

Ohio University
(a component unit of the State of Ohio)

Financial Statements
for the Years Ended June 30, 2011 and 2010



Dave Yost • Auditor of State

Board of Trustees
Ohio University
HDL Center
Suite 204
Athens, Ohio 45701-2979

We have reviewed the *Independent Auditor's Report* of the Ohio University, Athens County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2010 through June 30, 2011. 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 University is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

January 5, 2012

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Independent Auditor's Report

To the Board of Trustees
Ohio University
Athens, Ohio

We have audited the accompanying statements of net assets of Ohio University (the "University"), a component unit of the State of Ohio, and its component unit as of June 30, 2011 and 2010 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University'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. In addition, the basic financial statements were audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Ohio University and its component unit as of June 30, 2011 and 2010 and the results of its operations and cash flows, where applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2011 on our consideration of Ohio University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for the year ended June 30, 2011. 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 on 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.

To the Board of Trustees
Ohio University
Athens, Ohio

The management's discussion and analysis presented on pages 3 through 13 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

As further explained in Note 2 and Note 20, the financial statements include investments that are not listed on national exchanges nor for which quoted market prices are available. These investments include limited partnerships, hedge funds, funds-of-funds, and commingled funds that are not mutual funds. Such investments totaled \$31,684,798 (4.3 percent of net assets) and \$30,050,000 (4.8 percent of net assets) for the University and \$125,721,627 (32.6 percent of net assets) and \$102,763,000 (31.6 percent of net assets) for The Ohio University Foundation at June 30, 2011 and 2010, respectively.

Plante & Moran, PLLC

Columbus, Ohio
October 11, 2011

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of Ohio University for the year ended June 30, 2011, with selected comparative information for the years ended June 30, 2010 and 2009. The financial statements are prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recorded when the related liability is incurred. As the MD&A presentation includes highly summarized information, it should be read in conjunction with the accompanying financial statements and related notes to the financial statements. The financial statements, footnotes, and this discussion are the responsibility of University management.

Under the provision of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the Ohio University Foundation (the "Foundation") has been determined to be a component unit of the University. Accordingly, the Foundation is discretely presented in the University's financial statements. The Foundation's primary function is fundraising to supplement resources that are available to the University in support of its programs. The Foundation is governed by a separate board of trustees and consists of graduates and friends of the University. Nearly all the assets of the Foundation are restricted by donors to activities of the University. Ohio University provides both support for advancement operations as well as administrative support to the Foundation for critical business functions.

Financial Highlights

- The University's financial position remained relatively strong, with assets of \$1,016.3 million and liabilities of \$279.3 million at June 30, 2011, compared to assets of \$918.6 million and liabilities of \$289.0 million at June 30, 2010. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, totaled \$737.0 million at June 30, 2011 as compared to \$629.6 million at June 30, 2010. Changes in net assets represent the University's results of operations and are summarized for the years ended June 30, 2011, 2010, and 2009 as follows:

(in thousands)	2011	2010	2009
Operating revenues and state appropriations	\$ 593,005	\$ 531,092	\$ 525,182
Total Expenses	598,420	574,716	563,569
	(5,415)	(43,624)	(38,387)
Net investment income (loss)	16,751	12,244	(15,432)
Gifts and other nonoperating revenues, net	96,059	97,506	74,590
Increase in net assets	\$ 107,395	\$ 66,126	\$ 20,771

- Net assets for the University increased \$107.4 million during fiscal year 2011 as compared to an increase of \$66.1 million in fiscal year 2010 and increased the University's Senate Bill 6 composite score to a 4.2. This shows that conservative revenue forecasting and a reserve strategy can impact the financial health of the institution in a relatively short period of time. This level of financial strength also provides considerable flexibility for the institution to consider strategic investments over the next several years.

- Royalty income increased \$27.6 million during fiscal year 2011 due to the monetization of the rights to the annual royalties from SOMAVERT through 2015 in exchange for a one-time-only payment. These funds will be used to make strategic academic and research-related investments in future years.
- Student tuition and fees increased by \$27.7 million in fiscal year 2011 primarily from enrollment growth strategies targeted at nonresident enrollments, specialized graduate programs, favorable retention rates, and a new on-line RN to BSN program that has proven to be tremendously successful and very much in demand.
- Investment income experienced a moderate increase from \$12.2 million in fiscal year 2010 to \$16.8 million in fiscal year 2011. Investment income includes earnings in the form of interest and dividends as well as both realized and unrealized gains and losses. The majority of this gain was related to investments within the University's diversified investment pool which includes public and private equities, fixed income, real estate, and commodities. Management has eliminated a source of volatility by eliminating the reliance on investment income to support unrestricted budgeted operations. Investment income has allowed the institution to make gains on the goal of improving financial strength. This source of income will be used to build strategic cash reserves and provide funding for strategic priorities.
- Ohio University continued to benefit from government stimulus funds through the American Recovery and Reinvestment Act (ARRA), primarily from the Department of Energy, National Institutes of Health, National Science Foundation, and Federal Aviation Administration. These funds supported research and public service activities, acquisition of equipment, and capital improvements. As of June 30, 2011, the University received 33 awards, with combined budgets in excess of \$14 million. Revenue from these awards included in federal grants and contracts for fiscal year 2011 total approximately \$4.1 million, with another \$1.5 million included in capital grants and gifts.
- Increases were also experienced in other non-ARRA federal grants and contracts for fiscal year 2011. Increases from the National Science Foundation and the Department of Energy contributed to an increase of another \$2.4 million, demonstrating Ohio University's continued success in obtaining competitive research awards.
- The University was also a recipient of State Fiscal Stabilization Funds (SFSF) which were appropriated under the ARRA to the U.S. Department of Education. These funds were awarded to states in exchange for a commitment to advance education reforms. The funds were intended to help ensure that public institutions of higher education had the resources to avert budget reductions and retain teachers and professors. Ohio University received \$21.3 million in SFSF funding from the State of Ohio in fiscal year 2011. Fiscal year 2011 is the last year for this source of funds.
- Federal Pell Grants increased by \$9.5 million in fiscal year 2011. This increase resulted from changes to the federal policy that extended Pell eligibility to the summer quarter in addition to the fall, winter, and spring academic quarters.

Ohio University

Management's Discussion and Analysis (Continued)

- The University continues to view debt as a strategic resource and expects to consider the issuance of additional debt over the next several years for purposes such as academic facilities, student housing, and deferred maintenance/infrastructure improvements. In fiscal year 2011, the University retired \$12.2 million in bonds payable and is scheduled to retire \$12.6 million in fiscal year 2012. As of June 30, 2011, the University's outstanding bonds payable stands at \$164.6 million.

Statement of Net Assets

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 the end of the fiscal year. The difference between total assets and total liabilities, or net assets, is one indicator of the current financial condition of the institution. Over time, the increase or decrease in total net assets denotes whether the overall financial condition of the University has improved or worsened during the year. Except for capital assets, all other assets and liabilities are measured at a point in time using current values. Capital assets are recorded at historical costs less an allowance for depreciation.

The following table depicts a summary of the composition of the statement of net assets for the three years ended June 30, 2011:

(in thousands)	2011	2010	2009
Assets			
Current assets	\$ 349,354	\$ 251,113	\$ 211,568
Noncurrent assets	666,925	667,524	660,538
Total assets	1,016,279	918,637	872,106
Liabilities			
Current liabilities	96,852	94,696	100,144
Noncurrent liabilities	182,402	194,311	208,458
Total liabilities	279,254	289,007	308,602
Total Net Assets	\$ 737,025	\$ 629,630	\$ 563,504

- **Assets** - Total assets grew by \$97.6 million as a result of the following changes:
 - Cash and cash equivalents increased by \$81.6 million as a result of higher-than-expected enrollment providing additional tuition and fees, the arrival of a state share of instruction payment that was expected in the following fiscal year, the monetization of potential royalties related to research, and investment performance. Operational changes including more frequent appropriations of funds attributable to federal sources also contributed to the growth.
 - Investments and endowment investments increased \$15.6 million due to the appreciation of existing investments and endowment investments.
 - Accounts receivable increased by \$6.6 million due to an increase in tuition rates, increased enrollment, and favorable retention rates.

Ohio University

Management's Discussion and Analysis (Continued)

- Restricted cash and cash equivalents decreased \$11.3 million related to the spending of bond proceeds for the new Student Information System (SIS) project and the NextGen network upgrade.
- Capital assets increased by \$9.1 million due to capitalized costs associated with the new SIS project and renovations to the Lausche heating plant.
- **Liabilities** - Total liabilities decreased by \$9.8 million as a result of the following changes:
 - Accounts Payable and Accrued Liabilities increased \$1.6 million primarily due to the increased accruals for payroll and royalty expenses.
 - Bonds and Notes Payable had a net decrease for current and noncurrent liabilities of \$12.2 million. See Note 7 for more information on debt payments.
- **Net Assets** - Net assets are classified into three major categories:
 - Invested in capital assets net of related debt is the net equity in property, plant, and equipment owned by the University.
 - Restricted net assets are owned by the University, but the use or purpose of the funds is restricted by an external source or entity. The restricted net assets category is subdivided further into expendable and nonexpendable.
 - Restricted expendable net assets may be spent by the institution, but only for the purpose specified by the donor, grantor, or other external entity. This category includes the unspent balance in grant funds, loan funds, debt service funds, and bond funded capital projects.
 - Restricted nonexpendable net assets are endowment funds whose principal may be invested; however, only interest, dividends and capital gains may be spent.
 - Unrestricted net assets are resources derived primarily from student tuition, fees, State appropriations, and auxiliary enterprises. These assets are used for general obligations of the University. They may be used at the discretion of the Board of Trustees for any purpose furthering the University's mission.

Net assets for the three years ended June 30, 2011 are displayed in the table below:

(in thousands)	2011	2010	2009
Invested in capital assets, net of related debt	\$ 464,658	\$ 453,048	\$ 433,324
Restricted:			
Nonexpendable	19,577	17,567	13,912
Expendable	33,724	52,679	38,369
Unrestricted	219,066	106,336	77,899
Total Net Assets	\$ 737,025	\$ 629,630	\$ 563,504

The University continues to solidify its financial position as represented by an increase in unrestricted net assets of \$112.7 million for fiscal year 2011. This is a result of a longer-term strategy developed in fiscal year 2010 to improve the University's financial strength and enable the continued pursuit of strategic priorities. This strategy encompassed prudent resource planning and utilization including:

- Conservative revenue forecasting
- Creating reserves for protection from revenue shortfalls and improvement in the financial strength of the University
- Revenue generation through the creation of new programs and strategic growth that leverages existing programs
- Implementation of spending controls and practices to reduce expenses, including the continuation of the hiring freeze
- Employment of planning unit savings targets to address a structural deficit
- Elimination of the reliance on investment income in support of unrestricted operations
- Management of debt in a conservative and strategic manner

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets is the University's income statement and presents the results of operations. 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 GASB Statement No. 9 defines operating and non-operating items.

In accordance with GASB reporting principles, the revenues and expenses are primarily reported as either operating or nonoperating. Revenue is generated by providing goods and services to customers, predominately students. Nonoperating revenue includes the instructional subsidy from the State of Ohio which Ohio University relies upon for current operations. Other revenue includes state capital appropriations. Operating expenses include all expenses except for interest on debt and disposal and write-offs of plant facilities, which are reported as nonoperating expenses.

The following is a summary of the statement of revenue, expenses, and changes in net assets for the three years ended June 30, 2011:

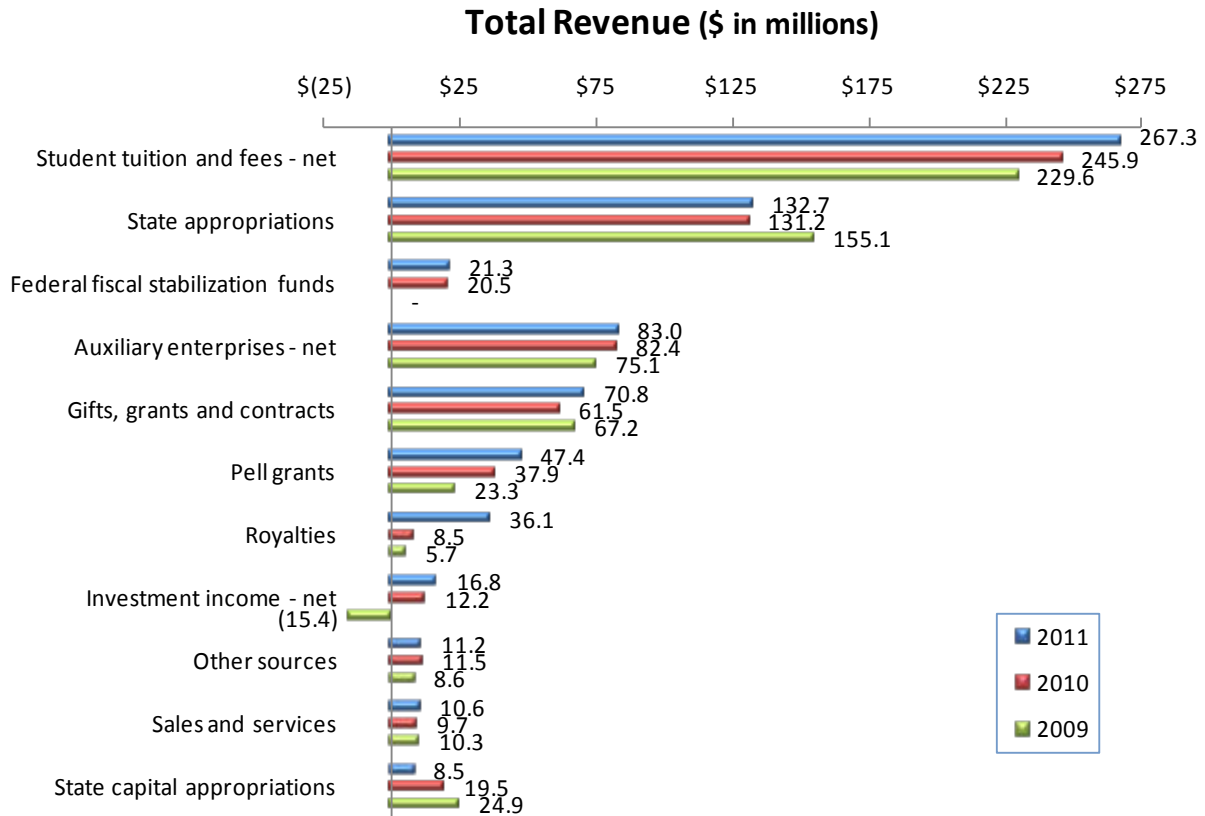
(in thousands)	2011	2010	2009
Operating revenue	\$ 460,288	\$ 399,898	\$ 370,076
Operating expenses	590,558	566,860	554,794
Net operating loss	(130,270)	(166,962)	(184,718)
Net nonoperating revenue	222,560	205,465	169,772
Income (loss) - Before other revenue	92,290	38,503	(14,946)
Other revenues	15,105	27,623	35,717
Increase in net assets	107,395	66,126	20,771
Net assets - Beginning of year	629,630	563,504	542,733
Net assets - End of year	\$ 737,025	\$ 629,630	\$ 563,504

Highlights from the statement of revenue, expenses, and changes in net assets include:

- Student tuition and fee revenue increased \$27.7 million for fiscal year 2011. This increase was from enrollment growth strategies targeted at nonresident enrollments and specialized graduate programs, favorable retention rates, and a new on-line RN to BSN program.
- Total other revenue consists of funding received for construction projects from the State of Ohio and private gifts. The amount recognized as revenue is related to capital projects in progress primarily on the main campus.
- Instruction and departmental research is the largest contributor to total operating expenses. This functional category increased by \$13.8 million for fiscal year 2011. Expenditures for expanded educational offerings for on-line programs contributed to this increase.
- Institutional support decreased by \$1.7 million. Due to budget constraints, there were decreases in spending for supplies and services, and travel and entertainment.

One of the University's operational strengths is the diverse streams of revenue that supplement its student tuition and fees. This includes private support from individuals, foundations and corporations, along with government and other sponsored programs, state appropriations and investment income. Consistent with its mission, the University continues to seek funding from all possible sources to supplement student tuition and to responsibly manage financial resources used to fund operating activities.

Revenue by source is presented in the following chart:



Student tuition and fees, the largest of the revenue streams, comprises 37.9 percent of total revenues for fiscal year 2011. This is down from 38.4 and 39.3 percent of total revenue for fiscal years 2010 and 2009, respectively. State appropriations are up slightly in total dollars for fiscal year 2011 but are only 18.8 percent of total revenue, down from 20.5 and 26.5 percent of total revenue for fiscal years 2010 and 2009, respectively.

The University continues to make cost containment a priority. This strategy will allow the University to direct financial resources to the most strategic activities of the institution. This is critical as the University continues to face significant financial pressures, mainly in the areas of compensation and benefits. These expenses amount to 67 percent of total expenses. In addition to a functional classification of operating expenses below, the University has prepared operating expenses by natural (object) classification in Note 10 to the financial statements.

Management's Discussion and Analysis (Continued)

A comparison of operating and nonoperating expenses for the three years ended June 30, 2011 is as follows:

(in thousands)	2011	% of Total	2010	% of Total	2009	% of Total
Instruction and departmental research	\$ 233,621	39.1%	\$ 219,815	38.3%	\$ 214,972	38.2%
Separately budgeted research	40,896	6.8%	34,674	6.0%	33,495	5.9%
Public service	26,529	4.4%	23,015	4.0%	23,454	4.2%
Academic support	62,787	10.5%	64,367	11.2%	59,344	10.5%
Student services	28,241	4.7%	26,032	4.5%	28,533	5.1%
Institutional support	27,722	4.6%	29,460	5.1%	32,948	5.8%
Operation and maintenance of plant	52,594	8.8%	53,637	9.3%	53,571	9.5%
Student aid	18,242	3.1%	14,977	2.6%	10,879	1.9%
Depreciation	34,197	5.7%	34,503	6.0%	33,075	5.9%
Auxiliary enterprises	65,730	11.0%	66,381	11.6%	64,523	11.4%
Interest on debt	7,275	1.2%	7,798	1.4%	8,492	1.5%
Disposal and write-offs of plant facilities	587	0.1%	58	-	283	0.1%
Total operating and nonoperating expenses	\$ 598,421	100.0%	\$ 574,717	100.0%	\$ 563,569	100.0%

Statement of Cash Flows

The statement of cash flows provides additional information about the University's financial results and presents detailed information about the major sources and uses of cash for the institution for the fiscal year. The cash flow analysis is divided into four sections: (1) operating activities, (2) noncapital financing activities (which includes state appropriations as well as gift revenue), (3) capital and related financing activities (which includes debt activity), and (4) investing activities.

A comparative summary of the statement of cash flows for the three years ended June 30, 2011 is as follows:

(in thousands)	2011	2010	2009
Cash Provided by (Used in)			
Operating activities	\$ (97,649)	\$ (146,856)	\$ (149,569)
Noncapital financing activities	213,410	208,388	192,985
Capital and related financing activities	(46,579)	(49,683)	(24,965)
Investing activities	1,113	15,542	(604)
Net Increase in Cash	70,295	27,391	17,847
Cash - Beginning of year	96,175	68,784	50,937
Cash - End of year	\$ 166,470	\$ 96,175	\$ 68,784

Capital Assets

The University made considerable additions to capital during fiscal year 2011. These capital asset additions were financed with University funds, the sale of bonds, state capital appropriations, gifts, and grants. The largest capital addition completed during the fiscal year ended June 30, 2011 was the completion of the student information system. Other major projects completed during the year include a refurbishment of Lausche Heating Plant, the renovation of Bromley Hall, and the renovation of the new Walter International Education Center, all located on the Athens campus.

Cumulative costs associated with capital projects continuing after the fiscal year ended June 30, 2011 total approximately \$16.3 million, of which \$3.9 million was for the addition to the Central Food Facility.

More detailed information about the University's capital assets is presented in Note 5 to the financial statements.

Debt Administration

As of June 30, 2011, the University had \$164.6 million in bonds and notes outstanding, compared to \$176.8 million at the end of 2010. Detailed information exists in Note 7 related to borrowings and retirements for fiscal years 2011 and 2010.

Standard and Poor's Rating Services long-term rating on Ohio University's outstanding general and subordinated general receipts bonds is an 'A+' with a 'stable' outlook and Moody's Investors Service's rating is an 'Aa3' with a 'stable' outlook.

The University is currently reviewing its capital improvement plan and anticipates the issuance of debt for the purpose of various academic and auxiliary facility needs within the next fiscal year.

Senate Bill 6 Ratios

Senate Bill 6 ratios, enacted into law in 1997 by the Ohio General Assembly, are used to assist the State in monitoring the financial accountability of state colleges and universities by using a standard set of measures with which to monitor the fiscal health of campuses. In order to meet the legislative intent, there are three ratios from which four scores are generated. The data and methodology used to compute the ratios are as follows:

- Expendable net assets - The sum of unrestricted net assets and restricted expendable net assets
- Plant debt - Total debt, including bonds payable, notes payable, and capital lease obligations
- Total revenue - Total operating revenue, plus nonoperating revenue, plus capital appropriations, capital grants and gifts, and additions to permanent endowments
- Total operating expenses - Total operating expenses, plus interest on long-term debt
- Total nonoperating expenses - All expenses reported as nonoperating with the exception of interest expense

- Change in total net assets - Total revenue less total expenses (operating and nonoperating)
The methodology for calculating the three ratios is as follows:
- Viability Ratio = Expendable Net Assets/Plant Debt
 - This ratio measures the availability of expendable net assets to cover debt should the institution need to settle its obligations as of the balance sheet date.
- Primary Reserve Ratio = Expendable Net Assets/Total Operating Expenses
 - This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations.
- Net Income Ratio = Change in Total Net Assets/Total Revenue
 - This ratio offers a measure of profitability as a percentage of all institutional revenue including revenue received for capital needs.

Based on the calculations, each ratio is assigned a score ranging from zero to five according to the table below. A score of 5 indicates the highest degree of fiscal strength in each category.

	0	1	2	3	4	5
Viability Ratio	less than 0	0 to .29	.30 to .59	.6 to .99	1.0 to 2.5	greater than 2.5
Primary Reserve Ratio	less than -.1	-.1 to .049	.05 to .099	.10 to .249	.25 to .49	.5 or greater
Net Income Ratio	less than -.05	-.05 to 0	0 to .009	.01 to .029	.03 to .049	.05 or greater

Based on these scores, a summary score termed the composite score is determined, which is the primary indicator of fiscal health. The composite score equals the sum of the assigned viability score multiplied by 30 percent, the assigned primary reserve score multiplied by 50 percent, and the assigned net income score multiplied by 20 percent. A composite score of or below 1.75 for two consecutive years would result in an institution being placed on fiscal watch.

Ohio University's composite score increased to 4.2 in fiscal year 2011 from a score of 3.9 in fiscal year 2010. The Primary Reserve Ratio and the Net Income Ratio remained the same. The Viability Ratio increased by 1.0 and is given a weighting of 30 percent of the composite score. The combination of an increase in unrestricted net assets, part of the numerator of this ratio, and a decrease in outstanding debt, the denominator, contributed to the growth of the Viability Ratio.

Economic Outlook

The University continues to face significant financial challenges to its academic mission, stemming from the State's financial situation, market volatility, Ohio's weakened economic situation, as well as the need to make strategic investments related to facilities. Fiscal year 2012 and beyond is expected to be a continuation of the difficult economic environment. In an effort to focus planning and use of resources, there have been four supporting priorities identified for the next planning cycle:

1. Establish effective strategic short-term and long-term enrollment planning to ensure recruitment goals (quality and mix of students) and revenue projections are met. This will become extremely important as the number of college-age students in Ohio decreases over the next several years.
2. Institute effective compensation policies and practices to ensure that talented faculty, administrative staff, and classified staff are rewarded and retained.
3. Continue efforts related to a \$450 million capital campaign focused on supporting core academic initiatives.
4. Improve the institution's financial strength so that fiscal and capital resources are stable and permit ongoing strategic investment.

In light of the existing economic challenges, the University continues to focus efforts on moving the institution forward while remaining committed to the financial health of the institution. This is demonstrated through the following initiatives:

- The University continues to focus resources on the enhancement of student recruitment, through targeted marketing initiatives and providing additional scholarship dollars. Management remains cautiously optimistic that enrollment figures will remain strong.
- Positive financial performance during fiscal year 2011 has placed the institution in a favorable position to pursue strategic investments that will allow the institution to remain competitive for many years to come.
- Continuation of cost reduction strategies, such as a hiring freeze, travel restrictions and strategic procurement initiatives remain in place to curb the growth of expenses.
- To protect the University's academic mission, realize operating cost efficiencies and effectively manage the financial health of the institution, a multi-year budget model is being developed to allow for longer planning horizons. This is expected to facilitate the pace of change needed to react to variables in enrollment, state appropriations, and opportunities for cost control as well as create sufficient timelines to implement change efforts that will be required to react to changing economic factors.

State capital appropriations have yet to be approved by the state legislature for the 2011-2012 state biennium. The outlook for capital appropriations from the State is cautiously optimistic.

The University will continue to utilize its long-term investment strategy to maximize total returns, at an appropriate level of risk, while employing a spending rate policy to preserve endowment principal and minimize the impact of market volatility on operations.

While it is not possible to predict the results, management believes that prudent planning and aligning resources to strategic priorities will allow the University to maintain a strong financial position while successfully investing in strategic initiatives.

Requests for Information

This MD&A is intended to provide additional information for the reader of the audited financial statements which follow. Further questions may be addressed to: Julie Allison, Controller's Office, 204 West Union Street Office Center, Athens, Ohio 45701.

Statements of Net Assets

	June 30, 2011		June 30, 2010	
	Ohio University	The Ohio University Foundation	Ohio University	The Ohio University Foundation
Assets				
Current Assets				
Cash and cash equivalents	\$ 159,181,755	\$ 23,242,302	\$ 77,620,668	\$ 20,307,677
Investments	106,497,877	179,778,016	92,890,232	121,634,825
Accounts and pledges receivable - Net	64,096,558	8,072,041	57,522,330	4,512,292
Interest and dividends receivable	262,891	321,331	225,617	193,561
Notes receivable - Net	2,003,778	-	1,985,430	-
Prepaid expenses and deferred charges	15,289,257	1,450,250	18,992,561	1,465,130
Inventories	2,022,051	34,975	1,875,943	35,669
Total current assets	349,354,167	212,898,915	251,112,781	148,149,154
Noncurrent Assets				
Restricted cash and cash equivalents	7,287,639	3,198,543	18,554,170	3,335,751
Pledges receivable - Net	-	7,296,513	-	8,274,918
Bequests receivable	-	931,000	-	949,252
Cash surrender value of life insurance	-	1,841,498	-	1,856,346
Charitable trusts	-	17,022,926	-	16,715,185
Charitable gift annuities	-	2,475,238	-	2,131,740
Endowment investments	19,577,377	148,534,913	17,567,164	149,205,873
Notes receivable - Net	11,509,830	-	11,989,725	-
Capital assets - Net	628,549,812	31,312,185	619,412,943	36,011,632
Total noncurrent assets	666,924,658	212,612,816	667,524,002	218,480,697
TOTAL ASSETS	\$ 1,016,278,825	\$ 425,511,731	\$ 918,636,783	\$ 366,629,851

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

Statements of Net Assets (Continued)

	June 30, 2011		June 30, 2010	
	Ohio University	The Ohio University Foundation	Ohio University	The Ohio University Foundation
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 45,391,531	\$ 2,834,700	\$ 43,803,583	\$ 3,756,041
Deferred revenue	34,495,172	-	33,785,765	-
Refunds and other liabilities	3,046,515	5,992,969	3,557,594	6,021,805
Capital lease obligations	82,567	-	90,247	-
Bonds and notes payable	12,575,000	1,037,400	12,195,000	988,800
Deposits held in custody for others	1,261,699	348,572	1,263,706	306,060
Total current liabilities	96,852,484	10,213,641	94,695,895	11,072,706
Noncurrent Liabilities				
Compensated absences	14,250,558	-	12,791,625	-
Capital lease obligations	83,312	-	161,839	-
Other long-term liabilities	2,921,180	-	3,005,571	-
Bonds and notes payable	152,005,000	29,714,400	164,580,000	30,751,800
Bond premiums - Net	4,910,532	-	5,453,857	-
Refundable advances, federal student loans	8,230,936	-	8,317,693	-
Total noncurrent liabilities	182,401,518	29,714,400	194,310,585	30,751,800
Total liabilities	279,254,002	39,928,041	289,006,480	41,824,506
Net Assets				
Invested in capital assets, net of related debt	464,658,290	3,758,928	453,048,557	7,606,783
Restricted:				
Nonexpendable	19,577,377	148,534,913	17,567,164	149,205,873
Expendable	33,723,805	217,632,730	52,678,930	163,607,791
Unrestricted	219,065,351	15,657,119	106,335,652	4,384,898
Total net assets	737,024,823	385,583,690	629,630,303	324,805,345
TOTAL LIABILITIES AND NET ASSETS	\$ 1,016,278,825	\$ 425,511,731	\$ 918,636,783	\$ 366,629,851

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

Ohio University

Statements of Revenues, Expenses, and Changes in Net Assets Years Ended June 30, 2011 and 2010

	2011		2010	
	The Ohio University		The Ohio University	
	Ohio University	Foundation	Ohio University	Foundation
OPERATING REVENUE:				
Student tuition and fees	\$ 331,064,132	\$ -	\$ 303,352,545	\$ -
Less: Pell grants	(35,661,894)	-	(30,117,439)	-
Less: Other scholarships	(28,067,896)	-	(27,348,790)	-
Net Student tuition and fees	267,334,342	-	245,886,316	-
Auxiliary enterprises	93,852,450	-	93,483,354	-
Less: Pell grants - room and board	(1,602,793)	-	(1,269,710)	-
Less: Other scholarships - room and board	(9,222,652)	-	(9,820,940)	-
Net Auxiliary enterprises	83,027,005	-	82,392,704	-
Federal grants and contracts	35,151,405	-	28,419,119	-
State grants and contracts	7,666,457	-	6,917,500	-
Local grants and contracts	851,146	-	491,308	-
Private grants and contracts	8,367,245	-	8,639,234	-
Royalties	36,076,899	-	8,480,288	-
Sales and services	10,620,941	-	9,715,185	-
Other sources	11,192,599	9,329,217	8,955,865	9,507,086
Total operating revenue	460,288,039	9,329,217	399,897,519	9,507,086
OPERATING EXPENSES:				
Educational and general:				
Instruction and departmental research	233,621,283	5,703,819	219,814,915	6,181,073
Separately budgeted research	40,895,787	185,813	34,674,036	344,032
Public service	26,529,044	232,784	23,014,975	10,547
Academic support	62,787,472	2,539,443	64,367,388	1,029,150
Student services	28,241,012	966,819	26,031,516	982,136
Institutional support	27,721,503	9,611,764	29,460,207	8,719,080
Operation and maintenance of plant	52,593,741	1,114,176	53,636,623	338,647
Student aid (including Pell grants of \$10,172,377 in 2011 and \$6,523,145 in 2010 for Ohio University)	18,241,572	1,580,812	14,976,745	2,716,335
Depreciation	34,197,262	1,635,935	34,502,716	1,640,139
Auxiliary enterprises	65,729,768	-	66,381,106	-
Operating expenses - related entities	-	6,780,275	-	6,743,025
Total operating expenses	590,558,444	30,351,640	566,860,227	28,704,164
OPERATING LOSS	<u>\$ (130,270,405)</u>	<u>\$ (21,022,423)</u>	<u>\$ (166,962,708)</u>	<u>\$ (19,197,078)</u>

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

Ohio University

Statements of Revenues, Expenses, and Changes in Net Assets (Continued) Years Ended June 30, 2011 and 2010

	2011		2010	
	Ohio University	The Ohio University Foundation	Ohio University	The Ohio University Foundation
NONOPERATING REVENUE (EXPENSES):				
State appropriations	\$ 132,716,751	\$ -	\$ 131,194,970	\$ -
Federal fiscal stabilization funds	21,321,876	-	20,539,400	-
Federal grants - Pell	47,437,064	-	37,910,294	-
Federal grants - other nonexchange	4,648,715	-	4,081,699	-
State and local grants nonexchange	3,405,978	-	3,189,903	-
Private gifts	4,140,187	23,417,568	4,160,631	13,952,247
University support	-	4,523,605	-	4,659,164
Investment income - Net	16,751,364	49,618,994	12,244,258	58,106,542
Interest on debt	(7,275,033)	-	(7,797,543)	-
Disposal and write-offs of plant facilities	(586,744)	-	(58,409)	-
	<u>222,560,158</u>	<u>77,560,167</u>	<u>205,465,203</u>	<u>76,717,953</u>
Net nonoperating revenue				
	<u>222,560,158</u>	<u>77,560,167</u>	<u>205,465,203</u>	<u>76,717,953</u>
INCOME BEFORE OTHER REVENUE, EXPENSES, GAINS, OR LOSSES	<u>92,289,753</u>	<u>56,537,744</u>	<u>38,502,495</u>	<u>57,520,875</u>
OTHER REVENUE, EXPENSES, GAINS, OR LOSSES:				
State capital appropriations	8,542,842	-	19,547,635	-
Capital grants and gifts	6,559,413	-	5,565,274	-
Additions to permanent endowments	2,512	4,240,601	2,510,700	679,922
	<u>15,104,767</u>	<u>4,240,601</u>	<u>27,623,609</u>	<u>679,922</u>
Total other revenue				
	<u>15,104,767</u>	<u>4,240,601</u>	<u>27,623,609</u>	<u>679,922</u>
INCREASE IN NET ASSETS	<u>107,394,520</u>	<u>60,778,345</u>	<u>66,126,104</u>	<u>58,200,797</u>
NET ASSETS:				
Beginning of year	<u>629,630,303</u>	<u>324,805,345</u>	<u>563,504,199</u>	<u>266,604,548</u>
End of year	<u>\$ 737,024,823</u>	<u>\$ 385,583,690</u>	<u>\$ 629,630,303</u>	<u>\$ 324,805,345</u>

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

Statements of Cash Flows Years Ended June 30, 2011 and 2010

	Ohio University	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 259,163,571	\$ 245,879,405
Grants and contracts	52,153,123	41,064,769
Payments to suppliers	(127,581,042)	(125,731,252)
Payments to or on behalf of employees	(370,478,109)	(366,053,179)
Payments for scholarships and fellowships	(50,369,118)	(51,440,573)
Loans issued to students	(2,012,309)	(1,925,016)
Collection of loans to students	2,119,211	2,070,247
Auxiliary enterprise sales	81,551,010	83,180,901
Royalties	35,797,563	8,337,922
Sales and services	10,706,815	9,219,139
Other receipts	11,300,268	8,541,888
Net cash used in operating activities	(97,649,017)	(146,855,749)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	132,716,751	131,194,970
Federal fiscal stabilization funds	21,321,876	20,539,400
Gifts and grants for other than capital purposes	59,634,456	51,853,227
Federal direct student loan program receipts	201,839,351	166,503,975
Federal direct student loan program disbursements	(202,297,069)	(161,753,076)
Student organization agency transactions	194,245	49,718
Net cash provided by noncapital financing activities	213,409,610	208,388,214
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
State capital appropriations	9,670,440	18,795,200
Capital grants and gifts received	7,227,853	4,304,974
Purchases of capital assets	(43,920,875)	(49,260,932)
Principal paid on capital debt and leases	(12,281,806)	(15,724,581)
Interest paid on capital debt and leases	(7,275,033)	(7,797,543)
Net cash used in capital financing activities	(46,579,421)	(49,682,882)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	24,095,031	89,515,304
Investment income	3,679,356	77,799
Purchase of investments	(26,661,003)	(74,051,554)
Net cash provided by investing activities	1,113,384	15,541,549
NET INCREASE IN CASH	70,294,556	27,391,132
CASH AND CASH EQUIVALENTS - Beginning of year	96,174,838	68,783,706
CASH AND CASH EQUIVALENTS - End of year	\$ 166,469,394	\$ 96,174,838

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

**Statements of Cash Flows (Continued)
Years Ended June 30, 2011 and 2010**

	Ohio University	
	2011	2010
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (130,270,405)	\$ (166,962,708)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	34,197,262	34,502,716
Changes in assets and liabilities:		
Accounts receivable - Net	(7,568,839)	(4,965,363)
Notes receivable - Net	461,547	518,724
Prepaid expenses and deferred charges	3,703,304	(3,563,290)
Inventories	(146,108)	186,455
Accounts payable and accrued liabilities	2,985,278	(3,631,774)
Deferred revenue	(499,977)	(2,248,633)
Refunds and other liabilities	(511,079)	(691,876)
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (97,649,017)</u>	<u>\$ (146,855,749)</u>

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

Note I - Organization, Basis of Presentation and Significant Accounting Policies

Organization - Ohio University (“University”) is a public institution established by the State of Ohio (“State”) in 1804 under Chapter 3337 of the Ohio Revised Code (“ORC”). As such, it is a component unit of the State and is included as a discretely presented entity in the State’s Comprehensive Annual Financial Report. The University is the oldest of the State-assisted universities in Ohio. It is defined by statute to be a body politic and corporate and an instrumentality of the State.

The University is governed by a Board of Trustees comprised of nine voting members, two non-voting National Trustees, two non-voting Student Trustees, and a non-voting representative of the Alumni Association Board. The governor, with the advice and consent of the State Senate, appoints the nine voting members for staggered nine-year terms. In addition, the student members are appointed for staggered two-year terms. The two National Trustees, who are distinguished out-of-state University alumni, are invited by the Board to sit and participate in its deliberations. Of these national positions, one term is two years and the other is three years.

Basis of Presentation - The financial statements of the University have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (“GASB”), including Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management’s Discussion and Analysis - for Public Colleges and Universities (an amendment of Statement No. 34)*. The presentation required by GASB Statements No. 34 and 35 provide a comprehensive, entity-wide perspective of the University’s assets, liabilities, net assets, revenues, expenses, and changes in net assets and cash flows. It replaces fund groups with net asset groups, and requires the direct method of cash flow presentation. 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.

Note 1 - Organization, Basis of Presentation and Significant Accounting Policies

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units - An Amendment of GASB Statement No. 14*, was implemented by the University effective July 1, 2003. It further clarifies that certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government. The University has determined that The Ohio University Foundation ("Foundation") meets this definition and is therefore included as a discretely presented component unit in the University's financial statements. The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the FASB. A separate financial report for the Foundation is available by contacting The Ohio University Foundation, 168 West Union Street Office Center, Athens, Ohio 45701, or by calling 740-593-1901. See Note 20 for additional disclosures regarding the Foundation.

Basis of Accounting - The University is a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and 35. Accordingly, the financial statements are presented using an economic resources measurement focus and are presented on the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned and expenses are recorded when incurred. All significant interfund transactions have been eliminated. The financial statements of its component unit are also presented under the accrual basis of accounting.

Cash and Cash Equivalents - Cash consists primarily of petty cash, cash in banks, and money market accounts. Cash equivalents are short-term highly liquid investments readily convertible to cash with original maturities of three months or less.

Investments - All investments are carried at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments in publicly traded securities are stated at fair value as established by major securities markets. Non-publicly traded investments are valued based on independent appraisals and estimates considering market prices of similar investments. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income (loss) in the statements of revenues, expenses, and changes in net assets.

Accounts Receivable - Accounts receivable consists of amounts due for tuition and fees, grants and contracts, and auxiliary enterprise services. Grants and contracts receivables include amounts due from the federal government, state and local governments, or private sources, as reimbursement for certain expenditures made in accordance with agreements. Uncollectible amounts have been reserved.

Note 1 - Organization, Basis of Presentation and Significant Accounting Policies

Inventories - Inventories are stated at lower of weighted-average cost or net realizable value.

Restricted Cash and Cash Equivalents - Restricted cash and cash equivalents are funds restricted for capital expenditures subject to bond and note agreements held by bond trustees. In addition, it includes funds held in escrow based on terms and conditions of various agreements.

Capital Assets - Purchased or constructed capital assets are recorded at cost. Donated capital assets are recorded at their estimated fair market value as of the date received. Depreciation is calculated using the straight-line method over the estimated useful life of the asset.

Following are the capitalization levels and estimated useful lives of the University asset classes:

Asset Class	Capitalize At	Estimated Useful Life
Land	Any amount	N/A
Land improvements	\$100,000	N/A
Works of art and historical treasures	\$2,500	N/A
Infrastructure	\$100,000	10-50 years
Buildings	Any amount	40 years
Machinery and equipment	\$2,500	5-25 years
Library books and publications	Any amount	10 years
Transportation equipment	\$2,500	5-10 years
Purchased software	\$500,000	10 years
Internally developed software	\$1,000,000	10 years

Building renovations that materially increase the value or extend the useful life of the structure are also capitalized. The costs of normal maintenance and repairs are not capitalized. Interest incurred during the construction of capital assets is included in the cost of the asset when capitalized. Land, land improvements, and works of art and historical treasures are not depreciated. Any impairment of capital assets and insurance recoveries are disclosed in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

Deferred Revenue - Deferred revenue includes amounts for tuition and fees, grants and contracts, and certain auxiliary activities received prior to the end of the fiscal year, related to the subsequent accounting period.

Note 1 - Organization, Basis of Presentation and Significant Accounting Policies

Compensated Absences - University employees earn vacation and sick leave benefits based, in part, on length of service. Upon separation from service, employees are paid their accumulated vacation and sick pay based upon the nature of separation (termination, retirement, or death). Certain limits are placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding the limits are forfeited. The estimated and accrued liability is recorded at year end in the Statements of Net Assets, and the net change from the prior year is recorded as a component of operating expense in the Statements of Revenues, Expenses, and Changes in Net Assets.

Net Assets - Net assets are classified into three major categories:

- Invested in capital assets net of related debt is the net equity in property, plant, and equipment owned by the University.
- Restricted net assets are owned by the University, but the use or purpose of the funds is restricted by an external source or entity. The restricted net assets category is subdivided further into expendable and nonexpendable.
 - Restricted expendable net assets may be spent by the institution, but only for the purpose specified by the donor, grantor, or other external entity. This category includes the unspent balance in grant funds, loan funds, debt service funds, and bond funded capital projects.
 - Restricted nonexpendable net assets are gifts that have been received for endowment purposes. The resources are invested with only the investment income available for purposes established by the donor or, in the case of funds functioning as endowment, by the University. These purposes include loans, scholarships, and departmental support.
- Unrestricted net assets are resources derived primarily from student tuition, fees, State appropriations, and auxiliary enterprises. These assets are used for general obligations of the University. They may be used at the discretion of the Board of Trustees for any purpose furthering the University's mission.

Restricted vs. Unrestricted Resources - When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to apply the expense at the discretion of University management.

Income Taxes - The University is an organization described in Section 115 of the Internal Revenue Code ("Code") and has further been classified as an organization that is not a private foundation in accordance with Sections 509(a)(1) and 170(b)(1)(A)(ii) of the Code. However, certain revenues are considered unrelated business income and are taxable under Internal Revenue Code Sections 511 through 513.

Note 1 - Organization, Basis of Presentation and Significant Accounting Policies

Classification of Revenue - Revenue is classified as either operating or nonoperating.

- Operating revenue include revenues from activities that have characteristics similar to exchange transactions. These include student tuition and fees (net of scholarship discounts and allowances), sales and services of auxiliary enterprises (net of scholarship discounts and allowances), and certain federal, state, local and private grants, and contracts. The presumption is that there is a fair exchange of value between all parties to the transaction.
- Nonoperating revenue includes revenue from activities that have the characteristics of non-exchange transactions, such as state appropriations, and certain federal, state, local and private gifts, and grants. The implication is that such revenues are derived from more passive efforts related to the acquisition of the revenue, rather than the earning of it.

Scholarship Discounts and Allowances - Student tuition and fee revenue, and certain other payments recorded as auxiliary enterprises revenue, are net of scholarship discounts and allowances in the Statements of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the charge for tuition and fees, and the amount paid by students or by third parties on the students' behalf. Scholarship discounts and allowances were \$74,555,235 (of which \$63,729,790 is netted against student tuition and fees and \$10,825,445 is netted against auxiliary enterprises revenue) and \$68,556,879 (of which \$57,466,229 is netted against student tuition and fees and \$11,090,650 is netted against auxiliary enterprises revenues) as of June 30, 2011 and 2010, respectively.

Auxiliary Enterprises - Auxiliary revenue is primarily from residence halls, dining services, intercollegiate athletics, airport operations, telephone and technology store operations, student union operations, parking services, and campus recreation. It is shown net of scholarship discounts and allowances for room and board.

Component Units - Under the provision of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, management has determined that Tech GROWTH Ohio Fund and University Medical Associates are component units of the University. Due to the immaterial amount of activity represented by these two organizations, their financial results have not been presented in the University's financial statements. Should the operations of either of these entities become material, the University will discretely present the entity in the financial statements of the applicable year.

Note 1 - Organization, Basis of Presentation and Significant Accounting Policies

Tech GROWTH Ohio Fund was established in August 2008, within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The exclusive purpose of the organization is for charitable, educational, and scientific endeavors in areas involving the advancement of technology, and increasing technology-based and/or other entrepreneurial commercialization ventures throughout southeast Ohio, with a focus on strategic technology-based sectors that offer economic development prospects for the region.

University Medical Associates is a not-for-profit organization incorporated in the state of Ohio and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and applicable state statutes. The membership of the corporation consists of many physicians who are faculty members of the Ohio University Heritage College of Osteopathic Medicine. The organization provides medical services furnished by the corporation's membership in private physician offices and clinic settings on the campus of Ohio University and surrounding locations.

Eliminations - The University eliminates interfund assets and liabilities, and revenues and expenses, related to internal activities.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) may require management to make estimates and assumptions that affect certain amounts reported in the financial statements. The estimates and assumptions are based on currently available information and actual results could differ from those estimates.

Note I - Organization, Basis of Presentation and Significant Accounting Policies

Newly Issued Accounting Pronouncements

- **Service Concession Arrangements:** In December 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCA)*. An SCA is an agreement between a university and another legally separate university or private sector entity in which two things happen. First, the University transfers to the other entity the right and related obligation to provide public services through the use of a public asset (such as using a part of a university facility as a bookstore) in exchange for significant consideration from the other entity. In the context of these agreements, the university that transfers rights and obligations is referred to as the transferor. The entity to which these rights and obligations are transferred is referred to as the operator. Second, this operator - whether it is in the public or private sector - collects fees from the users or customers of the public asset (for example, students at the university). Finally, the transferor maintains control over the services provided. For example, the university has the ability to modify or approve the rates that can be charged for the services and the type of services that are provided.

For an SCA that involves an existing facility, the transferor should continue to report the capital asset. For a new facility or an improvement to an existing facility, the transferor should report the new facility or the improvement as a capital asset at fair value when the facility is placed in operation. The transferor should also report any related contractual obligations as liabilities. Finally, the transferor should report the difference between those two amounts as a deferred inflow of resources. This pronouncement must be applied for years that begin after December 15, 2011.

Note 1 - Organization, Basis of Presentation and Significant Accounting Policies

- **Reporting Entity Standards:** In December 2010, the GASB issued Statement No. 61, *Financial Reporting Entity: Omnibus*. This standard is intended to improve the information presented about the financial reporting entity, which is made up of the University's financial reporting entity and related entities (component units). The statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criteria, a financial benefit or burden relationship is also needed between the University and that organization for it to be included in the reporting entity as a component unit. The statement also modifies the criteria for reporting component units as if they were part of the University (i.e., blending). Blending should be used when the University and the component unit have a financial benefit or burden relationship, or management has operational responsibility for the component units. Additionally, for equity interests in legally separate organizations, the entity is required to report its interest as "restricted net assets - nonspendable." This standard is effective for financial statements for reporting periods beginning after June 15, 2012; however, earlier application is encouraged.
- **Private Sector Accounting Rules:** In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This changes the requirement for the University to apply any private sector accounting guidance that existed as of November 30, 1989 and instead incorporates all such guidance in this statement. The University will no longer have the ability to choose to continue to follow FASB statements written after that date, although such guidance still qualifies as "other accounting literature" in the GAAP hierarchy. This pronouncement must be applied for years that begin after December 15, 2011.
- **Deferred Inflows/Outflows and Net Position:** In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard provides financial reporting guidance for deferred inflows and outflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the University that is applicable to a future reporting period, and an acquisition of net assets by the University that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The standard also incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions for this standard are effective for financial statements for periods beginning after December 15, 2011.

Note 1 - Organization, Basis of Presentation and Significant Accounting Policies

- **Derivative Instruments - Termination Provisions:** In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - An Amendment of GASB Statement No. 53*. This Statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider and sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011.

University Management has not yet determined the impact that implementation of GASB Statements No. 60-64 will have on the University's financial statements.

Note 2 - Deposits with Financial Institutions, Cash and Cash Equivalents, and Investments

As of June 30, 2011, the carrying amount of the University's cash and cash equivalents for all funds was \$166,469,394 compared to bank balances of \$172,319,750. The difference in carrying amounts and bank balances is caused by outstanding checks and deposits-in-transit. Of the bank balances, \$1,313,994 is covered by federal deposit insurance and \$171,005,756 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

Note 2 - Deposits with Financial Institutions, Cash and Cash Equivalents, and Investments

The University's investment portfolio may include investments in the following:

- Obligations of the U.S. Treasury and other federal agencies and instrumentalities
- Municipal and State bonds
- Certificates of deposit
- Repurchase agreements
- Mutual funds
- Commercial paper
- Corporate bonds and notes
- Common and preferred stock
- Asset-backed securities
- Absolute return funds
- Private equity and venture capital
- Real assets

The University's endowment fund operates with a long-term investment goal of preserving the purchasing power of the principal in a diversified portfolio.

U.S. government and agency securities are invested through trust agreements with banks that 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 that keep the investments in their safekeeping account in the appropriate custodial bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the University.

Note 2 - Deposits with Financial Institutions, Cash and Cash Equivalents, and Investments

The values of investments as of June 30, 2011 and 2010 are as follows:

Investment Type	2011	2010
Money markets	\$ 4,522,053	\$ 1,217,615
Certificates of deposit	-	452,404
US government obligations	1,507,378	1,609,479
US government agency obligations	4,672,563	4,993,244
Mortgage-backed securities	752,043	1,067,507
Collateralized mortgage-backed securities	-	95,836
Corporate bonds and notes	2,512,511	2,362,786
Bond mutual funds	35,479,370	34,764,524
Municipal bonds	2,145,044	1,340,904
US common stock	460,341	2,391,252
US equity mutual funds	21,204,955	14,801,139
International equity mutual funds	21,134,198	15,310,263
Absolute return funds	14,975,300	14,643,338
Real assets	4,146,040	3,520,914
Private equity funds	12,563,458	11,886,191
Total	<u>\$ 126,075,254</u>	<u>\$ 110,457,396</u>

The University's investment strategy incorporates certain financial instruments that involve, to varying degrees, elements of market risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate movements and rate fluctuations embodied in forwards, futures, commodities, or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the related underlying assets are traded.

Additional Disclosures Related to Interest-bearing Investments - GASB Statements No. 3 and 40 require certain additional disclosures related to the interest rate, credit, and foreign currency risks associated with interest-bearing 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.

Note 2 - Deposits with Financial Institutions, Cash and Cash Equivalents, and Investments

As of June 30, 2011, maturities of the University's interest-bearing investments are as follows:

Investment Type	Market Value	Investment Maturities			
		Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
Money markets	\$ 4,522,053	\$ 4,521,491	\$ -	\$ -	\$ 562
Certificates of deposit	-	-	-	-	-
US government obligations	1,507,378	-	1,507,378	-	-
US government agency obligations	4,672,563	143,525	4,485,584	-	43,454
Mortgage-backed securities	752,043	2,764	158,594	236,085	354,600
Collateralized mortgage-backed securities	-	-	-	-	-
Corporate bonds and notes	2,512,511	12,026	2,328,677	171,808	-
Bond mutual funds	35,479,370	13,591	30,317,482	5,077,402	70,895
Municipal bonds	2,145,044	151,271	1,993,773	-	-
Total	<u>\$ 51,590,962</u>	<u>\$ 4,844,668</u>	<u>\$ 40,791,488</u>	<u>\$ 5,485,295</u>	<u>\$ 469,511</u>

As of June 30, 2010, maturities of the University's interest-bearing investments are as follows:

Investment Type	Market Value	Investment Maturities			
		Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
Money markets	\$ 1,217,615	\$ 1,217,615	\$ -	\$ -	\$ -
Certificates of deposit	452,404	299,000	153,404	-	-
US government obligations	1,609,479	385,227	1,224,252	-	-
US government agency obligations	4,993,244	1,280,350	3,712,894	-	-
Mortgage-backed securities	1,067,507	-	128,176	332,563	606,768
Collateralized mortgage-backed securities	95,836	-	-	-	95,836
Corporate bonds and notes	2,362,786	466,976	1,776,355	119,455	-
Bond mutual funds	34,764,524	-	22,285,962	12,478,562	-
Municipal bonds	1,340,904	100,875	1,126,050	113,979	-
Total	<u>\$ 47,904,299</u>	<u>\$ 3,750,043</u>	<u>\$ 30,407,093</u>	<u>\$ 13,044,559</u>	<u>\$ 702,604</u>

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the Statement of Net Assets and is not represented by the contract or notional amounts of the instruments. Credit quality, as commonly expressed in terms of 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.

Note 2 - Deposits with Financial Institutions, Cash and Cash Equivalents, and Investments

The credit ratings of the University's interest-bearing investments as of June 30, 2011 are as follows:

Market Value	Credit Quality (S&P)						Unrated	
	AAA	AA	A	BBB	BB	B		
Money markets	\$ 4,522,053	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 4,497,053	
Certificates of deposit	-	-	-	-	-	-	-	
US government obligations	1,507,378	1,507,378	-	-	-	-	-	
US government agency obligations	4,672,563	4,570,479	-	-	-	-	102,084	
Mortgage-backed securities	752,043	752,043	-	-	-	-	-	
Collateralized mortgage-backed securities	-	-	-	-	-	-	-	
Corporate bonds and notes	2,512,511	-	1,358,500	1,070,014	83,997	-	-	
Bond mutual funds	35,479,370	4,574,449	22,986,672	309,480	22,215	241,913	322,786	
Municipal bonds	2,145,044	-	1,357,268	204,544	-	-	583,232	
Total	\$51,590,962	\$11,429,349	\$25,702,440	\$1,584,038	\$106,212	\$241,913	\$322,786	\$12,204,224

The credit ratings of the University's interest-bearing investments as of June 30, 2010 are as follows:

Market Value	Credit Quality (S&P)						Unrated	
	AAA	AA	A	BBB	BB	B		
Money markets	\$ 1,217,615	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,217,615	
Certificates of deposit	452,404	452,404	-	-	-	-	-	
US government obligations	1,609,479	1,609,479	-	-	-	-	-	
US government agency obligations	4,993,244	4,993,244	-	-	-	-	-	
Mortgage-backed securities	1,067,507	1,067,507	-	-	-	-	-	
Collateralized mortgage-backed securities	95,836	95,836	-	-	-	-	-	
Corporate bonds and notes	2,362,786	-	1,284,908	1,042,209	35,669	-	-	
Bond mutual funds	34,764,524	3,644,524	21,691,132	8,987,224	332,043	99,091	10,510	
Municipal bonds	1,340,904	212,305	574,442	198,682	-	-	355,475	
Total	\$47,904,299	\$12,075,299	\$23,550,482	\$10,228,115	\$367,712	\$ 99,091	\$ 10,510	\$ 1,573,090

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. As of June 30, 2011 and 2010, the University had no custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2011 and 2010, there were no single-issuer investments that exceeded 5 percent of total investments.

**Note 2 - Deposits with Financial Institutions, Cash and Cash Equivalents,
and Investments**

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 University's exposure to foreign currency is limited to its investment in international equity mutual funds. The value of this investment was \$21.1 million and \$15.3 million as of June 30, 2011 and 2010, respectively.

Valuation of Alternative Investments - Because financial data for many private investments is not available until several months after fiscal year end, some reported alternative investment valuations represent an estimate of the June 30 value, while the remaining valuations represent March 31 reported valuations that have been adjusted by cash added to and cash distributed from these accounts through June 30. Management considers information that becomes available after the financial statements are compiled but before they are released, to determine whether an adjustment to the reported fair value of investments should be made. For fiscal year 2011, there were \$24.0 million in investment assets reported at the estimated values described above, and all are listed as either absolute return funds or private equity funds.

Note 3 - Accounts Receivable

The composition of accounts receivable at June 30, 2011 and 2010 is summarized as follows:

	2011	2010
Student tuition and fees	\$ 48,909,148	\$ 38,871,037
Grants and contracts	13,489,086	16,655,786
Student loans	2,916,118	2,458,400
Royalties	2,380,000	2,100,664
Other	4,879,426	6,500,397
Total accounts receivable	<u>72,573,778</u>	<u>66,586,284</u>
Less allowance for doubtful accounts	<u>(8,477,220)</u>	<u>(9,063,954)</u>
Accounts receivable - Net	<u>\$ 64,096,558</u>	<u>\$ 57,522,330</u>

Note 4 - Notes Receivable

The University's notes receivable at June 30, 2011 and 2010 is net of allowance for doubtful accounts of \$2,102,686 and \$1,891,758, respectively. Principal repayment and interest terms vary. Federal loan programs are funded primarily through borrower repayments, Federal contributions under Perkins, and various Health Professions loan programs.

The University distributed \$202,297,069 and \$161,753,076 for student loans through the U.S. Department of Education Federal Direct Lending program during the years ended June 30, 2011 and 2010, respectively. These distributions and the related funding sources are included as cash disbursements and cash receipts in the accompanying statement of cash flows.

The composition of notes receivable at June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Student loan program	\$ 14,740,068	\$ 14,999,562
Heritage College of Osteopathic Medicine former students	876,226	867,351
Total notes receivable	<u>15,616,294</u>	<u>15,866,913</u>
Less allowance for doubtful accounts	<u>(2,102,686)</u>	<u>(1,891,758)</u>
Notes receivable - Net	13,513,608	13,975,155
Less current portion	<u>(2,003,778)</u>	<u>(1,985,430)</u>
Notes receivable - Net, noncurrent portion	<u>\$ 11,509,830</u>	<u>\$ 11,989,725</u>

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Transfers	Retirements	Balance June 30, 2011
Capital assets not being depreciated:					
Land	\$ 19,777,052	\$ 53,812	\$ -	\$ -	\$ 19,830,864
Land improvements	4,701,091	-	-	-	4,701,091
Construction in progress	24,787,592	11,583,026	(20,051,635)	-	16,318,983
Works of art and historical treasures	8,877,723	-	-	-	8,877,723
Total capital assets not being depreciated	58,143,458	11,636,838	(20,051,635)	-	49,728,661
Capital assets being depreciated:					
Infrastructure	105,199,185	4,108,583	1,783,769	-	111,091,537
Buildings	749,021,063	13,248,501	9,254,749	-	771,524,313
Machinery and equipment	115,796,171	12,907,665	9,013,117	(5,457,259)	132,259,694
Library books and publications	76,569,073	1,636,472	-	(2,647,134)	75,558,411
Transportation equipment	19,938,419	382,816	-	(621,394)	19,699,841
Total capital assets being depreciated	1,066,523,911	32,284,037	20,051,635	(8,725,787)	1,110,133,796
Total capital assets	1,124,667,369	43,920,875	-	(8,725,787)	1,159,862,457
Less accumulated depreciation:					
Infrastructure	49,077,608	4,822,336	-	-	53,899,944
Buildings	294,401,252	17,465,132	-	-	311,866,384
Machinery and equipment	83,463,152	8,213,617	-	(4,896,776)	86,779,993
Library books and publications	64,341,856	2,319,639	-	(2,647,134)	64,014,361
Transportation equipment	13,970,558	1,376,538	-	(595,133)	14,751,963
Total accumulated depreciation	505,254,426	34,197,262	-	(8,139,043)	531,312,645
Total capital assets being depreciated - net	561,269,485	(1,913,225)	20,051,635	(586,744)	578,821,151
Capital assets - net	\$ 619,412,943	\$ 9,723,613	\$ -	\$ (586,744)	\$ 628,549,812

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Transfers	Retirements	Balance June 30, 2010
Capital assets not being depreciated:					
Land	\$ 19,551,826	\$ 197,244	\$ 27,982	\$ -	\$ 19,777,052
Land improvements	4,701,091	-	-	-	4,701,091
Construction in progress	51,381,409	17,459,194	(44,018,456)	(34,555)	24,787,592
Works of art and historical treasures	8,602,223	275,500	-	-	8,877,723
Total capital assets not being depreciated	84,236,549	17,931,938	(43,990,474)	(34,555)	58,143,458
Capital assets being depreciated:					
Infrastructure	101,269,175	2,791,601	1,138,409	-	105,199,185
Buildings	690,287,309	15,903,689	42,852,065	(22,000)	749,021,063
Machinery and equipment	110,750,491	10,145,176	-	(5,099,496)	115,796,171
Library books and publications	80,014,096	1,696,097	-	(5,141,120)	76,569,073
Transportation equipment	19,398,736	792,431	-	(252,748)	19,938,419
Total capital assets being depreciated	1,001,719,807	31,328,994	43,990,474	(10,515,364)	1,066,523,911
Total capital assets	1,085,956,356	49,260,932	-	(10,549,919)	1,124,667,369
Less accumulated depreciation:					
Infrastructure	44,344,111	4,733,497	-	-	49,077,608
Buildings	277,733,180	16,690,072	-	(22,000)	294,401,252
Machinery and equipment	80,203,755	8,084,410	-	(4,825,013)	83,463,152
Library books and publications	65,974,908	3,508,068	-	(5,141,120)	64,341,856
Transportation equipment	12,736,637	1,486,669	-	(252,748)	13,970,558
Total accumulated depreciation	480,992,591	34,502,716	-	(10,240,881)	505,254,426
Total capital assets being depreciated - net	520,727,216	(3,173,722)	43,990,474	(274,483)	561,269,485
Capital assets - net	\$ 604,963,765	\$ 14,758,216	\$ -	\$ (309,038)	\$ 619,412,943

Note 6 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Accrued payroll	\$ 24,865,064	\$ 21,111,889
Accrued compensated absences - Current portion	484,873	473,000
Accrued self-insurance claims	3,375,000	4,006,000
Accrued royalties	2,287,500	671,499
Other accrued liabilities	824,117	1,346,670
Vendor and other payables	<u>13,554,977</u>	<u>16,194,525</u>
Total accounts payable and accrued liabilities	<u>\$ 45,391,531</u>	<u>\$ 43,803,583</u>

Note 7 - Bonds and Notes Payable

The University's bonds and notes payable at June 30, 2011 are summarized as follows:

	<u>July 1, 2010</u>	<u>Borrowed</u>	<u>Retired</u>	<u>June 30, 2011</u>	<u>Current</u>
General receipts bond - Series 2009	\$ 26,645,000	\$ -	\$ 2,280,000	\$ 24,365,000	\$ 2,330,000
General receipts bond - Series 2008A & B	9,390,000	-	230,000	9,160,000	240,000
Subordinated general receipts bonds - Series 2006B	25,965,000	-	1,145,000	24,820,000	1,195,000
Subordinated general receipts bonds - Series 2006A	24,410,000	-	1,205,000	23,205,000	1,250,000
Subordinated general receipts bonds - Series 2004	44,700,000	-	1,330,000	43,370,000	1,395,000
Subordinated general receipts bonds - Series 2003	26,750,000	-	3,950,000	22,800,000	4,150,000
Subordinated variable general receipts bonds - Series 2001	<u>18,915,000</u>	<u>-</u>	<u>2,055,000</u>	<u>16,860,000</u>	<u>2,015,000</u>
Total bonds and notes payable	<u>\$ 176,775,000</u>	<u>\$ -</u>	<u>\$ 12,195,000</u>	<u>\$ 164,580,000</u>	<u>\$ 12,575,000</u>

NOTE: Series 2001, Series 2003, Series 2004, Series 2006A, and Series 2006B bonds were designated "subordinate" upon their issuance due to the existence of a prior trust agreement; that trust agreement has since been defeased and the aforementioned bonds are now parity debt service obligations.

Note 7 - Bonds and Notes Payable

The University's bonds and notes payable at June 30, 2010 are summarized as follows:

	<u>July 1, 2009</u>	<u>Borrowed</u>	<u>Retired</u>	<u>June 30, 2010</u>	<u>Current</u>
General receipts bond -					
Series 2009	\$ 26,645,000	\$ -	\$ -	\$ 26,645,000	\$ 2,280,000
General receipts bond -					
Series 2008A & B	14,230,000	-	4,840,000	9,390,000	230,000
Subordinated general receipts					
bonds - Series 2006B	27,075,000	-	1,110,000	25,965,000	1,145,000
Subordinated general receipts					
bonds - Series 2006A	25,575,000	-	1,165,000	24,410,000	1,205,000
Subordinated general receipts					
bonds - Series 2004	46,285,000	-	1,585,000	44,700,000	1,330,000
Subordinated general receipts					
bonds - Series 2003	30,500,000	-	3,750,000	26,750,000	3,950,000
Subordinated variable general					
receipts bonds - Series 2001	<u>20,910,000</u>	<u>-</u>	<u>1,995,000</u>	<u>18,915,000</u>	<u>2,055,000</u>
Total bonds and notes payable	<u>\$ 191,220,000</u>	<u>\$ -</u>	<u>\$ 14,445,000</u>	<u>\$ 176,775,000</u>	<u>\$ 12,195,000</u>

NOTE: Series 2001, Series 2003, Series 2004, Series 2006A, Series 2006B, and Series 2006C bonds were designated "subordinate" upon their issuance due to the existence of a prior trust agreement; that trust agreement has since been defeased and the aforementioned bonds are now parity debt service obligations.

On June 2, 2009, the University issued General Receipts Bonds Series 2009 in the amount of \$26,645,000. The proceeds are being used to purchase and implement a new student information system and to upgrade the University's existing computer network infrastructure. The balance outstanding as of June 30, 2011 was \$24,365,000.

On July 10, 2008, the University issued General Receipts Bonds Series 2008A in the amount of \$13,345,000 and Taxable General Receipts Bonds Series 2008B in the amount of \$2,005,000. The proceeds were used to refund the General Receipts Bond Anticipation Notes and acquire a facility on the edge of the University's campus. The balance outstanding as of June 30, 2011 was \$9,160,000.

On April 6, 2006, the University issued \$29,170,000 in Subordinated General Receipts Bonds, Series 2006B. The proceeds were used for various capital projects on the Athens campus. The balance outstanding as of June 30, 2011 was \$24,820,000.

On February 16, 2006, the University issued \$28,145,000 in Subordinated General Receipts Bonds, Series 2006A. The proceeds were used to refund the Series 1999 Bonds, as described below. The balance outstanding as of June 30, 2011 was \$23,205,000.

Note 7 - Bonds and Notes Payable

On March 15, 2004, the University issued \$52,885,000 in Subordinated General Receipts Bonds, Series 2004. The proceeds were used to refund the Series 2003B Notes, and for capital equipment and construction costs on various building projects. The balance outstanding as of June 30, 2011 was \$43,370,000.

On September 3, 2003, the University issued \$47,860,000 in Subordinated General Receipts Bonds, Series 2003. The proceeds were used to refund the Series 1993 Bonds and the Series 2003A Notes. The balance outstanding as of June 30, 2011 was \$22,800,000.

On May 3, 2001, the University issued \$48,025,000 in Subordinated Variable Rate General Receipts Bonds, Series 2001. The proceeds were for capital equipment and construction costs on various building projects. The balance outstanding as of June 30, 2011 was \$16,860,000. The variable rate of interest in effect at June 30, 2011 was 2.5 percent. The average variable rate of interest for the year ended June 30, 2011 was 0.66 percent.

On March 15, 1999, the University issued \$32,520,000 in General Receipts Bonds, Series 1999, with which to pay construction costs on various building projects. On February 16, 2006, the Series 1999 Bonds were refinanced and rolled into the Series 2006A Bonds.

These obligations are secured by a gross pledge of and first lien on the General Receipts of the University. The General Receipts include the full amount of every type and character of campus receipts, except for State appropriations and receipts previously pledged or otherwise restricted.

The University's Bonds are secured by a Trust Agreement dated as of May 1, 2001 ("Master Trust Agreement"), as supplemented by a First Supplemental Trust Agreement dated as of May 1, 2001, a Second Supplemental Trust Agreement dated as of September 1, 2003, a Third Supplemental Trust Agreement dated as of October 1, 2003, a Fourth Supplemental Trust Agreement dated as of March 15, 2004, a Fifth Supplemental Trust Agreement dated as of February 1, 2006, a Sixth Supplemental Trust Agreement dated as of April 1, 2006, a Seventh Supplemental Trust Agreement dated as of July 1, 2008, and an Eighth Supplemental Trust Agreement dated as of May 1, 2009, entered into in connection with the issuance of the Series 2009 Bonds, each between the University and U.S. Bank National Association, successor trustee to National City Bank, with its designated corporate trust office in Cleveland, Ohio.

Note 7 - Bonds and Notes Payable

Details of the series are as follows:

Series	Interest Rate	Maturity Fiscal Year	Initial Issue Amount	Outstanding at June 30, 2011
2001	Variable	2027	\$ 48,025,000	\$ 16,860,000
2003	5.00%-5.25%	2024	47,860,000	22,800,000
2004	2.00%-5.00%	2032	52,885,000	43,370,000
2006A	3.50%-5.00%	2025	28,145,000	23,205,000
2006B	3.75%-5.00%	2037	29,170,000	24,820,000
2008A&B	4.17%-5.00%	2034	15,350,000	9,160,000
2009	2.00%-5.00%	2020	26,645,000	24,365,000
				<u>\$ 164,580,000</u>

The University currently holds one interest rate swap which was entered into in an effort to hedge the interest rate risk associated with the issuance of the University's Series 2001 variable rate debt. Ultimately, the University expects that the creation of this synthetic fixed rate debt provides an interest rate that is lower than if fixed rate debt were issued directly. The swap agreement is considered an effective hedge having met the consistent critical terms method of analysis. The fair value of the hedging derivative instrument at June 30, 2011 and June 30, 2010 was a negative \$1,537,427 and a negative \$1,764,348, respectively. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. The University has not recorded the fair value of the derivative instrument on the Statement of Net Assets in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as of June 30, 2011 and 2010 as management does not believe the value is material to the financial statements. The total amounts paid relative to the swap agreement for the years ended June 30, 2011 and 2010 are \$651,400 and \$718,466, respectively. These amounts are included as an adjustment to interest on capital asset-related debt in the Statement of Revenues, Expenses, and Changes in Net Assets.

The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Note 7 - Bonds and Notes Payable

Effective Date	Type	Objective	Notional Amount	Pay Terms	Receive Terms	Maturity Date	Counterparty Credit Rating
December 1, 2001	Pay-fixed, Receive-variable	Cash flow hedge for Series 2001 bonds	\$16,415,000 (amortizing)	4.039% fixed	SIFMA swap index	December 1, 2026	AA/Aa

The interest rate swap is subject to the following risks:

Credit risk The University is exposed to credit risk which is the risk associated with the inability of the counterparty to meet the terms of the agreement. The University has decided that this is a reasonable level of risk given the potential exposure and the relatively small notional amount as compared to its total outstanding debt.

The counterparty is rated AA/Aa for the years ended June 30, 2011 and 2010.

Interest rate risk The University is exposed to interest rate risk on its interest rate swap; as the Securities Industry and Financial Markets Association (SIFMA) index decreases, the University's net payment on the swap increases.

Basis risk The University is exposed to basis risk due to variable-rate payments received by the University on these instruments based on a rate or index other than interest rates the University pays on its variable-rate debt, which is remarketed every 30 days. The weighted-average interest rate on the University's hedged variable-rate debt is 0.66 and 0.72 percent at June 30, 2011 and 2010, respectively, while the SIFMA swap index rate is 0.25 and 0.28 percent at June 30, 2011 and 2010, respectively.

Termination risk The University or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract.

Note 7 - Bonds and Notes Payable

Principal and interest payment requirements for the bonded debt for the years subsequent to June 30, 2011 are summarized as follows:

Year Ending June 30	Principal	Interest	Swap Interest	Total
2012	\$ 12,575,000	\$ 6,684,524	\$ 590,584	\$ 19,850,108
2013	10,870,000	6,280,373	510,446	17,660,819
2014	11,320,000	5,903,746	420,885	17,644,631
2015	11,780,000	5,497,166	322,314	17,599,480
2016	11,835,000	5,075,367	240,749	17,151,116
2017-2021	47,355,600	18,340,750	459,578	66,155,928
2022-2026	26,605,000	10,367,742	203,175	37,175,917
2027-2031	20,424,400	5,150,887	5,083	25,580,369
2032-2036	10,510,000	1,169,638	-	11,679,638
2037	1,305,000	29,363	-	1,334,363
Total	<u>\$ 164,580,000</u>	<u>\$ 64,499,555</u>	<u>\$ 2,752,813</u>	<u>\$ 231,832,368</u>

Note 8 - Capital Leases

The University has \$165,879 in capital lease obligations that have varying maturity dates through 2015 and carry implicit interest rates ranging from 4.6 to 14.6 percent. Lease arrangements are being used to provide partial financing for certain equipment. Capital asset balances as of June 30, 2011 that are financed under capital leases are \$498,202.

Capital leases at June 30, 2011 and 2010 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
For the year ended:					
June 30, 2011	<u>\$ 252,086</u>	<u>\$ -</u>	<u>\$ (86,207)</u>	<u>\$ 165,879</u>	<u>\$ 82,567</u>
June 30, 2010	<u>\$ 1,498,265</u>	<u>\$ 33,402</u>	<u>\$ (1,279,581)</u>	<u>\$ 252,086</u>	<u>\$ 90,247</u>

Note 8 - Capital Leases

The scheduled maturities of these leases at June 30, 2011 are as follows:

	Minimum Lease Payments
2012	\$ 91,512
2013	59,526
2014	27,689
2015	<u>840</u>
Total minimum lease payments	179,567
Less amount representing interest	<u>13,688</u>
Net minimum capital lease payments	165,879
Less current portion	<u>82,567</u>
Noncurrent capital lease obligations	<u><u>\$ 83,312</u></u>

Note 9 - Operating Leases

The University leases various facilities and equipment under operating lease agreements. These facilities and equipment are not recorded as assets on the Statements of Net Assets. The total rental expense under these agreements was \$1,424,097 and \$1,297,337 for the years ended June 30, 2011 and 2010, respectively.

Future minimum payments for all significant operating leases with initial terms in excess of one year at June 30, 2011 are as follows:

	Minimum Lease Payments
2012	\$ 1,218,708
2013	810,171
2014	525,267
2015	365,779
2016	204,036
2017-2020	<u>461,237</u>
Total minimum operating lease payments	<u><u>\$ 3,585,198</u></u>

Note 10 - Operating Expenses by Natural Classification

The University reports operating expenses by functional classification on the Statements of Revenues, Expenses, and Changes in Net Assets. Operating expenses by natural classification for the two years ended June 30, 2011 and 2010 are summarized as follows:

Year ended June 30, 2011

	Compensation and Benefits	Supplies and Services	Professional Services	Utilities	Travel & Entertainment	Total
Instruction and departmental research	\$ 208,627,574	\$ 5,648,111	\$ 14,057,317	\$ 58,961	\$ 5,229,320	\$ 233,621,283
Separately budgeted research	23,389,907	6,417,394	8,652,793	4,404	2,431,289	40,895,787
Public service	18,229,539	5,159,046	2,511,499	121,236	507,724	26,529,044
Academic support	40,398,995	20,003,563	910,603	30,290	1,444,021	62,787,472
Student services	26,113,077	287,438	879,676	99,423	861,398	28,241,012
Institutional support	22,204,886	1,863,855	2,737,002	234,923	680,837	27,721,503
Operation and maintenance of plant	30,179,516	9,585,067	655,846	11,931,163	242,149	52,593,741
Auxiliary enterprises	<u>34,354,727</u>	<u>24,633,098</u>	<u>1,047,722</u>	<u>3,106,061</u>	<u>2,588,160</u>	<u>65,729,768</u>
Total	\$ 403,498,221	\$ 73,597,572	\$ 31,452,458	\$ 15,586,461	\$ 13,984,898	\$ 538,119,610
					Student Aid	18,241,572
					Depreciation	34,197,262
					Total Operating Expenses	<u>\$ 590,558,444</u>

Year ended June 30, 2010

	Compensation and Benefits	Supplies and Services	Professional Services	Utilities	Travel & Entertainment	Total
Instruction and departmental research	\$ 202,265,006	\$ 6,002,630	\$ 5,840,705	\$ 62,644	\$ 5,643,930	\$ 219,814,915
Separately budgeted research	21,404,014	6,562,517	4,219,868	5,714	2,481,923	34,674,036
Public service	16,274,485	3,657,645	2,518,407	95,004	469,434	23,014,975
Academic support	45,042,945	16,273,544	1,332,001	44,316	1,674,582	64,367,388
Student services	22,854,157	1,052,472	1,187,033	96,234	841,620	26,031,516
Institutional support	18,466,607	7,508,550	2,523,346	178,534	783,170	29,460,207
Operation and maintenance of plant	34,197,547	5,857,464	1,170,374	12,181,777	229,461	53,636,623
Auxiliary enterprises	<u>36,173,354</u>	<u>23,374,303</u>	<u>837,800</u>	<u>3,202,194</u>	<u>2,793,455</u>	<u>66,381,106</u>
Total	\$ 396,678,115	\$ 70,289,125	\$ 19,629,534	\$ 15,866,417	\$ 14,917,575	\$ 517,380,766
					Student Aid	14,976,745
					Depreciation	34,502,716
					Total Operating Expenses	<u>\$ 566,860,227</u>

Note 11 - Compensated Absences

Per University policy, eligible salaried administrative appointments earn vacation at the rate of 22 days per year with a maximum accrual of 32 days. Upon termination, they are entitled to a payout of their accumulated balance. Hourly classified employees earn vacation at rates per years of service, ranging from 10 to 25 days per year. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The estimated liability for accrued vacation at June 30, 2011 and 2010 was \$9,847,991 and \$9,143,154, respectively.

Note 11 - Compensated Absences

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro rata monthly basis for salaried employees and on a pro rata hourly basis for classified hourly employees). Salaried employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25% of unused days (maximum of 30 days). Hourly classified employees with 10 or more years of service are eligible for payout upon retirement of up to 50% of unused days (maximum of 60 days). The estimated liability for accrued sick leave at June 30, 2011 and 2010 was \$4,887,440 and \$4,121,471, respectively.

Compensated absences at June 30, 2011 and 2010 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
For the year ended:					
June 30, 2011	\$ 13,264,625	\$ 22,098,410	\$ (20,627,604)	\$ 14,735,431	\$ 484,873
June 30, 2010	\$ 13,737,622	\$ 18,948,255	\$ (19,421,252)	\$ 13,264,625	\$ 473,000

Note 12 - Retirement Plans

Employees of Ohio University are covered under one of three retirement plans, unless eligible for exemption as in the case of most student employees. The particular system in which an employee is eligible to enroll is dependent on their position with the University. Generally, faculty appointments are eligible for enrollment in a defined benefit plan, administered by the State Teachers Retirement System of Ohio ("STRS Ohio"), and all other employees are eligible for enrollment in a defined benefit plan, administered by the Ohio Public Employees Retirement System of Ohio ("OPERS"). In addition, full-time employees may opt out of the state retirement system for a defined contribution plan also referred to as an Alternative Retirement Plan ("ARP") with one of nine independent providers or a defined contribution plan, now offered by both STRS Ohio and OPERS or combined plans offered by both of the state retirement systems. All options are discussed below in more detail.

Defined Benefit Plans - The defined benefit plans of STRS Ohio and OPERS are cost-sharing multiple employer public employee retirement plans. Both systems provide retirement and disability benefits, annual cost of living adjustments, survivor benefits and postretirement health care. Authority to establish and amend benefits is provided by State statute. Both STRS Ohio and OPERS issue stand-alone financial reports. Interested parties may obtain a copy of the STRS Ohio report by making a written request to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll free 888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org. The OPERS report may be obtained by making a written request to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Note 12 - Retirement Plans

Defined Contribution Plans - The ARP is a defined contribution pension plan, under IRS Section 401(a), and established by Ohio Amended Substitute House Bill 586 (ORC 3305.02) on March 31, 1998, for public institutions of higher education. The University's Board of Trustees adopted the University's plan on April 18, 1998. Full-time employees are eligible to choose a provider, in lieu of STRS Ohio or OPERS, from the list of nine providers currently approved by the Ohio Department of Insurance and who hold agreements with the University. Employee and employer contributions equal to those required by STRS Ohio and OPERS are required for the ARP, less any amounts required to be remitted to the state retirement system in which the employee would otherwise have been enrolled.

Eligible employees have 120 days from their date of hire to make an irrevocable election to participate in the ARP. Under this plan, employees who would have otherwise been required to be in STRS Ohio or OPERS and who elect to participate in the ARP must contribute the employee's share of retirement contributions to one of nine private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Board of Regents. That amount is 3.5 percent for STRS Ohio and 0.77 percent for OPERS for the year ended June 30, 2011. The employer also contributes what would have been the employer's contribution under STRS Ohio or OPERS, less the aforementioned percentages, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting.

The ARP does not provide disability benefits, survivor benefits, or postretirement health care. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

STRS Ohio and OPERS also offer a defined contribution plan and a combined plan with features of both a defined contribution plan and a defined benefit plan.

Retirement Plan Funding - The Ohio Revised Code provides statutory authority for employee and employer contributions to retirement systems. The employee and employer rates are the same for ARP employees as the retirement system under which they would otherwise be covered. However, for those who would otherwise be covered by STRS Ohio and who instead elect the ARP, 3.5% of the employer contribution goes to the STRS Ohio retirement system and 0.77% of the employer contribution goes to the OPERS systems as of August 1, 2007. The University's contributions each year are equal to its required contributions.

Note 12 - Retirement Plans

Following are the employee and employer contribution rates in effect for fiscal year 2011:

	Contribution Rates		
	STRS Ohio	OPERS	ARP
Faculty:			
Employee - All year	10%		10%
University - All year	14%		14%
Staff:			
Employee - All year		10%	10%
University - All year		14%	14%
Law enforcement staff:			
Employee: July-Dec 2010		11%	11%
Employee: Jan-June 2011		11.6%	11.6%
University:			
July-Dec 2010		17.9%	17.9%
Jan-June 2011		18.1%	18.1%

University contributions for the current and two preceding years are summarized as follows:

	Employer Contributions		
	STRS Ohio	OPERS	ARP
2011	\$ 11,881,254	\$ 13,811,674	\$ 8,998,394
2010	11,632,635	13,875,159	8,793,766
2009	11,720,000	14,206,000	8,671,000

The payroll for employees covered by OPERS and STRS Ohio for the year ended June 30, 2011 was \$125,242,000 and \$122,553,000, respectively. The payroll for employees covered by OPERS and STRS Ohio for the year ended June 30, 2010 was \$125,136,000 and \$119,875,000, respectively. For the years ended June 30, 2011 and 2010, the University's total payroll was \$278,727,000 and \$276,744,000, respectively.

Other Postemployment Benefits ("OPEB") - In addition to the pension benefits described above, Ohio Law provides that the University fund postretirement healthcare benefits to retirees and their dependents through employer contributions to OPERS and STRS Ohio.

Note 12 - Retirement Plans

OPERS provides retirement, disability, and survivor benefits as well as postemployment healthcare coverage to qualifying members of its plans. A portion of each employer's contribution to OPERS is set aside for funding of postretirement health care. The portion of employer contributions, for all employers, allocated to health care was 5.5 percent from January 1 through February 28, 2010 and 5.0 percent from March 1 through December 31, 2010. The number of active contributing participants as of December 31, 2010 was 356,734.

STRS Ohio provides access to healthcare coverage to retirees who participated in the Defined 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 the Ohio Revised Code ("ORC"), the State Teachers Retirement Board (the "Board") has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the healthcare cost in the form of a monthly premium.

The ORC grants authority to STRS Ohio to provide healthcare coverage to eligible benefit recipients, spouses, and dependents. By Ohio law, healthcare benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Board allocates employer contributions to the Health Care Stabilization Fund from which healthcare benefits are paid. For the fiscal years ended June 30, 2010 and 2009, the board-allocated employer contributions equal to 1.0 percent of covered payroll to post-employment health care. The balance in the Health Care Stabilization Fund was \$3.1 billion on January 1, 2011, the date of the most recent information available from STRS Ohio.

For the fiscal year ended June 30, 2010, the date of the most recent information available from STRS, net healthcare costs paid by STRS Ohio were \$592,000,000. There were 133,000 eligible benefit recipients.

Note 13 - Voluntary Termination plan

On February 25, 2011, the University Board of Trustees approved a set of Early Retirement Incentive Plans ("ERIP") and Voluntarily Employment Separation Plans ("VESP"). Bonuses for eligible employees in OPERS, STRS or ARP ranged from \$0 to \$80,000, and a possible purchase of one year of service credit depending on the eligible plan and retirement date. An ERIP allows the University to purchase additional service credit, in this case one year, which enables eligible employees to retire early or to retire with a larger retirement benefit than they may have otherwise. The ERIP period will remain open until September 30, 2012.

Note 13 - Voluntary Termination Plan

As of June 30, 2011, 168 employees had taken advantage of the voluntary termination plans for a total cost of \$7,679,687, which included payments and accruals for sick and vacation payouts in accordance with standard policy, the incentive bonus, and the OPERS or STRS payment for additional service credit.

Note 14 - Risk Management and Contingencies

Legal - During the normal course of operations, the University has become a defendant in various legal and administrative actions. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. However, in the opinion of in-house legal counsel and University management, the disposition of all pending litigation would not have a material adverse effect on the University's financial position.

Self-Insurance - The University provides medical and dental coverage for its employees on a self-insurance basis. Expenses for claims are recorded on an accrual basis based on the date claims are incurred. The University applies GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

Changes in the self-insurance claims liability for the three years ended June 30, 2011 are summarized as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Accrued claims liability - Beginning of year	\$ 4,006,000	\$ 3,644,000	\$ 3,644,000
Incurred claims - Net of favorable settlements	39,234,162	38,443,545	38,573,997
Claims paid	<u>(39,865,162)</u>	<u>(38,081,545)</u>	<u>(38,573,997)</u>
Accrued claims liability - End of year	<u>\$ 3,375,000</u>	<u>\$ 4,006,000</u>	<u>\$ 3,644,000</u>

Liability for claims is accrued based on estimates of the claims liabilities made by the University's third-party actuary. These estimates are based on past experience and current claims outstanding. Actual claims experience may differ from the estimate.

Note 14 - Risk Management and Contingencies

Commercial Insurance Coverage - The University has the following commercial insurance policies:

Type	Deductible	Coverage
Aircraft Liability (Flight Training)	\$ -	\$ 5,000,000
Aircraft Liability (Corporate)	-	50,000,000
Airport Liability	10,000	10,000,000
General and Auto Liability	100,000	50,000,000
Educator's Liability	100,000	30,000,000
Medical Malpractice Liability	25,000	1,000,000
Foreign Liability	-	1,000,000
Crime	100,000	5,000,000
Property (\$900 million shared with other Inter-University Council Insurance Consortium members)	100,000	1,000,000,000

Workers' Compensation Coverage - The University participates in a plan that pays workers' compensation benefits to employees who have been injured on the job. The Ohio Bureau of Workers' Compensation calculates the estimated amount of cash needed in the subsequent fiscal year to pay the claims for these workers and sets rates to collect this estimated amount from participating state agencies and universities in the subsequent year.

Note 15 - Capital Project Commitments

At June 30, 2011, the University is committed to future capital expenditures as follows:

Contractual commitments	\$ 15,196,946
Estimated completion costs of projects	<u>28,847,940</u>
Total	<u>\$ 44,044,886</u>
These projects will be funded by:	
State appropriations	\$ 11,077,847
University funds (including bond funds)	30,546,512
Gifts, grants, and other	<u>2,420,527</u>
Total	<u>\$ 44,044,886</u>

Note 16 - Other Noncurrent Liabilities

Refundable Advances for Federal Student Loans - Refundable advances for federal student loans for the two years ended June 30, 2011 are summarized as follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
For the year ended:				
June 30, 2011	<u>\$8,317,693</u>	<u>\$ (86,757)</u>	<u>\$8,230,936</u>	<u>\$ -</u>
June 30, 2010	<u>\$8,526,390</u>	<u>\$(208,697)</u>	<u>\$8,317,693</u>	<u>\$ -</u>

Note 17 - Pollution Remediation

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation*, requires the University to account for pollution (including contamination) remediation obligations.

Future expected payments for pollution remediation activities include legal obligations due to commencing purchase orders for asbestos removal. This liability is measured at the cost of the construction contract including consultants and the amount assumes no unexpected change orders.

Pollution remediation obligations continued to include expected payments imposed by the Ohio Environmental Protection Agency (OEPA) due to two separate findings and orders. The first violation of OAC Rule 3745-27-13(A) and ORC Rule 3734.02 (H) lists the University as responsible for the methane gas level monitoring of a disposal site on the University's Southern Campus. The University's monitoring on this site in fiscal year 2009 was estimated at 40 years. The liability is accrued based on reasonably expected potential outlays for performing this monitoring. The current value of expected cash flows method was used to measure the estimated liability using the prior year expenditures as an estimate of future annual obligations. The second OEPA violation requires the cleanup of hazardous wastes which was in violation of ORC Rule 3734.02 (E) and (F). The liability is accrued based on reasonably expected potential outlays for site engineering and services.

Note 17 - Pollution Remediation

Future expected payments for all significant pollution remediation activities include the following:

	<u>Minimum Payments</u>
2012	\$ 824,217
2013	61,604
2014	61,604
2015	61,604
2016	61,604
2017-2049	<u>2,032,932</u>
Total minimum payments	<u>\$ 3,103,565</u>

Note 18 - Donor-restricted Endowments

Under the standard established by Section 1715.56 of the Ohio Revised Code, an institution may appropriate as much as is prudent of the realized and unrealized net appreciation of the fair value of the assets of the endowment fund over the historic dollar value of the fund for the uses and purposes for which an endowment fund is established. The University's endowment spending policy is based on the concept of total return and the spending rate for fiscal year 2011 was 5 percent (including a 1 percent administrative fee, the same as for fiscal year 2010).

The amounts of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure by the Board were \$11,154,804 and \$7,853,952 for June 30, 2011 and 2010, respectively. Those amounts are reported as restricted expendable net assets.

Note 19 - Net Assets

Restricted and unrestricted net assets for the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Restricted - nonexpendable:		
Permanent endowments	\$ 19,577,377	\$ 17,567,164
Restricted - expendable:		
Sponsored programs	\$ 8,367,890	\$ 7,853,262
Loans	9,080,801	8,813,647
Bond funded capital projects and debt service funds	5,120,310	28,158,069
Net income and appreciation on endowments	11,154,804	7,853,952
Total Restricted - expendable	\$ 33,723,805	\$ 52,678,930
Unrestricted:		
Allocated	\$ 216,584,990	\$ 118,696,103
Unallocated	2,480,361	(12,360,451)
Total Unrestricted	\$ 219,065,351	\$ 106,335,652

Restricted net assets are subject to external restrictions and are categorized as either expendable or nonexpendable. Restricted nonexpendable net assets consist entirely of endowments whose corpus is held in perpetuity. Restricted expendable net assets are made up of the categories above.

Unrestricted net assets are not subject to external restrictions; however, the majority of the University's unrestricted net assets have been internally designated for specific purposes or for contractual purchase obligations. This category includes amounts set aside or carried forward for auxiliaries, academic and research programs, reserves, and capital projects. A deficit in the unrestricted unallocated net assets section represents the amount allocated above that which is available as unrestricted net assets. For fiscal year 2010, this created a structural deficit that the University had addressed through the implementation of a five-year plan.

Note 20 - The Ohio University Foundation

The Ohio University Foundation (the "Foundation") was incorporated in Ohio in October 1945 to support the educational undertakings of Ohio University (the "University"). The Foundation is authorized to solicit and receive gifts and contributions for the benefit of the University and to ensure that funds and property received are applied to the uses specified by the donor.

Note 20 - The Ohio University Foundation

The Foundation's wholly owned subsidiary, Inn-Ohio of Athens, Inc. (the "Inn"), owns and operates a 139-room hotel and restaurant facility in Athens, Ohio known as The Ohio University Inn.

Another controlled entity, Housing for Ohio, Inc. ("Housing"), constructed and operates a 182-unit student housing facility in Athens, Ohio. It has been granted tax-exempt status under Section 501(a)(3) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3).

The Foundation entered into an agreement with the Sugar Bush Foundation (Sugar Bush), an Ohio not-for-profit corporation, in August 2005. Sugar Bush is a supporting organization as defined in Code Section 509(a)(3) and the Foundation is its primary supported organization, receiving 51 percent of its charitable distributions. This agreement was further amended in August 2007 with Sugar Bush pledging to commit all of its charitable distributions to the Foundation. Upon dissolution of Sugar Bush and payment of all Sugar Bush liabilities, all of its assets shall be transferred to the Foundation, provided the Foundation is then recognized as a non-profit Ohio corporation and as a tax-exempt organization under Section 501(c)(3) of the Code. The Foundation consolidates this supporting organization that is deemed to be financially interrelated.

During 2009, the Foundation created three limited liability companies to receive property distributions from The Dolores H. Russ Trust for the benefit of the Russ College of Engineering. The three limited liability companies are the Fritz J. and Dolores H. Russ Holdings LLC, Russ North Valley Road LLC, and Russ Research Center LLC (collectively referred to as the "Russ LLCs"). The limited liability companies are treated as disregarded entities for federal income tax purposes. The Foundation is the sole member of the Fritz J. and Dolores H. Russ Holdings LLC. The Fritz J. and Dolores H. Russ Holdings LLC is the sole member of the Russ North Valley Road LLC and Russ Research Center LLC.

Summary of Significant Accounting Policies

Basis of Accounting - The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. The accompanying consolidated financial statements present the financial position and results of activities of the Foundation and its wholly owned subsidiary and other related entities - the Inn, Housing, one supporting organization, and three limited liability companies. All intercompany transactions have been eliminated.

Use of 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 and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 20 - The Ohio University Foundation

Concentration of Credit Risk - Financial instruments, which potentially subject the Foundation to a concentration of credit risk, consist principally of pledges receivable, investments for the Foundation, and receivables related to operations of the Inn and Russ Research Center. Exposure to losses on pledges receivable is principally dependent on each donor's financial condition. The Foundation monitors the exposure for credit losses and maintains allowances for anticipated losses on receivables.

Investments are recorded at fair value. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the Foundation's consolidated statements of financial position and activities.

The management companies that operate the Inn and the Russ Research Center are responsible for collection of receivables. Each entity provides a reserve for any estimated uncollectible balances, as appropriate.

Gifts and Contributions - Contributions are recorded at their fair value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset categories. When a donor restriction expires (when a stipulated time restriction ends or the purpose of restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Contributed property is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property are recorded as unrestricted support.

Contributions of charitable gift annuities are reduced by the actuarially determined liability resulting from acceptance of the gift. Contributions are held in charitable trusts at the present value of their estimated future benefits to be received when the trust assets are distributed upon notification of the donor's death.

Note 20 - The Ohio University Foundation

Pledges Receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using an assumed inflation rate. The discount rate utilized was 5.01 and 5.10 percent for the years ended June 30, 2011 and 2010, respectively. Amortization of the discounts is included in contribution revenue. Unconditional promises to give, which are silent as to the due date, are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

Intentions - The Foundation receives communications from donors indicating that the Foundation has been included in the donor's will or life insurance policy as beneficiary, representing intentions to give rather than promises to give. Such communications are not unconditional promises to give because the donors retain the ability to modify their wills and insurance policies during their lifetimes. The total realizable value of these intended gifts has not been established, nor have the intended gifts been recognized as an asset or contribution revenue. Such gifts are recorded when the Foundation is notified of the donor's death, the will is declared valid by a probate court, and the proceeds are measurable.

Cash Surrender Value of Insurance Policies - The Foundation records as an asset the cash surrender value of insurance policies for which it is the owner and beneficiary.

Investments - Investments in securities are recorded at fair value based on quoted market values, with changes in market value during the year reflected in the consolidated statements of activities. Purchases and sales of investments are accounted for as of the trade date.

Income from Investments - All investment income in the form of interest and dividends is credited to unrestricted net assets unless otherwise designated by the donor. All capital appreciation/depreciation earned on permanently restricted, temporarily restricted, and unrestricted investments is credited to unrestricted net assets unless otherwise restricted by the donor.

Property and Equipment - Property and equipment are recorded at the estimated fair value, if received as a gift, or at the purchase cost, plus any expenditures for improvements.

Depreciation of buildings is recorded over periods ranging from 20 to 40 years using the straight-line method. Depreciation and amortization of other property, equipment, and improvements are recorded over periods ranging from 3 to 15 years using the straight-line method.

Note 20 - The Ohio University Foundation

Annually, or more frequently if events or circumstances change, a determination is made by management to ascertain whether property and equipment and intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, the Foundation will recognize an impairment loss in an amount necessary to write down the assets to a fair value as determined from expected future discounted cash flows. Based upon its most recent analysis, the Foundation has determined that no impairment to the carrying value of its long-lived assets existed at June 30, 2011 and 2010.

Cash - At times, cash may exceed federally insured amounts. The Foundation believes it mitigates risks by depositing cash with major financial institutions.

Cash Equivalents - The Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Restricted Cash - Restricted cash represents cash that, under terms of the bond issue trust indenture agreement (the "Trust Indenture") (related to Housing for Ohio, Inc.), is restricted for various purposes. In accordance with the terms of the Trust Indenture and related agreements, the proceeds from the bonds not used to construct the student housing facility and certain equipment and improvements were deposited with the trustee. The Foundation is also required to deposit all revenue directly into a designated revenue fund. The trustee is then authorized, without further direction from the Foundation, to transfer funds out of the revenue fund to other funds as outlined in the Trust Indenture.

Functional Allocation of Expenses - The costs of providing the various programs and support services have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the programs and support services benefited. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes - The Internal Revenue Service has determined that the Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated income. The provision for income taxes for the Inn, including deferred tax expenses (recovery), totaled (\$58,638) and \$22,226 for the years ended June 30, 2011 and 2010, respectively.

Note 20 - The Ohio University Foundation

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and to recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2008.

Fair Value of Financial Instruments - The carrying values of the Foundation's financial instruments in the accompanying consolidated statements of financial position approximate their respective estimated fair value at June 30, 2011 and 2010.

The Foundation has estimated the fair values of its financial instruments using available quoted market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange. Determinations of fair value are based on subjective data and significant judgment relating to timing of payments and collections and the amounts to be realized. Different market assumptions and/or estimation methodologies might have a material effect on the estimated fair value amounts.

The fair values of short-term financial instruments, including cash equivalents and trade accounts receivable and payable, approximate the carrying amounts in the accompanying financial statements due to the short maturity of such instruments. The fair value of long-term obligations approximates the carrying amounts in the accompanying financial statements. The carrying value of the debt approximates fair value based on current borrowing rates.

Advertising Costs - Advertising costs of the Inn are included in marketing expenses and are expensed as incurred.

Reclassification - Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including October 11, 2011, which is the date the financial statements were available to be issued.

Net Assets

Unrestricted Net Assets - The unrestricted net assets consist of operating funds available for any purpose authorized by the board of trustees.

Note 20 - The Ohio University Foundation

Unrestricted net assets as of June 30, 2011 and 2010 are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Board-designated quasi-endowment	\$ 12,374,420	\$ 10,058,446
Board-designated 1804 fund	678,109	536,655
Designated underwater accounts	(205,666)	(8,947,560)
Undesignated:		
Housing	\$ (2,045,872)	\$ (1,804,157)
Other	<u>2,814,038</u>	<u>3,089,886</u>
	<u>768,166</u>	<u>1,285,729</u>
Unrestricted net assets	<u>\$ 13,615,029</u>	<u>\$ 2,933,270</u>

Temporarily Restricted Net Assets - Temporarily restricted net assets consist of funds that are restricted for a specific use or time determined by the donor. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions when the restrictions are satisfied either by the passage of time or by actions of the Foundation. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

Note 20 - The Ohio University Foundation

Temporarily restricted net assets as of June 30, 2011 and 2010 are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Academic support	\$ 12,087,116	\$ 7,855,886
Alumni relations	472,988	562,788
Fundraising and development	983,120	914,291
Institutional support	16,206,157	9,484,732
Instruction and departmental research	143,628,099	122,345,493
Intercollegiate athletics	1,734,286	1,646,220
Operation and maintenance of plant	395,071	426,762
Other	-	14,860
Public service	533,805	482,723
Research	1,444,152	1,316,332
Student aid	44,289,007	26,310,398
Student services	<u>1,659,947</u>	<u>1,305,717</u>
Total	<u>\$ 223,433,748</u>	<u>\$ 172,666,202</u>

Permanently Restricted Net Assets - Permanently restricted net assets consist of funds arising from a gift or bequest in which the donor has stipulated, as a condition of the gift, that the principal be maintained in perpetuity and only the investment income from investment of the funds be expended. Certain donor endowments also specify that a portion of the earnings from the investment be reinvested as principal, or that all income earned over a period of time be reinvested. Amounts are also transferred for specific uses as authorized from time to time by the donor. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless otherwise restricted by the donor or by applicable state laws.

Note 20 - The Ohio University Foundation

Permanently restricted net assets as of June 30, 2011 and 2010 are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Academic support	\$ 7,148,037	\$ 6,583,640
Alumni relations	459,028	518,445
Fundraising and development	362,463	240,100
Institutional support	4,548,254	4,927,403
Instruction and departmental research	62,064,635	54,978,608
Intercollegiate athletics	1,606,963	1,072,935
Other	-	148,434
Public service	584,306	353,368
Research	612,969	587,953
Student aid	68,496,244	77,183,675
Student services	<u>2,652,014</u>	<u>2,611,312</u>
Total	<u>\$ 148,534,913</u>	<u>\$ 149,205,873</u>

Pledges Receivable

Amounts included in pledges receivable for unconditional promises to give at June 30, 2011 and 2010 are as follows:

<u>At June 30, 2011</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Gross amounts due in:			
Less than one year	\$ 3,413,954	\$ 4,334,303	\$ 7,748,257
One to five years	5,141,954	7,624,761	12,766,715
More than five years	<u>376,695</u>	<u>401,638</u>	<u>778,333</u>
Gross pledges receivable	8,932,603	12,360,702	21,293,305
Less allowance for uncollectible pledges	(2,038,025)	(2,820,165)	(4,858,190)
Less discount to present value	<u>(402,935)</u>	<u>(987,411)</u>	<u>(1,390,346)</u>
Total pledges receivable - Net	<u>\$ 6,491,643</u>	<u>\$ 8,553,126</u>	<u>\$ 15,044,769</u>

Note 20 - The Ohio University Foundation

<u>At June 30, 2010</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Gross amounts due in:			
Less than one year	\$ 2,536,802	\$ 2,231,913	\$ 4,768,715
One to five years	3,100,569	8,223,939	11,324,508
More than five years	<u>175</u>	<u>5,000</u>	<u>5,175</u>
Gross pledges receivable	5,637,546	10,460,852	16,098,398
Less allowance for uncollectible pledges	(885,095)	(1,642,354)	(2,527,449)
Less discount to present value	<u>(194,010)</u>	<u>(1,081,995)</u>	<u>(1,276,005)</u>
Total pledges receivable - Net	<u>\$ 4,558,441</u>	<u>\$ 7,736,503</u>	<u>\$ 12,294,944</u>

As of June 30, 2011, the Foundation has approximately \$58 million in numerous outstanding pledges which are considered to be intentions to give and are contingent upon future events. These pledges are not accrued as pledges receivable or recognized as revenue because they do not represent unconditional promises to give. It is not practicable to estimate the ultimate realizable value of these commitments or the period over which they might be collected.

Fair Value Measurements

The Foundation's investments include endowed funds, as well as a portion of working capital funds. The Foundation's investment policy provides that the long-term objective of the investment pool is to maximize the real return, or the nominal return less inflation, of the assets over a complete market cycle with emphasis on preserving capital and reducing volatility through prudent diversification. Further, the investment strategy seeks to provide real growth of assets in excess of endowment spending requirements plus inflation. The asset allocation of the Foundation's investments at June 30, 2011 and 2010 is summarized in the following table:

Note 20 - The Ohio University Foundation

Fair Value and Cost of Investments at June 30, 2011 and 2010

	June 30, 2011		June 30, 2010	
	Fair Value	Cost	Fair Value	Cost
Fixed-income investments:				
Money market funds	\$ 13,894,663	\$ 13,894,663	\$ 18,899,091	\$ 18,899,091
Bonds and bond mutual funds	25,647,394	24,410,003	30,712,320	28,483,248
TIPS mutual funds	15,426,278	14,654,431	11,664,893	11,429,135
Subtotal fixed income	<u>54,968,335</u>	<u>52,959,097</u>	<u>61,276,304</u>	<u>58,811,474</u>
Public equity investments:				
Domestic large-cap equity	69,571,362	59,354,765	48,168,152	52,687,911
Domestic small-cap equity	6,168,429	6,444,861	6,859,022	6,397,703
REITs	3,352,514	2,730,131	2,964,108	2,934,501
Developed international equity	56,569,956	48,231,766	38,918,569	41,855,911
Emerging markets international equity	14,700,262	7,467,338	10,084,427	6,128,932
Global equity	612,958	731,670	2,771,713	4,146,150
Subtotal public equity	<u>150,975,481</u>	<u>124,960,531</u>	<u>109,765,991</u>	<u>114,151,108</u>
Alternative investments:				
Commodities	10,968,983	12,316,733	8,305,151	12,171,131
Absolute return funds	50,500,753	50,660,956	46,868,395	50,047,241
Private equity funds	28,954,097	23,375,185	27,422,472	24,070,574
Private real estate funds	10,705,252	9,194,869	8,375,982	8,127,778
Venture capital funds	3,434,857	3,993,435	2,618,032	3,864,880
Direct private equity investments	17,805,171	12,119,277	6,208,371	522,477
Subtotal alternative investments	<u>122,369,113</u>	<u>111,660,455</u>	<u>99,798,403</u>	<u>98,804,081</u>
Total investments	<u>\$ 328,312,929</u>	<u>\$ 289,580,083</u>	<u>\$ 270,840,698</u>	<u>\$ 271,766,663</u>

The Foundation reports investments and split-interest agreements at estimated fair value, in accordance with the fair value hierarchy prescribed by Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* (Formerly SFAS 157). The framework for determining fair value is based on a hierarchy that prioritizes the valuation techniques and inputs used to measure fair value, as follows:

Level I - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. The Foundation's Level I assets consist primarily of fixed income or equity mutual funds, publicly traded large and small cap stocks, and REITs. Prices for these investments are widely available through major financial reporting services.

Note 20 - The Ohio University Foundation

Level 2 - Inputs other than quoted prices that are observable, either directly or indirectly. These may include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. The Foundation's Level 2 assets include government and corporate bonds, as well as commingled money market, bond, and equity funds that are not registered with the Securities and Exchange Commission and do not trade on an exchange.

Level 3 - Inputs that are unobservable, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. The Foundation's Level 3 assets include allocations to commodities, absolute return funds, private equity, private real estate, and venture capital funds. The Foundation's Level 3 liabilities relate to split-interest agreements and are valued using an actuarial approach.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the least observable input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The Foundation's fair value assets and liabilities, by level, at June 30, 2011 and 2010 are summarized in the following tables:

Note 20 - The Ohio University Foundation

Assets and Liabilities Measured at Fair Value on the Recurring Basis at June 30, 2011

	June 30, 2011	Fair Value at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments</u>				
Fixed-income investments:				
Money market funds	\$ 13,894,663	\$ 428,461	\$ 13,466,202	\$ -
Bonds and bond mutual funds (1)	25,647,394	23,223,938	2,248,456	175,000
TIPS mutual funds	15,426,278	15,426,278	-	-
Subtotal fixed income	54,968,335	39,078,677	15,714,658	175,000
Public equity investments:				
Domestic large-cap equity	69,571,362	69,571,362	-	-
Domestic small-cap equity	6,168,429	6,168,429	-	-
REITs	3,352,514	3,352,514	-	-
Developed international equity	56,569,956	56,569,956	-	-
Emerging markets international equity (9)	14,700,262	3,066,849	11,633,413	-
Global equity	612,958	612,958	-	-
Subtotal public equity	150,975,481	139,342,068	11,633,413	-
Alternative investments:				
Commodities (2)	10,968,983	-	-	10,968,983
Absolute return funds (3)	50,500,753	-	-	50,500,753
Private equity funds (4)	28,954,097	-	-	28,954,097
Private real estate funds (5)	10,705,252	-	-	10,705,252
Venture capital funds (6)	3,434,857	-	-	3,434,857
Direct private equity investments (7)	17,805,171	-	-	17,805,171
Subtotal alternative investments	122,369,113	-	-	122,369,113
Total investments	\$ 328,312,929	\$ 178,420,745	\$ 27,348,071	\$ 122,544,113
<u>Split-interest Agreements</u>				
Charitable gift annuities -				
Assets	\$ 2,475,238	\$ 2,116,345	\$ 358,893	\$ -
Charitable trusts -				
Assets (8)	17,022,926	15,696,253	621,088	705,585
Total split-interest agreements	\$ 19,498,164	\$ 17,812,598	\$ 979,981	\$ 705,585
Total fair value measurements	\$ 347,811,093	\$ 196,233,343	\$ 28,328,052	\$ 123,249,698

Note 20 - The Ohio University Foundation

Assets and Liabilities Measured at Fair Value on the Recurring Basis at June 30, 2010

	June 30, 2010	Fair Value at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments</u>				
Fixed-income investments:				
Money market funds	\$ 18,899,091	\$ 374,742	\$ 18,524,349	\$ -
Bonds and bond mutual funds (1)	30,712,320	29,145,353	1,391,967	175,000
TIPS mutual funds	11,664,893	11,664,893	-	-
Subtotal fixed income	61,276,304	41,184,988	19,916,316	175,000
Public equity investments:				
Domestic large-cap equity	48,168,152	48,168,152	-	-
Domestic small-cap equity	6,859,022	6,859,022	-	-
REITs	2,964,108	2,964,108	-	-
Developed international equity	38,918,569	38,918,569	-	-
Emerging markets international equity (9)	10,084,427	1,225,100	8,859,327	-
Global equity	2,771,713	2,771,713	-	-
Subtotal public equity	109,765,991	100,906,664	8,859,327	-
Alternative investments:				
Commodities (2)	8,305,151	-	-	8,305,151
Absolute return funds (3)	46,868,395	-	-	46,868,395
Private equity funds (4)	27,422,472	-	-	27,422,472
Private real estate funds (5)	8,375,982	-	-	8,375,982
Venture capital funds (6)	2,618,032	-	-	2,618,032
Direct private equity investments (7)	6,208,371	-	-	6,208,371
Subtotal alternative investments	99,798,403	-	-	99,798,403
Total investments	\$ 270,840,698	\$ 142,091,652	\$ 28,775,643	\$ 99,973,403
<u>Split-Interest Agreements</u>				
Charitable gift annuities -				
Assets	\$ 2,131,740	\$ 1,788,424	\$ 343,316	\$ -
Charitable trusts -				
Assets (8)	16,715,185	15,843,665	-	871,520
Total split-interest agreements	\$ 18,846,925	\$ 17,632,089	\$ 343,316	\$ 871,520
Total fair value measurements	\$ 289,687,623	\$ 159,723,741	\$ 29,118,959	\$ 100,844,923

Note 20 - The Ohio University Foundation

- (1) Level 3 investment represents auction rate preferred shares in a closed-end fixed income fund, which is illiquid and in process of being refinanced by the investment manager.
- (2) Commodities funds investing in areas that offer strong relative performance in rising inflation environments and are broadly diversified across the commodities markets, including futures, options on futures, and forward contracts on exchange-traded agricultural goods, metals, minerals, and energy products.
- (3) Hedge funds broadly diversified across managers, investment strategies, and investment venues. Includes both fund investments, as well as fund-of-funds investments.
- (4) Private equity funds broadly diversified across managers, investment stages, geography, industry sectors, and company size. Includes individual fund investments, as well as fund-of-funds investments.
- (5) Private real estate funds broadly diversified across managers, investment strategies, geography, and industry sectors.
- (6) Venture capital funds with the objective of investing in early-stage business entities and enterprises with a primary focus on medical and information technologies.
- (7) Includes ownership of stock in a manufacturer of precision sensor measurement equipment. Also includes estimated proceeds from the sale of stock in a privately held manufacturer of genetically engineered and non-engineered tissue cell cultures, to be received at the end of the escrow period.
- (8) Level 3 investment represents the present value of the revenue expected to be received from charitable trusts, where the Foundation does not serve as trustee.
- (9) Institutional commingled fund investing primarily in equities of companies located in less developed countries. The fund is diversified across countries and industry sectors.

Investments are reported as Level 3 assets if the valuation is based on significant unobservable inputs. Often, these assets trade infrequently, or not at all. For some Level 3 assets, both observable and unobservable inputs may be used to determine fair value. As a result, the unrealized gains and losses presented in the tables below may include changes in fair value that were attributable to both observable and unobservable inputs.

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the beginning of the reporting period. For the fiscal year ended June 30, 2011, there were no transfers between levels of the fair value hierarchy. For the fiscal year ended June 30, 2010, the Foundation transferred commingled money market, fixed income, and public equity funds from Level 3 to Level 2 investments.

Note 20 - The Ohio University Foundation

Additional information on the changes in Level 3 assets is summarized in the table below:

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Year Ended June 30, 2011

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Total Level 3 Investments	Fixed Income	Alternative Investments	
		Bond Mutual Funds	Commodities	Absolute Return Funds
Beginning balance	\$ 99,973,403	\$ 175,000	\$ 8,305,151	\$ 46,868,395
Gains (losses) included in changes in net assets:				
Realized gains (losses)	1,840,065	-	(2,120)	-
Unrealized gains	10,866,123	-	2,662,320	3,632,358
Total gains	12,706,188	-	2,660,200	3,632,358
Purchases and sales:				
Purchases	3,361,190	-	44,034	-
Contributions	11,651,246	-	-	-
Sales	(5,147,914)	-	(40,402)	-
Total purchases and sales	9,864,522	-	3,632	-
Ending balance	\$ 122,544,113	\$ 175,000	\$ 10,968,983	\$ 50,500,753

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (continued)			
	Alternative Investments (continued)			
	Private Equity Funds	Private Real Estate Funds	Venture Capital Funds	Direct Private Equity Investments
Beginning balance	\$ 27,422,472	\$ 8,375,982	\$ 2,618,032	\$ 6,208,371
Gains included in changes in net assets:				
Realized gains	1,808,652	20,307	13,226	-
Unrealized gains	2,511,187	1,371,987	688,271	-
Total gains	4,319,839	1,392,294	701,497	-
Purchases and sales:				
Purchases	1,402,110	1,740,046	175,000	-
Contributions	-	54,446	-	11,596,800
Sales	(4,190,324)	(857,516)	(59,672)	-
Total purchases and sales	(2,788,214)	936,976	115,328	11,596,800
Ending balance	\$ 28,954,097	\$ 10,705,252	\$ 3,434,857	\$ 17,805,171

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)
	Split-interest Agreements
	Charitable Trust Assets
Beginning balance	\$ 871,520
Change in value of split-interest agreements included in changes in net assets:	
Change in actuarial estimate	(165,935)
Total change in value	(165,935)
Ending balance	\$ 705,585

Note 20 - The Ohio University Foundation

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Year Ended June 30, 2010

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Fixed-income Investments			Public Equity Investments		
	Total Level 3 Investments	Money Markets	Bond Mutual Funds	U.S. Large Cap Equity Mutual Funds	Developed International Equity Mutual Funds	Emerging Markets International Equity Mutual Funds
Beginning balance	\$ 142,785,617	\$ 1,172,735	\$ 1,579,927	\$ 40,075,622	\$ 12,834,809	\$ 6,608,276
Transfers into (out of) Level 3:						
Transfers into Level 3	9,009,512	-	-	-	-	-
Transfers out of Level 3	(62,071,369)	(1,172,735)	(1,379,927)	(40,075,622)	(12,834,809)	(6,608,276)
Total transfers out of Level 3	(53,061,857)	(1,172,735)	(1,379,927)	(40,075,622)	(12,834,809)	(6,608,276)
Gains included in changes in net assets:						
Realized gains	33,154,801	-	-	-	-	-
Unrealized gains	8,909,241	-	-	-	-	-
Total gains	42,064,042	-	-	-	-	-
Purchases and sales:						
Purchases	5,834,542	-	-	-	-	-
Sales	(37,648,941)	-	(25,000)	-	-	-
Total purchases and sales	(31,814,399)	-	(25,000)	-	-	-
Ending balance	\$ 99,973,403	\$ -	\$ 175,000	\$ -	\$ -	\$ -

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)					
	Alternative Investments					
	Commodities	Absolute Return Funds	Private Equity Funds	Private Real Estate Funds	Venture Capital Funds	Direct Private Equity Investments
Beginning balance	\$ 7,677,225	\$ 44,941,527	\$ 20,031,044	\$ 5,674,982	\$ 2,189,470	\$ -
Transfers into Level 3:						
Transfers into Level 3	-	-	-	-	-	9,009,512
Transfers out of Level 3	-	-	-	-	-	-
Total transfers into Level 3	-	-	-	-	-	9,009,512
Gains (losses) included in changes in net assets:						
Realized (losses) gains	(205,363)	-	1,307,210	-	-	32,052,954
Unrealized gains	829,181	1,926,868	4,800,487	964,852	243,643	144,210
Total gains	623,818	1,926,868	6,107,697	964,852	243,643	32,197,164
Purchases and sales:						
Purchases	204,215	-	3,282,626	2,047,912	299,789	-
Sales	(200,107)	-	(1,998,895)	(311,764)	(114,870)	(34,998,305)
Total purchases and sales	4,108	-	1,283,731	1,736,148	184,919	(34,998,305)
Ending balance	\$ 8,305,151	\$ 46,868,395	\$ 27,422,472	\$ 8,375,982	\$ 2,618,032	\$ 6,208,371

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)
	Split-interest Agreements Charitable Trust Assets
Beginning balance	\$ 909,343
Change in value of split-interest agreements included in changes in net assets:	
Change in actuarial estimate	(37,823)
Total change in value	(37,823)
Ending balance	\$ 871,520

Note 20 - The Ohio University Foundation

An amendment to ASC 820 released in September 2009 permits the Foundation to use the net asset value (NAV), as a practical expedient, to estimate the fair value of an investment fund. Although the Foundation considers all available data in reporting the fair value of investments, the NAV, or its equivalent, is used as the primary valuation input for some Level 2 and most Level 3 assets.

The following table provides additional information regarding the fair value, liquidity, and unfunded commitment for investments where the NAV was used as a practical expedient.

Level 2 and Level 3 Investments Reported at Net Asset Value

	Fair Value	Redemption Frequency	Redemption Notice Period	Estimated Termination Date (Fiscal Year)	Unfunded Commitment
Fixed-income investments:					
Money market funds (Level 2)	\$ 13,466,202	daily	none	not applicable	\$ -
Bonds and bond mutual funds (Level 2)	1,176,634	daily	1 day	not applicable	-
Bonds and bond mutual funds (Level 3)	175,000	not liquid	not liquid	not liquid	-
Subtotal fixed income	<u>14,817,836</u>				<u>-</u>
Public equity investments:					
Emerging markets international equity mutual funds (Level 2)	11,633,413	monthly	30 days	not applicable	-
Subtotal global equity	<u>11,633,413</u>				<u>-</u>
Alternative investments:					
Commodities (Level 3)	10,968,983	monthly	10 - 30 days	not applicable	-
Absolute return funds (Level 3)	50,500,753	quarterly	60 - 65 days	not applicable	-
Private equity funds (Level 3)	28,954,097	not liquid	not liquid	2012 - 2018	5,575,425
Private real estate funds (Level 3)	10,705,252	not liquid	not liquid	2012 - 2018	3,590,237
Venture capital funds (Level 3)	3,434,857	not liquid	not liquid	2012 - 2014	1,015,082
Direct private equity investments (Level 3)	17,805,171	not liquid	not liquid	2012	-
Subtotal alternative investments	<u>122,369,113</u>				<u>10,180,744</u>
Total investments	<u>\$ 148,820,362</u>				<u>\$ 10,180,744</u>

Because financial data for many private investments is not available until several months after fiscal year end, some reported investment valuations represent an estimate of the June 30 net asset value, while the remaining valuations represent March 31 reported net asset valuations that have been adjusted by cash added to and cash distributed from these accounts through June 30. Management considers information that becomes available after the financial statements are compiled but before they are released, to determine whether an adjustment to the reported fair value of the investment should be made. For fiscal year 2011, there were \$88.0 million in investment assets reported at the estimated net asset values described above, and all are listed as Level 3 assets. After the financial statements were compiled, management learned that unrealized gains for the period ended June 30, related to alternative investments, totaled approximately \$577,000. This amount was not incorporated in the amounts disclosed above.

Note 20 - The Ohio University Foundation

Donor-restricted and Board-restricted Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees as quasi-endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions or board-imposed restrictions.

Interpretation of Relevant Law - The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the contributed value of the original gift of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to distribute or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the gifting organization or individual and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Note 20 - The Ohio University Foundation

Endowment Net Asset Composition by Type of Fund as of June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	\$ (205,666)	\$ 65,258,750	\$ 136,692,497	\$ 201,745,581
Board-designated (quasi) endowment created with donor-restricted funds	-	91,118,248	-	91,118,248
Board-designated (quasi) endowment	<u>12,374,421</u>	<u>-</u>	<u>-</u>	<u>12,374,421</u>
Total funds	<u>\$ 12,168,755</u>	<u>\$ 156,376,998</u>	<u>\$ 136,692,497</u>	<u>\$ 305,238,250</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Market value - Beginning of the year	\$ 1,110,883	\$ 112,808,747	\$ 137,891,194	\$ 251,810,824
Net realized and unrealized gains and losses	10,978,769	40,495,844	(5,008,872)	46,465,741
Contributions	-	-	4,600,175	4,600,175
Spending policy transfer	(377,843)	(7,996,499)	(800,000)	(9,174,342)
Transfers to/(from) board- designated endowments	529,166	11,876,246	10,000	12,415,412
Administrative fee	<u>(72,220)</u>	<u>(807,340)</u>	<u>-</u>	<u>(879,560)</u>
Market value - End of the year	<u>\$ 12,168,755</u>	<u>\$ 156,376,998</u>	<u>\$ 136,692,497</u>	<u>\$ 305,238,250</u>

Note 20 - The Ohio University Foundation

Endowment Net Asset Composition by Type of Fund as of June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	\$ (8,947,560)	\$ 33,673,639	\$ 137,891,194	\$ 162,617,273
Board-designated (quasi) endowment created with donor-restricted funds	-	79,135,108	-	79,135,108
Board-designated (quasi) endowment created with unrestricted funds	<u>10,058,443</u>	<u>-</u>	<u>-</u>	<u>10,058,443</u>
Total funds	<u>\$ 1,110,883</u>	<u>\$ 112,808,747</u>	<u>\$ 137,891,194</u>	<u>\$ 251,810,824</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Market value - Beginning of the year	\$ (6,291,571)	\$ 87,244,134	\$ 131,113,746	\$ 212,066,309
Net realized and unrealized gains and losses and investment income	7,716,295	30,579,272	3,457,772	41,753,339
Contributions	-	50,040	3,347,930	3,397,970
Spending policy transfer	(246,764)	(4,432,665)	-	(4,679,429)
Transfers to/(from) board- designated endowments	-	33,952	-	33,952
Administrative fee	<u>(67,077)</u>	<u>(665,986)</u>	<u>(28,254)</u>	<u>(761,317)</u>
Market value - End of the year	<u>\$ 1,110,883</u>	<u>\$ 112,808,747</u>	<u>\$ 137,891,194</u>	<u>\$ 251,810,824</u>

Note 20 - The Ohio University Foundation

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the contributed value that the donor or UPMIFA requires the Foundation to retain as the corpus. These funds are known as “underwater accounts”. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$205,666 and \$8,947,560 as of June 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations and allowable distributions made over time.

Return Objectives and Risk Parameters - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the long-term purchasing power of the endowment assets. Endowment assets include donor-restricted funds that are held in perpetuity or for donor-specified periods, as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to outperform, over rolling 12-quarter periods, a composite benchmark of appropriately weighted indices, while maintaining acceptable risk levels. The Foundation anticipates the endowment funds will provide an average rate of return of approximately 9 percent annually, gross of investment management fees of approximately 1 percent. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy - The Foundation’s spending policy stipulates that 5 percent of a three-year moving average of the market value of the endowment is available to spend, with 1 percent of the amount being set aside to support the Foundation’s administrative expenses. The spending rate applies to all endowment accounts except underwater accounts, where spending is limited to 1 percent of a three-year moving average of the market value. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow the endowment to grow at an average of 3 percent annually. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through investment returns and new gifts.

Note 20 - The Ohio University Foundation

Property and Equipment - As of June 30, 2011 and 2010, property and equipment are as follows:

	2011	2010
Land	\$ 2,455,841	\$ 5,464,841
Land improvements	683,258	683,258
Building and building improvements	39,336,797	39,715,904
Furnishings, fixtures, and equipment	4,815,715	4,772,923
Subtotal	47,291,611	50,636,926
Less accumulated depreciation and amortization	(15,979,426)	(14,625,294)
Property and equipment - Net	<u>\$ 31,312,185</u>	<u>\$ 36,011,632</u>

Total depreciation expense of \$1,635,935 and \$1,640,139 was recorded in fiscal years 2011 and 2010, respectively.

Support from Ohio University - During 2011 and 2010, the University paid certain payroll costs amounting to \$4,470,240 and \$4,586,235 and additional costs of \$53,365 and \$72,929, respectively, for the Foundation's Development Office, Office of Alumni Relations, and Accounting Office. The support costs paid by the University are reflected in the consolidated statements of activities as University support, with a like amount included in expenses.

The University provides office space and the use of certain common facilities and services to the Foundation at no cost. These costs have not been recorded as University support because they are not considered to be material to the results of activities of the Foundation.

Split-interest Agreements

Charitable Gift Annuities - Under charitable gift annuity agreements, all assets are held by the Foundation. Therefore, the Foundation has recorded the donated assets at fair value and the liabilities to the donor or his/her beneficiaries discounted to the present value of the estimated future payments to be distributed by the Foundation to such individuals at a rate established at the beginning of the agreement. The amount of the contribution is the difference between the asset and liability and is recorded as contribution revenue. The discount rate applied to gift annuities held at June 30, 2011 and 2010 ranged from 2.0 to 9.4 percent.

Charitable Remainder Trusts - Under charitable remainder trust agreements, the Foundation serves as the remainder man, whereby the Foundation will receive the net assets of the trust upon death of the donor's beneficiary. During the life of the trust, the donor, or the donor-designated beneficiary, will receive regular payments as established by the trust.

Note 20 - The Ohio University Foundation

In instances where the donor has not specifically reserved the right to change the remainder man, and all assets of charitable remainder trust are maintained by a third-party trustee in an irrevocable trust for the benefit of the Foundation, the Foundation will recognize, as contribution revenue and as a receivable, the present value of the estimated future benefits to be received when the trust assets are distributed. The trustee disburses income earned on the assets of the charitable remainder trust to the donor or donor-designated beneficiaries.

In instances where the donor has not specifically reserved the right to change the remainder man, and the Foundation serves as the trustee, the Foundation will recognize the fair market value of the assets of the trust, as well as a liability for the net present value of future payments to be distributed by the Foundation to the donor or his/her designated beneficiaries. The amount of the contribution is the difference between the asset and liability at the inception of the trust. The present value of the future payments to the donor-designated beneficiary is determined using a discount rate that is established at the beginning of the trust. At June 30, 2011 and 2010, the discount rate applied to the charitable remainder trusts was 5.01 percent and 5.10 percent, respectively.

Certain charitable remainder trust transactions are not reported on the consolidated statements of financial position or the consolidated statements of activities, as, in these cases, the remainder man can be changed by the donor prior to his/her death.

Adjustments to the receivable to reflect amortization of the discount, revaluation of the present value of the estimated future payments to the donor-designated beneficiaries, and changes in actuarial assumptions during the term of the trust are recognized as changes in the value of split-interest agreements. Upon the death of the donor-designated beneficiaries, the receivable is closed, the assets received from the trust are recognized at fair value, and any difference is reported as a change in the value of split-interest agreements.

Lead Trusts - Charitable Lead Trusts provide an income stream to the Foundation for a set period of time established by the donor. The income stream is recorded at the net present value of the payments. Once the set period of time ends, the Foundation will no longer receive the income stream and the remaining principal is transferred back to the donor. If the Foundation serves as trustee, an asset and a liability will be recorded for the trust. The asset is booked at the fair market value. The liability is recorded at fair market value less the net present value of the income stream. If the Foundation does not serve as trustee, only the asset at fair market value will be recorded for the trust. Revenue is recorded for all Lead Trust income stream payments, as well as a reduction to the receivable. At June 30, 2011 and 2010, the discount rate applied to the lead trusts was 5.01 percent and 5.10 percent, respectively.

Perpetual and Other Trusts - Perpetual Trusts are those trusts that provide a perpetual income stream to the Foundation but are held by a third party. An asset and revenue are recorded for the fair market value of the instrument. Each year, the net change in fair market value to the asset is recorded as an increase or decrease in revenue.

Note 20 - The Ohio University Foundation

Pooled Income Fund - A Pooled Income Fund allows a donor to place funds into an investment pool from which an income stream is provided. The income stream is paid to the donor and/or the donor-designated beneficiaries, and the Foundation will receive the net assets of the fund upon their death.

Revocable Trusts - Under revocable trust agreements, the Foundation serves as the remainder man and will receive the net assets of the trust upon death of the donor's beneficiary. All assets of the trust may be maintained by a third-party trustee for the benefit of the Foundation, or by the Foundation if named as a trustee. The trustee disburses income earned on the assets of the trust to the donor or donor-designated beneficiaries. Under revocable trust agreements, the donor maintains the ability to legally dissolve the trusts and may or may not reserve the right to change the remainder man. For these reasons, the Foundation does not report revocable trust transactions on the consolidated statement of financial position or the consolidated statement of activities if the trust is held by a third-party trustee.

Inn-Ohio of Athens, Inc.

The Inn was purchased by the Foundation on August 30, 1986. The primary purpose for which the Foundation invested in the Inn was to provide affordable and convenient housing, dining, and conference facilities for University employees, alumni, and guests. As a significant portion of the Inn's revenues is derived from these customers, the Foundation is committed to financially supporting the Inn.

The Inn's business is subject to all of the risks inherent in the lodging industry. These risks include, among other factors, varying levels of demand for rooms and related services, adverse effects of general and local economic and market conditions, changes in governmental regulations that influence wages or prices, changes in interest rates, the availability of credit, changes in real estate taxes and other operating expenses, and the recurring need for renovation, refurbishment, and improvements.

Note 20 - The Ohio University Foundation

Operations - The Inn's operations for the years ended June 30, 2011 and 2010 are summarized below:

	<u>2011</u>	<u>2010</u>
Revenue	\$ 4,228,160	\$ 4,138,879
Operating and general expenses	3,457,896	3,344,159
Depreciation and amortization	552,058	558,022
Interest expense - Net	134,960	147,795
Provision for income taxes	(58,638)	22,226
Distribution	<u>-</u>	<u>2,500</u>
Total expenses	<u>4,086,276</u>	<u>4,074,702</u>
Net income	141,884	64,177
Unrealized gains	<u>8,404</u>	<u>62,918</u>
Change in net assets	<u>\$ 150,288</u>	<u>\$ 127,095</u>

Effective November 30, 1996, a management agreement (the "Management Agreement") was entered into with Winegardner & Hammons, Inc. (the "Manager"). The Management Agreement was amended during fiscal 2001 to automatically renew annually unless notified in writing 60 days prior to the end of the fiscal year. The Manager's compensation is a base fee plus 15 percent of the hotel's net available operating profit as defined in the Management Agreement.

In fiscal years 2011 and 2010, base management fees incurred by the Inn with respect to the Manager were \$100,000 per year and incentive fees were \$75,841 and \$80,353, respectively.

The Inn has alternative minimum tax credit carryforwards of approximately \$46,000 at July 1, 2011 and \$40,000 at July 2, 2010, which have indefinite lives.

Debt Obligations - Long-term debt of the Inn as of July 1, 2011 and July 2, 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
Term loan - Principal due through June 2021, interest at 6.2 percent through June 2011 and adjusted thereafter	\$ 3,051,800	\$ 3,265,600
Less current portion of long-term debt	<u>(227,400)</u>	<u>(213,800)</u>
Total	<u>\$ 2,824,400</u>	<u>\$ 3,051,800</u>

Note 20 - The Ohio University Foundation

In June 2006, the Inn obtained a \$4,000,000 term loan, the proceeds of which were used to pay a dividend of \$3,000,000 in June 2006 and \$1,000,000 of which was placed in the bond fund to retire the 1996 Serial and Term Project Bonds in November 2006. The term loan is guaranteed by the Foundation.

Substantially all of the property and equipment are pledged as collateral for the term loan. The interest rate on the term loan was fixed at 6.2 percent through June 2011 and was adjusted to 3.31 percent as of July 1, 2011. The interest rate will be adjusted to the index rate as defined in the agreement plus 1.40 percent in June 2016 and every five years thereafter.

Maturities of long-term debt at July 1, 2011 are set forth in the following schedule:

Years Ending June 30	Amount
2012	\$ 227,400
2013	242,000
2014	257,400
2015	273,800
2016	291,300
Thereafter	<u>1,759,900</u>
Total	<u>\$ 3,051,800</u>

The fair value of the debt obligations approximates the carrying value at June 30, 2011 and 2010.

Housing for Ohio, Inc.

In November 1999, the Foundation established Housing, a limited liability company and 501(c)(3) corporation, with the purpose of acquiring, developing, constructing, and operating a 182-unit student-housing rental project which contains 580 beds. The property, known as University Courtyard Apartments (the "Project"), is located in Athens, Ohio on property owned by the University and leased to Housing. The facility is managed and operated by a private entity.

Note 20 - The Ohio University Foundation

Operations - Housing's operations for the years ended June 30, 2011 and 2010 are summarized below:

	<u>2011</u>	<u>2010</u>
Revenue	\$ 2,720,210	\$ 3,062,598
Operating and general expenses	1,177,081	1,269,907
Depreciation and amortization	862,941	849,452
Interest expense and bond fees	658,484	468,609
Tax and insurance	<u>263,419</u>	<u>151,023</u>
Total expenses	<u>2,961,925</u>	<u>2,738,991</u>
Change in net assets	<u>\$ (241,715)</u>	<u>\$ 323,607</u>

Debt - In September 2000, Housing offered \$31,985,000 of variable-rate, tax-exempt bonds (the "2000 Bonds"). The proceeds of the 2000 Bonds financed the construction, installation, and equipping of the Project. The 2000 Bonds will be fully matured at June 2032 and bear interest at an adjustable rate as determined weekly by the remarketing agent, based on its knowledge of prevailing market conditions, except that in no event will the interest rate exceed 12 percent.

The average interest rate for the years ended June 30, 2011 and 2010 was 0.25 percent, and the actual interest rates at June 30, 2011 and 2010 were 0.10 and 0.31 percent, respectively.

As collateral, until all principal and interest on any of the 2000 Bonds have been paid, Housing has pledged, assigned, and granted a security interest to its right, title, and interest in gross revenues of University Courtyard Apartments and related assets. The Foundation has made no additional pledge of assets or revenues to the 2000 Bonds, which are nonrecourse to the Foundation.

Note 20 - The Ohio University Foundation

Principal payments for the bonded debt for the years subsequent to June 30, 2011 are summarized as follows:

Years Ending June 30	Principal
2012	\$ 740,000
2013	780,000
2014	820,000
2015	865,000
2016	910,000
Thereafter	<u>23,375,000</u>
Total	<u>\$ 27,490,000</u>

Debt issuance costs are included in property on the consolidated statements of financial position and are amortized over the term of the 2000 Bonds. Amortization was \$26,157 during each of the years ended June 30, 2011 and 2010.

Additionally, Housing has an outstanding promissory note to the Project's developer in the original amount of \$700,000. The note is payable in 10 annual installments of \$70,000 through June 2014. The payment terms are predicated on the Project's current management company remaining the manager of the Project. In the event that the current management company's services are terminated prior to the final payment, the remaining balance shall become immediately due and payable. There is no interest accruing on the note, and management of Housing believes that the present value discount of future payments and the calculation of imputed interest on this note are not material to the consolidated financial statements.

Maturities of the note payable at June 30, 2011 are set forth in the following schedule:

Years Ending June 30	Principal
2012	\$ 70,000
2013	70,000
2014	<u>70,000</u>
Total	<u>\$ 210,000</u>

Note 20 - The Ohio University Foundation

Subsequent Event - On December 23, 2010, the Foundation received 48,000 shares of YSI Incorporated (YSI) from The Dolores H. Russ Trust, for the benefit of the Russ College of Engineering and Technology. These shares were valued at \$11.5 million, based on an independent appraisal of YSI's employee stock ownership plan (ESOP), and were recorded as a direct private equity investment as of June 30, 2011.

On July 11, 2011, YSI announced that ITT Corporation would be acquiring the firm via merger. As a result, all ESOP stockholders would receive cash in exchange for their shares. A special stockholder meeting was held, and the merger was formally approved, on September 1, 2011. The final share price of \$784.53 is anticipated to yield just over \$37.6 million in cash to the Foundation, and the gains will be reflected as an increase in temporarily restricted net assets during the fiscal year ending June 30, 2012.

Supplemental Information

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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 Trustees
Ohio University

We have audited the financial statements of the business-type activities and discretely presented component unit of Ohio University (the "University") as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 11, 2011. We have 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 Ohio University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

To the Board of Trustees
Ohio University

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ohio 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 have reported to management of Ohio University in a separate letter dated October 11, 2011.

This report is intended solely for the information and use of management, the board of trustees, others within the University, the audit committee, the Auditor of the State of Ohio, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Morse, PLLC

October 11, 2011

Report on Compliance with Requirements That Could Have a Direct
and Material Effect on Each Major Program and on Internal Control
Over Compliance in Accordance With OMB Circular A-133

To the Board of Trustees
Ohio University

Compliance

We have audited the compliance of Ohio 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The major federal programs of Ohio University are identified in the summary of auditor's 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 Ohio University's management. Our responsibility is to express an opinion on Ohio 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 Ohio 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 Ohio University's compliance with those requirements.

In our opinion, Ohio University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

To the Board of Trustees
Ohio University

Internal Control Over Compliance

The management of Ohio 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 Ohio 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of trustees, others within the University, the audit committee, the Auditor of the State of Ohio, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Morse, PLLC

October 11, 2011

Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
STUDENT AID CLUSTER			
DEPARTMENT OF EDUCATION			
Direct Programs:			
Supplemental Educational Opportunity Grants	84.007	P007A103342	\$ 1,002,968
College Work-Study Program	84.033	P033A103342	900,955
Pell Grant Program	84.063	P063P100345	46,900,030
Pell Grant Program (Prior Year)	84.063	P063P090345	537,034
Federal Direct Student Loan	84.268	UNKNOWN	202,396,673
Federal Perkins Loans Outstanding	84.038	UNKNOWN	9,429,272
Primary Care Loans (HPSL) Outstanding	93.342	UNKNOWN	2,064,908
Disadvantaged Student Loans Outstanding	93.342	UNKNOWN	2,403,438
Academic Competitiveness Grant	84.375	P375A100345	1,707,259
Academic Competitiveness Grant (Prior Year)	84.375	P375A090345	6,993
National Science and Mathematics Access to Retain Talent Grant	84.376	P376S100345	585,363
Teach Grant	84.379	P379T110345	970,628
Teach Grant (Prior Year)	84.379	P379T100345	4,000
Subtotal Direct Programs			268,909,521
Pass-Through Programs From:			
SALLIE MAE	84.032	UNKNOWN	118,228
Subtotal Pass-Through Programs			118,228
Total Department of Education			269,027,749
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
ARRA-HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.407	ARRA-T0AHP18446	77,560
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.925	T08HP18747	117,424
Total Department of Health and Human Services			194,984
TOTAL STUDENT AID CLUSTER			269,222,733
RESEARCH AND DEVELOPMENT CLUSTER			
APPALACHIAN REGIONAL COMMISSION			
Direct Programs:			
APPALACHIAN REGIONAL COMMISSION	23.009	OH-16259-09	18,999
Total Appalachian Regional Commission			18,999
DEPARTMENT OF AGRICULTURE			
Direct Programs:			
U S DEPARTMENT OF AGRICULTURE	10.001	58-1235-8-160	30,137
U S DEPARTMENT OF AGRICULTURE	10.206	2008-35318-04572	73,973
U S DEPARTMENT OF AGRICULTURE	10.206	2009-35320-05623	16,946
U S DEPARTMENT OF AGRICULTURE	10.XXX	06-JV-11242300-070	17,424
U S DEPARTMENT OF AGRICULTURE	10.XXX	09-CR-11242302-114	8,093
U S DEPARTMENT OF AGRICULTURE	10.XXX	10-CR-11242302-056	12,334
Subtotal Direct Programs			158,907
Pass-Through Programs From:			
PURDUE UNIVERSITY	10.206	2008-55503-18793	14,855
Total Department of Agriculture			173,762
DEPARTMENT OF DEFENSE			
Direct Programs:			
US Army			
U S ARMY CORP OF ENGINEERS	12.XXX	W912DR-10-P-0104	30,713
U S ARMY CORP OF ENGINEERS	12.XXX	W913E5-10-C-0009	81,273
US ARMY CONSTRUCTION ENGINEERING RESEARCH LABORATO	12.630	W9132T-09-1-0001	1,302,400
			1,414,386
US Air Force			
AIR FORCE INSTITUTE OF TECHNOLOGY	12.XXX	FA8601-09-P-0307	(10,965)
AIR FORCE OFFICE OF SCIENTIFIC RESEARCH	12.800	FA9550-07-1-0383	9,697
AIR FORCE RESEARCH LABORATORY	12.800	FA8651-09-1-0016	33,550
			32,282
Defense Threat Reduction Agency			
DEFENSE THREAT REDUCTION AGENCY	12.351	HDTRA1-09-1-0059	143,520
Subtotal Direct Programs			1,590,188

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (con't)			
DEPARTMENT OF DEFENSE (con't)			
Pass-Through Programs From:			
ARRA-AVIATION CONSULTING SERVICES INTERNATIONAL , LLC	12.XXX	ARRA-N69450-09-C-0762	\$ 2,345
BAE SYSTEMS, INC.	12.XXX	N00178-04-D-4018	10,407
DAYTON AREA GRADUATE STUDIES INSTITUTE	12.XXX	UNKNOWN	(52)
DAYTON AREA GRADUATE STUDIES INSTITUTE	12.XXX	UNKNOWN	41,441
ITT CORPORATION	12.XXX	SPO700-98-D-4000	(6,705)
MIAMI UNIVERSITY	12.XXX	UNKNOWN	25
MIAMI UNIVERSITY	12.800	FA9550-10-1-0346	57,030
NANOHMICS, INC.	12.XXX	FA9550-07-C-0138; FA9550-09-C-0085	82,842
NORTHROP GRUMMAN	12.XXX	FA8650-09-C-3901	417,371
NORTHROP GRUMMAN	12.XXX	FA8650-09-C-3902	31,837
OHIO AEROSPACE INSTITUTE	12.XXX	FA8650-05-D-5807	160,960
OHIO STATE UNIVERSITY	12.XXX	FA8650-08-D-1451	453,836
PENN STATE UNIVERSITY	12.431	W911NF-06-2-0026	115,768
SCIENCE APPLICATIONS INTERNATIONAL CORPORATION	12.XXX	N00019-02-C-3002	190,773
UES, INC.	12.XXX	UNKNOWN	22,428
UNIVERSITY OF CINCINNATI	12.XXX	W91260-06-D-0005	22,375
UNIVERSITY OF ILLINOIS AT CHICAGO	12.420	W81XWH-09-1-0399	22,125
UNIVERSITY OF NEW MEXICO	12.XXX	DTRA01-03-D-0009-0019	28,358
Subtotal Pass-Through Programs			<u>1,653,164</u>
Total Department of Defense			<u>3,243,352</u>
DEPARTMENT OF EDUCATION			
Direct Programs:			
U S DEPARTMENT OF EDUCATION	84.215K	U215K090134	182,800
U S DEPARTMENT OF EDUCATION	84.215K	U215K100211	52,829
Subtotal Direct Programs			<u>235,629</u>
Pass-Through Programs From:			
LEHIGH UNIVERSITY	84.324	R324C080006	422,215
MATHEMATICA POLICY RESEARCH	84.XXX	ED-07-CO-0062	1,479
NORTHERN ILLINOIS UNIVERSITY	84.337A	P337A050006	2,042
SOUTHERN LOCAL SCHOOL DISTRICT (MEIGS COUNTY)	84.XXX	UNKNOWN	1,745
Subtotal Pass-Through Programs			<u>427,481</u>
Total Department of Education			<u>663,110</u>
DEPARTMENT OF ENERGY			
Direct Programs:			
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-02ER46012	118,484
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-06ER46300	61,856
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-06ER46317	140,258
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-88ER40387	324,270
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-93ER40756	374,550
U S DEPARTMENT OF ENERGY	81.049	DE-SC0004084	6,322
U S DEPARTMENT OF ENERGY	81.087	DE-FG36-08GO88083	486,710
U S DEPARTMENT OF ENERGY	81.112	DE-FG52-09NA29455	298,867
U S DEPARTMENT OF ENERGY	81.214	DE-EM0000357	128,104
U S DEPARTMENT OF ENERGY	81.087	DE-EE0003666	255,704
Subtotal Direct Programs			<u>2,195,125</u>
Pass-Through Programs From:			
ARRA-ALGAEVENTURE SYSTEMS INC%	81.135	ARRA-DE-AR-0000037	279,427
GEORGIA INSTITUTE OF TECHNOLOGY	81.121	DE-FG07-07ID14887	107,060
IDAHO STATE UNIVERSITY	81.XXX	DE-AC07-05ID14517	19,016
JEFFERSON SCIENCE ASSOCIATES, LLC	81.XXX	DE-AC05-06OR23177	31,662
JEFFERSON SCIENCE ASSOCIATES, LLC	81.XXX	UNKNOWN	33,261
LAWRENCE LIVERMORE NATIONAL LABORATORY	81.XXX	DE-AC52-07NA27344	9,676
LAWRENCE LIVERMORE NATIONAL LABORATORY	81.XXX	DE-AC52-07NA27344	123,961
NORTHWESTERN UNIVERSITY	81.049	DE-FG02-08ER41567	(1,446)
ARRA-OHIO DEPARTMENT OF DEVELOPMENT	81.041	ARRA-DE-EE0000165	425,794
Subtotal Pass-Through Programs			<u>1,028,411</u>
Total Department of Energy			<u>3,223,536</u>

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (con't)			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
National Institute of Health			
NATIONAL INSTITUTE OF HEALTH	93.173	R01 DC005063	\$ 529,372
NATIONAL INSTITUTE OF HEALTH	93.173	R01DC010883	194,998
NATIONAL INSTITUTE OF HEALTH	93.173	R15DC009504	40,201
NATIONAL INSTITUTE OF HEALTH	93.242	R01 MH078749	214,066
NATIONAL INSTITUTE OF HEALTH	93.242	R01MH082864	471,504
NATIONAL INSTITUTE OF HEALTH	93.242	R01MH087462	339,367
NATIONAL INSTITUTE OF HEALTH	93.390	R15HL092545	70,812
NATIONAL INSTITUTE OF HEALTH	93.393	R01CA086928	238,821
NATIONAL INSTITUTE OF HEALTH	93.396	R15CA137499	91,658
ARRA-NATIONAL INSTITUTE OF HEALTH	93.701	ARRA-R01DC005063	179,038
ARRA-NATIONAL INSTITUTE OF HEALTH	93.701	ARRA-R15DK081192	19,361
ARRA-NATIONAL INSTITUTE OF HEALTH	93.701	ARRA-R15DK081192	4,512
ARRA-NATIONAL INSTITUTE OF HEALTH	93.701	ARRA-R15HD065552	107,661
ARRA-NATIONAL INSTITUTE OF HEALTH	93.701	ARRA-RC1DA028494	341,132
NATIONAL INSTITUTE OF HEALTH	93.839	R01 HL077438	270,134
NATIONAL INSTITUTE OF HEALTH	93.847	R15DK081192	2,540
NATIONAL INSTITUTE OF HEALTH	93.847	R15DK082981	74,317
NATIONAL INSTITUTE OF HEALTH	93.847	R15DK083729	76,430
NATIONAL INSTITUTE OF HEALTH	93.853	R15NS051846	57,326
NATIONAL INSTITUTE OF HEALTH	93.855	R15 AI077896	15,398
NATIONAL INSTITUTE OF HEALTH	93.859	R01GM073188	215,350
NATIONAL INSTITUTE OF HEALTH	93.859	R15 GM084414	45,047
NATIONAL INSTITUTE OF HEALTH	93.865	R15HD065552	3,695
NATIONAL INSTITUTE OF HEALTH	93.989	D43TW008261	51,311
Subtotal Direct Programs			<u>3,654,051</u>
Pass-Through Programs From:			
EAST CAROLINA UNIVERSITY	93.389	2R25RR020447	20,020
GEORGE WASHINGTON UNIVERSITY	93.XXX	U01-DK061055	2,981
HARVARD UNIVERSITY	93.173	R01 DC002290	65,450
ARRA-HARVARD UNIVERSITY	93.701	ARRA-R01DC002290	5,592
ARRA-INTERTHYR CORPORATION	93.701	ARRA-R42AI066618	449,604
LC TECHNOLOGIES, INC.	93.173	R43DC010079	175,480
METALLOPHARM	93.273	R43AA018600	6,980
SOUTHERN ILLINOIS UNIVERSITY	93.866	5PO1AG031736	321,907
SOUTHERN ILLINOIS UNIVERSITY	93.866	R01 AG019899	37,922
UNIVERSITY OF CINCINNATI	93.262	3T42OH008432-05S2	7,000
UNIVERSITY OF CINCINNATI	93.262	5T42OH008432-05	317
VANDERBILT UNIVERSITY	93.859	R01GM090207	56,308
			<u>1,149,561</u>
Total Department of Health and Human Services			<u>4,803,612</u>
DEPARTMENT OF THE INTERIOR			
Direct Programs:			
U S GEOLOGICAL SURVEY	15.810	G10AC00422	9,847
Pass-Through Programs From:			
MARYLAND DEPARTMENT OF NATURAL RESOURCES	15.XXX	UNKNOWN	3,477
THE AMERICAN CHESTNUT FOUNDATION	15.255	S08AP12906	(268)
UNIVERSITY OF WYOMING	15.252	UNKNOWN	114,136
WEST VIRGINIA DIVISION OF NATURAL RESOURCES	15.6XX	UNKNOWN	3,041
Subtotal Pass-Through Programs			<u>120,386</u>
Total Department of the Interior			<u>130,233</u>
DEPARTMENT OF JUSTICE			
Direct Programs:			
U S DEPARTMENT OF JUSTICE	16.560	2010-DE-BX-K002	18,657
Pass-Through Programs From:			
MARSHALL UNIVERSITY	16.XXX	UNKNOWN	14,423
Total Department of Justice			<u>33,080</u>
DEPARTMENT OF STATE			
Pass-Through Programs From:			
NATIONAL ACADEMY OF SCIENCES	19.XXX	S-LMAQM-10-CA-384	2,534
Total Department of State			<u>2,534</u>

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (con't)			
DEPARTMENT OF TRANSPORTATION			
Direct Programs:			
FEDERAL AVIATION ADMINISTRATION			
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFA01-01-C-00071	\$ 253,430
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFAAC-09-A-80000	193,145
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFAEN-11-P-00096	30,000
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFANM-10-A-80001	87,788
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFAWA-10-D-00020	108,252
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFAWA-10-D-00020	23,666
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFAWA-10-D-00020	34,113
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFAWA-10-D-00020	30,178
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFAWA-10-D-00020	41,226
FEDERAL AVIATION ADMINISTRATION	20.108	09-G-010	359,083
FEDERAL AVIATION ADMINISTRATION	20.108	10-G-007	40,763
FEDERAL AVIATION ADMINISTRATION	20.108	10-G-018	146,269
FEDERAL AVIATION ADMINISTRATION	20.108	95-G-014	49,896
Subtotal Direct Programs			<u>1,397,809</u>
Pass-Through Programs From:			
3M	20.XXX	DTFH61-08-G-0001	33,139
CLEVELAND STATE UNIVERSITY	20.701	DTRT06-G-0024	96,856
CLEVELAND STATE UNIVERSITY	20.701	DTRT06-G-0024	43,044
ENGINEERING & SOFTWARE CONSULTANTS, INC.	20.XXX	DTFH61-05-D-00017	152,120
ENGINEERING & SOFTWARE CONSULTANTS, INC.	20.XXX	DTFH61-05-D-00017	4,082
ENTRAN, PLC	20.XXX	UNKNOWN	3
ITT CORPORATION	20.XXX	DTFAWA-07-C-00067	(12,523)
ITT CORPORATION	20.XXX	DTFAWA-07-C-00067	909,198
SCIENCE APPLICATIONS INTERNATIONAL CORPORATION	20.XXX	DTFA01-03-C-00117	228,188
UNIVERSITY OF AKRON	20.701	DTRT06-G-0037	21,542
Subtotal Pass-Through Programs			<u>1,475,649</u>
Total Department of Transportation			<u>2,873,458</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Direct Programs:			
NATIONAL ENDOWMENT FOR THE HUMANITIES	45.164	GE-50227-10	26,007
Total National Endowment for the Humanities			<u>26,007</u>
ENVIRONMENTAL PROTECTION AGENCY			
Direct Programs:			
U S ENVIRONMENTAL PROTECTION AGENCY	66.202	EM-83350201	9,872
Pass-Through Programs From:			
APPLIED SCIENCES INC	66.XXX	EP-D-10-053	27,356
Total Environmental Protection Agency			<u>37,228</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Direct Programs:			
NASA GLENN RESEARCH CENTER	43.007	NNX09AD87G	63,152
NASA GLENN RESEARCH CENTER	43.009	NNX11AD04G	30,370
NASA GLENN RESEARCH CENTER	43.XXX	NNX09AF12G	37,608
NASA GLENN RESEARCH CENTER	43.XXX	NNX09AU20A	90,861
NASA GLENN RESEARCH CENTER	43.XXX	NNX10AK21G	36,842
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX09AT81G	25,432
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX09AT82G	52,248
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX09AV45G	56,546
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX10AC79G	89,856
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX10AE67G	28,848
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX10AO49G	31,943
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX10AU11G	27,883
NASA LANGLEY RESEARCH CENTER	43.XXX	NNX08BA01A	432,134
Subtotal Direct Programs			<u>1,003,723</u>
Pass-Through Programs From:			
SMITHSONIAN ASTROPHYSICAL OBSERVATORY	43.XXX	NAS8-03060	332
SPACE TELESCOPE SCIENCE INSTITUTE	43.XXX	NAS5-26555	3,048
SPACE TELESCOPE SCIENCE INSTITUTE	43.XXX	NAS5-26555	12,987
UNIVERSITY OF CALIFORNIA, SANTA CRUZ	43.001	NNX10AP71G	7,585
Subtotal Pass-Through Programs			<u>23,952</u>
Total National Aeronautics and Space Administration			<u>1,027,675</u>

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (con't)			
NATIONAL SCIENCE FOUNDATION			
Direct Programs:			
NATIONAL SCIENCE FOUNDATION	47.041	CBET-0547165	\$ 77,543
NATIONAL SCIENCE FOUNDATION	47.041	CBET-0933415	53,171
NATIONAL SCIENCE FOUNDATION	47.041	CBET-1039869	360,245
NATIONAL SCIENCE FOUNDATION	47.041	CMMI-0926420	37,366
NATIONAL SCIENCE FOUNDATION	47.049	AST-0708284	35,404
NATIONAL SCIENCE FOUNDATION	47.049	CHE-0745590	67,419
NATIONAL SCIENCE FOUNDATION	47.049	CHE-0809669	124,524
NATIONAL SCIENCE FOUNDATION	47.049	CHE-0848081	59,090
NATIONAL SCIENCE FOUNDATION	47.049	CHE-0947031	400,000
NATIONAL SCIENCE FOUNDATION	47.049	DMR-0600073	13,074
NATIONAL SCIENCE FOUNDATION	47.049	DMR-0710581	347,969
NATIONAL SCIENCE FOUNDATION	47.049	DMR-0850031	1,102
NATIONAL SCIENCE FOUNDATION	47.049	DMR-0902936	87,482
NATIONAL SCIENCE FOUNDATION	47.049	DMR-1005525	80,329
NATIONAL SCIENCE FOUNDATION	47.049	DMS-0545895	55,203
NATIONAL SCIENCE FOUNDATION	47.049	DMS-1002553	21,998
NATIONAL SCIENCE FOUNDATION	47.049	PHY-0653422	1,424
NATIONAL SCIENCE FOUNDATION	47.049	PHY-0653454	(12,448)
NATIONAL SCIENCE FOUNDATION	47.049	PHY-0821173	41,177
NATIONAL SCIENCE FOUNDATION	47.049	PHY-0969297	194,899
NATIONAL SCIENCE FOUNDATION	47.049	PHY-0969788	132,864
NATIONAL SCIENCE FOUNDATION	47.049	PHY-0969986	72,225
NATIONAL SCIENCE FOUNDATION	47.049	PHY-1005578	44,759
NATIONAL SCIENCE FOUNDATION	47.050	EAR-0617561	31,002
NATIONAL SCIENCE FOUNDATION	47.050	EAR-0819542	11,190
NATIONAL SCIENCE FOUNDATION	47.050	EAR-0844256	33,244
NATIONAL SCIENCE FOUNDATION	47.050	OCE-1061973	2,118
NATIONAL SCIENCE FOUNDATION	47.070	CCF-0622158	16,723
NATIONAL SCIENCE FOUNDATION	47.070	IIS-1018590	20,270
NATIONAL SCIENCE FOUNDATION	47.070	IIS-1042702	33,460
NATIONAL SCIENCE FOUNDATION	47.074	DEB-0516031	48,496
NATIONAL SCIENCE FOUNDATION	47.074	DEB-0629819	39,048
NATIONAL SCIENCE FOUNDATION	47.074	DEB-0640896	18,891
NATIONAL SCIENCE FOUNDATION	47.074	DEB-0936855	100,312
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0517257	99,847
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0615753	101,521
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0622394	55,881
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0724135	52,303
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0744798	67,107
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0818412	53,262
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0821930	113,209
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0842624	165,755
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0955569	57,347
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0958926	19,696
NATIONAL SCIENCE FOUNDATION	47.074	IOS-1050313	13,500
NATIONAL SCIENCE FOUNDATION	47.074	MCB-0618334	29,699
NATIONAL SCIENCE FOUNDATION	47.075	BCS-0720025	15,769
NATIONAL SCIENCE FOUNDATION	47.075	BCS-0921952	145,681
NATIONAL SCIENCE FOUNDATION	47.075	BCS-1010118	23,849
NATIONAL SCIENCE FOUNDATION	47.075	SES-0718526	6,000
NATIONAL SCIENCE FOUNDATION	47.075	SES-0824287	55,326
NATIONAL SCIENCE FOUNDATION	47.075	SES-1051027	28,444
NATIONAL SCIENCE FOUNDATION	47.076	DGE-0538588	9,981
NATIONAL SCIENCE FOUNDATION	47.076	DGE-0947813	424,004
NATIONAL SCIENCE FOUNDATION	47.076	DGE-1060934	40,500
NATIONAL SCIENCE FOUNDATION	47.076	DUE-0941224	19,525
NATIONAL SCIENCE FOUNDATION	47.076	HRD-0930229	274,644
NATIONAL SCIENCE FOUNDATION	47.079	OISE-0730257	322,033
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-ANT-0944168	72,289
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-CCF-0915418	50,588
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-CHE-0911160	83,055
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-CMMI-0959550	160,700
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-DBI-0845955	159,566
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-DBI-0922988	150,306
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-DEB-0918681	46,697
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-DMR-0906825	86,396
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-EAR-0922067	27,341
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-EAR-0933619	81,614
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-IOS-0918661	43,339
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-SES-0851764	139,483
Subtotal Direct Programs			5,947,830

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (con't)			
NATIONAL SCIENCE FOUNDATION (con't)			
Pass-Through Programs From:			
ARIZONA STATE UNIVERSITY	47.075	BCS-0624159	\$ 12,463
MICHIGAN STATE UNIVERSITY	47.075	BCS 0709671	21,985
OAKLAND UNIVERSITY	47.XXX	DMR-710529	29,959
OHIO STATE UNIVERSITY	47.041	ECS-0524924	3,112
OHIO STATE UNIVERSITY	47.049	CHE-05322560	6,287
THE COLLEGE OF WILLIAM & MARY	47.049	PHY-07580688	62,311
UNIVERSITY OF ALASKA FAIRBANKS	47.078	ANT-0741301	43,839
Subtotal Pass-Through Programs			<u>179,956</u>
Total National Science Foundation			<u>6,127,786</u>
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			22,384,372
CHILD NUTRITION CLUSTER			
DEPARTMENT OF AGRICULTURE			
Pass-Through Programs From:			
OHIO DEPARTMENT OF EDUCATION	10.559	UNKNOWN	<u>9,077</u>
TOTAL CHILD NUTRITION CLUSTER			9,077
ECONOMIC DEVELOPMENT CLUSTER			
ECONOMIC DEVELOPMENT ADMINISTRATION			
Direct Programs:			
ECONOMIC DEVELOPMENT ADMINISTRATION	11.307	06-79-05483	2,743
TOTAL ECONOMIC DEVELOPMENT CLUSTER			2,743
FISH AND WILDLIFE CLUSTER			
DEPARTMENT OF THE INTERIOR			
Pass-Through Programs From:			
COMMONWEALTH OF KENTUCKY DEPARTMENT OF FISH AND WILDLIFE	15.605	UNKNOWN	<u>642</u>
TOTAL FISH AND WILDLIFE CLUSTER			642
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			
DEPARTMENT OF TRANSPORTATION			
Pass-Through Programs From:			
OHIO DEPARTMENT OF TRANSPORTATION	20.205	TPF-5(121)	67,998
OHIO DEPARTMENT OF TRANSPORTATION	20.205	UNKNOWN	18,967
OHIO DEPARTMENT OF TRANSPORTATION	20.205	UNKNOWN	288,876
OHIO DEPARTMENT OF TRANSPORTATION	20.205	E051425	217
OHIO DEPARTMENT OF TRANSPORTATION	20.205	E060(117)	3,704
OHIO DEPARTMENT OF TRANSPORTATION	20.205	E071046	49,052
OHIO DEPARTMENT OF TRANSPORTATION	20.205	E080514	<u>121,304</u>
TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			550,118
TRIO Cluster			
DEPARTMENT OF EDUCATION			
Direct Programs:			
U S DEPARTMENT OF EDUCATION	84.042A	P042A050180	20,989
U S DEPARTMENT OF EDUCATION	84.042A	P042A100511	284,805
U S DEPARTMENT OF EDUCATION	84.047A	P047A080818	<u>286,888</u>
TOTAL TRIO CLUSTER			592,682
EARLY INTERVENTION SERVICES (IDEA) CLUSTER			
DEPARTMENT OF EDUCATION			
Pass-Through Programs From:			
OHIO CHILD CARE RESOURCE AND REFERRAL ASSOCIATION	84.181	UNKNOWN	<u>12,501</u>
TOTAL EARLY INTERVENTION SERVICES CLUSTER			12,501

Ohio University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
STATE FISCAL STABILIZATION FUND CLUSTER			
DEPARTMENT OF EDUCATION			
Pass-Through Programs From:			
ARRA-OHIO BOARD OF REGENTS	84.394	ARRA-OHU-OHU5	\$ 18,580,729
ARRA-OHIO BOARD OF REGENTS	84.397	ARRA-OHU-OHU5	2,741,147
TOTAL STATE FISCAL STABILIZATION CLUSTER			21,321,876
TANF CLUSTER			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through Programs From:			
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.558	2009G996115	165,978
TOTAL TANF CLUSTER			165,978
CSBG CLUSTER			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through Programs From:			
ARRA-OHIO ASSOCIATION OF COMMUNITY ACTION AGENCIES	93.710	ARRA-UNKNOWN	5,734
TOTAL CSBG CLUSTER			5,734
CCDF CLUSTER			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through Programs From:			
OHIO CHILD CARE RESOURCE AND REFERRAL ASSOCIATION	93.575	UNKNOWN	27,639
TOTAL CCDF CLUSTER			27,639
MEDICAID CLUSTER			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through Programs From:			
OHIO STATE UNIVERSITY	93.778	FAM-31785	20,107
TOTAL MEDICAID CLUSTER			20,107
OTHER PROGRAMS			
APPALACHIAN REGIONAL COMMISSION			
Direct Programs:			
APPALACHIAN REGIONAL COMMISSION	23.XXX	CO-12762D-C6	7,039
APPALACHIAN REGIONAL COMMISSION	23.XXX	CO-16608-2010	4,108
Subtotal Direct Programs			11,147
Pass-Through Programs From:			
ATHENS MEIGS EDUCATIONAL SERVICE CENTER	23.XXX	UNKNOWN	2,053
EAST TENNESSEE STATE UNIVERSITY	23.011	CO-12600-F-C4; CO-12600-F-C5; CO-12600-F-C6; CO-12600-F-C7	98
EAST TENNESSEE STATE UNIVERSITY	23.011	CO-12600-F-C8	4,000
FOUNDATION FOR APPALACHIAN OHIO	23.XXX	UNKNOWN	257
OHIO APPALACHIAN CENTER FOR HIGHER EDUCATION	23.XXX	UNKNOWN	5,078
Subtotal Pass-Through Programs			11,486
Total Appalachian Regional Commission			22,633
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Direct Programs:			
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	94.018	10LSNOH001	74,374
Pass-Through Programs From:			
OHIO COMMUNITY SERVICE COUNCIL	94.006	03AFH-K728-06-A120; 06ACH-M540-07-A120/ 08-OC068/09-OC068; 06AFH-2550-10-OC068	15,350
OHIO COMMUNITY SERVICE COUNCIL	94.006	06AFH-2550-11-OC068	205,182
RURAL ACTION INC	94.XXX	UNKNOWN	898
Subtotal Pass-Through Programs			221,430
Total Corporation for National and Community Service			295,804

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
OTHER PROGRAMS (con't)			
DEPARTMENT OF AGRICULTURE			
Direct Programs:			
NATIONAL FOREST FOUNDATION	10.682	09-09-02-29	\$ 5,230
U S DEPARTMENT OF AGRICULTURE	10.769	41-005-316402113	11,766
U S DEPARTMENT OF AGRICULTURE	10.769	RBEG	987
Subtotal Direct Programs			<u>17,983</u>
Pass-Through Programs From:			
OHIO DEPARTMENT OF HEALTH	10.557	11112OH005W1003	6,352
THE REGENTS OF THE UNIVERSITY OF IDAHO	10.XXX	08-JV-11221611-160	14,311
Subtotal Pass-Through Programs			<u>20,663</u>
Total Department of Agriculture			<u>38,646</u>
DEPARTMENT OF COMMERCE			
Direct Programs:			
ECONOMIC DEVELOPMENT ADMINISTRATION	11.302	06-86-05482	45,377
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY	11.550	39-02-N09028	171,644
Subtotal Direct Programs			<u>217,021</u>
Pass-Through Programs From:			
BOWLING GREEN STATE UNIVERSITY	11.303	06-66-04858/04616/04741/04955/05054/05301	72,367
UNIVERSITY OF MICHIGAN	11.XXX	06-79-05147-02	38,508
Subtotal Pass-Through Programs			<u>110,875</u>
Total Department of Commerce			<u>327,896</u>
DEPARTMENT OF DEFENSE			
Pass-Through Programs From:			
OHIO DEPARTMENT OF DEVELOPMENT	12.002	UNKNOWN	37,615
RESOLUTE CONSTRUCTION MANAGEMENT	12.XXX	W917BG-10-P-007	500,823
Total Department of Defense			<u>538,438</u>
DEPARTMENT OF EDUCATION			
Direct Programs:			
U S DEPARTMENT OF EDUCATION	84.015A	P015A060008	67,221
U S DEPARTMENT OF EDUCATION	84.015A	P015A060159	96,620
U S DEPARTMENT OF EDUCATION	84.015A	P015A100009	187,616
U S DEPARTMENT OF EDUCATION	84.015B	P015B060008	17,933
U S DEPARTMENT OF EDUCATION	84.015B	P015B100009	218,287
U S DEPARTMENT OF EDUCATION	84.021A	P021A080002	79,594
Subtotal Direct Programs			<u>667,271</u>

Ohio University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
OTHER PROGRAMS (con't)			
DEPARTMENT OF EDUCATION (con't)			
Pass-Through Programs From:			
ATHENS CITY SCHOOL DISTRICT	84.287C	043521-T1S1-11	\$ 130,727
ATHENS CITY SCHOOL DISTRICT	84.XXX	UNKNOWN	22,766
BELLAIRE LOCAL SCHOOL DISTRICT	84.XXX	UNKNOWN	36,722
COLUMBUS STATE COMMUNITY COLLEGE	84.243	VETP 2002-01-	131,965
COTIM MEMBERS	84.015B	P015A060157	9,925
EASTERN LOCAL SCHOOL DISTRICT	84.XXX	UNKNOWN	3,001
FEDERAL HOCKING LOCAL SCHOOL DISTRICT	84.287	UNKNOWN	178,119
FEDERAL HOCKING LOCAL SCHOOL DISTRICT	84.287C	045914-T1S1-11	130,960
FEDERAL HOCKING LOCAL SCHOOL DISTRICT	84.XXX	UNKNOWN	17,970
GALLIA-VINTON EDUCATIONAL SERVICE CENTER	84.XXX	(blank)	11,162
ILLINOIS STATE BOARD OF EDUCATION	84.XXX	UNKNOWN	5,924
MEDICAL COLLEGE OF WISCONSIN	84.116B	UNKNOWN	2,431
MEIGS LOCAL SCHOOL DISTRICT	84.364A	S364A100312	3,976
MEIGS LOCAL SCHOOL DISTRICT	84.XXX	UNKNOWN	2,016
NATIONAL WRITING PROJECT CORPORATION	84.928A	UNKNOWN	45,155
OHIO BOARD OF REGENTS	84.367	UNKNOWN	9,179
OHIO BOARD OF REGENTS	84.367	UNKNOWN	93,422
OHIO BOARD OF REGENTS	84.367	UNKNOWN	35,749
OHIO BOARD OF REGENTS	84.367	UNKNOWN	127,025
OHIO BOARD OF REGENTS	84.367	UNKNOWN	33,575
OHIO BOARD OF REGENTS	84.367	UNKNOWN	9,380
OHIO BOARD OF REGENTS	84.334A; 84.334S	UNKNOWN	30,000
OHIO BOARD OF REGENTS	84.334S	P334S050016	117,546
OHIO BOARD OF REGENTS	84.334S	P334S050016	512,461
OHIO BOARD OF REGENTS	84.XXX	(blank)	357,292
OHIO BOARD OF REGENTS	84.XXX	UNKNOWN	45,237
OHIO REHABILITATION SERVICES COMMISSION	84.XXX	UNKNOWN	162,512
OHIO STATE UNIVERSITY	84.350C	U350C070001	44,885
PERRY HOCKING EDUCATIONAL SERVICE CENTER	84.XXX	UNKNOWN	21,372
SOUTHERN LOCAL SCHOOL DISTRICT (PERRY COUNTY)	84.XXX	UNKNOWN	11,474
SOUTHERN LOCAL SCHOOL DISTRICT (PERRY COUNTY)	84.XXX	UNKNOWN	17,970
TRIMBLE LOCAL SCHOOL DISTRICT	84.287	UNKNOWN	5,500
TRIMBLE LOCAL SCHOOL DISTRICT	84.215K	U215K100256	103,046
TRIMBLE LOCAL SCHOOL DISTRICT	84.287C	UNKNOWN	201,949
UNIVERSITY OF RIO GRANDE	84.XXX	UNKNOWN	487
WELLSTON CITY SCHOOL DISTRICT	84.XXX	UNKNOWN	10,878
Subtotal Pass-Through Programs			2,683,758
Total Department of Education			3,351,029
DEPARTMENT OF ENERGY			
Direct Programs:			
U S DEPARTMENT OF ENERGY	81.214	DE-EM0000357	528,790
Pass-Through Programs From:			
ARRA-OHIO DEPARTMENT OF DEVELOPMENT	81.128	ARRA-EECBG-10-17	3,284
Total Department of Energy			532,074
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
Centers for Disease Control			
CENTERS FOR DISEASE CONTROL AND PREVENTION	93.946	H75DP002306	211,081
Health Resources and Services Administration			
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.247	D09HP09349	113,802
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.358	A10HP18189	20,433
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.912	D04RH12664	139,245
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.912	D06RH07920	26,432
Subtotal Direct Programs			510,993

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
OTHER PROGRAMS (con't)			
DEPARTMENT OF HEALTH AND HUMAN SERVICES (con't)			
Pass-Through Programs From:			
AMERICAN CANCER SOCIETY	93.XXX	DP07-703-1-U58-DP000795-03	\$ 1,941
ATHENS CITY-COUNTY HEALTH DEPARTMENT	93.991	2B01DP009042-09	4,109
ATHENS COUNTY FAMILY AND CHILDREN FIRST COUNCIL	93.590	UNKNOWN	14,250
CASE WESTERN RESERVE UNIVERSITY	93.969	D31HP08841	14,334
FRIENDS OF THE CONGRESSIONAL GLAUCOMA CAUCUS	93.XXX	1U50-DP001134-01	344
MENTAL HEALTH AND RECOVERY SERVICES BOARD OF STARK	93.XXX	UNKNOWN	9,143
OHIO CHILD CARE RESOURCE AND REFERRAL ASSOCIATION	93.994	UNKNOWN	30,425
OHIO DEPARTMENT OF ALCOHOL AND DRUG ADDICTION	93.XXX	UNKNOWN	53,689
OHIO DEPARTMENT OF HEALTH	93.243	H79SM059345	775,976
OHIO DEPARTMENT OF HEALTH	93.994	B04MC1700	7,960
OHIO DEPARTMENT OF HEALTH	93.994	UNKNOWN	51,043
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.654	UNKNOWN	13,294
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.658	UNKNOWN	14,351
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.659	UNKNOWN	16,199
ARRA-OHIO DEPARTMENT OF MENTAL HEALTH	93.XXX	ARRA-HHSH250200900042C	3,000
ARRA-OHIO HEALTH INFORMATION PARTNERSHIP (OHIP)	93.718	ARRA-90RC001201	700,866
SOUTHEAST OHIO CARE CONSORTIUM	93.XXX	UNKNOWN	233
THE CENTER FOR APPALACHIAN PHILANTHROPY	93.283	1U58DP002785-01	9,394
THE UNIVERSITY OF TOLEDO	93.107	U77HP03029	93,047
Subtotal Pass-Through Programs			<u>1,813,598</u>
Total Department of Health and Human Services			<u>2,324,591</u>
DEPARTMENT OF HOMELAND SECURITY			
Direct Programs:			
FEDERAL EMERGENCY MANAGEMENT AGENCY	97.044	EMW-2009-FP-00421	387,810
Pass-Through Programs From:			
FRANKLIN COUNTY OFFICE OF HOMELAND SECURITY & JUST	97.008	2007-UASI-194	(5,177)
FRANKLIN COUNTY OFFICE OF HOMELAND SECURITY & JUST	97.008	UNKNOWN	149,500
Subtotal Pass-Through Programs			<u>144,323</u>
Total Department of Homeland Security			<u>532,133</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass-Through Programs From:			
HUNTINGTON IRONTON EMPOWERMENT ZONE	14.244	UNKNOWN	17,447
Total Department of Housing and Urban Development			<u>17,447</u>
DEPARTMENT OF JUSTICE			
Direct Programs:			
FEDERAL BUREAU OF PRISONS	16.XXX	DJB10202011 (task 01); DJB10202010 (task 02)	11,144
FEDERAL BUREAU OF PRISONS	16.XXX	DJBP01020000009	27,314
U S DEPARTMENT OF JUSTICE	16.525	2009-WA-AX-0003	81,348
Subtotal Direct Programs			<u>119,806</u>
Pass-Through Programs From:			
DRUG-FREE ACTION ALLIANCE	16.727	UNKNOWN	(1,492)
Total Department of Justice			<u>118,314</u>
DEPARTMENT OF LABOR			
Pass-Through Programs From:			
LAWRENCE COUNTY DEPARTMENT OF JOBS AND FAMILY SERV	17.XXX	UNKNOWN	1,434
OHIO BOARD OF REGENTS	17.267	UNKNOWN	7,601
ARRA-OHIO BOARD OF REGENTS	17.275	ARRA-GJ-19827-10-60-A-39	349,383
OHIO STATE UNIVERSITY	17.267	119750-AB-WIA-2009/2010	(286)
Total Department of Labor			<u>358,132</u>

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
OTHER PROGRAMS (con't)			
DEPARTMENT OF STATE			
Direct Programs:			
U S DEPARTMENT OF STATE	19.401	S-ECAAE-10-CA-093 (DT)	\$ 197,571
U S DEPARTMENT OF STATE	19.401	S-ECAAE-11-CA-076 (DT)	10,448
U S DEPARTMENT OF STATE	19.415	S-ECAPE-09-GR-199 (KF)	89,241
Subtotal Direct Programs			<u>297,260</u>
Pass-Through Programs From:			
INSTITUTE OF INTERNATIONAL EDUCATION	19.402	S-ECAAE-07-GR-146 (MA); S-ECAAE-08-GR-222 (SM); SID320-09-GR-023 (task6)	3,885
Total Department of the State			<u>301,145</u>
DEPARTMENT OF TRANSPORTATION			
Direct Programs:			
FEDERAL AVIATION ADMINISTRATION	20.106	3-39-0006-1408	6,523
FEDERAL AVIATION ADMINISTRATION	20.106	3-39-0006-1509	1,372,902
FEDERAL AVIATION ADMINISTRATION	20.106	3-39-0006-1710	25,417
Subtotal Direct Programs			<u>1,404,842</u>
Pass-Through Programs From:			
NORTHEAST OHIO AREAWIDE COORDINATING AGENCY	20.XXX	UNKNOWN	5,446
Total Department of Transportation			<u>1,410,288</u>
DEPARTMENT OF VETERANS AFFAIRS			
Direct Programs:			
VETERANS AFFAIRS MEDICAL CENTER	64.XXX	V538S-336	4,322
Total Department of Veterans Affairs			<u>4,322</u>
ENVIRONMENTAL PROTECTION AGENCY			
Direct Programs:			
U S ENVIRONMENTAL PROTECTION AGENCY	66.034	XA-83492901	298
Pass-Through Programs From:			
MIAMI VALLEY REGIONAL PLANNING COMMISSION	66.XXX	UNKNOWN	12,500
MIDWEST BIODIVERSITY INSTITUTE	66.XXX	UNKNOWN	101,634
NORTHEAST OHIO AREAWIDE COORDINATING AGENCY	66.XXX	UNKNOWN	14,113
OHIO ENVIRONMENTAL PROTECTION AGENCY	66.460	C9975500010 CWA	7,669
OHIO ENVIRONMENTAL PROTECTION AGENCY	66.460	C9-97550007	98,781
Subtotal Pass-Through Programs			<u>234,697</u>
Total Environmental Protection Agency			<u>234,995</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Pass-Through Programs From:			
OHIO AEROSPACE INSTITUTE	43.XXX	UNKNOWN	1,739
OHIO AEROSPACE INSTITUTE	43.XXX	UNKNOWN	13,240
OHIO AEROSPACE INSTITUTE	43.XXX	UNKNOWN	12,000
Total National Aeronautics and Space Administration			<u>26,979</u>
NATIONAL ENDOWMENT FOR THE ARTS			
Direct Programs:			
NATIONAL ENDOWMENT FOR THE ARTS	45.024	10-3400-7026	(1)
NATIONAL ENDOWMENT FOR THE ARTS	45.024	11-3400-7021	14,985
NATIONAL ENDOWMENT FOR THE ARTS	45.024	11-5200-7075	1,147
Total National Endowment for the Arts			<u>16,131</u>
NATIONAL HISTORICAL PUBLICATIONS AND RECORDS COMMISSION			
Direct Programs:			
NATIONAL HISTORICAL PUBLICATIONS AND RECORDS COMMI	89.003	NAR09-PS-10032-09	4,973
NATIONAL HISTORICAL PUBLICATIONS AND RECORDS COMMI	89.003	NAR09-RB-50056-09	60,913
Total National Historical Publications and Records Commission			<u>65,886</u>

Ohio University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
OTHER PROGRAMS (con't)			
NATIONAL SCIENCE FOUNDATION			
Direct Programs:			
NATIONAL SCIENCE FOUNDATION	47.XXX	AST-0956640	\$ 128,560
NATIONAL SCIENCE FOUNDATION	47.041	ECCS-1016559	16,499
NATIONAL SCIENCE FOUNDATION	47.049	DMR-0742595	6,193
NATIONAL SCIENCE FOUNDATION	47.076	DUE-0833295	193,915
NATIONAL SCIENCE FOUNDATION	47.076	DUE-0837751	30,448
Subtotal Direct Programs			<u>375,615</u>
Pass-Through Programs From:			
UNIVERSITY OF TENNESSEE	47.076	ESI-0119679	<u>135,498</u>
Total National Science Foundation			<u>511,113</u>
SMALL BUSINESS ADMINISTRATION			
Direct Programs:			
U S SMALL BUSINESS ADMINISTRATION	59.000	SBAHQ-08-I-0044; SBAHQ-09-I-0192	148,144
Pass-Through Programs From:			
ADENA VENTURES	59.051	UNKNOWN	10,171
FOUNDATION FOR APPALACHIAN OHIO	59.000	SBAHQ-09-I-0097	63,660
OHIO DEPARTMENT OF DEVELOPMENT	59.037	UNKNOWN	105,943
Total Small Business Administration			<u>327,918</u>
SMITHSONIAN INSTITUTION			
Direct Programs:			
SMITHSONIAN INSTITUTION	85.XXX	F08CC10174	(17,664)
Total Smithsonian Institution			<u>(17,664)</u>
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT			
Pass-Through Programs From:			
ACADEMY FOR EDUCATIONAL DEVELOPMENT	98.XXX	GPO-A-00-07-00004-00	181,197
AMERICAN COUNCIL ON EDUCATION	98.012	AEG-A-00-05-00007-00	123,233
WASHINGTON STATE UNIVERSITY	98.000	306-A-00-06-00524-00	11,691
Total United States Agency for International Development			<u>316,121</u>
TOTAL OTHER PROGRAMS			11,654,371
GRAND TOTAL FEDERAL AWARDS			\$ <u>325,970,573</u>

Ohio University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Ohio University under programs of the federal government for the year ended June 30, 2011. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Ohio University, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of Ohio University. Pass-through entity identifying numbers are presented where available.

Note 2 - Noncash Assistance

During the year ended June 30, 2011, Ohio University did not receive any nonmonetary assistance.

Note 3 - Catalog of Federal Domestic Assistance (CFDA) Numbers

All programs with identifiable CFDA numbers have been listed separately. Grant numbers have been provided for several programs for which CFDA numbers were not available.

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Note 4 - Subrecipient Awards

Of the federal expenditures presented in the Schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Meeting the Challenges for Engineering Design, Construction and Maintenance of Infrastructure in Post-Conflict and Developing Countries	12.XXX	\$ 6,300
Aviation Research Grants	20.108	4,043
Basic, Applied, and Advanced Research in Science and Engineering	12.630	335,516
Highway Planning and Construction Design, Development, Verification, and Validation of an Integrated Alerting and Notification	20.205	197,566
Function for an Intelligent Integrated Flight Deck	43.XXX	251,916
Geosciences	47.050	12,350
Biological Sciences	47.074	81,237
Social, Behavioral, and Economic Sciences	47.075	42,759
Trans-NSF Recovery Act Research Support	47.082	40,596
Nonpoint Source Implementation Grants	66.460	90,355
State Energy Program	81.041	267,350
Advanced Research and Projects Agency - Energy Financial Assistance Program	81.135	45,572
Improving Teacher Quality State Grants	84.367	9,380
Overseas Programs - Group Projects Abroad	84.021A	28,740
Research Related to Deafness and Communication Disorders	93.173	356,647
Mental Health Research Grants	93.242	16,169
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	359,008
Advanced Nursing Education Grant Program	93.247	54,000
Temporary Assistance for Needy Families	93.558	43,641
Trans-NIH Recovery Act Research Support	93.701	89,941
Health Information Technology Regional Extension Centers Program	93.718	598,500
Blood Diseases and Resources Training	93.839	1,759
Biomedical Research and Research Training	93.859	93,478
Rural Health Care Services Outreach and Rural Health Network Development Program	93.912	67,989
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative	93.946	44,469
International Research and Research Training	93.989	29,108
Maternal and Child Health Services Block Grant to the States	93.994	6,960
Ohio Strategic Prevention Framework State Incentive Grant (SPF-SIG) Evaluation	93.XXX	16,569
Total		\$ 3,191,918

Ohio University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Note 5 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, in the year ended June 30, 2011, the University expended \$135,800 of the 2009-2010 Federal Work Study (FWS) Program (84.033) award carried forward to the 2010-2011 award year. The University also carried forward \$87,603 of the 2010-2011 FWS Program (84.033) to be expended in the 2011-2012 award year.

During the year ended June 30, 2011, the University transferred \$269,296 of the 2010-2011 FWS Program (84.033) award to the Supplemental Educational Opportunity Grant (SEOG) Program (84.007). In addition, the University expended \$78,299 of the 2009-2010 SEOG Program (84.007) award carried forward to the 2010-2011 award year. The University carried forward \$72,819 of the 2010-2011 SEOG Program (84.007) to be expended in the 2011-2012 award year.

Schedule of Findings and Questioned Costs Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.032, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 93.342, 93.407, and 93.925	Student Financial Aid Cluster
84.394 and 84.397	ARRA - State Fiscal Stabilization Fund
17.275	ARRA - Pathways out of Poverty

Dollar threshold used to distinguish between type A and type B programs: \$2,119,066

Auditee qualified as low-risk auditee? Yes No

Ohio University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

Ohio University

Summary Schedule of Prior Audit Findings Year Ended June 30, 2011

<u>Prior Year Finding Number</u>	<u>Federal Program</u>	<u>Original Finding Description</u>	<u>Status</u>	<u>Planned Corrective Action</u>
2010-1	84.032	The University did not disburse FFEL loan proceeds within three business days of receipt, and the undisbursed FFEL loan proceeds were not returned to the lender within 10 business days after the date that the funds were required to be disbursed.	Not applicable	Not applicable

**Ohio University
National Collegiate Athletics Association**

**Agreed-upon Procedures Report
Related to NCAA Constitution 3.2.4.16
June 30, 2011**

Ohio University National Collegiate Athletics Association Report

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Independent Accountant's Report on the Application of Agreed-upon Procedures

Dr. Roderick J. McDavis
President
Ohio University
Athens, OH 45701

We have performed the procedures enumerated below, which were agreed to by the associate VP for finance and administration of Ohio University (the "University"), solely to assist you in evaluating whether the accompanying Intercollegiate Athletics Program statement of revenue and expenditures of Ohio University is in compliance with the National Collegiate Athletics Association (NCAA) Constitution 3.2.4.16 for the year ended June 30, 2011. Ohio University's management is responsible for the statement of revenue and expenditures (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 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.

Agreed-upon Procedures Related to the Statement of Revenue and Expenditures

The procedures that we performed and our results are as follows:

Internal Control Structure

A. In preparation for our procedures related to the University's internal control structure, we met with Julie Allison, controller, and inquired about the general control environment over intercollegiate athletic finances, the level of control consciousness in the University, the competence of personnel, and the protection of records and equipment; we obtained the audited financial statements for the year ended June 30, 2011; and we obtained the documentation of the accounting systems and procedures unique to the intercollegiate athletics department. We did not obtain any additional reports regarding internal control and any corrective action taken in response to comments concerning the internal control structure, as none were available. We then performed the following procedures:

- 1) **Procedure:** We selected six athletic department cash receipts and agreed the following to those receipts:
 - a. Remittance advice or copies of checks
 - b. Deposits made to the business office

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- 2) **Procedure:** We selected three home games and tested the ticket collection receipting process by comparing the total receipts for such games to the reconciliation and documentation of the related cash deposit amount with the bank.

Result: Management indicated that ticket collection and receipting processes were the only systems unique to athletics; therefore, we selected three home football games during the year and agreed the total receipts for such events, as documented by the University's ticket reconciliation procedures, to supporting documentation of the related cash deposit amount with the bank. We obtained reconciliations for three home football games and agreed the revenue based on the actual attendance figures to revenue reported on the statement of revenue and expenses. We found no discrepancies between the reconciliation, the receipts for each event, and the related cash deposit amount with the bank.

Capital Expenditure Survey and Related Debt

- B. In preparation for our procedures related to the capital expenditure survey, we obtained the capital expenditure survey for the reporting period prepared by management; we obtained the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets; and we obtained repayment schedules for all outstanding intercollegiate athletics debt maintained by the University during the reporting period. We then performed the following procedures:

- 1) **Procedure:** We agreed the data provided on the capital expenditure survey to the University's general ledger and disclosed additions, deletions, and book values in the report.

Result: Procedures were performed without exception. Additions, deletions, and book values are disclosed in Note 1.

- 2) **Procedure:** We recalculated the annual maturities (consisting of principal and interest) provided in the schedules obtained. We then agreed the total annual maturities to the amortization schedules and the University's general ledger as applicable and disclosed in the report.

Result: We recalculated the annual maturities and agreed to amortization schedules and the University's general ledger and noted no exceptions. Annual maturities are disclosed in Note 2.

Intercollegiate Athletics Restricted and Endowment and Plant Funds

- C. **Procedure:** We obtained a summary of significant additions exceeding 10 percent of restricted funds related to intercollegiate athletics, as well as significant changes exceeding 10 percent of endowment and plant funds related to intercollegiate athletics prepared by management.

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Result: We obtained a summary of contributions received during the year and noted no additions exceeding 10 percent of total contributions related to intercollegiate athletics during the year.

Statement of Revenue and Expenditures

D. **Procedure:** We obtained the Intercollegiate Athletics Program statement of revenue and expenditures for the reporting period prepared by management and recalculated the amounts on the statement. We then agreed the amounts on the statement to management's worksheets supporting the preparation of the statement and agreed the amounts on such worksheets to the University's general ledger.

Result: Procedures were performed without exception.

E. **Procedure:** We agreed revenue and expenditure amounts from the statement to prior year amounts and budget estimates. We obtained and documented any variations exceeding 10 percent and \$100,000.

Results: The following significant variations were identified:

- We obtained and documented a significant variation from the prior year exceeding 10 percent for NCAA/Conference distributions including all tournament revenue. We noted an increase in NCAA/Conference distributions including all tournament revenue of \$457,013 from the prior year balance of \$1,180,974 to the current year balance of \$1,637,987. This represents an increase from the prior year of approximately 39 percent. It was noted by management that the increase was attributable to the football team's participation in the bowl game in New Orleans, as well as a supplemental bowl distribution expected from the MAC to help offset costs of the bowl game as well as a portion related to the new ESPN contract for football.
- We obtained and documented a significant variation from the prior year exceeding 10 percent for other revenue. We noted an increase in other revenue of \$254,002 from the prior year balance of \$240,913 to the current year balance of \$494,915. This represents an increase from the prior year of approximately 105 percent. It was noted by management that the increase was attributable to the sale of tickets for the Ohio University versus The Ohio State University football game held during fiscal year 2011. Ohio University acted as a ticket agent only, and paid the money back to The Ohio State University, and this expense is also reflected in other operating expenses.
- We obtained and documented a significant variation from the prior year exceeding 10 percent for fundraising, marketing, and promotion. We noted a decrease in fundraising, marketing, and promotion of \$151,774 from the prior year balance of \$972,249 to the current year balance of \$820,475. This represents a decrease from the prior year of approximately 16 percent. It was noted by management that the decrease was attributable to the discontinuance of printing media guides for all sports as a cost-savings measure. In addition, there was less spending on promotions for games and giveaways.

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- We obtained and documented a significant variation from the prior year exceeding 10 percent for sports camp expenses. We noted an increase in sports camp expenses of \$176,897 from the prior year balance of \$264,856 to the current year balance of \$441,753. This represents an increase from the prior year of approximately 67 percent. It was noted by management that the increase was attributable to additional wages paid from sports camps to coaches and personnel for camps held during the fiscal year.
- We obtained and documented a significant variation from the prior year exceeding 10 percent for direct facilities, maintenance, and rental. We noted a decrease in direct facilities, maintenance, and rental of \$341,227 from the prior year balance of \$864,516 to the current year balance of \$523,289. This represents a decrease from the prior year of approximately 39 percent. It was noted by management that the decrease was attributable to the completion of improvements to the football locker room in fiscal year 2010, as well as a reduction in spending for locker room renovations for the following sports: swimming, wrestling, and volleyball, and the construction of a bullpen for baseball.
- We obtained and documented a significant variation from the prior year exceeding 10 percent for other operating expenses. We noted an increase in other operating expenses of \$585,099 from the prior year balance of \$817,568 to the current year balance of \$1,402,667. This represents an increase from the prior year of approximately 72 percent. It was noted by management that the increase was attributable to additional money that was moved to the football guarantee reserve in fiscal year 2011, tickets that were purchased and resold for The Ohio State University versus Ohio University football game, additional expenses for a student fan bus to the New Orleans bowl game, and new spending for the Bobcat Club representative program.

Revenue

F. **Revenue Procedures:** We agreed each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the University.

I) Ticket Sales

Procedure: We agreed tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University in the statement and related attendance figures and recalculated totals. We agreed one revenue receipt obtained from the above supporting schedule to supporting documentation.

Result: We agreed one revenue receipt obtained from the above supporting schedule to the bank deposit slip and the amount deposited with the bank. We noted no exceptions.

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2) Guarantees

Procedure: We selected a sample of two 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 two contractual agreements pertaining to revenue derived from guaranteed contests during the reporting period and agreed the selection to the University's general ledger and/or the statement, and recalculated totals. We agreed a sample of two revenue receipts obtained from the above revenue-supporting schedule to supporting documentation.

Result: We selected a sample of two settlement reports for away games during the reporting period and agreed each selection to the University's general ledger. Only two settlement reports were tested since there were only two guarantees during the current year. For those same games, we received the contractual agreements pertaining to revenue derived from guaranteed contests during the reporting period and agreed the selection to the University's general ledger and recalculated totals. We agreed a sample of two revenue receipts obtained from the above revenue-supporting schedule to bank deposit slips. We noted no exceptions.

3) Contributions

Procedure: We obtained supporting documentation for each contribution of monies, goods, or services received directly by an Intercollegiate Athletics Program for any affiliated or outside organization, agency, or group of individuals that constitutes 10 percent or more of all contributions received for intercollegiate athletics during the reporting period and disclosed the source and dollar value of these contributions in the report. We agreed one revenue receipt obtained from the above revenue-supporting schedules to supporting documentation.

Result: We agreed one revenue receipt to bank deposit slips. We noted no exceptions.

4) NCAA/Conference Distributions Including All Tournament Revenue

Procedure: We obtained one agreement related to the University's participation in revenue from tournaments during the reporting period. We agreed the related revenue to the University's general ledger and/or the statement and recalculated totals. We agreed one revenue receipt obtained from the above revenue-supporting schedules to supporting documentation.

Result: We agreed one revenue receipt obtained from the above revenue-supporting schedules to a distribution report received by the University from the NCAA disclosing the total distributions to be received by each NCAA conference. We noted no exceptions.

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Expenditures

G. **Expenditure Procedures:** We agreed each operating expenditure category reported in the statement during the reporting period to supporting schedules provided by the University.

1) Athletic Student Aid

Procedure: We selected a sample of 15 students from the listing of University student aid recipients during the reporting period. We obtained individual student account detail for each selection and agreed total aid allocated from the related aid award letter to the student's account and recalculated totals. We agreed a sample of 15 expenses from the above expense-supporting schedules to supporting documentation.

Result: We agreed a sample of 15 expenses from the above expense-supporting schedules to supporting documentation. We noted no exceptions.

2) Guarantees

Procedure: We obtained three home game settlement reports prepared by the University during the reporting period and agreed related expenses to the University's general ledger and/or the statement. We obtained three contractual agreements pertaining to expenses recorded by the University from home football games during the reporting period. We agreed related amounts expensed by the University during the reporting period to the University's general ledger and/or the statement and recalculated totals. We agreed a sample of three expenses obtained from the above expense-supporting schedules to supporting documentation.

Result: We agreed a sample of three expenses obtained from the above expense-supporting schedules to bank statements. We noted no exceptions.

3) Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities

Procedure: We obtained a listing of coaches employed by the University during the reporting period. We selected a sample of five coaches' contracts that included the head football and head men's and women's basketball coaches from the above listing. We agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University and related entities in the statement during the reporting period. We obtained W-2s or 1099s for each selection. We agreed related W-2s or 1099s 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 and recalculated totals. We agreed a sample of three expenses obtained from the above expense-supporting schedules to supporting documentation.

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Result: We agreed a sample of three expenses obtained from the above expense-supporting schedules to supporting payroll reports. We noted no exceptions.

Related to Affiliated and Outside Organizations Not Under the University's Accounting Control

H. **Procedure:** In preparation for our procedures related to the University's affiliated and outside organizations we:

- 1) Inquired of management as to whether they have identified any affiliated and outside organizations that meet any of the following criteria:
 - a. Booster organizations established by or on behalf of an Intercollegiate Athletics Program
 - b. Independent or affiliated foundations or other organizations that have, as a principal purpose, generating or maintaining of grants-in-aid or scholarships funds, gifts, endowments or other monies, goods, or services to be used entirely or in part by the Intercollegiate Athletics Program
 - c. Alumni organizations that have as one of their principal purposes the generating of monies, goods, or services for or on behalf of an Intercollegiate Athletics Program and that contribute monies, goods, or services directly to an Intercollegiate Athletics Program, booster group, or independent or affiliated foundation as previously noted
- 2) We also obtained documentation on the University's practices and procedures for monitoring the internal controls in place and financial activities of these organizations. We inquired of management on the procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the University's Intercollegiate Athletics Program.
- 3) We requested audited financial statements of the organization and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the control environment. We did not perform the following supplemental procedures, as audited financial statements were not available:
 - a. For expenses on or on behalf of Intercollegiate Athletic Programs by affiliated and outside organizations not under the University's accounting control, we obtained the organization's statements for the reporting period. We agreed the amounts reported to the organization's general ledger.
 - b. We obtained a summary of revenue and expenses for or on behalf of the organization.

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Result: We inquired of management as to whether it had identified any affiliated or outside organizations that meet the above criteria. Management indicated that the Green and White Boosters Club met the above criteria. We obtained documentation on the University's practices and procedures for monitoring the internal controls in place and financial activities of this organization. We obtained the unaudited financial statements for the outside organization identified and agreed the contribution expense recorded by the outside organization to the contribution revenue recorded in the University's financial statements and to the Intercollegiate Athletics Program statement of revenue and expenditures. The Ohio University Foundation confirmed that the financial activities of the affiliate and outside organization listed above were recorded on the books of the Ohio University Foundation and are not included in either the Intercollegiate Athletics Program statement of revenue and expenditures or the books of the University.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Intercollegiate Athletics Program statement of revenue and expenditures. 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 Ohio University's management and the National Collegiate Athletics Association and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 28, 2011

Ohio University National Collegiate Athletics Association Report

Intercollegiate Athletics Program Statement of Revenue and Expenditures Year Ended June 30, 2011

	Men's Football	Men's Basketball	Women's Basketball	Other Sports	Nonprogram Specific	Total
Operating Revenue						
Ticket sales - Gate receipts	\$ 420,715	\$ 299,360	\$ 5,416	\$ 54,455	\$ 68,524	\$ 848,470
Guarantees	900,000	-	-	-	-	900,000
Contributions	117,823	124,814	477	117,756	365,674	726,544
Direct institutional support	4,494,979	1,788,109	962,840	5,025,731	5,013,974	17,285,633
Indirect facilities and administrative support	595,788	237,005	127,620	666,136	664,578	2,291,127
NCAA/Conference distributions including all tournament revenue	765,575	246,198	61,000	489,714	75,500	1,637,987
Program sales, concessions, novelty sales, and parking	7,584	2,546	305	608	62,371	73,414
Royalties, advertisements, and sponsorships	-	-	-	-	786,076	786,076
Sports camp revenue	35,177	173,020	7,583	119,430	-	335,210
Endowment and investment income	6,412	4,940	-	15,606	63,962	90,920
Other	7,300	63,746	-	22,633	401,236	494,915
Total operating revenue	7,351,353	2,939,738	1,165,241	6,512,069	7,501,895	25,470,296
Operating Expenditures						
Athletic student aid	2,396,470	435,948	344,894	2,937,933	244,604	6,359,849
Guarantees	300,000	240,321	30,152	-	-	570,473
Coaching salaries, benefits, and bonuses paid by the University and related entities	1,489,344	724,407	467,212	1,526,869	34,745	4,242,577
Support staff/Administrative salaries, benefits, and bonuses paid by the University and related entities	48,834	4,800	5,502	36,033	2,184,849	2,280,018
Recruiting	184,885	69,661	63,519	112,625	(1,473)	429,217
Team travel	683,734	220,563	110,732	668,542	50,218	1,733,789
Equipment, uniforms, and supplies	225,924	35,266	35,063	219,818	231,681	747,752
Game expenses	74,131	93,765	37,480	56,489	12,550	274,415
Fundraising, marketing, and promotion	14,166	8,106	7,183	26,792	764,228	820,475
Sports camp expenses	47,790	240,691	10,527	140,652	2,093	441,753
Direct facilities, maintenance, and rental	74,249	23,607	3,532	108,388	313,513	523,289
Indirect facilities and administrative support	595,788	237,005	127,620	666,136	664,578	2,291,127
Medical expenses and medical insurance	820	849	234	1,489	416,729	420,121
Memberships and dues	1,015	5,899	732	19,242	276,707	303,595
Other operating expenses	335,942	58,164	17,186	68,999	922,376	1,402,667
Total operating expenditures	6,473,092	2,399,052	1,261,568	6,590,007	6,117,398	22,841,117
Excess of Revenue Over (Under) Expenditures	\$ 878,261	\$ 540,686	\$ (96,327)	\$ (77,938)	\$ 1,384,497	\$ 2,629,179

See Notes to Intercollegiate Athletics Program
Statement of Revenue and Expenditures.

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Ohio University National Collegiate Athletics Association Report

Notes to Intercollegiate Athletics Program Statement of Revenue and Expenditures Year Ended June 30, 2011

Note 1 - Intercollegiate Athletics-related Assets

Property and equipment are recorded at cost or, if donated, the estimated fair value at the time of donation. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized. Estimated service lives range from 5-50 years depending on class.

The current year capitalized additions and deletions to facilities during the year ended June 30, 2011 are as follows:

	<u>Additions</u>	<u>Deletions</u>
Football athletics facilities	\$ 119,127	\$ -
Basketball athletics facilities	<u>75,407</u>	<u>-</u>
Total athletics facilities	<u>\$ 194,534</u>	<u>\$ -</u>
Other institutional facilities	<u>\$ 28,993,923</u>	<u>\$ -</u>

The total estimated book values of property and equipment, net of depreciation, of the University as of the year ended June 30, 2011 are as follows:

	<u>Estimated Book Value</u>
Athletics-related property, plant, and equipment balance	<u>\$ 13,751,510</u>
University's total property, plant, and equipment balance	<u>\$ 628,549,811</u>

Ohio University National Collegiate Athletics Association Report

Notes to Intercollegiate Athletics Program Statement of Revenue and Expenditures Year Ended June 30, 2011

Note 2 - Intercollegiate Athletics-related Debt

The annual debt service and debt outstanding for the University as of the year ended June 30, 2011 is as follows:

	Annual Debt Service	Debt Outstanding
Athletics-related facilities	\$ 158,611	\$ 3,251,641
University's total	19,470,033	164,580,000

The repayment schedule for all outstanding intercollegiate athletics debt maintained by the University during the year ended June 30, 2011 is as follows:

Years Ending June 30	Total Intercollegiate Athletics Debt
2012	\$ 158,611
2013	239,634
2014	238,970
2015	238,462
2016	238,192
2017-2021	1,189,816
2022-2025	947,956
Total	<u>\$ 3,251,641</u>



Dave Yost • Auditor of State

OHIO UNIVERSITY

ATHENS 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 17, 2012