

*The Ohio State  
University Research  
Foundation*

*Office of Management and Budget  
Circular A-133 Reports for the  
Year Ended June 30, 2002*





**Auditor of State  
Betty Montgomery**

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Board of Directors  
The Ohio State University Research Foundation  
Columbus, OH 43210-4016

We have reviewed the Independent Auditor's Report of The Ohio State University Research Foundation, Franklin County, prepared by Deloitte & Touche, for the audit period July 1, 2001 through June 30, 2002. 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 Research Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 22, 2003

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**THE OHIO STATE UNIVERSITY  
RESEARCH FOUNDATION**

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**THE OHIO STATE UNIVERSITY  
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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>Federal Agency</b>	<b>Sponsor I.D. Number</b>	<b>2002 Expenditures</b>
<b>Research and Development Cluster:</b>		
Pass-through from The Ohio State University:		
Environmental Protection Agency	30020000	\$ 543,277
National Aeronautics and Space Administration (NASA)	30030000	72,750
Langley Research Center	30030102	13,356
Ames Research Center	30030103	304,486
John Glenn Research Center - Lewis Field	30030104	378,567
Marshall Space Flight Center	30030201	259,478
Johnson Space Center	30030202	79,736
Kennedy (John F) Space Center	30030203	205,960
Goddard Space Flight Center	30030301	2,691,789
National Endowment for the Humanities	30040100	433,483
National Science Foundation	30050000	4,919,566
NSF Biological Sciences	30050100	234,772
NSF Biological Instrumentation & Resources	30050101	389,314
NSF Integrative Biology & Neuroscience	30050102	940,075
NSF Molecular & Cellular Biosciences	30050103	1,269,203
NSF Environmental Biology	30050104	248,529
NSF Computer & Information Science & Energy	30050200	831,212
NSF OFC Cross Disciplinary Activities	30050201	(1,866)
NSF Div Computer & Computation Research	30050202	365,840
NSF Div Info Robotics & Intelligent Systems	30050203	299,997
NSF Div Networking & Communications Research & Infrastructure	30050206	(1,791)
NSF Engineering	30050300	84,440
NSF Div Engineering, Education & Centers	30050302	407,117
NSF Div Chemical & Transport Systems	30050303	239,148
NSF Div Civil & Mechanical Structures	30050304	213,572
NSF Div Electrical & Communications Systems	30050305	396,652
NSF Div Design, Manufacture, Industrial	30050306	547,574
NSF Div Bioengineering & Environmental	30050307	(36,242)
NSF Geosciences	30050400	5,752
NSF Div Atmospheric Sciences	30050401	56,244
NSF Div Earth Sciences	30050402	233,955
NSF Div Ocean Sciences	30050403	208,266
NSF Polar Programs	30050404	1,993,956
NSF Mathematical & Physical Sciences	30050500	21,010
NSF Div Mathematical Sciences	30050501	934,030
NSF Div Physics	30050502	1,268,955
NSF Div Chemistry	30050503	3,129,393
NSF Div Materials Research	30050504	1,351,155
NSF Div Astronomical Sciences	30050505	606,845
NSF Education & Human Resources	30050600	114,620
NSF Div Undergraduate Education	30050605	613,404
NSF Div Human Resource Development	30050606	62,227

See notes to schedule of expenditures of federal awards.

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>Federal Agency</b>	<b>Sponsor I.D. Number</b>	<b>2002 Expenditures</b>
<b>Research and Development Cluster:</b>		
Pass-through from The Ohio State University:		
NSF Elementary, Secondary & Informal Education	30050607	\$ 70,202
NSF Div Graduate Education & Research Development	30050611	201,100
NSF Div Research, Evaluation & Communication	30050612	27,372
NSF Social, Behavioral & Economic Sciences	30050800	92,394
NSF Social, Behavioral & Economic Research	30050801	1,552,724
NSF International Science & Engineering	30050803	35,972
NSF Science & Technology Infrastructure	30050900	15,971
Smithsonian Institute	30060000	7,020
Smithsonian Astrophysical Observatory	30060200	79,297
Appalachian Regional Commission	30070100	29,458
Postal Service	30130000	3,019
Veterans Affairs	30170000	89,532
Agency For International Development	30300100	318,779
Cent Intelligence Agency	30350100	(19)
US Institute of Peace	30460000	22,935
National Academy Science	31020000	(1)
Corporation for National Service	31040001	75,959
Department of Agriculture	40000000	202,582
Forest Service	40020000	139,997
USDA - Science & Education	40040000	7,260
USDA - Coop State Res Education & Extension Service	40040100	3,494,668
USDA - National Research Institute	40040103	371,225
USDA - Initiative Future Agriculture & Food System	40040104	287,524
USDA - Agricultural Research Service	40040200	864,155
USDA - Natural Resources Conservation Service	40060000	175,205
USDA - Animal & Plant Health Inspection Service	40070000	21,235
Office of International Cooperation & Development	40100000	81
Economic Research Service	40120000	172,772
National Agricultural Statistics Services	40160000	(460)
Rural Business - Cooperative Service (RBS)	40190000	181,787
National Oceanic & Atmospheric Administration	42020000	1,104,679
National Marine Fisheries Service	42020300	12,509
National Institute of Standards & Technology	42040000	79,449
Department of Defense	50000000	184,017
Air Force Material Command (AFMC)	50010100	1,905,845
Air Force Office of Scientific Research	50010105	3,346,699
U.S. Department of Defense (DOD) - Wright Laboratory	50010800	142,080
DOD - Army	50020000	7,446
DOD - Army Corporations of Engineers	50020100	47,295
DOD - Army Cold Regions Research & Engineering Laboratory	50020103	103,712
Humphreys Engineer CSA	50020106	325,049
DOD - Army Tank Command	50020204	20,161

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<b>Federal Agency</b>	<b>Sponsor I.D. Number</b>	<b>2002 Expenditures</b>
<b>Research and Development Cluster:</b>		
Pass-through from The Ohio State University:		
DOD - Army Natick Research & Development Labs	50020213	\$ 322
DOD - Army Medical Command	50020300	1,032,075
DOD - Army Medical Research & Materiel Command	50020301	122,840
DOD - Army Research Office	50020400	961,544
DOD - Army Robert Morris Acquisition Center	50022400	54,956
DOD - Space & Naval Warfare Systems Center	50040110	88,511
DOD - Office of Naval Research	50040300	1,062,936
DOD - Naval Research Lab	50040301	(1,077)
DOD - Naval Medical Research Institute	50041002	77,583
DOD - Naval Air Warfare Center	50041600	15,165
DOD - Advanced Research Projects Agency	50060000	534,671
DOD - National Imagery & Mapping Agency	50080000	282,908
Defense Logistics Agency	50130000	195,276
National Security Agency	50140000	243
Defense Contracting Command	50180000	17,009
National Reconnaissance Office	50200000	371,759
Department of Education (DE)	53000000	624,041
DE - Office of Educational Research & Improvement	53020000	5,914,727
DE - Fund Improvement Postsecondary Education	53020300	(129)
DE - Office of Postsecondary Education	53040000	1,958,214
DE - Office of Higher Education Programs	53040100	345,421
DE - Center for International Education	53040200	1,182,883
DE - Office of Special Education & Rehabilitative Services	53050000	81,893
DE - Office of Special Education Programs	53050100	32,350
DE - Rehabilitation Services Administration	53050200	65,145
DE - National Disability & Rehabilitation Research	53050300	914,614
DE - Office Vocational & Adult Education Programs	53060000	222,734
Department of Energy (DOE)	55000000	7,304,041
Department of Health & Human Services	60000000	(16,799)
Centers for Medicare & Medicaid Services	60020000	61,628
Public Health Services (PHS) - National Institute of Health	60040400	300,699
PHS - National Cancer Institute	60040402	21,900,780
PHS - National Heart Lung Blood	60040403	8,338,342
PHS - National Institute of Allergies & Infectious Disorders	60040404	8,390,604
PHS - National Institute of Diabetes & Digestive & Kidney Disease	60040405	4,920,535
PHS - National Institute of Child Health & Human Development	60040406	2,704,574
PHS - National Institute of General Medical Sciences	60040407	6,970,588
PHS - National Institute of Neurological Disorders & Stroke	60040408	4,820,333
PHS - National Center For Research Resources	60040410	731,468
PHS - National Eye Institute	60040411	5,590,157
PHS - National Institute of Dental & Craniofacial Research	60040412	5,854,778
PHS - National Institute on Environmental Health Services	60040414	629,048
PHS - National Institute of Aging	60040415	3,707,008
PHS - National Institute on Health Clinical Center	60040416	1,145

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Agency	Sponsor I.D. Number	2002 Expenditures
<b>Research and Development Cluster:</b>		
<b>Pass-through from The Ohio State University:</b>		
PHS - Fogarty International Center	60040417	\$ 34,052
PHS - National Institute of Nursing Research	60040418	1,150,874
PHS - National Institute of Arthritis and Musclo-skeletal and Skin Diseases	60040419	1,336,652
PHS - National Institute of Deafness and Other Communication Disorders	60040420	1,579,724
PHS - National Institute of Mental Health	60040421	4,027,089
PHS - National Institute of Drug Abuse	60040422	480,682
PHS - National Institute of Alcohol Abuse & Alcoholism	60040423	410,077
PHS - Substance Abuse & Mental Health Services Administration	60040424	315,987
PHS - Health Resources & Services Administration	60040500	35,648
PHS - Bureau of Health Professions	60040501	844,557
PHS - Maternal & Child Health Bureau	60040505	381,448
PHS - Centers for Disease Control & Prevention	60040600	378,008
PHS - National Institute of Occupational Safety & Health	60040601	660,208
PHS - Office of Population Affairs	60041100	60,985
PHS - Agency For Healthcare Research & Quality	60041200	(648)
Department of Housing & Urban Development	70000000	85,796
U.S. Fish & Wildlife Service	72030000	13,428
U.S. Geological Survey	72040000	393,025
U.S. Department of Labor (DOL) - Bureau of Labor Statistics	76050000	4,909,888
Bureau of Educational & Cultural Affairs	80020100	18,446
U.S. Department of Transportation (DOT)	82000000	594,970
DOT - Federal Highway Administration	82010000	7,244
DOT - Federal Aviation Administration	82030000	987,758
DOT - National Highway Traffic Safety Administration	82040000	<u>359,723</u>
Total pass-through from The Ohio State University		<u>160,181,656</u>

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FOR THE YEAR ENDED JUNE 30, 2002**

Pass-Through Sponsor	Federal Agency Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2002 Expenditures
<b>Research and Development Cluster (continued):</b>				
Pass-through from other sources:				
North American Association for Environmental Education	Environmental Protection Agency	30020000	20021323	\$ (5)
University of Wisconsin	Environmental Protection Agency	30020000	22000006	832
Colorado State University	Environmental Protection Agency	30020000	22000110	3,740
University of Alabama - Tuscaloosa	Environmental Protection Agency	30020000	22000305	39,815
Ohio Environmental Protection Agency	Environmental Protection Agency	30020000	26340000	192,980
Ohio OFC LK Erie Prote	Environmental Protection Agency	30020000	26590000	17,740
Alliedsignal, Inc.	National Aeronautics and Space Administration	30030000	10011761	29,579
Raytheon Company	National Aeronautics and Space Administration	30030000	10011847	133,909
Innovative Scientific Solutions	National Aeronautics and Space Administration	30030000	10020096	23,212
PHPK Technologies	National Aeronautics and Space Administration	30030000	10020108	5,016
Space Telescope Science Institute	National Aeronautics and Space Administration	30030000	20021006	122,155
California Institute of Technology	National Aeronautics and Space Administration	30030000	22000054	385,932
University of Maryland	National Aeronautics and Space Administration	30030000	22000120	10,766
Georgia Institute of Technology	National Aeronautics and Space Administration	30030000	22000189	21
Case Western Reserve University	National Aeronautics and Space Administration	30030000	22000238	24,670
Georgia Technology Research Institute	National Aeronautics and Space Administration	30030000	22000245	32,983
University of Texas-Austin	National Aeronautics and Space Administration	30030000	22000270	94,308
Embry-Riddle Aerospace University	National Aeronautics and Space Administration	30030000	22000291	3,331
Raytheon Company	Ames Research Center	30030103	10011847	76,116
Ohio University	Ames Research Center	30030103	22000130	(3,746)
University of Kentucky	Ames Research Center	30030103	22000143	8,244
Battelle Memorial Institute	John Glenn Research Center-Lewis Field	30030104	20020012	18,668
Ohio Aerospace Institute	John Glenn Research Center-Lewis Field	30030104	20021048	57,047
University of Illinois	John Glenn Research Center-Lewis Field	30030104	22000009	98,138
EG & G, Inc.	Goddard Space Flight Center	30030301	10011343	151,184
Heartland Arts Foundation	National Endowment for the Arts	30040200	20012068	5,000
Superconductive Company	National Science Foundation	30050000	10011486	(82)
Horizon Research, Inc.	National Science Foundation	30050000	10012237	18,535
Woods Hole Oceanographic Institute	National Science Foundation	30050000	20020744	327,388
University Corporation for Atmospheric Research	National Science Foundation	30050000	20020793	119,035
Education Development Center	National Science Foundation	30050000	20021328	67,684
International Technology Education Association	National Science Foundation	30050000	20021487	458
Purdue University	National Science Foundation	30050000	22000002	387
Rutgers University	National Science Foundation	30050000	22000003	39,486
University of Medical & Dental New Jersey	National Science Foundation	30050000	22000004	8,238
University of Illinois	National Science Foundation	30050000	22000009	273,548
Pennsylvania State University	National Science Foundation	30050000	22000030	(674)
Wayne State University	National Science Foundation	30050000	22000034	72,963
Michigan State University	National Science Foundation	30050000	22000044	93,409
Miami University	National Science Foundation	30050000	22000049	13,640
Texas A & M University	National Science Foundation	30050000	22000053	208
Kansas State University	National Science Foundation	30050000	22000062	82,375
University of Minnesota	National Science Foundation	30050000	22000067	82,886
Florida State University	National Science Foundation	30050000	22000070	11,096
University of Connecticut	National Science Foundation	30050000	22000076	69
Cornell University	National Science Foundation	30050000	22000081	3,553
University of Maryland	National Science Foundation	30050000	22000120	4,816
Denison University	National Science Foundation	30050000	22000128	60,802
North Carolina State University	National Science Foundation	30050000	22000136	182,383
Mississippi State University	National Science Foundation	30050000	22000196	100,170
University of Washington	National Science Foundation	30050000	22000212	72,193
Michigan Technology University	National Science Foundation	30050000	22000214	3,571
Montana State University	National Science Foundation	30050000	22000236	1,245
Drexel University	National Science Foundation	30050000	22000246	216,506
Institute Advanced Study	National Science Foundation	30050000	22000273	8,604
University of California - San Diego	National Science Foundation	30050000	22000288	105,982
Renssalaer Polytechnic Institute	National Science Foundation	30050000	22000298	33,745
East Carolina University	National Science Foundation	30050000	22000304	4,087

See notes to schedule of expenditures of federal awards.

**THE OHIO STATE UNIVERSITY  
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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

Pass-Through Sponsor	Federal Agency Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2002 Expenditures
<b>Research and Development Cluster (continued):</b>				
Pass-through from other sources:				
University of Alabama - Tuscaloosa	National Science Foundation	30050000	22000305	\$ 61,076
Polytechnic University	National Science Foundation	30050000	22000321	32,917
University of Tulsa	National Science Foundation	30050000	22000328	1,249
Stroud Water Research Center	NSF-Environmental Biology	30050104	20021389	71,934
University of Illinois	NSF-Div Electrical & Communications Systems	30050305	2200009	(817)
Pennsylvania State University	NSF-Bioengineering Environmental & Ocean Sys	30050307	22000030	(7,634)
Carnegie-Mellon University	NSF Office Small Business Research & Development	30050701	22000051	4,661
Ohio Business Development Organization, Inc.	Small Business Administration	30140000	20020062	4,705
University of Chicago	Veterans Administration	30170000	22000018	166,915
Development Alternatives, Inc.	Agency for International Development	30300100	10011316	114,221
PA Consulting Group	Agency for International Development	30300100	10030065	3,346
United Negro College Fund	Agency for International Development	30300100	20021410	157,718
International Rice Research Institute	Agency for International Development	30300100	20021413	50,796
University of Wisconsin	Agency for International Development	30300100	22000006	130,854
Michigan State University	Agency for International Development	30300100	22000044	13,911
Oregon State University	Agency for International Development	30300100	22000103	35,409
US-Egypt S&T Joint Board	Agency for International Development	30300100	28610001	(958)
University of Texas - Austin	Corporation for National and Community Service	31040001	22000270	(18,307)
Air Products & Chemicals	Department of Agriculture	40000000	10010612	(3,061)
Biotech Research & Development Corporation	Department of Agriculture	40000000	10011994	31,149
Bioprocess Innovative Company	Department of Agriculture	40000000	10020039	8,711
Dairy Management, Inc.	Department of Agriculture	40000000	20020911	107,693
Midwest Advanced Food Management	Department of Agriculture	40000000	20021278	7,665
Purdue University	Department of Agriculture	40000000	22000002	97,641
Virginia Polytechnic Institute	Department of Agriculture	40000000	22000023	(1,245)
Michigan State University	Department of Agriculture	40000000	22000044	89,179
University of Maine at Orono	Department of Agriculture	40000000	22000048	3,297
University of Minnesota	Department of Agriculture	40000000	22000067	(762)
Cornell University	Department of Agriculture	40000000	22000081	29,362
University of Nebraska	Department of Agriculture	40000000	22000085	51,581
Colorado State University	Department of Agriculture	40000000	22000110	18,798
University of Arizona	Department of Agriculture	40000000	22000116	481
North Carolina State University	Department of Agriculture	40000000	22000136	(94)
University of Delaware	Department of Agriculture	40000000	22000138	22,441
Midwest Advanced Food Management	Cooperative State Research, Education & Extension Svc	40040100	20021278	39,923
University of Wisconsin	Cooperative State Research, Education & Extension Svc	40040100	22000006	50,358
University of Illinois	Cooperative State Research, Education & Extension Svc	40040100	22000009	(3,052)
Michigan State University	Cooperative State Research, Education & Extension Svc	40040100	22000044	4,675
Southern Illinois University	Cooperative State Research, Education & Extension Svc	40040100	22000055	20,109
Cornell University	Cooperative State Research, Education & Extension Svc	40040100	22000081	36,118
University of Nebraska	Cooperative State Research, Education & Extension Svc	40040100	22000085	4,109
Colorado State University	Cooperative State Research, Education & Extension Svc	40040100	22000110	36,719
University of Kentucky	Cooperative State Research, Education & Extension Svc	40040100	22000143	21,089
University of Massachusetts - Amherst	Cooperative State Research, Education & Extension Svc	40040100	22000274	17,822
Colegio University Del Est	Cooperative State Research, Education & Extension Svc	40040100	22010012	24,736
University of Michigan	Department of Commerce	42000000	22000005	788
East Carolina University	Department of Commerce	42000000	22000304	16,260
Dartmouth	Department of Commerce	42000000	22000312	39,221
Phycotransgenics LLC	National Oceanic and Atmospheric Administration	42020000	10012342	12,597
National Fish & Wildlife Fund	National Oceanic and Atmospheric Administration	42020000	20021134	1,915

See notes to schedule of expenditures of federal awards.

**THE OHIO STATE UNIVERSITY  
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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

Pass-Through Sponsor	Federal Agency Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2002 Expenditures
<b>Research and Development Cluster (continued):</b>				
Pass-through from other sources:				
University of New Hampshire	National Oceanic and Atmospheric Administration	42020000	22000131	\$ 45,237
Ohio Department of National Resources	National Oceanic and Atmospheric Administration	42020000	26110000	24,851
Edison Materials Technology Center	National Institute of Standards & Technology	42040000	10011518	135,734
OG Technologies, Inc.	National Institute of Standards & Technology	42040000	10012262	89,578
E-Systems Corporation	Department of Defense	50000000	10011157	167,599
Mission Research Corporation	Department of Defense	50000000	10011436	23,639
Nichols Research Corporation	Department of Defense	50000000	10011948	364,592
R & S Associates	Department of Defense	50000000	10012346	285,207
High Perform Technology	Department of Defense	50000000	10012364	17,963
Henry M. Jackson Foundation	Department of Defense	50000000	20010473	38,220
IIT Research Institute	Department of Defense	50000000	20021129	88,339
University of Dayton	Department of Defense	50000000	22000008	58,225
University of Arizona	Department of Defense	50000000	22000116	157,153
Mississippi State University	Department of Defense	50000000	22000196	1,446,052
Lockheed Martin Corporation	Air Force	50010000	10010042	17,108
Science Applications International Corporation	Air Force	50010000	10011324	10,770
GE Aircraft Engineers	Air Force	50010000	10011756	105,128
Harris Corporation	Air Force	50010000	10012071	75,425
Pratt & Whitney Engineers	Air Force	50010000	10012090	32,627
Amberwave Technologies	Air Force	50010000	10012219	103,853
NCI Information System	Air Force	50010000	10012350	88,958
S & K Technologies	Air Force	50010000	10012375	4,677
Dynamic Engineering, Inc.	Air Force	50010000	10020001	(898)
Technical Management Concepts, Inc.	Air Force	50010000	10020023	15,660
UES, Inc.	Air Force	50010000	10020049	32,818
Klein Associates	Air Force	50010000	10020072	(88)
Sytronics, Inc.	Air Force	50010000	10020077	25,486
Innovative Scientific Solutions, Inc.	Air Force	50010000	10020096	61,552
Selecttech Services	Air Force	50010000	10020105	118,720
Ladish/Chamberburg	Air Force	50010000	18000013	228,707
Guide Consortium	Air Force	50010000	20021102	2,206
Dayton Area Graduate Studies Institute	Air Force	50010000	20021372	25,249
University of Dayton	Air Force	50010000	22000008	17,685
University of Cincinnati	Air Force	50010000	22000074	62,397
MIT-Lincoln Lab	Air Force	50010000	22000228	25,340
Georgia Tech Research Institute	Air Force	50010000	22000245	89,881
Sytronics, Inc.	Air Force Materiel Command	50010100	10020077	(2,290)
Research & Development Labs	Air Force Office Of Scientific Research	50010105	10011649	(854)
Monopole Research	Air Force Office Of Scientific Research	50010105	10012374	20,150
University Virginia	Air Force Office Of Scientific Research	50010105	22000203	91,864
Princeton University	Air Force Office Of Scientific Research	50010105	22000289	(33,659)
Vanderbilt University	Air Force Office Of Scientific Research	50010105	22000296	82,506
UC Santa Barbara	Air Force Office Of Scientific Research	50010105	22000315	(10,972)
Lockheed Martin Corporation	Army	50020000	10010042	5
E-OIR Measurements	Army	50020000	10012263	45,546
Arinc Incorporated	Army	50020000	10012359	9,070
Cleveland Clinic Foundation	Army	50020000	20010421	(6,530)
Concurrent Technology Corporation	Army	50020000	20021460	292,058

See notes to schedule of expenditures of federal awards.

**THE OHIO STATE UNIVERSITY  
RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

Pass-Through Sponsor	Federal Agency Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2002 Expenditures
<b>Research and Development Cluster (continued):</b>				
Pass-through from other sources:				
University of Chicago	Army	50020000	22000018	\$ (23,604)
Lockheed Martin Corporation	Army Research Laboratory	50020210	10010042	4,070
Micro Aicro Anal & Design	Army Research Laboratory	50020210	10012320	778,696
Bae Systems	Army Research Laboratory	50020210	10030070	23,769
House Ear Institute	Army Medical Research & Materiel Command	50020301	20021422	3,927
Ohio University	Army Medical Research & Materiel Command	50020301	22000130	21,048
Battelle Memorial Institute	Army Research Office	50020400	20020012	54,265
Massachusetts Institute of Technology	Army Research Office	50020400	22000001	53,289
Duke University	Army Research Office	50020400	22000094	62,730
Johns Hopkins University	Army Research Office	50020400	22000133	(1,262)
Edison Welding Institute	Department of Navy	50040000	10011218	39,144
Science Applications International Corporation	Department of Navy	50040000	10011324	6,755
Computer Science Corporation	Department of Navy	50040000	10011456	109,208
University Tennessee	Office of Naval Research	50040300	22000010	56,404
University California	Office of Naval Research	50040300	22000011	58,470
Princeton University	Office of Naval Research	50040300	22000289	1,876
Lockheed Martin Corporation	U.S. Department of Education	53000000	10010042	28,144
Quintiles Trans Corporation	U.S. Department of Education	53000000	10011631	(4,360)
Consort Plant Biotech	U.S. Department of Education	53000000	20021036	(1,412)
Center Civic Education	U.S. Department of Education	53000000	20021131	100,256
Education Development Center	U.S. Department of Education	53000000	20021328	5,661
National Writing Project Corporation	U.S. Department of Education	53000000	20021378	29,502
University of Wisconsin	U.S. Department of Education	53000000	22000006	30,535
Penn State University	U.S. Department of Education	53000000	22000030	989
Miami University	U.S. Department of Education	53000000	22000049	8,238
University of Cincinnati	U.S. Department of Education	53000000	22000074	(790)
Wright State University	U.S. Department of Education	53000000	22000087	40,006
Ohio University	U.S. Department of Education	53000000	22000130	9,383
Washington University	U.S. Department of Education	53000000	22000209	44,865
University of S. Carolina	U.S. Department of Education	53000000	22000241	16,231
N. Carolina Central University	U.S. Department of Education	53000000	22000320	9,040
Columbus Public Schools	U.S. Department of Education	53000000	24000022	112
Ohio Department of Education	U.S. Department of Education	53000000	26080000	115,249
Ohio Division Career Technology & Adult Education	U.S. Department of Education	53000000	26080100	1,950,562
Ohio Division Professional Development & License	U.S. Department of Education	53000000	26080700	20,431
Lockheed Martin Corporation	Department of Energy	55000000	10010042	35,160
Air Products & Chemicals	Department of Energy	55000000	10010612	1,273
Westinghouse Electric Company	Department of Energy	55000000	10010881	118,871
Sandia Corporation	Department of Energy	55000000	10011170	82,249
US Auto Material & Parts	Department of Energy	55000000	10012073	83,941
Eurus Technologies	Department of Energy	55000000	10012202	221,473
Supercon, Inc.	Department of Energy	55000000	10012205	(10,618)
Ashman Technologies	Department of Energy	55000000	10012227	67,247
Mct, Inc.	Department of Energy	55000000	10012251	298
Environmental Energy	Department of Energy	55000000	10012272	53,965

See notes to schedule of expenditures of federal awards.

**THE OHIO STATE UNIVERSITY  
RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

Pass-Through Sponsor	Federal Agency Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2002 Expenditures
<b>Research and Development Cluster (continued):</b>				
Pass-through from other sources:				
Omega International Technology, Inc.	Department of Energy	55000000	10012361	\$ 15,000
Nextech Material Ltd.	Department of Energy	55000000	10020047	64,559
Ues, Inc.	Department of Energy	55000000	10020049	127,158
Innov Sci Solutions	Department of Energy	55000000	10020096	25,387
National Renewable Energy Lab	Department of Energy	55000000	20020800	232,947
Consort Plant Biotech	Department of Energy	55000000	20021036	14,763
Battelle-Pac Nw Lab	Department of Energy	55000000	20021070	81,356
Knolls Atomic Power Lab	Department of Energy	55000000	20021418	79,998
Univ. Rsch Assoc. Inc.	Department of Energy	55000000	20021485	1,053,312
Ut-Battelle, LLC	Department of Energy	55000000	20021486	15,239
Purdue University	Department of Energy	55000000	22000002	46,899
University Michigan	Department of Energy	55000000	22000005	89,410
University California	Department of Energy	55000000	22000011	544,765
University of Idaho	Department of Energy	55000000	22000016	(5,251)
West Virginia University	Department of Energy	55000000	22000032	15,757
University of Cincinnati	Department of Energy	55000000	22000074	12,431
Stanford University	Department of Energy	55000000	22000142	(1,709)
University of Alabama Tuscaloosa	Department of Energy	55000000	22000305	60,772
Colorado School Mines	Department of Energy	55000000	24000311	27,017
Boston College	Social Security Administration	60030000	22000310	(1,399)
Linac Systems	National Institutes of Health	60040400	10012130	2,619
Hybrid Plastics, Inc.	National Institute of Health	60040400	10012356	55,023
Genotek LLC	National Institute of Health	60040400	10020082	(1,799)
Indiana University	National Institute of Health	60040400	22000012	107,848
Wayne St. University	National Institute of Health	60040400	22000034	96,780
Duke University	National Institute of Health	60040400	22000094	137,539
University of Rochester	National Institute of Health	60040400	22000193	30,533
Medical College Ohio	National Institute of Health	60040400	22000210	50,235
Case Western Research University	National Institute of Health	60040400	22000238	87,801
University of Arkansas	National Institute of Health	60040400	22000239	1,121
Imedd, Inc.	National Cancer Institute	60040402	10012234	60,671
Oncimmune Ltd.	National Cancer Institute	60040402	10020111	25,549
Mayo Foundation	National Cancer Institute	60040402	20010289	378,324
Cleveland Clinic Foundation	National Cancer Institute	60040402	20010421	290,352
Oklahoma Medical Research Foundation	National Cancer Institute	60040402	20010530	15,485
Foundation for Children Onc	National Cancer Institute	60040402	20010553	34,281
Cancer Therapy & Research Foundation	National Cancer Institute	60040402	20020745	39,069
Am College Radiology	National Cancer Institute	60040402	20020917	1,433
Am Health Foundation	National Cancer Institute	60040402	20021179	15,470
University of Kansas Medical Center Research Institute	National Cancer Institute	60040402	20021356	40,119
Strang Cancer Prevention Center	National Cancer Institute	60040402	20021428	138,661
University of Michigan	National Cancer Institute	60040402	22000005	50,525
University of Calif.	National Cancer Institute	60040402	22000011	260,995
University of Chicago	National Cancer Institute	60040402	22000018	1,454,223
University of Minnesota	National Cancer Institute	60040402	22000067	206,828
University of Cincinnati	National Cancer Institute	60040402	22000074	162,405
University of Texas	National Cancer Institute	60040402	22000106	230,072

**THE OHIO STATE UNIVERSITY  
RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

Pass-Through Sponsor	Federal Agency Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2002 Expenditures
<b>Research and Development Cluster (continued):</b>				
Pass-through from other sources:				
University of North Carolina	National Cancer Institute	60040402	22000146	\$ 1,973
Harvard University	National Cancer Institute	60040402	22000169	158,644
University of Southern California	National Cancer Institute	60040402	22000206	102,637
Washington University	National Cancer Institute	60040402	22000209	50,077
Medical College Ohio	National Cancer Institute	60040402	22000210	29,928
Axio Research Corporation	National Heart, Lung and Blood Institute	60040403	10012025	(2,998)
Cleveland Clinic Foundation	National Heart, Lung and Blood Institute	60040403	20010421	160,286
National Jewish Medical Center	National Heart, Lung and Blood Institute	60040403	20021369	129,756
University of Pittsburgh	National Heart, Lung and Blood Institute	60040403	22000036	13,155
University of New Mexico	National Heart, Lung and Blood Institute	60040403	22000056	18,447
Duke University	National Heart, Lung and Blood Institute	60040403	22000094	86,503
University of Texas	National Heart, Lung and Blood Institute	60040403	22000106	2,434
Johns Hopkins University	National Heart, Lung and Blood Institute	60040403	22000133	190,049
Soc & Scient Sys Inc.	National Institute of Allergy and Infectious Disease	60040404	10012044	(3,514)
Amarillo Biosciences	National Institute of Allergy and Infectious Disease	60040404	10040096	5,500
Oklahoma Medical Research Foundation	National Institute of Allergy and Infectious Disease	60040404	20010530	(8,346)
Case Western Research University	National Institute of Allergy and Infectious Disease	60040404	22000238	8,943
University of Mass Worcester	National Institute of Allergy and Infectious Disease	60040404	22000318	112,105
Rhode Island Hospital	Nat Inst Diabetes & Digestive & Kidney Disease	60040405	20021502	9,390
University of Pittsburgh	Nat Inst Diabetes & Digestive & Kidney Disease	60040405	22000036	28,824
University of Texas Medical Br	Nat Inst Diabetes & Digestive & Kidney Disease	60040405	22000327	1,446
National Bureau of Economic Research	National Institute of Child Health & Human Development	60040406	20020748	117,959
University of Michigan	National Institute of Child Health & Human Development	60040406	22000005	51,652
Case Western Research University	National Institute of Child Health & Human Development	60040406	22000238	695
University of Cal Los Angeles	National Institute of Child Health & Human Development	60040406	22000269	92,664
Emory University	National Institute of Child Health & Human Development	60040406	22000295	151,182
University of Illinois	National Institutes of General Medical Sciences	60040407	22000009	33,002
University of S. Carolina	National Institutes of General Medical Sciences	60040407	22000241	59,204
University of Ca San Francisco	National Institutes of General Medical Sciences	60040407	22000317	167,124
Cleveland Clinic Foundation	National Institute of Neurological Disorders & Stroke	60040408	20010421	32,270
Childrens Hospital, Columbus	National Institute of Neurological Disorders & Stroke	60040408	20020124	52,469
Indiana University	National Institute of Neurological Disorders & Stroke	60040408	22000012	19,787
Columbia University	National Institute of Neurological Disorders & Stroke	60040408	22000135	313
University of Utah	National Institute of Neurological Disorders & Stroke	60040408	22000145	10,885
University of Rochester	National Institute of Neurological Disorders & Stroke	60040408	22000193	4,421
Med Coll Ga Res Inst	National Institute of Neurological Disorders & Stroke	60040408	22000253	404
Emory University	National Institute of Neurological Disorders & Stroke	60040408	22000295	1,434
University of Illinois	National Library of Medicine	60040409	22000009	544
Jaeb Ctr Hlth Rsrch	National Eye Institute	60040411	20021387	753
University of Illinois	National Eye Institute	60040411	22000009	89,945
Johns Hopkins University	National Eye Institute	60040411	22000133	33,235

**THE OHIO STATE UNIVERSITY  
RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

Pass-Through Sponsor	Federal Agency Sponsor	Sponsor I.D. Number	Pass-Through I.D. Number	2002 Expenditures
Research and Development Cluster (continued):				
Pass-through from other sources:				
University of Pennsylvania	National Eye Institute	60040411	22000195	\$ (27,159)
Penn Col Optometry	National Eye Institute	60040411	22000322	6,208
University of New Mexico	National Institute Dental & Craniofacial Rsch	60040412	22000056	24,062
Wake Forest University	National Institute of Aging	60040415	22000286	14,659
Duquesne University	National Institute of Aging	60040415	22000306	19,809
University of Illinois	National Institute Nursing Research	60040418	22000009	6,745
Emory University	National Institute Nursing Research	60040418	22000295	16,837
University of Toronto	National Institute Nursing Research	60040418	22010009	2,903
Barnes-Jewish Hospital	National Institute Arthritis & Muscle & Skin Disorders	60040419	20021500	20,373
University of New Mexico	National Institute Arthritis & Muscle & Skin Disorders	60040419	22000056	36,809
Yale University	National Institute Arthritis & Muscle & Skin Disorders	60040419	22000088	37,891
Duke University	National Institute Arthritis & Muscle & Skin Disorders	60040419	22000094	51,647
Childrens Hospital, Columbus	Nat Inst Deafness & Other Commnctn Disorders	60040420	20020124	44,763
Duke University	National Institute of Mental Health	60040421	22000094	34,923
VA Polytechnic Inst	National Institute of Drug Abuse	60040422	22000023	170,883
Texas A & M University	National Institute of Drug Abuse	60040422	22000053	(2,873)
Ohio University	National Institute on Drug Abuse	60040422	22000130	93,896
University of Washington	National Institute of Drug Abuse	60040422	22000212	10,991
Ohio Department of Alcohol & Drug Addiction	Substance Abuse & Mental Health Services Adm	60040424	26530000	23,391
Asc Schls Pub Health	Health Resources and Services Administration	60040500	20021358	5,024
University of Pittsburgh	Health Resources and Services Administration	60040500	22000036	99,089
Hemophilia Foundation of Michigan	Maternal & Childrens Health Bureau	60040505	20021026	19,228
Battelle Memorial Institute	Centers for Disease Control & Prevention	60040600	20020012	72,445
Hemophilia Foundation of Michigan	Centers for Disease Control & Prevention	60040600	20021026	7,128
University of Michigan	Centers for Disease Control & Prevention	60040600	22000005	10,731
Penn State University	Centers for Disease Control & Prevention	60040600	22000030	46,342
University of Maine at Orono	Centers for Disease Control & Prevention	60040600	22000048	29,036
University of Alabama at Birm	Centers for Disease Control & Prevention	60040600	22000207	10
Ohio Division of Wildlife	U.S. Fish and Wildlife Service	72030000	26110100	725,752
Ohio University	U.S. Geological Survey	72040000	22000130	49,283
Boys & Girls Clubs	Office of Justice	74000000	20021420	(1,049)
University of Iowa	Office of Justice	74000000	22000137	39,181
Ofc Crmnl Just Servc	Office of Justice	74000000	26140401	103,266
National Opinion Research Center	U.S. Department of Labor	76000000	20020932	1,859,346
Ohio Stw Office	U.S. Department of Labor	76000000	26080103	85,679
Battelle Memorial Institute	Department of Transportation	82000000	20020012	108,191
Ohio Department of Transportation	Department of Transportation	82000000	26010000	54,438
Ohio Department of Public Safety	Department of Transportation	82000000	26400000	11,578
Ohio Department of Transport	Federal Highway Administration	82010000	26010000	44,491
Ohio Department of Natural Resources	Federal Highway Administration	82010000	26110000	65,022
Iowa St University	Federal Aviation Administration	82030000	22000047	108,654
Ohio University	Federal Aviation Administration	82030000	22000130	24,933
Embry-Riddle Aero University	Federal Aviation Administration	82030000	22000291	17,191
Subtotal pass-through from other sources				26,683,491
Total Research and Development Cluster				186,865,147

See notes to schedule of expenditures of federal awards.

**THE OHIO STATE UNIVERSITY  
RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>Pass-Through Sponsor</b>	<b>Federal Agency Sponsor</b>	<b>Sponsor</b>		
		<b>I.D. Number</b>	<b>Pass-Through I.D. Number</b>	<b>2002 Expenditures</b>
<b>OTHER PROGRAMS:</b>				
Pass-through from The Ohio State University:				
Environmental Protection Agency	30020000	\$ 769		
National Aeronautics & Space Administration	30030000	21,637		
John Glenn Research Center-Lewis Field	30030104	(1,779)		
National Endowment for the Humanities	30040100	3,729		
National Science Foundation	30050000	94,407		
NSF Integrative Biology & Neuroscience	30050102	4,643		
NSF Div Chemistry	30050503	121,000		
NSF Education & Human Resources	30050600	(50,433)		
NSF Social, Behavioral & Economic Resrch	30050801	15,375		
Agency For International Development	30300100	174,131		
Coop State Res Educ & Extension Service	40040100	73,498		
Ofc Of Inat Cooperation & Development	40100000	(9,643)		
National Oceanic & Atmospheric Administration	42020000	56,276		
Department of Education	53000000	626,546		
Ofc of Postsecondary Education	53040000	(10,497)		
Ofc of Special Education & Rehabilitative Svcs	53050000	97,454		
Ofc of Special Education Programs	53050100	1,160,207		
Rehabilitation Services Administration	53050200	96,034		
Ofc Vocational & Adult Education Programs	53060000	2,449,317		
National Institute of Health	60040400	24,347		
Nat In Alrgy Inf Dis	60040404	240		
National Center for Research Resources	60040410	2,377,682		
Health Resources & Services Admin	60040500	117,637		
Bur Health Professions	60040501	1,737		
Admin Children, Youth & Families	60070100	2,674,417		
Admin Developmental Disabilities	60070500	333,123		
Department of Housing & Urban Development	70000000	90,743		
Department of State	80000000	221,294		
Subtotal pass-through from The Ohio State University, other programs		<u>10,763,891</u>		

**OTHER PROGRAMS:**

Pass-through from other sources:

University of Wisconsin	Environmental Protection Agency	30020000	22000006	7,216
Ohio Environmental Protection Agency	Environmental Protection Agency	30020000	26340000	(535)
Citizens Netwrk Frgn	Agency for International Development	30300100	20021429	(256)
Ohio Gov. Comm Serv Com	Corporation for National and Community Service	31040001	26600000	(6,520)
Penn State University	Department of Agriculture	40000000	22000030	22,188
Michigan State University	Department of Agriculture	40000000	22000044	5,491
Ohio Department of Human Services	Department of Agriculture	40000000	26230000	1,757
Ohio Job & Family Services	Department of Agriculture	40000000	26630000	2,051,019
University of Nebraska	Cooperative State Research, Education & Extension Svc	40040100	22000085	13,045
Dayton Area Grd Stud	National Institute of Standards & Technology	42040000	20021372	46,193
University of Minnesota	U.S. Department of Education	53000000	22000067	111,923

**THE OHIO STATE UNIVERSITY  
RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>Pass-Through Sponsor</b>	<b>Federal Agency Sponsor</b>	<b>Sponsor</b>			<b>2002 Expenditures</b>		
		<b>I.D. Number</b>	<b>Pass-Through I.D. Number</b>	<b>2002 Expenditures</b>			
<b>OTHER PROGRAMS:</b>							
Pass-through from The Ohio State University:							
Ohio Bd Regents	U.S. Department of Education	53000000	26060000	\$ 42,559			
Ohio Division of Early Childhood	U.S. Department of Education	53000000	26080800	57,070			
University of Oregon	Office of Special Education & Rehabilitative Svcs	53050000	22000308	82,967			
Cooperative Educational Service Agency	Department of Health & Human Services	60000000	20021342	127,212			
Gallia County Department of Human Services	Department of Health & Human Services	60000000	24000442	1,882			
Clermont County Department of Human Services	Department of Health & Human Services	60000000	24000443	3,056			
National Center Family Literacy	National Institute of Health	60040400	20021411	58,523			
Van Wert Co. Bd Com	National Institute of Health	60040400	24000438	759			
Ohio Department of Public Safety	National Institute of Health	60040400	26400000	38,601			
Childrens Research Institute	National Institute of Allergy and Infectious Disease	60040404	20010182	4,755			
Ohio Department of Health	Centers for Disease Control & Prevention	60040600	26090000	(1,676)			
National Center for Family Literacy	Admin Children, Youth & Families	60070100	20021411	1,284			
Cuyahoga Co. Bd Of Cm	Office of Justice	74000000	24000430	(356)			
Franklin County Justice Programs Unit	Office of Justice	74000000	24000444	29,802			
Ohio Department of Public Safety	National Highway Traffic Safety Administration	82040000	26400000	90,280			
Subtotal pass-through from other sources, other programs				<u>2,788,240</u>			
TOTAL FEDERAL PROGRAMS				<u>\$200,417,278</u>			

# **THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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### **1. ORGANIZATION**

The Ohio State University Research Foundation (the Research Foundation) is a nonprofit educational corporation created in 1936 as a vehicle to promote the development, implementation, and coordination of sponsored research at The Ohio State University (the University) in the furtherance of the University's educational objectives. Accordingly, grants received for sponsored research are deemed to be pass-throughs from the University.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation* - The accompanying Schedule of Expenditures of Federal Awards includes all the federal grant transactions of the Research Foundation recorded on the accrual basis of accounting.

*Subrecipients* - Certain funds are passed through to subgrantee organizations by the Research Foundation. Expenditures incurred by the subgrantees and reimbursed by the Research Foundation are presented in the Schedule of Expenditures of Federal Awards. The Research Foundation is also the subrecipient of federal funds which are reported as expenditures and listed as federal pass-through funds.

### **3. 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 (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 November 22, 1999, DHHS approved facilities and administrative cost recovery rates effective from July 1, 2000 through June 30, 2003. 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:		
07/01/00 - 06/30/02	49.4 %	47.0 %
07/01/00 - 06/30/03	49.4 %	47.5 %
Off-Campus	26.0 %	26.0 %
Instruction:		
On-Campus:		
07/01/00 - 06/30/02	52.5 %	47.0 %
07/01/02 - 06/30/03	52.5 %	47.5 %
Off-Campus	26.0 %	26.0 %
Other Sponsored Activities:		
On-Campus	22.5 %	31.0 %
Off-Campus	15.0 %	26.0 %
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 within the Certificate.

\* \* \* \* \*

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**Deloitte  
& Touche**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED UPON THE AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

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

We have audited the financial statements of The Ohio State University Research Foundation (the Research Foundation) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 12, 2002 which included an explanatory paragraph related to the adoption of a new accounting standard. 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.

**COMPLIANCE**

As a part of obtaining reasonable assurance about whether the Research Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material 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*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Research Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements 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 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 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.

This report is intended solely for the information and use of the Board of Directors, the audit committee, management of the Research Foundation, 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*

November 12, 2002

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL  
OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM  
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

**COMPLIANCE**

We have audited the compliance of The Ohio State University Research Foundation (the Research Foundation) 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 its major federal program for the year ended June 30, 2002. The Research Foundation's major federal program is 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 its major federal program is the responsibility of the Research Foundation's management. Our responsibility is to express an opinion on the Research Foundation'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 and 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 Research Foundation'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 Research Foundation's compliance with those requirements.

In our opinion, the Research Foundation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

**INTERNAL CONTROL OVER COMPLIANCE**

The management of the Research Foundation 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 Research Foundation's internal control over compliance with requirements that could have a direct and material effect on a major

federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 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 Ohio State University Research Foundation as of and for the year ended June 30, 2002, and have issued our report thereon dated November 12, 2002 which included an explanatory paragraph related to the adoption of anew accounting standard. 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 Research Foundation's management. 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 Directors, the audit committee, management of the Research Foundation, 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 that these specified parties.

*Deloitte & Touche LLP*

November 12, 2002

**THE OHIO STATE UNIVERSITY  
RESEARCH FOUNDATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**PART I - SUMMARY OF AUDITORS' RESULTS**

1. The independent auditors' report on the financial statements expressed an unqualified opinion.
2. Our audit of the financial statements did not disclose a reportable condition in internal controls over financial reporting.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. Our audit of compliance with the types of compliance requirements applicable to the financial statements did not disclose a reportable condition in internal control over compliance with requirements applicable to major federal award programs.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The Research Foundation's major program was:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
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Research and Development Cluster	Various
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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 Research Foundation does 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 FINDING AND QUESTIONED COST SECTION**

No matters are reportable.

**THE OHIO STATE UNIVERSITY  
RESEARCH FOUNDATION**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>Number</b>	<b>Finding</b>	<b>Status</b>	<b>Contact</b>
01-1	The Ohio State University Research Foundation (Research Foundation) reclassified approximately \$1,500,000 of research and development expenses incurred from July 2000 through April 2001 from non-federal pass-through expenditures to federal major pass-through expenditures. The Research Foundation recorded this reclassification to correct several project miscoding errors. Accounting department personnel discovered these miscoded projects during intermittent recordkeeping activities, based on their prior experience with identifying subrecipient payees. However, there are limited controls relating to this type of error.	Corrected	Richard Bradbury, Director of Accounting
01-2	The Research Foundation did not describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.	Corrected	Richard Bradbury, Director of Accounting
01-3	Project 738578 was finalized on April 30, 2001, and currently does not meet the minimum cost-share requirement of \$8,000.	Corrected	Richard Bradbury, Director of Accounting

# ***The Ohio State University Research Foundation***

*Financial Statements for the Years  
Ended June 30, 2002 and 2001  
and Independent Auditors' Report*

**Deloitte & Touche LLP**  
155 East Broad Street  
Columbus, OH 43215-3611

Tel: (614) 221-1000  
Fax: (614) 229-4647  
[www.dttus.com](http://www.dttus.com)



## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statements of net assets of The Ohio State University Research Foundation (the "Research Foundation") as of June 30, 2002 and 2001, and the related statements of revenues, expenses and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the Research Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Research Foundation as of June 30, 2002 and 2001, and its operations and cash for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, the Research Foundation adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities* as of July 1, 2001, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2002 on our consideration of the Research Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DELOITTE & TOUCHE LLP

November 12, 2002

# **THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2002**

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The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of The Ohio State University Research Foundation for the year ended June 30, 2002, with comparative information for the year ended June 30, 2001. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

### **ABOUT THE NEW FINANCIAL STATEMENTS**

Fiscal Year 2002 marks the beginning of a new era for financial reporting at The Ohio State University Research Foundation (the "Research Foundation"). Along with the State of Ohio, the Research Foundation has implemented a new governmental financial reporting model, which is set forth in Governmental Accounting Standards Board Statements Nos. 34 and 35. Under these new accounting standards, the Research Foundation will present its financial reports in a single-column "business type activity" format. GASB Statement No. 35 defines business type activities as those financed in whole or in part by fees charged to external parties for goods and services. Most public colleges and universities have elected to use the business type activity format.

In addition to this MD&A section, the new financial report includes a statement of net assets, a statement of revenues, expenses and other changes in net assets, statement of cash flows and footnotes.

The statement of net assets is the Research Foundation's balance sheet. It reflects the total assets, liabilities, and net assets (equity) of the Research Foundation as of June 30, 2002, with comparative information as of June 30, 2001. 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 Research Foundation's Furniture and Equipment, are shown net of accumulated depreciation. Net assets are grouped in the following categories:

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

The statement of revenues, expenses and changes in net assets is the Research Foundation's income statement. It details how net assets have increased (or decreased) during the fiscal year that ended June 30, 2002, with comparative information for Fiscal Year 2001. Depreciation is provided for capital assets, and there are required subtotals for net operating income or loss and net income or loss before additions to nonexpendable funds.

It should be noted that the required subtotal for net operating income or loss will generally reflect a loss for the Research Foundation. This is primarily due to the way operating and non-operating items are being reported. Operating expenses include virtually all Research Foundation expenses. Operating revenues, however, exclude certain significant revenue streams, including our corporate operating budget. Under this paradigm, our operating loss will increase or decrease based upon the amount of our corporate operating budget.

The statement of cash flows details how cash has increased (or decreased) during the year ended June 30, 2002, with comparative information for Fiscal Year 2001. It breaks out the sources and uses of Research Foundation cash into the following categories:

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

Cash flows associated with the Research Foundation'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 footnotes, which follow the financial statements, provide additional details on the numbers in the financial statements.

## **GENERAL**

The Ohio State University Research Foundation is a nonprofit corporation created as a vehicle to promote sponsored research at The Ohio State University (the "University").

In November 1936, the Ohio Secretary of State issued a charter to The Ohio State University Research Foundation as a nonprofit educational corporation. Incorporators of the Foundation included the renowned inventor Charles F. Kettering and James F. Lincoln, president of the Lincoln Electric Company. The Board of Directors consists of the following member directors:

- Trustee Member (1):  
Appointed by the Board of Trustees of the University.
- University Administration Members (3):  
Including the Vice President for Research, the Executive Vice President for Academic Affairs and Provost, and the Dean of the Graduate School as designated by the Board of Trustees of the University.
- Faculty Members (4):  
Selected from the faculty by the Research Committee of the University Senate.

- Alumni Members (2):  
Designated by The Ohio State University Alumni Association from alumni of the University.
- At-Large (1):  
Designated by the President of the University from among members of national organizations of distinguished engineers, scientists, and scholars.

The Research Foundation Board of Directors elects officers during the regular annual meeting. The officers include President, Vice President, Secretary, Assistant Secretary, Treasurer and Executive Director of the Research Foundation. The Directors appoint an Executive Committee and other committees as needed.

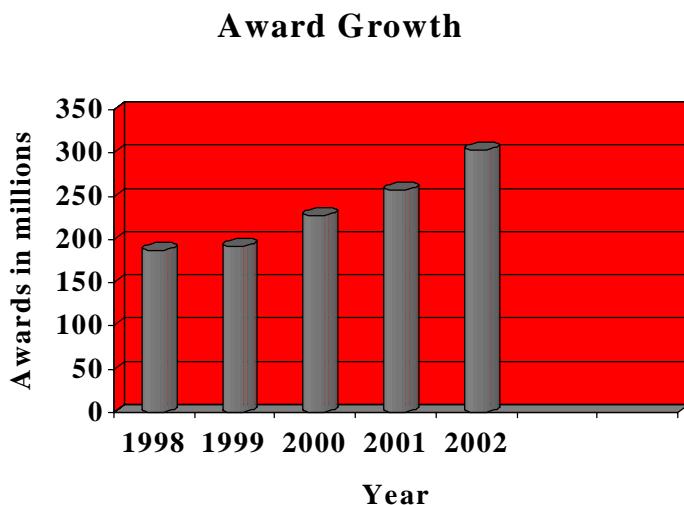
The function of the Research Foundation has evolved over the years in response to the needs of the research community within the University. The Research Foundation began as an organization created to encourage industry sponsorship of University research. It now provides specialized integrated program planning and administrative services for research and other activities supported by a wide range of external sponsors.

The Research Foundation does not own or operate research facilities but utilizes facilities provided by the University under an agreement between the Board of Trustees of the University and the Research Foundation. Personnel working on Research Foundation projects are appointed as University personnel and are paid through the University under provisions of the agreement. The Research Foundation Board of Directors approves the operating budget for the Research Foundation's administrative expenses.

## **FINANCIAL HIGHLIGHTS AND KEY TRENDS**

We are experiencing significant growth in federal funding from the National Institutes of Health (NIH) and from the National Science Foundation (NSF), our two benchmark federal agencies.

In Fiscal Year 2002, awards exceeded \$300 million, an increase of 18.1% from 2001. To put this in perspective, awards exceeded \$100 million for the first time in 1987 and awards exceeded \$200 million for the first time in the year 2000. The increase was mainly attributable to federal awards, either direct or subcontracted. NIH awards increased by 31% from 2001 and exceeded \$100 million. NSF awards increased by 22%.



Sponsor revenues and expenditures in Fiscal Year 2002 increased 4% to \$246 million with most of the increase attributable to federal sponsors. The increase in expenditures generated a corresponding 10% increase in Facilities and Administrative expense recovery.

To support our continued growth in sponsored project research, we are investing heavily in electronic research administration. In this fiscal year, we converted to the PeopleSoft Procurement system and we purchased the PeopleSoft Grants Management software for future installation.

During Fiscal Year 2002, we greatly reduced our receivable balances and our cash balances increased by \$7 million.

## **STATEMENT OF NET ASSETS**

From June 30, 2001 to June 30, 2002, our cash balances increased by \$7.2 million. The Statement of Cash Flows, which is discussed in more detail below, provides additional detail on sources and uses of Research Foundation cash.

Following is a summary of the major components of the net assets of the Research Foundation for the years ending June 30, 2002 and 2001:

	2002	2001
<b>CURRENT ASSETS</b>	<b>\$ 68,785,690</b>	<b>\$ 73,270,167</b>
Non current assets:		
Furniture and equipment	981,939	79,124
Patents	<u>1</u>	<u>1</u>
Total assets	<u><u>\$ 69,767,630</u></u>	<u><u>\$ 73,349,292</u></u>
<b>CURRENT LIABILITIES</b>	<b>\$ 63,069,207</b>	<b>\$ 66,688,175</b>
Non current liabilities:		
Accrued vacation and sick leave	<u>301,829</u>	<u>296,279</u>
Total liabilities	<u><u>63,371,036</u></u>	<u><u>66,984,454</u></u>
Net assets:		
Invested in capital assets	981,939	79,124
Unrestricted	<u>5,414,655</u>	<u>6,285,714</u>
Total net assets	<u><u>6,396,594</u></u>	<u><u>6,364,838</u></u>
Total liabilities and net assets	<u><u>\$ 69,767,630</u></u>	<u><u>\$ 73,349,292</u></u>

Accounts receivable and unbilled project costs decreased due to improvements in our billing/collection methodology, improvements in payroll billing, improvements in our purchasing area, and an improved project close out process.

Other Receivables decreased by \$3.5 million. In fiscal year 2001, the University deposited \$3.3 million dollars that was due to the Research Foundation from the Ohio Board of Regents. At 2001 year end, the \$3.3 million was carried in Other Receivables as an amount due from the University. The receivable cleared in early fiscal year 2002 and accounts for the reduction in the Other Receivables balance.

The Accounts Payable Trade account decreased by \$1.1 million due to process improvements in accounts payable and due to shifting the payment for large dollar equipment invoices funded by the Ohio Board of Regents from the Research Foundation Accounts Payable department to the State of Ohio Office of Budget and Management.

The fluctuation in the accrued payroll account is due to a timing change from the PeopleSoft Human Resource system implementation in mid June 2002.

The significant growth in furniture and equipment this year is attributable to unrestricted resources being committed to technological initiatives that will better position the Research Foundation for future growth. These initiatives involve the purchase of a new grants accounting system, and in the future the development of web based electronic research administration solutions.

Invested in Capital Assets increased by \$.9 million due to the purchase of PeopleSoft Grants Management software and unrestricted net assets decreased by \$.9 million due to increased investment in capital assets of \$.9 million and the lower interest income.

### **STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

Net Assets increased slightly this year. This year's increase in Net Assets was lower than last year's increase due primarily to a reduction in investment earnings. Our interest income decreased by approximately \$307,000 due to lower interest rates on our investment accounts.

Unrestricted Net Assets decreased \$.9 million due to increased investment in Capital Assets of \$.9 million. Capital Assets increased \$.9 million due to the purchase of PeopleSoft Grants Management Software.

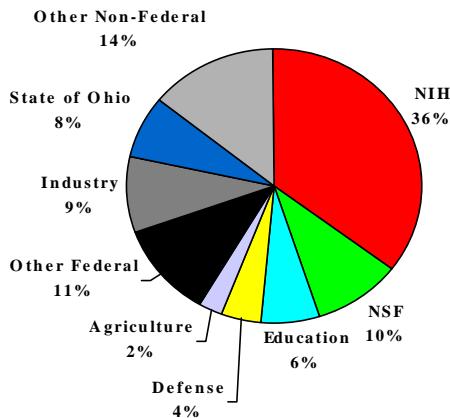
Sponsored Project Equipment purchases decreased 36% due to shifting the payment for large dollar equipment invoices funded by the Ohio Board of Regents from the Research Foundation Accounts Payable department to the State of Ohio Office of Budget and Management.

We recognize Sponsored Project Revenue as Sponsored Project Expenses are incurred. The excerpt below from our statement of revenues, expenses, and other changes in net assets demonstrates this relationship.

SPONSOR PROJECT REVENUE	<u>\$246,399,712</u>
EXPENDITURES AND TRANSFERS:	
Sponsored project expenses:	
Personnel	\$ 118,882,157
Materials and services	58,903,724
Equipment	7,659,252
Travel	5,787,081
F&A charged by the University	<u>55,167,498</u>
TOTAL	<u>\$246,399,712</u>

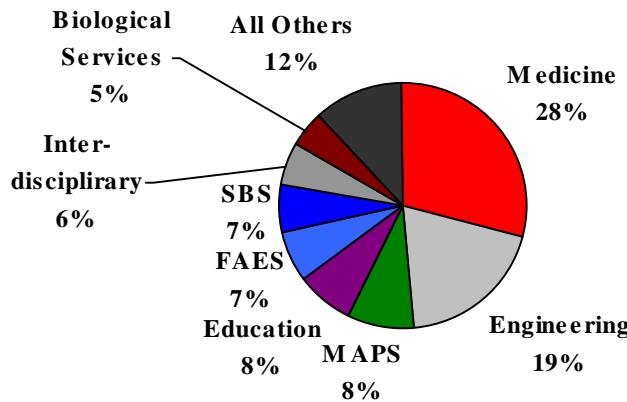
Sponsored Project Revenue/Expenses in Fiscal Year 2002 increased by \$9.5 million (4.0%) from Fiscal Year 2001. Federal sponsors generated the majority of our revenue. Our largest sponsor is the National Institutes of Health (NIH). NIH accounted for 36% of our total sponsored revenue.

## Revenues / Expenditures by Source Funds Fiscal Year 2002



Twenty-four colleges generated Sponsored Project Revenue in fiscal year 2002. The disciplines of Medicine and Engineering combined to generate 47% of our Sponsored Project Revenue.

## Revenues / Expenditures by College Fiscal Year 2002



The University Appropriation line item represents the Research Foundation's fiscal year operating budget. The Research Administration expenditure line represents our annual expenditures against our operating budget. The difference between these two line items is our budget surplus (deficit) for the fiscal year.

University appropriation	\$ 6,552,592
Research administration	<u>6,628,826</u>
Deficit	\$ <u>(76,234)</u>

We did not overspend our budget this year. Our budget is on a cash basis. Two items account for this deficit. Our collections position in the amount of \$44,000 is not part of our appropriation but is funded from our operating reserve. The remaining deficit is due to year-end corporate payroll accruals.

The Transfers from the University for specified expenditures represent payments from the University to the Research Foundation for rent and utilities for off campus research space. The Research Foundation pays the rent and utilities for off campus research space and it is included in the Expenditures Specified by the University. There is no net impact from these transactions in either our Statement of Revenues, Expenses and Changes in Net Assets or our Statement of Cash Flows.

Transfers to the University represent repayment to the University for expenditures incurred by the University on behalf of the Research Foundation related to the PeopleSoft Systems conversion non-capital items.

## **THE STATEMENTS OF CASH FLOWS**

The primary source of cash receipts for operating activities consists of payments from sponsors. Cash outlays represent payments for personnel, materials, services, equipment, and travel incurred for Sponsored Research activities.

It should be noted that the subtotal for cash flows from noncapital financing activities will generally reflect a large cash flow provided for the Research Foundation. This is due to the fact that the Research Foundation's corporate operating budget is carried in cash flows from noncapital financing activities and the Research Foundation's corporate operating expenses that match that budget are carried in cash flows from operating activities.

Cash flows from operating activities increased by \$5.2 million dollars due to improved billing/collections processing and steady growth in Sponsored Program activity.

Cash used for capital and related financial activities, which represents the purchase of capital assets, increased by approximately \$.9 million as a result of expenditures to acquire grants management software.

Net cash provided by investing activities decreased by approximately \$.3 million due to a lower return on our investments.

## **FUTURE**

Over the next two years, we will be participating with the University, and the University Health Systems in the PeopleSoft Integrated Financials Systems ERP project. For the Research Foundation, this involves abandoning our 40 year-old legacy management information systems by installing PeopleSoft general ledger, upgrading our current version of PeopleSoft Procurement, installing PeopleSoft Asset Management, and installing the PeopleSoft Grants Management suite. The PeopleSoft Grants Management suite consists of a grants, projects, contracts, billing, and accounts receivable modules. This upgrade is necessary to manage our future growth and to improve service to our customers.

**THE OHIO STATE UNIVERSITY  
RESEARCH FOUNDATION**

**STATEMENTS OF NET ASSETS, JUNE 30, 2002 AND 2001**

	<b>2002</b>	<b>2001</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 33,935,718	\$ 26,759,253
Accounts receivable and unbilled project costs	34,258,502	42,374,023
Other receivables	<u>591,470</u>	<u>4,136,891</u>
Total current assets	68,785,690	73,270,167
FURNITURE AND EQUIPMENT -		
Net of accumulated depreciation of \$70,000 and \$77,000 in 2002 and 2001, respectively	981,939	79,124
PATENTS	<u>1</u>	<u>1</u>
TOTAL ASSETS	<u>\$ 69,767,630</u>	<u>\$ 73,349,292</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable:		
Trade	\$ 8,476,338	\$ 9,619,454
The Ohio State University	8,500,968	9,101,704
Accrued payroll	50,736	2,278,643
Accrued vacation and sick leave	277,494	278,919
Deferred revenue - sponsors	29,398,939	29,172,718
Facilities and administrative costs payable to University departments	10,548,761	10,291,011
Designated funds for University departments (Note 3)	<u>5,815,971</u>	<u>5,945,726</u>
Total current liabilities	63,069,207	66,688,175
ACCRUED VACATION AND SICK LEAVE - LONG-TERM	<u>301,829</u>	<u>296,279</u>
Total liabilities	63,371,036	66,984,454
NET ASSETS:		
Invested in capital assets	981,939	79,124
Unrestricted	<u>5,414,655</u>	<u>6,285,714</u>
Total net assets	<u>6,396,594</u>	<u>6,364,838</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 69,767,630</u>	<u>\$ 73,349,292</u>

See notes to financial statements.

**THE OHIO STATE UNIVERSITY  
RESEARCH FOUNDATION**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

	<b>2002</b>	<b>2001</b>
<b>OPERATING REVENUES:</b>		
Sponsor project revenue	\$ 246,399,712	\$ 236,870,872
Total operating revenues	<u>246,399,712</u>	<u>236,870,872</u>
<b>OPERATING EXPENSES:</b>		
Sponsor project:		
Personnel	118,882,157	107,954,363
Materials and services	58,903,724	61,265,994
Equipment	7,659,252	11,881,554
Travel	5,787,081	5,839,869
Facilities and administrative cost charged by the University	55,167,498	49,929,090
Research administration	6,628,826	6,565,698
Depreciation	25,683	24,226
Transfers to the University	<u>505,260</u>	<u>382,975</u>
Total operating expenses	<u>253,559,481</u>	<u>243,843,769</u>
<b>OPERATING LOSS</b>	<u>(7,159,769)</u>	<u>(6,972,897)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
University appropriation	6,552,592	6,604,096
Transfers from the University for specified expenditures	721,079	1,055,732
Expenditures specified by the University	(721,079)	(1,055,732)
Interest	<u>638,933</u>	<u>946,194</u>
Net nonoperating revenues	<u>7,191,525</u>	<u>7,550,290</u>
<b>INCREASE IN NET ASSETS</b>	<b>31,756</b>	<b>577,393</b>
<b>NET ASSETS - Beginning of year</b>	<b><u>6,364,838</u></b>	<b><u>5,787,445</u></b>
<b>NET ASSETS - End of year</b>	<b><u>\$ 6,396,594</u></b>	<b><u>\$ 6,364,838</u></b>

See notes to financial statements.

**THE OHIO STATE UNIVERSITY  
RESEARCH FOUNDATION**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

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	<b>2002</b>	<b>2001</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Received from sponsors	\$ 258,157,120	\$ 233,442,413
Payments to employees	(126,930,375)	(111,875,802)
Payments to suppliers	<u>(130,313,307)</u>	<u>(125,888,562)</u>
Net cash provided by (used in) operating activities	<u>913,438</u>	<u>(4,321,951)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
University appropriations	6,552,592	6,604,096
Transfers from the University for specified expenditures	721,079	1,055,732
Expenditures specified by the University	<u>(721,079)</u>	<u>(1,055,732)</u>
Net cash provided by noncapital financing activities	<u>6,552,592</u>	<u>6,604,096</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchases of furniture and equipment	<u>(928,498)</u>	<u>(33,417)</u>
Net cash used in capital and related financing activities	<u>(928,498)</u>	<u>(33,417)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on cash investments	<u>638,933</u>	<u>946,194</u>
Net cash provided by investing activities	<u>638,933</u>	<u>946,194</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>7,176,465</b>	<b>3,194,922</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b><u>26,759,253</u></b>	<b><u>23,564,331</u></b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b><u>\$ 33,935,718</u></b>	<b><u>\$ 26,759,253</u></b>

See notes to financial statements.

**THE OHIO STATE UNIVERSITY  
RESEARCH FOUNDATION**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

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	<b>2002</b>	<b>2001</b>
Operating loss	\$(7,159,769)	\$(6,972,897)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	25,683	24,225
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:		
Accounts receivable and unbilled project costs	8,115,521	(3,078,737)
Other receivables	3,545,421	(2,506,603)
Prepaid insurance		3,909
Accounts payable - trade	(1,143,116)	1,346,580
Accounts payable - The Ohio State University	(600,736)	1,155,806
Accrued payroll	(2,227,907)	1,449,057
Accrued vacation and sick leave	4,125	(47,981)
Deferred revenue - sponsors	226,221	1,929,933
Facilities and administrative costs payable to University departments	257,750	2,147,809
Designated funds for University departments	<u>(129,755)</u>	<u>226,948</u>
Net cash provided by operating activities	<u>\$ 913,438</u>	<u>\$(4,321,951)</u>

See notes to financial statements.

# **THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

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### **1. ORGANIZATION**

The Ohio State University Research Foundation (the Research Foundation) is a nonprofit educational corporation created in 1936 as a vehicle to promote the development, implementation, and coordination of sponsored research at The Ohio State University (the University) in the furtherance of the University's educational objectives. The Research Foundation's financial statements and accounts are consolidated with the University's for purposes of complying with the University's reporting requirements.

### **2. ACCOUNTING POLICIES**

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements.

**Basis of Presentation** - The financial statements of the Research Foundation have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

**Revenue Recognition** - Substantially all of the Research Foundation's revenues are derived from restricted grants and cost reimbursement contracts which provide for the recovery of direct and facilities and administrative costs, subject to audit. The Research Foundation recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related facilities and administrative costs is generally recorded at fixed rates negotiated with the Department of Health and Human Services, the cognizant federal audit agency.

Revenues derived from grants and contracts are reported as operating revenues. Transactions which are capital, financing or investing related, are reported as non-operating revenues. University appropriations and interest earned on cash investments are reported as non-operating revenues.

**Cash and Cash Equivalents** - Cash and cash equivalents consist of demand deposit accounts and certificates of deposit with original maturities of less than 90 days. The Research Foundation's cash, except for the Huntington National Bank balance, is in the University account and is commingled with other University related entities and invested daily in overnight investment vehicles, which are considered cash equivalents. However they are not required to be categorized under GASB 3. Investment income is allocated to the Research Foundation based on their ownership of the funds included in the University's account.

The portion of the Huntington National Bank balance of \$319,169 and \$226,239 for June 30, 2002 and 2001, respectively, which was uninsured by federal deposit insurance as of June 30, 2002 and 2001 was approximately \$219,169 and \$126,239, respectively. The uninsured balance is collateralized by pools of securities pledged by the depository bank and are held in the name of the respective bank.

**Receivables** - Receivables are reported at their gross value when earned as the underlying exchange transaction occurs. An estimated receivable has been recorded for services rendered but not yet billed as of June 30, 2002 and 2001. The receivable was arrived at primarily by taking the subsequent payments of expenses related to cost reimbursement contracts invoiced after year end, and recording at year end the portions incurred and reimbursable from sponsors as of year end.

**Furniture and Equipment** - Furniture and equipment are recorded at cost, and the capitalization threshold is \$3,000. Provision is made for depreciation of physical properties at rates calculated to absorb costs generally over the asset's estimated useful life of 5 years. Depreciation is calculated using the straight-line method. Depreciation expense was \$25,683 and \$24,226 for the years ended June 30, 2002 and 2001, respectively.

Expenditures for maintenance and repairs are charged to operating expenses as incurred; major renewals and betterments are capitalized. When furniture and equipment become fully depreciated, the assets and related accumulated depreciation are removed from the accounts.

	June 30, 2001	Additions	Deletions	June 30, 2002
Capital Assets:				
Furniture and equipment	\$ 156,022	\$ 928,498	\$ (32,279)	\$ 1,052,241
Less: Accumulated depreciation	<u>76,898</u>	<u>25,683</u>	<u>(32,279)</u>	<u>70,302</u>
Net capital assets	<u>\$ 79,124</u>	<u>\$ 902,815</u>	<u>\$ _____</u>	<u>\$ 981,939</u>

**In-Kind Income** - The Research Foundation is a related entity of The Ohio State University. As part of the relationship, transfers of funds occur between the University and the Research Foundation for certain sponsor project expenditures and research administration. Additionally, the University furnishes the facilities occupied by the Research Foundation. The value of such facilities was recorded as rent expense within research administration in fiscal 2001 of \$229,944 with an equal amount being appropriated by the University and included in non-operating revenues. During fiscal 2001, the relationship changed whereby the University furnishes the facilities without both charging and appropriating the amount for rent. As a result, no rent expense relating to the facilities occupied by the Research Foundation is recorded in fiscal 2002 with a corresponding decrease in University appropriations.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Recently Issued Financial Standards** - Effective July 1, 2000, the Research Foundation adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In general, GASB No. 33 establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The effect of implementation of GASB No. 33 has been immaterial to the financial statements.

Effective July 1, 2001, the Research Foundation adopted GASB Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities - an amendment of GASB Statement No. 34*. Also effective July 1, 2001, the Research Foundation adopted two related GASB Statements: GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements establish comprehensive new financial reporting requirements for governmental colleges and universities throughout the United States. Much of the reporting that the Research Foundation has provided in the past has been restructured and includes management's discussion and analysis. The provisions of these statements are reflected in the Research Foundation's financial report for the year ended June 30, 2002 and the June 30, 2001 financial statements have been restated to conform with the 2002 presentation.

There is no effect from these changes in the Statements of Net Assets in that the Total Net Assets reported equals what was previously reported as Total Fund Balance. In addition, there is no effect in the Statements of Revenues, Expenses and Changes in Net Assets in that the Increase (Decrease) in Net Assets reported equals what was previously reported as Excess (Deficiency) of Support and Revenue Over (Under) Expenditures and Transfers.

### **3. DESIGNATED FUNDS FOR UNIVERSITY DEPARTMENTS**

Designated funds for University departments represent unrestricted funds resulting from residual amounts from certain completed projects that are for use at the discretion of University departments and funds payable to the University from royalties held by the Research Foundation.

### **4. TAX-EXEMPT STATUS**

The Research Foundation is exempt from federal taxes on income under Section 501(c)(3) of the Internal Revenue Code.

### **5. RETIREMENT PLAN**

***Defined Benefit Pension Plan*** - All eligible University personnel assigned to the Research Foundation are participating members of the Public Employees Retirement System (PERS). Contributions to this multi-employer defined benefit pension plan are based on percentages of employees' salaries, which are set by the retirement boards based upon recommendations by the plan's actuaries. Contributions during 2002, 2001 and 2000 were made in the following percentages:

	<b>Employee Share</b>	<b>Employer Share</b>
PERS July 1, 1999 - June 30, 2000	8.5 %	13.31 %
PERS July 1, 2000 - December 31, 2000	8.5 %	7.99 %
PERS January 1, 2001 - June 30, 2001	8.5 %	13.31 %
PERS July 1, 2001 - June 30, 2002	8.5 %	13.31 %

During the fiscal year, PERS temporarily reduced the employer contribution for the period July 1, 2000 through December 31, 2000 as a result of an actuarial study indicating actuarial assets in excess of actuarial liabilities. The employer contribution was restored to the prior contribution rate effective January 1, 2001.

For the years ended June 30, 2002, 2001 and 2000 the Research Foundation reimbursed the University \$474,952, \$374,595 and \$478,616, respectively, for the PERS retirement costs of University employees assigned during the year to the Research Foundation.

The Research Foundation's liability to the University for PERS is limited to making the above payments. Data concerning the actuarial present value of the accumulated plan benefits, vested plan benefits and net assets available for benefits of this plan, specific to the Research Foundation, are not available since such determinations are made on a statewide basis and not for individual participating employers. PERS issues a separate, publicly available financial report that includes the financial statements and required supplemental information. The report may be obtained by contacting PERS. PERS Ohio 277 East Town Street Columbus, OH 43215-4642 (614) 466-2085, (800) 222-PERS (7377) or [www.opers.org](http://www.opers.org).

***Other Postemployment Benefits*** - PERS currently provides postemployment health care benefits to retirees with ten or more years of qualifying service credit and to primary survivors of those retirees. These benefits are advance - funded on an actuarially determined basis and are financed through employer contributions and investment earnings. PERS determines the amount, if any, of the associated health care costs that will be absorbed by PERS. Under Ohio Revised Code (ORC), funding for medical costs paid from the funds of PERS is included in the employer contribution rate. For the fiscal year ended December 31, 2001, PERS allocated 4.3% of the employer contribution rate to fund the health care program for retirees. The contributions allocated to retiree health benefits, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

The actuarial value of assets available for these benefits at December 31, 2001 was \$11.7 billion. At that date the actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14.4 billion and \$2.6 billion, respectively. There were 411,076 benefit recipients eligible for postemployment benefits at that date.

***Defined Contribution Plan*** - The Alternative Retirement Plan (ARP) is a defined contribution pension plan. Full-time administrative and professional staff and faculty with less than five years of service (those not vested in the existing defined benefit plans) as of ARP's implementation date were allowed to choose enrollment in ARP in lieu of PERS. Classified civil service employees are not eligible to participate in ARP. For those employees selecting participation in ARP, prior employee contributions to PERS were transferred from those plans and invested in individual accounts established with one of eight selected external providers.

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.

Contributions during 2002, 2001 and 2000 were made in the following percentages:

	<b>Employee Share</b>	<b>Employer Share</b>
July 1, 1999 - June 30, 2000	8.5 %	13.31 %
July 1, 2000 - December 31, 2000	8.5 %	7.99 %
January 1, 2001 - June 30, 2001	8.5 %	13.31 %
July 1, 2001 - June 30, 2002	8.5 %	13.31 %

For the years ended June 30, 2002, 2001 and 2000 the Research Foundation reimbursed the University \$137,937, \$96,126 and \$106,127, respectively, for the ARP retirement costs of University employees assigned during the year to the Research Foundation.

## **6. CONTINGENCIES**

The Research Foundation is a party in various 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 Research Foundation's financial position.

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**THE OHIO STATE UNIVERSITY RESEARCH FOUNDATION  
FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 6, 2003**