Federal share of FSEOG awards if an institution meets its FSEOG matching share by the individual recipient method or the aggregate method) that the student earned as of the student’s withdrawal date (34 CFR section 668.22).”

Finding — Two of the 25 refund selections tested contained errors in the calculation of the amount of money a student should have been refunded upon withdrawal from The Ohio State University. These computations are conducted by one person. The supervisor conducts periodic reviews of the computations.

Effect — Students receive more or less than they should upon withdrawal or dropping out.

Questioned Cost — The University owes one student \$300, while another student owes the University \$120. The University provides approximately 31,000 students with Financial Aid each year.

Recommendation — The University should implement procedures surrounding the review of these calculations as they are prepared manually and therefore susceptible to human error.

View of Responsible Official — We agree with the recommendation to increase the level of review. We are also training additional staff to perform these duties and have developed tools to assist with the accuracy of the calculations. As we move to the implementation of the Student Information System, this process will be much more automated and accurate.

PART IV — SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Number	Finding	Status	Contact
06-1	Time and Effort	Corrected	Jeffrey H. Kemper, Director of Financial Services and Procurement
06-2	Allowable Costs	Corrected	Jeffrey H. Kemper, Director of Financial Services and Procurement
06-3	Asset Management	Repeated as finding 07-3	Greta Russell, Controller
06-4	Payroll	Repeated as finding 07-2	Greta Russell, Controller
06-5	Allowable Cost-Purchases Made Without Amending Grant Agreement	Repeated as finding 07-13	Greta Russell, Controller
06-6	Allowable Costs - Excess Federal Benefits	Corrected	Greta Russell, Controller
06-7	Allowable Cost - Inaccurate Compilation and Presentation of Expenditures on the SEFA	Corrected	Greta Russell, Controller
06-8	Period of Availability - Failure to Obtain Documentation of Extension	Repeated as finding 07-14	Greta Russell, Controller
06-9	Equipment Management - Failure to Properly Account for Federal Equipment	Corrected	Greta Russell, Controller
06-10	Suspension and Debarment	Corrected	Greta Russell, Controller

* * * * *

**THE OHIO STATE UNIVERSITY
TRAUMATIC BRAIN INJURY NETWORK**

**Independent Accountants' Report
on Agreed-Upon Procedures Performed
As Specified By**

**The Ohio Department of Alcohol, Drug Addiction
and Mental Health Services
(UPID Number 6707)**

and

ADAMH Services Board of Franklin County

For The Year Ended June 30, 2007

PARMS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures as enumerated below, which were agreed to by the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) solely to assist you in evaluating the accompanying Actual Uniform Cost Report (ODADAS-FIS-047) prepared by The Ohio State University Traumatic Brain Injury Network (TBI Network) for the year ended June 30, 2007, in accordance with the criteria contained in ODADAS Administrative Rule Number 5122-26-191. TBI Network's management is responsible for the Actual Uniform Cost Report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purposes.

1. Procedure One – Mathematical Accuracy Testing

Procedures:

- a) We obtained a reconciliation of the total costs reported on the AUCR to the general ledger and/or the independently audited financial statements for the SFY being verified. We compared the amounts listed on the reconciliation to the amounts listed on the general ledger and/or independently audited financial statements for the SFY being verified.
- b) For and by each service with costs being reported on the AUCR, we performed the following:
 - i) Summed the values reported in columns 4 and 5 to verify the result is equal to the value reported in the corresponding column 6;
 - ii) Summed the values reported in columns 6 and 7 to verify the result is equal to the value reported in the corresponding column 8;
 - iii) Verified the value reported in column 9 is equal to the result of dividing the value in column 8 by the value in column 2;
 - iv) Verified the value reported in column 11 is equal to the result of subtracting the value in column 10 from the value in column 8;
 - v) Verified the value reported in column 12 is equal to the result of dividing the value in column 11 by the value in column 2;
 - vi) Verified the values reported in the "Total AOD Services" are equal to the sum of the values reported in the corresponding column; and
 - vii) Verified the values reported in the "Agency Total"/"Total for Agency" are equal to the sum of the values reported in the corresponding column.

Results:

We identified no material variances (variances greater than plus or minus two percent), requiring management's explanation, for inclusion in this report.

2. Procedure Two – Personnel Costs Verification

Procedures:

- (a) Compare the personnel costs reported in column 4 of the AUCR to the salaries, wages and fringe benefits reported on the independently audited financial statements or Federal Internal Revenue Service Employer Form 941 for the SFY.
- (b) From the personnel costs reported in column 4 of the AUCR, select ten employees whose personnel costs roll-up to those costs. For total payroll costs, we performed the following:
 - i) Compared the costs for allowability and unallowability as defined in Ohio Administrative Code 5122-26-19 sections (1) and (2) of paragraph (H);
 - ii) Compared the allocation methods used to determine whether the costs are documented as direct service (column 4a) or support service (column 4b) costs;
 - iii) Compared the allocation method or methods used to determine which service personnel costs have been allocated to; and
 - iv) Verified any unallowable costs are allocated in the same manner they were originally allocated and are documented in the appropriate service row of column 10 of the AUCR.
 - v) Identified and documented any material variances (greater than plus or minus two percent) and obtain management's explanation of the material variance(s) for inclusion in the AUCR AUP report.

Results:

TBINetwork is a department within The Ohio State University and does not issue standalone financial statements. We traced personnel costs to the general ledger accounts applicable for the TBI Network within The Ohio State University. We did not identify any material variances (variances greater than plus or minus two percent), requiring management's explanation, for inclusion in this report.

3. Procedure Three – Non-Personnel Costs Verification

- (a) From the non-personnel costs reported in column 5 of the AUCR, select a haphazard sample (as defined in the American Institute of Certified Public Accountants audit sampling guide) of checks and/or electronic funds transfer (EFT) disbursements, equal to twenty percent or forty checks and/or EFT disbursements, whichever is less. Perform the following procedures on each selected check or EFT disbursement:
 - i) Compared the costs of the check or EFT disbursement is for to the appropriate allowability or unallowability criteria listed in Ohio Administrative Code 5122-26-19 sections (1) and (2) of paragraph (H);
 - ii) Verified the allocation method or methods used for the sampled non-personnel costs have been made in accordance with the procedures outlined in the Ohio Administrative Code rule 5122-26-19, Appendix or Ohio Administrative Code 3793:2-1-09, Appendix A; and
 - iii) Verified any unallowable costs are allocated in the same manner they were originally allocated and are documented in the appropriate service row of column 10 of the AUCR.

- iv) Identify and document any material variances (greater than plus or minus two percent) and obtain management's explanation of the material variance(s) for inclusion in the AUCR AUP report.

Results:

No exceptions were noted. We did not identify any material variances (variances greater than plus or minus two percent), requiring management's explanation, for inclusion in this report.

4. Procedure Four – Administrative Overhead Costs Verification

- (a) From the administrative overhead costs reported in column 7 of the AUCR, select a haphazard sample (as defined in the American Institute of Certified Public Accountants audit sampling guide) of checks and/or electronic funds transfer (EFT) disbursements, equal to 10 percent or 20 checks and/or EFT disbursements, whichever is less. Perform the following procedures on each selected check or EFT disbursement:
 - i) Compare the costs of the check or EFT disbursement is for to the appropriate allowability or unallowability;
 - ii) Determine if the administrative overhead costs were allocated using only one of the allowable methods described in the Ohio Administrative Code rule 5122-26-19, Appendix; and
 - iii) Verify any unallowable costs are allocated in the same manner they were originally allocated and are documented in the appropriate service row of column 10 of the AUCR.
 - iv) Identify and document any material variances (greater than plus or minus two percent) and obtain management's explanation of the material variance(s) for inclusion in the AUCR AUP report.

Results:

No exceptions were noted. We identified no material variances (variances greater than plus or minus two percent), requiring management's explanation, for inclusion in this report.

5. Procedure Five – Units of Service Verification

- (a) From and by each service with costs reported on the AUCR, select a haphazard sample (as defined by the American Institute of Certified Public Accountants audit sampling guide) of the reported units of service, equal to 20 percent or 40 total units, whichever is less. Perform the following procedures on the selected units:
 - (i) Verify documentation exists in client records to support the number of units selected, and
 - (ii) Compare the type of service selected to determine if it is reported in the appropriate service line of column 2.

Results:

No exceptions were noted. We did not identify any material variances (variances greater than plus or minus two percent), requiring management's explanation, for inclusion in this report.

6. Procedure Six – First BUCR to AUCR comparison

We performed the procedure, as stated, for reviewing the first BUCR, verifying that methods of cost reporting selected were the same for completing the AUCR.

- (a) Compare the first BUCR to the AUCR and verify the methods of cost reporting selected are the same as the methods used when completing the AUCR.

Results:

We verified that the same method was used in completing the BUCR and AUCR cost reports.

Agreed-Upon Procedure Related to Agency Revenue Report

We have performed the procedures below, which were agreed to by the Alcohol, Drug Addiction and Mental Health Services Board of Franklin County (ADAMH), solely to assist you in evaluating the accompanying Agency Revenue Report (FIS-052) prepared by The Ohio State University Traumatic Brain Injury Network (TBI Network) for the year ended June 30, 2007. TBI Network's management is responsible for the Agency Revenue Report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purposes.

- We obtained a copy of the Agency Revenue Report (Exhibit B) for the year ended June 30, 2007.
- We documented TBI Network's procedures used to process revenues.
- We traced revenues reported in the Agency Revenue Report to TBI Network's general ledger and to the documentation supporting the revenue line item.

Results:

No exceptions were noted.

We were not engaged to and did not conduct an examination, the objectives of which would be the expression of an opinion on whether the TBI Network complied with ADAMH specified requirements or whether the accompanying exhibits are presented fairly in all material respects in relation to the basic financial statements of the TBI Network taken as a whole. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than those specified parties.

Farms & Company, LLC

December 21, 2007

Uniform Cost Report (UCR)
ODADAS-FIS-047

MACSIS UPI 6707

Agency Name : TBI Network
Agency Address: 106 McCampbell Hall
1581 Dodd Drive
Columbus

Budget _____ Actual X
Agency Telephone Number: 614-292-4559
Owner Federal Tax I.D. Number: 316025986

Reporting Period - From: 07/01/06
To: 06/30/07

1. Service Taxonomy and MACSIS Procedure Codes	2. Number of Units	3. Number of FTE Assigned		4. Personnel Costs		5. Service Non- Personnel Costs	6. Service Total Costs	7. Allocation of Administrative Overhead	8. Total Costs	9. Cost Per Unit	10. Unallowable Costs	11. Total Allowable Costs	12. Allowable Cost Per Unit
		Direct Service (a)	Support Service (b)	Direct Service (a)	Support Service (b)								
TREATMENT SERVICES													
Acute Hospital Detoxification - H0009													
Assessment - H0001	322.6	0.239	0.212	\$10,258.58	\$9,740.73	\$11,559.60	\$31,558.91	\$5,303.35	\$36,862.26	\$114.28	\$0.00	\$36,862.26	\$114.28
Case Management - H0006	2,850.3	2.837	0.622	\$126,727.39	\$32,608.16	\$88,638.37	\$247,973.92	\$42,252.02	\$290,225.93	\$101.82	\$0.00	\$290,225.93	\$101.82
Crisis Intervention - H0007	6.1	0.006	0.005	\$241.64	\$264.44	\$274.31	\$780.39	\$134.20	\$914.60	\$149.12	\$0.00	\$914.60	\$149.12
Family Counseling - T1006													
Group Counseling - H0005	6.860	0.581	0.405	\$25,486.97	\$23,408.25	\$25,260.20	\$74,155.42	\$12,965.85	\$87,121.27	\$12.70	\$0.00	\$87,121.27	\$12.70
Individual Counseling - H0004	2,388	0.574	0.204	\$24,417.82	\$10,345.65	\$19,926.67	\$54,690.14	\$9,218.45	\$63,908.59	\$26.76	\$0.00	\$63,908.59	\$26.76
Intensive Outpatient - H0015													
Laboratory Urinalysis - H0003													
Medical Somatic - H0016													
Methadone Administration - H0020													
Sub Acute Detoxification - H0012													
23 Hour Observation Bed - 99236													
Urine Dip Screen - A0780													
COMMUNITY RESIDENTIAL TREATMENT Includes Room & Board costs													
Medical Community Residential Treatment - Hospital Setting - A1210													
Medical Community Residential Treatment - Non-Hospital Setting - A0230													
Non-Medical Community Residential Treatment - A1220													
BH COMMUNITY RESIDENTIAL TREATMENT Excludes Room & Board costs													
BH Medical Community Residential Treatment - Hospital Setting - H0017													
BH Medical Community Residential Treatment - Non-Hospital Setting - H0018													
BH Non-Medical Community Residential Treatment - H0019													
COMMUNITY SERVICES													
Consultation - A0560													
Hotline - H0030													
Intervention - H0022													
Outreach - H0023													
Referral and Information - A0510													
Training - H0021													
PREVENTION SERVICES													
Alternatives - A0660													
Community-Based Process - A0630													
Education - A0620													
Environmental - A0640													
Information Dissemination - A0610													
Problem Identification and Referral - A0650													
ADJUNCTIVE ALCOHOL AND DRUG SERVICES													
Child Care - T1009													
Meals - T1010													
Room and Board - A0740													
Transportation - A0750													
AOD Services Not Otherwise Classified - H0047													
DRIVER INTERVENTION PROGRAMS													
Non-Residential DIP													
Residential DIP - 48 Hour													
Residential DIP - 72 Hour													
OTHER													
Administrative Overhead													
Mental Health Services													
Title IV-E Services													
Non AOD/MH/Title IV-E Services			1.033		\$64,471.98		\$64,471.98		\$64,471.98			\$64,471.98	
TOTALS													
TOTALS FOR AOD SERVICES	12,426.7	4.236	1.448	\$187,132.40	\$76,367.24	\$145,659.15	\$409,158.78	\$69,873.87	\$479,032.65		\$0.00	\$479,032.65	
TOTALS FOR AGENCY		4.236	2.481	\$187,132.40	\$140,839.22	\$145,659.15	\$473,630.76	\$69,873.87	\$543,504.63		\$0.00	\$543,504.63	

I certify that this UCR and all supporting documentation have been completed in accordance with OAC 3793.2-1-09

Name/Title: _____

Date: _____

The Ohio State University

*Independent Accountants' Report on
Agreed-Upon Procedures Performed on the
Intercollegiate Athletic Department as
Required by NCAA Bylaw 6.2.3.1 for the
Year Ended June 30, 2007*

PARMS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES
PERFORMED ON THE INTERCOLLEGIATE ATHLETIC DEPARTMENT AS
REQUIRED BY NCAA BYLAW 6.2.3.1**

E. Gordon Gee, President
The Ohio State University

We have performed the procedures below, which were agreed to by the administration of The Ohio State University (the "University"), with respect to the accounting records of the University as of June 30, 2007, solely to assist you in evaluating whether the accompanying statement of revenues and expenditures ("statement") is in compliance with the National Collegiate Athletic Association's (the "NCAA") Bylaw 6.2.3.1 for the year ended June 30, 2007. The Ohio State University's management is responsible for the statement and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-Upon Procedures Related to the Statement of Revenues and Expenditures

The procedures that we performed are as follows:

We obtained the statement, as prepared by the administration of the University, which is included as Exhibit A. We agreed the statement to the University's general ledger on a test basis. For all revenue and expense categories, we performed the following:

- We compared and agreed, on a test basis, each operating revenue and expense category reported in the statement during the reporting period to supporting schedules provided by the administration of the University. No exceptions were noted.
- We compared and agreed a sample of operating revenue receipts and expenses obtained from the operating revenues and expenses supporting schedules to supporting documentation provided by the administration of the University. No exceptions were noted.
- We compared each major revenue and expense account to prior period amounts and budget estimates provided by the administration of the University. No exceptions were noted. We obtained and documented an understanding of any significant variations on a test basis.

Operating Revenues

Ticket Sales– We compared, on a test basis, tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenues reported by the University in the statement and the related attendance figures. We recalculated totals. No exceptions were noted.

Away Game Sales and Guarantees– We selected a sample of settlement reports for away games during the reporting period and agreed each selection to the University’s general ledger and/or the statement. We selected a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compared and agreed each selection to the University’s general ledger and/or the statement. We recalculated totals. No exceptions were noted.

Contributions– On a test basis, we obtained and reviewed supporting documentation for contributions of moneys, goods, or services received directly by the intercollegiate athletics program from any affiliated or outside organization, agency, or group of individuals not included (e.g., contributions by corporate sponsors) that constituted 10% or more of all contributions received for intercollegiate athletics during the reporting periods. No exceptions were noted.

Third-Party Support– We obtained a summary of cash balances for affiliated and outside organizations, selected a sample of funds, and compared and agreed each selection to supporting documentation, the University’s general ledger, and/or the summary. No exceptions were noted.

Indirect Facilities and Administrative Support– We compared the indirect institutional support recorded by the University during the reporting period with institutional authorizations and/or other corroborative supporting documentation on a test basis. We recalculated totals. No exceptions were noted.

NCAA/Conference Distributions Including All tournaments– We obtained and inspected agreements related to the University’s NCAA and conference distributions received during the reporting period to gain an understanding of the relevant terms and conditions. We compared and agreed the related revenues to the University’s general ledger and/or the statement on a test basis. We recalculated totals. No exceptions were noted.

Broadcast, Television, Radio, and Internet Rights– We obtained and inspected agreements related to the University’s participation revenues from broadcast, television, radio, and Internet rights to gain an understanding of the relevant terms and conditions. We compared and agreed related revenues to the University’s general ledger and/or the statement. We recalculated totals. No exceptions were noted.

Program Sales, Concessions, Novelty Sales, and Parking– We compared and agreed concession revenue reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed related revenues to the University’s general ledger and/or the statement. We recalculated totals. No exceptions were noted.

Royalties, Advertisements, and Sponsorships– We obtained and inspected on a test basis agreements related to the University’s revenues from royalties, advertisements, and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions. We compared and agreed the related revenues to the University’s general ledger and/or the statement on a test basis. We recalculated totals. No exceptions were noted.

Sports-Camp Revenues– We inspected sports-camp contracts between the University and persons conducting institutional sports-camps or clinics during the reporting period to obtain an understanding of the University’s methodology for recording revenues from sports-camps. We obtained schedules of camp participants. We selected a sample of individual camp participant cash receipts from the schedule of sports-camp participants and agreed each selection to the University’s general ledger and/or the statement. We recalculated totals. No exceptions were noted.

Endowment and Investment Income– We obtained and inspected endowment agreements to gain an understanding of the relevant terms and conditions. We compared and agreed the classification and use of endowment and investment income reported in the statement during the reporting period to the uses of income defined within the related endowment agreement. We recalculated totals. No exceptions were noted.

Operating Expenses

Athletic Student Aid– We selected a sample of students from the listing of institutional student aid recipients during the reporting period. We obtained individual student account detail for each selection and compared total aid allocated from the related aid award letter to the student’s account. We recalculated totals. No exceptions were noted.

Guarantees– We obtained and inspected contractual agreements pertaining to expenses recorded by the University from guaranteed contests during the reporting period on a test basis. We compared and agreed related amounts expensed by the University to the University’s general ledger and/or the statement on a test basis. We recalculated totals. No exceptions were noted.

Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities– We obtained and inspected a listing of coaches employed by the University and related entities during the reporting period. We selected a sample of coaches’ contracts that included football, and men’s and women’s basketball from this listing. We compared and agreed the financial terms and conditions of each selection to the related coaches’ salaries, benefits, and bonuses recorded by the University and related entities in the statement during the reporting period on a test basis. We obtained and inspected W-2’s or 1099’s to the related coaching salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period on a test basis. We recalculated totals. No exceptions were noted.

Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities– We selected a sample of support staff/administrative personnel employed by the University and related entities during the reporting period. We obtained and inspected W-2's or 1099's for each selection. We compared and agreed related W-2's or 1099's to the related support staff/administrative salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period on a test basis. We recalculated totals. No exceptions were noted.

Recruiting and Team Travel– We obtained and documented an understanding of the University's recruiting and team travel expense policies. We compared and agreed to the existing University and NCAA related policies. No exceptions were noted.

Indirect Facilities and Administrative Support– We obtained and documented an understanding of the University's methodology for allocating indirect facilities support. We compared and agreed Indirect Facilities and Administrative Support reported by the University in the statement to the corresponding revenue category reported by the institution in the statement. We recalculated totals. No exceptions were noted.

Capitalized Assets

- We obtained a schedule of total intercollegiate athletics capitalized assets, additions, and improvements of facilities, and agreed on a test basis to the University's general ledger. No exceptions were noted.
- We obtained an understanding of the University policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics related assets.
- On a test basis, we obtained and reviewed supporting documentation for significant capitalized additions that constituted 10% or more of all capitalized additions made by intercollegiate athletics during the reporting period. No exceptions were noted.

Booster Organizations

- We obtained from the management of The Ohio State University a list of outside organizations and their related financial activities for the year ended June 30, 2007, as they relate to the Intercollegiate Athletics Programs of the University. We agreed total revenues and expenses, or total cash receipts and disbursements, of all booster organizations for the year ended June 30, 2007, with amounts obtained from the official responsible for each respective booster organization. We noted the following exception:

The NCAA regulations require the University to exercise oversight of the activities of the booster organizations. Part of the oversight responsibility is to review the financial activities of the various organizations. Procedurally, the regulations specify that the booster organization report its financial activities to the University. The University is then responsible for accumulating and reporting the organization's financial activities. As it currently stands, the financial activity is only being provided as part of the agreed-upon procedures examination process. As a result, the University is not performing the monitoring procedures envisioned by the regulations. In addition, we noted difficulties in obtaining the financial information from several of the booster organizations.

The examination process is to perform tests on the information accumulated by the University as part of their oversight functions. It is not a substitute for the monitoring procedures specified within the regulations. Procedures should be in place to provide for monitoring and oversight of the financial activities of booster organizations throughout the fiscal year.

Agreed-Upon Procedure Related to the Internal Control Over Compliance

We have performed the procedures below, which were agreed to by the University, solely to assist in evaluating management's assertion about the effectiveness of the University's internal control over compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projections by the specified users of their evaluation of the internal control structure over financial reporting to future periods are subject to risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our procedures and results are as follows:

- Certain inquiries were made of the Controller's Office and Intercollegiate Athletic Department personnel relating to the procedures and internal accounting controls unique to the Intercollegiate Athletic Department, specifically, departmental organization, control consciousness of staff, use of internal auditors in the department, competency of personnel, adequate safeguarding and control of records and assets, and controls over interaction with the information technology department. No exceptions were noted.

We were not engaged to perform an audit, the objective of which would be the expression of an opinion, on the financial statements of the Intercollegiate Athletic Department of the University. Accordingly, we do not express such an opinion. Had we been engaged to perform additional procedures, other matters might have come to our attention that would have been reported to you. Nor were we engaged to perform an examination, the objective of which would be the expression of an opinion on management's assertion about the effectiveness of the internal control structure over financial reporting. Accordingly, we do not express such an opinion. Had we been engaged to perform additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of members of the audit committee, board of regents, administration of the University, or an authorized representative of the NCAA, and is not intended to be, and should not be, used by anyone other than these specified parties.

Farms & Company, LLC

December 18, 2007

THE OHIO STATE UNIVERSITY INTERCOLLEGIATE ATHLETIC DEPARTMENT

EXHIBIT A

STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007 (UNAUDITED)

	Football	Men's Basketball	Women's Basketball	Other Sports Men	Other Sports Women	Nonprogram Specific	Total
Operating Revenues:							
Ticket Sales	\$ 31,305,121	\$ 4,799,019	\$ 394,603	\$ 563,058	\$ 50,951	\$ 392,483	\$ 37,505,235
Post Season Event	7,206,680	2,189,361	-	-	-	-	9,396,041
Program Sales	544,428	46,851	15,118	-	-	47,694	654,091
Novelty Sales	-	-	-	-	-	3,415,106	3,415,106
Radio and T.V. Rights	3,778,560	3,821,480	-	(4,500)	-	-	7,595,540
Concessions	1,584,012	503,180	102,148	205,993	21,425	251,968	2,668,726
Gifts:							
Restricted	73,308	30,285	-	97,739	21,332	1,141,403	1,364,067
Grant-in-Aid	2,374,746	327,737	468,281	3,310,278	5,554,986	-	12,036,028
Parking	1,296,454	100,835	43,215	-	-	-	1,440,504
Investment Income:							
Unrestricted	-	-	-	-	-	1,318,518	1,318,518
Endowment Income:							
Restricted	-	-	-	-	-	-	-
Postage\Service Charges	988,707	159,894	17,374	20,883	700	422,671	1,610,229
Advertising	-	-	-	-	-	3,642,515	3,642,515
Entry Fees	-	-	-	-	2,400	2,893,074	2,895,474
Facility Rentals	-	-	-	-	-	259,423	259,423
Miscellaneous	185	352,158	158,774	150,225	(86)	1,847,678	2,508,934
Golf Course	-	-	-	-	-	3,923,433	3,923,433
Ice Rink	-	-	-	-	-	449,949	449,949
Total Operating Revenues	49,152,201	12,330,800	1,199,513	4,343,676	5,651,708	20,005,915	92,683,813
Operating Expenditures:							
Coaches' Salaries	3,147,984	1,174,839	1,037,520	2,686,658	2,728,848	-	10,775,849
Other Salaries	563,989	323,406	198,553	382,413	206,250	20,772,601	22,447,212
Travel:							
Team and other	2,391,215	450,433	455,374	1,011,029	1,221,762	633,359	6,163,172
Recruiting	549,308	148,346	65,497	220,198	259,961	3,110	1,246,420
Guarantees-net	2,194,181	(215,619)	41,988	57,811	11,755	103,977	2,194,093
Financial Aid	2,374,746	327,737	468,281	3,310,278	5,554,986	-	12,036,028
Maintenance\General	4,597,382	546,196	249,294	933,745	942,103	17,405,984	24,674,704
Equipment Purchases	80,747	1,169	1,629	55,841	58,829	445,543	643,758
Advertising	-	-	-	-	-	300,979	300,979
Insurance	-	-	-	-	-	90,619	90,619
Telephone	43,599	20,352	8,850	25,806	21,669	330,037	450,313
Food	596,851	46,176	6,932	78,127	94,388	775,116	1,597,590
Lodging	258,026	11,159	120	8,332	18,256	201,423	497,316
Indirect Overhead	-	-	-	-	-	4,663,514	4,663,514
Physical Facilities	-	-	-	-	-	355,200	355,200
Total Operating Expenditures	16,798,028	2,834,194	2,534,038	8,770,238	11,118,807	46,081,462	88,136,767
Excess (Deficiency) of Revenues over Expenditures							
	\$ 32,354,173	\$ 9,496,606	\$ (1,334,525)	\$ (4,426,562)	\$ (5,467,099)	\$ (26,075,547)	\$ 4,547,046

Note: This schedule was prepared by a representative of the Department of Athletics.

**THE OHIO STATE UNIVERSITY
INTERCOLLEGIATE ATHLETIC DEPARTMENT**

NOTES TO STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

1. SUMMARY OF PRESENTATION POLICIES

The amounts in the accompanying statement of revenues and expenditures were obtained from The Ohio State University's (the University's) trial balance, which is maintained on an accrual basis. All revenues and expenditures directly related to various sports were disclosed. All remaining revenues and expenditures are non-program specific. The University records depreciation on physical plant and equipment; however, depreciation is not part of the statement of revenues and expenditures.

2. OTHER SPORTS

Other sports include baseball, cross country, fencing, field hockey, pistol, rifle, softball, synchronized swimming, wrestling, men's and women's track and field, men's and women's golf, men's and women's gymnastics, men's and women's ice hockey, men's and women's lacrosse, women's rowing, men's and women's soccer, men's and women's swimming and diving, men's and women's tennis, and men's and women's volleyball.

3. GIFTS

Gift revenue included in the statement of revenues and expenditures represents gifts given to the Intercollegiate Athletic Department that did not contain any donor-imposed restrictions, or gifts for which donor-imposed restrictions were met during the current fiscal year.

There were no individual contributions in excess of 10% of all contributions received for the Intercollegiate Athletic Department for the year ended June 30, 2007.

4. OTHER FORMS OF COMPENSATION

The value of volunteer assistant coaching services, according to NCAA financial audit guidelines, should be reported as contributions and as salary expenditures. The University estimates that the value of volunteer assistant coaching services is not material to the statement of revenues and expenditures and, therefore, is not reflected.

**THE OHIO STATE UNIVERSITY
INTERCOLLEGIATE ATHLETIC DEPARTMENT**

NOTES TO STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

5. PROPERTY, PLANT AND EQUIPMENT

Intercollegiate athletics-related assets are accounted for consistent with the University's policies for property, plant and equipment. Property, plant and equipment valued at \$5,000 or more are recorded at cost at date of acquisition or, if acquired by gift, at estimated fair value at date of gift. Additions to plant assets are capitalized, while maintenance and minor renovations are charged to operations. Property, plant and equipment assets are reflected net of accumulated depreciation calculated on a straight-line basis over the estimated useful lives ranging from 3 to 100 years.

	Balance June 30, 2006	Additions	Transfers In (Out)	Disposals	Balance June 30, 2007
Capital assets not being depreciated:					
Construction in progress	\$ 12,823,893	\$ 9,782,770	\$ (1,711,658)	\$ -	\$ 20,895,005
Total capital assets not being depreciated	<u>12,823,893</u>	<u>9,782,770</u>	<u>(1,711,658)</u>	<u>-</u>	<u>20,895,005</u>
Capital assets being depreciated:					
Buildings	288,739,361	5,770,852	-	-	294,510,213
Capital improvements	22,522,624	643,183	-	-	23,165,807
Machinery and equipment	<u>7,115,529</u>	<u>673,800</u>	<u>(8,858)</u>	<u>(692,877)</u>	<u>7,087,594</u>
Total capital assets being depreciated	<u>318,377,514</u>	<u>7,087,835</u>	<u>(8,858)</u>	<u>(692,877)</u>	<u>324,763,614</u>
Total capital assets	<u>331,201,407</u>	<u>16,870,605</u>	<u>(1,720,516)</u>	<u>(692,877)</u>	<u>345,658,619</u>
Less accumulated depreciation:					
Buildings	64,224,079	9,061,797	-	-	73,285,876
Capital improvements	7,937,332	981,158	-	-	8,918,490
Machinery and equipment	<u>4,691,055</u>	<u>469,023</u>	<u>138,962</u>	<u>(706,912)</u>	<u>4,592,128</u>
Total accumulated depreciation	<u>76,852,466</u>	<u>10,511,978</u>	<u>138,962</u>	<u>(706,912)</u>	<u>86,796,494</u>
Total capital assets being depreciated, net	<u>241,525,048</u>	<u>(3,424,143)</u>	<u>(147,820)</u>	<u>14,035</u>	<u>237,967,120</u>
Capital assets - net	<u>\$ 254,348,941</u>	<u>\$ 6,358,627</u>	<u>\$ (1,859,478)</u>	<u>\$ 14,035</u>	<u>\$ 258,862,125</u>

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The Ohio State University

*Independent Accountants' Report on the
Application of Agreed-Upon Procedures to
Statements and Records of Booster Organizations'
Expenditures for or on Behalf of the
University's Department of Athletics for
the Year Ended June 30, 2007*

PARMS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT ACCOUNTANTS' REPORT ON
THE APPLICATION OF AGREED-UPON PROCEDURES TO
STATEMENTS AND RECORDS OF BOOSTER ORGANIZATIONS' EXPENDITURES
FOR OR ON BEHALF OF THE UNIVERSITY DEPARTMENT OF ATHLETICS**

E. Gordon Gee, President
The Ohio State University

We have performed the procedures below, which were agreed to by the administration of The Ohio State University (the "University"), with respect to the accounting records of the University and the related booster organizations, referred to below, in connection with activities of the Department of Athletics of the University. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures that we performed and our findings are as follows:

- A. We obtained a list of booster organizations and a schedule of receipts/revenues and disbursements/expenses (the "Schedule") for the year ended June 30, 2007, from the Director of Athletics. The Schedule is included as the Exhibit to this report.
- B. We agreed total revenues and expenditures or total cash receipts and cash disbursements of all booster organizations for the year ended June 30, 2007, listed on the Schedule with amounts obtained from the official responsible for each respective booster organization. We noted the following exception:

The NCAA regulations require the University to exercise oversight of the activities of the booster organizations. Part of the oversight responsibility is to review the financial activities of the various organizations. Procedurally, the regulations specify that the booster organization report its financial activities to the University. The University is then responsible for accumulating and reporting the organization's financial activities. As it currently stands, the financial activities of the booster groups are not being reported to the athletic department in a timely manner in accordance with established procedures. As a result, the University is not able to effectively perform the monitoring procedures envisioned by the institutional procedures. In addition, we noted difficulties in obtaining the financial information from several of the booster organizations.

The examination process is to perform tests on the information accumulated by the University as part of their oversight functions. It is not a substitute for the monitoring procedures specified within the regulations. Although procedures are in place to provide for monitoring and oversight of the financial activities of booster organizations throughout the fiscal year, we believe this exception occurred as a result of the process not being as effective as it could be. We believe the University might want to consider revising how booster activity information is obtained, reviewed and summarized. A possible improvement would be implementing a process where information is submitted by the booster organization electronically to designated University personnel. The process should ensure that activities are being reviewed timely and financial activity properly accumulated and reported.

- C. We received a representation letter signed by the Director of Athletics and all of the head coaches that the booster organizations, as listed in the Exhibit, are the only booster organizations that support the Department of Athletics as defined in the National Collegiate Athletic Association ("NCAA") Financial Audit Guidelines dated September 2004.
- D. We obtained a summary of contributions to or in behalf of the Department of Athletics from the booster organizations and compared such summary to the revenues recorded in the University's accounting records. The in-kind contributions and donated goods or services were not recorded in the University's accounting records. It is an institutional policy not to reflect these contributions in the University's financial statements. The contributions reported by the booster groups were credited to the applicable groups in The Ohio State University Development Fund's records in accordance with the University's and the Athletic Department's policies.

We were not engaged to perform an audit, the objective of which would be the expression of an opinion on the accounts of the booster organizations or items referred to above. Accordingly, we do not express such an opinion. Had we been engaged to perform additional procedures, other matters might have come to our attention that would have been reported to you. Nor, were we engaged to perform an examination, the objectives of which would be the expression of an opinion on management's assertions about the effectiveness of the internal control structure over financial reporting. Accordingly, we do not express such an opinion. Had we been engaged to perform additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of members of the audit committee, administration of the University, or an authorized representative of the NCAA, and is not intended to be and should not be used by anyone other than these specified parties.

Farms & Company, LLC

January 29, 2008

**THE OHIO STATE UNIVERSITY
DEPARTMENT OF ATHLETICS**

Exhibit

**OUTSIDE ORGANIZATIONS ACTING IN BEHALF OF THE DEPARTMENT OF
ATHLETICS RECEIPTS/REVENUES AND DISBURSEMENTS/EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007**

Organizations reporting on a cash receipts and disbursements basis for the year ended June 30, 2007, are as follows:

Organization	Beginning Cash Balance	Cash Receipts	Cash Disbursements		Ending Cash Balance
			Contributions To or In Behalf of Program	Other	
The Buckeye Diamond Club	\$ 23,657	\$ 207,049	\$ 38,753	\$ 15,311	176,642
The Buckeye Sideliners	3,199	34,243	15,000	20,836	1,606
The Ohio State Men's Swimming and Diving Boosters Club	9,644	6,199	577	4,622	10,644
The Rebounders Club	15,286	56,868	19,000	32,039	21,115
Varsity "O" Women	75,268	22,033	1,000	18,238	78,063

Organizations reporting revenues and expenditures for the year ended June 30, 2007, are as follows:

Organization	Revenues	Expenditures/ Contributions		Net Income (Loss)
		To or In Behalf of Program	Other	
Buckeye Boosters, Inc.	\$ 449,870	\$ 109,275	\$ 102,656	\$ 237,939
Center Ice Club	17,732	16,394	3,941	(2,603)
OSU Varsity Rifle Team Booster Club	7,628	3,567	1,919	2,142
The Varsity "O" Alumni	186,577	105,000	93,263	(11,686)



Mary Taylor, CPA
Auditor of State

THE OHIO STATE UNIVERSITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 29, 2008