The Ohio State University Foundation

Financial Statements and Additional
Information as of and for the Years Ended
June 30, 2009 and 2008, and
Independent Auditors' Report

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters based on an Audit
of Financial Statements Performed in accordance with
Govemment Auditing Standards

Board of Directors
The Ohio State University Foundation
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210

We have reviewed the *Independent Auditors' Report* of The Ohio State University Foundation, Franklin County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2008 through June 30, 2009. 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 Foundation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 20, 2010

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THE OHIO STATE UNIVERSITY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Ohio State University Foundation
Columbus, Ohio

We have audited the accompanying statements of net assets of The Ohio State University Foundation (the "Foundation"), a component unit of The Ohio State University, as of June 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis 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 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 the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2009, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Deloitte & Touche LLP

December 17, 2009

THE OHIO STATE UNIVERSITY FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

The following Management's Discussion and Analysis (MD&A) of The Ohio State University Foundation's (the "Foundation") financial performance provides an introduction to the financial statements as of and for the year ended June 30, 2009. The information contained in this MD&A should be considered in conjunction with the information contained in the Foundation's financial statements.

OVERVIEW

This annual report consists of financial statements and notes for the Foundation. The financial statements include Statements of Net Assets showing the Foundation's assets, liabilities, and net assets. Also included are Statements of Revenue, Expenses, and Changes in Net Assets, which show the various sources of revenue and categorizes expenses by type. The third statement is to the Statements of Cash Flows showing cash receipts and disbursements by category, allowing the reader to analyze the items affecting cash and cash flows within the Foundation.

STATEMENTS OF NET ASSETS

	2009	2008	2007
ASSETS:			
Current assets	$ 25,386,804	$ 17,312,480	$ 12,380,413
Other assets	415,628,705	523,367,587	526,740,422
Total assets	$ 441,015,509	$ 540,680,067	$ 539,120,835
LIABILITIES:			
Current liabilities	$ 5,321,429	$ 5,687,258	$ 5,093,892
Long-term liabilities	36,428,324	44,783,857	49,730,562
Total liabilities	41,749,753	50,471,115	54,824,454
NET ASSETS:			
Unrestricted	3,607,121	3,247,172	1,316,116
Restricted	39,728,520	35,334,699	31,038,335
Endowment	355,930,115	451,627,081	451,941,930
Total net assets	399,265,756	490,208,952	484,296,381
TOTAL LIABILITIES AND NET ASSETS	$ 441,015,509	$ 540,680,067	$ 539,120,835

ASSETS

Total current assets increased from $17 million at June 30, 2008, to $25 million at June 30, 2009, primarily due to an increase of pledges receivable by $6 million.

Total noncurrent assets decreased from $523 million at June 30, 2008, to $416 million at June 30, 2009, due primarily to the overall financial market performance of investments.

LIABILITIES

Total current liabilities decreased from $6 million at June 30, 2008, to $5 million at June 30, 2009, primarily due to a decrease in the gift annuity reserve.

Total noncurrent liabilities decreased from $45 million at June 30, 2008, to $36 million at June 30, 2009, due primarily to the reserve adjustment decrease of $6 million.

NET ASSETS

Net assets decreased $91 million as a result of revenue losses and operating expenses.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	2009	2008	2007
Operating revenues	$ (39,365,361)	$ 54,634,252	$ 130,185,386
Operating expenses	51,577,835	48,721,681	42,208,536
(Decrease) increase in net assets	$ (90,943,196)	$ 5,912,571	$ 87,976,850

OPERATING REVENUES

Overall, operating revenues decreased from $55 million in 2008 to $(39) million in 2009. The primary reason for the decrease was investment performance. A detailed analysis of the components of operating revenues follows:

Gifts decreased from $89 million in 2008 to $62 million in 2009.

Interest and dividends were comparable for 2008 and 2009.

The realized/unrealized loss — net represents the adjustment of investments to market value at June 30, 2009. The net adjustment to market was a loss of $65 million in 2008 and a loss of $133 million in 2009, primarily due to market conditions.

The gift annuity reserve adjustment decreased from a gain of $6.8 million to a gain of $6.2 million due to less income in the current year.

The change in the carrying value of remainder trusts increased $1 million from 2008 to 2009.

Miscellaneous income was comparable for 2008 and 2009.

Distributions to The Ohio State University, not including payments received on accounts receivable and payments toward advances, increased from $41 million in 2008 to $46 million in 2009 due to an increase in gifts passed on to The Ohio State University from the Foundation.

Distributions to gift annuitants represent contractual payments to annuitants and the amount is comparable between June 30, 2009 and 2008.

Gift annuity remainder distributions are payments to The Ohio State University for the accounts of annuitants passing away during the year. The expense decreased from $4.6 million in 2008 to $1 million in 2009.

STATEMENTS OF CASH FLOWS

	2009	2008	2007
Operating activities	$ 27,404,520	$ 59,878,679	$ 42,839,656
Investing activities	(26,915,482)	(61,369,785)	(42,873,352)
Financing activities	171,357	1,554,349	
Net increase/(decrease) in cash and cash equivalents	660,395	63,243	(33,696)
Cash — beginning of year	167,756	104,513	138,209
Cash — end of year	$ 828,151	$ 167,756	$ 104,513

The major positive cash flow item included in operating activities is cash received from contributors totaling $56 million. The largest negative cash flow item is distributions to The Ohio State University of $46 million. Total distributions to The Ohio State University include distributions from donors and payments on advances net of cash received on accounts receivable.

Cash used in investing activities represents purchases of marketable securities totaling $31 million. This is offset by proceeds from sales of marketable securities of $4 million.

2008 – 2007 HIGHLIGHTS

The decrease in net assets from $88.0 million to $5.9 million is primarily the result of decreased operating revenues. Operating revenues decreased $76 million due to investment performance loss of ($115) million and $27 million due to a rise in gifts. Operating expenses and the cash flow activities were comparable between 2008 and 2007.

THE OHIO STATE UNIVERSITY FOUNDATION

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 828,151	$ 167,756
Pledges receivable — current portion — net	23,088,245	17,010,690
Accounts receivable	1,274,579	
Accrued interest receivable	28,952	42,769
Marketable securities		91,265
Charitable remainder trusts	148,877	
Other assets	18,000	
Total current assets	25,386,804	17,312,480
INVESTMENTS — Long term:		
The Ohio State University Long-Term Investment Pool	348,393,132	442,852,874
Marketable securities	17,448,831	23,244,896
Charitable remainder trusts	32,570,500	38,269,389
Life insurance policies	4,604,911	4,325,632
Real estate	375,000	485,000
Total investments — long term	403,392,374	509,177,791
PLEDGES RECEIVABLE — Net	6,851,563	8,606,811
CAPITAL ASSETS — Net	4,763,351	4,892,163
RECEIVABLE FROM THE OHIO STATE UNIVERSITY	621,417	690,822
TOTAL	$ 441,015,509	$ 540,680,067
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Charitable remainder trust liability	$ 1,800,147	$ 1,979,717
Gift annuity liabilities	1,282,081	1,222,348
Gift annuity reserve	223,426	658,437
Advance from The Ohio State University	236,669	269,762
Accrued liabilities	53,400	2,645
Note payable	1,725,706	1,554,349
Total current liabilities	5,321,429	5,687,258
DEFERRED REVENUE	1,367,719	702,080
CHARITABLE REMAINDER TRUST LIABILITY	19,092,817	22,605,724
GIFT ANNUITY LIABILITIES	13,598,075	13,490,931
GIFT ANNUITY RESERVE	2,369,713	7,985,122
Total liabilities	41,749,753	50,471,115
NET ASSETS:		
Unrestricted	3,607,121	3,247,172
Restricted	39,728,520	35,334,699
Endowment	355,930,115	451,627,081
Total net assets	399,265,756	490,208,952
TOTAL	$ 441,015,509	$ 540,680,067

See notes to financial statements.

THE OHIO STATE UNIVERSITY FOUNDATION

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
OPERATING REVENUES:		
Gifts	$ 62,344,671	$ 88,726,875
Net investment loss:		
Interest and dividends	21,260,588	21,327,236
Realized/unrealized loss	(133,391,045)	(65,179,172)
Gift annuity reserve adjustment	6,191,598	6,829,799
Change in carrying value of remainder trusts	3,679,548	2,625,676
Total net investment loss	(102,259,311)	(34,396,461)
Miscellaneous income	549,279	303,838
Total operating revenues	(39,365,361)	54,634,252
OPERATING EXPENSES:		
Distributions to The Ohio State University	46,354,222	40,576,532
Distributions to gift annuitants	1,853,313	1,793,115
Gift annuity remainder distributions	1,007,403	4,581,680
Salaries and benefits	517,842	171,871
Professional services, audit, and legal fees	339,877	57,025
Provision for uncollectible pledges	966,730	1,173,394
Depreciation	225,058	314,393
Interest on debt	64,427	
Other	248,963	53,671
Total operating expenses	51,577,835	48,721,681
(DECREASE) INCREASE IN NET ASSETS	(90,943,196)	5,912,571
NET ASSETS — Beginning of year	490,208,952	484,296,381
NET ASSETS — End of year	$ 399,265,756	$490,208,952

See notes to financial statements.

THE OHIO STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
OPERATING ACTIVITIES:		
Cash received from contributors	$ 55,556,695	$ 82,411,042
Interest and dividends received	20,831,347	18,542,272
Funding from The Ohio State University	270,000	170,489
Receipt of new gift annuity agreements	647,146	2,172,585
Receipt of new trust agreements	(12,929)	858,813
Investment income received on gift annuities	411,241	2,784,964
Distributions to The Ohio State University	(46,317,910)	(40,404,195)
Income distributions paid to gift annuitants	(1,853,313)	(1,793,115)
Distributions to gift annuity remainderman	(1,007,403)	(4,581,680)
Payments to vendors for supplies and services	(602,512)	(110,625)
Payments to or on behalf of employees	(473,147)	(130,664)
University employee benefit payments	(44,695)	(41,207)
Net cash provided by operating activities	27,404,520	59,878,679
INVESTING ACTIVITIES:		
Proceeds from sales of investments	4,164,393	6,634,223
Purchases of investments	(30,983,629)	(66,032,603)
Payments for capital assets	(96,246)	(1,971,405)
Net cash used in investing activities	(26,915,482)	(61,369,785)
FINANCING ACTIVITIES — Advances on note payable	171,357	1,554,349
INCREASE IN CASH AND CASH EQUIVALENTS	660,395	63,243
CASH AND CASH EQUIVALENTS — Beginning of year	167,756	104,513
CASH AND CASH EQUIVALENTS — End of year	$ 828,151	$ 167,756
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
(Decrease) increase in net assets	$ (90,943,196)	$ 5,912,571
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation	225,058	314,393
Realized/unrealized loss on investments	133,391,045	65,179,172
Change in cash surrender value of life insurance policies	(279,279)	(133,278)
Total gifts received in real estate	(890,000)	(55,000)
Other	325,275	(10,598)
Changes in assets and liabilities:		
Pledges receivable	(4,322,307)	(5,514,637)
Accounts receivable	(1,274,579)	
Deferred revenue	665,639	424,553
Accrued interest receivable	13,817	(2,288)
Other current assets	(18,000)	
Receivable from The Ohio State University	69,405	96,032
Advance from The Ohio State University	(33,093)	76,305
Accrued liabilities	50,755	2,645
Gift annuities liabilities	166,877	125,879
Gift annuity reserve	(6,050,420)	(4,770,207)
Charitable remainder trust liability	(3,692,477)	(1,766,863)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 27,404,520	$ 59,878,679

See notes to financial statements.

1. ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in preparing the financial statements:

Organization — The Ohio State University Foundation (the "Foundation") was incorporated as a not-for-profit organization in the State of Ohio on April 19, 1985, and operates for the benefit of and is a component unit of The Ohio State University (the "University"). The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Basis of Presentation — The accompanying financial statements include the accounts of the Foundation, Clifton Holdings, LLC ("Clifton"), and NetJames Holdings LLC, dba Pelotonia ("Pelotonia"). Clifton was created in 2007, Pelotonia was created in 2008. Both are a component unit, which is a legally separate organization for which the Foundation is financially accountable. 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 Foundation) 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

- An organization is fiscally dependent on the primary government

Clifton and Pelotonia are financially accountable using the criteria set forth in GASB Statement No. 14 and they exclusively benefit the Foundation. As a result, the transactions and balances for Clifton and Pelotonia have been blended with the Foundation.

Basis of Accounting — The financial statements of the Foundation have been prepared on the accrual basis of accounting. The preparation of financial statements in accordance 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 and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Foundation follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Cash Equivalents — The Foundation considers all demand deposit accounts and money market funds with a maturity of three months or less at the date of purchase to be cash equivalents. All cash is principally on deposit with two banks.

At June 30, 2009 and 2008, the carrying amount of the Foundation's deposits with financial institutions was $719,178 and $66,139, respectively. These deposits were insured by the Federal Deposit Insurance Corporation. In addition, the Foundation had $108,973 and $108,118, respectively, of cash equivalents, which were uncollateralized.

Pledges Receivable — The Foundation receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, endowment pledges are not recorded as assets until the related gift is received. The Foundation reduces pledges receivable to estimated net realizable value by recording an allowance for uncollectible pledges. The allowance is estimated using a four-year rolling average of canceled pledges divided by net pledges receivable. For the years ended June 30, 2009 and 2008, the Foundation recorded an allowance against pledges receivable of approximately $5,076,900 and $8,300,000, respectively.

Fund Accounting — To ensure the observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported in the following fund groups:

Unrestricted Fund — The unrestricted fund represents funds which can be used by the Foundation for any purpose authorized by the Board of Directors.

Restricted Fund — The restricted fund represents funds which are restricted for a specific purpose determined by the donor. The Foundation maintains separate balances in its accounting records to account for the amounts available for such restricted purposes.

Endowment Fund — The endowment fund represents contributions in which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the investment income of the fund be expended as the donor has specified.

Operating Revenues and Expenses — Operating revenues and expenses are distinguished from nonoperating items and generally result from providing services in connection with ongoing operations. The principal operating revenues are derived from gifts, interest and dividends, gains and losses on marketable securities and real estate investments, and the change in other assets held by the Foundation. Operating expenses include distributions to the University and gift annuitants and related administrative expenses.

Gifts — Gifts are recorded at their fair market value as of the date received. This includes gifts of real estate for which fair market value is obtained by an independent appraisal.

In accordance with GASB Statement No. 33, private donations are recognized when all eligibility requirements are met. The Foundation has recorded $29,939,808 and $25,617,501, in pledges receivable as of June 30, 2009 and 2008, respectively.

In-Kind Income — The facilities occupied by the Foundation are provided by the University. In addition, the University's Office of University Development and the Office of the Treasurer assist the Foundation in fund-raising, gift processing, and accounting. The value of the office space and services provided constitutes additional in-kind income to the Foundation that is not recorded.

Investments — Investments in The University Long-Term Investment Pool are valued at share values reported by the University. The University Long-Term Investment Pool holds investments in limited partnerships, private equity, and other investments which are carried at 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 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.

All endowments are invested in the University Long-Term Investment Pool. For donor restricted endowments, the Uniform Prudent 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/depreciation, is retained in the University Long-Term Investment Pool.

At June 30, 2009, the market value of the Foundation's gifted endowments was $348,393,000, which is $127,176,000 below the historic dollar value of $475,569,000, due to the unusually adverse market conditions in Fiscal Year 2009.

The interest in unitrust, annuity trust, and pooled income agreements (marketable securities and charitable remainder trust) are carried at market value. Mutual funds are recorded at share values reported by investment carriers. Bonds and notes are recorded at values determined by market quotations. Realized gains or losses from sale or redemption of investments are based upon the cost of the specific investment sold or redeemed. Purchases and sales of investments are reflected on a trade-date basis.

The Foundation is the owner and beneficiary of certain life insurance policies. The policies classified in the unrestricted fund are single premium whole life insurance policies paid by the Foundation. These policies are recorded at their net present value, which was calculated using the risk-free interest rate (approximately 4% at June 30, 2009, and 4% at June 30, 2008). The policies classified in the restricted fund are whole life policies including both single premium and annual premium policies for which the donors are paying the premiums. These policies are recorded at their cash surrender value. The increase in the recorded value during the year is recorded in miscellaneous income.

Real estate is recorded at the appraised value.

Investment income is recorded in the fund in which the income was earned, except for income derived from endowments. Investment income on endowment fund assets is recorded in the fund to which the income was designated by the donor.

Capital Assets — Net — Capital assets, net of accumulated depreciation is the residence used by the University president for housing.

Reimbursement Agreement and Resolution — The Foundation and the University entered into an agreement in March 1989 to reimburse costs incurred by the University on behalf of the Foundation and to repay related advances from the University. In connection therewith, the Foundation's Board of Directors approved a resolution in April 1989, authorizing the Foundation to utilize undesignated income earned from unrestricted/restricted funds, as needed, to reimburse the University. On July 7, 2000, the University's board of trustees approved a resolution creating a funding plan for University development. Part of this plan includes support to reduce the Foundation's outstanding liability to the University. A reduction of $270,000 was recognized in 2009 and $170,560 was recognized in 2008.

New Accounting Standards — In November 2007, GASB issued GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement requires endowments to report their land and other real estate investments at fair value. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2008. The Foundation's management has determined that the implementation of GASB Statement No. 52 did not have an affect on the financial statements, as real estate investments are already recorded at fair value.

The Foundation early adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The effect of the adoption of GASB Statement No. 53 did not have a material affect on the Foundation's financial statements.

2. INVESTMENTS

Investments as of June 30, 2009 and 2008, were as follows:

	2009	2008
Common stock	$ 49,615,387	$ 77,351,085
Equity mutual funds	71,502,328	189,047,749
U.S. government obligations	7,709,357	9,581,679
U.S. government agency obligations	10,241,887	8,004,386
Corporate bonds and notes	20,661,029	5,734,937
Bond mutual funds	50,051,789	46,965,549
International bonds	106,232	
Partnerships and hedge funds	151,511,926	128,799,451
Real estate	1,512,103	22,908,176
Cash and cash equivalents	35,986,441	15,961,149
Other	4,642,772	4,914,895
Total	$403,541,251	$509,269,056

Interest-Rate Risk — Interest rate or 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 Foundation's interest-bearing investments as of June 30, 2009, were as follows:

		Investment Maturities (In Years)			
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. government obligations	$ 7,709,357	$ 322,773	$ 1,416,488	$ 5,311,875	$ 658,221
U.S. agency obligations	10,241,887	695,971	111,491	3,166,174	6,268,251
Corporate bonds	20,661,029	301,603	4,300,664	14,246,271	1,812,491
Bond mutual funds	50,051,789	(572,640)	22,845,698	21,820,987	5,957,744
International Bonds	106,232			106,232	
Total	$ 88,770,294	$ 747,707	$ 28,674,341	$ 44,651,539	$ 14,696,707

The maturities of the Foundation's interest-bearing investments as of June 30, 2008, were as follows:

		Investment Maturities (In Years)			
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. government obligations	$ 9,581,679	$ 675,789	$ 2,684,716	$ 5,592,668	$ 628,506
U.S. agency obligations	8,004,386	153,043	527,821	1,736,281	5,587,241
Corporate bonds	5,734,937	242,634	1,747,142	2,047,806	1,697,355
Bond mutual funds	46,965,549	462,092	18,756,452	20,858,063	6,888,942
Total	$ 70,286,551	$ 1,533,558	$ 23,716,131	$ 30,234,818	$ 14,802,044

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 Foundation's interest-bearing investments as of June 30, 2009, were as follows:

Credit Rating (Moody's)	Total	U.S. Government and Agency Obligations	Corporate Bonds	Bond Mutual Funds	International Bonds
Aaa	$ 57,391,696	$ 17,951,244	$ 976,719	$ 38,463,733	$ -
Aa	6,836,372		2,674,021	4,162,351	
A	16,197,571		10,614,226	5,583,345	
Baa	7,522,206		5,798,181	1,617,793	106,232
Ba	816,309		591,742	224,567	
B					
Caa					
Ca					
Unrated	6,140		6,140		
Total	$ 88,770,294	$ 17,951,244	$ 20,661,029	$ 50,051,789	$ 106,232

The credit ratings of the Foundation's interest-bearing investments as of June 30, 2008, were as follows:

Credit Rating (Moody's)	Total	U.S. Government and Agency Obligations	Corporate Bonds	Bond Mutual Funds
Aaa	$ 53,498,786	$ 17,497,973	$ 937,564	$ 35,063,249
Aa	5,719,343		931,613	4,787,730
A	6,177,829		1,944,529	4,233,300
Baa	3,733,941		857,788	2,876,153
Ba	154,304		149,187	5,117
B	518,597		518,597	
Caa	121,380		121,380	
Ca	17,281		17,281	
Unrated	345,090	88,092	256,998	
Total	$ 70,286,551	$ 17,586,065	$ 5,734,937	$ 46,965,549

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. The Foundation's exposure to foreign currency risk as of June 30, 2009 was as follows:

	Common Stocks	Equity Mutual Funds	Bond Mutual Funds	International Bonds
Australian Dollar	$ 616,523	$ 1,480,457	$ 29,633	$ -
Brazilian Real	479,401	664,603	235,963	
Canadian Dollar	1,577,299	1,630,834	117,132	
Chile — Peso		69,762		
Chinese Yuan		874,360		
Colombian Peso		16,060		
Czech Republic — Koruna		21,113		
Danish Krone	161,897	176,547	41,840	
Egyptian Pound		24,325		
EURO	8,312,825	6,487,800	3,645,369	
Hong Kong Dollar	1,542,231	488,222		
Hungarian Forint	57,956	25,931		
Indian Rupee		334,828		
Indonesian Rupiah	35,737	74,815		
Israeli Shekel	22,635	136,548		
Japanese Yen	5,576,132	4,873,964	2,290,691	
Malaysian Ringgit	69,927	136,548		
Maroccan Dirham		14,454		
Mexican Peso	82,624	201,492		106,232
New Taiwan Dollar	630,180	529,896		
New Zealand Dollar	95,408	27,217	14	
Norwegian Kroner	444,597	146,101	12,768	
Peruvian Nuevo Sol		24,325		
Philippine Peso		21,113		
Polish Zloty	37,941	51,861	40,574	
Pound Sterling	4,625,252	4,247,191	394,396	
Russian Rouble		282,731		
Singapore Dollar	326,736	279,993		
South African Rand	528,037	333,222		
South Korean Won	1,262,800	562,251		
Swedish Krona	564,672	498,396	32,976	
Swiss Franc	978,120	1,521,439	35,192	
Thailand Baht	326,510	64,944		
Turkish Lira		61,732		
	$28,355,440	$26,385,075	$6,876,548	$ 106,232

The Foundation's exposure to foreign currency risk as of June 30, 2008 was as follows:

	Common Stocks	Equity Mutual Funds	Bond Mutual Funds
Argentine Peso	$ -	$ 98,942	$ -
Australian Dollar	927,053	4,471,851	28,339
Brazilian Real	1,410,204	2,341,534	
Canadian Dollar	1,932,501	6,176,398	142,863
Chilean Peso		181,789	
Chinese Yuan		1,907,582	
Czech Republic Koruna		125,593	
Danish Krone	339,244	702,175	100,581
Egyptian Pound		116,452	
EURO	13,392,049	33,210,992	3,305,619
Hong Kong Dollar	2,173,986	1,474,540	
Hungarian Forint	98,424	125,655	
Indian Rupee		804,984	
Indonesian Rupiah	209,044	224,534	
Israeli Shekel	38,241	353,666	
Japanese Yen	8,253,406	14,241,283	2,291,379
Jordanian Dinar		12,618	
Malaysian Ringgit	255,717	329,202	
Mexican Peso	618,371	713,829	
Moroccan Dirham		44,161	
New Taiwan Dollar	1,137,153	1,525,059	
New Zealand Dollar	62,113	102,686	
Norwegian Kroner	1,423,788	751,929	16,018
Peruvian Nuevo Sol		103,835	
Philippine Peso		42,442	
Polish Zloty	80,352	230,906	
Pound Sterling	5,624,075	4,427,165	464,449
Russian Rouble		1,543,485	
Singapore Dollar	366,387	767,667	
South African Rand	1,499,762	929,223	
South Korean Won	2,402,022	1,805,269	
Swedish Krona	819,548	1,445,744	40,012
Swiss Franc	1,160,234	4,625,237	38,261
Thailand Baht	500,243	192,990	
Turkish Lira	84,586	180,373	
Other foreign currencies	26	27,787	
	$44,808,529	$86,359,577	$6,427,521

3. GIFT ANNUITIES

The Foundation has entered into charitable gift annuity agreements, which provide, among other matters, that the Foundation shall pay periodic fixed payments to beneficiaries during their lifetimes. Charitable gift annuities differ from other charitable giving options in that the annuity is a general obligation of the Foundation. Accordingly, if the assets of the gift are exhausted as a result of required payments to beneficiaries, then the unrestricted assets of the Foundation will be utilized to fund future payments.

The Foundation accounts for such agreements by recording the fair market value of assets donated as of the date of the gift, and by recording the present value of the annuities payable, based on the term of the agreement, as a liability. The balance of the gift is recorded as a reserve for future payments.

As of June 30, 2009 and 2008, the assets related to these investments had a fair market value of approximately $17,433,000 and $23,320,000, respectively, a present value of annuities payable of approximately $14,880,000 and $14,713,000, respectively, and reserves of approximately $2,593,000 and $8,644,000, respectively.

4. UNITRUST, ANNUITY TRUST, AND POOLED INCOME AGREEMENTS

An officer of the Foundation, as trustee, has entered into unitrust, annuity trust, and pooled income agreements, which provide, among other matters, that the trustee shall pay beneficiaries periodic payments until either the assets of the trust have been exhausted or until the death of the beneficiaries. Upon death of the beneficiaries, any remaining property in the trust or pooled income fund will be transferred to the Foundation in accordance with the agreements.

The Foundation accounts for such agreements by recording the fair market value of assets donated and by recording the present value of the annuity payable, based on the agreement, as a liability.

5. NOTE PAYABLE

In December 2007, Clifton entered into a revolving credit agreement of $2,500,000 with a bank, due on demand and requiring monthly interest payments based on the daily fluctuating London InterBank Offered Rate plus 2.25%. The note payable is guaranteed by the Foundation and is collateralized by the assets of Clifton and the Foundation. At June 30, 2009, the note payable had an outstanding balance of $1,725,706.

6. RELATED-PARTY TRANSACTIONS

The University made net advances to the Foundation of approximately $237,000 and $270,000, as of June 30, 2009 and 2008, respectively. The Foundation distributed approximately $46,354,000, and $40,577,000, in fiscal years 2009 and 2008, respectively, to the University as directed by donors. The Foundation had receivables from the University of approximately $621,000 and $691,000, as of June 30, 2009 and 2008, respectively.

The Foundation invests its gifted endowment funds in the Ohio State University Long-Term Investment Pool. The University employs the share method of accounting for pooled investments and for proportionate distribution of income to each fund which participates in the pool.

Clifton entered into an agreement on May 1, 2008, to lease the president's house to the University for $1 a year.

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

To the Board of Directors of
The Ohio State University Foundation:

We have audited the financial statements of The Ohio State University Foundation (the "Foundation") as of and for the year ended June 30, 2009, and have issued our report thereon dated December 17, 2009. 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine 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 Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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 Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control.

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 Foundation's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material affect 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Foundation's management, The Ohio State University, and the Ohio Auditor of State and is not intended to be, and should not be, used by anyone other than those specified parties.

Deloitte & Touche LLP

December 17, 2009

Mary Taylor, CPA
Auditor of State

THE OHIO STATE UNIVERSITY FOUNDATION

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
FEBRUARY 2, 2010

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