

The Ohio State University

***Financial Statements and Supplemental Schedules
for the Years Ended June 30, 2004 and 2003
and Independent Auditors' Report***



**Auditor of State
Betty Montgomery**

Board of Trustees
Ohio State University
2080 Blankenship
901 Woody Hayes Dr.
Columbus, OH 43210

We have reviewed the Independent Auditor's Report of the Ohio State University, Franklin County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

February 4, 2005

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Ohio State University
Columbus, Ohio

We have audited the accompanying consolidated statements of net assets of The Ohio State University (the "University"), a component unit of the State of Ohio, as of June 30, 2004 and 2003, and the related consolidated statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective 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, such consolidated financial statements present fairly, in all material respects, the financial position of The Ohio State University as of June 30, 2004 and 2003, and their changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis ("MD&A") on pages 2 through 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the University's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2004, on our consideration of internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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.



October 15, 2004

Management's Discussion and Analysis for the Year Ended June 30, 2004

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of The Ohio State University for the year ended June 30, 2004, with comparative information for the years ended June 30, 2003 and June 30, 2002. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About The Ohio State University

The Ohio State University is the State of Ohio's flagship research institution and one of the largest universities in the United States of America, with over 58,000 students, 4,700 faculty members and 16,000 staff members. Founded in 1870 under the Morrill Land Grant Act, the University – which was originally known as the Ohio Agricultural and Mechanical College – has grown over the years into a comprehensive public institution of higher learning, with over 170 undergraduate majors, 110 masters degree programs and 90 doctoral programs. The University also operates one of the nation's leading academic medical centers, which includes the OSU Health System. The Health System – which is comprised of The Ohio State University Hospitals, The Arthur G. James Cancer Hospital and Richard J. Solove Research Institute, University Hospitals East, OSU Harding Hospital, and 29 outpatient care centers – provided services to over 49,000 inpatients and 850,000 outpatients during fiscal year 2004.

Ohio State is governed by a board of 11 trustees who are responsible for oversight of academic programs, budgets and general administration, and employment of faculty and staff. The governor annually appoints one voting member to a nine-year term and one non-voting student member to a two-year term. The University's 19 colleges, the OSU Health System and various academic support units operate largely on a decentralized basis. The Board approves annual budgets for University operations, but these budgets are managed at the college and department level.

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

- the OSU Research Foundation (which administers sponsored research grants and contracts for University)
- the OSU Foundation (a fundraising foundation operating exclusively for the benefit of the University)
- Campus Partners for Community Urban Redevelopment (a non-profit organization participating in the redevelopment of neighborhoods adjacent to the main Columbus campus)
- Transportation Research Center (an automotive research and testing facility in East Liberty, Ohio)
- OSU Managed Health Care Systems (a non-profit organization that administers University health care benefits)

-
- OSU Physicians, Inc. (the central practice group for physician faculty members of the College of Medicine and Public Health)

The entities listed above meet the “financial accountability” criteria set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. The University’s Board of Trustees has the ability to appoint a voting majority of these organizations boards and is able to “impose its will” on these organizations, as defined by GASB Statement No. 14.

On July 1, 2002, the University implemented Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14 to provide additional guidance for determining whether certain organizations, such as not-for-profit foundations, should be consolidated into the University’s financial reports. The University has determined that none of its affiliated organizations currently meet the GASB 39 criteria for inclusion in the University’s financial statements.

About the Financial Statements

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

The **Statement of Net Assets** is the University’s balance sheet. It reflects the total assets, liabilities and net assets (equity) of the University as of June 30, 2004, with comparative information as of June 30, 2003. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as non-current. Investment assets are carried at market value. Capital assets, which include the University’s land, buildings, improvements, and equipment, are shown net of accumulated depreciation. Net assets are grouped in the following categories:

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

The **Statement of Revenues, Expenses and Other Changes in Net Assets** is the University’s income statement. It details how net assets have increased (or decreased) during the year ended June 30, 2004, with comparative information for Fiscal Year 2003. Tuition revenue is shown net of scholarship allowances, depreciation is provided for capital assets, and there are required subtotals for net operating income (loss) and net income (loss) before capital contributions and additions to permanent endowments.

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

The **Statement of Cash Flows** details how cash has increased (or decreased) during the year ended June 30, 2004, with comparative information for Fiscal Year 2003. It breaks out the sources and uses of University cash into the following categories:

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

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

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

Financial Highlights and Key Trends

The University's financial health remained sound in 2004, with growth in tuition and other operating revenues offsetting similar increases in operating expenses. Total unrestricted and restricted-expendable net assets increased \$207 million, to \$1.19 billion at June 30, 2004, primarily due to the issuance of long-term bonds (which shifted the negative equity associated with construction activity from unrestricted net assets to capital assets, net of related plant debt). Total University plant debt increased \$228 million, to \$815 million. University investment results continued to improve, with \$244 million of net investment income.

Student enrollment trends reflect continued strong demand for an Ohio State education. Total Autumn Quarter 2003 enrollment for all campuses was 58,254, up from 57,271 in Autumn 2002. And freshman retention continues to improve. 87.7% of the freshmen enrolled in Autumn 2002 returned to OSU in Autumn 2003, up from 86.5% in the comparable 2001-2002 period.

The following sections provide additional details on the University's 2004 financial results and a look ahead at significant economic conditions that are expected to affect the University in the future.

Statement of Net Assets

Summary Statement of Net Assets <i>(in thousands)</i>			
	2004	2003	2002
Cash and current investments	\$ 1,128,570	\$ 836,704	\$ 759,536
Current receivables, inventories and prepaid expenses	411,262	384,685	345,874
Total current assets	1,539,832	1,221,389	1,105,410
Restricted cash and cash equivalents	34,030	16,125	24,343
Noncurrent notes and pledges receivable	83,095	92,515	107,069
Endowments and other long-term investments	1,152,338	1,017,094	1,011,568
Capital assets, net of accumulated depreciation	2,088,665	1,869,355	1,762,814
Total noncurrent assets	3,358,128	2,995,089	2,905,794
Total assets	\$ 4,897,960	\$ 4,216,478	\$ 4,011,204
Accounts payable and accrued expenses	\$ 323,468	\$ 272,636	\$ 260,501
Deferred revenues and deposits	140,647	138,787	139,259
Commercial paper and current portion of bonds, notes and lease obligations	411,270	349,206	285,072
Other current liabilities	10,809	9,496	13,900
Total current liabilities	886,194	770,125	698,732
Noncurrent portion of bonds, notes and lease obligations	403,336	237,027	296,034
Other noncurrent liabilities	181,678	171,781	208,659
Total noncurrent liabilities	585,014	408,808	504,693
Total liabilities	\$ 1,471,208	\$ 1,178,933	\$ 1,203,425
Invested in capital assets, net of related debt	\$ 1,273,058	\$ 1,266,371	\$ 1,181,708
Restricted-nonexpendable net assets	966,758	791,188	751,317
Restricted-expendable net assets	465,002	445,238	457,521
Unrestricted net assets	721,934	534,748	417,233
Total net assets	\$ 3,426,752	\$ 3,037,545	\$ 2,807,779

Total University **cash and current investment** balances increased \$292 million, primarily due to two September 2003 bond issues, which yielded net proceeds (after refunding of existing debt) of \$244 million. The Statement of Cash Flows, which is discussed in more detail below, provides additional details on sources and uses of University cash.

The market value of the University's **endowment and other long-term investments** increased \$135 million, to \$1.15 billion at June 30, 2004, due to market appreciation and additions to the endowment that were offset by distributions made from the endowment fund. The Endowment Fund operates with a long-term investment goal of preserving the purchasing power of the principal in a diversified portfolio.

Capital assets, which include the University's land, buildings, improvements, equipment and library books, grew \$219 million, to \$2.09 billion at June 30, 2004. The University

depreciates its capital assets on a straight-line basis, using estimated useful lives ranging from 5 years (for computer equipment) to 100 years (for certain building components such as foundations).

Several major construction projects are currently underway or in advanced planning stages, including:

- Knowlton School of Architecture – Construction is nearing completion on the new \$33 million home for the University’s Architecture, City and Regional Planning, and Landscape Architecture programs, on north campus across from the Fisher College of Business.
- Physical Sciences Research Building – Also nearing completion is the new \$53 million home for the University’s Department of Physics, on the site of the old Welding Engineering building.
- Ross Heart Hospital – A new \$82 million heart hospital, built on the former site of the Rhodes Hall auditorium, opened in summer 2004. The facility includes inpatient services, outpatient services, clinical and administrative support staff areas, and cardiac rehabilitation services.
- New Recreation Center – Construction continues on a new 604,800 square foot recreation center to replace Larkins Hall. The \$140 million facility will house a 50 meter swimming pool and diving well, recreation, class and lap pools, 16 basketball courts, 6 multi-purpose rooms, squash courts, racquetball courts and a 28,000 square foot fitness center.
- Hagerty and Page Hall Renovations – Extensive renovations are nearing completion in these main campus buildings. After a \$24 million rehabilitation, Hagerty Hall will house a portion of the College of Humanities. Page Hall is undergoing a \$16 million renovation and will house the John Glenn Institute for Public Service and Public Policy and the School of Public Policy and Management.
- Biomedical Research Tower – Construction is underway on a ten-story \$151 million biomedical research facility that will house up to 120 faculty and 400 additional researchers for the College of Medicine and Public Health.
- Mechanical Engineering Building Replacement – Work began this summer on a \$72 million project to demolish the existing Robinson Laboratory and construct new space for the Mechanical Engineering Department on the Robinson Lab site.
- William Oxley Thompson Memorial Library Renovation – Planning continues on a \$99 million renovation of the University’s main library, which will include an addition to the building, new landscaping of the surrounding area and an expansion of the Library Book Depository.

The University's estimated future capital commitments, based on contracts and purchase orders, total approximately \$329 million at June 30, 2004.

Total University debt, in the form of **commercial paper, bonds, notes and capital lease obligations**, increased \$228 million, to \$815 million at June 30, 2004. During 2004, the University issued \$376 million of bonds and commercial paper, secured by the general receipts of the University. The University used these debt proceeds to retire commercial paper previously issued for interim financing of construction projects, to retire old bonds issued at higher interest rates, and to fund current capital expenditures.

The University's plant debt includes variable rate demand bonds that mature at various dates through 2033. Governmental Accounting Standards Board Interpretation 1, *Demand Bonds Issued by State and Local Governmental Entities*, provides guidance on the balance sheet classification of these bonds. Under GASB Interpretation 1, outstanding principal balances on variable rate demand bonds may be classified as noncurrent liabilities if the issuer has entered into a "take-out agreement" to convert bonds "put" but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities.

Although it is the University's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the University does not have "take-out agreements" in place per the GASB Interpretation 1 requirements. Accordingly, the University has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. These obligations totaled \$320 million and \$213 million at June 30, 2004 and 2003, respectively.

Accounts payable and accrued expenses increased \$51 million, primarily due to increases in payables to vendors for goods and services (up \$38 million compared with June 30, 2003) and increases in accrued compensation and benefits (up \$11 million).

2003-2002 Highlights: The 2004 increases in cash, current investments and expendable net assets represent a continuation of trends noted in the University's June 30, 2003 Management's Discussion and Analysis. Cash and temporary investments increased \$77 million, to \$837 million at June 30, 2003. Total expendable net assets increased \$105 million, to \$980 million. Total University liabilities were relatively stable in 2003, declining \$24 million to \$1.18 billion at June 30, 2003. Total plant debt increased \$5 million. Other liabilities declined \$29 million, primarily due to the reallocation of unfunded workers' compensation liabilities to the State of Ohio.

Statement of Revenues, Expenses and Other Changes in Net Assets

Summary of Revenues, Expenses and Changes in Net Assets <i>(in thousands)</i>			
	2004	2003	2002
Operating Revenues:			
Tuition and fees, net	\$ 436,218	\$ 392,609	\$ 341,371
Grants and contracts	508,974	482,228	425,012
Auxiliary enterprises sales and services, net	163,162	141,543	129,521
OSU Health System sales and services, net	932,200	819,015	711,753
OSU Physicians sales and services	112,036	18,857	-
Departmental sales and other operating revenues	110,319	108,617	90,796
Total operating revenues	<u>2,262,909</u>	<u>1,962,869</u>	<u>1,698,453</u>
Operating Expenses:			
Educational and general	1,406,768	1,343,564	1,261,284
Auxiliary enterprises	178,645	164,130	141,423
OSU Health System	937,748	809,584	701,310
OSU Physicians	101,778	17,048	-
Depreciation	141,477	140,608	147,775
Total operating expenses	<u>2,766,416</u>	<u>2,474,934</u>	<u>2,251,792</u>
Net operating income (loss)	(503,507)	(512,065)	(553,339)
Non-operating revenues (expenses):			
State share of instruction and line-item appropriations	433,984	437,363	446,115
Gifts - current use	52,500	79,144	69,123
Net investment income (loss)	244,013	69,754	(117,319)
Other non-operating revenue (expense)	(19,617)	(19,036)	(18,287)
Income (loss) before other revenues, expenses gains or losses	207,373	55,160	(173,707)
State capital appropriations	102,709	56,878	50,342
Private capital gifts	27,647	18,213	20,917
Additions to permanent endowments	51,478	46,026	32,429
Income (loss) before extraordinary item	389,207	176,277	(70,019)
Extraordinary item:			
Reallocation of unfunded workers' compensation liability to State of Ohio	-	53,489	-
Increase (decrease) in net assets	389,207	229,766	(70,019)
Net assets - beginning of year	<u>3,037,545</u>	<u>2,807,779</u>	<u>2,877,798</u>
Net assets - end of year	<u>\$ 3,426,752</u>	<u>\$ 3,037,545</u>	<u>\$ 2,807,779</u>

Net tuition and fees increased \$44 million, to \$436 million in 2004, an 11% increase over 2003. In response to continuing reductions in state instructional subsidies, the University increased 2004 tuition rates 12.9% for new and returning undergraduate students at the Columbus campus.

Grant and contract revenues increased \$27 million, to \$509 million in 2004, primarily due to a \$31 million increase in sponsored research programs administered by the OSU Research Foundation. This increase was partially offset by decreases in private grants and contracts.

Fiscal Year 2004 saw moderate growth in total **educational and general expenses**. Total E&G expenses increased approximately 4.7%, to \$1.41 billion. Additional details are provided below.

Educational and General Expenses (in thousands)			
	2004	2003	2002
Instruction and departmental research	\$ 577,500	\$ 547,367	\$ 530,027
Separately budgeted research	317,310	303,057	265,426
Public service	110,750	114,916	110,727
Academic support	103,502	101,292	86,661
Student services	65,906	57,145	56,473
Institutional support	109,331	110,144	101,708
Operation and maintenance of plant	73,133	68,154	72,995
Scholarships and fellowships	49,336	41,489	37,267
Total	\$ 1,406,768	\$ 1,343,564	\$ 1,261,284

Total **instructional and departmental research** expenses increased 5.5% in 2004, primarily due to faculty/staff salary increases, which averaged 3.5%, increased benefit costs, targeted investments to enhance academic programs, and increases in college spending authority under the University's restructured budget process, which distributes incremental resources based on credit hours and enrollments. Increases in **separately budgeted research** reflect continued growth in sponsored research programs administered by the OSU Research Foundation. **Public service** expenses decreased \$4 million, primarily due to reductions in restricted expenditures. Net **scholarship and fellowship expenses** increased \$8 million, to \$49 million in 2004. Total (gross) scholarship and fellowships – including amounts recorded as allowances against tuition and auxiliary revenues – increased \$23 million, to \$144 million in 2004.

Sales and service revenues of the University's **Auxiliary Enterprises** grew \$22 million, to \$163 million in 2004, led by increases in Housing, Food Service and Event Centers revenues (up \$10 million, primarily due to the opening of additional dormitory space in 2004) and Athletics (up \$6 million, primarily due to increased football ticket revenues). The Schottenstein Center and the Blackwell Inn also saw revenue increases (up \$3 million and \$2 million, respectively, in 2004). Other auxiliary revenues increased \$2 million to \$23 million in 2004. Total auxiliary expenses increased \$15 million, to \$179 million.

The Ohio State University Health System continued to grow during Fiscal Year 2004. Inpatient admissions and outpatient visits increased 6.4% and 5.7%, respectively. Consolidated Health System sales and service revenues increased \$113 million (13.8%) due to volume increases along with selective rate increases. Consolidated Health System expenses (which include restricted expenditures but exclude depreciation, interest and interfund transfers) increased \$128 million (15.8%). Salaries and benefits increased 15.9% due to labor market conditions and increased patient activity. Supplies increased 19.2% due to medical advances, inflation and more intensive patient care services. The Health System's net income (including depreciation, interest and interfund transfers) for 2004 was \$6.6 million, and net assets increased by \$14.1 million.

Looking ahead, the OSU Health System will be challenged by the national trend to meet the increase in demand for health services arising from an aging population and greater consumer expectations. In Fiscal Year 2005, admissions are projected to increase by 1,600 or 3.3%, and outpatient visits are expected to increase by 16,000 or 2.0%. Included are Emergency Department visits, which are expected to increase by 3,400 or 3.9%. The Health System will continue to be challenged by the increasing cost of care givers and medical technicians, malpractice costs, supplies, pharmaceuticals, purchased service costs and costs of research and technology.

The Health System as part of the Medical Center continues to support investment in research and teaching initiatives, which will result in the delivery of additional leading edge clinical services while fulfilling its academic mission. In response to the increased demand for services, the Health System has a number of initiatives underway including: the Ross Heart Hospital opening in the Fall of 2004; non-labor cost saving initiatives; and planning for the expansion of the James Cancer Hospital. The recent opening of entrance and exit ramps to State Route 315 has improved access to the Medical Center. The Health System, in conjunction with the Ohio State University Physicians Inc., also has initiated a combined self-insured malpractice program in 2004, which is expected to benefit the Medical Center. Despite the challenges of the health care industry, the Health System expects to improve its financial position in the face of these challenges and the changing healthcare environment during the upcoming year. The Health System will continue to play its role in supporting the Medical Center and its goal of becoming a leading research, educational and patient care provider in the United States by 2008.

Revenues and expenses of **OSU Physicians, Inc.**, the University's central practice group for physician faculty members of the College of Medicine and Public Health, grew significantly in 2004, as departmental practice groups joined the new combined entity. Total patient revenues grew from \$19 million to \$112 million. Total OSUP expenses (excluding depreciation, interest and interfund transfers) grew from \$17 million to \$102 million. OSUP, which was incorporated in Ohio in 2002, is the single member of 15 limited-liability companies. The following table lists those LLCs that were included in OSUP's financial reports in 2004 and 2003.

Practice Plan	2004	2003
Family Medicine Foundation, LLC	X	X
OSU Anesthesiology, LLC		
OSU-Children's Pediatrics, LLC	X	
OSU Emergency Medicine, LLC	X	
OSU Eye Physicians and Surgeons, LLC		
OSU GYN and OB Consultants, LLC	X	
OSU Internal Medicine, LLC	X	X
OSU Neuroscience Center, LLC	X	
OSU Orthopedics, LLC		
OSU Otolaryngology-Head and Neck Surgery, LLC		
OSU Pathology, LLC	X	
OSU Physical Medicine and Rehabilitation	X	
OSU Psychiatry, LLC	X	
OSU Radiology, LLC	X	
OSU Surgery, LLC	X	

Non-endowment gifts to the University declined \$17 million, totaling \$80 million in 2004. Increases in **private capital gifts** (up \$9 million) partially offset decreases in **current-use gifts** (down \$26 million). During 2004, the number of donors to the University reached an all-time high of 104,446, compared with last year's previous record of 102,777. The University also experienced a 7% increase in the number of gifts of \$10,000 or more.

Additions to permanent endowments increased \$5 million, to \$51 million in 2004, well above University projections of \$40-\$45 million. University management believes that – absent a comprehensive campaign – it is reasonable to project future annual endowment additions in the \$40-\$50 million range.

A strong equity market coupled with a neutral fixed income market resulted in **net investment income** of \$244 million in 2004. This figure includes \$60 million of interest and dividends and \$184 million net appreciation in the fair market value of University investments.

2003-2002 Highlights: Last year, the University reported significant growth in tuition, grants and contracts, and Health System revenues, with total operating revenues increasing \$264 million, to \$1.96 billion. Investment returns swung from a net loss of \$117 million in 2002 to net income of \$70 million in 2003. Educational and general expenses increased \$82 million, to \$1.34 billion (after report reclassifications for first-year OSU Physicians expenses). Health System expenses (excluding depreciation, interest and interfund transfers) increased \$108 million, to \$810 million.

As part of the GASB 34/35 implementation in 2002, the State of Ohio allocated the unfunded workers' compensation liabilities for Public Employer State Agencies to the

individual agencies and instructed state-assisted universities to incorporate these allocated liabilities in their financial reports.

In 2003, the Auditor of State and the Office of Budget and Management agreed to re-examine the State's allocation policy. Based on their review and consultation with representatives of the state-assisted universities, the agencies determined that the State of Ohio's General Revenue Fund would recognize the entire liability for future workers' compensation claims for the state, including the universities. Accordingly, the University's 2003 financial statements reflected an **extraordinary item for the reallocation of unfunded workers' compensation liabilities to the State of Ohio** of \$53 million.

Statement of Cash Flows

University Cash Flows Summary <i>(in thousands)</i>	2004	2003	2002
Net cash flows from operating activities	\$ (333,195)	\$ (387,450)	\$ (324,847)
Net cash flows from noncapital financing activities	549,711	578,294	544,453
Capital appropriations and gifts for capital projects	119,597	76,797	67,175
Proceeds from issuance of bonds and notes payable	390,955	124,461	264,464
Payments for purchase and construction of capital assets	(346,387)	(246,072)	(195,431)
Principal and interest payments on capital debt	(177,091)	(140,976)	(129,757)
Net cash flows from investing activities	(160,457)	(182,088)	45,950
Net increase (decrease) in cash	<u>\$ 43,133</u>	<u>\$ (177,034)</u>	<u>\$ 272,007</u>

Total University cash and cash equivalents increased \$43 million in 2004. Total cash provided by operating and noncapital financial activities was \$217 million, up \$26 million compared with 2003. Total cash used for capital financing activities was \$13 million, reflecting increases in both capital funding sources (debt proceeds, state capital appropriations and capital gifts) and uses (purchases of capital assets and debt service). Total cash used for investing activities was \$161 million, primarily due to \$250 million in net purchases of temporary investments.

Economic Factors That Will Affect the Future

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

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

Almost since its inception, the Academic Plan has had to be adapted to fiscal constraints brought about by a series of reductions in state funding. The combination of a slowing economy and increasing demand for other state services means state support for all of higher education will grow by less than 0.8% in 2005. In recognition of the difficult financial challenges facing Ohio State, the governor and the legislature allowed the University to raise tuition above the 9.9% tuition cap placed on most state institutions – up to a maximum of 12.9% above the prior academic year – under the condition that 3.9% of the increase would be earmarked for financial aid and student technology. These increases bring the total 2005 tuition and fees for a new undergraduate student at the Columbus campus to \$7,515, which places the University fifth in a ranking of Ohio's other selective admission public universities.

FY2005 Undergraduate Tuition at Ohio Public Universities (new students)	
Miami University	\$8,442 - \$9,642*
University of Cincinnati	\$8,379
Bowling Green	\$8,072
Ohio University	\$7,770
Ohio State - Main Campus	\$7,515
University of Akron	\$7,510
Kent State	\$7,504
University of Toledo	\$7,054
Cleveland State	\$6,792
Wright State	\$6,477
Youngstown State	\$5,884
Shawnee State	\$5,202
Central State	\$4,710
State Average	\$7,024 - \$7,116

* Range for Miami University is based on gross tuition and fees, less Ohio resident scholarships of \$10,000 - \$11,200.

The University's leadership agenda for 2005 focuses resources on three key initiatives:

Conduct Cutting-Edge Interdisciplinary Research -- The 2005 budget provides nearly \$12.8 million in one-time seed funds for interdisciplinary research, both medical and non-medical. A \$1.3 million increase in continuing funds will go for research support at the Comprehensive Cancer Center, and another \$825,000 to library improvements, research regulatory compliance activities and technology transfer.

Provide Distinctive Educational Experiences for Undergraduates – The budget provides an additional \$11.3 million for undergraduate student financial aid, including \$5.3 million from tuition increases earmarked for student aid. An additional \$3.3 million of the earmarked tuition increase is set aside for enhanced instructional technology. An additional \$2 million in earmarked tuition increases will help fund increased student activities and enhanced recreational facilities.

Be a Model for 21st Century Outreach and Engagement – Special funding will go toward the University's new child care center in the nearby Weinland Park area, the WOSU Stations' conversion to digital technology, primary and secondary school initiatives, a new project focused on senior citizens, and efforts to improve Ohio State's relationships and enhance its reputation with federal legislators and agencies in Washington, D.C.

Sound finances are crucial to the University's quest to become a truly great teaching and research institution. To assure a continued flow of resources to the activities and functions of the Academic Plan, the University has set the following long-term financial goals:

- A 0.5% to 1.0% operating margin in the General Fund
- A Rainy Day fund equal to 1% of total annual operating revenues
- Targeted reserves in selected areas of special risk (e.g. malpractice, utilities, etc.)
- At least 30 days of operating cash
- Debt service at no more than 5% of annual operating expenses and a bond rating of at least "AA"
- Multi-Year commitments of General Funds do not exceed 1% of current-year revenues

In the past year, the University's Board of Trustees has taken additional steps to protect Ohio State's financial resources, including a decrease in the payout rates on endowment funds and more stringent guidelines on how and when the University takes on debt for capital projects.

Annual distributions of endowment income are calculated as a percentage (payout rate) of the average value of shares in the endowment investment pool. For 2004, endowment distributions were 5% of the 3-year moving average value of shares in the endowment pool. Payout rates on existing endowment funds were reduced to 4.75% in 2005 and 4.5% in 2006. For new funds beginning in 2005, the payout rate will be 4%. For 2007 and future years, the payout rate for all funds will be 4.5%, subject to a "collar" that limits year-to-year fluctuations in the average values used in the distribution calculations. These steps are intended to ensure a predictable stream of income to colleges and other units while preserving the value of the endowment.

To preserve the University's "AA" credit rating, the Board of Trustees has set guidelines that limit the amount of new debt it will take on and has established a \$400 million cap for projects to be funded in the University's next bond issue in 2005. The University also implemented a 12-month freeze on bonding for new projects that have not already been identified and approved. These steps are intended to allow the University to meet its

existing commitments, while retaining sufficient debt capacity to meet a limited number of new commitments, consistent with the Academic Plan.

Ohio State is committed to a continuing effort to diversify its revenue base and more effectively control spending. The University will continue to examine everything it does to determine what it needs to do better and what it no longer needs to do at all.

In 2004, the University made continued progress towards its academic goals in a challenging financial environment. Based on what is now known about FY 2005, University management believes that Ohio State will continue to maintain its sound financial position in the year ahead.

Looking ahead to FY 2006 and beyond, University management sees continuing challenges regarding the levels of state support, increased resistance to tuition increases, increased competition from other institutions for the best faculty, staff and students, and continued political uncertainty internationally. Consequently, we are committed to building upon current efforts to diversify our revenue base, reduce our operating capital costs, and effectively manage our financial risks. By doing so, we feel The Ohio State University will continue to maintain its sound financial position while continuing its progress towards becoming a top-tier public research university.

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

June 30, 2004 and 2003
(In thousands)

	<u>2004</u>	<u>2003</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents (including bond proceeds restricted for capital expenditures of \$161,594 and \$49,723, respectively)	\$ 180,446	\$ 155,218
Temporary investments	948,124	681,486
Accounts receivable, net	302,519	284,059
Notes receivable -current portion, net	12,056	10,400
Pledges receivable - current portion, net	19,187	12,750
Accrued interest receivable	15,510	15,752
Inventories and prepaid expenses	61,990	61,724
Total Current Assets	<u>1,539,832</u>	<u>1,221,389</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	34,030	16,125
Notes receivable, net	59,324	49,016
Pledges receivable, net	23,771	43,499
Endowment investments	1,137,594	974,382
Other long-term investments	14,744	42,712
Capital assets, net	2,088,665	1,869,355
Total Noncurrent Assets	<u>3,358,128</u>	<u>2,995,089</u>
Total Assets	<u>\$ 4,897,960</u>	<u>\$ 4,216,478</u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 323,468	\$ 272,636
Deposits and deferred revenues	140,647	138,787
Commercial paper and current portion of bonds, notes and leases payable	411,270	349,206
Compensated absences - current portion	6,005	4,926
Obligations under annuity and life income agreements-current portion	4,804	4,570
Total Current Liabilities	<u>886,194</u>	<u>770,125</u>
Noncurrent Liabilities:		
Bonds, notes and leases payable	403,336	237,027
Compensated absences	64,513	59,615
Obligations under annuity and life income agreements	47,459	43,915
Refundable advances for Federal Perkins loans	30,132	31,170
Other noncurrent liabilities	39,574	37,081
Total Noncurrent Liabilities	<u>585,014</u>	<u>408,808</u>
Total Liabilities	<u>1,471,208</u>	<u>1,178,933</u>
Net Assets:		
Invested in capital assets, net of related debt	1,273,058	1,266,371
Restricted:		
Nonexpendable	966,758	791,188
Expendable	465,002	445,238
Unrestricted	721,934	534,748
Total Net Assets	<u>3,426,752</u>	<u>3,037,545</u>
Total Liabilities and Net Assets	<u>\$ 4,897,960</u>	<u>\$ 4,216,478</u>

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

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

Years Ended June 30, 2004 and 2003
(in thousands)

	<u>2004</u>	<u>2003</u>
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of \$83,430 and \$70,760 respectively)	\$ 436,218	\$ 392,609
Federal grants and contracts	291,036	269,859
State grants and contracts	47,873	34,482
Local grants and contracts	25,123	24,272
Private grants and contracts	144,942	153,615
Sales and services of educational departments	69,952	66,859
Sales and services of auxiliary enterprises (net of scholarship allowances of \$11,240 and \$9,206, respectively)	163,162	141,543
Sales and services of the OSU Health System (net of charity care of \$30,725 and \$20,942 respectively)	932,200	819,015
Sales and services of OSU Physicians, Inc.	112,036	18,857
Other operating revenues	40,367	41,758
Total Operating Revenues	<u>2,262,909</u>	<u>1,962,869</u>
Operating Expenses:		
Educational and General:		
Instructional and departmental research	577,500	547,367
Separately budgeted research	317,310	303,057
Public service	110,750	114,916
Academic support	103,502	101,292
Student services	65,906	57,145
Institutional support	109,331	110,144
Operation and maintenance of plant	73,133	68,154
Scholarships and fellowships	49,336	41,489
Auxiliary enterprises	178,645	164,130
OSU Health System	937,748	809,584
OSU Physicians, Inc.	101,778	17,048
Depreciation	141,477	140,608
Total Operating Expenses	<u>2,766,416</u>	<u>2,474,934</u>
Operating Loss	(503,507)	(512,065)
Non-operating Revenues (Expenses):		
State share of instruction and line-item appropriations	433,984	437,363
Gifts	52,500	79,144
Net investment income (loss)	244,013	69,754
Interest expense on plant debt	(23,322)	(17,594)
Other non-operating revenues(expenses)	3,705	(1,442)
Net Non-operating Revenue (Expense)	<u>710,880</u>	<u>567,225</u>
Income (Loss) before Other Revenues, Expenses, Gains or Losses	207,373	55,160
State capital appropriations	102,709	56,878
Private capital gifts	27,647	18,213
Additions to permanent endowments	51,478	46,026
Income (Loss) before Extraordinary Item	<u>389,207</u>	<u>176,277</u>
Extraordinary Item:		
Reallocation of unfunded workers' compensation liability to the State of Ohio	-	53,489
Increase (Decrease) in Net Assets	389,207	229,766
Net Assets - Beginning of Year	<u>3,037,545</u>	<u>2,807,779</u>
Net Assets - End of Year	<u>\$ 3,426,752</u>	<u>\$ 3,037,545</u>

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

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

Years Ended June 30, 2004 and 2003
(in thousands)

	<u>2004</u>	<u>2003</u>
Cash Flows from Operating Activities:		
Tuition and fee receipts	\$ 348,477	\$ 293,367
Grant and contract receipts	511,419	485,406
Receipts for sales and services	1,241,448	1,034,908
Payments to or on behalf of employees	(1,266,231)	(1,163,616)
University employee benefit payments	(319,664)	(294,941)
Payments to vendors for supplies and services	(860,782)	(747,729)
Payments to students and fellows	(42,786)	(35,713)
Student loans issued	(14,534)	(11,176)
Student loans collected	16,989	17,090
Student loan interest and fees collected	1,992	1,637
Other receipts (payments)	50,477	33,317
	<u>(333,195)</u>	<u>(387,450)</u>
Net cash provided (used) by operating activities		
Cash Flows from Noncapital Financing Activities:		
State share of instruction and line-item appropriations	433,984	437,363
Gift receipts for current use	68,268	89,911
Additions to permanent endowments	51,478	46,026
Drawdowns of federal direct loan proceeds	244,648	203,013
Disbursements of federal direct loans to students	(244,571)	(200,684)
Disbursement of loan proceeds to related organization	(8,164)	(1,017)
Amounts received for annuity and life income funds	8,250	8,190
Amounts paid to annuitants and life beneficiaries	(4,473)	(4,391)
Agency funds receipts	4,857	5,566
Agency funds disbursements	(4,566)	(5,683)
	<u>549,711</u>	<u>578,294</u>
Net cash provided (used) by noncapital financing activities		
Cash Flows from Capital Financing Activities:		
Proceeds from capital debt	390,955	124,461
State capital appropriations	91,950	58,584
Gift receipts for capital projects	27,647	18,213
Payments for purchase or construction of capital assets	(346,387)	(246,072)
Principal payments on capital debt and leases	(158,037)	(121,833)
Interest payments on capital debt and leases	(19,054)	(19,143)
	<u>(12,926)</u>	<u>(185,790)</u>
Net cash provided (used) by capital financing activities		
Cash Flows from Investing Activities:		
Net (purchases) sales of temporary investments	(249,698)	(222,276)
Proceeds from sales and maturities of long-term investments	1,075,162	552,070
Investment income, net of related fees	57,072	42,397
Purchases of long-term investments	(1,042,993)	(554,279)
	<u>(160,457)</u>	<u>(182,088)</u>
Net cash provided (used) by investing activities		
Net Increase (Decrease) in Cash	43,133	(177,034)
Cash and Cash Equivalents - Beginning of Year	<u>171,343</u>	<u>348,377</u>
Cash and Cash Equivalents - End of Year	<u>\$ 214,476</u>	<u>\$ 171,343</u>

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

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

Reconciliation of Net Operating Loss to Net Cash		
Provided (Used) by Operating Activities:		
Operating loss	\$ (503,507)	\$ (512,065)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities:		
Depreciation expense	141,477	140,608
Changes in assets and liabilities:		
Accounts receivable, net	(7,779)	(33,046)
Notes receivable, net	(3,797)	3,910
Accrued interest receivable	(201)	(1,973)
Inventories and prepaid expenses	(266)	(7,195)
Accounts payable and accrued liabilities	35,898	13,548
Deposits and deferred credits	2,092	355
Compensated absences	5,977	3,214
Refundable advances for federal Perkins loans	(1,038)	(4,167)
Other noncurrent liabilities	(2,051)	9,361
	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	\$ <u>(333,195)</u>	\$ <u>(387,450)</u>
Non Cash Transactions:		
Equipment	\$ 2,591	\$ 2,497
Capital Lease	(2,591)	(2,497)

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

Notes to Financial Statements – Years Ended June 30, 2004 and 2003

(dollars in thousands)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization

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

The university is governed by a eleven member Board of Trustees which is granted authority under Ohio law to do all things necessary for the proper maintenance and continual successful operation of the university. Nine trustees are appointed for staggered nine-year terms by the Governor with the advice and consent of the state Senate. In addition, two non-voting student members are appointed to the Board of Trustees for staggered two-year terms.

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

Basis of Presentation

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

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

Two separate statutory entities for which the university has special responsibility

- Ohio Agricultural Research and Development Center
- Ohio Supercomputer Center

Nine legally independent corporations engaged in activities related to the university

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

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

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

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

Effective July 1, 2002, the university adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14 to provide additional guidance for determining whether certain organizations, such as not-for-profit foundations, for which the primary government is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary government. The university determined that none of its affiliated organizations meet the criteria set forth for component units under GASB Statement No. 39. Accordingly, the adoption of this new accounting standard did not require the inclusion of any additional affiliated organizations in the university's financial reports.

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

Basis of Accounting

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

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

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

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

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

Cash and Investments

Cash and cash equivalents consist primarily of petty cash, demand deposit accounts, money market accounts, and savings accounts and include bond proceeds restricted for capital expenditures. Restricted cash and cash equivalents at June 30, 2004 and 2003 consist of cash and cash equivalents restricted for endowments and annuity/life income funds.

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

Investment in real estate is carried at cost, if purchased, or appraised value at the date of the gift. The carrying and market values of real estate at June 30, 2004 are \$60,752 and \$78,487, respectively.

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

Endowment Policy

The university Endowment Fund consists of more than 3,000 named funds. Each named fund is assigned a number of shares in the university Endowment Fund based on the value of the gifts to that named fund. The university's policy is to distribute annually to each named fund income equal to 5% of the average market value per share of the endowment during the past three years.

For donor restricted endowments, the Uniform Management of Institutional Funds Act, as adopted in Ohio, permits the university's Board of Trustees to appropriate an amount of realized and unrealized endowment appreciation as the Board deems prudent. Net realized and unrealized endowment appreciation, after the spending rule distributions, is retained with the endowment.

Endowment income is distributed to named endowment funds using the share method of accounting for pooled investments. Based on this method, undistributed gains from prior years were transferred from the endowment fund to current restricted funds. These transfers total \$63,479 and \$60,555 in fiscal years 2004 and 2003, respectively.

Gift Pledges Receivable

The university receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, endowment pledges are not recorded as assets until the related gift is received.

Inventories

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

Capital Assets and Collections

Capital assets are long-life assets in the service of the university and include land, buildings, improvements, equipment and library books. Capital assets are stated at cost or fair value

at date of gift. Depreciation of capital assets (excluding land and construction in progress) is provided on a straight-line basis over the following estimated useful lives:

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

The university does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any way. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Deferred Revenues

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

Operating and Non-Operating Revenues

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

Tuition, Room and Board

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

State Support

The university is a state-assisted institution of higher education which receives a student enrollment-based instructional subsidy from the State of Ohio. This subsidy, which is based

upon a formula devised by the Ohio Board of Regents, is determined annually and is adjusted to state resources available.

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

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

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

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

Government Grants and Contracts

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

Hospital Revenue

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

Management Estimates

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

Newly Issued Accounting Pronouncements

In March 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* and addresses additional risks to which governments are exposed. Under GASB No. 40, state and local governments are required to disclose information covering four principal areas:

- Investment credit risk disclosures, including credit quality information issued by rating agencies;
- Interest rate disclosures that include investment maturity information, such as weighted average maturities or specification identification of the securities;
- Interest rate sensitivity for investments that are highly sensitive to changes in interest rates (example, inverse floaters, enhanced variable-rate investments and certain asset-backed securities); and
- Foreign exchange exposures that would indicate the foreign investment's denomination.

The GASB No. 40 provisions are effective for financial statements for periods beginning after June 15, 2004.

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. The provisions of this statement are effective for periods beginning after December 31, 2004.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this Statement apply for trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. The provisions of this statement are effective for periods beginning after December 15, 2005.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes

standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. This Statement is effective for periods beginning after December 15, 2006.

University management has not yet determined the impact that implementation of GASB Statements 40, 42, 43 and 45 will have on the university's financial statements.

Other

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

Certain reclassifications have been made to the 2003 comparative information to conform with the 2004 presentation.

NOTE 2 — CASH AND INVESTMENTS

At June 30, 2004, the carrying amount of the university's cash and cash equivalents for all funds is \$214,476 as compared to bank balances of \$269,885. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, \$2,490 is covered by federal deposit insurance and \$267,395 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

The university's investment policy authorizes the university to invest non-endowment funds in the following investments:

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

The university's investment policy authorizes the university to invest endowment funds in the following investments:

- Obligations of the US Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- Certificates of deposit (domestic and eurodollar)
- Repurchase agreements
- Mutual funds
- Commercial paper
- Banker's acceptances
- Corporate bonds and notes
- Common and preferred stock
- Real estate
- Guaranteed investment contracts
- Collateralized mortgage obligations
- Asset-backed securities
- Private equity and venture capital

Statement No. 3 of the Governmental Accounting Standards Board requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year end. These categories of risk are summarized below.

Category 1 Insured or registered investments held by the university or its agent in the name of the university.

Category 2 Uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the name of the university.

Category 3 Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the university's name.

The values of investments at June 30, 2004 and 2003 are as follows:

	2004	2003
US Government securities	\$508,633	\$507,524
Common stocks	1,211,301	977,408
Corporate bonds	296,809	140,320
Real estate	60,752	38,766
Other	22,967	34,562
Total Investments	\$2,100,462	\$1,698,580

The US Government securities are invested through trust agreements with banks who keep the securities in their safekeeping accounts at the Federal Reserve Bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the university (Category 2). Common stocks, corporate bonds, money market instruments, mutual funds

and other investments are invested through trust agreements with banks who keep the investments in their safekeeping accounts at the Depository Trust Company, Bank One or State Street in "book entry" form. The banks internally designate the securities as owned by or pledged to the university (Category 2).

The bulk of the university's investment assets are accounted for on a pooled basis. The following chart summarizes total pooled and non-pooled amounts at June 30, 2004 and 2003, respectively:

	Pooled	Non-pooled	Total
Temporary investments	\$ 880,524	\$67,600	948,124
Endowment investments	1,106,971	30,623	1,137,594
Other long-term investments	12,405	2,339	14,744
Total 2004	\$1,999,900	100,562	\$2,100,462
Total 2003	\$1,614,055	\$ 84,525	\$1,698,580

Net appreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. During the year ended June 30, 2004, the university realized a net gain of \$59,541 from the sale of investments. The calculation of realized gains and losses is independent of the net appreciation in the fair value of investments held at year-end. Realized gains and losses on investments that had been held for more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year. The net appreciation in the fair value of investments during the year ended June 30, 2004, was \$184,355. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year. The unrealized appreciation during the year on investments was \$124,814.

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

	Interest and Dividends (net)	Net Appreciation (Depreciation) in Market Value of Investments	Net Investment Income (Loss)
Temporary investments	\$ 48,052	\$ 16,941	\$ 64,993
Endowment investments	1,922	166,048	167,970
Other long-term investments	9,684	1,366	11,050
Total 2004	\$ 59,658	\$ 184,355	\$ 244,013
Total 2003	\$ 42,729	\$ 27,025	\$ 69,754

NOTE 3 — ACCOUNTS, NOTES AND PLEDGES RECEIVABLE

Accounts receivable at June 30, 2004 and 2003 consist of the following:

	2004	2003
Patient receivables – OSU Health System	\$ 315,288	\$ 290,376
Patient receivables – OSU Physicians, Inc.	49,077	13,294
Grant and contract receivables	65,725	66,537
Tuition and fees receivable	42,699	41,598
Receivables for departmental and auxiliary sales and services	17,860	18,036
State and federal receivables	18,719	8,037
	509,368	437,878
Less: Allowances for doubtful accounts	206,849	153,819
	\$ 302,519	\$ 284,059

Notes receivable at June 30, 2004 consist primarily of Perkins Loans and are net of an allowance for doubtful accounts of \$10,605. Federal capital contributions to the Perkins loan programs represent advances which are ultimately refundable to the federal government.

In accordance with GASB Statement No. 33, *Accounting and Reporting for Non-exchange Transactions*, the university has recorded \$48,844 in non-endowment pledges receivable at June 30, 2004 and a related allowance for doubtful accounts of \$5,886.

NOTE 4 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 42,025	\$ 177	\$ -	\$ 42,202
Improvements other than buildings	181,959	11,606	2	193,563
Buildings and fixed equipment	2,141,374	141,031	922	2,281,483
Movable equipment and furniture	655,875	67,106	37,066	685,915
Library books	158,472	3,673	1,605	160,540
Construction in progress	237,643	139,780		377,423
	3,417,348	363,373	39,595	3,741,126
Less: Accumulated depreciation	1,547,993	141,477	37,009	1,652,461
Capital assets, net	\$ 1,869,355	\$ 221,896	\$ 2,586	\$ 2,088,665

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

NOTE 5 – ACCOUNTS PAYABLE, ACCRUED EXPENSES AND SELF-INSURANCE

Accounts payable and accrued expenses at June 30, 2004 and 2003 consist of the following:

	2004	2003
Payables to vendors for supplies and services	\$ 160,937	\$ 122,971
Accrued compensation and benefits	74,916	63,527
Retirement system contributions payable	21,790	18,869
Self-insurance accruals:		
Medical malpractice	34,891	28,458
Employee health insurance	15,090	20,337
Current portion of amounts due to third-party payers – OSU Health System	(180)	8,429
Other accrued expenses	16,024	10,045
	<u>\$ 323,468</u>	<u>\$ 272,636</u>

Self-Insurance Programs

The Hospitals have established a trustee self-insurance fund for professional liability claims. The estimated liability and the related contributions to the fund are based upon an independent actuarial determination as of June 30, 2004.

The Hospitals' estimate of professional malpractice liability includes provisions for known claims and actuarially determined estimates of incurred but not reported claims and incidents. This liability at June 30, 2004 of the anticipated future payments on gross claims is estimated at its present value of \$34,891 discounted at an estimated rate of 5.0%.

Although actual experience upon the ultimate disposition of the claims may vary from this estimate, the self-insurance fund assets of \$34,259 are less than the recorded liability at June 30, 2004, and the deficit of \$632 is included in the Hospitals' fund equity.

The university is also self-insured with a stop-loss ceiling of \$4,491 for employee health insurance. As of June 30, 2004, \$15,090 is recorded as a liability relating to both claims received but not paid and estimates of claims incurred but not yet reported.

Changes in the reported liabilities since June 30, 2002 result from the following activities:

	Malpractice		Health and Life	
	2004	2003	2004	2003
Liability at beginning of fiscal year	\$28,458	\$22,859	\$20,337	\$17,167
Current year claims, changes in estimates	8,012	8,946	87,735	111,820
Claim payments	(1,579)	(3,347)	(89,982)	(108,650)
Balance at fiscal year end	<u>\$34,891</u>	<u>\$28,458</u>	<u>\$15,090</u>	<u>\$20,337</u>

NOTE 6 — DEBT

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

Debt activity for the year ended June 30, 2004 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Commercial Paper:					
Series E	\$ 70,150	20,450	68,500	22,100	\$ 22,100
Notes:					
Ohio Board of Regents Note, due through 2006	637		212	425	213
Capital One Funding Corporation, due through 2014	2,575		170	2,405	177
Fifth Third Note, due through 2008	3,041	8,700	2,050	9,691	4,555
Fifth Third Line of Credit	307	300	307	300	300
2003 Short Term Note Payable	50,965		50,965		
General Receipts Bonds – Fixed Rate:					
1999A, due serially through 2029	75,190		3,040	72,150	3,185
2002A, due serially through 2031	145,075		5,735	139,340	6,010
2003B, due serially through 2033		233,780	7,740	226,040	48,695
General Receipts Bonds – Variable Rate:					
1997, due serially through 2027	50,840		3,500	47,340	47,340
1999B1, due serially through 2029	69,300		4,700	64,600	64,600
1999B2, due 2006	15,600		3,500	12,100	12,100
2001, due serially through 2032	76,950			76,950	76,950
2003C, due serially through 2031		121,295	2,040	119,255	119,255
Capital Lease Obligations	25,603	2,590	6,283	21,910	5,790
	\$ 586,233	387,115	158,742	814,606	\$ 411,270

Debt obligations are generally callable by the university, bear interest at fixed and variable rates ranging from 0% to 6% and mature at various dates through 2032. Maturities and interest on debt obligations for the next five years and in five-year periods are as follows:

	Commercial Paper, Bonds and Notes Payable		Capital Leases and Certificates of Participation	
	Principal	Interest	Principal	Interest
2005	405,480	23,529	\$ 5,790	\$ 827
2006	18,206	23,630	5,478	601
2007	16,689	22,864	3,647	403
2008	17,274	22,008	1,174	303
2009	18,184	21,121	559	270
2010-2014	89,354	90,973	2,932	937
2015-2019	79,565	65,004	2,330	242
2020-2024	67,945	38,715		
2025-2029	47,025	19,522		
2030-2033	32,974	4,294		
	792,696	331,660	\$ 21,910	\$ 3,583

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

The outstanding bond indentures do not require mandatory reserves for future payment of principal and interest. However, the university has set aside \$52,620 for future debt service which is included in unrestricted net assets.

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

	Amount Defeased	Amount Outstanding at June 30, 2004
Revenue Bonds: Series I	\$5,951	\$1,410

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

Variable Rate Demand Bonds

Series 1997, 1999B1, 1999B2, 2001 and 2003C variable rate demand bonds bear interest at rates based upon yield evaluations at par of comparable securities. The maximum interest rate allowable and the effective average interest rate from issue date to June 30, 2004 are as follows:

Series:	Interest Rate Not to Exceed	Effective Average Interest Rate
1997	12%	2.402 %
1999 B1	12%	2.037 %
1999 B2	12%	2.216 %
2001	12%	1.168 %
2003 C	12%	0.958 %

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

The university's variable rate demand bonds mature at various dates through 2032. GASB Interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities*, provides guidance on the balance sheet classification of these bonds. Under GASB Interpretation No. 1, outstanding principal balances on variable rate demand bonds may be classified as non-current liabilities if the issuer has entered into a "take-out agreement" to convert bonds "put" but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities.

Although it is the university's intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the university does not have "take-out agreements" in place per the GASB Interpretation No. 1 requirements. Accordingly, the university has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. The obligations totaled \$320,245 and \$212,690 at June 30, 2004 and 2003, respectively.

Commercial Paper

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

Capital Lease Obligations

Computer equipment and the facilities for child care, stores/receiving and ATI residence hall are financed as capital leases. The original cost and lease obligations related to these capital leases as of June 30, 2004 are \$44,225 and \$21,910 respectively. The original cost

and lease obligations related to these capital leases as of June 30, 2003 are \$45,725 and \$25,603 respectively.

NOTE 7 — OPERATING LEASES

The university leases various buildings, office space, and equipment under operating lease agreements. These facilities and equipment are not recorded as assets on the balance sheet. The total rental expense under these agreements was \$24,059 and \$20,212 for the years ended June 30, 2004 and 2003, respectively.

Future minimum payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2004 are as follows:

Year Ending June 30,	
2005	16,200
2006	15,116
2007	8,282
2008	5,458
2009	4,570
2010-2014	14,701
2015-2019	3,491
2020-2024	947
2025-2029	160
Total minimum lease payments	<u>68,925</u>

NOTE 8 — COMPENSATED ABSENCES

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

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

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

The university accrues sick leave liability for those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments. This liability is calculated using the "termination payment method" which is set forth in Appendix C, Example 4 of the GASB Statement No. 16, *Accounting for Compensated Absences*. Under the termination method, the university calculates a ratio, Sick Leave Termination Cost per Year Worked, that is based on the

university's actual historical experience of sick leave payouts to terminated employees. This ratio is then applied to the total years-of-service for current employees.

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

NOTE 9 — NONCURRENT LIABILITIES

Non-current liability activity for the year ended June 30, 2004 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 64,541	\$ 11,982	\$ 6,005	\$ 70,518
Obligations under annuity and life income agreements	48,485	8,251	4,473	52,263
Refundable advances for Federal Perkins loans	31,170	-	1,038	30,132
Other non-current liabilities	37,081	4,493	2,000	39,574
	181,277	\$ 24,726	\$ 13,516	192,487
Less: Current portion	9,496			10,809
	<u>\$ 171,781</u>			<u>\$ 181,678</u>

Other non-current liabilities at June 30, 2004 and 2003 consist of the following:

	2004	2003
Amounts due to third-party payers - OSU Health System	\$ 29,030	\$ 29,081
Advance payments under exclusivity agreements	6,000	8,000
Bond premium	4,544	-
	<u>\$ 39,574</u>	<u>\$ 37,081</u>

NOTE 10 — UNRESTRICTED AND RESTRICTED-EXPENDABLE NET ASSETS

Substantially all unrestricted net assets are internally designated for use by university departments to support working capital needs, to fund related academic or research programs, and to provide for unanticipated shortfalls in revenues and deviations in enrollment. Major components of unrestricted net assets at June 30, 2004 and 2003 are as follows:

	2004	2003
Educational and general	\$ 414,683	\$ 316,340
Auxiliary enterprises	(2,061)	(13,449)
OSU Health System	158,403	119,829
Loan funds	2,705	2,527
Unrestricted quasi-endowments	43,312	41,874
Plant	104,892	67,627
	\$ 721,934	\$ 534,748

Restricted expendable net assets are subject to various purpose or time-based restrictions set forth by donors or granting agencies. Major components of restricted-expendable net assets at June 30, 2004 and 2003 are as follows:

	2004	2003
Current operations	\$ 278,858	\$ 289,215
Loan funds	40,927	37,272
Restricted quasi-endowments	130,433	113,806
Plant	14,784	4,945
	\$ 465,002	\$ 445,238

NOTE 11 – OPERATING EXPENSES BY OBJECT

In accordance with requirements set forth by the Ohio Board of Regents, the university reports operating expenses by functional classification on the Statement of Revenues, Expenses and Other Changes in Net Assets. Operating expenses by object for the years ended June 30, 2004 and 2003 are summarized as follows:

Year Ended June 30, 2004

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 504,285	\$ 73,215			\$ 577,500
Separately budgeted research	218,095	99,215			317,310
Public service	79,511	31,239			110,750
Academic support	85,535	17,967			103,502
Student services	44,412	21,494			65,906
Institutional support	97,842	11,489			109,331
Operation and maintenance of plant	32,787	40,347			73,134
Scholarships and fellowships	4,467	2,083	\$42,786		49,336
Auxiliary enterprises	84,861	93,783			178,644
OSU Health System	478,133	459,615			937,748
OSU Physicians, Inc.	67,074	34,704			101,778
Depreciation				\$141,477	141,477
Total operating expenses	\$ 1,697,002	\$885,151	\$42,786	\$141,477	\$ 2,766,416

Year Ended June 30, 2003

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 484,522	\$62,845			\$ 547,367
Separately budgeted research	206,140	96,917			303,057
Public service	81,682	33,234			114,916
Academic support	78,165	23,127			101,292
Student services	44,406	12,739			57,145
Institutional support	92,810	17,334			110,144
Operation and maintenance of plant	31,835	36,319			68,154
Scholarships and fellowships	3,420	2,356	\$35,713		41,489
Auxiliary enterprises	78,495	85,635			164,130
OSU Health System	408,170	401,414			809,584
OSU Physicians, Inc.	9,963	7,085			17,048
Depreciation				\$140,608	140,608
Total operating expenses	\$1,519,608	\$779,005	\$35,713	\$140,608	\$2,474,934

NOTE 12 — RETIREMENT PLANS

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

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

Defined Benefit Plans

STRS Ohio and OPERS offer statewide cost-sharing multiple-employer defined benefit pension plans. STRS Ohio and OPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute. Both STRS Ohio and OPERS issue separate, publicly available financial reports that include financial statements and required supplemental information. These reports may be obtained by contacting the two organizations.

STRS Ohio
 275 East Broad Street
 Columbus, OH 43215-3771
 (614) 227-4090
 (888) 227-7877
www.strsoh.org

Ohio PERS
 277 East Town Street
 Columbus, OH 43215-4642
 (614) 466-2085
 (888) 400-0965
www.opers.org

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

OPERS currently provides postemployment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under Ohio Revised Code (ORC), funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For the fiscal year ended December 31, 2003, OPERS allocated 5.0% of the employer contribution rate to fund the health care program for retirees.

The actuarial value of assets available for these benefits at December 31, 2002 (the date of the system's latest actuarial review) was \$10.0 billion. There were 364,881 active contributing benefit recipients eligible for postemployment benefits as of December 31, 2003.

In December 2001, OPERS adopted the Health Care "Choices" Plan. This plan is available to employees hired after January 1, 2003 who have no prior service credit accumulated towards post retirement health care benefits. This plan will incorporate a cafeteria plan approach in which the benefit recipient chooses coverage options best meeting his or her requirements, and benefits are earned on a graded scale from ten to thirty years (as opposed to the ten year vesting requirement for the existing post retirement health care benefit plan. OPERS is now considering extending the "Choices" plan to all active members and benefit recipients, but this decision has not been finalized as of June 30, 2004.

STRS Ohio currently provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to ORC, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of monthly premiums. Under ORC, medical costs paid from the funds of STRS Ohio are included in the employer contribution rate. For the fiscal year ended June 30, 2003, STRS Ohio allocated employer contributions equal to 1.0% of covered payroll to a Health Care Stabilization Fund (HCSF) from which payments for health care benefits are paid. The balance in the HCSF was \$2.8 billion at June 30, 2003.

STRS Ohio expenditures for postemployment benefits during the year ended June 30, 2003 were \$352.3 million. There were 108,294 benefit recipients eligible for postemployment benefits at that date.

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

Defined Contribution Plans

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

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

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

Combined Plans

Effective July 1, 2003, STRS Ohio began offering a combined plan offering features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits.

OPERS also offers a combined plan. This is a cost-sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor and postretirement health benefits to qualifying members of the combined plan.

Funding Policy

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

	STRS Ohio	OPERS	ARP
Faculty:			
Plan member	10.0%		10.0%
University	14.0%		14.0%*
Staff:			
Plan member		8.5%	8.5%
University		13.31%	13.31%
Law enforcement staff:			
Plan member		10.1%	10.1%
University		16.7%	16.7%

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

The university's contributions, which represent 100% of required employer contributions, for the year ended June 30, 2004 and for each of the two preceding years are as follows:

Year	STRS Ohio	OPERS	ARP
	Annual Required Contribution	Annual Required Contribution	Annual Required Contribution
2002	\$ 36,871	\$ 71,988	\$ 17,989
2003	\$ 37,345	\$ 76,408	\$ 21,836
2004	\$ 38,155	\$ 82,927	\$ 23,337

NOTE 13 — CAPITAL PROJECT COMMITMENTS

At June 30, 2004, the university is committed to future contractual obligations for capital expenditures of approximately \$328,534.

These projects are funded by the following sources:

State appropriations	\$ 188,415
Internal and other sources	140,119
Total	<u>\$ 328,534</u>

NOTE 14 — CONTINGENCIES AND RISK MANAGEMENT

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

The University is self-insured for Hospitals professional malpractice liability, employee health benefits, and employee life, accidental death and dismemberment benefits.

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

NOTE 15 — FUNDS HELD IN TRUST BY OTHERS

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

NOTE 16 — EXTRAORDINARY ITEM: REALLOCATION OF UNFUNDED WORKERS' COMPENSATION LIABILITY TO THE STATE OF OHIO

Under the State of Ohio's workers' compensation program, public employer state agencies, including state universities and university hospitals, pay workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis. The Bureau of Workers Compensation determines a rate for each governmental agency that will generate premium collections equal to the losses anticipated to be paid in the coming year. As part of the GASB 34/35 implementation in 2002, the State of Ohio allocated the unfunded workers' compensation liabilities for public employer state agencies to the individual agencies and instructed state-assisted universities to incorporate these allocated liabilities in their financial reports.

In 2003, the Auditor of State and the Office of Budget and Management agreed to re-examine the State's allocation policy. Based on their review and consultation with representatives of the state-assisted universities, the agencies determined that the State of Ohio's General Revenue Fund would recognize the entire liability for future workers' compensation claims for the state, including the universities. Accordingly, the University's 2003 financial statements reflected an extraordinary item for the reallocation of unfunded workers' compensation liabilities to the State of Ohio of \$53,489.

Acknowledgements

The 2004 Financial Report and the included financial statements are prepared by the staff of the Office of the Controller, Division of Accounting.

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Greta J. Russell - University Controller

Board of Trustees

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The Ohio State University

*Report on Federal Awards in Accordance
With OMB Circular A-133 Federal Entity
Identification Number 1-31-602-5986-A1
for the Year Ended June 30, 2004*

THE OHIO STATE UNIVERSITY

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THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
Student Financial Aid Cluster			
U.S. Department of Education			
Supplemental Educational Opportunity Grant:	84.007	P007A023342	\$ 2,712,585
College Workstudy Program	84.033	PO33A023342	4,859,237
Federal Direct Student Loan	84.268	N/A	(317,290)
Pell Grant Program	84.063	P063P020345	<u>26,467,313</u>
Total U.S. Department of Education			<u>33,721,845</u>
U.S. Department of Health and Human Services			
Exceptional Financial Need	93.820	N/A	(3,692)
SDS award	93.925	6084209-03	<u>489,854</u>
Total U.S. Department of Health and Human Services			<u>486,162</u>
Total Student Financial Aid Cluster			<u>34,208,007</u>
Research and Development Cluster			
Funds received directly from the following federal agencies:			
Environmental Protection Agency:		30020000	(1,960)
Ames Research Center		30030103	114,578
John Glenn Research Center-Lewis Field		30030104	3,829,228
Nasa Headquarters		30030105	133,213
Marshall Space Flight Center:		30030201	288,629
Johnson Space Center:		30030202	108,622
Kennedy (John F) Space Center		30030203	199,068
Goddard Space Flight Center:		30030301	2,546,752
National Science Foundation:		30050000	45,321
NSF Division Atmospheric Science		30050401	8,056
NSF Office of International Science & Education		30050803	7,852
Smithsonian Astrophysical Observatory:		30060200	148,104
Appalachian Regional Commission:		30070100	97,358
Veterans Affairs:		30170000	52,268
Agency for International Development:		30300100	184,216
Central Intelligence Agency:		30350100	61,550
Institute of Museum & Library Services:		30510000	95,108
Forest Service:		40020000	136,602
Cooperative State Research, Education & Extension Service:		40040100	51,316
Agricultural Research Service:		40040200	274,609
Natural Resources Conservation Service:		40060000	91,703
Animal & Plant Health Inspection Service:		40070000	23,006
Economic Research Service:		40120000	136,534
Food Safety & Inspection Service:		40130000	8,523
Rural Development:		40190000	85,502
National Oceanic and Atmospheric Administration:		42020000	851
National Marine Fisheries Service:		42020300	103,827
Office of National Geodetic Survey:		42020400	51,551

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
National Institute of Standards & Technolog		42040000	\$ (61)
Department of Defens		50000000	116,257
Air Force		50010000	65,381
Air Force Materiel Commanc		50010100	724,067
Air Force Office of Scientific Researc		50010105	117,109
Wright Laboratory		50010800	58,059
Army Corps of Engineer		50020100	46,423
Army Cold Regions Research & Engineering La		50020103	53,941
Humphreys Engineer Center Of Support Activit		50020106	268,913
Army Tank Command		50020204	473,351
Army Research Office		50020400	920,095
Army Robert Morris Acquisition Cente		50022400	57,822
Army Space and Missile Defense Comman		50022500	14,514
Office of Naval Research		50040300	16,136
Naval Research Lab		50040301	90,868
Naval Medical Research Institut		50041002	28,121
Advanced Research Projects Agenc		50060000	796,180
National Geospatial-Intelligence Agenc		50080000	37,602
Defense Logistics Agenc		50130000	141,352
National Security Agency		50140000	54,312
Uniformed Services University Health Science		50190000	27,807
National Reconnaissance Office		50200000	735,454
Strategic Environmental R&D Program		50210000	93,823
Institute of Education Science		53020000	5,429,333
Department of Energy		55000000	7,448,272
Los Alamos National Lab		55050000	199,254
Oak Ridge National Laboratory		55110000	156,719
National Energy Technology Laboratory		55130000	147,036
Centers For Medicare and Medicaid Service		60020000	167,441
National Cancer Institute		60040402	1,494,850
National Heart Lung Blood		60040403	911,282
National Institute Allergy Infectious Disease		60040404	(420)
National Institute Neurological Disorders & Strok		60040408	621,760
National Institute Dental and Craniofacial Researcl		60040412	546
National Institute Arthritis, Musculoskeletal and Skin		60040419	1,564,451
National Institute Mental Health		60040421	95,755
Centers for Disease Control and Preventio		60040600	76,925
Department of Housing & Urban Developmer		70000000	8,438
U.S. Fish & Wildlife Service		72030000	1,142
U.S. Geological Survey		72040000	51,520
Office Surface Mining Reclam & Enforcemer		72090000	4,926
Bureau of Labor Statistics		76050000	11,970,655
Bureau of Educational & Cultural Affairs		80020100	3,591
Department of Transportatior		82000000	531,630
Federal Aviation Administration		82030000	919,180
National Highway Traffic Safety Administratio		82040000	452,914
Economic Research Service	1.001	40120000	14,579
Agricultural Research Service	10.001	40040200	1,078,997

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
Animal & Plant Health Inspection Servic	10.028	40070000	\$ 32,322
Cooperative State Research, Education and Extension Servic	10.200	40040100	1,736,451
National Research Initiative Competitive Grants Program	10.206	40040103	2,620,515
Cooperative State Research, Education and Extension Servic	10.207	40040100	26,558
Cooperative State Research, Education and Extension Servic	10.217	40040100	86,374
Cooperative State Research, Education and Extension Servic	10.219	40040100	20,600
Economic Research Servic	10.250	40120000	13,458
Initiative Future Agriculture & Food System	10.302	40040104	1,718,423
Cooperative State Research, Education and Extension Servic	10.303	40040100	674,887
Risk Management Agency (USDA)	10.450	40180000	24,615
Cooperative State Res Educ & Extension Servic	10.500	40040100	306,202
Forest Service	10.652	40020000	29,538
National Urban & Community Forestry Council	10.670	40020200	44,130
Rural Development	10.771	40190000	169,316
National Sheep Industry Improvement Center	10.774	40190100	10,553
Natural Resources Conservation Service	10.913	40060000	538
Office of International Cooperation & Development	10.960	40100000	26,547
Office of International Cooperation & Development	10.961	40100000	2,686
National Oceanic and Atmospheric Administration	11.417	42020000	1,264,084
National Oceanic and Atmospheric Administration	11.460	42020000	85,852
National Institute of Standards and Technology	11.609	42040000	151,315
Naval Research Lab	12.300	50040301	2,475,155
Advanced Research Projects Agency	12.420	50060000	3,855,195
Army Robert Morris Acquisition Center	12.431	50022400	171,415
National Geospatial-Intelligence Agency	12.630	50080000	1,211,994
Air Force Office of Scientific Research	12.800	50010105	4,282,403
National Security Agency	12.901	50140000	66,719
Air Force Office of Scientific Research	12.910	50010105	435,301
U.S. Fish & Wildlife Service	15.608	72030000	12,814
U.S. Fish & Wildlife Service	15.635	72030000	1,143
U.S. Geological Survey	15.805	72040000	102,461
U.S. Geological Survey	15.808	72040000	296,014
OCC Safety & Health Agency	17.502	76020000	81,990
Bureau of Educational & Cultural Affairs	19.405	80020100	55,078
Federal Aviation Administration	20.108	82030000	269,736
Nasa Headquarters	43.002	30030105	10,605
National Endowment for the Arts	45.042	30040200	40,750
National Endowment for the Humanities	45.149	30040100	208,549
National Endowment for the Humanities	45.162	30040100	16,423
National Endowment for the Humanities	45.163	30040100	76,370
NSF Division Bioengineering & Environment	47.041	30050307	3,058,451
NSF Division Undergraduate Education	47.046	30050605	35,404
NSF Division Astronomical Science	47.049	30050505	12,877,896
NSF Office Polar Programs	47.050	30050404	1,831,984
NSF Division Physics	47.070	30050502	2,843,143
NSF Division Ocean Science	47.074	30050402	5,624,046
NSF Behavioral and Cognitive Science	47.075	30050804	2,399,801
NSF Elementary, Secondary and Informal Education	47.076	30050607	1,867,410

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
NSF Office Polar Program	47.078	30050404	\$ 2,533,748
Environmental Protection Agency	66.460	30020000	66,956
Environmental Protection Agency	66.500	30020000	296,042
Environmental Protection Agency	66.808	30020000	12,631
Environmental Protection Agency	66.951	30020000	13,973
Dept of Energy	81.049	55000000	520,030
National Energy Technology Laboratory	81.064	55130000	4,459
Department of Energy	81.086	55000000	1,400,678
National Energy Technology Laboratory	81.089	55130000	292,732
Department of Energy	81.114	55000000	115,090
Center for International Education	84.015	53040200	878,733
Office of Postsecondary Education	84.021	53040000	8,127
Office of Postsecondary Education	84.042	53040000	245,604
Office of Postsecondary Education	84.047	53040000	66,361
Office Vocational and Adult Education Program	84.051	53060000	126,881
Fund Improvement Postsecondary Education	84.116	53020300	82,270
Rehabilitation Services Administration	84.129	53050200	103,172
National Institute of Disability and Rehabilitation Research	84.133	53050300	391,009
Department of Education	84.200	53000000	74,461
Office of Postsecondary Education	84.220	53040000	293,263
National Institute of Disability and Rehabilitation Research	84.224	53050300	559,031
Office of Postsecondary Education	84.229	53040000	320,475
Institute of Education Science	84.305	53020000	201,350
Office of Special Education Program	84.324	53050100	177,295
Department of Education	84.325	53000000	280,983
Department of Education	84.327	53000000	160,120
Department of Education	84.333	53000000	269,863
Office of Postsecondary Education	84.342	53040000	142,074
Office of Elementary & Secondary Education	84.350	53030000	504,303
Food & Drug Administration	93.103	60040200	29,136
Maternal & Child Health Bureau	93.110	60040505	335,495
National Institute Environmental Health Science	93.113	60040414	716,201
National Institute Environmental Health Science	93.114	60040414	94,438
National Institute Dental and Craniofacial Research	93.121	60040412	4,382,030
Public Health Service	93.137	60040000	32,448
National In Health	93.172	60040400	4,161
National In Deafness and Other Communication Disorder	93.173	60040420	1,194,859
Bureau Health Professions	93.181	60040501	130,112
Health Resources & Services Administration	93.191	60040500	79,449
National Center Complementary & Alternative Medicine	93.213	60040427	51,856
Substance Abuse & Mental Health Services Administration	93.230	60040424	63,950
National Institute Mental Health	93.242	60040421	3,415,226
National Institute for Occupational Safety & Health	93.262	60040601	1,091,709
National Institute Alcohol Abuse & Alcoholism	93.273	60040423	152,316
National Institute Drug Abuse	93.277	60040422	114,486
National Institute Drug Abuse	93.279	60040422	995,514
National Institute Mental Health	93.281	60040421	334,865
National Institute Mental Health	93.282	60040421	335,920

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

Federal Agency/Pass-Through Grantor	CFDA No.	Sponsor ID	Expenditures
Centers for Disease Control and Preventio	93.283	60040600	\$ 349,280
National Institute Biomedical Imaging & Bioenginee	93.286	60040428	1,897,775
National Center for Research Resource	93.306	60040410	963,673
National Center for Research Resource	93.333	60040410	176,655
Health Resources & Services Administratio	93.359	60040500	18,832
National Institute Nursing Research	93.361	60040418	1,305,755
National Center for Research Resource	93.371	60040410	(8)
National Center for Research Resource	93.389	60040410	236,284
National Institute Dental and Craniofacial Researcl	93.390	60040412	40,885
National Cancer Institute	93.393	60040402	5,695,422
National Cancer Institute	93.394	60040402	1,351,137
National Cancer Institute	93.395	60040402	11,625,221
National Institute General Medical Science	93.396	60040407	4,772,691
National Cancer Institute	93.397	60040402	2,626,965
National Cancer Institute	93.398	60040402	1,644,832
National Cancer Institute	93.399	60040402	1,873,731
Administration for Children, Youth & Familie	93.632	60070100	399,354
Centers For Medicare and Medicaid Service	93.779	60020000	3,619
National Institute General Medical Scienc	93.821	60040407	1,880,131
National Heart Lung Blood	93.837	60040403	5,393,725
National Heart Lung Blood	93.838	60040403	2,924,128
National Heart Lung Blood	93.839	60040403	412,680
National Institute Arthritis, Musculoskeletal & Ski	93.846	60040419	1,190,332
National Institute Diabetes & Digestive & Kidney Diseas	93.847	60040405	922,546
National Institute Diabetes & Digestive & Kidney Diseas	93.848	60040405	1,828,262
National Institute Diabetes & Digestive & Kidney Diseas	93.849	60040405	2,035,308
National Institute Neurological Disorders & Strok	93.853	60040408	6,416,886
National Institute Allergy Infectious Disease	93.855	60040404	2,676,946
National Institute Allergy Infectious Disease	93.856	60040404	6,769,847
National Institute General Medical Science	93.859	60040407	3,410,498
National Institute General Medical Science	93.862	60040407	3,066,131
National Institute Child Health and Human Developmen	93.864	60040406	759,479
National Institute Child Health and Human Developmen	93.865	60040406	2,727,223
National Institute of Aging	93.866	60040415	3,011,865
National Eye Institute	93.867	60040411	6,372,814
Bureau Health Profession:	93.884	60040501	398,285
Health Resources & Services Administratio	93.896	60040500	236,256
Fogarty International Cente:	93.934	60040417	118,948
National Institute for Occupational Safety & Health	93.956	60040601	366,379
National Institute General Medical Science	93.960	60040407	9,310
Bureau Health Profession:	93.964	60040501	9,978
Bureau Health Profession:	93.984	60040501	33,718
Health Resources & Services Administratio	93.996	60040500	230,942
Corporation For National Service	94.005	31040001	193,122
NSF Molecular & Cellular Bioscience:	95.270	30050103	8,393
National Institute Neurological Disorders & Strok	95.853	60040408	56,120

Subtotal of Research and Development Cluster funds received directly from federal agencies

212,561,743

THE OHIO STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004**

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D.	Pass-Through I.D. Number	Expenditures
Research and Development Cluster				
Funds received directly from the following pass-through sponsor				
Environmental Protection Agency	Engineering Mechanics Corp. of Columbu	30020000	10020135	\$ 5,475
Environmental Protection Agency	Consortium Plant Biotechnology Research In	30020000	20021036	45,383
Environmental Protection Agency	University of Wisconsin	30020000	22000006	(3,555)
Environmental Protection Agency	North Carolina State University	30020000	22000136	14,668
Environmental Protection Agency	University of Delaware	30020000	22000138	14,601
Environmental Protection Agency	Case Western Research University	30020000	22000238	4,425
Environmental Protection Agency	Ohio Environmental Protection Agency	30020000	26340000	120,580
EPA-Office of Water	Miami Conservancy District	30020200	24000476	4,352
EPA-Office of Water	Ohio Environmental Protection Agency	30020200	26340000	52
National Aeronautics and Space Administration	Alliedsignal, Inc	30030000	10011761	1
National Aeronautics and Space Administration	Raytheon Company	30030000	10011847	186,187
National Aeronautics and Space Administration	Rotorcraft Industry Technology Association	30030000	20020103	142,794
National Aeronautics and Space Administration	Space Telescope Science Institute	30030000	20021006	92,149
National Aeronautics and Space Administration	Universities Research Association, Inc	30030000	20021485	(565)
National Aeronautics and Space Administration	California Institute of Technology	30030000	22000054	265,306
National Aeronautics and Space Administration	Johns Hopkins University	30030000	22000133	79,754
National Aeronautics and Space Administration	Georgia Tech Research Institute	30030000	22000245	36,680
National Aeronautics and Space Administration	Rochester Institute of Technology	30030000	22000335	28,954
Ames Research Center	Raytheon Company	30030103	10011847	(95,422)
Ames Research Center	Am Museum of Natural History	30030103	20021138	43,097
John Glenn Research Center-Lewis Field	Ohio Aerospace Institute	30030104	20021048	116,464
John Glenn Research Center-Lewis Field	University of Illinois	30030104	22000009	23,133
John Glenn Research Center-Lewis Field	Georgia Tech Research Institute	30030104	22000245	736,578
NASA Headquarters	California Institute of Technology	30030105	22000054	4,429
Goddard Space Flight Center	Idaho National Engineering Laboratory	30030301	10011343	193,678
Goddard Space Flight Center	Raytheon Company	30030301	10011847	82,488
National Endowment For The Humanities	Cornell University	30040100	22000081	21,617
National Science Foundation	Horizon Research, Inc	30050000	10012237	12,617
National Science Foundation	Applied Metallurgy Corp	30050000	10012400	70,281
National Science Foundation	Space Hardware Opt. Tech	30050000	10012510	40,057
National Science Foundation	Cleveland Clinic Foundation	30050000	20010421	19,048
National Science Foundation	Woods Hole Oceanographic Institution	30050000	20020744	278,428
National Science Foundation	Univ Corp Atmospheric Research	30050000	20020793	229,794
National Science Foundation	Internet2-Univ Corp For Adv Internet D	30050000	20021469	83,777
National Science Foundation	International Technology Education Association	30050000	20021487	160,794
National Science Foundation	Pacific Resources For Educ & Learning	30050000	20021507	29,549
National Science Foundation	Rutgers University	30050000	22000003	21,412
National Science Foundation	University Medical & Dentistry N.	30050000	22000004	(863)
National Science Foundation	University of Illinois	30050000	22000009	432,975
National Science Foundation	University of Chicago	30050000	22000018	37,676
National Science Foundation	Virginia Polytechnic Institute	30050000	22000023	128,362
National Science Foundation	Michigan State University	30050000	22000044	375,109
National Science Foundation	Miami University	30050000	22000049	65,249

(Continued)

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D.	Pass-Through I.D. Number	Expenditures
National Science Foundati	Kansas State University	30050000	22000062	\$ 74,419
National Science Foundati	University of Minnesot	30050000	22000067	55,438
National Science Foundati	University of Connectic	30050000	22000076	12,530
National Science Foundati	Cornell University	30050000	22000081	991
National Science Foundati	University of Marylan	30050000	22000120	80,751
National Science Foundati	Denison University	30050000	22000128	12,981
National Science Foundati	North Carolina State University	30050000	22000136	266,397
National Science Foundati	University of Delawar	30050000	22000138	90,103
National Science Foundati	Stanford University	30050000	22000142	58,854
National Science Foundati	Mississippi State Universit	30050000	22000196	22,920
National Science Foundati	University of Alabama At Birmingham	30050000	22000207	706
National Science Foundati	University of Washingto	30050000	22000212	67,048
National Science Foundati	Montana State University	30050000	22000236	1,199
National Science Foundati	Drexel University	30050000	22000246	78,257
National Science Foundati	Institute For Advanced Study	30050000	22000273	20,890
National Science Foundati	University of California At San Diego	30050000	22000288	199,647
National Science Foundati	Polytechnic University	30050000	22000321	66,180
National Science Foundati	Northeastern University	30050000	22000329	32,701
National Science Foundation Biological Science	Univ of Missouri	30050100	22000073	36,354
NSF-Computer & Information Science & Engineerin	Central St University	30050200	22000111	25,040
NSF Geosciences	Washington St University	30050400	22000096	42,858
NSF Office Polar Program	Texas A & M University	30050404	22000053	19,799
NSF-Mathematical & Physical Science	Princeton University	30050500	22000289	89,790
NSF-Mathematical & Physical Science	Southern Methodist University	30050500	22000338	93,601
Small Business Administrati	Ohio Business Development Organizati	30140000	20020062	66,491
Agency for International Developmen	Development Alternatives Inc	30300100	10011316	170,357
Agency for International Developmen	Chemonics International	30300100	10011565	(5,921)
Agency for International Developmen	American Council On Educator	30300100	20020078	50,274
Agency for International Developmen	United Negro College Func	30300100	20021410	(16,260)
Agency for International Developmen	International Rice Research Institut	30300100	20021413	73,125
Agency for International Developmen	International Center For Tropical Agricultur	30300100	20021554	62,202
Agency for International Developmen	University of Wisconsin	30300100	22000006	(598)
Agency for International Developmen	University of Illinois	30300100	22000009	64,059
Agency for International Developmen	Oregon State University	30300100	22000103	36,966
Agency for International Developmen	Univ of Georgia	30300100	22000144	51,367
U.S. Department of Agricultur	Biotech Research & Development Corporatio	40000000	10011994	74,801
U.S. Department of Agricultur	Environmental Energy	40000000	10012272	21,220
U.S. Department of Agricultur	Bioprocessing Innovative Company, Inc	40000000	10020039	24,350
U.S. Department of Agricultur	Research Triangle Institute	40000000	20020058	32,161
U.S. Department of Agricultur	Dairy Management Inc.	40000000	20020911	23,226
U.S. Department of Agricultur	Ohio Vegetable And Potato Growers Asso	40000000	20021517	24,351
U.S. Department of Agricultur	Purdue University	40000000	22000002	51,913
U.S. Department of Agricultur	George Mason University	40000000	22000019	30,018
U.S. Department of Agricultur	Michigan State University	40000000	22000044	94,049
U.S. Department of Agricultur	Iowa St University	40000000	22000047	147,446

(Continued)

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D.	Pass-Through I.D. Number	Expenditures
U.S. Department of Agriculture	University of Maine At Orono	40000000	22000048	\$ 15,686
U.S. Department of Agriculture	Cornell University	40000000	22000081	56,427
U.S. Department of Agriculture	University of Nebraska	40000000	22000085	78,219
U.S. Department of Agriculture	Colorado State University	40000000	22000110	101,084
U.S. Department of Agriculture	University of Arizona	40000000	22000116	118,755
U.S. Department of Agriculture	University of Delaware	40000000	22000138	9,377
U.S. Department of Agriculture	Mississippi State University	40000000	22000196	2,950
U.S. Department of Agriculture	Case Western Research University	40000000	22000238	43
U.S. Department of Agriculture	Universidad Del Este	40000000	22010015	28,592
Cooperative State Research, Education & Extension	National Ffa Organization	40040100	20021004	3,045
Cooperative State Research, Education & Extension	N. Centralregional Susta Agriculture Research & Education	40040100	20021261	18,380
Cooperative State Research, Education & Extension	Midwest Advanced Food Manufact Allianc	40040100	20021278	35,383
Cooperative State Research, Education & Extension	Purdue University	40040100	22000002	87,596
Cooperative State Research, Education & Extension	Rutgers University	40040100	22000003	25,504
Cooperative State Research, Education & Extension	University of Wisconsin	40040100	22000006	39,723
Cooperative State Research, Education & Extension	University of Illinois	40040100	22000009	28,452
Cooperative State Research, Education & Extension	Michigan State University	40040100	22000044	1,262
Cooperative State Research, Education & Extension	Iowa State University	40040100	22000047	9,192
Cooperative State Research, Education & Extension	University of Maine At Orono	40040100	22000048	340
Cooperative State Research, Education & Extension	Southern Illinois University	40040100	22000055	12,964
Cooperative State Research, Education & Extension	Kansas State University	40040100	22000062	328,258
Cooperative State Research, Education & Extension	Cornell University	40040100	22000081	8,242
Cooperative State Research, Education & Extension	University of Nebraska	40040100	22000085	117,018
Cooperative State Research, Education & Extension	University of Florida	40040100	22000108	17,586
Cooperative State Research, Education & Extension	Colorado St University	40040100	22000110	12,324
Cooperative State Research, Education & Extension	North Carolina State University	40040100	22000136	82,563
Cooperative State Research, Education & Extension	University of Kentucky	40040100	22000143	(2,654)
Cooperative State Research, Education & Extension	University of Georgia	40040100	22000144	27,931
Cooperative State Research, Education & Extension	Univ of Vermont	40040100	22000224	2,037
Cooperative State Research, Education & Extension	South Dakota State Univ	40040100	22000262	789
Cooperative State Research, Education & Extension	University of Mass - Amhers	40040100	22000274	6,104
Cooperative State Research, Education & Extension	Colegio Universitario Del Este	40040100	22010012	(1,113)
Department of Commerce	Edison Welding Institut	42000000	10011218	19,846
Department of Commerce	Imation Corp.	42000000	10012042	82,709
Department of Commerce	Georgia Tech Research Institut	42000000	22000245	24,689
Department of Commerce	University of Massachusetts - Dartmouth	42000000	22000312	(2,087)
National Oceanic and Atmospheric Administratio	Phycotransgenics, LLC	42020000	10012342	8,399
National Oceanic and Atmospheric Administratio	National Fish & Wildlife Foundatio	42020000	20021134	3,145
National Oceanic and Atmospheric Administratio	Univ of Michigan	42020000	22000005	630
National Oceanic and Atmospheric Administratio	Univ of Alaska	42020000	22000037	114,709
National Oceanic and Atmospheric Administratio	University of Connecticut	42020000	22000076	11,439
National Oceanic and Atmospheric Administratio	University of New Hampshir	42020000	22000131	(206)
National Institute of Standards	Edison Welding Institut	42040000	10011218	2,938
National Institute of Standards & Technolog	Owens Corning	42040000	10011306	168,389
National Institute of Standards & Technolog	Edison Materials Technology Cente	42040000	10011518	142,248

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D.	Pass-Through I.D. Number	Expenditures
National Institute of Standards	Ford Motor Co.	42040000	10011724	\$ 48,734
National Institute of Standards & Technolog	Og Technologies, Inc	42040000	10012262	97,010
U.S. Department of Defense	Veridian-Srl	50000000	10011383	39,858
U.S. Department of Defense	Northrop Grumman	50000000	10011657	312,172
U.S. Department of Defense	Systran Corp	50000000	10011833	131,580
U.S. Department of Defense	Nichols Research Corporatio	50000000	10011948	(51,826)
U.S. Department of Defense	R & S Associates	50000000	10012346	11,258
U.S. Department of Defense-National Imagery and Mappin	Aegis Research Corporatio	50000000	10012365	92,845
U.S. Department of Defense	Syntonics Llc	50000000	10012399	5,372
U.S. Department of Defense	Orbital Research Inc.	50000000	10020026	25,603
U.S. Department of Defense	Sytronics, Inc.	50000000	10020077	38,015
U.S. Department of Defense	Itt Advanced Engineering Services Di	50000000	10020091	12,355
U.S. Department of Defense	Hyper Tech Research, Inc	50000000	10020102	61,107
U.S. Department of Defense	Wright State University	50000000	22000087	189,397
U.S. Department of Defense	Texas Tech University	50000000	22000122	43,736
U.S. Department of Defense	Mississippi State Universit	50000000	22000196	2,374,790
Air Force	Science Applications International Corporatio	50010000	10011324	(9,789)
Air Force	Veridian-Srl	50010000	10011383	43,343
Air Force	Universal Technology Corporatio	50010000	10011471	46,830
Air Force	GE Aircraft Engines	50010000	10011756	41,104
Air Force	Harris Corporation	50010000	10012071	94,249
Air Force	Monopole Research	50010000	10012374	56,243
Air Force	S & K Technologies, Inc	50010000	10012375	148,901
Air Force	Anteon International Corporatio	50010000	10012402	66,251
Air Force	Princeton Scientific Instruments In	50010000	10012513	48,772
Air Force	Sverdrup Technologies, Inc	50010000	10020016	47,916
Air Force	Sytronics, Inc.	50010000	10020077	1,431
Air Force	Applied Sciences Inc	50010000	10020085	11,234
Air Force	Innovative Scientific Solutions In	50010000	10020096	70,325
Air Force	Aetion Technologies LLC	50010000	10020120	30,555
Air Force	Ladish Co. Inc./Chambersburg Engineerin	50010000	18000013	344,159
Air Force	Dayton Area Graduate Studies Institut	50010000	20021372	8,589
Air Force	Carnegie-Mellon Univ	50010000	22000051	110,518
Air Force	Univ of Cincinnati	50010000	22000074	68,376
Air Force	Wright State Univ	50010000	22000087	72
Air Force	Univ of Southern Californi	50010000	22000206	18,927
Air Force	Mass Inst Technology-Lincoln Laborator	50010000	22000228	856,095
Air Force Office of Scientific Research Laborator	Psi Technology Company	50010105	10011673	42,059
Air Force Office of Scientific Research Laborator	Physical Sciences, Incorporated	50010105	10012027	38,047
Air Force Office of Scientific Research Laborator	Wyle Laboratories	50010105	10012528	67,978
Air Force	Innovative Scientific Solutions In	50010105	10020096	214,391
Air Force Research Laboratory	Mrlts Technologies, Inc	50010105	10020137	3,170
Air Force Research Laboratory	Ohio Aerospace Institut	50010105	20021048	9,005
Air Force Office of Scientific Researc	Univ of Virginia	50010105	22000203	119,280
Air Force Office of Scientific Researc	Vanderbilt University	50010105	22000296	96,769
Army	E-Oir Measurements	50020000	10012263	4,478
Army	High Performance Technologies, Inc	50020000	10012364	122,240
Army	Syntonics Llc	50020000	10012399	30,381

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D.	Pass-Through I.D. Number	Expenditures
Army	Urs Corporation	50020000	10012407	\$ 14,762
Army	Esa Environmental Specialists, Inc	50020000	10012415	106,231
Army	Concurrent Technologies Corporati	50020000	20021460	194,957
Army	University of Alabama At Huntsville	50020000	22000007	4,176
Army	Stanford University	50020000	22000142	5,000
Dept of Army	Univ of Rochester	50020000	22000193	63,357
U.S. Army Corps of Engineer	Louisiana St Univ	50020100	22000091	60,275
U.S. Army Corps of Engineer	Univ of Toledo	50020100	22000277	24,500
Army Research Laboratory	Micro Analysis & Desigr	50020210	10012320	929,396
Army Research Laboratory	Bae Systems	50020210	10030070	83,130
U.S. Army Medical Researcl	Childrens Research Institute (Columbus	50020300	20010182	27,935
Army Medical Research & Material Comman	Univ of Tennessee	50020301	22000010	104,866
Army Research Office	E-Oir Measurements	50020400	10012263	3,138
Army Research Office	Pixon Llc	50020400	10012394	67,533
Army Research Office	Mass Inst Technology	50020400	22000001	61,286
Department of Navy	Northrop Grumman Corporati	50040000	10011657	60,275
Department of Navy	Raytheon Company	50040000	10011847	38,695
Department of Navy	Arinc Incorporated	50040000	10012359	13,856
Department of Navy	Syntonics Llc	50040000	10012399	21,896
Department of Navy	Visualem Corporation	50040000	10012431	18,070
Office of Naval Researcl	Caci International Inc.	50040300	10012391	38,690
Office of Naval Researcl	Univ of Tennessee	50040300	22000010	62,770
Office of Naval Researcl	Univ of California	50040300	22000011	51,118
Office of Naval Researcl	California Institute of Technology	50040300	22000054	411,568
Defense Advanced Research Projects Agenc	Northrop Grumman Corporati	50060000	10011657	564,942
Defense Advanced Research Projects Agenc	Oklahoma State University	50060000	22000313	50,057
National Security Agency	Univ of Maryland	50140000	22000120	3,604
U.S. Department of Educator	Center For Civic Education	53000000	20021131	(12,502)
U.S. Department of Educator	Education Development Center, Inc	53000000	20021328	6,555
U.S. Department of Educator	National Writing Project Corporati	53000000	20021378	34,291
U.S. Department of Educator	Virtual Community School Of Ohic	53000000	20021558	31,967
U.S. Department of Educator	Institute For Rehabilitation & Researcl	53000000	20021559	25,258
U.S. Department of Educator	University of California - Davi	53000000	22000013	13,073
U.S. Department of Educator	Miami University	53000000	22000049	10,863
U.S. Department of Educator	Univ of Minnesot	53000000	22000067	11,423
U.S. Department of Educator	Wright State Univ	53000000	22000087	(1,373)
U.S. Department of Educator	Columbus Pub Schools	53000000	24000022	26,360
U.S. Department of Educator	Livingston Educational Service Agenc	53000000	24000465	172,548
U.S. Department of Educator	Ohio Div of Career Technical & Adult Ec	53000000	26080100	200,254
U.S. Department of Educator	Ohio Div Early Childhood Educator	53000000	26080800	36,792
Office of Elementary & Secondary Educatio	Ohio Board of Regents	53030000	26060000	12,255
Office of Elementary & Secondary Educatio	Ohio Department of Educator	53030000	26080000	256,479
Office of Postsecondary Education	Ohio Board of Regents	53040000	26060000	77,532
Office of Higher Education Program	Univ of Wisconsin	53040100	22000006	15,786
Office of Special Education & Rehabilitative Svc	Univ of Cincinnati	53050000	22000074	33,770

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D.	Pass-Through I.D. Number	Expenditures
Office of Special Education & Rehabilitative Svc	Ohio Office of Exceptional Children	53050000	26080300	\$ 17,568
Office of Vocational & Adult Education	Univ of Minnesota	53060000	22000067	117,464
Office of Vocational & Adult Education	Ohio Div of Career Technical & Adult Ed	53060000	26080100	779,087
Office of Vocational & Adult Education	Ohio Department of Job & Family Service	53060000	26630000	702,762
Department of Energy	Sandia Corp	55000000	10011170	171,780
Department of Energy	Honeywell Inc	55000000	10011512	1,889
Department of Energy	US Automotive Material Partnership	55000000	10012073	143,066
Department of Energy	Ashman Technologies	55000000	10012227	35,603
Department of Energy	Bechtel Bettis, Inc	55000000	10012230	173,452
Department of Energy	Environmental Energy	55000000	10012272	49,921
Department of Energy	Supergenics Llc	55000000	10012405	10,408
Department of Energy	H2Fuel Llc	55000000	10012426	42,432
Department of Energy	Seafire Micros, Inc	55000000	10012447	32,999
Department of Energy	Us Enrichment Program	55000000	10012535	17,417
Department of Energy	Faraday Technology, Inc	55000000	10020046	39,695
Department of Energy	UES, Inc.	55000000	10020049	(26,418)
Department of Energy	Hyper Tech Research, Inc	55000000	10020102	42,714
Department of Energy	Global Research & Development, Inc	55000000	10020103	71,510
Department of Energy	Applied Engineering Solutions, Llc	55000000	10020114	36,496
Department of Energy	Sibtech, Inc.	55000000	10040112	43,618
Department of Energy	Battelle Memorial Institute	55000000	20020012	20,311
Department of Energy	National Renewable Energy Laboratory	55000000	20020800	140,930
Department of Energy	Consortium Plant Biotechnology Res In	55000000	20021036	1,092
Department of Energy	Battelle-Pacific Northwest Laboratory	55000000	20021070	80,796
Department of Energy	Knolls Atomic Power Laboratory	55000000	20021418	(324)
Department of Energy	Universities Research Association, Inc	55000000	20021485	590,279
Department of Energy	UT-Battelle, Llc	55000000	20021486	89,962
Department of Energy	Univ of Michigar	55000000	22000005	88,945
Department of Energy	Univ of California	55000000	22000011	126,265
Department of Energy	Indiana University	55000000	22000012	2,151
Department of Energy	West Virginia University	55000000	22000032	31,490
Department of Energy	Univ of North Dakota	55000000	22000072	28,285
National Energy Technology Laboratory	Battelle Memorial Institute	55130000	20020012	30,038
Department of Health & Human Service	Univ of Illinois	60000000	22000009	82,016
Department of Health & Human Service	Ohio Department of Job & Family Service	60000000	26630000	126,368
Social Security Administrator	Univ of Illinois	60030000	22000009	54,717
National Institute of Health	Cancervax	60040400	10012419	70,500
National Institute of Health	Sibyl Pharmaceutical Inc	60040400	10040124	2,846
National Institute of Health	NSABP Foundation, Inc.	60040400	20010527	89,651
National Institute for Occupational Safety and Health	National Safety Council	60040400	20021154	35,130
National Institute of Health	Hospital For Special Surgery	60040400	20021549	10,032
National Institute of Health	Univ of Tennessee	60040400	22000010	20,321
National Institute of Health	Wayne State University	60040400	22000034	100,646
National Institute of Health	Northwestern University	60040400	22000041	3,149
National Institute of Health	Duke Univ	60040400	22000094	121,136

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004**

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D.	Pass-Through I.D. Number	Expenditures
National Institute of Health	Johns Hopkins University	60040400	22000133	\$ 338,425
National Institute of Health	Univ of Rochester	60040400	22000193	6,579
National Institute of Health	Univ of Puerto Ricc	60040400	22000226	41,527
National Institute of Health	Case Western Reserve University	60040400	22000238	608,623
National Institute of Health	Ny University	60040400	22000254	4,229
National Institute of Health	Wake Forest University	60040400	22000286	150,267
National Cancer Institute	Science Applications International Corp	60040402	10011324	310,175
National Cancer Institute	Imedd, Inc.	60040402	10012234	(2,991)
National Cancer Institute	Westat, Inc.	60040402	10012409	1,158
National Cancer Institute	Cancervax	60040402	10012419	973
National Cancer Institute	Childrens Research Institute (Columbus	60040402	20010182	37,854
National Cancer Institute	Mayo Foundation	60040402	20010289	485,603
National Cancer Institute	Cleveland Clinic Foundatior	60040402	20010421	158,004
National Cancer Institute	Foundation For The Children's Oncology C	60040402	20010553	85,719
National Cancer Institute	Battelle Memorial Institute	60040402	20020012	57,666
National Cancer Institute	Gynecologic Oncology Group	60040402	20020024	72,282
National Cancer Institute	Research Triangle Institute	60040402	20020058	24,444
National Cancer Institute	Southwest Oncology	60040402	20020412	3,009
National Cancer Institute	Cancer Therapy & Research Fnd of S Texa	60040402	20020745	40,487
National Cancer Institute	Am College of Radiology	60040402	20020917	1,192
National Cancer Institute	Institute of Cancer Preventior	60040402	20021179	14,633
National Cancer Institute	Univ Kansas Medical Ctr & Res Institut	60040402	20021356	(91)
National Cancer Institute	John Wayne Cancer Institute	60040402	20021377	48,932
National Cancer Institute	Strang Cancer Prevention Cente	60040402	20021428	211,257
National Cancer Institute	Dana-Farber Cancer Institute	60040402	20021438	1,911
National Cancer Institute	Univ of Wisconsin	60040402	22000006	10,914
National Cancer Institute	Indiana University	60040402	22000012	12,688
National Cancer Institute	University of California - Davi	60040402	22000013	5,440
National Cancer Institute	Univ of Chicagc	60040402	22000018	1,074,098
National Cancer Institute	Univ of New Mexicc	60040402	22000056	32,066
National Cancer Institute	Duke Univ	60040402	22000094	1,241
National Cancer Institute	Univ of Maryland	60040402	22000120	197,789
National Cancer Institute	Univ of South Florida	60040402	22000123	17,244
National Cancer Institute	Univ of North Carolina	60040402	22000146	19,839
National Cancer Institute	Harvard University	60040402	22000169	307,497
National Cancer Institute	Univ of Southern Californi	60040402	22000206	109,421
National Cancer Institute	Washington Univ	60040402	22000209	26,110
National Cancer Institute	Medical College of Ohic	60040402	22000210	180,164
National Cancer Institute	University of California At San Diego	60040402	22000288	215,203
National Cancer Institute	Yeshiva University	60040402	22000331	280
National Heart, Lung and Blood Institute	Cleveland Clinic Foundatior	60040403	20010421	100,297
National Heart, Lung and Blood Institute	National Jewish Medical Cente	60040403	20021369	90,103
National Heart, Lung and Blood Institute	Univ of Pittsburg	60040403	22000036	7,536
National Heart, Lung and Blood Institute	Univ of New Mexicc	60040403	22000056	(22,288)
National Heart, Lung and Blood Institute	Duke Univ	60040403	22000094	42,764

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D.	Pass-Through I.D. Number	Expenditures
National Heart, Lung and Blood Institute	Johns Hopkins University	60040403	22000133	\$ 110,504
National Institute of Allergy and Infectious Diseases	Ligocyte Pharmaceuticals, Inc	60040404	10012473	32,571
National Institute of Allergy and Infectious Diseases	Mckesson Corporator	60040404	10040089	45,542
National Institute of Allergy and Infectious Diseases	Amarillo Biosciences, Inc	60040404	10040096	(3,686)
National Institute of Allergy and Infectious Diseases	Vical Incorporated	60040404	10040100	103,330
National Institute of Allergy and Infectious Diseases	Childrens Research Institute (Columbus	60040404	20010182	71,039
National Institute of Allergy and Infectious Diseases	Univ of Minnesotæ	60040404	22000067	76,853
National Institute of Allergy and Infectious Diseases	Univ of North Carolina	60040404	22000146	33,066
National Institute of Allergy and Infectious Diseases	University of Massachusetts - Worcestæ	60040404	22000318	13,627
National Institute of Allergy and Infectious Diseases	Univ of Texas Hlth Sci Ctr - San Antoniæ	60040404	22000330	90,467
National Institute of Allergy and Infectious Diseases	Tufts Univ	60040404	22000343	75,530
Nat Inst Diabetes & Digestive & Kidney Diseas	University Hospitals of Cleveland	60040405	10012297	22,750
Nat Inst Diabetes & Digestive & Kidney Diseas	Rhode Island Hospital	60040405	20021502	46,980
Nat Inst Diabetes & Digestive & Kidney Diseas	Univ of Pittsburg	60040405	22000036	61,696
Nat Inst Diabetes & Digestive & Kidney Diseas	Univ of Cincinnati	60040405	22000074	29,610
Nat Inst Diabetes & Digestive & Kidney Diseas	Univ of California At Los Angele	60040405	22000269	266,202
Nat Inst Diabetes & Digestive & Kidney Diseas	Univ of Texas Medical Branch At Galvestu	60040405	22000327	16,449
National IN Child Health & Human Developmen	Childrens Research Institute (Columbus	60040406	20010182	70,318
National Institute of Child Health & Human Develop	Nat Bureau Economic Research	60040406	20020748	182,712
National Institute of Child Health & Human Develop	Children's Hospital Medical Ctr Of Cint	60040406	20021456	(252)
National Institute of Child Health & Human Develop	Univ of Michigar	60040406	22000005	43,358
National Institute of Child Health & Human Develop	Univ of Alabama At Birmingham	60040406	22000207	112,854
National Institute of Child Health & Human Develop	Case Western Reserve Universit	60040406	22000238	11,946
National Institute of Child Health & Human Develop	Univ of California At Los Angele	60040406	22000269	105,418
National Institute of Child Health & Human Develop	Emory University	60040406	22000295	141,743
National Institutes of General Medical Science	Univ of Illinois	60040407	22000009	(835)
National Institutes of General Medical Science	State Univ Ny	60040407	22000042	48,662
National Institutes of General Medical Science	Univ of South Carolina	60040407	22000241	51,047
National Institutes of General Medical Science	University of California San Franciscæ	60040407	22000317	230,815
National Institute of Neurological Disorders & St	Science Applications International Corj	60040408	10011324	6,847
National Institute of Neurological Disorders & St	Molecules For Health, Inc	60040408	10012414	30,465
National Institute of Neurological Disorders & St	Mayo Foundation	60040408	20010289	45,557
National Institute of Neurological Disorders & St	Childrens Hosp, Columbus	60040408	20020124	20,619
National Institute of Neurological Disorders & St	Univ of Minnesotæ	60040408	22000067	13,215
National Institute of Neurological Disorders & St	Loyola University of Chicagæ	60040408	22000115	32,419
National Institute of Neurological Disorders & St	Univ of Utah	60040408	22000145	313
National Institute of Neurological Disorders & St	Ut Southwestern Medical Center At Dalla	60040408	22000316	33,137
National Institute of Neurological Disorders & St	Univ of Texas Hlth Sci Ctr - San Antoniæ	60040408	22000330	452
National Institute of Neurological Disorders & St	Georgetown University	60040408	22000339	3,251
National Library Of Medicine	Univ of Illinois	60040409	22000009	22,763
National Eye Institute	Jaeb Center For Health Research	60040411	20021387	2,381
National Eye Institute	Univ of Illinois	60040411	22000009	116,884
National Eye Institute	Johns Hopkins University	60040411	22000133	23,725
National Eye Institute	Univ of Pennsylvaniæ	60040411	22000195	5,741
National Institute Dental & Craniofacial Rsc	Univ of New Mexicæ	60040412	22000056	16,333

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Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D.	Pass-Through I.D. Number	Expenditures
National Institute of Aging	Wake Forest University	60040415	22000286	\$ 32,249
National Institute Nursing Research	Battelle Memorial Institute	60040418	20020012	102,000
National Institute Nursing Research	Emory University	60040418	22000295	7
National Institute Arthritis & Muscle & Skin Diso	Barnes-Jewish Hospita	60040419	20021500	(4,464)
National Institute Arthritis & Musculoskeletal & Ski	Virginia Polytechnic Institut	60040419	22000023	152,476
National Institute Arthritis & Muscle & Skin Diso	Univ of New Mexicc	60040419	22000056	36,865
National Institute Arthritis & Muscle & Skin Diso	Yale Univ	60040419	22000088	162,615
National Institute Arthritis & Muscle & Skin Diso	Duke Univ	60040419	22000094	38,288
National Institute Arthritis & Muscle & Skin Diso	Univ of Virginie	60040419	22000203	(1,590)
National Institute Deafness & Other Commncation D	Purdue University	60040420	22000002	48,679
National Institute Deafness & Other Commncation D	Univ of Arizona	60040420	22000116	22,875
National Institute Deafness & Other Commncation D	Washington Univ	60040420	22000209	1,439
National Institute of Mental Health	Passive Motion Therapeutics Inc	60040421	10012485	71,926
National Institute of Mental Health	Duke Univ	60040421	22000094	26,795
National Institute of Drug Abuse	Virginia Polytechnic Institut	60040422	22000023	171,258
National Institute on Drug Abuse	Ohio University	60040422	22000130	148,505
National Institute of Drug Abuse	Univ of Washingtor	60040422	22000212	36,333
National Institute Alcohol Abuse & Alcoholisr	Wake Forest University	60040423	22000286	70,131
Substance Abuse & Mental Health Services Adr	Ohio Dept Alcohol&Drug Addiction Service	60040424	26530000	25,267
National Human Genome Research Institut	Nimblegen Systems Inc	60040426	10012573	11,124
National Center for Complementary and Alternativ	Mount Sinai Medical Center	60040427	10011783	2,954
Health Resources and Services Administratio	Case Western Reserve University	60040500	22000238	119,567
Maternal & Childrens Health Bureat	Hemophilia Foundation of Michigar	60040505	20021026	11,498
Maternal & Childrens Health Bureat	Ohio Department of Health	60040505	26090000	114,853
Centers for Disease Control & Preventio	Hemophilia Foundation of Michigar	60040600	20021026	4,784
Center for Disease Contro	ASC of Schools of Public Health	60040600	20021358	111,751
Centers for Disease Control & Preventio	Univ of Pittsburgt	60040600	22000036	306,874
Centers for Disease Control & Preventio	Univ of Maine At Oronc	60040600	22000048	58,403
Department of the Interior	Smart Transitions Llc	72000000	10012438	52,079
U.S. Fish and Wildlife Servic	National Fish & Wildlife Foundatior	72030000	20021134	9,795
U.S. Fish and Wildlife Servic	Ohio Department of Natural Resource:	72030000	26110000	(109)
U.S. Fish and Wildlife Servic	Ohio Division of Wildlif	72030000	26110100	932,342
U.S. Geological Survey	Ohio University	72040000	22000130	352
Office of Justice Program:	Office of Criminal Justice Service	74040000	26140401	123,305
U.S. Department of Labo:	National Opinion Research Cente:	76000000	20020932	1,394,747
U.S. Department of Labo:	Univ of Baltimore	76000000	22000347	4,049
U.S. Department of Labo:	Ohio Gov Cncl On People With Disabilitie	76000000	26000002	4,567
U.S. Department of Labo:	Ohio Div of Career Technical & Adult Ec	76000000	26080100	36,033
U.S. Department of Labor-Employment & Training Adr	Alaska Labor And Workforce Developmen	76010000	24000458	27,198
U.S. Department of Labor-Employment & Training Adr	Ohio Div of Career Technical & Adult Ec	76010000	26080100	59,748
Department of Transportatior	Battelle Memorial Institute	82000000	20020012	(45,287)

(Continued)

THE OHIO STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004**

Federal Agency Sponsor	Pass-Through Sponsor	Sponsor I.D.	Pass-Through I.D. Number	Expenditures
Federal Highway Administration	Ohio Department of Transportation	82010000	26010000	\$ 1,416,232
Federal Aviation Administration	Ohio University	82030000	22000130	7,963
U.S. Coast Guard	Strategic Research Group Llc	82070000	10020073	<u>(5,868)</u>
Subtotal Research and Development Cluster pass-through from other sources				<u>36,788,339</u>
Total Research and Development Cluste				<u>249,350,082</u>

(Continued)

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

Federal Agency Sponsor	CFDA No.	Sponsor ID	Expenditures
Other Programs:			
Funds received directly from the following Federal agencies:			
USDA-Cooperative Support Agreements	10.000		\$ 25,502
USDA- Grants for Agricultural Research, Special Research Grant	10.200		91,987
USDA- Cooperative Forestry Research	10.202		395,007
USDA- Payments to Agricultural Experiment Stations Under the Hatch Act	10.203		5,621,172
USDA- Animal Health and Disease Research	10.207		57,121
USDA- Integrated Program	10.303		46,827
USDA- Technical Assistance to Cooperative	10.350		(8,336)
USDA- Cooperative Extension Service	10.500		12,197,020
USDA- Child and Adult Care Food Program	10.558		467,053
USDA- Forestry Research	10.652		2,993
DC- Public Telecommunications Facilities	11.550		715,368
Brownfield Economic Development Initiative	14.246		466,805
VA- Voc and Educ Counseling for Veterans	64.125		9,679
DOE- Miscellaneous Federal Assistance Action	81.502		412,894
USDE- Indian Education-Fellowship	84.087		(908)
USDE- Javits Fellowship	84.170		16,821
USDE- Safe and Drug Free Schools and Communities	84.186		21,842
USDE- Child Care Means Programs in Schools	84.335		43,135
DHHS-Head Start	93.600		23,302
DHHS- Social Services Block Grant	93.667		403,984
DHHS-FADHPS Award	93.139		(600)
DHS- Public Assistance Grants	97.036		2,233
USDE- Faculty Research Abroad	84.019A		52,399
USDE- TRIO: Student Support Service:	84.042A		6,483
Department Of Housing & Urban Development	14.XXX	70000000	(2,280)
Agency For International Development	10.XXX	30300100	31,755
Health Resources & Services Administration	10.XXX	60040500	58,213
National Aeronautics & Space Administration	43.XXX	30030000	3,006
Agricultural Research Service	10.001	40040200	3,793
North Central Regional Integrated Pest Management Program	10.200	40040102	26,774
Food Safety & Inspection Service	10.475	40130000	1,269
Cooperative State Research Education & Extension Service	10.500	40040100	185,383
National Oceanic & Atmospheric Administration	11.417	42020000	55,329
NSF Division Bioengineering & Environment	47.041	30050307	54,388
NSF Integrative Biology & Neuroscience	47.074	30050102	4,563
NSF Elementary, Secondary & Informal Education	47.076	30050607	404,104
Environmental Protection Agency	66.606	30020000	14,882
Environmental Protection Agency	66.716	30020000	18,222
Center For International Education	84.015	53040200	538,239
Department Of Education	84.047	53000000	320,820
Office Vocational & Adult Education Program	84.051	53060000	1,090,969
Rehabilitation Services Administration	84.129	53050200	88,929
Office Of Elementary & Secondary Education	84.149	53030000	242,001

(Continued)

THE OHIO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

Federal Agency Sponsor	CFDA No.	Sponsor ID	Expenditures
Office Of Postsecondary Education	84.220	53040000	\$ 2,700
Ofifce Of Special Education Program	84.325	53050100	402,875
Office Of Special Education Program	84.326	53050100	1,821,183
Department Of Education	84.333	53000000	24,276
Office Vocational & Adult Education Progrm	84.341	53060000	152,361
National Center For Research Resource	93.333	60040410	2,001,838
Health Resources & Services Admi	93.358	60040500	71,586
National Center For Research Resource	93.389	60040410	763,087
National Cancer Institute	93.398	60040402	4,797
Admin Children, Youth, & Familie	93.600	60070100	592,059
Health Resources & Services Admi	93.887	60040500	<u>1,529,607</u>
Subtotal funds received from Federal agencies			<u>31,576,511</u>

(Continued)

THE OHIO STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004**

Federal Agency Sponsor	Pass-Through Sponsor	CFDA No./Sponsor I.D. Number	Pass-Through I.D. Number	Expenditures
Pass-through from other programs				
Environmental Protection Agency	Ohio Environmental Protection Agency	30020000	26340000	\$ 77,848
National Endowment for the Art	Heartland Arts Fund	30040200	20012068	14,000
Department of Agriculture	Pennsylvania State University	40000000	22000030	17,063
Department of Agriculture	Michigan State University	40000000	22000044	1,500
US Department of Agriculture	Ohio Job & Family Service	10.561	26630000	2,200,800
Cooperative State Research, Education & Extension Service	Michigan State University	40040100	22000044	55,503
Cooperative State Research, Education & Extension Service	Texas A & M University	40040100	22000053	29,605
Cooperative State Research, Education & Extension Service	Kansas State University	40040100	22000062	5,693
Cooperative State Research, Education & Extension Service	Univ of Minnesota	40040100	22000067	2,104
Cooperative State Research, Education & Extension Service	Cornell University	40040100	22000081	9,449
Risk Management Agency	Mid Am Ag & Hort Services Inc	40180000	20021550	3,917
National Institute of Standards & Technology	Dayton Area Graduate Studies Institute	42040000	20021372	18,330
U.S. Department of Education	University of Minnesota	53000000	22000067	13,989
U.S. Department of Education	Ohio Division Early Childhood Education	53000000	26080800	22,648
Department of Health & Human Services	Cooperative Educational Service Agency	60000000	20021342	1,914
Department of Health & Human Services	National Center For Family Literacy	60000000	24000443	(12,823)
National Institute of Health	National Center For Family Literacy	60040400	20021411	26,969
National Institute of Allergy and Infectious Diseases	Childrens Research Institute (Columbus)	60040404	20010182	73,827
Health Resources and Services Administration	Wayne State University	60040500	22000034	854
Health Resources & Services Administration	Univ of Pittsburgh	60040500	22000036	288,217
Department of Transportation	Ohio Department of Public Safety	82000000	26400000	60,331
Department of Education	Ohio Department of Education	10.558		63,069
Department of Agriculture	Ohio Department of Education	10.559		47,637
Department of Justice	Ohio Office of Criminal Justice Service	16.589		4,400
Department of Justice	Ohio Office of Criminal Justice Service	16.607		383
Department of Labor	Ohio Department of Job and Family Service	17.245		13,578
Department of Education	Ohio Department of Education	17.258		36,375
Department of Labor	Ohio Department of Job and Family Service	17.260		5,271
Department of Labor	Ohio Department of Job and Family Service	17.720		180
Appalachian Region Commission	Ohio Department of Development	23.011		15,305
Department of Education	Ohio Department of Education	45.310		16,701
Appalachian Region Commission	Ohio Department of Development	59.037		71,706
Environmental Protection Agency	Ohio Environmental Protection Agency	66.460		3,466
Environmental Protection Agency	Ohio Environmental Protection Agency	66.461		14,512
Department of Education	Ohio Department of Education	84.027		65,596
Social Security Administration	Ohio Rehabilitation Services Commission	84.126		2,560
Department of Education	Ohio Department of Education	84.186		12,606
Department of Education	Ohio Department of Education	84.243		119,043
Department of Education	Ohio Department of Education	84.276		25,000
Department of Education	Ohio Department of Education	84.336		20,000

(Continued)

THE OHIO STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004**

Federal Agency Sponsor	Pass-Through Sponsor	CFDA No./Sponsor I.D. Number	Pass-Through I.D. Number	Expenditures
Department of Education	Ohio Board of Regents	84.367		\$ 155,730
Department of Health and Human Service	Ohio Department of Mental Health	93.242		88,100
Department of Labor	Ohio Department of Job and Family Service	93.556		60,598
Department of Health and Human Service	Ohio Department of Mental Retardation & Developmental Disabilities	93.630		3,593
Department of Labor	Ohio Department of Job and Family Service	93.645		27,072
Department of Labor	Ohio Department of Job and Family Service	93.658		36,740
Department of Health and Human Service	Ohio Department of Mental Health	93.958		345,000
Department of Health and Human Service	Ohio Department of Alcohol and Drug Addiction Service	93.959		20,343
Department of Health and Human Service	Ohio Department of Health	93.994		52,782
Department of Education	Ohio Board of Regents	96.000		7,792
Fire Administrator	Department of Human Service	97.036		62,586
				<u>4,309,462</u>
Subtotal pass-through from other programs				
TOTAL FEDERAL AWARDS				<u>\$ 319,444,062</u>

(Concluded)

THE OHIO STATE UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying financial schedules include the accounts of The Ohio State University (the “University”); its hospitals and clinics; The Ohio State University Foundation, a not-for-profit organization operating exclusively for the benefit of the University; two separate statutory entities for which the University has special responsibility—The Ohio Agricultural Research and Development Center, and the Ohio Supercomputer Center; and ten legally independent corporations performing special activities related to the University—The Ohio State University Research Foundation, The Ohio State University Student Loan Foundation, Inc., the Transportation Research Center of Ohio, Inc., Campus Partners for Community Urban Redevelopment Inc., University Affiliates, Inc., Reading Recovery and Early Literacy, Inc., Ohio State University Retirees Association, OSU Managed Health Care Systems, Inc., The Ohio State University Physicians, Inc., and the Hospital Helicopter Consortium of Central Ohio, Inc. Such financial schedules have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America for state-assisted colleges and universities.

Subrecipient—Certain funds are passed-through to subgrantee organizations by the University. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the Schedule of Expenditures of Federal Awards.

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

2. NONCASH FEDERAL AWARDS

During the year ended June 30, 2004, the University did not receive nonmonetary assistance.

3. FEDERAL LOAN PROGRAMS ADMINISTERED

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

	Year Ended June 30, 2004
Perkins Loan Program	\$8,430,978
Nursing Student Loans (“NSL”)	<u>575,461</u>
Total	<u>\$9,006,439</u>

The above expenditures include disbursements and expenditures such as loans to students and administrative expenditures. During the year ended June 30, 2004, the University disbursed \$232,450,744 in new loans under the William D. Ford Direct Loan Program (which includes Stafford Loans and Parents Loans for Undergraduate Students).

4. REIMBURSEMENT OF FACILITIES AND ADMINISTRATIVE COSTS

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

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

On July 31, 2003, DHHS approved facilities and administrative cost recovery rates effective from July 1, 2003 through June 30, 2006. The facilities and administrative cost rate structure, including the rates submitted within the Certificate, are as follows:

Rate Type	Submitted Within Certificate	Negotiated Rate
Organized Research:		
On-Campus:		
7/1/03-6/30/06	49.4 %	49.5 %
Off-Campus	26.0 %	26.0 %
Instruction:		
On-Campus:		
7/1/03-6/30/06	52.5 %	49.5 %
Off-Campus	26.0 %	26.0 %
Other Sponsored Activities:		
On-Campus:		
7/1/03-6/30/06	22.5 %	33.0 %
Off-Campus:		
7/1/03-6/30/06	15.0 %	24.0 %
General Clinical Research Center—		
On-Campus	23.4 %	20.0 %

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

* * * * *



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

Board of Trustees
The Ohio State University
Columbus, Ohio

We have audited the financial statements of The Ohio State University (the "University") as of and for the year ended June 30, 2004, and have issued our report thereon dated October 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the University in a separate letter dated October 15, 2004.

Compliance and Other Matters

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

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

October 15, 2004

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

Board of Trustees
The Ohio State University
Columbus, Ohio

Compliance

We have audited the compliance of The Ohio State University (the "University") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 04-1 and 04-2.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over

compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the University as of and for the year ended June 30, 2004, and have issued our report thereon dated October 15, 2004. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. This schedule is the responsibility of the management of the University. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the financial statements taken as a whole.

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

Deloitte + Touche LLP

October 15, 2004

THE OHIO STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2004

PART I—SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the financial statements expressed an unqualified opinion.
2. No reportable conditions in internal control over financial reporting were identified.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. No reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The major programs were the Research and Development Cluster, the Student Financial Aid Cluster, the USDA-Payments to Agricultural Experiment Stations Under the Hatch Act (CFDA 10.203) and the Brownfield Economic Development Initiative (CFDA #14.246) which are included in the schedule of expenditures of federal awards.
8. A threshold of \$3,000,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Ohio State University did not qualify as a low risk auditee as that term is defined in OMB Circular A-133.

PART II—FINANCIAL STATEMENT FINDINGS SECTION

No matters are reportable.

PART III—FEDERAL AWARD FINDINGS AND QUESTIONED COST SECTION

04-1: Tracking of Fixed Assets

Grantor: National Institutes of Health

Sponsor Identification Number: 60040405 and 60040404

Project Number: 744965, Master Project Number (MPN) 765012 and 734268, MPN 864931

Criteria: Office of Management and Budget Circular A-110, .34f, requires that "equipment records should be maintained accurately and shall include . . . [the] manufacturer's serial number, model number, federal stock number, national stock number or other identification number."

Finding: Four out five assets tested for internal project number (IP#) 744965 did not have tags physically attached. In addition, the equipment's location was not accurately reflected in the fixed asset management system.

Effect: If tag numbers are not promptly attached to newly acquired fixed assets and locations are not kept up-to-date in the system, an entity lacks adequate and dependable information necessary to properly safeguard and account for its fixed assets.

Recommendation: We recommend that all fixed asset items be tagged in a timely manner after received. All asset movements should also be communicated to the equipment coordinator for recording and the fixed asset system should be updated accordingly.

University Response: When equipment purchased on sponsored programs is delivered to central receiving, which is the majority of the time, we tag 100 percent of this equipment upon arrival.

Equipment that is delivered directly to a University department follows the established University procedure of relying on the department equipment coordinators to tag their equipment. In accordance with this policy, we have mailed reminders and followed up with telephone calls to the departmental equipment coordinators who have failed to tag the items listed above. To address the tagging problem resulting from department equipment coordinators' failure to tag all sponsored programs purchased equipment that is delivered directly to departments, we are henceforth modifying our procedures. After two notifications, we will send a member of our staff to tag the asset. At the same time, we will notify the office of the Controller of the tagging exception for follow up. Additionally, Internal Audit will be notified, and follow up will occur if deemed necessary.

04-2: Duplicate of Travel Reimbursements

Grantor: National Science Foundation

Sponsor Identification Number: 30050300

Project Number: 740659; MPN 866737

Criteria: Office of Management and Budget Circular A-110, requires that "for financial audits, including audits of financial statements...auditors should report...(1) deficiencies in internal control considered to be reportable conditions as defined in AICPA standards, (2) all instances of fraud and illegal acts unless clearly inconsequential, and (3) significant violations of provisions of contracts or grant agreements and abuse. In some circumstances, auditors should report fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to parties external to the audited entity."

Finding: During Internal Audit's ("IA") review of the University's Procurement Cards ("P-Cards"), several issues were denoted that limited the effectiveness of the controls. IA discovered that the individual responsible for reviewing reimbursements did not question costs as they were presented. The issues varied including improper documentation and charges submitted.

During the investigation it was discovered that a principal investigator ("PI") for the Research Foundation was charging travel expenses to the University's P-Card, while also fraudulently submitting invoices for travel reimbursement to the Research Foundation. As a result, the PI had been inappropriately reimbursed \$4,436.34. Upon discovery, the Research Foundation removed the expenses from the programs, despite the fact that they may have been valid expenditures. As required, the Research Foundation notified the applicable federal programs in which the individual was involved.

Effect: If policies for P-Cards and travel reimbursement, outlined by the Research Foundation and the University, are not upheld by the departments the University and the Research Foundation become vulnerable to improper usage and fraud, relating to both federal and non-federal funds.

Recommendation: We recommend that departments within the University & IA (including the Research Foundation and Hospital) continue to review and test the procedures involving P-Cards and travel reimbursement. This will stress the importance of the preventative controls in the procedures and allow for detection of potential issues.

University Response: The Research Foundation has an American Express sponsored projects procurement card program that is separate from the University's Mastercard program. The Research Foundation has clearly defined formal policies governing the use of its procurement card that are published on our web site and in print. Additionally, the Research Foundation's procurement card cannot be used for travel (by vendor/industry restriction). We also have internal controls in place that prevent the inappropriate use of these cards.

The University's policies prohibit the use of a University P-Card for any sponsored project activity including travel. The traveler in this case violated this University procurement card policy.

Since the recommendation regarding this finding ("the University institute formal policies and controls over the usage of P-cards") is not currently directly pertinent to the management of sponsored programs, the Research Foundation can only continue to be diligent in monitoring travel claims for adherence to sponsor and University policy. At the Research Foundation, we have always insisted on pre-approval for all travel having a prepayment of expenses and sponsored project travel expenses are not allowed on either procurement card. Preventing a situation like these fraudulent travel charges from occurring is difficult, considering the circumstances and the method used to perpetrate the fraud. Regardless, we will be mindful of the event in processing travel claims going forward.

PART IV—SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Number	Finding	Status	Contact
03-1	The A-102 Common Rule and OMB Circular A-110 require that “entities that receive Federal Awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.” There is no segregation of duties between performance, review, and recordkeeping of a task in the areas of cash management, period of availability and reporting.	Corrected	Dr. F. William Ravlin, Assistant Director—OARDC
03-2	The A-102 Common Rule and OMB Circular A-110 require that “entities that receive Federal Awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.” In October of 2002, the University established procedures to monitor the expiration of projects. These involved the review of projects on a monthly basis to ensure that expired projects are not being charged. However, these reviews are not being performed on a timely basis. For example, these procedures were not performed for February 2003. Furthermore, when expired projects are identified, the federal charges are removed from the project but are not replaced with charges from another project to ensure expenditure of funds during the period of availability.	Corrected	Dr. F. William Ravlin, Assistant Director—OARDC

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

Board Of Trustees
The Ohio State University
Columbus, Ohio

We have audited the consolidated financial statements of The Ohio State University (the "University"), as of and for the year ended June 30, 2004, and have issued our report thereon dated October 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the University in a separate letter dated October 15, 2004.

Compliance and Other Matters

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

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



October 15, 2004

The Ohio State University

*Independent Accountants' Report on the Application
of Agreed-Upon Procedures to the University's Accounting
Records and to its System of Internal Accounting Control
as They Relate to the University's Department of Athletics
for the Year Ended June 30, 2004*

Dr. Karen Holbook
President
The Ohio State University
Columbus, Ohio

We have audited the financial statements of The Ohio State University (the “University”) as of and for the year ended June 30, 2004, and have issued our unqualified report thereon dated October 15, 2004. At your request, we have also performed the procedures enumerated below, which were agreed to by the Senior Vice President of the Office of Business and Finance, with respect to the University’s accounting records and system of internal accounting control as they relate to the University’s Department of Athletics for the year ended June 30, 2004, solely to assist the University in complying with the National Collegiate Athletic Association (“NCAA”) Bylaw 6.2.3.1. The University’s management is responsible for the University’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 the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures that we performed and our findings are as follows:

Statement of Revenues and Expenditures—Agreed-Upon Substantive Procedures

- a. We obtained the Department of Athletics’ Statement of Revenues and Expenditures (the “Statement”) for the year ended June 30, 2004, as prepared by management and shown in the Exhibit to this report. We noted the arithmetic accuracy of the amounts in the Statement, compared the amounts in the Statement to management’s worksheets and agreed management’s worksheets to accounts in the University’s general ledger. We noted no differences between the amounts in the University’s general ledger and the amounts in the worksheets.
- b. Through discussions with the University’s Assistant Director of Athletics, we obtained an understanding of the ticket revenue cycle, and we compared football and men’s basketball ticket sales as recorded in the Statement to the Department of Athletics’ “Ticket Order Status Report” for the year ended June 30, 2004. Ticket sales as recorded in the Statement were reconciled within \$252,024 or 0.89% of the “Ticket Order Status Report” for football and \$24,252 or 0.64% for basketball.
- c. We compared concession revenues recorded in the Statement to the detailed statements from the independent concessionaire of concession activity and commissions earned for the year ended June 30, 2004. Concession revenues recorded in the University’s general ledger agreed to the detailed statements within \$34.

- d. We compared the Department of Athletics' percentage rate of return on interest-bearing cash and investments for the year ended June 30, 2004 to that of the University as a whole for the same period. We noted the University's rate of return was 1.97%, while the Department of Athletics' rate was 2.04%.
- e. We compared gift revenues recorded in the Department of Athletics' accounts for the year ended June 30, 2004, to the amounts recognized by The Ohio State University Development Fund for the same period and noted the amounts agreed within \$66,447 or 0.30%.
- f. We compared revenue and expenditures line-items in the Statement with prior year amounts, and made inquiries about fluctuations greater than \$100,000 and 10%. The Department of Athletics provided explanations for the fluctuations.
- g. We inquired of the Business Manager and Development Director of the Department of Athletics and noted that two individual contributions received for the period ended June 30, 2004 were in excess of 10% of total contributions for the period. The contributions consisted of a gift in kind in the amount of \$6,820,000 and an endowment in the amount of \$5,002,000.

Because the above procedures "a" through "g" do not constitute an audit in accordance with auditing standards generally accepted in the United States of America, we do not express an opinion on any of the accounts or items referred to above. We were not engaged to, and did not, conduct an audit or examination, the objective of which would be the expression of an opinion on the specified elements, accounts, or items or on the effectiveness of the internal control over financial reporting, respectively. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we made an audit of any financial statements of the Department of Athletics of The Ohio State University in accordance with auditing standards generally accepted in the United States of America, other matters might have come to our attention that would have been reported to you. This report relates only to the accounts and items specified above and does not extend to the financial statements of The Ohio State University or its Department of Athletics taken as a whole.

Internal Control Structure: Policies and Procedures Related to Intercollegiate Athletics—Agreed-Upon Procedures

The management of The Ohio State University is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

- h. We obtained and read the organization chart for the Department of Athletics. We read the available documentation of the accounting systems and procedures. We also made certain inquiries of management regarding control consciousness, competence of personnel, and protection of records and equipment.
- i. We obtained an understanding of the ticket sales, team travel expenditures, and purchase/payables cycles by testing a sample of transactions. No exceptions were noted.
- j. We obtained an understanding of the University's procedures for monitoring the financial activities of the booster organizations. These monitoring procedures entitled "Guidelines for Athletic Support Groups" consist of ten requirements that all support groups must comply with. For five randomly selected booster organizations, we read files maintained by the University and compared the contents thereof to the requirements of the guidelines. No exceptions were noted.
- k. We selected the largest fundraising activity and the largest expenditure for each booster organization to determine if prior formal written approval was received by the Athletic Department. The Athletic Department does not give formal written approval for recurring activities and expenditures previously approved. No exceptions were noted regarding formal written approval on new fundraising activities or expenditures.

Agreed-upon procedures "h" through "k" applied to certain aspects of the University's system of internal accounting control were more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole. Because the scope of our work was limited to applying agreed-upon procedures "h" through "k" to certain aspects of the system of internal accounting control, we are unable to express and do not express an opinion on whether the system of internal accounting control of The Ohio State University in effect for the year ended June 30, 2004, taken as a whole, was sufficient to meet the objectives stated above.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than management of The Ohio State University or an authorized representative of the NCAA.

Deloitte & Touche LLP

October 15, 2004

**THE OHIO STATE UNIVERSITY
DEPARTMENT OF ATHLETICS**

Exhibit

**STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2004 (UNAUDITED)**

	Football	Men's Basketball	Women's Basketball	Other Sports Men	Other Sports Women	Nonprogram Specific	Total
REVENUES:							
Ticket sales	\$28,272,602	\$ 3,817,165	\$ 184,340	\$ 453,407	\$ 40,213	\$ 334,435	\$33,102,162
Post season event	3,053,144	2,257,591					5,310,735
Program sales	407,950	23,463	7,732			67,587	506,732
Novelty sales						2,645,102	2,645,102
Radio and T.V. rights	3,776,834	3,825,246	(5,000)	(10,500)	1,000	956	7,588,536
Concessions	1,807,052	320,189	66,831	196,578	23,089	376,096	2,789,835
Gifts:							
Restricted	53,420	112,179	6,136	162,351	15,371	1,132,226	1,481,683
Grant-in-aid	1,622,578	313,534	384,548	2,862,034	4,725,048		9,907,742
Parking	1,236,020	96,135	41,200				1,373,355
Investment income— unrestricted						416,105	416,105
Postage/service charges	625,420	41,560	10,108	(849)	(144)	132,721	808,816
Advertising						3,267,210	3,267,210
Entry fees						2,831,827	2,831,827
Facility rentals						117,335	117,335
Miscellaneous	(98,774)	260,815	177,409	149,976	5,253	816,342	1,311,021
Golf course						3,497,841	3,497,841
Ice rink						419,606	419,606
Total revenues	40,756,246	11,067,877	873,304	3,812,997	4,809,830	16,055,389	77,375,643
EXPENDITURES:							
Coaches' salaries	2,325,728	755,561	721,489	2,080,351	2,219,852		8,102,981
Other salaries	549,024	239,571	126,330	301,337	168,386	16,866,698	18,251,346
Travel:							
Team and other	1,376,025	396,960	330,389	824,791	969,913	719,570	4,617,648
Recruiting	422,759	85,599	78,895	166,343	215,798	13,931	983,325
Guarantees—net	4,260,356	(143,780)	67,630	35,288	11,925		4,231,419
Financial aid	1,622,578	313,534	384,548	2,862,034	4,725,048		9,907,742
Maintenance/general	2,792,728	499,020	200,403	618,485	312,375	12,854,923	17,277,934
Equipment purchases	153,271	26,419	24,547	15,243	47,817	603,598	870,895
Advertising						218,632	218,632
Insurance						115,605	115,605
Telephone	54,769	30,032	26,995	51,503	46,976	332,782	543,057
Food	503,495	14,645	14,869	55,941	79,255	869,101	1,537,306
Lodging	572,262			7,516	7,164	49,827	636,769
Indirect overhead						3,566,606	3,566,606
Physical facilities						1,275,588	1,275,588
Total expenditures	14,632,995	2,217,561	1,976,095	7,018,832	8,804,509	37,486,861	72,136,853
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES							
	\$26,123,251	\$ 8,850,316	\$(1,102,791)	\$(3,205,835)	\$(3,994,679)	\$(21,431,472)	\$ 5,238,790

Note: This schedule was prepared by a representative of the Department of Athletics.

The Ohio State University

*Independent Accountants' Report on the
Application of Agreed-Upon Procedures to
Statements and Records of Booster Organizations'
Expenditures for or on Behalf of the
University's Department of Athletics for the
Year Ended June 30, 2004*

INDEPENDENT ACCOUNTANTS' REPORT ON THE APPLICATION OF AGREED-UPON PROCEDURES TO STATEMENTS AND RECORDS OF BOOSTER ORGANIZATIONS' EXPENDITURES FOR OR ON BEHALF OF THE UNIVERSITY'S DEPARTMENT OF ATHLETICS

Dr. Karen Holbrook
President
The Ohio State University
Columbus, Ohio

We have performed the procedures enumerated below, which were agreed to by the Senior Vice President of the Office of Business and Finance, with respect to the accounting records of The Ohio State University (the "University") and the related booster organizations, referred to below, in connection with activities of the Department of Athletics of the University. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures that we performed and our findings are as follows:

- a. We obtained a list of booster organizations and a schedule of receipts/revenues and disbursements/expenses for the year ended June 30, 2004 from the Director of Athletics. This Schedule (the "Schedule") is included as the Exhibit to this report.
- b. We agreed total revenues and expenditures or total cash receipts and cash disbursements of all booster organizations for the year ended June 30, 2004 listed on the Schedule with amounts obtained from the official responsible for each respective booster organization.
- c. We received a representation letter signed by the Director of Athletics and all of the head coaches that the booster organizations, as listed in the Exhibit, are the only booster organizations that support the Department of Athletics as defined in the National Collegiate Athletic Association ("NCAA") Financial Audit Guidelines dated May 1996.
- d. We obtained a summary of contributions to or in behalf of the Department of Athletics from the booster organizations and compared such summary to the revenues recorded in the University's accounting records. The in-kind contributions and donated goods or services were not recorded in the University's accounting records. For the year ended June 30, 2004, the Buckeye Boosters contributed \$18,810 of gifts in kind and the Rifle Booster Club contributor \$2,870 of gifts in kind.

We also noted that contributions reported by the booster groups were credited to these groups in The Ohio State University Development Fund's records.

We were not engaged to, and did not, conduct an audit in accordance with auditing standards generally accepted in the United States of America ("GAAP"), the objective of which would be the expression of an opinion on the accounts of the booster organizations or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we performed an audit of the financial statements of the related outside organizations in accordance with GAAP, other matters might have come to our attention that would have been reported to you. This report relates only to the accounts and items specified above and does not extend to any financial statements of the University or related outside organizations, taken as a whole.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than management of The Ohio State University or an authorized representative of the NCAA.

Deloitte & Touche LLP

October 15, 2004

**THE OHIO STATE UNIVERSITY
DEPARTMENT OF ATHLETICS**

Exhibit

**OUTSIDE ORGANIZATIONS ACTING IN BEHALF OF THE DEPARTMENT OF
ATHLETICS RECEIPTS/REVENUES AND DISBURSEMENTS/EXPENSES
YEAR ENDED JUNE 30, 2004**

Organizations reporting on a cash receipts and disbursements basis for the year ended June 30, 2004 are as follows:

Organization	Beginning Cash Balance	Cash Receipts	Cash Disbursements		Ending Cash Balance
			Contributions To or In Behalf of Program	Other	
Varsity "O" Women	\$ 50,380	\$ 27,690	\$ 250	\$ 29,388	\$ 48,432
The Buckeye Diamond Club	339,749	199,610	12,989	36,935	489,435
The Buckeye Sideliners	2,534	27,109	12,500	14,626	2,517
The Rebounders Club	5,194	34,418	6,500	19,144	13,968
The Ohio State Men's Swimming and Diving Booster Club	4,862	6,905		5,251	6,516

Organizations reporting revenues and expenditures for the year ended June 30, 2004 are as follows:

Organization	Revenues	Expenditures		Net Income (Loss)
		Contributions To or In Behalf of Program	Other	
Buckeye Boosters, Inc.	\$ 164,032	\$ 220,310	\$ 74,830	\$ (131,108)
The Varsity "O" Alumni Center Ice Club	175,866 48,016	19,710 14,625	128,665 28,930	27,491 4,461
OSU Varsity Rifle Team Booster Club	2,689	2,870	937	(1,118)



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**OHIO STATE UNIVERSITY
FRANKLIN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 22, 2005**