

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

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**Financial Statements**  
**for the Years Ended June 30, 2010 and 2009**





# Dave Yost • Auditor of State

Board of Trustees  
Ohio University  
204 HDL Center  
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of the Ohio University, Athens County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

January 14, 2011

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## Independent Auditor's Report

To the Board of Trustees  
Ohio University  
Athens, Ohio

We have audited the accompanying statements of net assets of Ohio University (the "University"), a component unit of the State of Ohio, and its component unit as of June 30, 2010 and 2009 and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio University and its component unit as of June 30, 2010 and 2009 and the results of its operations and cash flows, where applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2010 on our consideration of Ohio University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for the year ended June 30, 2010. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Trustees  
Ohio University  
Athens, Ohio

The management's discussion and analysis presented on pages 3 through 14 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

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

As further explained in Note 2 and Note 21, the financial statements include investments that are not listed on national exchanges nor for which quoted market prices are available. These investments include limited partnerships, hedge funds, funds-of-funds, and commingled funds that are not mutual funds. Such investments totaled \$30,050,000 (4.8 percent of net assets) and \$25,397,000 (4.5 percent of net assets) for the University and \$102,763,000 (31.6 percent of net assets) and \$89,524,000 (33.6 percent of net assets) for The Ohio University Foundation at June 30, 2010 and 2009, respectively.

*Plante & Moran, PLLC*

October 15, 2010  
Columbus, Ohio

Management's discussion and analysis ("MD&A") provides an overview of the financial position and activities of Ohio University for the year ended June 30, 2010, with selected comparative information for the years ended June 30, 2009 and 2008. The University's annual report consists of this discussion and analysis, the statement of net assets, the statement of revenues, expenses, and changes in net assets, the statement of cash flows, and the notes to the financial statements. The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when the related liability is incurred. As the MD&A presentation includes highly summarized information, it should be read in conjunction with the accompanying financial statements and related notes to the financial statements. The financial statements, footnotes, and this discussion are the responsibility of University management.

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

### Financial Highlights

- The University's financial position remained relatively strong, with assets of \$918.6 million and liabilities of \$289.0 million at June 30, 2010, compared to assets of \$872.1 million and liabilities of \$308.6 million at June 30, 2009. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, totaled \$629.6 million at June 30, 2010 as compared to \$563.5 million at June 30, 2009. Changes in net assets represent the University's results of operations and are summarized for the years ended June 30, 2010, 2009, and 2008 as follows:

(in millions)	2010	2009	2008
Operating revenues and state appropriations	\$ 531.1	\$ 525.2	\$ 491.0
Total Expenses	574.8	563.6	531.7
	(43.7)	(38.4)	(40.7)
Net investment (loss) income	12.2	(15.4)	0.6
Gifts and other nonoperating revenues, net	97.6	74.6	56.0
Increase in net assets	\$ 66.1	\$ 20.8	\$ 15.9

- Net assets for the University increased by \$66.1 million over fiscal year 2009 mainly as a result of increases in Federal grants of \$14.9 million and \$27.7 million in investment income. In addition, the creation of an enrollment reserve, a reserve established



to improve the University's financial position, and conservative revenue assumptions related to tuition resulting in planned over attainment of revenue targets, contributed to the positive change in net assets and increased the University's Senate Bill 6 composite score to a 3.9. This shows that prudent budget assumptions and a reserve strategy can impact the financial health of the institution in a relatively short period of time.

- Investment income experienced a significant increase from a negative \$15.4 million in fiscal year 2009 to a positive \$12.2 million in fiscal year 2010. Investment income includes earnings in the form of interest and dividends as well as both realized and unrealized gains and losses. The majority of this gain was related to investments within the University's diversified investment pool which includes public and private equities, fixed income, real estate, and commodities. The gain is reflective of the continued recovery in the global financial markets. Management has eliminated a source of volatility by eliminating the reliance on investment income to support unrestricted budgeted operations. Investment income will be used to build strategic cash reserves to enhance the strength of the University's balance sheet and provide funding for strategic priorities.
- Ohio University benefited from government stimulus funds through the American Recovery and Reinvestment Act ("ARRA"), primarily from the Department of Education, National Institutes of Health and the National Science Foundation. These funds supported federal work study programs for students as well as research activities and the acquisition of research related equipment. As of June 30, 2010, the University received 26 awards, with combined budgets in excess of \$8.9 million. Revenue and expenditures of these funds in fiscal year 2010 total approximately \$2.3 million.
- The University was also a recipient of State Fiscal Stabilization Funds ("SFSF") which were appropriated under the ARRA to the U. S. Department of Education. These funds were awarded to States in exchange for a commitment to advance education reforms. The funds were intended to help ensure that public institutions of higher education had the resources to avert budget reductions and retain teachers and professors. Ohio University received \$20.5 million in SFSF funding from the State of Ohio in fiscal year 2010.
- Student tuition and fees increased by \$16.0 million in fiscal year 2010 primarily from enrollment growth and bolstered by increases in both tuition and student fees.
- Non-Operating Federal Grants increased by \$15.0 million in fiscal year 2010 due to increases in Pell grants. These increases resulted from changes to the Federal funding model that expanded eligibility and increased the maximum award amount.
- The University experienced decreases in State Grant funding. Specifically the Ohio College Opportunity Grant Program and the Ohio Instructional Grant Program for a total of \$4.4 million in fiscal year 2010.
- The University continues to view debt as a strategic resource and expects to consider the issuance of additional debt within the next several years for purposes such as academic facilities, student housing and infrastructure improvements. In fiscal year 2010, the University retired \$14.4 million in bonds payable and is scheduled to retire \$12.2 million in fiscal year 2011. As of June 30, 2010, the University's outstanding bonds payable stands at \$176.8 million.

**Statement of Net Assets**

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

The following table depicts a summary of the composition of the Statement of Net Assets for the three years ended June 30, 2010:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Assets</b>			
Current assets	\$ 251,112,781	\$ 211,568,684	\$ 222,328,302
Noncurrent assets	<u>667,524,002</u>	<u>660,537,808</u>	<u>596,897,150</u>
Total assets	<u>\$ 918,636,783</u>	<u>\$ 872,106,492</u>	<u>\$ 819,225,452</u>
<b>Liabilities</b>			
Current liabilities	\$ 94,695,895	\$ 100,143,943	\$ 96,239,417
Noncurrent liabilities	<u>194,310,585</u>	<u>208,458,350</u>	<u>180,253,680</u>
Total liabilities	<u>\$ 289,006,480</u>	<u>\$ 308,602,293</u>	<u>\$ 276,493,097</u>
<b>Total Net Assets</b>	<u>\$ 629,630,303</u>	<u>\$ 563,504,199</u>	<u>\$ 542,732,355</u>

- **Assets** - Total assets grew by \$46.5 million as a result of the following changes:
  - Cash and Cash Equivalents increased by \$38.6 million as a result of an increase in cash from investing activities related to a change in the asset allocation of the institution's working capital and the performance of the assets themselves. Operational changes including more frequent appropriations of funds attributable to federally sponsored research also contributed to the growth.
  - Investments & Endowment Investments decreased \$3.2 million due to additions to the aforementioned asset allocation change and was offset by the appreciation of existing investments and endowment investments.
  - Accounts Receivable increased by \$5.1 million due to an increase in tuition rates and increased summer enrollment.
  - Restricted Cash and Cash Equivalents decreased \$11.2 million related to the spending of bond proceeds for the new Student Information System ("SIS") project and the NextGen Network Upgrade.
  - Capital Assets increased by \$14.4 million due to capitalized costs associated with the new SIS project and renovations to the Lausche heating plant.
  
- **Liabilities** - Total liabilities decreased by \$19.6 million as a result of the following changes:
  - Accounts Payable decreased \$3.5 million primarily due to timing of payments related to the completion of large capital construction projects.
  - Capital Lease Obligations decreased in total (current and noncurrent) by \$1.2 million.
  - Bonds and Notes Payable decreased for both the current and noncurrent liabilities by a total of \$14.4 million. See note 7 for more information on debt payments.
  
- **Net Assets** - Net assets are classified into three major categories:
  - Invested in capital assets net of related debt is the net equity in property, plant, and equipment owned by the University.
  - Restricted net assets are owned by the University, but the use or purpose of the funds is restricted by an external source or entity. The restricted net assets category is subdivided further into expendable and nonexpendable.
    - Restricted expendable net assets may be spent by the institution, but only for the purpose specified by the donor, grantor, or other external entity. This category includes the unspent balance in grant and loan funds.
    - Restricted nonexpendable net assets are endowment funds whose principal may be invested, however, only interest, dividends and capital gains may be spent.
  - Unrestricted net assets are resources derived primarily from student tuition, fees, State appropriations, and auxiliary enterprises. These assets are used for general obligations of the University. They may be used at the discretion of the Board of Trustees for any purpose furthering the University's mission.

Net assets for the three years ended June 30, 2010 are displayed in the table below:

	2010	2009	2008
Invested in capital assets - Net of related debt	\$ 453,048,557	\$ 433,324,410	\$ 393,337,530
Restricted:			
Nonexpendable	17,567,164	13,912,057	16,237,286
Expendable	52,678,930	38,368,587	46,085,751
Unrestricted	<u>106,335,652</u>	<u>77,899,145</u>	<u>87,071,788</u>
<b>Total Net Assets</b>	<b><u>\$ 629,630,303</u></b>	<b><u>\$ 563,504,199</u></b>	<b><u>\$ 542,732,355</u></b>

The University continues to solidify its financial position as represented by an increase in Unrestricted Net Assets of \$28.4 million for fiscal year 2010. This is a result of prudent resource planning and utilization including:

- Implementation of cost controls including a hiring freeze
- Employment of planning unit savings targets to address a structural deficit
- Elimination of dependence upon investment income for base budgeted operations
- Adherence to budget plans
- Management of debt in a conservative and strategic manner

### **Statement of Revenues, Expenses, and Changes in Net Assets**

The Statement of Revenues, Expenses, and Changes in Net Assets is the University's income statement and presents the results of operations. It should be noted that the required subtotal for net operating income or loss will generally reflect a loss for state-supported colleges and universities. This is primarily due to the way GASB Statement No. 9 defines operating and non-operating items.

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

Following is a summary of the Statement of Revenues, Expenses, and Changes in Net Assets for the three years ended June 30, 2010:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 399,897,519	\$ 370,076,144	\$ 346,043,392
Operating expenses	<u>566,860,227</u>	<u>554,793,537</u>	<u>524,121,780</u>
Net operating loss	(166,962,708)	(184,717,393)	(178,078,388)
Net non-operating revenues	<u>205,465,203</u>	<u>169,772,336</u>	<u>172,571,893</u>
Income (loss) - before other revenues	38,502,495	(14,945,057)	(5,506,495)
Other revenues	<u>27,623,609</u>	<u>35,716,901</u>	<u>21,445,068</u>
Increase in net assets	66,126,104	20,771,844	15,938,573
Net assets - Beginning of year	<u>563,504,199</u>	<u>542,732,355</u>	<u>526,793,782</u>
Net assets - End of year	<u>\$ 629,630,303</u>	<u>\$ 563,504,199</u>	<u>\$ 542,732,355</u>

Highlights from the Statement of Revenues, Expenses, and Changes in Net Assets include:

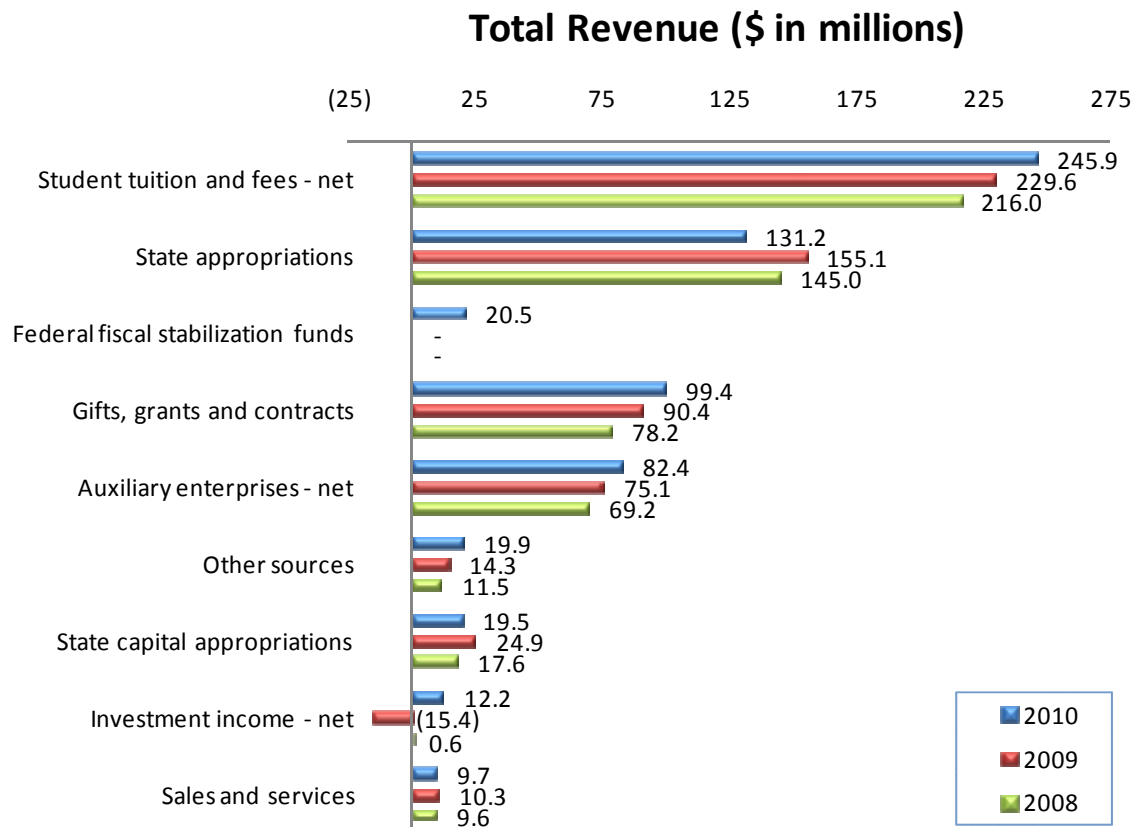
- Student tuition and fee revenue increased \$16.0 million for fiscal year 2010. This increase was partially due to growth in enrollments primarily on regional campuses and for summer quarter on the main campus. Additionally, implementation of a 3.5% tuition and other student fee increases for the winter and spring quarters as well as implementation of new fees for the SIS project added to this revenue growth.
- The largest of the auxiliary enterprises is comprised of University dining services and residence halls. Consistent with the capital plan to renovate dining services and residence halls, a portion of the increased student fee revenue added to growth in total auxiliary revenue for fiscal year 2010. Total board plan revenues have grown approximately \$3.0 million as a result of fee increases and higher student participation as additional meal plan options have been offered. Increases in room rates, available beds, and higher occupancy have resulted in auxiliary revenue growth of approximately \$4.0 million related to operation of the residence halls.
- Total other revenues consists of funding received for construction projects from the State of Ohio and private gifts. The amount recognized as revenues is related to capital projects in progress primarily on the main campus.
- Instruction and departmental research is the largest contributor to total operating expenses. This functional category increased by \$4.8 million for fiscal year 2010. Expenditures for expanded educational offerings for on-line programs contributed to this increase.

## Management's Discussion and Analysis

- Institutional support decreased by \$3.5 million. Due to budget constraints there were decreases in spending for compensation, supplies, and professional fees.

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

Revenues by source are presented in the following chart:



Student tuition and fees, the largest of the revenue streams, comprises 38.4% of total revenues, while state appropriations are 20.5% and Federal fiscal stabilization funds are 3.2%. Gifts, grants and contracts, derived from federal, state, local, and private sources, comprise 15.5% and auxiliary enterprises such as residence halls, dining services and intercollegiate athletics adds 12.9% to total revenues.

## Management's Discussion and Analysis

The University continues to make cost containment a priority. This is critical as the University continues to face significant financial pressures, mainly in the areas of compensation and benefits. These expenses amount to 70% of total expenses. In addition to a functional classification of operating expenses below the University has prepared operating expenses by natural (object) classification in Note 10 to the financial statements.

A comparison of operating and non-operating expenses for the three years ended June 30, 2010 is as follows:

	Percent of Total	2010	2009	2008
Instruction and departmental research	38.25	\$ 219,814,915	\$ 214,971,589	\$ 202,895,906
Separately budgeted research	6.03	34,674,036	33,495,239	32,995,537
Public service	4.00	23,014,975	23,453,952	21,917,621
Academic support	11.20	64,367,388	59,343,563	58,703,123
Student services	4.53	26,031,516	28,533,312	26,912,492
Institutional support	5.13	29,460,207	32,947,738	28,522,321
Operation and maintenance of plant	9.33	53,636,623	53,571,017	41,675,475
Student aid	2.61	14,976,745	10,878,749	9,344,798
Depreciation	6.00	34,502,716	33,075,444	32,308,560
Auxiliary enterprises	11.55	66,381,106	64,522,934	68,845,947
Interest on capital asset-related debt	1.36	7,797,543	8,492,106	7,447,971
Disposal and write-offs of plant facilities	0.01	<u>58,409</u>	<u>283,266</u>	<u>174,000</u>
Total	100.00	<u>\$ 574,716,179</u>	<u>\$ 563,568,909</u>	<u>\$ 531,743,751</u>

### Statement of Cash Flows

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

A comparative summary of the statement of cash flows for the three years ended June 30, 2010 is as follows:

	2010	2009	2008
Cash Provided by (Used in)			
Operating activities	\$ (146,855,749)	\$ (149,568,997)	\$ (144,836,252)
Noncapital financing activities	208,388,214	192,984,955	180,685,286
Capital and related financing activities	(49,682,882)	(24,964,642)	(37,460,436)
Investing activities	15,541,549	(604,323)	767,042
Net Increase (Decrease) in Cash	27,391,132	17,846,993	(844,360)
Cash - Beginning of year	68,783,706	50,936,713	51,781,073
Cash - End of year	<u>\$ 96,174,838</u>	<u>\$ 68,783,706</u>	<u>\$ 50,936,713</u>

**Capital Assets**

The University made significant additions to capital during fiscal year 2010. These capital asset additions were financed with University funds, state capital appropriations, gifts, and grants. Major capital projects completed during the fiscal year ended June 30, 2010 include completion of the Academic and Research Center which is occupied by the Russ College of Engineering and the College of Osteopathic Medicine. This 100,000 square foot state-of-the art research space features an open design that encourages collaboration and exchange of ideas. Other major projects include renovation of Shively Hall on the Athens Campus and renovation of Elson and Brasee Halls on the Zanesville Campus.

Cumulative costs associated with capital projects continuing after the fiscal year ended June 30, 2010 total approximately \$24.8 million, of which \$8.1 million is slated for the SIS project.

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

**Debt Administration**

As of June 30, 2010, the University had \$176.8 million in bonds and notes outstanding, compared to \$191.2 million at the end of 2009. Detailed information exists in Note 7 related to borrowings and retirements for fiscal years 2010-2009.

In October 2009, Standard and Poor's Ratings Services affirmed its 'A+' long-term rating and underlying ratings on Ohio University's general and subordinated general receipts bonds with a 'stable' outlook. Earlier in the year, Moody's Investors Service affirmed its 'A1' rating on outstanding debt including a 'stable' outlook.



### Senate Bill 6 Ratios

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

- Expendable net assets – the sum of unrestricted net assets and restricted expendable net assets.
- Plant debt – total debt, including bonds payable, notes payable, and capital lease obligations.
- Total revenues – total operating revenues, plus non-operating revenues, plus capital appropriations, capital grants and gifts, and additions to permanent endowments.
- Total operating expenses – total operating expenses, plus interest on long-term debt.
- Total non-operating expenses – all expenses reported as non-operating with the exception of interest expense.
- Change in total net assets – total revenues less total expenses (operating and non-operating).

The methodology for calculating the three ratios is as follows:

- Viability Ratio =  $\text{Expendable Net Assets} / \text{Plant Debt}$ 
  - This ratio measures the availability of expendable net assets to cover debt should the institution need to settle its obligations as of the balance sheet date.
- Primary Reserve Ratio =  $\text{Expendable Net Assets} / \text{Total Operating Expenses}$ 
  - This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations.
- Net Income Ratio =  $\text{Change in Total Net Assets} / \text{Total Revenues}$ 
  - This ratio offers a measure of profitability as a percentage of all institutional revenues including revenues received for capital needs.

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

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

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

Ohio University's composite score increased to 3.9 in FY 2010 from a score of 3.2 in FY 2009. The increase was primarily the result of an increase by 1.0 in the Primary Reserve Ratio which is given a weighting of 50% of the composite. Recovery of the University investments as made up by its working capital and endowments had a significant impact on expendable net assets, the numerator of this ratio. The increase of 1.0 in the Net Income Ratio resulted from conservative budgeting efforts and improvement of investment markets. The Viability Ratio remained the same.

### **Economic Outlook**

The University continues to face significant financial challenges to its academic mission, stemming from the State's financial situation. Fiscal year 2011 and beyond is expected to be a continuation of the difficult economic environment. In an effort to focus planning and used of resources there have been six strategic goals identified for the next planning cycle:

1. Enhance the quality of the undergraduate curriculum and the graduate curriculum through continuing assessment and the quarters to semesters transition.
2. Bolster graduate education and associated efforts of faculty in research and creative activity.
3. Establish effective strategic short-term and long-term enrollment planning to ensure recruitment goals (quality and mix of students) and revenue projections are met.
4. Institute effective compensation policies and practices to ensure that talented faculty, administrative staff, and classified staff are rewarded and retained.
5. Launch a \$450 million dollar capital campaign focused on supporting core academic initiatives.
6. Improve the institution's financial strength so that fiscal and capital resources are stable and permit ongoing strategic investment.

In light of the existing economic challenges the University continues to be committed to the financial health of the institution and demonstrates this commitment through the following efforts:

- The University continues to focus resources on the enhancement of student recruitment, through targeted marketing initiatives and providing additional scholarship dollars. Management remains cautiously optimistic that enrollment figures will remain strong.
- Implemented strategies to reduce the structural budget deficit through savings and freeze targets which planning units must meet in the FY 2011 budget. Continuation of the hiring freeze and travel restrictions remain in place to curb the growth of expenses.

- To protect the University's academic mission, realize operating cost efficiencies and effectively manage the financial health of the institution, a multi-year budget model is being developed to allow for longer planning horizons. This is expected to facilitate the pace of change needed to react to variables in enrollment, state appropriations and opportunities for cost control as well create sufficient timelines to implement change efforts that will be required to react to changing economic factors.

Approximately \$22.4 million or 14.7% of total State Share of Instruction (SSI) appropriated in FY 2011 is funded by one-time State Fiscal Stabilization Funds from the federal government. If the state economy does not sufficiently recover to replace those funds in FY 2012, the University will be faced with significant reductions in SSI.

The Board of Regents has notified state supported universities that the June 2011 SSI payment will be withheld for cash-management purposes. The expressed intent is that these funds will be made up as part of the institution's 2012 SSI appropriations. The lapsed payment amount is \$7.7 million for the Athens main campus and \$1.6 million for the regional campuses. The loss of funds has been somewhat mitigated by contingency actions the University took in preparing the FY 2011 budget. Management will still need to consider other alternatives, including cost reduction strategies, to address the shortfall within the fiscal year.

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

While it is not possible to predict the results, management believes that prudent planning and aligning resources to strategic priorities will allow the University to maintain the current financial position in light of difficult economic times.

### **Requests for Information**

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

## Statement of Net Assets

	June 30, 2010		June 30, 2009	
	Primary Institution	The Ohio	Primary Institution	The Ohio
		University		University
	Foundation	Foundation	Foundation	
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 77,620,668	\$ 20,307,677	\$ 39,033,891	\$ 10,544,532
Investments	92,890,232	121,634,825	99,709,943	80,607,782
Accounts and pledges receivable - Net	57,522,330	4,512,292	52,379,198	9,623,480
Interest and dividends receivable	225,617	193,561	372,275	344,243
Notes receivable - Net	1,985,430	-	2,581,708	-
Prepaid expenses and deferred charges	18,992,561	1,465,130	15,429,271	1,632,340
Inventories	1,875,943	35,669	2,062,398	24,533
Total current assets	251,112,781	148,149,154	211,568,684	102,776,910
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents	18,554,170	3,335,751	29,749,815	3,474,439
Pledges receivable - Net	-	8,274,918	-	10,326,220
Bequests receivable	-	949,252	-	551,853
Cash surrender value - Life insurance policies	-	1,856,346	-	1,834,656
Charitable trusts	-	16,715,185	-	2,580,840
Charitable gift annuities	-	2,131,740	-	2,017,306
Endowment investments	17,567,164	149,205,873	13,912,057	145,022,370
Notes receivable - Net	11,989,725	-	11,912,171	-
Capital assets - Net	619,412,943	36,011,632	604,963,765	37,301,348
Total noncurrent assets	667,524,002	218,480,697	660,537,808	203,109,032
<b>TOTAL ASSETS</b>	<b>\$ 918,636,783</b>	<b>\$ 366,629,851</b>	<b>\$ 872,106,492</b>	<b>\$ 305,885,942</b>

## Statement of Net Assets (Continued)

	June 30, 2010		June 30, 2009	
	Primary Institution	The Ohio University Foundation	Primary Institution	The Ohio University Foundation
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	\$ 43,803,583	\$ 3,756,041	\$ 47,307,506	\$ 3,461,301
Deferred revenue	33,785,765	-	32,520,439	-
Refunds and other liabilities	3,557,594	6,021,805	4,249,469	2,859,657
Capital lease obligations	90,247	-	383,390	-
Bonds and notes payable	12,195,000	988,800	14,445,000	941,000
Deposits held in custody for others	1,263,706	306,060	1,238,139	278,836
Total current liabilities	94,695,895	11,072,706	100,143,943	7,540,794
<b>Noncurrent Liabilities</b>				
Compensated absences	12,791,625	-	12,857,622	-
Capital lease obligations	161,839	-	1,114,875	-
Other long-term liabilities	3,005,571	-	3,089,962	-
Bonds and notes payable	164,580,000	30,751,800	176,775,000	31,740,600
Bonds premium - Net	5,453,857	-	6,094,501	-
Refundable advances for federal student loans	8,317,693	-	8,526,390	-
Total noncurrent liabilities	194,310,585	30,751,800	208,458,350	31,740,600
Total liabilities	289,006,480	41,824,506	308,602,293	39,281,394
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	453,048,557	7,606,783	433,324,410	8,094,187
Restricted:				
Nonexpendable	17,567,164	149,205,873	13,912,057	145,022,370
Expendable	52,678,930	163,607,791	38,368,587	129,156,457
Unrestricted	106,335,652	4,384,898	77,899,145	(15,668,466)
Total net assets	629,630,303	324,805,345	563,504,199	266,604,548
TOTAL LIABILITIES AND NET ASSETS	\$ 918,636,783	\$ 366,629,851	\$ 872,106,492	\$ 305,885,942

# Ohio University

## Statements of Revenues, Expenses, and Changes in Net Assets For the Years Ended June 30, 2010 and 2009

	2010		2009	
	The Ohio University		The Ohio University	
	Primary Institution	Foundation	Primary Institution	Foundation
<b>OPERATING REVENUES:</b>				
Student tuition and fees - Net of scholarship allowances of \$57,466,229 and \$47,959,272 in 2010 and 2009, respectively	\$ 245,886,316	\$ -	\$ 229,594,649	\$ -
Federal grants and contracts	28,419,119	-	24,674,768	-
State grants and contracts	6,917,500	-	7,355,636	-
Local grants and contracts	491,308	-	471,422	-
Private grants and contracts	8,639,234	-	8,262,336	-
Sales and services	9,715,185	-	10,331,376	-
Auxiliary enterprises - Net of scholarship allowances of \$11,090,650 and \$9,531,422 in 2010 and 2009, respectively	82,392,704	-	75,094,902	-
Other sources	17,436,153	9,507,086	14,291,055	9,827,693
Total operating revenues	<u>399,897,519</u>	<u>9,507,086</u>	<u>370,076,144</u>	<u>9,827,693</u>
<b>OPERATING EXPENSES:</b>				
Educational and general:				
Instruction and departmental research	219,814,915	6,181,073	214,971,589	7,555,533
Separately budgeted research	34,674,036	344,032	33,495,239	368,567
Public service	23,014,975	10,547	23,453,952	167,112
Academic support	64,367,388	1,029,150	59,343,563	1,153,812
Student services	26,031,516	982,136	28,533,312	805,126
Institutional support	29,460,207	8,719,080	32,947,738	8,933,472
Operation and maintenance of plant	53,636,623	338,647	53,571,017	730,148
Student aid	14,976,745	2,716,335	10,878,749	3,502,746
Depreciation	34,502,716	1,640,139	33,075,444	1,494,160
Auxiliary enterprises	66,381,106	-	64,522,934	-
Operating expenses - related entities	-	6,743,025	-	7,017,486
Total operating expenses	<u>566,860,227</u>	<u>28,704,164</u>	<u>554,793,537</u>	<u>31,728,162</u>
OPERATING LOSS	<u>\$ (166,962,708)</u>	<u>\$ (19,197,078)</u>	<u>\$ (184,717,393)</u>	<u>\$ (21,900,469)</u>

The accompanying Notes are an integral part of these Financial Statements.

# Ohio University

## Statements of Revenues, Expenses, and Changes in Net Assets (Continued) Years Ended June 30, 2010 and 2009

	2010		2009	
	Primary Institution	The Ohio University Foundation	Primary Institution	The Ohio University Foundation
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
State appropriations	\$ 131,194,970	\$ -	\$ 155,105,565	\$ -
Federal fiscal stabilization funds	20,539,400	-	-	-
Federal grants	41,991,993	-	27,068,204	-
State grants	3,187,954	-	7,924,417	-
Local grants	1,949	-	2,301	-
Private gifts	4,160,631	13,952,247	3,879,535	18,759,455
University support	-	4,659,164	-	5,031,373
Investment income (loss) - Net of investment expense	12,244,258	58,106,542	(15,432,314)	(52,212,106)
Interest on capital asset - Related debt	(7,797,543)	-	(8,492,106)	-
Disposal and write-offs of plant facilities	(58,409)	-	(283,266)	-
	<u>205,465,203</u>	<u>76,717,953</u>	<u>169,772,336</u>	<u>(28,421,278)</u>
<b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	<u>38,502,495</u>	<u>57,520,875</u>	<u>(14,945,057)</u>	<u>(50,321,747)</u>
<b>OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:</b>				
State capital appropriations	19,547,635	-	24,900,161	-
Capital grants and gifts	5,565,274	-	10,810,781	-
Additions to permanent endowments	2,510,700	679,922	5,959	4,685,253
	<u>27,623,609</u>	<u>679,922</u>	<u>35,716,901</u>	<u>4,685,253</u>
<b>TOTAL OTHER REVENUES</b>	<u>27,623,609</u>	<u>679,922</u>	<u>35,716,901</u>	<u>4,685,253</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>66,126,104</u>	<u>58,200,797</u>	<u>20,771,844</u>	<u>(45,636,494)</u>
<b>NET ASSETS:</b>				
Beginning of year	<u>563,504,199</u>	<u>266,604,548</u>	<u>542,732,355</u>	<u>312,241,042</u>
End of year	<u>\$ 629,630,303</u>	<u>\$ 324,805,345</u>	<u>\$ 563,504,199</u>	<u>\$ 266,604,548</u>

The accompanying Notes are an integral part of these Financial Statements.

## Statements of Cash Flows Years Ended June 30, 2010 and 2009

	Primary Institution	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Student tuition and fees	\$ 245,879,405	\$ 227,540,652
Grants and contracts	41,064,769	42,221,132
Payments to suppliers	(125,731,252)	(105,121,205)
Payments to or on behalf of employees	(366,053,179)	(370,883,449)
Payments for scholarships and fellowships	(51,440,573)	(40,636,088)
Loans issued to students	(1,925,016)	(2,037,326)
Collection of loans to students	2,070,247	1,760,239
Auxiliary enterprise sales	83,180,901	74,864,725
Sales and services	9,219,139	9,715,328
Other receipts (payments)	16,879,810	13,006,995
Net cash used in operating activities	(146,855,749)	(149,568,997)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	131,194,970	155,105,565
Federal fiscal stabilization funds	20,539,400	-
Gifts and grants for other than capital purposes	51,853,227	38,880,416
Federal direct student loan programs receipts	166,503,975	131,924,494
Federal direct student loan programs disbursements	(161,753,076)	(133,355,506)
Student organization agency transactions	49,718	429,986
Net cash provided by noncapital financing activities	208,388,214	192,984,955
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Proceeds from capital debt	-	41,995,000
State capital appropriations	18,795,200	25,146,737
Capital grants and gifts received	4,304,974	7,213,026
Purchases of capital assets	(49,260,932)	(72,663,394)
Principal paid on capital debt and leases	(15,724,581)	(18,163,905)
Interest paid on capital debt and leases	(7,797,543)	(8,492,106)
Net cash used in capital financing activities	(49,682,882)	(24,964,642)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	89,515,304	9,269,842
Investment income	77,799	4,170,297
Purchase of investments	(74,051,554)	(14,044,462)
Net cash provided by (used in) investing activities	15,541,549	(604,323)
NET INCREASE IN CASH	27,391,132	17,846,993
CASH AND CASH EQUIVALENTS - Beginning of year	68,783,706	50,936,713
CASH AND CASH EQUIVALENTS - End of year	\$ 96,174,838	\$ 68,783,706



**Statements of Cash Flows (Continued)  
Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (166,962,708)	\$ (184,717,393)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	34,502,716	33,075,444
Changes in assets and liabilities:		
Accounts receivable - Net	(4,965,363)	(6,078,996)
Notes receivable - Net	518,724	245,137
Prepaid expenses and deferred charges	(3,563,290)	(2,129,006)
Inventories	186,455	201,084
Accounts payable and accrued liabilities	(3,631,774)	3,073,479
Deferred revenue	(2,248,633)	5,965,043
Refunds and other liabilities	(691,876)	796,211
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (146,855,749)</u>	<u>\$ (149,568,997)</u>

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

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

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

**Basis of Presentation** - The financial statements of the University have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities (an amendment of Statement No. 34)*. The presentation required by GASB Statement No. 34 and GASB Statement No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, and changes in net assets and cash flows. It replaces fund groups with net asset groups, and requires the direct method of cash flow presentation. The University follows all GASB pronouncements as well as Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*, was implemented by the University effective July 1, 2003. It further clarifies that certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary

### **Note 1 - Organization, Basis of Presentation and Significant Accounting Policies (Continued)**

government. The University has determined that The Ohio University Foundation ("Foundation") meets this definition and is therefore included as a discretely presented component unit in the University's financial statements. The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the FASB. A separate financial report for the Foundation is available by contacting The Ohio University Foundation, 166 HDL Center, Athens, Ohio 45701, or by calling 740-593-1901. See Note 21 for additional disclosures regarding the Foundation.

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

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

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

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

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

### Note 1 - Organization, Basis of Presentation and Significant Accounting Policies (Continued)

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

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

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

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

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

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

### Note 1 - Organization, Basis of Presentation and Significant Accounting Policies (Continued)

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

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

- Invested in capital assets net of related debt is the net equity in property, plant, and equipment owned by the University.
- Restricted net assets are owned by the University, but the use or purpose of the funds is restricted by an external source or entity. The restricted net assets category is subdivided further into expendable and nonexpendable.
  - Restricted expendable net assets may be spent by the institution, but only for the purpose specified by the donor, grantor, or other external entity. This category includes the unspent balance in grant and loan funds.
  - Restricted nonexpendable net assets are endowment funds whose principal may be invested, however, only interest, dividends and capital gains may be spent.
- Unrestricted net assets are resources derived primarily from student tuition, fees, State appropriations, and auxiliary enterprises. These assets are used for general obligations of the University. They may be used at the discretion of the Board of Trustees for any purpose furthering the University's mission.

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

**Income Taxes** - The University is an organization described in Section 115 of the Internal Revenue Code ("Code") and has further been classified as an organization that is not a

### Note I - Organization, Basis of Presentation and Significant Accounting Policies (Continued)

private foundation in accordance with Sections 509(a)(1) and 170(b)(1)(A)(ii) of the Code. However, certain revenues are considered unrelated business income and are taxable under Internal Revenue Code Sections 511 through 513.

**Classification of Revenues** - Revenues are classified as either operating or non-operating.

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

**Scholarship Discounts and Allowances** - Student tuition and fee revenue, and certain other payments recorded as auxiliary enterprises revenue, are net of scholarship discounts and allowances in the Statements of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the charge for tuition and fees, and the amount paid by students or by third parties on the students' behalf. Scholarship discounts and allowances were \$68,556,879 (of which \$57,466,229 is netted against student tuition and fees and \$11,090,650 is netted against auxiliary enterprises revenues) and \$57,490,694 (of which \$47,959,272 is netted against student tuition and fees and \$9,531,422 is netted against auxiliary enterprises revenues) as of June 30, 2010 and 2009, respectively.

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

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

### **Note 1 - Organization, Basis of Presentation and Significant Accounting Policies (Continued)**

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

**Reclassifications** - Certain amounts from the prior year have been reclassified to conform to the current year's presentation. Auxiliary expenditures during 2009 have been reclassified to operations and maintenance of plant and institutional support in the amounts of \$8,799,501 and \$178,138, respectively. Net operating results have not been affected by these reclassifications.

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

As of June 30, 2010, the carrying amount of the University's cash and cash equivalents for all funds was \$96,174,838 compared to bank balances of \$101,487,446. The difference in carrying amounts and bank balances is caused by outstanding checks and deposits-in-transit. Of the bank balances, \$1,628,515 is covered by federal deposit insurance and \$99,858,931 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

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

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

### Note 2 - Deposits with Financial Institutions, Cash and Cash Equivalents, and Investments (Continued)

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

U.S. government and agency securities are invested through trust agreements with banks that keep the securities in their safekeeping accounts at the Federal Reserve Bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the University. Common stocks, corporate bonds, money market instruments, mutual funds, and other investments are invested through trust agreements with banks that keep the investments in their safekeeping account in the appropriate custodial bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the University.

The values of investments as of June 30, 2010 and 2009 are as follows:

Investment Type	2010	2009
Money markets	\$ 1,217,615	\$ 652,312
Certificates of deposit	452,404	749,000
US government obligations	1,609,479	1,752,880
US government agency obligations	4,993,244	5,195,074
Mortgage-backed securities	1,067,507	1,409,541
Collateralized mortgage-backed securities	95,836	174,154
Corporate bonds and notes	2,362,786	2,145,602
Bond mutual funds	34,764,524	41,808,354
Municipal bonds	1,340,904	208,368
US common stock	2,391,252	3,445,409
US equity mutual funds	14,801,139	20,101,630
International equity mutual funds	15,310,263	10,583,141
Absolute return funds	14,643,338	14,192,567
Real assets	3,520,914	2,426,650
Private equity funds	11,886,191	8,777,318
Total	\$ 110,457,396	\$ 113,622,000

The University's investment strategy incorporates certain financial instruments that involve, to varying degrees, elements of market risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate



### Note 2 - Deposits with Financial Institutions, Cash and Cash Equivalents, and Investments (Continued)

movements and rate fluctuations embodied in forwards, futures, commodities, or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the related underlying assets are traded.

**Additional Disclosures Related to Interest-Bearing Investments** - Statement Nos. 3 and 40 of the GASB require certain additional disclosures related to the interest rate, credit, and foreign currency risks associated with interest-bearing investments.

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

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

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

### Note 2 - Deposits with Financial Institutions, Cash and Cash Equivalents, and Investments (Continued)

As of June 30, 2009, maturities of the University's interest-bearing investments are as follows:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Money markets	\$ 652,312	\$ 652,312	\$ -	\$ -	\$ -
US government obligations	1,752,880	387,513	1,365,367	-	-
US government agency obligations	5,195,074	387,916	4,781,061	26,097	-
Municipal bonds	208,368	-	100,431	107,937	-
Mortgage-backed securities	1,409,541	759	16,254	517,926	874,602
Collateralized mtg-backed securities	174,154	-	-	-	174,154
Certificates of deposit	749,000	100,000	649,000	-	-
Corporate bonds and notes	2,145,602	12,064	2,025,520	108,018	-
Bond mutual funds	41,808,354	-	41,189,694	618,660	-
<b>Total</b>	<b>\$ 54,095,285</b>	<b>\$ 1,540,564</b>	<b>\$ 50,127,327</b>	<b>\$ 1,378,638</b>	<b>\$ 1,048,756</b>

**Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the statement of net assets and is not represented by the contract or notional amounts of the instruments. Credit quality, as commonly expressed in terms of credit ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's, Moody's Investors Service, or Fitch Ratings, provides a current depiction of potential variable cash flows and credit risk.

### Note 2 - Deposits with Financial Institutions, Cash and Cash Equivalents, and Investments (Continued)

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

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

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

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

**Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of June 30, 2010, the University's exposure to foreign currency is limited to approximately \$15.3 million which represents its investment in international equity mutual funds.

**Valuation of Alternative Investments** - Because financial data for many private investments is not available until several months after fiscal year end, some reported investment valuations represent an estimate of the June 30 value, while the remaining valuations represent March 31 reported valuations that have been adjusted by cash added to and cash distributed from these accounts through June 30. Management considers

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

information that becomes available after the financial statements are compiled but before they are released, to determine whether an adjustment to the reported fair value of investments should be made.

The University has exposure to an absolute return investment, LibertyView Plus Fund (the "Fund") which was managed by Lehman Brothers Holdings Inc. (LBHI). As an affiliate of LBHI and acting as prime broker for the Fund, Lehman Brothers Inc. (LBI) allowed the Fund to pledge assets as collateral in exchange for providing leverage to the Fund. This leverage was provided through margin lending agreements with an affiliate, Lehman Brothers International Europe (LBIE). Due to unprecedented adverse market conditions, on September 15, 2008, LBIE was placed into administration in the U.K. and LBHI filed for protection under the U.S. Bankruptcy Code. On September 19, 2008, the Securities Investor Protection Corp., which maintains a reserve fund to protect investors of failed brokerage firms, issued a statement saying that LBI was in liquidation. As a result, the University has been interacting with the State Attorney General's office and has engaged external special counsel for representation on behalf of itself and its Foundation.

For fiscal year 2010, there were \$23.2 million in investment assets reported at the estimated values described above, and all are listed as either absolute return funds or private equity funds. After the financial statements were compiled, management learned that unrealized gains for the period ended June 30, related to these investments, totaled approximately \$0.1 million.

**Note 3 - Accounts Receivable**

The composition of accounts receivable at June 30, 2010 and 2009 is summarized as follows:

	2010	2009
Student receivables for fees, room, and board	\$38,871,037	\$ 32,767,982
Research and other sponsored programs	16,694,220	12,778,429
Other	<u>11,021,027</u>	<u>15,135,390</u>
Total	66,586,284	60,681,801
Less allowance for doubtful accounts	<u>(9,063,954)</u>	<u>(8,302,603)</u>
Net accounts receivable	<u>\$57,522,330</u>	<u>\$ 52,379,198</u>

**Note 4 - Notes Receivable**

The University's notes receivable at June 30, 2010 and 2009 is net of allowance for doubtful accounts of \$1,891,758 and \$1,824,306, respectively. Principal repayment and interest terms vary. Federal loan programs are funded primarily through borrower repayments, Federal contributions under Perkins and various Health Professions loan programs.

The University distributed \$161,753,076 and \$133,355,506 for student loans through the U.S. Department of Education Federal Direct Lending program during the years ended June 30, 2010 and 2009, respectively. These distributions and the related funding sources are included as cash disbursements and cash receipts in the accompanying statement of cash flows.

The composition of notes receivable at June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>	<u>Current Portion</u>
Student loan program	\$ 14,999,562	\$ 15,421,514	\$ 1,938,641
College of Medicine former students	<u>867,351</u>	<u>896,671</u>	<u>46,789</u>
Total	15,866,913	16,318,185	<u>\$ 1,985,430</u>
Less allowance for doubtful accounts	<u>(1,891,758)</u>	<u>(1,824,306)</u>	
Net notes receivable	<u>\$ 13,975,155</u>	<u>\$ 14,493,879</u>	

### Note 5 - Capital Assets

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

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

### Note 5 - Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Transfers	Retirements	Balance June 30, 2009
Capital assets not being depreciated:					
Land	\$ 16,216,224	\$ 3,335,602	\$ -	\$ -	\$ 19,551,826
Land improvements	4,701,091	-	-	-	4,701,091
Construction in progress	24,633,811	55,062,125	(28,299,144)	(15,383)	51,381,409
Works of art and historical treasures	8,555,227	46,996	-	-	8,602,223
Total capital assets not being depreciated	54,106,353	58,444,723	(28,299,144)	(15,383)	84,236,549
Capital assets being depreciated:					
Infrastructure	100,625,917	496,873	146,385	-	101,269,175
Buildings	659,593,985	3,442,189	28,152,759	(901,624)	690,287,309
Machinery and equipment	106,084,365	7,464,273	-	(2,798,147)	110,750,491
Library books and publications	79,039,901	2,173,762	-	(1,199,567)	80,014,096
Transportation equipment	20,004,010	641,574	-	(1,246,848)	19,398,736
Total capital assets being depreciated	965,348,178	14,218,671	28,299,144	(6,146,186)	1,001,719,807
Total capital assets	1,019,454,531	72,663,394	-	(6,161,569)	1,085,956,356
Less accumulated depreciation:					
Infrastructure	39,717,448	4,626,663	-	-	44,344,111
Buildings	262,625,119	15,843,056	-	(734,995)	277,733,180
Machinery and equipment	74,878,587	7,879,352	-	(2,554,184)	80,203,755
Library books and publications	64,013,755	3,160,720	-	(1,199,567)	65,974,908
Transportation equipment	12,383,909	1,565,653	-	(1,212,925)	12,736,637
Total accumulated depreciation	453,618,818	33,075,444	-	(5,701,671)	480,992,591
Total capital assets being depreciated - net	511,729,360	(18,856,773)	28,299,144	(444,515)	520,727,216
Capital assets - net	<u>\$ 565,835,713</u>	<u>\$ 39,587,950</u>	<u>\$ -</u>	<u>\$ (459,898)</u>	<u>\$ 604,963,765</u>

# Ohio University

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 6 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Accounts payable	\$ 16,164,678	\$ 17,801,518
Accrued liabilities	<u>27,638,905</u>	<u>29,505,988</u>
Total	<u>\$ 43,803,583</u>	<u>\$ 47,307,506</u>

### Note 7 - Bonds and Notes Payable

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

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

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



## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 7 - Bonds and Notes Payable (Continued)

The University's bonds and notes payable at June 30, 2009 are summarized as follows:

	<u>July 1, 2008</u>	<u>Borrowed</u>	<u>Retired</u>	<u>June 30, 2009</u>	<u>Current</u>
General receipts bond					
Series 2009	\$ -	\$ 26,645,000	\$ -	\$ 26,645,000	\$ -
General receipts bond					
Series 2008A & B	-	15,350,000	1,120,000	14,230,000	4,840,000
Subordinated general receipts					
bonds - Series 2006C	630,000	-	630,000	-	-
Subordinated general receipts					
bonds - Series 2006B	28,145,000	-	1,070,000	27,075,000	1,110,000
Subordinated general receipts					
bonds - Series 2006A	26,700,000	-	1,125,000	25,575,000	1,165,000
General receipts bond					
anticipation notes	5,550,000	-	5,550,000	-	-
Subordinated general receipts					
bonds - Series 2004	47,795,000	-	1,510,000	46,285,000	1,585,000
Subordinated general receipts					
bonds - Series 2003	34,500,000	-	4,000,000	30,500,000	3,750,000
Subordinated variable general					
receipts bonds - Series 2001	<u>23,645,000</u>	<u>-</u>	<u>2,735,000</u>	<u>20,910,000</u>	<u>1,995,000</u>
Total bonds and notes payable	<u>\$ 166,965,000</u>	<u>\$ 41,995,000</u>	<u>\$ 17,740,000</u>	<u>\$ 191,220,000</u>	<u>\$ 14,445,000</u>

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

On June 2, 2009, the University issued General Receipts Bonds Series 2009 in the amount of \$26,645,000. The proceeds are being used to purchase and implement a new student information system and to upgrade the University's existing computer network infrastructure. The balance outstanding as of June 30, 2010 was \$26,645,000.

On July 10, 2008, the University issued General Receipts Bonds Series 2008A in the amount of \$13,345,000 and Taxable General Receipts Bonds Series 2008B in the amount of \$2,005,000. The proceeds were used to refund the General Receipts Bond Anticipation Notes and acquire a facility on the edge of the University's campus. The balance outstanding as of June 30, 2010 was \$9,390,000.

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 7 - Bonds and Notes Payable (Continued)

On April 6, 2006, the University issued \$29,170,000 in Subordinated General Receipts Bonds, Series 2006B. The proceeds were used for various capital projects on the Athens campus. The balance outstanding as of June 30, 2010 was \$25,965,000.

On February 16, 2006, the University issued \$28,145,000 in Subordinated General Receipts Bonds, Series 2006A. The proceeds were used to refund the Series 1999 Bonds, as described below. The balance outstanding as of June 30, 2010 was \$24,410,000.

On March 15, 2004, the University issued \$52,885,000 in Subordinated General Receipts Bonds, Series 2004. The proceeds were used to refund the Series 2003B Notes, and for capital equipment and construction costs on various building projects. The balance outstanding as of June 30, 2010 was \$44,700,000.

On September 3, 2003, the University issued \$47,860,000 in Subordinated General Receipts Bonds, Series 2003. The proceeds were used to refund the Series 1993 Bonds and the Series 2003A Notes. The balance outstanding as of June 30, 2010 was \$26,750,000.

On May 3, 2001, the University issued \$48,025,000 in Subordinated Variable Rate General Receipts Bonds, Series 2001. The proceeds were for capital equipment and construction costs on various building projects. The balance outstanding as of June 30, 2010 was \$18,915,000. The variable rate of interest in effect at June 30, 2010 was 0.56%. The average variable rate of interest for the year ended June 30, 2010 was 0.69%.

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

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

The University's Bonds are secured by a Trust Agreement dated as of May 1, 2001 ("Master Trust Agreement"), as supplemented by a First Supplemental Trust Agreement dated as of May 1, 2001, a Second Supplemental Trust Agreement dated as of September 1, 2003, a Third Supplemental Trust Agreement dated as of October 1, 2003, a Fourth Supplemental Trust Agreement dated as of March 15, 2004, a Fifth Supplemental Trust Agreement dated as of February 1, 2006, a Sixth Supplemental Trust Agreement dated as of April 1, 2006, a Seventh Supplemental Trust Agreement dated as of July 1, 2008, and an Eighth Supplemental Trust Agreement dated as of May 1, 2009, entered into in connection with the issuance of the Series 2009 Bonds, each between the University and

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 7 - Bonds and Notes Payable (Continued)

U.S. Bank National Association, successor trustee to National City Bank, with its designated corporate trust office in Cleveland, Ohio.

Details of the series are as follows:

Series	Interest Rate	Maturity Fiscal Year	Initial Issue Amount	Outstanding at June 30, 2010
2001	Variable	2027	\$ 48,025,000	\$ 18,915,000
2003	5.00%-5.25%	2024	47,860,000	26,750,000
2004	2.00%-5.00%	2032	52,885,000	44,700,000
2006A	3.50%-5.00%	2025	28,145,000	24,410,000
2006B	3.75%-5.00%	2037	29,170,000	25,965,000
2008A&B	4.17%-5.00%	2034	15,350,000	9,390,000
2009	2.00%-5.00%	2020	26,645,000	26,645,000
				<u>\$ 176,775,000</u>

The University currently holds one interest rate swap which was entered into in an effort to hedge the interest rate risk associated with the issuance of the University's Series 2001 variable rate debt. Ultimately, the University expects that the creation of this synthetic fixed rate debt provides an interest rate that is lower than if fixed rate debt were issued directly. The swap agreement is considered an effective hedge having met the consistent critical terms method of analysis. The fair value of the hedging derivative instrument at June 30, 2010 and June 30, 2009 was a negative \$1,764,348 and a negative \$1,380,459, respectively. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. The University has not recorded the fair value of the derivative instrument on the Statement of Net Assets in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as of June 30, 2010 and 2009 as management does not believe the value is material to the financial statements. The total amounts paid relative to the swap agreement for the years ended June 30, 2010 and 2009 are \$718,466 and \$546,173, respectively. These amounts are included as an adjustment to interest on capital asset-related debt in the statement of revenues, expenses, and changes in net assets.

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

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 7 - Bonds and Notes Payable (Continued)

Effective date	Type	Objective	Notional amount	Pay terms	Receive terms	Maturity date	Counter-party credit rating
	Pay-fixed, Receive-variable	Cash flow hedge for Series 2001 bonds	\$18,340,000 (amortizing)	4.039% fixed	SIFMA swap index	December 1, 2026	AA/Aa

The interest rate swap is subject to the following risks:

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

The counterparty is rated AA/Aa.

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

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

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

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 7 - Bonds and Notes Payable (Continued)

Principal and interest payment requirements for the bonded debt for the years subsequent to June 30, 2010 are summarized as follows:

Year Ending June 30	Principal	Interest	Swap Interest	Total
2011	\$ 12,195,000	\$ 7,114,494	\$ 670,231	\$ 19,979,725
2012	12,575,000	6,684,524	590,584	19,850,108
2013	10,870,000	6,280,373	510,446	17,660,819
2014	11,320,000	5,903,746	420,885	17,644,631
2015	11,780,000	5,507,166	322,314	17,609,480
2016-2020	54,090,600	20,579,600	633,252	75,303,452
2021-2025	27,820,000	11,631,515	248,137	39,699,652
2026-2030	19,929,400	6,075,042	27,195	26,031,637
2031-2035	13,640,000	1,731,138	-	15,371,138
2036-2037	2,555,000	116,452	-	2,671,452
	<u>\$ 176,775,000</u>	<u>\$ 71,624,050</u>	<u>\$ 3,423,044</u>	<u>\$ 251,822,094</u>

### Note 8 - Capital Leases

The University has \$252,086 in capital lease obligations that have varying maturity dates through 2015 and carry implicit interest rates ranging from 4.6% to 14.6%. Lease arrangements are being used to provide partial financing for certain equipment. Capital asset balances as of June 30, 2010 that are financed under capital leases are \$557,148.

Capital leases at June 30, 2010 and 2009 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
For the year ended:					
June 30, 2010	<u>\$1,498,265</u>	<u>\$ 33,402</u>	<u>\$(1,279,581)</u>	<u>\$ 252,086</u>	<u>\$ 90,247</u>
June 30, 2009	<u>\$ 438,027</u>	<u>\$1,484,143</u>	<u>\$ (423,905)</u>	<u>\$1,498,265</u>	<u>\$ 383,390</u>

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 8 - Capital Leases (Continued)

The scheduled maturities of these leases at June 30, 2010 are as follows:

	<u>Minimum Lease Payments</u>
2011	\$ 105,233
2012	86,880
2013	59,527
2014	27,689
2015	<u>840</u>
Total minimum lease payments	280,169
Less amount representing interest	<u>28,083</u>
Net minimum capital lease payments	252,086
Less current portion	<u>90,247</u>
Noncurrent capital lease obligations	<u><u>\$ 161,839</u></u>

### Note 9 - Operating Leases

The University leases various facilities and equipment under operating lease agreements. These facilities and equipment are not recorded as assets on the statements of net assets. The total rental expense under these agreements was \$1,297,337 and \$1,388,859 for the years ended June 30, 2010 and 2009, respectively.

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 9 - Operating Leases (Continued)

Future minimum payments for all significant operating leases with initial terms in excess of one year at June 30, 2010 are as follows:

	Minimum Lease Payments
2011	\$ 1,195,064
2012	913,534
2013	483,077
2014	234,195
2015	78,928
2016-2019	<u>120,242</u>
Total minimum operating lease payments	<u>\$ 3,025,040</u>

### Note 10 - Operating Expenses by Natural Classification

The University reports operating expenses by functional classification on the Statement of Revenues, Expenses, and Changes in Net Assets. Operating expenses by natural classification for the two years ended June 30, 2010 and 2009 are summarized as follows:

Year ended June 30, 2010	Compensation and Benefits	Supplies, Services, and Other	Scholarships and Fellowships	Depreciation	Total
Instruction and departmental research	\$ 202,464,895	\$ 17,350,020	\$ -	\$ -	\$ 219,814,915
Separately budgeted research	21,509,690	13,164,346	-	-	34,674,036
Public service	16,320,489	6,694,486	-	-	23,014,975
Academic support	45,062,138	19,305,250	-	-	64,367,388
Student services	22,888,383	3,143,133	-	-	26,031,516
Institutional support	18,486,636	10,973,571	-	-	29,460,207
Operation and maintenance of plant	34,197,547	19,439,076	-	-	53,636,623
Student aid	-	-	14,976,745	-	14,976,745
Depreciation	-	-	-	34,502,716	34,502,716
Auxiliary enterprises	<u>36,180,328</u>	<u>30,200,778</u>	<u>-</u>	<u>-</u>	<u>66,381,106</u>
Total operating expenses	<u>\$ 397,110,106</u>	<u>\$ 120,270,660</u>	<u>\$ 14,976,745</u>	<u>\$ 34,502,716</u>	<u>\$ 566,860,227</u>

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 10 - Operating Expenses by Natural Classification (Continued)

Year ended June 30, 2009	Compensation and Benefits	Supplies, Services, and Other	Scholarships and Fellowships	Depreciation	Total
Instruction and departmental research	\$ 200,292,566	\$ 14,679,023	\$ -	\$ -	\$ 214,971,589
Separately budgeted research	21,280,949	12,214,290	-	-	33,495,239
Public service	17,331,094	6,122,858	-	-	23,453,952
Academic support	41,882,746	17,460,817	-	-	59,343,563
Student services	25,461,447	3,071,865	-	-	28,533,312
Institutional support	22,705,900	10,241,838	-	-	32,947,738
Operation and maintenance of plant	32,759,086	20,811,931	-	-	53,571,017
Student aid	-	-	10,878,749	-	10,878,749
Depreciation	-	-	-	33,075,444	33,075,444
Auxiliary enterprises	34,528,431	29,994,503	-	-	64,522,934
Total operating expenses	<u>\$ 396,242,219</u>	<u>\$ 114,597,125</u>	<u>\$ 10,878,749</u>	<u>\$ 33,075,444</u>	<u>\$ 554,793,537</u>

### Note 11 - Compensated Absences

Per University policy, eligible salaried administrative appointments earn vacation at the rate of 22 days per year with a maximum accrual of 32 days. Upon termination, they are entitled to a payout of their accumulated balance. Hourly classified employees earn vacation at rates per years of service, ranging from 10 to 25 days per year. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The estimated liability for accrued vacation at June 30, 2010 and 2009 was \$9,143,154 and \$9,429,472, respectively.

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro rata monthly basis for salaried employees and on a pro rata hourly basis for classified hourly employees). Salaried employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25% of unused days (maximum of 30 days). Hourly classified employees with 10 or more years of service are eligible for payout upon retirement of up to 50% of unused days (maximum of 60 days). The estimated liability for accrued sick leave at June 30, 2010 and 2009 was \$4,121,471 and \$4,308,150, respectively.



## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 11 - Compensated Absences (Continued)

Compensated absences at June 30, 2010 and 2009 are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
For the year ended:					
June 30, 2010	<u>\$ 13,737,622</u>	<u>\$ 18,948,255</u>	<u>\$(19,421,252)</u>	<u>\$ 13,264,625</u>	<u>\$ 473,000</u>
June 30, 2009	<u>\$ 14,190,923</u>	<u>\$ 19,374,778</u>	<u>\$(19,828,079)</u>	<u>\$ 13,737,622</u>	<u>\$ 880,000</u>

### Note 12 - Retirement Plans

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

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

**Defined Contribution Plans** - The ARP is a defined contribution pension plan, under IRS section 401(a), and established by Ohio Amended Substitute House Bill 586 (ORC 3305.02) on March 31, 1998, for public institutions of higher education. The University's Board of Trustees adopted the University's plan on April 18, 1998. Full-time employees

### Note 12 - Retirement Plans (Continued)

are eligible to choose a provider, in lieu of STRS Ohio or OPERS, from the list of nine providers currently approved by the Ohio Department of Insurance and who hold agreements with the University. Employee and employer contributions equal to those required by STRS Ohio and OPERS are required for the ARP, less any amounts required to be remitted to the state retirement system in which the employee would otherwise have been enrolled.

Eligible employees have 120 days from their date of hire to make an irrevocable election to participate in the ARP. Under this plan, employees who would have otherwise been required to be in STRS Ohio or OPERS and who elect to participate in the ARP must contribute the employee's share of retirement contributions to one of nine private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Board of Regents. That amount is 3.5% for STRS Ohio and 0.77% for OPERS for the year ended June 30, 2010. The employer also contributes what would have been the employer's contribution under STRS Ohio or OPERS, less the aforementioned percentages, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting.

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

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

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

# Ohio University

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 12 - Retirement Plans (Continued)

Following are the employee and employer contribution rates in effect for fiscal year 2010:

	Contribution Rates		
	STRS Ohio	OPERS	ARP
Faculty:			
Employee - All year	10%		10%
University - All year	14%		14%
Staff:			
Employee - All year		10%	10%
University - All year		14%	14%
Law enforcement staff -			
Employee: July-Dec 2009		10.1%	10.1%
Employee: Jan-June 2010		11%	11%
University:			
July-December 2009		17.6%	17.6%
January-June 2010		17.9%	17.9%

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

	Employer Contributions		
	STRS Ohio	OPERS	ARP
2010	\$ 11,632,635	\$ 13,875,159	\$ 8,793,766
2009	11,720,000	14,206,000	8,671,000
2008	11,278,000	13,582,000	8,037,000

The payroll for employees covered by OPERS and STRS Ohio for the year ended June 30, 2010 was \$125,136,000 and \$119,875,000, respectively. The payroll for employees covered by OPERS and STRS Ohio for the year ended June 30, 2009 was \$117,277,000 and \$119,794,000, respectively. For the years ended June 30, 2010 and 2009, the University's total payroll was \$276,744,000 and \$280,243,000, respectively.

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

### Note 12 - Retirement Plans (Continued)

OPERS provides retirement, disability, and survivor benefits as well as post-employment health care coverage to qualifying members of its plans. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2009, state employers contributed at a rate of 14% of covered payroll. Local government employer units contributed at a rate of 14% of covered payroll and public safety while law enforcement employer units contributed at a rate of 17.6%. The portion of employer contributions, for all employers, allocated to health care was 7% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. The number of active contributing participants as of December 31, 2009 was 357,584.

The actuarial value of the OPERS' net assets available for OPEB at December 31, 2008 (the date of the system's latest actuarial review) is \$10.7 billion. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2008, reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at \$29.6 billion and \$18.9 billion, respectively.

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans, and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code ("ORC"), the State Teachers Retirement Board (the "Board") has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

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

The Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2009 and June 30, 2008, the board allocated employer contributions equal to 1.0% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$2.7 billion on June 30, 2009, the date of the most recent information available from STRS Ohio.

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 12 - Retirement Plans (Continued)

For the fiscal year ended June 30, 2009, the date of the most recent information available from STRS, net health care costs paid by STRS Ohio were \$298,110,000. There were 129,659 eligible benefit recipients.

### Note 13 - Early Retirement Incentive Plan

On March 6, 2009, the University Board of Trustees approved an Early Retirement Incentive Plan ("ERIP") buyout for eligible employees in the OPERS. An ERIP allows the University to purchase additional service credit, in this case one year, which enables eligible employees to retire early or to retire with a larger retirement benefit than they may have otherwise. The period remained open until August 31, 2009. A \$5,000 incentive was offered to employees who signed up for the buyout by April 1, 2009 (extended to May 1, 2009 for bargaining unit employees) and who would retire by May 31, 2009. Eligible employees were those eligible to retire with five years of service at age 60, 25 years of service at age 55, or 30 years of service at any age who became eligible to retire due to the incentive plan, became eligible to retire during the open period, or became eligible due to purchasing additional service credit (i.e., exempt, refunded, military, or other eligible time).

As of August 31, 2009, 114 employees had taken advantage of the ERIP for a total cost of \$3,852,428 which included sick and vacation payouts in accordance with standard policy, the \$5,000 incentive bonus for the 61 employees who left by May 31, 2009, and the OPERS payment.

### Note 14 - Involuntary Termination

In response to known present and future funding issues, the University announced involuntary terminations (layoffs) in fiscal year 2010. The terms of the layoffs were continuation of pay for one to three months beginning July 1, 2010; continuation of all medical benefits to December 31, 2010; continuation of education benefits for three years for undergraduate studies and one year for graduate studies for both the employee and their dependents; survivor medical benefits for 12 months; free access to WellWorks, a program which includes the use of a University-run fitness center; continued use of the Employee Assistance Program; and professional outplacement services. As of June 30, 2010, 16 employees (administrative and nonbargaining unit classified employees) were identified to receive some part of the separation package. Amounts accrued as of June 30, 2010 specifically related to this involuntary termination were approximately \$226,000.

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 15 - Risk Management and Contingencies

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

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

Changes in the self-insurance claims liability for the three years ended June 30, 2010 are summarized as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Accrued claims liability - Beginning of year	\$ 3,644,000	\$ 3,644,000	\$ 3,644,000
Incurred claims - Net of favorable settlements	38,443,545	38,573,997	33,190,880
Claims paid	<u>(38,081,545)</u>	<u>(38,573,997)</u>	<u>(33,190,880)</u>
Accrued claims liability - End of year	<u>\$ 4,006,000</u>	<u>\$ 3,644,000</u>	<u>\$ 3,644,000</u>

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

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 15 - Risk Management and Contingencies (Continued)

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

Type	Deductible	Coverage
Aircraft liability (flight training)	\$ -	\$ 5,000,000
Aircraft liability (corporate)	-	50,000,000
Airport liability	10,000	10,000,000
General and auto liability	100,000	50,000,000
Educator's liability	100,000	30,000,000
Medical malpractice	25,000	1,000,000
Foreign liability	-	1,000,000
Crime	100,000	5,000,000
Property (shared)	100,000	1,000,000,000

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

### Note 16 - Capital Project Commitments

At June 30, 2010, the University is committed to future capital expenditures as follows:

Contractual commitments	\$ 20,135,761
Estimated completion costs of projects	<u>42,301,481</u>
Total	<u><u>\$ 62,437,242</u></u>

These projects will be funded by:

State appropriations	\$ 17,050,222
University funds (including bond funds)	44,482,079
Gifts, grants, and other	<u>904,941</u>

Total	<u><u>\$ 62,437,242</u></u>
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## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 17 - Other Noncurrent Liabilities

**Refundable Advances for Federal Student Loans** - Refundable advances for federal student loans for the two years ended June 30, 2010 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
For the year ended:					
June 30, 2010	<u>\$ 8,526,390</u>	<u>\$ 49</u>	<u>\$ (208,746)</u>	<u>\$ 8,317,693</u>	<u>\$ -</u>
June 30, 2009	<u>\$ 8,456,624</u>	<u>\$ 421,070</u>	<u>\$ (351,304)</u>	<u>\$ 8,526,390</u>	<u>\$ -</u>

### Note 18 - Pollution Remediation

During fiscal year 2009, the University implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation*. As a result, the University is required to account for pollution remediation (including contamination) obligations.

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

Pollution remediation obligations also include expected payments for the Ohio Environmental Protection Agency ("EPA") findings and orders in violation of Ohio Administrative Code ("OAC") Rule 3745-27-13(A) and Ohio Revised Code ("ORC") Rule 3734.02(H). The Ohio EPA lists the University as responsible for the methane gas level monitoring of a disposal site on the University's Southern Campus. The University expects to continue monitoring on this site for an estimated 40 years. The liability is accrued based on reasonably expected potential outlays for performing this monitoring. The current value of the expected cash flows method was used to measure the estimated liability using the prior year expenditures as an estimate of future annual obligations.



## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 18 - Pollution Remediation (Continued)

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

	<u>Minimum Payments</u>
2011	\$ 225,930
2012	61,604
2013	61,604
2014	61,604
2015	61,604
2016-2049	<u>2,094,536</u>
Total minimum payments	<u>\$ 2,566,882</u>

### Note 19 - Donor-restricted Endowments

Under the standard established by Section 1715.56 of the Ohio Revised Code, an institution may appropriate as much as is prudent of the realized and unrealized net appreciation of the fair value of the assets of the endowment fund over the historic dollar value of the fund for the uses and purposes for which an endowment fund is established. The University's endowment spending policy is based on the concept of total return and the spending rate for fiscal year 2010 was 5% (including a 1% administrative fee, the same as for fiscal year 2009).

The amounts of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure by the Board were \$7,869,930 and \$7,452,227 for June 30, 2010 and 2009, respectively. Those amounts are reported as restricted expendable net assets.

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 20 – Net Assets

Restricted and unrestricted net assets for the years ended June 30, 2010 and 2009 are as follows:

	2010	2009
Restricted - nonexpendable:		
Permanent endowments	\$ 17,567,164	\$ 13,912,057
Restricted - expendable:		
Sponsored programs	\$ 7,853,262	\$ 7,681,367
Loans	8,813,647	8,456,211
Capital projects	28,158,069	14,778,781
Earnings on Endowments	7,853,952	7,452,228
Total Restricted - expendable	\$ 52,678,930	\$ 38,368,587
Unrestricted:		
Designated	\$ 114,827,426	\$ 94,494,459
Undesignated	(8,491,774)	(16,595,314)
Total Unrestricted	\$ 106,335,652	\$ 77,899,145

Restricted net assets are separated into two types: nonexpendable and expendable. Restricted nonexpendable net assets are made up entirely of permanent endowments. Restricted expendable net assets is made up of the categories above.

Unrestricted net assets are separated into two types: designated and undesignated. Unrestricted designated net assets are available to the University, but are set aside for a specific purpose by University policy, management, or the governing board. This category includes amounts set aside or carried forward for auxiliaries and ongoing academic and research programs. Unrestricted undesignated net assets are amounts allocated above that which is available as unrestricted net assets. This has created a structural deficit that the University is addressing through the implementation of a five year plan.

### Note 21 - The Ohio University Foundation

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

### Note 21 - The Ohio University Foundation (Continued)

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

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

As of June 30, 2009, the Foundation owned a minority interest (44.18 percent) in Diagnostic Hybrids, Inc. (DHI), which develops and manufactures tissue cell cultures, antibody kits, and biological reagents for use in medical laboratories. DHI, including the Foundation's ownership interest, was sold to an independent third party in February, 2010.

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

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

The Foundation is the sole member of the Fritz J. and Dolores H. Russ Holdings LLC. The Fritz J. and Dolores H. Russ Holdings LLC is the sole member of the Russ North Valley Road LLC and Russ Research Center LLC.

### Summary of Significant Accounting Policies

**Basis of Accounting** - The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. The accompanying consolidated financial statements present the financial position and results of activities of the Foundation and its wholly owned subsidiary and other related entities - the Inn, Housing,

### Note 21 - The Ohio University Foundation (Continued)

one supporting organization, and three limited liability companies. All intercompany transactions have been eliminated.

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

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

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

The management company that operates the Inn is responsible for collection of receivables. The Inn provides a reserve for any estimated uncollectible balances.

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

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

### Note 21 - The Ohio University Foundation (Continued)

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

**Pledges Receivable** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate. The discount rate utilized was 5.10 percent and 5.16 percent for the years ended June 30, 2010 and 2009, respectively. Amortization of the discounts is included in contribution revenue. Unconditional promises to give, which are silent as to the due date, are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

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

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

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

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

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

### Note 21 - The Ohio University Foundation (Continued)

Depreciation of buildings is recorded over periods ranging from 10 to 40 years using the straight-line method. Depreciation and amortization of other property, equipment, and improvements are recorded over periods ranging from 5 to 15 years using the straight-line method.

Annually, or more frequently if events or circumstances change, a determination is made by management to ascertain whether property and equipment and intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, the Foundation will recognize an impairment loss in an amount necessary to write down the assets to a fair value as determined from expected future discounted cash flows. Based upon its most recent analysis, the Foundation has determined that no impairment to the carrying value of its long-lived assets existed at June 30, 2010 and 2009.

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

**Functional Allocation of Expenses** - The costs of providing the various programs and support services have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the programs and support services benefited.

**Income Taxes** - The Internal Revenue Service has determined that the Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated income. The provision for income taxes for the Inn, including deferred tax expenses totaled \$22,226 and \$32,052, for the years ended June 30, 2010 and 2009, respectively.

**Fair Value of Financial Instruments** - The carrying values of the Foundation's financial instruments in the accompanying consolidated statements of financial position approximate their respective estimated fair value at June 30, 2010 and 2009.

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 21 - The Ohio University Foundation (Continued)

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

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

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

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including October 15, 2010, which is the date the financial statements were available to be issued.

#### Net Assets

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

Unrestricted net assets as of June 30, 2010 and 2009 are available for the following purposes:

	2010	2009
Board-designated quasi-endowment	\$ 10,058,446	\$ 7,954,576
Board-designated 1804 fund	536,655	448,437
Designated underwater accounts	(8,947,560)	(14,246,147)
Undesignated:		
Housing	\$ (1,804,157)	\$ (2,127,764)
Other	3,089,886	(8,910,185)
	<u>1,285,729</u>	<u>(11,037,949)</u>
Unrestricted net assets	<u>\$ 2,933,270</u>	<u>\$ (16,881,083)</u>

**Temporarily Restricted Net Assets** - Temporarily restricted net assets consist of funds that are restricted for a specific use or time determined by the donor.

# Ohio University

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 21 - The Ohio University Foundation (Continued)

Temporarily restricted net assets as of June 30, 2010 and 2009 are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Academic support	\$ 7,855,886	\$ 6,915,282
Alumni relations	562,788	420,763
Fund-raising and development	914,291	733,138
Institutional support	9,484,732	10,013,887
Instruction and departmental research	122,345,493	88,737,312
Intercollegiate athletics	1,646,220	2,084,830
Operation and maintenance of plant	426,762	5,717,957
Other	14,860	-
Public service	482,723	232,679
Research	1,316,332	1,061,357
Student aid	26,310,398	21,470,686
Student services	<u>1,305,717</u>	<u>1,075,370</u>
Total	<u>\$ 172,666,202</u>	<u>\$ 138,463,261</u>

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



# Ohio University

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 21 - The Ohio University Foundation (Continued)

Permanently restricted net assets as of June 30, 2010 and 2009 are available for the following purposes:

	2010	2009
Academic support	\$ 6,583,640	\$ 6,055,601
Alumni relations	518,445	497,101
Fund-raising and development	240,100	217,615
Institutional support	4,927,403	4,347,382
Instruction and departmental research	54,978,608	63,492,129
Intercollegiate athletics	1,072,935	1,393,544
Other	148,434	306,244
Public service	353,368	353,368
Research	587,953	568,174
Student aid	77,183,675	65,184,231
Student services	2,611,312	2,606,981
	<u>2,611,312</u>	<u>2,606,981</u>
Total	<u>\$ 149,205,873</u>	<u>\$ 145,022,370</u>

**Pledges Receivable** - Amounts included in pledges receivable for unconditional promises to give at June 30, 2010 and 2009 are as follows:

	2010	2009
Unconditional promises to give before unamortized discount and allowance for uncollectibles	\$ 16,098,398	\$ 25,739,179
Less allowance for uncollectibles	<u>(2,527,449)</u>	<u>(4,555,835)</u>
Subtotal	13,570,949	21,183,344
Less unamortized discount	<u>(1,276,005)</u>	<u>(1,587,649)</u>
Unconditional promises to give - Net	<u>\$ 12,294,944</u>	<u>\$ 19,595,695</u>

	2010		2009	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Amounts due in:				
Less than one year	\$ 2,138,524	\$ 1,881,502	\$ 5,604,478	\$ 3,664,997
One to five years	2,419,797	5,851,265	3,235,810	6,197,977
More than five years	<u>120</u>	<u>3,736</u>	<u>222</u>	<u>892,211</u>
Total	<u>\$ 4,558,441</u>	<u>\$ 7,736,503</u>	<u>\$ 8,840,510</u>	<u>\$ 10,755,185</u>

### **Note 21 - The Ohio University Foundation (Continued)**

As of June 30, 2010, the Foundation has approximately \$72,064,000 in numerous outstanding pledges which are considered to be intentions to give and are contingent upon future events. These pledges are not accrued as pledges receivable or recognized as revenue because they do not represent unconditional promises to give. It is not practicable to estimate the ultimate realizable value of these commitments or the period over which they might be collected.

**Fair Value Measurements** - The Foundation's investments include endowed funds, as well as a portion of working capital funds. The Foundation's investment policy provides that the long-term objective of the investment pool is to maximize the real return, or the nominal return less inflation, of the assets over a complete market cycle with emphasis on preserving capital and reducing volatility through prudent diversification. Further, the investment strategy seeks to provide real growth of assets in excess of endowment spending requirements plus inflation. The asset allocation of the Foundation's investments at June 30, 2010 and 2009 is summarized in the following table:

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 21 - The Ohio University Foundation (Continued)

#### Fair Value and Cost of Investments at June 30, 2010 and 2009

	June 30, 2010		June 30, 2009	
	Fair Value	Cost	Fair Value	Cost
Fixed income investments				
Money markets	\$ 18,899,091	\$ 18,899,091	\$ 1,188,406	\$ 1,188,406
US government obligations	31,621	30,533	32,514	30,527
US government agency obligations	-	-	121,490	113,994
Corporate bonds and notes	249,151	241,776	129,430	129,614
Bond mutual funds	30,431,548	28,210,939	41,413,741	41,358,298
TIPS mutual funds	11,664,893	11,429,135	-	-
Subtotal fixed income	<u>61,276,304</u>	<u>58,811,474</u>	<u>42,885,581</u>	<u>42,820,839</u>
Public equity investments				
US large cap common stock	794,692	857,738	693,133	701,626
US small cap common stock	6,859,022	6,397,703	9,536,847	9,466,451
US large cap equity mutual funds	47,373,460	51,830,173	40,837,278	54,925,545
US small cap equity mutual funds	-	-	7,005,763	9,184,702
Developed international equity mutual funds	38,918,569	41,855,911	26,903,812	33,862,525
Emerging markets international equity mutual funds	10,084,427	6,128,932	6,608,276	5,063,870
Global equity mutual funds	2,771,713	4,146,150	1,635,702	2,865,720
Subtotal global equity	<u>106,801,883</u>	<u>111,216,607</u>	<u>93,220,811</u>	<u>116,070,439</u>
Alternative investments				
Commodities	8,305,151	12,171,131	7,677,225	12,455,289
REITs	2,964,108	2,934,501	-	-
Absolute return funds	46,868,395	50,047,241	44,941,527	48,980,528
Private equity funds	27,422,472	24,070,574	20,031,044	21,026,290
Private real estate funds	8,375,982	8,127,778	5,674,982	4,175,471
Venture capital funds	2,618,032	3,864,880	2,189,470	3,679,962
Direct private equity investments	6,208,371	522,477	-	-
Subtotal alternative investments	<u>102,762,511</u>	<u>101,738,582</u>	<u>80,514,248</u>	<u>90,317,540</u>
Equity method investments (not reported at fair value)				
Direct private equity investments	-	-	9,009,512	3,467,829
Subtotal equity method investments	<u>-</u>	<u>-</u>	<u>9,009,512</u>	<u>3,467,829</u>
Total investments	<u>\$ 270,840,698</u>	<u>\$ 271,766,663</u>	<u>\$ 225,630,152</u>	<u>\$ 252,676,647</u>

The Foundation reports investments and split-interest agreements at estimated fair value, in accordance with the fair value hierarchy prescribed by ASC 820, *Fair Value Measurements and Disclosures* (Formerly SFAS 157). This hierarchy was adopted as of July 1, 2008 and involves an analysis of the types of inputs used to derive an asset's reported fair value, as follows:

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

### Note 21 - The Ohio University Foundation (Continued)

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

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

In instances where inputs used to measure fair value fall into different Levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the least observable input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The Foundation's fair value assets and liabilities, by Level, at June 30, 2010 and 2009 are summarized in the following tables:

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 21 - The Ohio University Foundation (Continued)

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

	June 30, 2010	Fair Value at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments</b>				
<b>Fixed income investments</b>				
Money markets	\$ 18,899,091	\$ 374,742	\$ 18,524,349	\$ -
US government obligations	31,621	-	31,621	-
Corporate bonds and notes	249,151	-	249,151	-
Bond mutual funds	30,431,548	29,145,353	1,111,195	175,000
TIPS mutual funds	11,664,893	11,664,893	-	-
Subtotal fixed income	61,276,304	41,184,988	19,916,316	175,000
<b>Public equity investments</b>				
US large cap common stock	794,692	794,692	-	-
US small cap common stock	6,859,022	6,859,022	-	-
US large cap equity mutual funds	47,373,460	47,373,460	-	-
Developed international equity mutual funds	38,918,569	38,918,569	-	-
Emerging markets international equity mutual funds	10,084,427	1,225,100	8,859,327	-
Global equity mutual funds	2,771,713	2,771,713	-	-
Subtotal global equity	106,801,883	97,942,556	8,859,327	-
<b>Alternative investments</b>				
Commodities	8,305,151	-	-	8,305,151
REITs	2,964,108	2,964,108	-	-
Absolute return funds	46,868,395	-	-	46,868,395
Private equity funds	27,422,472	-	-	27,422,472
Private real estate funds	8,375,982	-	-	8,375,982
Venture capital funds	2,618,032	-	-	2,618,032
Direct private equity investments	6,208,371	-	-	6,208,371
Subtotal alternative investments	102,762,511	2,964,108	-	99,798,403
Total investments	\$ 270,840,698	\$ 142,091,652	\$ 28,775,643	\$ 99,973,403
<b>Split-Interest Agreements</b>				
<b>Charitable gift annuities</b>				
Assets	\$ 2,131,740	\$ 1,788,424	\$ 343,316	\$ -
Liabilities	1,566,510	-	-	1,566,510
Charitable gift annuities - Net assets	565,230	1,788,424	343,316	(1,566,510)
<b>Charitable trusts</b>				
Assets	16,715,185	15,843,665	-	871,520
Liabilities	4,251,212	-	-	4,251,212
Charitable trusts - Net assets	12,463,973	15,843,665	-	(3,379,692)
Total split-interest agreements	\$ 13,029,203	\$ 17,632,089	\$ 343,316	\$ (4,946,202)
Total fair value measurements	\$ 283,869,901	\$ 159,723,741	\$ 29,118,959	\$ 95,027,201

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 21 - The Ohio University Foundation (Continued)

#### Assets and Liabilities Measured at Fair Value on the Recurring Basis at June 30, 2009

	June 30, 2009	Fair Value at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments</b>				
<b>Fixed income investments</b>				
Money markets	\$ 1,188,406	\$ 15,671	\$ -	\$ 1,172,735
US government obligations	32,514	-	32,514	-
US government agency obligations	121,490	-	121,490	-
Corporate bonds and notes	129,430	-	129,430	-
Bond mutual funds	41,413,741	39,833,814	-	1,579,927
Subtotal fixed income	42,885,581	39,849,485	283,434	2,752,662
<b>Public equity investments</b>				
US large cap common stock	693,133	693,133	-	-
US small cap common stock	9,536,847	9,536,847	-	-
US large cap equity mutual funds	40,837,278	761,656	-	40,075,622
US small cap equity mutual funds	7,005,763	7,005,763	-	-
Developed international equity mutual funds	26,903,812	14,069,003	-	12,834,809
Emerging markets international equity mutual funds	6,608,276	-	-	6,608,276
Global equity mutual funds	1,635,702	1,635,702	-	-
Subtotal global equity	93,220,811	33,702,104	-	59,518,707
<b>Alternative investments</b>				
Commodities	7,677,225	-	-	7,677,225
Absolute return funds	44,941,527	-	-	44,941,527
Private equity funds	20,031,044	-	-	20,031,044
Private real estate funds	5,674,982	-	-	5,674,982
Venture capital funds	2,189,470	-	-	2,189,470
Subtotal alternative investments	80,514,248	-	-	80,514,248
Total investments	\$ 216,620,640	\$ 73,551,589	\$ 283,434	\$ 142,785,617
<b>Split-Interest Agreements</b>				
<b>Charitable gift annuities</b>				
Assets	\$ 2,017,306	\$ 2,017,306	\$ -	\$ -
Liabilities	1,631,555	-	-	1,631,555
Charitable gift annuities - Net assets	385,751	2,017,306	-	(1,631,555)
<b>Charitable trusts</b>				
Assets	2,580,840	1,671,497	-	909,343
Liabilities	956,677	-	-	956,677
Charitable trusts - Net assets	1,624,163	1,671,497	-	(47,334)
Total split-interest agreements	\$ 2,009,914	\$ 3,688,803	\$ -	\$ (1,678,889)
Total fair value measurements	\$ 218,630,554	\$ 77,240,392	\$ 283,434	\$ 141,106,728

### Note 21 - The Ohio University Foundation (Continued)

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

As of June 30, 2009, the Foundation reported commingled money market, fixed income, and public equity investments as Level 3 assets. Although the underlying securities in these accounts were largely classified as either Level 1 or Level 2, the Foundation conservatively categorized these assets as Level 3 investments, as they were not registered with the Securities and Exchange Commission and did not trade on an exchange. An amendment to ASC 820 released in September 2009 provides that the fair value measurement of an investment shall be categorized as Level 2 if the reporting entity has the ability to redeem its investment with the investee at the net asset value (NAV) per share at the measurement date. Based on this guidance, the Foundation has transferred commingled money market, fixed income and public equity funds from Level 3 to Level 2 investments as of June 30, 2010.

The Foundation is exposed to an absolute return investment, LibertyView Plus Fund, which was managed by Lehman Brothers Holdings Inc. (LBHI), and whose prime broker was Lehman Brothers Inc. (LBI). Due to unprecedented adverse market conditions, on September 15, 2008, Lehman Brothers International Europe (LBIE) was placed into administration in the U.K. and LBHI filed for protection under the U.S. Bankruptcy Code. Based on guidance from the Foundation's investment consultant, during fiscal year 2009, the investment was written down to \$4.1 million, or 60 percent of the NAV reported just prior to the bankruptcy filings. During fiscal year 2010, the Foundation wrote down the asset by an additional 25 percent, to \$2.4 million, which represents 35 percent of the August 31, 2008 NAV. This valuation takes into consideration those securities that are held by LBI but are currently subject to bankruptcy proceedings. The timing and amount of distributions from the fund are contingent upon the outcome of the bankruptcy proceedings and are unknown at this time.

As of June 30, 2009, the Foundation owned a minority interest (44.18 percent) in Diagnostic Hybrids, Inc. (DHI), which develops and manufactures tissue cell cultures, antibody kits, and biological reagents for use in medical laboratories. Using the equity method of accounting, the Foundation reported DHI as a direct private equity investment valued at \$9.0 million as of June 30, 2009. DHI was sold to an independent third party in February, 2010. As a result of this transaction, during fiscal year 2010 the Foundation received sale proceeds totaling \$35.0 million. This represents approximately 85 percent of the consideration to be received. The remaining 15 percent, with an estimated fair value of \$6.2 million, represents the amount to be held in escrow for 18 months from the

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 21 - The Ohio University Foundation (Continued)

date of the sale. This amount is reported as a direct private equity investment as of June 30, 2010.

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

#### Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis

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

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



## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 21 - The Ohio University Foundation (Continued)

	Fair Value Measurements using Significant Unobservable Inputs (Level 3) (continued)					
	Split-Interest Agreements					
	Total Level 3 Split-Interest Net Assets	Total Level 3 Split-Interest Assets	Total Level 3 Split-Interest Liabilities	Charitable Gift Annuity Liabilities	Charitable Trust Assets	Charitable Trust Liabilities
Beginning balance	\$ (1,678,889)	\$ 909,343	\$ (2,588,232)	\$ 1,631,555	\$ 909,343	\$ 956,677
Transfers into (out of) Level 3						
Transfers into Level 3	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-
Total transfers into (out of) Level 3	-	-	-	-	-	-
Change in value of split interest agreements included in changes in net assets						
Obligations under new split-interest agreements	(3,513,082)	-	(3,513,082)	104,837	-	3,408,245
Payments to beneficiaries	1,090,930	-	1,090,930	(310,800)	-	(780,130)
Change in actuarial estimate	(845,161)	(37,823)	(807,338)	140,918	(37,823)	666,420
Total change in value	(3,267,313)	(37,823)	(3,229,490)	(65,045)	(37,823)	3,294,535
Ending balance	\$ (4,946,202)	\$ 871,520	\$ (5,817,722)	\$ 1,566,510	\$ 871,520	\$ 4,251,212

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

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

	Level 2 and Level 3 Investments Reported at Net Asset Value				
	Fair Value	Redemption Frequency	Redemption Notice Period	Estimated Termination Date	Unfunded Commitment
Fixed income investments					
Money markets (Level 2)	\$ 18,899,048	daily	none	not applicable	\$ -
Bond mutual funds (Level 2)	1,111,195	daily	1 day	not applicable	-
Bond mutual funds (Level 3)	175,000	not liquid	not liquid	not liquid	-
Subtotal fixed income	20,185,243				-
Public equity investments					
Emerging markets international equity mutual funds (Level 2)	8,859,327	monthly	30 days	not applicable	-
Subtotal global equity	8,859,327				-
Alternative investments					
Commodities (Level 3)	8,305,151	monthly	10 - 30 days	not applicable	-
Absolute return funds (Level 3)	44,445,580	quarterly	60 - 65 days	not applicable	-
Private equity funds (Level 3)	27,422,472	not liquid	not liquid	2011 - 2018	7,025,020
Private real estate funds (Level 3)	8,375,982	not liquid	not liquid	2012 - 2018	5,455,189
Venture capital funds (Level 3)	2,618,032	not liquid	not liquid	2011 - 2014	1,326,251
Direct private equity investments (Level 3)	6,208,371	not liquid	not liquid	2011	-
Subtotal alternative investments	97,375,588				13,806,460
Total investments	\$ 126,420,158				\$ 13,806,460

### Note 21 - The Ohio University Foundation (Continued)

Because financial data for many private investments is not available until several months after fiscal year end, some reported investment valuations represent an estimate of the June 30 net asset value, while the remaining valuations represent March 31 reported net asset valuations that have been adjusted by cash added to and cash distributed from these accounts through June 30. Management considers information that becomes available after the financial statements are compiled but before they are released, to determine whether an adjustment to the reported fair value of the investment should be made. For fiscal year 2010, there were \$80.9 million in investment assets reported at the estimated net asset values described above, and all are listed as Level 3 assets. After the financial statements were compiled, management learned that unrealized gains for the period ended June 30, related to alternative investments, totaled approximately \$0.4 million. This amount was not incorporated in the amounts disclosed above.

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

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

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

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 21 - The Ohio University Foundation (Continued)

- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment	\$ -	\$ 24,726,079	\$ 137,891,194	\$ 162,617,273
Board designated (quasi) endowment created with donor restricted funds	-	79,135,108	-	79,135,108
Board designated (quasi) endowment	<u>10,058,443</u>	<u>-</u>	<u>-</u>	<u>10,058,443</u>
Total funds	<u>\$ 10,058,443</u>	<u>\$ 103,861,187</u>	<u>\$ 137,891,194</u>	<u>\$ 251,810,824</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Market value -				
Beginning of the year	\$ 7,954,576	\$ 72,997,987	\$ 131,113,746	\$ 212,066,309
Net realized and unrealized gains and losses	2,417,708	35,877,859	3,457,772	41,753,339
Contributions	-	50,040	3,347,930	3,397,970
Spending policy transfer	(246,764)	(4,432,665)	-	(4,679,429)
Transfers to/(from) board designated endowments	-	33,952	-	33,952
Administrative fee	<u>(67,077)</u>	<u>(665,986)</u>	<u>(28,254)</u>	<u>(761,317)</u>
Market value -				
End of the year	<u>\$ 10,058,443</u>	<u>\$ 103,861,187</u>	<u>\$ 137,891,194</u>	<u>\$ 251,810,824</u>

# Ohio University

## Notes to Consolidated Financial Statements June 30, 2010 and 2009

### Note 21 - The Ohio University Foundation (Continued)

#### Endowment Net Asset Composition by Type of Fund as of June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment	\$ -	\$ 8,059,453	\$ 131,113,746	\$ 139,173,199
Board designated (quasi) endowment created with donor restricted funds	-	64,938,534	-	72,893,110
Board designated (quasi) endowment	<u>7,954,576</u>	<u>-</u>	<u>-</u>	<u>72,893,110</u>
Total funds	<u>\$ 7,954,576</u>	<u>\$ 72,997,987</u>	<u>\$ 131,113,746</u>	<u>\$ 212,066,309</u>

#### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Market value - Beginning of the year	\$ 12,794,776	\$ 129,994,939	\$ 117,524,205	\$ 260,313,920
Net realized and unrealized gains and losses	(4,419,992)	(57,563,647)	7,688,777	(54,294,862)
Contributions	58,332	2,968,386	5,932,712	8,959,430
Spending policy transfer	(111,697)	(1,110,396)	-	(1,222,093)
Transfers to/(from) board designated endowments	(268,635)	-	-	(268,635)
Administrative fee	<u>(98,208)</u>	<u>(1,291,295)</u>	<u>(31,948)</u>	<u>(1,421,451)</u>
Market value - End of the year	<u>\$ 7,954,576</u>	<u>\$ 72,997,987</u>	<u>\$ 131,113,746</u>	<u>\$ 212,066,309</u>

### Note 21 - The Ohio University Foundation (Continued)

**Funds with Deficiencies** - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the contributed value that the donor or UPMIFA requires the Foundation to retain as the corpus ("Underwater Accounts"). In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$8,947,560 and \$14,246,147 as of June 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations and allowable distributions made over time.

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

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

### Note 21 - The Ohio University Foundation (Continued)

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

**Property and Equipment** - As of June 30, 2010 and 2009, property and equipment are as follows:

	2010	2009
Land	\$ 5,464,841	\$ 5,464,841
Land improvements	683,258	661,503
Building and building improvements	39,715,904	39,700,503
Furnishings, fixtures, and equipment	4,772,923	4,590,521
Construction in progress	-	4,390
Subtotal	50,636,926	50,421,758
Less accumulated depreciation and amortization	(14,625,294)	(13,120,410)
Property and equipment - Net	<u>\$ 36,011,632</u>	<u>\$ 37,301,348</u>

Total depreciation expense of \$1,640,139 and \$1,494,160 was recorded in fiscal years 2010 and 2009, respectively.

**Support from Ohio University** - During 2010 and 2009, the University paid certain payroll costs amounting to \$4,586,235 and \$4,908,642 and additional costs of \$72,929 and \$122,731, respectively, for the Foundation's Development Office, Office of Alumni Relations, and Accounting Office. The support costs paid by the University are reflected in the consolidated statements of activities as University support, with a like amount included in expenses.

## **Note 21 - The Ohio University Foundation (Continued)**

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

### **Split-interest Agreements**

**Charitable Gift Annuities** - Under charitable gift annuity agreements, all assets are held by the Foundation. Therefore, the Foundation has recorded the donated assets at fair value and the liabilities to the donor or his/her beneficiaries discounted to the present value of the estimated future payments to be distributed by the Foundation to such individuals at a rate established at the beginning of the agreement. The amount of the contribution is the difference between the asset and liability and is recorded as contribution revenue. The discount rate applied to gift annuities held at June 30, 2010 and 2009 ranged from 2.4 percent to 9.4 percent.

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

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

### Note 21 - The Ohio University Foundation (Continued)

income earned on the assets of the charitable remainder trust to the donor or donor-designated beneficiaries.

In instances where the donor has not specifically reserved the right to change the remainderman, and the Foundation serves as the trustee, the Foundation will recognize the fair market value of the assets of the trust, as well as a liability for the net present value of future payments to be distributed by the Foundation to the donor or his/her designated beneficiaries. The amount of the contribution is the difference between the asset and liability at the inception of the trust. The present value of the future payments to the donor-designated beneficiary is determined using a discount rate established at the beginning of the trust. At June 30, 2010 and 2009, the discount rate applied to the charitable remainder trusts was 5.10 percent and 5.16 percent, respectively.

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

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

**Lead Trusts** - Charitable Lead Trusts provide an income stream to the Foundation for a set period of time established by the donor. The income stream is recorded at the net present value of the payments. Once the set period of time ends, the Foundation will no longer receive the income stream and the remaining principal is transferred back to the donor. If the Foundation serves as trustee, an asset and a liability will be recorded for the trust. The asset is booked at the fair market value. The liability is recorded at fair market value less the net present value of the income stream. If the Foundation does not serve as trustee, only the asset at fair market value will be recorded for the trust. Revenue is recorded for all Lead Trust income stream payments, as well as a reduction to the receivable.

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



### Note 21 - The Ohio University Foundation (Continued)

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

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

#### **Inn-Ohio of Athens, Inc.**

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

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

**Note 21 - The Ohio University Foundation (Continued)**

**Operations** - The Inn's operations for the years ended June 30, 2010 and 2009 are summarized below:

	<u>2010</u>	<u>2009</u>
Revenue	\$ 4,138,879	\$ 4,110,554
Operating and general expenses	3,344,159	3,324,378
Depreciation and amortization	558,022	530,262
Interest expense - Net	147,795	161,635
Provision for income taxes	22,226	32,052
Distribution	<u>2,500</u>	<u>-</u>
Total expenses	<u>4,074,702</u>	<u>4,048,327</u>
Net income	64,177	62,227
Unrealized gains	<u>62,918</u>	<u>8,899</u>
Change in net assets	<u>\$ 127,095</u>	<u>\$ 71,126</u>

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

In fiscal years 2010 and 2009, base management fees incurred by the Inn with respect to the Manager were \$100,000 per year and incentive fees were \$80,353 and \$74,656, respectively.

The Inn has alternative minimum tax credit carryforwards of approximately \$40,000 at July 3, 2010 and \$40,000 at June 27, 2009, which have indefinite lives.

### Note 21 - The Ohio University Foundation (Continued)

**Debt Obligations** - Long-term debt of the Inn as of July 3, 2010 and June 27, 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Term loan - Principal due through June 2021, interest at 6.2 percent through June 2011 and adjusted thereafter	\$ 3,265,600	\$ 3,466,600
Less current portion of long-term debt	<u>(213,800)</u>	<u>(201,000)</u>
Total	<u>\$ 3,051,800</u>	<u>\$ 3,265,600</u>

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

Substantially all of the property and equipment are pledged as collateral for the term loan. The interest rate on the new term loan is fixed at 6.2 percent through June 2011. The interest rate will be adjusted to the index rate as defined in the agreement plus 1.4 percent in June 2011 and every five years thereafter.

Maturities of long-term debt at July 3, 2010 are set forth in the following schedule:

<u>Year Ending</u>	<u>Amount</u>
2011	\$ 213,800
2012	227,400
2013	242,000
2014	257,400
2015	273,700
Due thereafter	<u>2,051,300</u>
Total	<u>\$ 3,265,600</u>

The fair value of the debt obligations approximates the carrying value at June 30, 2010 and 2009.

### Note 21 - The Ohio University Foundation (Continued)

#### Housing for Ohio, Inc.

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

**Operations** – Housing's operations for the years ended June 30, 2010 and 2009 are summarized below:

	<u>2010</u>	<u>2009</u>
Revenue	\$ 3,062,598	\$ 4,062,437
Operating and general expenses	1,269,907	1,535,016
Depreciation and amortization	849,452	855,430
Interest expense and bond fees	468,609	887,365
Tax and insurance	<u>151,023</u>	<u>291,059</u>
Total expenses	<u>2,738,991</u>	<u>3,568,870</u>
Change in net assets	<u>\$ 323,607</u>	<u>\$ 493,567</u>

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

The average interest rate for the years ended June 30, 2010 and 2009 was 0.25 percent and 1.74 percent, respectively, and the actual interest rates at June 30, 2010 and 2009 were 0.31 percent and 0.30 percent, respectively.

### Note 21 - The Ohio University Foundation (Continued)

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

Principal payments for the bonded debt for the years subsequent to June 30, 2010 are summarized as follows:

Years Ending June 30	Principal
2011	\$ 705,000
2012	740,000
2013	780,000
2014	820,000
2015	865,000
Thereafter	<u>24,285,000</u>
Total	<u>\$ 28,195,000</u>

Debt issuance costs are included in property on the consolidated statements of financial position and are amortized over the term of the 2000 Bonds. Amortization was \$26,157 during each of the years ended June 30, 2010 and 2009.

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

### Note 21 - The Ohio University Foundation (Continued)

Maturities of the note payable at June 30, 2010 are set forth in the following schedule:

Years Ending June 30	Principal
2011	\$ 70,000
2012	70,000
2013	70,000
2014	<u>70,000</u>
Total	<u>\$ 280,000</u>

**Subsequent Event** - The Board of Trustees passed a resolution on July 24, 2010 to allocate proceeds from the DHI transaction that related to the endowment pool investment in DHI. Upon further review, the Board of Trustees passed a motion on October 15, 2010 to table the July 24, 2010 resolution to allow management the opportunity to further review the gift agreements included in the endowment pool purposes of determining the proper allocation of the DHI proceeds between permanently restricted, temporarily restricted and unrestricted net assets.

## **Supplemental Information**

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Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees  
Ohio University

We have audited the financial statements of the business-type activities and discretely presented component unit of Ohio University as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 15, 2010. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

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

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

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



To the Board of Trustees  
Ohio University

### **Compliance and Other Matters**

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

We noted certain matters that we have reported to management of Ohio University in a separate letter dated October 15, 2010.

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

*Plante & Morse, PLLC*

October 15, 2010

## Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees  
Ohio University

### Compliance

We have audited the compliance of Ohio University with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The major federal programs of Ohio University are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Ohio University's management. Our responsibility is to express an opinion on Ohio University's compliance based on our audit.

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

In our opinion, Ohio University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding 2010-1.

To the Board of Trustees  
Ohio University

### **Internal Control Over Compliance**

The management of Ohio University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Ohio University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as Finding 2010-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

Ohio University's response to the finding identified in our audit is described in the accompanying schedule of finding and questioned costs. We did not audit Ohio University's response and, accordingly, we express no opinion on the response.

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

*Plante & Morse, PLLC*

October 15, 2010

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Expenditures
<b>STUDENT AID CLUSTER</b>			
<b>DEPARTMENT OF EDUCATION</b>			
Direct Programs:			
Supplemental Educational Opportunity Grants	84.007	P007A093342	\$ 1,061,889
Federal Family Education Loans	84.032		18,378,873
College Work-Study Program	84.033	P033A093342	675,170
ARRA-College Work-Study Program	84.033	ARRA-P033A093342	246,667
Pell Grant Program	84.063	P063P091330	37,909,878
Pell Grant Program (Prior Year)	84.063	P063P081330	416
Federal Direct Student Loan	84.268		166,503,975
Academic Competitiveness Grant	84.375	P375A090345	1,492,377
Academic Competitiveness Grant (Prior Year)	84.375	P375A080345	727
National Science and Mathematics Access to Retain Talent Grant	84.376	P376S090345	354,162
Teach Grant	84.379	P379T100345	700,958
Teach Grant (Prior Year)	84.379	P379T090345	7,250
ERMA BYRD SCHOLARSHIP PRGM	84.116P	P116P100004	10,000
Subtotal Direct Programs			<u>227,342,342</u>
Pass-Through Programs From:			
SALLIE MAE	84.032	UNKNOWN	98,223
Total Department of Education			<u>227,440,565</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct Programs:			
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.925	T08HP13087	17,929
Total Department of Health and Human Services			<u>17,929</u>
<b>TOTAL STUDENT AID CLUSTER</b>			<b>227,458,494</b>
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>			
<b>APPALACHIAN REGIONAL COMMISSION</b>			
Direct Programs:			
APPALACHIAN REGIONAL COMMISSION	23.009	OH-16259-09	74,131
Total Appalachian Regional Commission			<u>74,131</u>
<b>DEPARTMENT OF AGRICULTURE</b>			
Direct Programs:			
U S DEPARTMENT OF AGRICULTURE	10.001	58-1235-8-160	9,792
U S DEPARTMENT OF AGRICULTURE	10.206	2008-35318-04572	85,012
U S DEPARTMENT OF AGRICULTURE	10.XXX	06-JV-11242328-002	6,520
U S DEPARTMENT OF AGRICULTURE	10.XXX	10-CR-11242302-056	19,422
U S DEPARTMENT OF AGRICULTURE	10.XXX	06-JV-11242300-070	24,374
U S DEPARTMENT OF AGRICULTURE	10.XXX	09-CR-11242302-114	59,812
U S DEPARTMENT OF AGRICULTURE	10.206	2009-35320-05623	9,536
Subtotal Direct Programs			<u>214,468</u>

# Ohio University

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
Pass-Through Programs From:			
OHIO INVASIVE PLANTS COUNCIL	10.XXX	UNKNOWN	\$ 1,155
OHIO STATE UNIVERSITY	10.250	59-5000-7-0044	5,972
PURDUE UNIVERSITY	10.206	2008-55503-18793	<u>21,004</u>
Subtotal Pass-Through Programs			<u>28,131</u>
Total Department of Agriculture			<u>242,599</u>
<b>DEPARTMENT OF COMMERCE</b>			
Direct Programs:			
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY	11.XXX	NB818020-10-00287	24,291
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY	11.XXX	IP0904	33,316
Total Department of Commerce			<u>57,607</u>
<b>DEPARTMENT OF DEFENSE</b>			
Direct Programs:			
US Army			
U S ARMY CORP OF ENGINEERS	12.XXX	W913E5-10-C-0009	3,712
U S ARMY CORP OF ENGINEERS	12.XXX	W912DR-10-P-0104	7,858
U S ARMY CORP OF ENGINEERS	12.XXX	W912DR-07-P-0323	29,157
U S ARMY MEDICAL RESEARCH ACQUISITION	12.420	W81XWH-07-1-0251	42,023
US ARMY RDECOM ACQUISITION CENTER	12.431	W911NF-09-1-0173	78,399
US ARMY CONSTRUCTION ENGINEERING RESEARCH LABORATORY	12.630	W9132T-09-1-0001	<u>407,327</u>
			568,476
US Air Force			
AIR FORCE INSTITUTE OF TECHNOLOGY	12.XXX	FA8601-09-P-0307	102,327
AIR FORCE RESEARCH LABORATORY	12.800	FA8651-09-1-0016	15,269
AIR FORCE OFFICE OF SCIENTIFIC RESEARCH	12.800	FA9550-07-1-0383	<u>86,124</u>
			203,720
Office of the Chief of Naval Research			
OFFICE OF NAVAL RESEARCH	12.XXX	N00014-08-C-0583	132,237
Defense Threat Reduction Agency			
DEFENSE THREAT REDUCTION AGENCY	12.351	HDTRA1-09-1-0059	<u>50,663</u>
Subtotal Direct Programs			955,096
Pass-Through Programs From:			
ARRA-AVIATION CONSULTING SERVICES INTERNATIONAL , LLC	12.XXX	ARRA-N69450-09-C-0762	2,405
AVIATION CONSULTING SERVICES INTERNATIONAL , LLC	12.XXX	UNKNOWN	3,799
BAE SYSTEMS, INC.	12.XXX	N00421-04-D-0084	8,420
DAYTON AREA GRADUATE STUDIES INSTITUTE	12.XXX	UNKNOWN	41,779
DAYTON AREA GRADUATE STUDIES INSTITUTE	12.XXX	UNKNOWN	46,250
HENRY M. JACKSON FOUNDATION	12.800	FA8650-05-2-6518	30,000
ITT CORPORATION	12.XXX	N00173-03-C-2037	(26,163)
ITT CORPORATION	12.XXX	SPO700-98-D-4000	29,705
MATERIAL INNOVATIONS	12.XXX	UNKNOWN	1,591
MIAMI UNIVERSITY	12.XXX	UNKNOWN	97,037
MIAMI UNIVERSITY	12.800	FA9550-07-1-0354	34,996

# Ohio University

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<b>DEPARTMENT OF DEFENSE (Continued)</b>			
NANOHMICS, INC.	12.XXX	FA9550-07-C-0138; FA9550-09-C-0085	\$ 114,006
NORTHROP GRUMMAN	12.XXX	F33615-00-D-3052	13,587
NORTHROP GRUMMAN	12.XXX	FA8650-09-C-3902	55,198
NORTHROP GRUMMAN	12.XXX	FA8650-09-C-3901	421,178
OHIO AEROSPACE INSTITUTE	12.XXX	FA8650-05-D-5807	146,298
OHIO STATE UNIVERSITY	12.XXX	FA8650-08-D-1451	309,633
PENN STATE UNIVERSITY	12.431	W911NF-06-2-0026	100,019
RNET TECHNOLOGIES, INC.	12.910	W31P4Q-09-C-0243	454
SCIENCE APPLICATIONS INTERNATIONAL CORPORATION	12.XXX	N00019-02-C-3002	118,425
UES, INC.	12.XXX	UNKNOWN	17,572
UNIVERSITY OF CINCINNATI	12.XXX	W91260-06-D-0005	30,220
UNIVERSITY OF ILLINOIS AT CHICAGO	12.420	W81XWH-09-1-0399 DTRA01-03-D-0009- 0019	22,125
UNIVERSITY OF NEW MEXICO	12.XXX	0019	49,054
Subtotal Pass-Through Programs			<u>1,667,588</u>
Total Department of Defense			<u>2,622,684</u>
<b>DEPARTMENT OF EDUCATION</b>			
Direct Programs:			
U S DEPARTMENT OF EDUCATION	84.022A	P022A080034	8,984
U S DEPARTMENT OF EDUCATION	84.215K	U215K090134	36,957
Subtotal Direct Programs			<u>45,941</u>
Pass-Through Programs From:			
LEHIGH UNIVERSITY	84.324	R324C080006	223,744
MATHEMATICA POLICY RESEARCH	84.XXX	ED-07-CO-0062	25,359
NORTHERN ILLINOIS UNIVERSITY	84.337A	P337A050006	935
SOUTHERN LOCAL SCHOOL DISTRICT (MEIGS COUNTY)	84.XXX	UNKNOWN	29,507
Subtotal Pass-Through Programs			<u>279,545</u>
Total Department of Education			<u>325,486</u>
<b>DEPARTMENT OF ENERGY</b>			
Direct Programs:			
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-06ER46317	17,549
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-06ER46300	99,401
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-02ER46012	124,051
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-88ER40387	333,980
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-93ER40756	347,494
U S DEPARTMENT OF ENERGY	81.087	DE-FG36-08GO88083	683,664
U S DEPARTMENT OF ENERGY	81.112	DE-FG52-06NA26187	3,573
U S DEPARTMENT OF ENERGY	81.112	DE-FG52-09NA29455	92,583
Subtotal Direct Programs			<u>1,702,295</u>

# Ohio University

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
Pass-Through Programs From:			
ARRA-ALGAEVENTURE SYSTEMS INC%	81.135	ARRA-DE-AR-0000037	\$ 88,652
ARGONNE NATIONAL LABORATORY	81.XXX	DE-AC02-06CH11357	3,345
GEORGIA INSTITUTE OF TECHNOLOGY	81.121	DE-FG07-07ID14887	130,188
JEFFERSON SCIENCE ASSOCIATES, LLC	81.XXX	DE-AC05-06OR23177	(4,397)
JEFFERSON SCIENCE ASSOCIATES, LLC	81.XXX	UNKNOWN	26,920
JEFFERSON SCIENCE ASSOCIATES, LLC	81.XXX	DE-AC05-06OR23177	29,722
LAWRENCE LIVERMORE NATIONAL LABORATORY	81.123	DE-AC52-07NA27344	36,361
LAWRENCE LIVERMORE NATIONAL LABORATORY	81.XXX	DE-AC52-07NA27344	13,940
LAWRENCE LIVERMORE NATIONAL LABORATORY	81.XXX	DE-AC52-07NA27344	33,729
NORTHWESTERN UNIVERSITY	81.049	DE-FG02-08ER41567	50,634
ARRA-OHIO DEPARTMENT OF DEVELOPMENT	81.041	ARRA-DE-EE0000165	21,759
Subtotal Pass-Through Programs			<u>430,853</u>
Total Department of Energy			<u>2,133,148</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct Programs:			
National Institute of Health			
NATIONAL INSTITUTE OF HEALTH	93.173	R01 DC005063	690,190
NATIONAL INSTITUTE OF HEALTH	93.173	R15 DC009504	115,185
NATIONAL INSTITUTE OF HEALTH	93.173	F31DC009919	45,003
NATIONAL INSTITUTE OF HEALTH	93.242	R01 MH078749	382,760
NATIONAL INSTITUTE OF HEALTH	93.242	R01MH082864	219,496
NATIONAL INSTITUTE OF HEALTH	93.242	R01MH087462	98,558
NATIONAL INSTITUTE OF HEALTH	93.390	R15HL092545	134,416
NATIONAL INSTITUTE OF HEALTH	93.393	R01CA086928	261,305
NATIONAL INSTITUTE OF HEALTH	93.396	R15CA137499	69,323
ARRA-NATIONAL INSTITUTE OF HEALTH	93.701	ARRA-RC1DA028494	257,101
ARRA-NATIONAL INSTITUTE OF HEALTH	93.701	ARRA-R01DC005063	115,253
ARRA-NATIONAL INSTITUTE OF HEALTH	93.701	ARRA-R01GM073188	49,358
ARRA-NATIONAL INSTITUTE OF HEALTH	93.701	ARRA-R15DK081192	11,589
ARRA-NATIONAL INSTITUTE OF HEALTH	93.701	ARRA-R15DK081192	7,861
NATIONAL INSTITUTE OF HEALTH	93.839	R01 HL077438	292,319
NATIONAL INSTITUTE OF HEALTH	93.847	R15 DK075436	69,966
NATIONAL INSTITUTE OF HEALTH	93.847	1R15 DK081192-01	78,957
NATIONAL INSTITUTE OF HEALTH	93.847	R15DK083729	8,434
NATIONAL INSTITUTE OF HEALTH	93.853	R15 NS050492	9,493
NATIONAL INSTITUTE OF HEALTH	93.853	R15NS051846	56,305
NATIONAL INSTITUTE OF HEALTH	93.855	R15 AI077896	33,057
NATIONAL INSTITUTE OF HEALTH	93.859	R01GM073188	264,580
NATIONAL INSTITUTE OF HEALTH	93.859	R15 GM084414	92,031
NATIONAL INSTITUTE OF HEALTH	93.865	R01 HD045512	35,879
NATIONAL INSTITUTE OF HEALTH	93.866	R03AG030029	11,351
			<u>3,409,770</u>
Centers for Disease Control			
CENTERS FOR DISEASE CONTROL AND PREVENTION	93.136	R49 CE000923	22,935
Health Resources and Services Administration			
ARRA-HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.407	ARRA-T0AHP15956	8,048
Subtotal Direct Programs			<u>3,440,753</u>

# Ohio University

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
Pass-Through Programs From:			
EAST CAROLINA UNIVERSITY	93.389	2R25RR020447	\$ 43,361
HARVARD UNIVERSITY	93.173	R01 DC002290	61,484
ARRA-HARVARD UNIVERSITY	93.701	ARRA-R01DC002290	1,691
		ARRA-2R42AI066618-	
ARRA-INTERTHYR CORPORATION	93.701	02	220,509
JAMES MADISON UNIVERSITY	93.242	5R34MH7074713	21,010
LC TECHNOLOGIES, INC.	93.173	R43DC010079	69,704
MIAMI UNIVERSITY	93.XXX	UNKNOWN	3,304
SOUTHERN ILLINOIS UNIVERSITY	93.866	R01 AG019899	39,190
SOUTHERN ILLINOIS UNIVERSITY	93.866	1PO1AG031736	398,457
UNIVERSITY OF CINCINNATI	93.262	5T42OH008432-05	6,605
UNIVERSITY OF MICHIGAN	93.838	HL055397	(6,823)
VANDERBILT UNIVERSITY	93.859	R01GM090207	66,766
Subtotal Pass-Through Programs			925,258
Total Department of Health and Human Services			4,366,011
<b>DEPARTMENT OF THE INTERIOR</b>			
Direct Programs:			
NATIONAL PARK SERVICE	15.XXX	H6059100002	11,750
Subtotal Direct Programs			11,750
Pass-Through Programs From:			
THE AMERICAN CHESTNUT FOUNDATION	15.255	S08AP12906	10,363
UNIVERSITY OF WYOMING	15.252	UNKNOWN	243,282
Subtotal Pass-Through Programs			253,645
Total Department of the Interior			265,395
<b>DEPARTMENT OF JUSTICE</b>			
Pass-Through Programs From:			
MARSHALL UNIVERSITY	16.XXX	UNKNOWN	9,536
Total Department of Justice			9,536
<b>DEPARTMENT OF TRANSPORTATION</b>			
Direct Programs:			
FEDERAL AVIATION ADMINISTRATION			
FEDERAL AVIATION ADMINISTRATION	20.108	10-G-007	41,682
FEDERAL AVIATION ADMINISTRATION	20.108	09-G-010	332,886
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFAAC-09-A-80000	420,618
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFA01-01-C-00071	1,093,301
FEDERAL AVIATION ADMINISTRATION	20.108	98-G-002	4,319
FEDERAL AVIATION ADMINISTRATION	20.108	95-G-014	113,784
Subtotal Direct Programs			2,006,590
Pass-Through Programs From:			
3M	20.XXX	DTFH61-08-G-0001	16,584
CLEVELAND STATE UNIVERSITY	20.701	DTRT06-G-0024	2,211
ENGINEERING & SOFTWARE CONSULTANTS, INC.	20.XXX	DTFH61-05-D-00017	48,024
ENGINEERING & SOFTWARE CONSULTANTS, INC.	20.XXX	DTFH61-05-D-00017	28,998
ENTRAN, PLC	20.XXX	UNKNOWN	17,207
ITT CORPORATION	20.XXX	DTFAWA-07-C-00067	663,333
ITT CORPORATION	20.XXX	DTFAWA-07-C-00067	379,550
MICHIGAN TECHNOLOGICAL UNIVERSITY	20.XXX	DTFH61-07-P00241	4,990
UNIVERSITY OF AKRON	20.701	DTRT06-G-0037	26,085
UNIVERSITY OF AKRON	20.701	DTRT06-G-0037	13,468
Subtotal Pass-Through Programs			1,200,450
Total Department of Transportation			3,207,040



## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Direct Programs:			
U S ENVIRONMENTAL PROTECTION AGENCY	66.XXX	UNKNOWN	\$ 8,901
U S ENVIRONMENTAL PROTECTION AGENCY	66.202	EM-83350201	165,212
Subtotal Direct Programs			<u>174,113</u>
Pass-Through Programs From:			
APPLIED SCIENCES INC	66.XXX	UNKNOWN	3,767
Subtotal Pass-Through Programs			<u>3,767</u>
Total Environmental Protection Agency			<u><u>177,880</u></u>
<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</b>			
Direct Programs:			
NASA GLENN RESEARCH CENTER	43.XXX	NNX09AF12G	38,110
NASA GLENN RESEARCH CENTER	43.XXX	NNX09AU20A	43,267
NASA GLENN RESEARCH CENTER	43.XXX	NNX10AK21G	1,125
NASA GLENN RESEARCH CENTER	43.XXX	NNX09AD87G	64,518
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX08AZ36G	7,616
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX09AI71G	10,001
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX09AV45G	16,197
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX10AC79G	3,925
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX09AT81G	29,551
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX09AT82G	11,623
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX10AE67G	3,808
NASA LANGLEY RESEARCH CENTER	43.XXX	NNX08BA01A	422,817
Subtotal Direct Programs			<u>652,558</u>
Pass-Through Programs From:			
AUBURN UNIVERSITY	43.XXX	NNX07AN46G	607
NANOHMICS, INC.	43.XXX	NNX09CB36C	20,000
RL ASSOCIATES	43.XXX	UNKNOWN	12,876
RL ASSOCIATES	43.XXX	UNKNOWN	25,673
SMITHSONIAN ASTROPHYSICAL OBSERVATORY	43.XXX	NAS8-03060	25,210
SPACE TELESCOPE SCIENCE INSTITUTE	43.XXX	NAS5-26555	42,113
Subtotal Pass-Through Programs			<u>126,479</u>
Total National Aeronautics and Space Administration			<u><u>779,037</u></u>
<b>NATIONAL HISTORICAL PUBLICATIONS AND RECORDS COMMISSION</b>			
Direct Programs:			
NATIONAL HISTORICAL PUBLICATIONS AND RECORDS COMMISSION	89.003	NAR06GRANT-006	7,223
Total National Historical Publications and Records Commission			<u><u>7,223</u></u>

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<b>NATIONAL SCIENCE FOUNDATION</b>			
Direct Programs:			
NATIONAL SCIENCE FOUNDATION	47.041	IIP-0227907	\$ 19,863
NATIONAL SCIENCE FOUNDATION	47.041	CMS-0533290	32,965
NATIONAL SCIENCE FOUNDATION	47.041	CBET-0547165	57,971
NATIONAL SCIENCE FOUNDATION	47.041	CMMI-0926420	13,362
NATIONAL SCIENCE FOUNDATION	47.041	CBET-0933415	8,322
NATIONAL SCIENCE FOUNDATION	47.049	DMS-0545895	89,134
NATIONAL SCIENCE FOUNDATION	47.049	DMR-0600073	33,843
NATIONAL SCIENCE FOUNDATION	47.049	PHY-0653454	153,485
NATIONAL SCIENCE FOUNDATION	47.049	PHY-0653422	165,024
NATIONAL SCIENCE FOUNDATION	47.049	AST-0708284	75,516
NATIONAL SCIENCE FOUNDATION	47.049	DMR-0710581	167,191
NATIONAL SCIENCE FOUNDATION	47.049	CHE-0745590	133,208
NATIONAL SCIENCE FOUNDATION	47.049	CHE-0809669	79,690
NATIONAL SCIENCE FOUNDATION	47.049	PHY-0821173	24,978
NATIONAL SCIENCE FOUNDATION	47.049	CHE-0848081	119,610
NATIONAL SCIENCE FOUNDATION	47.049	DMR-0902936	26,249
NATIONAL SCIENCE FOUNDATION	47.049	DMS-1002553	2,451
NATIONAL SCIENCE FOUNDATION	47.049	PHY-0969788	5,191
NATIONAL SCIENCE FOUNDATION	47.050	EAR-0617561	5,967
NATIONAL SCIENCE FOUNDATION	47.050	EAR-0819542	32,004
NATIONAL SCIENCE FOUNDATION	47.050	EAR-0844256	28,565
NATIONAL SCIENCE FOUNDATION	47.070	CCF-0622158	164,938
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0345500	78,651
NATIONAL SCIENCE FOUNDATION	47.074	DEB-0516031	66,085
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0517257	80,047
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0520855	12,866
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0520100	19,229
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0615753	127,183
NATIONAL SCIENCE FOUNDATION	47.074	MCB-0618334	29,991
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0618506	22,355
NATIONAL SCIENCE FOUNDATION	47.074	DBI-0619572	1,952
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0622394	22,204
NATIONAL SCIENCE FOUNDATION	47.074	DEB-0629819	96,564
NATIONAL SCIENCE FOUNDATION	47.074	DEB-0640896	42,798
NATIONAL SCIENCE FOUNDATION	47.074	DBI-0649757	12,442
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0724135	74,403
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0744798	56,791
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0821930	81,141
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0818412	36,114
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0842624	116,318
NATIONAL SCIENCE FOUNDATION	47.074	DEB-0936855	8,434
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0958926	3,566
NATIONAL SCIENCE FOUNDATION	47.075	SES-0718526	10,875
NATIONAL SCIENCE FOUNDATION	47.075	BCS-0720025	37,132
NATIONAL SCIENCE FOUNDATION	47.075	SES-0824287	21,910
NATIONAL SCIENCE FOUNDATION	47.075	BCS-0921952	125,149
NATIONAL SCIENCE FOUNDATION	47.076	DGE-0538588	114,894
NATIONAL SCIENCE FOUNDATION	47.076	HRD-0930229	103,076
NATIONAL SCIENCE FOUNDATION	47.076	DGE-0947813	14,481
NATIONAL SCIENCE FOUNDATION	47.079	OISE-0730257	589,317
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-DBI-0845955	148,029
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-SES-0851764	131,194

# Ohio University

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<b>NATIONAL SCIENCE FOUNDATION (Continued)</b>			
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-DMR-0906825	\$ 37,268
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-CHE-0911160	111,592
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-CCF-0915418	13,981
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-DEB-0918681	14,863
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-IOS-0918661	35,160
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-EAR-0922067	6,956
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-DBI-0922988	199,785
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-EAR-0933619	35,068
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-CMMI-0959550	9,300
Subtotal Direct Programs			<u>4,188,691</u>
Pass-Through Programs From:			
ARIZONA STATE UNIVERSITY	47.075	BCS-0624159	45,827
MACALESTER COLLEGE	47.075	SES-0938201	9,829
MICHIGAN STATE UNIVERSITY	47.075	BCS 0709671	27,174
OHIO STATE UNIVERSITY	47.041	ECS-0524924	13,527
OHIO STATE UNIVERSITY	47.049	CHE-05322560	17,840
THE COLLEGE OF WILLIAM & MARY	47.049	PHY-07580688	6,829
UNIVERSITY OF ALASKA FAIRBANKS	47.078	ANT-0741301	22,478
UNIVERSITY OF CONNECTICUT	47.041	BES 0302351	(279)
UNIVERSITY OF CONNECTICUT	47.041	BES-0454456	19,261
UNIVERSITY OF CONNECTICUT	47.XXX	BES-9812042	687
UNIVERSITY OF ILLINOIS URBANA	47.049	DMR-0605890	43,664
UNIVERSITY OF MICHIGAN	47.075	ECS-0601345	13,433
Subtotal Pass-Through Programs			<u>220,270</u>
Total National Science Foundation			<u>4,408,961</u>
<b>TOTAL RESEARCH AND DEVELOPMENT CLUSTER</b>			<b>18,676,738</b>
<b>DEPARTMENT OF AGRICULTURE</b>			
Pass-Through Programs From:			
OHIO DEPARTMENT OF EDUCATION	10.559	UNKNOWN	10,913
OHIO DEPARTMENT OF EDUCATION	10.559	UNKNOWN	<u>22,428</u>
<b>TOTAL CHILD NUTRITION CLUSTER</b>			<b>33,341</b>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Pass-Through Programs From:			
FRANKLIN COUNTY OFFICE OF HOMELAND SECURITY & JUST	97.008	2007-UASI-194	<u>308,962</u>
<b>TOTAL HOMELAND SECURITY CLUSTER</b>			<b>308,962</b>

# Ohio University

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Expenditures
<b>DEPARTMENT OF EDUCATION</b>			
Direct Programs:			
U S DEPARTMENT OF EDUCATION	84.042A	P042A050180	\$ 340,296
U S DEPARTMENT OF EDUCATION	84.047A	P047A080818	<u>286,189</u>
<b>TOTAL TRIO CLUSTER</b>			<b>626,485</b>
<b>DEPARTMENT OF TRANSPORTATION</b>			
Pass-Through Programs From:			
OHIO DEPARTMENT OF TRANSPORTATION	20.205	E060901	9,680
OHIO DEPARTMENT OF TRANSPORTATION	20.205	E051425	15,552
OHIO DEPARTMENT OF TRANSPORTATION	20.205	E070227	44,243
OHIO DEPARTMENT OF TRANSPORTATION	20.205	E080051	55,543
OHIO DEPARTMENT OF TRANSPORTATION	20.205	UNKNOWN	65,490
OHIO DEPARTMENT OF TRANSPORTATION	20.205	E060(117)	101,198
OHIO DEPARTMENT OF TRANSPORTATION	20.205	E080514	144,417
OHIO DEPARTMENT OF TRANSPORTATION	20.205	E071046	147,950
OHIO DEPARTMENT OF TRANSPORTATION	20.205	TPF-5(121)	<u>236,230</u>
<b>TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</b>			<b>820,303</b>
<b>DEPARTMENT OF THE INTERIOR</b>			
Pass-Through Programs From:			
COMMONWEALTH OF KENTUCKY DEPARTMENT OF FISH AND W	15.605	UNKNOWN	959
WEST VIRGINIA DIVISION OF NATURAL RESOURCES	15.6XX	UNKNOWN	<u>4,685</u>
<b>TOTAL FISH AND WILDLIFE CLUSTER</b>			<b>5,644</b>
<b>DEPARTMENT OF EDUCATION</b>			
Pass-Through Programs From:			
OHIO CHILD CARE RESOURCE AND REFERRAL ASSOCIATION	84.181	UNKNOWN	<u>9,617</u>
<b>TOTAL EARLY INTERVENTION SERVICES CLUSTER</b>			<b>9,617</b>
<b>DEPARTMENT OF EDUCATION</b>			
Pass-Through Programs From:			
OHIO BOARD OF REGENTS	84.394	OHU-OHU5	<u>20,539,400</u>
<b>TOTAL STATE FISCAL STABILIZATION CLUSTER</b>			<b>20,539,400</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Pass-Through Programs From:			
ATHENS COUNTY JOB AND FAMILY SERVICES	93.558	UNKNOWN	125,913
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.558	2009G996115	<u>84,997</u>
<b>TOTAL TANF CLUSTER</b>			<b>210,910</b>

# Ohio University

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Expenditures
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Pass-Through Programs From:			
OHIO CHILD CARE RESOURCE AND REFERRAL ASSOCIATION	93.575	UNKNOWN	\$ 21,262
<b>TOTAL CCDF CLUSTER</b>			<b>21,262</b>
<b>APPALACHIAN REGIONAL COMMISSION</b>			
Pass-Through Programs From:			
ATHENS MEIGS EDUCATIONAL SERVICE CENTER	23.XXX	UNKNOWN	4,984
BUCKEYE HILLS-HOCKING VALLEY REGIONAL DEVELOPMENT	23.XXX	CO-16001-08	6,477
DEVELOPMENT DISTRICT ASSOCIATION OF APPALACHIA	23.XXX	UNKNOWN	4,587
		CO-12600-F-C4; CO-12600-F-C5; CO-12600-F-C6; CO-12600-F-C7	
EAST TENNESSEE STATE UNIVERSITY	23.011		4,715
FOUNDATION FOR APPALACHIAN OHIO	23.XXX	UNKNOWN	3,046
OHIO APPALACHIAN CENTER FOR HIGHER EDUCATION	23.XXX	UNKNOWN	196
Subtotal Pass-Through Programs			24,005
Total Appalachian Regional Commission			24,005
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Direct Programs:			
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	94.018	10LSNOH001	626
Subtotal Direct Programs			626
Pass-Through Programs From:			
JUMPSTART NATIONAL	94.006	03ACH-K729-04-A147#40/CFDA-94.006-JS-SITE#40 03AFH-K728-06-A120; 06ACH-M540-07-A120/08-OC068/09-OC068; 06AFH-2550-10-OC068	6,736
OHIO COMMUNITY SERVICE COUNCIL	94.006	10-OC068	193,618
RURAL ACTION INC	94.XXX	UNKNOWN	702
Subtotal Pass-Through Programs			201,056
Total Corporation for National and Community Service			201,682
<b>DEPARTMENT OF AGRICULTURE</b>			
Direct Programs:			
NATIONAL FOREST FOUNDATION	10.682	09-09-02-29	770
U S DEPARTMENT OF AGRICULTURE	10.769	RBEG	12,658
U S DEPARTMENT OF AGRICULTURE	10.XXX	09-PA-11091400-003	3,329
U S DEPARTMENT OF AGRICULTURE	10.XXX	09-PA-11091400-002	3,591
Subtotal Direct Programs			20,348
Total Department of Agriculture			20,348
<b>DEPARTMENT OF COMMERCE</b>			
Direct Programs:			
ECONOMIC DEVELOPMENT ADMINISTRATION	11.302	06-86-05482	62,212
Pass-Through Programs From:			
BOWLING GREEN STATE UNIVERSITY	11.303	06-66-04858/04616/04741/0 4955/05054/05301	75,388
UNIVERSITY OF MICHIGAN	11.XXX	06-79-05147-02	42,315
Subtotal Pass-Through Programs			117,703
Total Department of Commerce			179,915

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Expenditures
<b>DEPARTMENT OF DEFENSE</b>			
Pass-Through Programs From:			
OHIO DEPARTMENT OF DEVELOPMENT	12.002	UNKNOWN	\$ 36,100
RESOLUTE CONSTRUCTION MANAGEMENT	12.XXX	W917BG-10-P-007	14,797
Total Department of Defense			50,897
<b>DEPARTMENT OF EDUCATION</b>			
Direct Programs:			
U S DEPARTMENT OF EDUCATION	84.015A	P015A060159	192,832
U S DEPARTMENT OF EDUCATION	84.015A	P015A060008	283,211
U S DEPARTMENT OF EDUCATION	84.015B	P015B060008	284,120
U S DEPARTMENT OF EDUCATION	84.021A	P021A080002	84,950
Subtotal Direct Programs			845,113
Pass-Through Programs From:			
ALEXANDER LOCAL SCHOOL DISTRICT	84.287C	UNKNOWN	(159)
ATHENS CITY SCHOOL DISTRICT	84.287C	UNKNOWN	177,377
ATHENS CITY SCHOOL DISTRICT	84.XXX	UNKNOWN	14,868
BELLAIRE LOCAL SCHOOL DISTRICT	84.XXX	UNKNOWN	38,835
		VETP 2002-01- FB/2003/2005/2006/2	
COLUMBUS STATE COMMUNITY COLLEGE	84.243	007/2008/2009/2010	144,436
COMMUNITY ACTION COMMISSION OF BELMONT COUNTY	84.213	UNKNOWN	944
COSHOCOTON CITY SCHOOL	84.213	UNKNOWN	3,754
EASTERN LOCAL SCHOOL DISTRICT	84.XXX	UNKNOWN	19,474
FEDERAL HOCKING LOCAL SCHOOL DISTRICT	84.287C	UNKNOWN	180,621
GALLIA-VINTON EDUCATIONAL SERVICE CENTER	84.XXX	UNKNOWN	1,600
MEDICAL COLLEGE OF WISCONSIN	84.116B	UNKNOWN	12,219
MEIGS LOCAL SCHOOL DISTRICT	84.XXX	UNKNOWN	14,105
NATIONAL WRITING PROJECT CORPORATION	84.928A	UNKNOWN	50,025
OHIO BOARD OF REGENTS	84.203G	U203G050022	28,612
OHIO BOARD OF REGENTS	84.334S	P334S050016	119,207
OHIO BOARD OF REGENTS	84.334S	P334S050016	334,491
OHIO BOARD OF REGENTS	84.XXX	UNKNOWN	1,079
		063024-AB-SL-2009;	
OHIO BOARD OF REGENTS	84.002	2010; 2011	306,680
OHIO BOARD OF REGENTS	84.367	UNKNOWN	12,899
OHIO BOARD OF REGENTS	84.367	UNKNOWN	17,992
OHIO BOARD OF REGENTS	84.367	UNKNOWN	83,475
OHIO BOARD OF REGENTS	84.367	UNKNOWN	139,975
		CI667-OSCI-06-10/07-	
OHIO DEPARTMENT OF EDUCATION	84.366	10/08-16/09-01	15,615
OHIO DEPARTMENT OF EDUCATION	84.366	UNKNOWN	39,962
OHIO STATE UNIVERSITY	84.350C	U350C070001	42,412
PERRY HOCKING EDUCATIONAL SERVICE CENTER	84.XXX	UNKNOWN	4,641
PERRY HOCKING EDUCATIONAL SERVICE CENTER	84.XXX	UNKNOWN	24,804
SOUTHERN LOCAL SCHOOL DISTRICT (MEIGS COUNTY)	84.XXX	UNKNOWN	19,864
TRIMBLE LOCAL SCHOOL DISTRICT	84.287C	UNKNOWN	161,310
UNIVERSITY OF RIO GRANDE	84.XXX	UNKNOWN	4,596
Subtotal Pass-Through Programs			2,015,713
Total Department of Education			2,860,826

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Expenditures
<b>DEPARTMENT OF EDUCATION</b>			
Direct Programs:			
U S DEPARTMENT OF ENERGY	81.XXX	DE-EM0000357	\$ 86,124
Pass-Through Programs From:			
EHI CONSULTANTS	81.XXX	UNKNOWN	3,800
Total Department of Education			89,924
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct Programs:			
US Department of Health and Human Services			
U S DEPARTMENT OF HEALTH AND HUMAN SERVICES	93.884	D56HP05223	74
Health Resources and Services Administration			
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.912	D06RH07920	132,084
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.247	D09HP09349	45,167
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.888	D1ARH10416	72,728
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.912	D04RH12664	137,336
			387,315
Centers for Disease Control			
CENTERS FOR DISEASE CONTROL AND PREVENTION	93.946	H75DP002306	60,825
Subtotal Direct Programs			448,214
Pass-Through Programs From:			
		DP07-703-1-U58-	
AMERICAN CANCER SOCIETY	93.XXX	DP000795-03	641
ATHENS CITY SCHOOL DISTRICT	93.558	UNKNOWN	1,753
ATHENS CITY-COUNTY HEALTH DEPARTMENT	93.991	2B01DP009042-09	4,354
ATHENS COUNTY FAMILY AND CHILDREN FIRST COUNCIL	93.590	UNKNOWN	15,483
CASE WESTERN RESERVE UNIVERSITY	93.969	D31HP08841	63,991
FRIENDS OF THE CONGRESSIONAL GLAUCOMA CAUCUS	93.XXX	1U50-DP001134-01	1,054
OHIO CHILD CARE RESOURCE AND REFERRAL ASSOCIATION	93.994	UNKNOWN	23,406
OHIO DEPARTMENT OF ALCOHOL AND DRUG ADDICTION	93.XXX	UNKNOWN	7,810
OHIO DEPARTMENT OF HEALTH	93.XXX	UNKNOWN	11,995
OHIO DEPARTMENT OF HEALTH	93.XXX	UNKNOWN	43,907
OHIO DEPARTMENT OF HEALTH	93.243	H79SM059345	225,265
OHIO DEPARTMENT OF HEALTH	93.994	UNKNOWN	61,988
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.XXX	UNKNOWN	30,117
OHIO STATE UNIVERSITY	93.XXX	UNKNOWN	4,512
ROSS COUNTY DEPARTMENT OF JOBS AND FAMILY SERVICE	93.XXX	UNKNOWN	1,500
SOUTHEAST OHIO CARE CONSORTIUM	93.XXX	UNKNOWN	1,267
THE UNIVERSITY OF TOLEDO	93.107	U77HP03029	91,872
TRI COUNTY MENTAL HEALTH AND COUNSELING SERVICES	93.XXX	UNKNOWN	4,800
Subtotal Pass-Through Programs			595,715
Total Department of Health and Human Services			1,043,929
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Direct Programs:			
HOUSING AND URBAN DEVELOPMENT	14.251	B05SPOH0603	49,011
Pass-Through Programs From:			
HUNTINGTON IRONTON EMPOWERMENT ZONE	14.244	UNKNOWN	116,030
Total Department of Housing and Urban Development			165,041

# Ohio University

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Expenditures
<b>DEPARTMENT OF LABOR</b>			
Direct Programs:			
U S DEPARTMENT OF JUSTICE	16.525	2009-WA-AX-0003 DJB10202011	\$ 7,649
FEDERAL BUREAU OF PRISONS	16.XXX	DJB10202010	22,073
Subtotal Direct Programs			<u>29,722</u>
Pass-Through Programs From:			
DRUG-FREE ACTION ALLIANCE	16.727	UNKNOWN	3,992
ARRA-OHIO BOARD OF REGENTS	17.275	ARRA-GJ-19827-10-60- A-39	12,545
			<u>16,537</u>
Total Department of Labor			<u>46,259</u>
<b>DEPARTMENT OF LABOR</b>			
Pass-Through Programs From:			
COMMUNITY ACTION ORGANIZATION OF SCIOTO COUNTY, IN	17.XXX	UNKNOWN	75,438
COMMUNITY ACTION ORGANIZATION OF SCIOTO COUNTY, IN	17.261	UNKNOWN	277,726
OHIO BOARD OF REGENTS	17.267	UNKNOWN	156,491
OHIO STATE UNIVERSITY	17.267	119750-AB-WIA- 2009/2010	39,160
SINCLAIR COMMUNITY COLLEGE	17.267	UNKNOWN	7,556
Total Department of Labor			<u>556,371</u>
<b>DEPARTMENT OF STATE</b>			
Direct Programs:			
US DEPARTMENT OF STATE	19.401	UNKNOWN	4,673
U S DEPARTMENT OF STATE	19.415	S-ECAPE-09-GR-199 (KF)	19,632
Subtotal Direct Programs			<u>24,305</u>
Pass-Through Programs From:			
INSTITUTE OF INTERNATIONAL EDUCATION	19.XXX	S-ECAAE-09-CA-077 (SJ)	81,914
INSTITUTE OF INTERNATIONAL EDUCATION	19.402	S-ECAAE-04-CA- 019(PS); S-ECAAE-06- CA-022 (CS); S- ECAAE-07-GR-146 (MA)	5,445
INSTITUTE OF INTERNATIONAL EDUCATION	19.402	S-ECAAE-07-GR-146 (MA); S-ECAAE-08- GR-222 (SM); SID320- 09-GR-023 (task6)	269,544
Subtotal Pass-Through Programs			<u>356,903</u>
Total Department of the State			<u>381,208</u>
<b>DEPARTMENT OF TRANSPORTATION</b>			
Direct Programs:			
U S DEPARTMENT OF TRANSPORTATION	20.930	UNKNOWN	17,544
FEDERAL AVIATION ADMINISTRATION	20.106	3-39-0006-1106	41,750
FEDERAL AVIATION ADMINISTRATION	20.106	3-39-0006-1207	10,705
FEDERAL AVIATION ADMINISTRATION	20.106	3-39-0006-1408	197,244
FEDERAL AVIATION ADMINISTRATION	20.106	3-39-0006-1308	29,422
FEDERAL AVIATION ADMINISTRATION	20.106	3-39-0006-1609	189,017
ARRA-FEDERAL AVIATION ADMINISTRATION	20.106	ARRA-3-39-0006-1509	505,376
			<u>973,514</u>
Total Department of Transportation			<u>991,058</u>



## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Expenditures
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Pass-Through Programs From:			
HAMILTON COUNTY ENVIRONMENTAL SERVICES	66.XXX	UNKNOWN	\$ 13,659
MIAMI VALLEY REGIONAL PLANNING COMMISSION	66.XXX	UNKNOWN	13,748
MIDWEST BIODIVERSITY INSTITUTE	66.XXX	UNKNOWN	91,712
NORTHEAST OHIO AREA WIDE COORDINATING AGENCY	66.XXX	UNKNOWN	15,317
OHIO DEPARTMENT OF NATURAL RESOURCES	66.460	UNKNOWN	17,097
OHIO ENVIRONMENTAL PROTECTION AGENCY	66.460	C9-97550007	166,132
Total Environmental Protection Agency			317,665
<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</b>			
Pass-Through Programs From:			
OHIO AEROSPACE INSTITUTE	43.XXX	UNKNOWN	761
OHIO AEROSPACE INSTITUTE	43.XXX	UNKNOWN	1,916
SMITHSONIAN ASTROPHYSICAL OBSERVATORY	43.XXX	NAS8-03060	24,141
Total National Aeronautics and Space Administration			26,818
<b>NATIONAL ENDOWMENT FOR THE HUMANITIES</b>			
Direct Programs:			
NATIONAL ENDOWMENT FOR THE ARTS	45.024	10-3400-7026	10,001
Total National Endowment for the Humanities			10,001
<b>NATIONAL HISTORICAL PUBLICATIONS AND RECORDS COMMISSION</b>			
Direct Programs:			
NATIONAL HISTORICAL PUBLICATIONS AND RECORDS COMMI	89.003	NAR09-PS-10032-09	3,848
NATIONAL HISTORICAL PUBLICATIONS AND RECORDS COMMI	89.003	NAR09-RB-50056-09	37,656
Total National Historical Publications and Records Commission			41,504
<b>NATIONAL SCIENCE FOUNDATION</b>			
Direct Programs:			
NATIONAL SCIENCE FOUNDATION	47.XXX	AST-0956640	94,100
NATIONAL SCIENCE FOUNDATION	47.XXX	IOS-0717019	104,161
NATIONAL SCIENCE FOUNDATION	47.049	DMR-0742595	4,296
NATIONAL SCIENCE FOUNDATION	47.076	DUE-0633618	5,308
NATIONAL SCIENCE FOUNDATION	47.076	DUE-0837751	34,448
NATIONAL SCIENCE FOUNDATION	47.076	DUE-0833295	118,484
Subtotal Direct Programs			360,797
Pass-Through Programs From:			
UNIVERSITY OF TENNESSEE	47.076	ESI-0119679	78,688
Total National Science Foundation			439,485

# Ohio University

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-Through Grantor	CFDA No.	Federal /Pass-Through Grant Number	Expenditures
<b>SMALL BUSINESS ADMINISTRATION</b>			
Direct Programs:			
U S SMALL BUSINESS ADMINISTRATION	59.000	SBAHQ-08-I-0044; SBAHQ-09-I-0192	\$ 110,425
Pass-Through Programs From:			
ADENA VENTURES	59.051	UNKNOWN	44,160
FOUNDATION FOR APPALACHIAN OHIO	59.000	SBAHQ-09-I-0097	38,384
OHIO DEPARTMENT OF DEVELOPMENT	59.037	UNKNOWN	100,256
Subtotal Pass-Through Programs			<u>182,800</u>
Total Small Business Administration			<u>293,225</u>
<b>SMITHSONIAN INSTITUTION</b>			
Direct Programs:			
SMITHSONIAN INSTITUTE	85.XXX	F08CC10174	(599)
Total Smithsonian Institution			<u>(599)</u>
<b>UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT</b>			
Pass-Through Programs From:			
ACADEMY FOR EDUCATIONAL DEVELOPMENT	98.XXX	GPO-A-00-07-00004-00	205,819
AMERICAN COUNCIL ON EDUCATION	98.012	AEG-A-00-05-00007-00	96,837
AMERICAN COUNCIL ON EDUCATION	98.XXX	AEG-A-00-05-00007-00	34,630
WASHINGTON STATE UNIVERSITY	98.000	306-A-00-06-00524-00	141,083
Total United States Agency for International Development			<u>478,369</u>
<b>VETERANS AFFAIRS</b>			
Direct Programs:			
VETERANS AFFAIRS MEDICAL CENTER	64.XXX	V538S-336	7,617
Total Veterans Affairs			<u>7,617</u>
<b>TOTAL OTHER PROGRAMS</b>			<u>8,225,548</u>
<b>GRAND TOTAL FEDERAL AWARDS</b>			<u>276,936,704</u>

# Ohio University

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Ohio University and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Noncash Assistance

During the year ended June 30, 2010, Ohio University did not receive any nonmonetary assistance.

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

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

### Note 4 - Loans Outstanding

The institution had the following loan balances outstanding at June 30, 2010. These loan balances are not included in the federal expenditures presented in the schedule.

CFDA Number	Cluster/Program Title	Amount Outstanding
	U.S. DEPARTMENT OF EDUCATION	
84.038	Federal Perkins Loan Program	\$ 9,186,659
	U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES	
93.342	Primary Care Loans (HPSL)	2,344,136
93.342	Disadvantaged Students Loan	<u>2,627,829</u>
	Total	<u>\$ 14,158,624</u>

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

### Note 5 - Subrecipient Awards

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

CFDA Number	Federal Program Title	Amount Provided to Subrecipients
12.XXX	Meeting the Challenges for Engineering Design, Construction and Maintenance of Infrastructure in Post-Conflict and Developing Countries	\$ 2,100
20.108	Aviation Research Grants	45,957
20.205	Highway Planning and Construction	154,447
43.XXX	Design, Development, Verification, and Validation of An Integrated Alerting and Notification Function for an Intelligent Integrated Flight Deck	207,909
47.041	Engineering Grants	23,932
47.050	Geosciences	(6,249)
47.074	Biological Sciences	66,085
47.075	Social, Behavioral, and Economic Sciences	27,965
47.082	Trans-NSF Recovery Act Research Support	5,444
66.460	Nonpoint Source Implementation Grants	144,562
81.135	Advanced Research and Projects Agency - Energy Financial Assistance Program	26,672
84.367	Improving Teacher Quality State Grants	40,334
84.021A	Overseas Programs - Group Projects Abroad	34,138
93.173	Research Related to Deafness and Communication Disorders	366,764
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	18,220
93.558	Temporary Assistance for Needy Families	18,317
93.701	Trans-NIH Recovery Act Research Support	36,152
93.839	Blood Diseases and Resources Research	3,217
93.859	Biomedical Research and Research Training	99,358
93.912	Rural Health Care Services Outreach and Rural Health Network Development Program	89,798
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative	6,649
93.XXX	Ohio Strategic Prevention Framework State Incentive Grant (SPF-SIG) Evaluation	813
		<u>\$ 1,412,584</u>

### Note 6 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, in the year ended June 30, 2010, the University expended \$135,800 of the 2009-2010 Federal Work Study (FWS) Program (84.033) award carried forward to the 2010-2011 award year. The University also expended \$1,673 of the 2009-2010 FWS Program (84.033) award carried backward to the 2008-2009 award year.

During the year ended June 30, 2010, the University transferred \$353,103 of the 2009-2010 FWS Program (84.033) award to the Supplemental Educational Opportunity Grant (SEOG) Program (84.007). In addition, the University expended \$4,904 of the 2008-2009 SEOG Program (84.007) award carried forward to the 2009-2010 award year. The University carried forward \$78,299 of the 2009-2010 SEOG Program (84.007) to be expended in the 2010-2011 award year.

## Schedule of Findings and Questioned Costs Year Ended June 30, 2010

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?             Yes     No

#### Federal Awards

Internal control over major program(s):

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

Type of auditor's report issued on compliance for major program(s): Unqualified

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

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.032, 84.033, 84.038, 84.063, 84.116P, 84.268, 84.375, 84.376, 84.379, 93.342, and 93.925	Student Financial Aid Cluster
Various 84.394	Research and Development Cluster ARRA- State Fiscal Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$1,484,346

Auditee qualified as low-risk auditee?             Yes     No

# Ohio University

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## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section II - Financial Statement Audit Findings

Reference Number	Findings
	None

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section III - Federal Program Audit Findings

Reference Number	Findings
2010-1	<p><b>Program Name</b> - Student Financial Aid Cluster - Federal Stafford Loans and Federal Unsubsidized Stafford Loans - 84.032</p> <p><b>Finding Type</b> - Noncompliance/Significant Deficiency</p> <p><b>Criteria</b> - Special tests and provisions compliance requirement - For FFEL, loan funds must be disbursed within three business days of receipt if the lender provided the funds by EFT or master check or 30 days if the lender provided the funds by check payable to the borrower or co-payable to the borrower and the institution (34 CFR § 668.167(b)). If the institution does not disburse FFEL loan funds in accordance with the time frames required, the institution must return the funds to the lender within 10 business days after the date the funds were required to be disbursed.</p> <p><b>Condition</b> - The University did not disburse FFEL loan proceeds within three business days of receipt and the undisbursed FFEL loan proceeds were not returned to the lender within 10 business days after the date the funds were required to be disbursed.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - Of 50 students tested for eligibility and disbursement testing, we noted one student where the University did not disburse loan proceeds within three business days of receipt and the undisbursed loan amount was not returned to the lender within 10 business days.</p> <p><b>Cause and Effect</b> - The disbursements were overlooked and student financial aid did not disburse loan funds within three business days or did not return unused loan funds to the lender within 10 business days.</p> <p><b>Recommendation</b> - We recommend that the student financial aid department track loan disbursements to ensure that all loans are disbursed to students in a timely manner.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Both the Bursar's Office and the College of Medicine will continue to track all loan disbursements to ensure that they are loaded to the student's account in a timely manner.</p>