Ohio University

(A Component Unit of the State of Ohio)

Financial Statements for the
Years Ended June 30, 2007 and 2006,
and Report on Federal Awards in
Accordance With OMB Circular A-133
for the Year Ended June 30, 2007,
and Independent Auditors' Reports

Mary Taylor, CPA
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 Deloitte & Touche LLP, for the audit period July 1, 2006 through June 30, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 5, 2008

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OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
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 discretely presented component unit, as of June 30, 2007 and 2006, and the related statements of revenues, expenses, and changes in net assets and of cash flows, where applicable, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the respective financial position of Ohio University and its discretely presented component unit as of June 30, 2007 and 2006, and their changes in net assets and their cash flows where applicable for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 2, the financial statements include investments that are not listed on national exchanges or for which quoted market prices are not available. These investments include limited partnerships, hedge funds, funds-of-funds, and commingled funds that are not mutual funds. Such investments totaled $19,305,665 (3.6% of net assets) and $4,174,935 (0.8% of net assets) for the University and $51,173,000 (21.4% of net assets) and $52,941,000 (24.2% of net assets) for the Ohio University Foundation at June 30, 2007 and 2006, respectively. Where a publicly listed price is not available, management uses alternative sources of information including the funds' audited financial statements, unaudited interim reports, lists of underlying fund holdings, and similar evidence provided by the fund managers to determine fair values of the investments.

The Management's Discussion and Analysis ("MD&A") on pages 3 through 15 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the University's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was performed for the purpose of forming an opinion on the University's financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, on pages 54 to 70 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. This schedule is the responsibility of the management of the University. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2007, on our consideration of internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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.

Deloitte & Touche LLP

November 1, 2007

OHIO UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial statements of Ohio University (the "University") provides an overview of the University's financial activities for the fiscal year ("FY") ended June 30, 2007, with comparative data for FY 2006 and FY 2005. Its purpose is to enhance the understandability and usefulness of the financial statements and is unaudited, but required, supplemental information. The intent of this discussion is to respond to the needs of the primary users of these statements, i.e., those to whom the University is primarily accountable (the citizenry), those who directly represent the citizens (legislative and oversight bodies), and those who lend or who participate in the lending process (investors and creditors).

This annual financial report includes the report of the independent auditors, this Management's Discussion and Analysis ("MD&A"), the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, the Statements of Cash Flows and Notes to the Financial Statements. Responsibility for the completeness and fairness of this information rests with University management.

ABOUT OHIO UNIVERSITY

Ohio University is a public institution established by the State of Ohio (the "State") in 1804 under Chapter 3337 of the Ohio Revised Code ("ORC"). It is the oldest public institution of higher learning in the State of Ohio and the former Northwest Territory. It is defined by statute to be a body politic and corporate and an instrumentality of the State.

The University is governed by a 13-member Board of Trustees. The Governor, with the advice and consent of the State Senate, appoints nine trustees for staggered nine-year nonrenewable terms. In addition, two non-voting student members are appointed to the Board of Trustees for staggered two-year terms. The Ohio University Board of Trustees created two National Trustee positions and invites two distinguished out-of-state University alumni to sit with the Trustees and participate in the deliberations of the Board. One term is two years and the other is three years. Both are non-voting members.

The University consists of the main campus in Athens, Ohio and five regional campuses: Chillicothe, Eastern (Belmont County), Lancaster, Southern (Ironton) and Zanesville. Total Fall 2006 enrollment for all campuses was 28,442. The University, in Fall 2006, had a total faculty of 1,099 full-time and 758 part-time, with a total workforce of 4,831 non-student employees. The student to faculty ratio on the Athens Campus in Fall 2006 was 20:1, same as the year before. The University offers 27 associate majors, 249 baccalaureate majors, 169 masters majors, 57 doctoral majors and 1 Doctor of Osteopathy major.

The University's main campus boasts the second highest graduation rate in the State of Ohio, as 71% of its main campus undergraduate students graduate within 6 years or less. An additional noteworthy statistic is that the mean ACT score of first-year students of 24 surpasses both State and Federal averages. Ohio resident enrollment on the Athens campus is 85% of the total enrollment.

Ohio University continues to be designated a Research University (high research activity) by the Carnegie Foundation for the Advancement of Teaching.

Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14 and implemented by the University effective July 1, 2003, led to the inclusion of The Ohio University Foundation (the "Foundation") in the University's statements as a component unit. The Foundation is a 501(c)(3) organization incorporated in Ohio in October 1945 to support the educational undertakings of Ohio University. The University has chosen a discrete presentation and the Foundation's (component unit) information appears in a separate column next to the University (primary institution) on the Statements of Net Assets and the Statements of Revenues, Expenses, and Changes in Net Assets. The University is not required to prepare a Statement of Cash Flows for the Foundation. A separate financial report for the Foundation is available by contacting The Ohio University Foundation, 164 HDL Center, Athens, Ohio 45701, or by calling (740) 593-1884.

This MD&A is intended to address issues of the primary institution and not those of its component unit.

FINANCIAL HIGHLIGHTS OF FY 2007

State appropriations to the University remained relatively flat in FY 2007, decreasing by $171,799 over FY 2006 compared to a decrease of $2,250,795 from FY 2005 to FY 2006. State appropriations, expressed as a percentage of total State appropriations and student tuition and fees — net, have declined from 42% (FY 2005) to 41% (FY 2006) to 39% (FY 2007).

The University increased tuition by 6% for undergraduate and 3% for graduate students in FY 2007, the same percentage increases assessed in FY 2006 over FY 2005. Room rates increased by 4% with no increase in board rates in FY 2007. The non-resident surcharge remained the same as in FY 2006, i.e., no percentage increase.

The Board of Trustees approved a 3% employee pay raise pool in FY 2007, compared to FY 2006's 2% increase on July 1, 2005, with an additional 1% increase on January 1, 2006. In addition, faculty received a mid-year $1.2 million pay increase in an effort to raise faculty salaries to be competitive with the group of institutions the University has identified as "peer institutions." The $1.2 million increase is the first of five years of planned additional increases of that amount.

The Early Retirement Incentive Plan ("ERIP") one year buyout which began in FY 2006 for eligible employees in the Ohio Public Employees Retirement System ("OPERS") continued through FY 2007. The buyout period began on April 1, 2006 and remained open until August 31, 2007. A $10,000 incentive was offered to employees who signed up for the buyout by April 28, 2006 with a retirement date of July 1, 2006 or prior. All employees taking the buyout are required to be retired by November 1, 2007. As of June 30, 2007, 116 employees had elected to participate in the ERIP. The FY 2007 financial statements include $1.6 million in costs associated with the buyout for a total cost to date of $3.6 million. The cumulative costs include sick leave and vacation payouts in accordance with standard policy, a $10,000 incentive bonus for the 67 employees who signed up by April 28, 2006 and who left by July 1, 2006, and the OPERS payment calculated and billed by OPERS.

Under the direction of Vice President for Finance and Administration, Chief Financial Officer and Treasurer, William R. Decatur, the Division of Finance undertook a five-year longitudinal and benchmarking ratio analysis project to assess the University's current relative financial position. That information lead into the development of a five-year strategic financial plan, designed to improve the University's financial picture and position it to better address strategic priorities. Previous to that, the University presented to its Board of Trustees a capital plan tied to its strategic planning document, Vision OHIO, and a capital financing plan. A notable item is that the University currently plans for no new debt issuances within the next 10 years. Its focus in the near term will be on growing its expendable net assets, particularly its *unrestricted* expendable net assets to better position the University to address strategic priorities as they are identified.

CURRENT YEAR RESULTS

One of the most important questions asked about a University's finances is whether the University's position has improved as a result of the year's activities. The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets report information on the University as a whole and on its activities in a way that assists in answering this question. Net assets, the difference between total assets and total liabilities, are a measure of the current financial condition. Increases or decreases in the University's net assets are one indicator of whether its financial health is improving or deteriorating. Numerous other nonfinancial factors, such as the number and quality of applicants, freshman class size, student retention, graduation rates, strength of the faculty, condition of the campus infrastructure and the safety of the campus, must be considered when assessing the overall health of the University.

POINTS OF INTEREST RELATIVE TO THE STATEMENTS OF NET ASSETS ARE AS FOLLOWS:

The Statements of Net Assets present assets, liabilities and net assets (assets minus liabilities) as of the last day of the fiscal year. It further classifies assets and liabilities as current or noncurrent. Generally, current liabilities are those that will be paid within one year of the statement date. Current assets are those that are available to satisfy current liabilities.

- **Cash and cash equivalents** decreased from FY 2006 by an amount of $25,238,676 compared to an increase of $21,463,596 in FY 2006 over FY 2005. The primary contributor to these fluctuations was a change in **Restricted cash and cash equivalents,** representing unspent bond proceeds. This amount decreased in FY 2007 over FY 2006 because there were no new bond issuances in FY 2007, which would have contributed to *Restricted cash and cash equivalents*, rather only expenditures of proceeds from series 2006 B & C bond issuances from FY 2006. The Statements of Cash Flows present further analysis of changes in cash year over year. Additional information about *Cash and cash equivalents* is located in Footnote 2.

- **Investments** include working capital funds and the net market appreciation on total return endowment accounts available for expenditure in accordance with donors' restrictions, if authorized by the Board. **Endowment investments** represent the **Additions to permanent endowments**, cumulative for all periods, plus any unused earnings added back to principal in accordance with donor gift agreements and the net market appreciation on endowments categorized as non-total return endowments. For non-total return endowments, the donors have only authorized the spending of interest and dividends. For those accounts, capital appreciation remains a part of the corpus of the endowment. **Additions to permanent endowments**, totaled $7,301 in FY 2007, $205,205 in FY 2006, and $6,025 in FY 2005. A single large contribution was made to the existing Edison Biotechnology Institute Goll-Ohio Eminent Scholar Research Endowment in the amount of $200,000 in FY 2006, which accounts for the increase between FY 2006 and FY 2005. The University generally does not take on new endowments, except through its Foundation, unless a donor's bequest specifically states that the gift is to be administered by the Board of Trustees of Ohio University. Otherwise, the Foundation receives and administers endowments on behalf of Ohio University. *Investments* are further addressed in Footnote 2.

- **Accounts and pledges receivable** — **net** is primarily made up of student receivables for fees and room and board, the largest contributor to the balance, followed by billed and unbilled receivables for research and other sponsored programs. Student receivables were $23,600,597 in FY 2007, $17,061,747 in FY 2006 and $13,899,341 in FY 2005. The increase in student receivables between FY 2007 and FY 2006 was attributable to a 6% tuition increase over the previous year and summer quarter Federal Stafford Loans, which were not disbursed to student accounts until July 1. In prior years, Stafford Loans were released against receivable balances in mid-June. Due to a change in federal regulations, those funds for payment of summer sessions billings could not be released against the students' accounts prior to July 1.

On July 1, 2007, $5,943,909 in Stafford Loans was released. The increase in student receivables between FY 2006 and FY 2005 was attributable to a 6% tuition increase over the previous year, and summer quarter Pell Grants which were not disbursed to student accounts until July 1. According to the Higher Education Reconciliation Act (HERA), grants for summer quarter were not permitted to be disbursed until July 1, unlike in prior years. The amount disbursed against receivables on July 1, 2006 was $1,124,125. Grants and contracts receivables were $14,493,406 in FY 2007, $12,630,258 in FY 2006 and $13,102,337 in FY 2005. Additional information about *Accounts and pledges receivable – net* is located in Footnote 3.

- **Notes receivable** — **net** include amounts due the University for student loans extended, as well as amounts due (payback of grants-in-aid received) from graduates of the College of Osteopathic Medicine (COM) who have left the State of Ohio to practice medicine. Both are net of allowance for doubtful accounts. The amount listed in the Current Assets section represents those payments expected to be received in the next fiscal year. This category amounts to $15,015,709 and $14,131,387 for FY 2007 and FY 2006, respectively. *Notes receivable* are further addressed in Footnote 4.

- **Prepaid expenses and deferred charges –** the primary contributors to this category are the expenses related to summer sessions which are not recognized until the next fiscal year and releases of payments, including direct deposit, associated with the July 1 faculty payroll, released before July 1 to meet payment deadlines. The primary reason for the reduction in FY 2007 over FY 2006 is for one of the same reasons that Accounts and pledges receivable – net, went up, that is a change in the release time for Stafford Loans. In FY 2006, those amounts would have been disbursed to student accounts prior to July 1, serving to reduce **Accounts and pledges receivable – net** and increase **Prepaid expenses and deferred charges**.

- **Inventories** in order of their magnitude are: food inventory for the Residence and Dining Hall Auxiliary, The Ohio University Press inventory of books for sale or work in process, airport parts for the Airport Auxiliary, printing supplies for Printing Resources, and drug inventory for the Student Health Center.

- **Capital assets** are recorded at historical cost and presented net of their accumulated depreciation. Depreciation serves to amortize the cost of assets over their useful lives. The amount of accumulated depreciation was $426,805,545 for FY 2007, $405,710,557 for FY 2006 and $379,719,520 for FY 2005. Capital assets, net of their accumulated depreciation, are the largest contributor to Total Assets. The percentage of capital assets to total assets was 68% for FY 2007, 67% for FY 2006 and 69% for FY 2005. More about *capital assets* is available in Footnote 5.

- **Accounts payable and accrued liabilities** consist of three months of accrued payroll for faculty electing the 12 pay option, vouchers payable (trade), the health insurance run-out reserve, accrued OPERS, purchasing card payable, the year-end accrued civil service payroll, the current portion of compensated absences and accruals for various tax payments related to payroll, to name some of the more significant items. This line item increased by 8.2% over FY 2006, mostly due to an increase in vouchers payable and an increase in the accrual for the 12 pay option because of the annual pay increase and increased participation. The split between *accounts payable and accrued liabilities* appears in Footnote 6.

- **Deferred revenue** consists primarily of summer 2007 revenue, most of which is attributable to FY 2008 and thus deferred, deferred revenue on grants and contracts for amounts received but not yet earned and approximately $3 million received for construction of an Academic and Research Center (a collaboration of the College of Medicine and the College of Engineering) for which construction has not yet begun. The increase of 6.3% over FY 2006 is explained by a tuition increase on summer sessions, a decrease to deferred revenue for grants and contracts and an increase for the $3 million described above.

- **Refunds and other liabilities** include deposits received for student rooms and student account overpayments to be refunded or applied to future periods.

- **Bonds and notes payable** are described below in "Debt Administration" and further in Footnote 7. The University issued no new debt in FY 2007, only experiencing a rollover of bond anticipation notes. The University's capital plan for the next 10 years calls for no new debt to be issued.

- **Deposits held in custody for others** represent amounts held for student organizations and other amounts which are not funds of the university, but rather funds for which the University acts as the agent in administration.

- **Compensated absences** include accrued vacation, up to the maximum allowed, for all administrative and classified employees who are benefits-eligible. It also includes an estimate of sick leave, for all benefits-eligible employees, expected to be paid out through retirements. Footnote 10 provides additional information for this line item.

- **Refundable advances for federal student loans** represent the cumulative Federal Capital Contributions ("FCC") to Federal student loan programs, presented as a potential long-term liability. It is incremented each year by receipt of new Federal Capital Contributions, reduced by the government's distributive share of bad debt expense and by any return of funds to the Federal government. In FY 2007, an amount of $1,983,309 in FCC, received for Department of Heath and Human Services HRSA Primary Care Loans, was returned. It was received in prior years and was unable to be awarded.

- **Net assets**

    1. **Invested in capital assets-net of related debt** represents the historic dollar value of capital assets reduced by their related depreciation and outstanding debt related to the purchase or construction of capital assets. It is increased by the value of any **restricted cash and cash equivalents,** representing funds usually held by bond trustees and available for future capital initiatives. Increases to this net asset class in any given year is caused by capital assets being purchased or being completed and the reduction of debt related to the purchase, lease or construction of capital assets.

    2. **Restricted nonexpendable net assets** are equal to **endowment investments**, previously described.

    3. **Restricted expendable net assets** are made up primarily of loan funds revenues in excess of their expenses, restricted grants and contracts revenues in excess of their expenses and net market appreciation of endowment funds available for expenditure, all of whose use has been restricted by external sources.

    4. **Unrestricted net assets** are made up of funds available for expenditure at the discretion of the Board of Trustees and include the accumulation of unrestricted revenues, received in excess of expenses, including that of auxiliary enterprises. Most of the increase in FY 2007 over FY 2006 is attributable to a significant increase in investment earnings described below and monies unspent for increasing of quasi-endowments.

The following chart depicts the breakdown of Assets, Liabilities and Net Assets for Ohio University for the years ended June 30, 2007, 2006, and 2005:

	2007	2006	2005
Assets:			
Current assets - net	$ 215,222,893	$ 189,771,412	$ 182,764,132
Noncurrent assets	597,794,863	604,666,564	555,953,366
Total assets	813,017,756	794,437,976	738,717,498
Liabilities:			
Current liabilities	94,332,681	79,609,270	79,854,071
Noncurrent liabilities	189,127,729	208,538,844	176,121,153
Total liabilities	283,460,410	288,148,114	255,975,224
TOTAL NET ASSETS	$ 529,557,346	$ 506,289,862	$ 482,742,274

Net assets, expressed as a percent of total assets, were 65% for FY 2007, 64% for FY 2006 and 65% for FY 2005. Current assets less current liabilities represent working capital and were $120,890,212 for FY 2007, $110,162,142 for FY 2006 and $102,910,061 for FY 2005. The current ratio, calculated by dividing current assets by current liabilities, is an indicator of the ability to pay short-term obligations. This ratio was 2.28 to 1 for FY 2007, 2.38 to 1 for FY 2006 and 2.29 to 1 for FY 2005.

The Net Assets for the years ended June 30, 2007, 2006, and 2005 are further displayed as follows:

	2007	2006	2005
Invested in capital assets—net of related debt	$ 386,411,424	$ 379,778,713	$ 360,279,657
Restricted nonexpendable	16,818,390	15,167,182	11,970,621
Restricted expendable	40,874,666	39,584,791	47,976,632
Unrestricted	85,452,866	71,759,176	62,515,364
	$ 529,557,346	$ 506,289,862	$ 482,742,274

POINTS OF INTEREST RELATIVE TO THE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS:

The Statements of Revenues, Expenses, and Changes in Net Assets report the revenue earned in the fiscal year (regardless of when received) and the expenses incurred (regardless of when paid). It differentiates between operating and nonoperating revenue. Sales of goods and provisions of services are recorded as operating revenues, when the buyer essentially receives something of value equal to the amount being charged. Essentially all other types of revenue are nonoperating, or other revenue. Nonoperating revenues include State appropriations, grants that do not require any services to be performed for the benefit of the grantor and investment income. The operating income (loss) line will typically display a loss for state-supported public institutions since State appropriations, that have historically played a significant role in the funding of public institutions, are mandated by accounting guidance to be reported as nonoperating revenue. “Other revenues” include State capital appropriations, capital grants and gifts and additions to permanent endowments.

Operating Revenues:

- **Student tuition and fees** revenues, **auxiliary enterprises** revenues, and the corresponding **student aid** expenses, are reported 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 stated charge for goods and services provided by the institution and the amount that is paid by students and/or third parties making payments on the student's behalf. For FY 2007 that difference is $46,998,538 (of which $39,514,236 is netted against **student tuition and fees** and $7,484,302 is netted against **auxiliary enterprises** revenues). For FY 2006 that amount was $48,681,179 (of which $39,543,722 was netted against **student tuition and fees** and $9,137,457 was netted against **auxiliary enterprises** revenues). In FY 2005 that amount was $44,310,905 (of which $35,493,035 was netted against **student tuition and fees** and $8,817,870 was netted against **auxiliary enterprises** revenues).

- **Sales and services** includes revenue for such items as departmental sales, land lease income, health services drugs sales, nursery child care, nonathletic ticket sales, advertising sales, clinical medical services and printing services, to name a few.

- **Auxiliary enterprises** revenues consist of the sales and services of such activities as residence halls, dining services, intercollegiate athletics, airport operations, telephone operations, campus recreation and parking services. The bulk of this revenue is the activity of the Residence and Dining Hall auxiliary whose room rates were increased 4% in FY 2007 over FY 2006, and 4% in FY 2006 over FY 2005, with board rates remaining unchanged for the same periods. The revenue is reduced by the amount of scholarships and discounts applicable to room and board charges, discussed above. Any investment income earned by the University's auxiliaries is not included in this line item, but instead is a part of **investment income – net of investment expense.**

- **Other sources** includes revenue from royalties, insurance recoveries, rebates on contractual agreements, sales to the Foundation, premiums on loans sales, interest on notes receivable, commissions and finance charges. The fluctuation on this line item for FY 2007 over FY 2006, is primarily related to an increase in royalty income for the sale of a patented drug and insurance recoveries.

Operating Expenses:

The University, as a component unit of the State of Ohio, is required to report its operating expenses on the face of the Statements of Revenues, Expenses, and Changes in Net Assets using a functional view. Functional categories are presented below as defined by the National Association of College and University Business Officers ("NACUBO").

- **Instruction and Departmental Research** — The instruction and departmental research category includes expenses for all activities that are part of an institution's instruction program. Expenses for credit and noncredit courses; academic, vocational, and technical instruction; remedial and tutorial instruction; and regular, special, and extension sessions are included.

  Expenses for departmental research and public service that are not separately budgeted are included in this classification. This category excludes expenses for academic personnel whose primary assignment is administration — for example, academic deans.

- **Separately Budgeted Research** — The separately budgeted research category includes all expenses for activities specifically organized to produce research, whether commissioned by an agency external to the institution or separately budgeted by an organizational unit within the institution. Subject to these conditions, the category includes expenses for individual and/or project research as well as that of institutes and research centers. This category does not include all sponsored programs nor is it necessarily limited to sponsored research, since internally supported research programs, if separately budgeted, might be included in this category under the circumstances described. Expenses for departmental research that are separately budgeted are included in this category. However, the research category does not include expenses for departmental research that are not separately budgeted. Such expenditures are included in the instructional category.

- **Public Service** — The public service category includes expenses for activities established primarily to provide non-instructional services beneficial to individuals and groups external to the institution. These activities include community service programs (excluding instructional activities) and cooperative extension services. Included in this category are conferences, institutes, general advisory services, reference bureaus, radio and television, consulting, and similar non-instructional services to particular sectors of the community.

- **Academic Support** — The academic support category includes expenses incurred to provide support services for the institution's primary missions: instruction, research, and public service. It includes the retention, preservation, and display of educational materials, such as libraries, museums, and galleries; the provision of services that directly assist the academic functions of the institution, such as demonstration schools associated with a department, school, or college of education; media such as audio-visual services and technology such as computing support; academic administration (including academic deans but not department chairpersons) and personnel development providing administration support and management direction to the three primary missions; and separately budgeted support for course and curriculum development.

- **Student Services** — The student services category includes expenses incurred for offices of admissions and the registrar and activities with the primary purpose of contributing to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program. It includes expenses for student activities, cultural events, student newspapers, intramural athletics, student organizations, counseling and career guidance (excluding informal academic counseling by the faculty), student aid administration, and student health service.

- **Institutional Support** — The institutional support category includes expenses for central executive-level activities concerned with management and long-range planning for the entire institution, such as the governing board, planning and programming operations, and legal services; fiscal operations, including the investment office; administrative data processing; space management; employee personnel and records; logistical activities that provide procurement, storerooms, printing; transportation services to the institution; support services to faculty and staff that are not operated as auxiliary enterprises; and activities concerned with community and alumni relations, including development and fund raising. Appropriate allocations of institutional support are made to auxiliary enterprises, hospitals, and any other activities not directly related to the primary program categories or the related support categories.

- **Operation and Maintenance of Plant** — The operation and maintenance of plant category includes all expenses for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. They include expenses normally incurred for such items as janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture, and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; earthquake and disaster preparedness; safety; hazardous waste disposal;

property, liability and all other insurance relating to property; space and capital leasing; facility planning and management; and central receiving. It does not include interest expense on capital related debt.

- **Student Aid** — The student aid category includes expenses for scholarships and fellowships — from restricted or unrestricted funds — in the form of grants to students, resulting from selection by the institution or from an entitlement program. The category also includes trainee stipends, prizes, and awards. Trainee stipends awarded to individuals who are not enrolled in formal course work are charged to instruction, research, or public service.

  Recipients of grants are not required to perform service to the institution as consideration for the grant, nor are they expected to repay the amount of the grant to the funding source. When services are required in exchange for financial assistance, as in the College Work-Study program, charges are classified as expenses of the department or organizational unit to which the service is rendered. Aid to students in the form of tuition or fee remissions also are included in this category. However, remission of tuition or fees granted because of faculty or staff status, or family relationship of students to faculty or staff, are recorded as staff benefits expenses in the appropriate functional expense category.

The first three categories of instruction, research and public service represent the core mission of the University. The other functions serve to support the core mission.

- The most significant expense fluctuation to address is an increase in **Institutional support** of $3,852,142, a percentage increase over the prior year of 16.42%. All is explained by increased expenditure activity in the area of Information Technology, in response to security issues which came to light in FY 2006 and for which further funding was allotted to address them in FY 2007.

- Although **Student aid** increased by $1,921,254, or 23.07%, this category does not address the extent to which the University provides aid to its students. It is the amount of aid refunded to students, over and above their student account billings, to cover such educationally related items as books and outside room and board. The increase to this category is primarily a result of increased loans to students, applied to student receivables prior to the application of institutional funds, increasing the amount of institutional funds which are refunded to students and recorded as an expense.

- Expenditures for capital assets are capitalized on the Statements of Net Assets and systematically reduced through the use of **Depreciation** expense in the Statements of Revenues, Expenses, and Changes in Net Assets. The University has chosen to display depreciation on a separate line in the Statements of Revenues, Expenses, and Changes in Net Assets as opposed to allocating it among the various functional classifications. The amount of depreciation was $30,652,754 for FY 2007, compared to $29,427,367 for FY 2006 and $29,076,351 for FY 2005. Information about capitalization levels and estimated useful lives of assets is contained in the footnotes.

- **Auxiliary enterprises** include expenses of the University’s eight auxiliaries, as previously described.

Nonoperating Revenues and Expenses:

- **State appropriations** consist primarily of State share of instruction revenues and by definition must be reported as nonoperating revenues. As such, the University will always show an operating deficit due to the dependency on State appropriations for operations, even though it has declined in recent years.

- **Investment income** increased in FY 2007 over FY 2006, by $11,163,216, compared to an increase of $96,058 in FY 2006, over FY 2005. For FY 2007, the pooled investment portfolio of the University and its Foundation achieved returns of 16.85 percent, compared to 9.90 percent from the year before. This greatly improved performance reflects the joint efforts of the Management and Investment Committees, staff and investment consultants to remodel the asset allocation to a more diversified and less risky strategy.

- **Interest on capital asset-related debt** is the amount of non-capitalizable interest on debt related to the acquisition, lease or construction of capital assets. Information related to the payment of future interest on outstanding debt is located in Footnote 7.

- **Disposal and write-offs of plant facilities** represents the net of any revenue received for the sale of plant assets, over its book value.

Other Revenues, Expenses, Gains, or Losses:

- **State capital appropriations** are a line item that can vary widely. The revenue recognized is in direct relationship to the expenditures incurred in any particular year for the acquisition or building of capitalizable equipment or buildings, funded by this source.

- **Capital grants and gifts** (shown below in "Grants and contracts") increased to $3,444,433 in FY 2007 from $2,531,424 in FY 2006, compared to $3,534,963 in FY 2005.

The following table depicts total revenue by source for FY 2007, FY 2006, and FY 2005, respectively:

	2007	2006	2005
State appropriations	$ 137,197,682	$ 137,369,481	$ 139,620,276
Student tuition and fees, net	217,740,577	201,446,914	196,518,557
Grants and contracts	78,552,382	71,371,589	74,487,489
Sales and services	10,113,479	10,419,607	10,461,067
Auxiliary enterprises, net	65,090,980	59,479,387	54,502,659
Investment income, net	19,442,211	8,278,995	8,182,937
State capital appropriations	14,024,105	20,766,812	12,408,134
Other	10,215,320	8,107,084	5,559,678
Total	$ 552,376,736	$ 517,239,869	$ 501,740,797

The following table depicts operating and nonoperating expenses for FY 2007, FY 2006, and FY 2005, respectively:

	Percent Change	2007	2006	2005
Instruction and departmental research	8.81%	$203,991,047	$187,478,442	$179,633,550
Separately budgeted research	-3.72%	32,457,968	33,712,270	33,222,564
Public service	4.13%	20,961,207	20,129,885	19,726,387
Academic Support	4.97%	58,184,520	55,429,877	52,460,139
Student services	-0.50%	24,451,160	24,573,546	20,178,218
Institutional support	16.42%	27,313,425	23,461,283	31,928,677
Operation and maintenance of plant	6.62%	42,401,934	39,770,454	36,823,032
Student aid	23.07%	10,250,507	8,329,253	9,833,690
Depreciation	4.16%	30,652,754	29,427,367	29,076,351
Auxiliary enterprises	8.52%	70,306,093	64,784,092	61,874,393
Interest on capital asset-related debt	15.65%	7,431,076	6,425,686	5,530,775
Disposal and write-offs of plant facilities	315.90%	707,561	170,126	1,195,240
Total	7.17%	$529,109,252	$493,692,281	$481,483,016

- **Senate Bill 6 ratios**, one of the measures by which the University's activities are monitored at the state level, returned a composite score of 3.2 in FY 2007, 2.9 in FY 2006 and 3.2 in FY 2005. The highest possible score is 5.0. The score assigned to the viability ratio (expendable net assets divided by plant debt) increased by 1. This particular ratio is 30% of the composite score. The University remained the same in the primary reserve ratio (expendable net assets divided by operating expenses), which is 50% of the composite score and remained the same in the net income ratio (change in total net assets divided by total revenues), 20% of the composite score.

The Statements of Cash Flows present detailed information about the major sources and uses of cash and the resultant change in the University's cash position, under the direct method. The four categories of presentation and their respective FY 2007, FY 2006, and FY 2005 amounts are:

	2007	2006	2005
Net cash used in operating activities	$ (143,327,070)	$ (132,740,542)	$ (133,457,564)
Net cash provided by noncapital financing activities	169,618,733	162,524,076	171,942,710
Net cash provided by (used in) capital financing activities	(55,674,058)	(10,562,877)	(60,661,900)
Net cash provided by (used in) investing activities	4,143,719	2,242,939	(2,205,125)

Total cash and cash equivalents decreased to $51,781,073 in FY 2007, compared to a total of $77,019,749 in FY 2006 and $55,556,153 in FY 2005. The changes were entirely related to amounts of cash from bond proceeds, primarily in the hands of the trustee bank.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The University made significant additions to capital during FY 2007 (see Footnote 5). These capital asset additions were financed with University funds, state capital appropriations, sale of bonds, gifts and grants. Major capital projects completed during the fiscal year ended June 30, 2007 and the primary resources that funded their construction included (in millions):

Baker University Center Athens Campus Student Union	$59.9	Sale of Bonds and State Capital Appropriations
Bromley Hall Renovation Athens Campus Residence Hall	$10.6	University Funds
Greg Smith Hall Proctorville Center, Southern Campus	$3.7	University Funds, State Capital Appropriations and Contributions
Brasee Hall Renovation Lancaster Campus	$2.4	State Capital Appropriations and Contributions
Elson Hall Renovation Zanesville Campus	$2.0	State Capital Appropriations
Lausche Heating Plant Upgrade Athens Campus	$1.6	State Capital Appropriations

Cumulative costs associated with capital projects continuing after the fiscal year ended June 30, 2007, totaled approximately $27.4 million at June 30, 2007. These projects include (in millions):

Alvin C. Adams Residence Hall	$20.0
Academic and Research Center	$1.5

The University's estimated future capital commitments, for which funding has been identified, total approximately $70,015,000.

The University completed its facilities master plan and the related capital funding plan in FY 2007. These were driven by academic priorities as outlined in Vision Ohio, the University's strategic master plan.

DEBT ADMINISTRATION

At year-end, the University had $182,585,000 in bonds and notes obligations outstanding, versus $192,770,000 and $167,410,000 at the end of FY 2006 and 2005, respectively. Detailed information exists in Footnote 7 related to borrowings and retirements for FY 2007 and FY 2006. The only FY 2007 issuance was a rollover of bond anticipation notes, which was reduced by $700,000 in the rollover.

The University's facilities master plan and its related capital funding plan do not call for the issuance of additional debt over the 10 years covered by the plan.

The University's Standard and Poor's bond rating of A+ and Moody's bond rating of A1 have not changed from the prior year.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Perhaps the most significant event that will affect the future of Ohio University and the other 12 public and 23 community colleges in Ohio is the creation of the University System of Ohio, announced by Governor Ted Strickland earlier this year. Eric Fingerhut has been appointed Chancellor and is a member of the Governor's Cabinet. The University has been asked to identify what it considers its *Centers of Excellence* in order to market and enhance them and by contrast, to cut those programs which are deemed to be weak or duplicative. The emphasis will be on collaboration and not competition among those institutions within the University System of Ohio.

In accordance with Governor Strickland's plan for the funding of higher education, tuition rates for FY 2007 will remain unchanged in FY 2008. In return, the State is providing "State Tuition Replacement Funds" which is a new revenue source designed to provide funding equivalent to a 3% increase to undergraduate tuition and fees. This is expected to generate $4,321,000 for Ohio University. In addition, State Appropriations consisting primarily of State Share of Instruction and Success Challenge funding, is expected to generate an additional $2,736,000 in FY 2008.

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: Gina L. Fetty, Controller; 204 HDL Center; Athens, Ohio 45701

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OHIO UNIVERSITY

(A Component Unit of the State of Ohio)

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2007 AND 2006

	2007		2006	
ASSETS	**Primary Institution**	**The Ohio University Foundation**	**Primary Institution**	**The Ohio University Foundation**
CURRENT ASSETS:				
Cash and cash equivalents	$ 37,117,319	$ 5,849,783	$ 31,594,535	$ 9,587,897
Investments	111,750,833	88,583,204	98,134,548	71,719,252
Accounts and pledges receivable — net	44,486,015	7,095,881	35,341,172	9,813,347
Accrued interest and dividends receivable	352,870	240,470	300,445	123,586
Notes receivable — net	3,365,266		3,414,177	
Prepaid expenses and deferred charges	16,172,819	1,114,849	19,120,275	1,187,378
Inventories	1,977,771		1,866,260	
Total current assets	215,222,893	102,884,187	189,771,412	92,431,460
NONCURRENT ASSETS:				
Restricted cash and cash equivalents	14,663,754	3,072,984	45,425,214	3,809,375
Pledges receivable — net		10,987,232		18,255,492
Bequests receivable		1,688,039		1,380,885
Cash surrender value — life insurance policies		2,133,520		2,326,534
Charitable remainder trusts		2,684,684		2,525,515
Charitable remainder annuities		2,960,350		2,995,210
Endowment investments	16,818,390	121,505,896	15,167,182	105,990,952
Notes receivable — net	11,650,443		10,717,210	
Capital assets — net	554,662,276	30,514,914	533,356,958	31,130,520
Total noncurrent assets	597,794,863	175,547,619	604,666,564	168,414,483
TOTAL	$ 813,017,756	$ 278,431,806	$ 794,437,976	$ 260,845,943

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2007 AND 2006

	2007		2006	
LIABILITIES AND NET ASSETS	**Primary Institution**	**The Ohio University Foundation**	**Primary Institution**	**The Ohio University Foundation**
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	$ 42,579,902	$ 829,258	$ 39,369,310	$ 2,308,333
Deferred revenue	24,523,487		23,063,617	
Refunds and other liabilities	4,810,021	3,292,511	1,880,191	3,348,090
Capital lease obligations	86,942		54,526	
Bonds and notes payable	20,770,000	822,600	14,099,160	1,729,757
Deposits held in custody for others	1,562,329	296,757	1,142,466	263,548
Total current liabilities	94,332,681	5,241,126	79,609,270	7,649,728
NONCURRENT LIABILITIES:				
Compensated absences	12,787,146		13,022,319	
Capital lease obligations	242,664		37,823	
Bonds and notes payable	161,815,000	33,575,500	178,670,840	34,398,100
Bond premium — net	5,661,054		6,141,111	
Refundable advances for federal student loans	8,621,865		10,666,751	
Total noncurrent liabilities	189,127,729	33,575,500	208,538,844	34,398,100
Total liabilities	283,460,410	38,816,626	288,148,114	42,047,828
NET ASSETS:				
Invested in capital assets — net of related debt	386,411,424	3,512,898	379,778,713	4,334,895
Restricted:				
Nonexpendable	16,818,390	121,505,896	15,167,182	105,990,952
Expendable	40,874,666	111,188,428	39,584,791	110,872,406
Unrestricted	85,452,866	3,407,958	71,759,176	(2,400,138)
Total net assets	529,557,346	239,615,180	506,289,862	218,798,115
TOTAL	$813,017,756	$278,431,806	$794,437,976	$260,845,943

See notes to the financial statements. (Concluded)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007		2006	
	Primary Institution	The Ohio University Foundation	Primary Institution	The Ohio University Foundation
OPERATING REVENUES:				
Student tuition and fees — net of scholarship allowances of $39,514,236 and $39,543,722, respectively	$ 217,740,577	$ -	$ 201,446,914	$ -
Federal grants and contracts	27,404,263		30,122,163	
State grants and contracts	7,294,112		6,278,728	
Local grants and contracts	383,291		498,917	
Private grants and contracts	8,180,953		6,893,069	
Sales and services	10,113,479		10,419,607	
Auxiliary enterprises — net of scholarship allowances of $7,484,302 and $9,137,457, respectively	65,090,980		59,479,387	
Other sources	10,208,019	10,639,334	7,901,879	10,162,309
Total operating revenues	346,415,674	10,639,334	323,040,664	10,162,309
OPERATING EXPENSES:				
Educational and general:				
Instruction and departmental research	203,991,047	5,849,044	187,478,442	5,216,562
Separately budgeted research	32,457,968	338,367	33,712,270	403,735
Public service	20,961,207	35,718	20,129,885	39,098
Academic support	58,184,520	1,733,161	55,429,877	1,676,180
Student services	24,451,160	780,732	24,573,546	976,815
Institutional support	27,313,425	9,139,820	23,461,283	9,153,131
Operation and maintenance of plant	42,401,934		39,770,454	
Student aid	10,250,507	2,972,107	8,329,253	3,303,750
Depreciation	30,652,754	1,409,835	29,427,367	1,505,035
Auxiliary enterprises	70,306,093		64,784,092	
Operating expenses — Foundation's subsidiaries		6,716,987		6,773,723
Total operating expenses	520,970,615	28,975,771	487,096,469	29,048,029
OPERATING LOSS	(174,554,941)	(18,336,437)	(164,055,805)	(18,885,720)

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007		2006	
	Primary Institution	The Ohio University Foundation	Primary Institution	The Ohio University Foundation
NONOPERATING REVENUES AND EXPENSES:				
State appropriations	$ 137,197,682	$ -	$ 137,369,481	$ -
Federal grants	20,694,075		17,199,027	
State grants	6,593,195		5,563,372	
Local grants	1,785		2,450	
Private gifts	4,556,275	3,670,924	2,282,439	31,516,860
Donor gift change in designation or beneficiary		(15,317,456)		
University support		3,397,557		3,364,852
Investment income — net of investment expense	19,442,211	32,445,939	8,278,995	16,155,393
Interest on capital asset-related debt	(7,431,076)		(6,425,686)	
Disposal and write-offs of plant facilities	(707,561)		(170,126)	
Net nonoperating revenues and expenses	180,346,586	24,196,964	164,099,952	51,037,105
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	5,791,645	5,860,527	44,147	32,151,385
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:				
State capital appropriations	14,024,105		20,766,812	
Capital grants and gifts	3,444,433		2,531,424	
Additions to permanent endowments	7,301	14,956,538	205,205	4,189,518
Total other revenues, expenses, gains, or losses	17,475,839	14,956,538	23,503,441	4,189,518
INCREASE IN NET ASSETS	23,267,484	20,817,065	23,547,588	36,340,903
NET ASSETS:				
Beginning of year	506,289,862	218,798,115	482,742,274	182,457,212
End of year	$ 529,557,346	$ 239,615,180	$ 506,289,862	$ 218,798,115

See notes to the financial statements. (Concluded)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	Primary Institution	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 213,247,160	$ 197,324,175
Grants and contracts	36,260,223	46,210,885
Payments to suppliers	(98,375,930)	(104,192,243)
Payments to employees	(261,104,174)	(251,014,000)
Payments for benefits	(76,101,255)	(67,911,097)
Payments for scholarships and fellowships	(37,585,701)	(33,429,762)
Loans issued to students	(4,261,745)	(3,217,977)
Collection of loans to students	2,898,452	3,248,595
Auxiliary enterprise sales	63,613,961	59,230,129
Sales and services	9,015,529	11,635,309
Other receipts	9,066,410	9,375,444
Net cash used in operating activities	(143,327,070)	(132,740,542)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	137,816,243	137,369,481
Gifts and grants for other than capital purposes	31,852,631	25,252,493
Federal direct student loan program receipts	97,628,329	100,020,920
Federal direct student loan program disbursements	(97,650,287)	(100,020,920)
Student organization agency transactions	(28,183)	(97,898)
Net cash provided by noncapital financing activities	169,618,733	162,524,076
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Proceeds from capital debt		72,390,000
Capital appropriations	11,394,203	21,776,537
Capital grants and gifts received	3,728,626	2,251,278
Purchases of capital assets	(53,081,762)	(52,884,868)
Principal paid on capital debt and leases	(10,284,049)	(46,962,056)
Interest paid on capital debt and leases	(7,431,076)	(7,133,768)
Net cash used in capital financing activities	(55,674,058)	(10,562,877)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	38,864,231	24,529,459
Investment income	7,648,449	8,454,605
Purchase of investments	(42,368,961)	(30,741,125)
Net cash provided by investing activities	4,143,719	2,242,939
NET (DECREASE) INCREASE IN CASH	(25,238,676)	21,463,596
CASH AND CASH EQUIVALENTS — Beginning of year	77,019,749	55,556,153
CASH AND CASH EQUIVALENTS — End of year, including restricted cash of $14,663,754 and $45,425,214, respectively.	$ 51,781,073	$ 77,019,749

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	Primary Institution	
	2007	2006
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (174,554,941)	$ (164,055,805)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	30,652,754	29,427,367
Changes in assets and liabilities:		
Accounts receivable — net	(7,762,725)	(1,874,755)
Notes receivable — net	(1,162,321)	177,517
Prepaid expenses and deferred charges	2,785,882	(2,800,674)
Inventories	(111,511)	(72,733)
Accounts payable and accrued liabilities	5,173,743	2,783,031
Deferred revenue	(1,366,691)	3,812,005
Refunds and other liabilities	3,018,740	(136,495)
NET CASH USED IN OPERATING ACTIVITIES	$ (143,327,070)	$ (132,740,542)

See notes to financial statements. (Concluded)

1. ORGANIZATION AND SUMMARY OF 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 13-member Board of Trustees. The Governor, with the advice and consent of the State Senate, appoints nine trustees for staggered nine-year nonrenewable terms. In addition, two nonvoting student members are appointed to the Board of Trustees for staggered two-year terms. The Ohio University Board of Trustees created two National Trustee positions and invites two distinguished out-of-state University alumni to sit with the Trustees and participate in the deliberations of the Board. One term is two years and the other is three years. Both are nonvoting members.

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 GASB Statement No. 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities (an amendment of GASB Statement No. 34).* 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 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. See Note 17 for additional disclosures regarding the Foundation.

Basis of Accounting — The University is a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and 35. Accordingly, the financial statements are presented using an economic resources measurement focus and are presented on the accrual basis of accounting. Under the accrual basis, 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. Nonpublicly traded investments are carried at estimated fair value provided by the funds' managements. Some fund valuations are determined as of March 31 and adjusted by cash receipts, cash disbursements and securities distributions through June 30. The University believes that the carrying amounts are reasonable estimates of fair value as of year-end. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statements of Revenues, Expenses, and Changes in Net Assets. Investments classified as current assets in the Statements of Net Assets include those that can be withdrawn on demand.

Accounts Receivable — Accounts receivable consists of amounts due for tuition and fees, grants and contracts, and auxiliary enterprise services. Grants and contracts accounts receivable include amounts due from the Federal government, State, and local governments, or private sources, as reimbursement of 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.

Restricted Cash and Cash Equivalents — Restricted cash and cash equivalents are primarily funds externally restricted for capital expenditures subject to bond and note agreements and which are either held by bond trustees or temporarily invested in STAR Ohio. In addition, it includes some funds held in escrow for successful completion of construction contracts.

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 computed using the straight-line method over the estimated useful life of the asset.

Following are the capitalization levels and estimated useful lives of the 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

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 and certain auxiliary activities received prior to the end of the fiscal year related to the subsequent accounting period.

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 — The University's net assets are categorized as described below:

Invested in Capital Assets — Net of Related Debt — This net asset class represents the University's investment in capital assets net of debt obligations related to those capital assets, except to the extent of debt proceeds not yet expended.

Restricted Net Assets — Nonexpendable — This net asset class represents the donor contributed portion of University endowments. It also includes capital appreciation of those endowments where the donor has not adopted the University's endowment expenditure policy, meaning that the capital appreciation of those accounts remain a part of the corpus.

Restricted Net Assets — Expendable — Restricted expendable net assets represent assets that are restricted by a third party, either legally or contractually.

Unrestricted Net Assets — Unrestricted net assets are resources derived primarily from student tuition, fees, State appropriations, and auxiliary enterprises. These net 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 Versus 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 (the "Code") and has further been classified as an organization that is not a private foundation in accordance with Sections 509(a)(1) and 170(b)(1)(A)(ii) of the Code. However, certain revenues are considered unrelated business income and are taxable under Internal Revenue Code Sections 511 through 513.

Classification of Revenues — Revenues classified as operating or nonoperating are done so according to the following:

Operating Revenues — 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.

Nonoperating Revenues — Nonoperating revenues include revenues from activities that have the characteristics of nonexchange 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, efforts related more to the acquisition of the revenue, rather than the earning of it.

Scholarship Discounts and Allowances — Student tuition and fees 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 making the payments on the students' behalf. As of June 30, 2007 and 2006, respectively, scholarship discounts and allowances were $46,998,538 (of which $39,514,236 is netted against student tuition and fees and $7,484,302 is netted against auxiliary enterprises revenues) and $48,681,179 (of which $39,543,722 is netted against student tuition and fees and $9,137,457 is netted against auxiliary enterprises revenues).

Auxiliary Enterprises — Auxiliary revenues are derived primarily from revenues generated from residence halls, dining services, intercollegiate athletics, airport operations, telephone operations, parking services, and campus recreation. They are shown net of scholarship discounts and allowances, primarily for room and board.

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

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

Newly Issued Accounting Pronouncements — In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. This Statement is effective for financial statements for periods beginning after December 15, 2006.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006.

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement explains when pollution remediation-related obligations should be reported and how those obligations' costs and liabilities should be determined. The Statement also requires note disclosures about the liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2007.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures — an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for OPEB and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This Statement is effective for financial statements for periods beginning after June 15, 2007.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes standards for the capitalization, amortization, and financial reporting of intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

University management has not yet determined the impact that implementation of GASB Statements Nos. 45, 48, 49, 50, and 51 will have on the University's financial statements.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS, CASH AND CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2007, the carrying amount of the University's cash and cash equivalents for all funds is $51,781,073, compared to bank balances of $57,349,803. The differences in carrying amount and bank balances are caused by outstanding checks and deposits-in-transit. Of the bank balances, $614,692 is covered by Federal deposit insurance and $56,735,111 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
- Private equity and venture capital

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 who keep the securities in their safekeeping accounts at the Federal Reserve Bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the University. Common stocks, corporate bonds, money market instruments, mutual funds, and other investments are invested through trust agreements with banks who keep the investments in their safekeeping 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 at June 30, 2007 and 2006, are as follows:

Type	2007	2006
Common stock	$ 4,814,473	$ 4,908,225
Equity mutual funds	49,143,494	49,953,796
U.S. government obligations	2,023,610	1,610,905
U.S. government agency obligations	5,647,895	5,259,113
Mortgage-backed securities	1,003,162	729,890
Corporate bonds and notes	1,091,009	1,333,071
Bond mutual funds	44,432,232	44,573,978
Other	20,413,348	4,932,752
Total	$128,569,223	$113,301,730

The University's investment strategy incorporates certain financial instruments that involve, to varying degrees, elements of market risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate movements and rate fluctuations embodied in forward, futures, commodity, 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, 2007, maturities of the University's interest-bearing investments are as follows:

		Investment Maturities (in Years)			
Investment Type	Fair value	Less than 1	1–5	6–10	More Than 10
U.S. government obligations	$ 2,023,610	$ -	$ 1,999,477	$ 24,133	$ -
U.S. government agency obligations	5,647,895	396,087	5,058,253	193,555	
Mortgage-backed securities	1,003,162		54,867	790,951	157,344
Corporate bonds	1,091,009	610,858	480,151		
Bond mutual funds	44,432,232	3,241,248	21,973,009	16,953,397	2,264,578
Other	1,102,975	503,975	599,000		
Total	$55,300,883	$ 4,752,168	$30,164,757	$17,962,036	$2,421,922

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 statements of net assets and is not represented by the contract or notional amounts of the instruments. Credit quality information, as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations, such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings, provides a current depiction of potential variable cash flows and credit risk.

The credit ratings of the University's interest-bearing investments at June 30, 2007, are as follows:

		Credit Quality (Moody's)				
	Fair Value	**Aaa**	**Aa**	**A**	**Baa**	**Ba**
U.S. government obligations	$ 2,023,610	$ 2,023,610	$ -	$ -	$ -	$ -
U.S. government agency obligations	5,647,895	5,647,895				
Mortgage-backed securities	1,003,162	1,003,162				
Corporate bonds	1,091,009	199,982	304,699	586,328		
Bond mutual funds	44,423,232	29,981,001	14,442,231			
Other	1,102,975	1,102,975				
Total	$ 55,291,883	$ 39,958,625	$ 14,746,930	$ 586,328	$ -	$ -

Custodial Credit Risk — Custodial credit risk is the risk that, in the event of the 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, 2007, 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. At June 30, 2007, there were no single issuer investments that exceeded 5%.

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. At June 30, 2007, the University's exposure to foreign currency risk is as follows:

Currency	Equity Mutual Funds	Bond Mutual Funds	Other
Australian dollar	$ 400,207	$ 42,014	$ -
Brazilian real	583,465	630,208	
Chinese yuan	476,522		
Euro	5,293,289	112,037	126,147
Hong Kong dollar	433,429		
Indian rupee	409,337	28,009	
Israeli shekels	102,348		
Japanese yen	2,886,660		
Malaysian ringgit	98,873	28,009	
Mexican new peso	296,618	56,019	
Pound Sterling	2,226,710		
Russian rouble	189,986	112,037	
Singapore dollar	150,607	70,023	
South African rand	130,664		
South Korean won	612,951	42,014	
Swedish krona	612,951	14,005	23,653
Swiss franc	584,623		
Taiwan dollar	395,322		
Thai baht	142,493		
Turkish lira	129,274		
Other foreign currencies	295,743	84,028	
Total	$16,452,072	$1,218,403	$149,800

3. ACCOUNTS RECEIVABLE

The composition of accounts receivable at June 30, 2007 and 2006, is summarized as follows:

	2007	2006
Student receivables for fees, room, and board	$23,600,597	$17,061,747
Research and other sponsored programs	14,493,406	12,630,258
Other	13,113,861	10,366,946
Subtotal — accounts receivable	51,207,864	40,058,951
Less allowance for doubtful accounts	(6,721,849)	(4,717,779)
Net accounts receivable	$44,486,015	$35,341,172

4. NOTES RECEIVABLE

The University notes receivable at June 30, 2007 and 2006, is net of allowance for doubtful accounts of $1,526,043 and $1,146,248, respectively. Principal repayment and interest terms vary. Federal loan programs are funded primarily through Federal contributions under Perkins and various nursing programs.

The University distributed $97,650,287 and $100,020,920 for student loans through the U.S. Department of Education Federal Direct Lending program during the years ended June 30, 2007 and 2006, respectively. These distributions and the related funding sources are included as cash disbursements and cash receipts in the accompanying Statements of Cash Flows.

The composition of notes receivable as of June 30, 2007 and 2006, is as follows:

	2007	2006	Current Portion
Student loan program	$15,534,740	$14,171,447	$3,268,024
COM former students	1,007,012	1,106,188	97,242
Total notes receivable	16,541,752	15,277,635	
Less allowance for doubtful accounts	(1,526,043)	(1,146,248)	
Net notes receivable	$15,015,709	$14,131,387	

5. CAPITAL ASSETS

The changes in the various fixed asset classes for the years ended June 30, 2007 and 2006, for the University are as follows:

	Balance July 1, 2006	Additions	Transfers In (Out)	Retirements	Balance June 30, 2007
Capital assets not being depreciated:					
Land	$ 16,216,224	$ -	$ -	$ -	$ 16,216,224
Land improvements	4,701,091				4,701,091
Construction in progress	82,363,253	40,647,177	(95,412,882)	(181,417)	27,416,131
Works of art and historical treasures	8,234,552	280,695			8,515,247
Total capital assets not being depreciated	111,515,120	40,927,872	(95,412,882)	(181,417)	56,848,693
Capital assets being depreciated:					
Infrastructure	95,146,560	715,734	5,193,591	(4,191,320)	96,864,565
Buildings	533,513,188	912,566	90,219,291		624,645,045
Machinery and equipment	103,122,011	6,736,990		(3,717,989)	106,141,012
Library books and publications	76,579,733	2,692,742		(1,830,605)	77,441,870
Transportation equipment	19,190,903	1,095,858		(760,125)	19,526,636
Total capital assets being depreciated	827,552,395	12,153,890	95,412,882	(10,500,039)	924,619,128
Total capital assets	939,067,515	53,081,762	-	(10,681,456)	981,467,821
Less accumulated depreciation:					
Infrastructure	34,711,814	4,319,675		(3,831,320)	35,200,169
Buildings	234,138,747	13,368,556			247,507,303
Machinery and equipment	66,679,674	7,998,447		(3,323,630)	71,354,491
Library books and publications	59,918,188	3,440,390		(1,830,605)	61,527,973
Transportation equipment	10,262,134	1,525,686		(572,211)	11,215,609
Total accumulated depreciation	405,710,557	30,652,754	-	(9,557,766)	426,805,545
Total capital assets being depreciated — net	421,841,838	(18,498,864)	95,412,882	(942,273)	497,813,583
Capital assets — net	$533,356,958	$ 22,429,008	$ -	$(1,123,690)	$554,662,276

	Balance July 1, 2005	Additions	Transfers In (Out)	Retirements	Balance June 30, 2006
Capital assets not being depreciated:					
Land	$ 16,202,224	$ 14,000	$ -	$ -	$ 16,216,224
Land improvements	4,701,091				4,701,091
Construction in progress	59,353,941	40,026,418	(17,017,106)		82,363,253
Works of art and historical treasures	8,234,552				8,234,552
Total capital assets not being depreciated	88,491,808	40,040,418	(17,017,106)	-	111,515,120
Capital assets being depreciated:					
Infrastructure	90,735,111	542,096	3,869,353		95,146,560
Buildings	519,575,572	789,863	13,147,753		533,513,188
Machinery and equipment	98,563,436	8,080,278		(3,521,703)	103,122,011
Library books and publications	73,799,371	2,780,362			76,579,733
Transportation equipment	19,258,814	651,851		(719,762)	19,190,903
Total capital assets being depreciated	801,932,304	12,844,450	17,017,106	(4,241,465)	827,552,395
Total capital assets	890,424,112	52,884,868	-	(4,241,465)	939,067,515
Less accumulated depreciation:					
Infrastructure	30,563,599	4,148,215			34,711,814
Buildings	222,186,868	11,951,879			234,138,747
Machinery and equipment	61,451,358	8,188,588		(2,960,272)	66,679,674
Library books and publications	56,407,349	3,510,839			59,918,188
Transportation equipment	9,110,346	1,627,846		(476,058)	10,262,134
Total accumulated depreciation	379,719,520	29,427,367	-	(3,436,330)	405,710,557
Total capital assets being depreciated — net	422,212,784	(16,582,917)	17,017,106	(805,135)	421,841,838
Capital assets — net	$ 510,704,592	$ 23,457,501	$ -	$ (805,135)	$ 533,356,958

On April 2, 2006, there was a valve failure in the chilled water system of Grover Center causing a 3-inch pipe on the third floor to burst. The burst pipe caused major water damage to 40-50% of the building. Grover Center, which houses the College of Health and Human Services' offices and classrooms on the Athens campus was built in 1960 and underwent $24,430,000 of major renovation ending in 2001. Following the cleanup of the water damage, the cost of restoration was determined to be $1,093,000 at June 30, 2006.

The restoration cost approach was used to determine the impairment loss to the building. Using a ratio of the carrying value of the building to the deflated restoration cost, the impairment loss was determined to be $787,500. The new carrying value of the building is $22,141,500 (original carrying value of $21,834,000, plus the restoration cost of $1,093,000 less the impairment loss of $785,500). This is reflected as a $307,500 increase to Capital Assets — Net in the Statement of Net Assets.

In addition to the $1,093,000 in restoration costs for the building, expenditures totaling $447,900 for furniture, demolition, cleaning, etc., were recorded as Operating Expenses — Operation and Maintenance of Plant during 2006. The total insurable damage was $1,540,900 less the insurance recovery of $1,440,900 reflects the University's insurance deductible of $100,000.

The impairment loss of $785,500 was net with the insurance recovery of $1,440,900 to reflect a net increase to Operating Revenue — Other Sources of $655,400 related to the water damage in Grover Center. Twenty-five percent of Grover Center was considered idle at June 30, 2006, which is $5,535,375.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2007 and 2006, consisted of the following:

	2007	2006
Accounts payable	$16,000,974	$12,725,919
Accrued liabilities	26,578,928	26,643,391
Total	$42,579,902	$39,369,310

7. BONDS AND NOTES PAYABLE

The University's bonds and notes payable at June 30, 2007 and 2006, are summarized as follows:

	July 1, 2006	Borrowed	Retired	June 30, 2007	Current
Subordinated general receipts bonds — series 2006C	$ 8,025,000	$ -	$ 2,435,000	$ 5,590,000	$ 4,560,000
Subordinated general receipts bonds — series 2006B	29,170,000			29,170,000	1,025,000
Subordinated general receipts bonds — series 2006A	28,145,000		355,000	27,790,000	1,090,000
General receipts bond anticipation notes	7,050,000	6,350,000	7,050,000	6,350,000	6,350,000
Subordinated general receipts bonds — series 2004	49,760,000		510,000	49,250,000	1,455,000
Subordinated general receipts bonds — series 2003	41,885,000		3,600,000	38,285,000	3,785,000
Subordinated variable general receipts bonds — series 2001	28,735,000		2,585,000	26,150,000	2,505,000
Total bonds and notes payable	$192,770,000	$6,350,000	$16,535,000	$182,585,000	$20,770,000

	July 1, 2005	Borrowed	Retired	June 30, 2006	Current
Subordinated general receipts bonds — series 2006C	$ -	$ 8,025,000	$ -	$ 8,025,000	$ -
Subordinated general receipts bonds — series 2006B		29,170,000		29,170,000	
Subordinated general receipts bonds — series 2006A		28,145,000		28,145,000	355,000
General receipts bond anticipation notes	7,650,000	7,050,000	7,650,000	7,050,000	7,050,000
Subordinated general receipts bonds — series 2004	52,430,000		2,670,000	49,760,000	510,000
Subordinated general receipts bonds — series 2003	45,285,000		3,400,000	41,885,000	3,600,000
Subordinated variable general receipts bonds — series 2001	33,535,000		4,800,000	28,735,000	2,584,160
General receipts bonds — series 1999	28,510,000		28,510,000	-	
Total bonds and notes payable	$167,410,000	$72,390,000	$47,030,000	$192,770,000	$14,099,160

On January 17, 2007, the University issued General Receipts Bond Anticipation Notes (the Superior Notes) totaling $6,350,000. The proceeds are being used to finance the replacement of major administrative systems (human resources, payroll, and financial) and the purchase of an imaging system. The principal payment on the Notes was made as scheduled. Notes outstanding of $6,350,000 at June 30, 2007, mature on January 16, 2008, and bear an interest rate of 4.25%.

On April 6, 2006, the University issued $29,170,000 in Subordinated General Receipts Bonds, Series 2006B, and $8,025,000 in Subordinated Variable Rate General Receipts Bonds, Series 2006C. The proceeds were used to pay part of the costs of construction of a 350-bed residence hall, and to finance the following: Development of a student information system, an energy performance contract, audio visual equipment and furniture, design costs for the renovation of the former Baker Center facility for use by the College of Communication, and design costs for the Academic and Research Center. The balances outstanding for the Series 2006B and Series 2006C Bonds as of June 30, 2007, were $29,170,000 and $5,590,000, respectively. For Series 2006C, the variable rate of interest in effect at June 30, 2007, was 3.75%, and the average variable rate of interest for the year ending June 30, 2007, was 3.65%.

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 defined below. The balance outstanding as of June 30, 2007, was $27,790,000.

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, 2007, was $49,250,000.

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, 2007, was $38,285,000.

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, 2007, was $26,150,000. The variable rate of interest in effect at June 30, 2007, was 3.75%. The average variable rate of interest for the year ending June 30, 2007, was 3.65%.

On October 3, 2001, the University entered into a swap agreement with Morgan Guaranty Trust Company of New York to hedge $31,020,000 of the University's Series 2001 Bonds. The swap agreement converts the Series 2001 Bonds' variable interest rate to a fixed rate of 4.039%, settled on the first day of each month. The total amounts paid related to the swap agreement for the year ended June 30, 2007 and 2006, were $100,852 and $281,174, respectively. These amounts are included as an adjustment to interest on capital asset-related debt in the Statements of Revenues, Expenses, and Changes in Net Assets. As of June 30, 2007, the swap had a negative fair value of $151,225. As the swap has a negative fair value, the University is not exposed to credit risk. However, should interest rates begin to rise; the negative fair value of the swap would be reduced and could eventually become positive. At that point, the University would be exposed to counterparty credit risk since the counterparty would be obligated to make payments to the University. The occurrence of a credit event with respect to the University or the counterparty, defined as a reduction in the long-term bond rating to less than Baa2 by Moody's Investors Service, Inc. or BBB by Standard & Poor's, would result in termination of the swap agreement. As of June 30, 2007, no termination events had occurred.

On March 15, 1999, the University issued $32,520,000 in General Receipts Bonds, Series 1999, 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.

The Superior Notes and the Series 1999 Bonds are bound by the provisions of a Trust Agreement dated June 1, 1972 (the Prior Indenture), and its supplements as described below. The Prior Indenture and its supplements relate to the provisions of the Superior Notes and the Series 1999 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 Series 2006A Bonds, the Series 2006B Bonds, the Series 2006C Bonds, the Series 2004 Bonds, the Series 2003 Bonds and the Series 2001 Bonds are secured by a Trust Agreement dated May 1, 2001 (the Subordinated Indenture) and its supplements as described below. While any Superior Obligations issued are outstanding, the pledge and lien on the General Receipts authorized and granted by the Subordinated Indenture are subordinate to the pledge and lien on the General Receipts that secure the Superior Obligations.

A First Supplemental Trust Agreement to the Subordinated Indenture binds the Series 2001 Bonds. A Second Supplemental Trust Agreement binds the Series 2003 Bonds. The Series 2003B Notes were issued pursuant to a Third Supplemental Trust Agreement. A Fourth Supplemental Trust Agreement binds the 2004 Bonds. A Fifth Supplemental Trust Agreement binds the Series 2006A Bonds. A Sixth Supplemental Trust Agreement binds the Series 2006B and Series 2006C Bonds.

Details of the series are as follows:

Series	Interest Rate	Maturity Fiscal Year	Initial Issue Amount	Outstanding at June 30, 2007
2001	Variable	2007–2027	$48,025,000	$ 26,150,000
2003	5.00%–5.25%	2007–2024	47,860,000	38,285,000
2004	2.00%–5.00%	2007–2032	52,885,000	49,250,000
2006A	3.50%–5.00%	2007–2025	28,145,000	27,790,000
2006B	3.75%–5.00%	2007–2037	29,170,000	29,170,000
2006C	Variable	2007–2018	8,025,000	5,590,000
Total				$176,235,000

Principal and interest payment requirements for the bonded debt for the years subsequent to June 30, 2007, are summarized as follows:

Years Ending June 30	Principal	Interest	Swap Interest	Total
2008	$ 14,420,000	$ 7,732,216	$ 895,087	$ 23,047,303
2009	11,215,000	7,233,482	819,250	19,267,732
2010	9,635,000	6,770,064	747,138	17,152,202
2011	9,715,240	6,332,758	670,228	16,718,226
2012	10,035,000	5,884,971	590,580	16,510,551
2013–2017	44,085,600	23,439,272	1,647,679	69,172,551
2018–2022	29,535,000	14,357,029	374,675	44,266,704
2023–2027	23,264,160	8,111,729	149,598	31,525,487
2028–2032	18,340,000	3,548,125		21,888,125
2033–2037	5,990,000	697,500		6,687,500
Total	$176,235,000	$84,107,146	$5,894,236	$266,236,382

8. CAPITAL LEASES

The University has $329,606 in capital lease obligations that have varying maturity dates through 2014 and carry implicit interest rates ranging from 3.9% to 12.5%. Lease arrangements are being used to provide partial financing for certain equipment. Capital asset balances as of June 30, 2007, that are financed under capital leases are $614,156.

Capital leases as of June 30, 2007 and 2006, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
For the year ended: June 30, 2007	$ 92,349	$ 336,306	$ (99,049)	$ 329,606	$ 86,942
June 30, 2006	$ 119,147	$ 41,146	$ (67,944)	$ 92,349	$ 54,526

The scheduled maturities of these leases as of June 30, 2007, are:

Years Ending June 30	Minimum Lease Payments
2008	$ 106,282
2009	67,128
2010	67,128
2011	53,990
2012	40,320
2013-2014	53,760
Total minimum capital lease payments	388,608
Less amount representing interest	59,002
Net minimum capital lease payments	329,606
Less current portion	86,942
Noncurrent capital lease obligations	$ 242,664

9. OPERATING LEASES

The University leases various facilities and equipment under operating lease agreements. These facilities and equipment are not recorded as assets in the balance sheet. The total rental expense under these agreements was $2,159,771 for the year ended June 30, 2007.

Future minimum payments for all significant operating leases with initial terms in excess of one year as of June 30, 2007, are as follows:

Years Ending June 30	
2008	$1,365,745
2009	1,084,975
2010	678,498
2011	473,764
2012	200,444
2013–2017	174,415
2018–2022	57,507
Total minimum operating lease payments	$4,035,348

10. 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 liability for accrued vacation at June 30, 2007 and 2006, was $10,025,718 and $9,662,060, 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, 2007 and 2006, was $3,461,428 and $4,110,259, respectively.

A summary of compensated absences as of June 30, 2007 and 2006, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
For the year ended:					
June 30, 2007	$ 13,772,319	$ 10,111,409	$ (10,396,582)	$ 13,487,146	$ 700,000
June 30, 2006	$ 13,669,269	$ 11,210,879	$ (11,107,829)	$ 13,772,319	$ 750,000

11. RETIREMENT PLANS

Employees of Ohio University are covered under one of three retirement plans, unless eligible for exemption in the case of many 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 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling toll free 1-888-227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org. The OPERS report may be obtained by making a written request to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Eligible employees have 120 days from their date of hire to make an irrevocable election to participate in the ARP. Under this plan, employees who would have otherwise been required to be in STRS Ohio or OPERS and who elect to participate in the ARP must contribute the employee's share of retirement contributions to one of nine private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Board of Regents. That amount is 3.5% for STRS Ohio and 0% for OPERS for the year ended June 30, 2007. 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. The University's contributions each year are equal to its required contributions.

Following are the employee and employer contribution rates in effect for fiscal year 2007:

	Contribution Rates		
	STRS Ohio	**OPERS**	**ARP**
Faculty			
Employee — all year	10 %		10 %
University — all year	14 %		14 %
Staff			
Employee			
July – December 2006		9.00 %	9.00 %
January – June 2007		9.50 %	9.50 %
University			
July – December 2006		13.54 %	13.54 %
January – June 2007		13.77 %	13.77 %
Law Enforcement Staff			
Employee — all year		10.10 %	10.10 %
University			
July – December 2006		16.93 %	16.93 %
January – June 2007		17.17 %	17.17 %

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

	Employer Contributions		
	STRS Ohio	OPERS	ARP
2007	$ 11,166,000	$ 13,327,000	$ 7,426,000
2006	11,020,000	12,628,000	6,931,000
2005	10,870,000	12,282,000	6,660,000

The payroll for employees covered by OPERS and STRS Ohio for the year ended June 30, 2007, was $97,595,000 and $79,755,000, respectively. The payroll for employees covered by OPERS and STRS Ohio for the year ended June 30, 2006, was $94,072,000 and $78,719,000, respectively. For the years ended June 30, 2007 and 2006, the University's total payroll was $261,104,000 and $251,014,000, respectively.

Other Postemployment Benefits — 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 the Ohio Public Employees Retirement System of Ohio ("OPERS") and the State Teachers Retirement System of Ohio ("STRS Ohio").

OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit ("OPEB") 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. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2006 employer contribution rate for state employers was 13.54% of covered payroll of which 4.0% was the portion used to fund health care for the year. For both the public safety and law enforcement divisions, the 2006 employer rate was 16.93% and 4.0% was used to fund health care. The number of active contributing participants as of December 31, 2005, was 358,804.

The actuarial value of the OPERS' net assets available for OPEB at December 31, 2005 (the date of the system's latest actuarial review), is $11.1 billion. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2005, reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at $31.3 billion and $20.2 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 14.0% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2006 and 2005, 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 $3.5 billion on June 30, 2006, the date of the most recent information available from STRS Ohio.

For the fiscal year ended June 30, 2006, the date of the most recent information available from STRS, net health care costs paid by STRS Ohio were $282,743,000. There were 119,184 eligible benefit recipients.

12. EARLY RETIREMENT INCENTIVE PLAN

In FY 2006, the University Board of Trustees approved an Early Retirement Incentive Plan ("ERIP") buyout for eligible employees in the Ohio Public Employees Retirement System ("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 buyout period began on April 1, 2006. The period remained open until August 31, 2007. A $10,000 incentive was offered to employees who signed up for the buyout by April 28, 2006, and who would retire by July 1, 2006. Eligible employees are 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 become eligible to retire due to the incentive plan; who become eligible to retire during the open period; or who become eligible due to purchasing additional service credit, i.e., exempt, refunded, military, or other eligible time.

As of June 30, 2007, 116 employees had signed up for the ERIP for a total cost of approximately $3.6 million which includes sick and vacation payouts in accordance with standard policy, the $10,000 incentive bonus for the 67 employees who left by July 1, 2006, and the OPERS payment calculated and billed by OPERS.

13. RISK MANAGEMENT AND CONTINGENCIES

Legal — During the normal course of operations, the University has become a defendant in various legal and administrative actions. In accordance with Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*, 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*.

A summary of changes in the self-insurance claims liability for each of the periods in the three-year period ended June 30, 2007, is as follows:

	2007	2006	2005
Accrued claims liability — beginning of year	$ 3,644,000	$ 3,644,000	$ 3,500,000
Incurred claims — net of favorable settlements	33,790,462	33,103,688	30,343,446
Claims paid	(33,790,462)	(33,103,688)	(30,199,446)
Accrued claims liability — end of year	$ 3,644,000	$ 3,644,000	$ 3,644,000

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.

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

Type	Deductible	Coverage
Aircraft liability (AL)	$ 50,000	$ 5,000,000
Aircraft liability (King Airs)	-	50,000,000
Airport liability	-	10,000,000
General liability umbrella (GL)	-	4,000,000
Crime	100,000	5,000,000
Educators legal liability umbrella (ELL)	100,000	4,000,000
Excess liability (Shared)	-	50,000,000
Foreign liability	-	1,000,000
Self-insured retention AL GL ELL	100,000	1,000,000
Property	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.

14. CAPITAL PROJECT COMMITMENTS

At June 30, 2007, the University is committed to future capital expenditures as follows:

Contractual commitments	$14,221,242
Estimated completion costs of projects	55,794,095
	$70,015,337
These projects will be funded by:	
State appropriations	$36,551,936
University funds (including bond funds)	23,062,558
Gifts, grants, and other	10,400,843
	$70,015,337

15. OTHER NONCURRENT LIABILITIES

Refundable Advances for Federal Student Loans — Refundable advances for federal student loans for the years ended June 30, 2007 and 2006, respectively, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
For the year ended:					
June 30, 2007	$10,666,751	$ -	$ (2,044,886)	$ 8,621,865	$ -
June 30, 2006	$10,248,823	$473,997	$ (56,069)	$10,666,751	$ -

16. DONOR-RESTRICTED ENDOWMENTS

Under the standard established by Section 1715.56 of the Ohio Revised Code, an institution may appropriate so 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 2007 was 5% (including a 1% administrative fee) compared to 5% for fiscal year 2006.

The amounts of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure by the Board were $14,682,216 and $12,320,711 for June 30, 2007 and 2006, respectively. Those amounts are reported as restricted expendable net assets.

17. THE OHIO UNIVERSITY FOUNDATION

The Ohio University Foundation (the "Foundation") was incorporated in Ohio in October 1945 to support the educational undertakings of 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.

The Foundation's wholly owned subsidiary, Inn-Ohio of Athens, Inc. (the "Inn"), owns and operates a 144-room hotel and restaurant facility in Athens, OH known as The Ohio University Inn. The Foundation's other wholly owned subsidiary, Housing for Ohio, Inc. ("Housing"), constructed and operates a 182-unit student-housing complex in Athens, OH. The Foundation also owns a minority interest (44.3% at June 30, 2007 and 2006) in Diagnostic Hybrids, Inc. (DHI), which develops and manufactures tissue cell cultures, antibody kits, and biological reagents for use in medical laboratories. The Foundation consolidates a supporting organization that is deemed to be financially interrelated under the provisions of Financial Accounting Standards Board Statement No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*.

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 subsidiaries — the Inn, Housing, and one supporting organization. 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 contributions receivable, investments for the Foundation, and receivables related to operations of the Inn. Exposure to losses on contributions receivable is principally dependent on each donor's financial condition. The Foundation monitors the exposure for credit losses and maintains allowances for anticipated losses.

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.

Regarding the Inn, the management company that operates the Inn is responsible for collection of receivables. Additionally, 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.

Contributions of charitable gift annuities are reduced by the actuarially determined liability resulting from acceptance of the gift. Contributions are held in charitable remainder 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 4.69% for fiscal year 2007 and 4.87% for fiscal year 2006. Amortization of the discounts is included in contribution revenues. Unconditional promises to give, which are silent as to the due date, are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

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

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

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

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

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

Depreciation of buildings is recorded over periods ranging from 10 to 40 years using the straight-line method. Depreciation and amortization of other property, equipment, and improvements is 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, 2007 and 2006.

Restricted Cash — Restricted cash represents cash that, under terms of the bond issue trust indenture agreement (“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.

Additionally, at June 30, 2006, restricted cash represents partial proceeds of a term loan by the Inn that are held in escrow to retire a previous bond issue.

Donor Gift Change in Designation or Beneficiary — The changes in designation or beneficiary are due to specific direction received from donors in the current fiscal year of gifts received by the Foundation in previous fiscal years, one pledge in an undiscounted amount of $6,250,000 was transferred from the Foundation to the University.

Functional Allocation of Expenses — The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the programs and supporting 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. Income taxes for the Inn totaled $2,009 and $93,241, respectively, for the years ended June 30, 2007 and 2006.

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, 2007 and 2006.

The Foundation has estimated the fair values of its financial instruments using available quoted market information and other valuation methodologies in accordance with FASB Statement No. 107, *Disclosures About Fair Value of Financial Instruments*. 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.

Recent Accounting Pronouncements — In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. FASB Statement No. 157 applies whenever other statements require or permit assets or liabilities to be measured at fair value. FASB Statement No. 157 is effective for fiscal years beginning after November 15, 2007. The Foundation is currently evaluating the impact this Statement will have on the consolidated financial statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Asset and Financial Liability: Including an amendment of FASB Statement No. 115*. FASB Statement No. 159 permits all entities to elect to measure certain financial instruments and other items at fair value with changes in fair value reported in earnings. FASB Statement No. 159 is effective as of the beginning of the first fiscal year that begins after November 15, 2007. The Foundation is evaluating the impact, if any, adopting FASB Statement No. 159 may have on its consolidated financial statements.

In June 2006, the FASB issued Interpretation ("FIN") No. 48, *Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109*, which clarifies the accounting for uncertainty in income taxes recognized in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, on the tax return. This Interpretation also provides guidance on derecognition, classification, interest, penalties, accounting in interim periods, disclosure, and transition. The evaluation of a tax position in accordance with this Interpretation is a two-step process. The first step will determine if it is more likely than not that a tax position will be sustained upon examination and should therefore be recognized. The second step will measure a tax position that meets the more likely than not recognition threshold to determine the amount of benefit to recognize in the financial statements. This Interpretation is effective for fiscal years beginning after December 15, 2006. The Foundation is currently evaluating the impact this Statement will have on the consolidated financial statements.

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, 2007 and 2006, are available for the following purposes:

	2007		2006	
Board-designated quasi-endowment		$ 11,180,794		$ 9,817,429
Board-designated other:				
Board-designated 1804 fund	$ 465,483		$ 571,645	
Board-designated carryforward	67,954	533,437	167,985	739,630
Designated underwater accounts		(397,968)		(3,376,957)
Undesignated:				
Undesignated Housing	(2,689,718)		(2,665,221)	
Undesignated other	(1,705,689)	(4,395,407)	(2,580,124)	(5,245,345)
Unrestricted net assets		$ 6,920,856		$ 1,934,757

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

Temporarily restricted net assets as of June 30, 2007 and 2006, are available for the following purposes:

	2007	2006
Alumni relations	$ 873,876	$ 1,016,755
Institutional support	12,254,763	9,558,184
Instruction and departmental support	35,885,281	42,573,089
Academic services support	10,613,894	9,471,491
Intercollegiate athletics support	1,094,548	652,964
Student services	1,934,092	1,440,314
Scholarships and fellowships	45,063,407	35,448,690
Public services	457,570	348,793
Research	1,331,756	1,226,042
Fund raising and development	1,654,241	9,117,499
Other	25,000	18,585
	$111,188,428	$110,872,406

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.

Permanently restricted net assets as of June 30, 2007 and 2006, are available for the following purposes:

	2007	2006
Alumni relations	$ 1,398,107	$ 1,370,728
Institutional support	3,931,688	1,587,638
Instruction and departmental support	52,066,229	46,971,965
Academic services support	4,671,199	4,445,588
Intercollegiate athletics support	137,389	126,007
Student services	2,046,852	2,007,604
Scholarships and fellowships	56,223,647	46,871,570
Public services	317,004	309,308
Research	497,938	2,038,600
Fund raising and development	187,482	215,491
Other	28,361	46,453
	$121,505,896	$105,990,952

Pledges Receivable — Amounts included in pledges receivable for unconditional promises to give at June 30, 2007 and 2006, are as follows:

	2007	2006
Unconditional promises to give before unamortized discount and allowance for uncollectibles	$22,329,882	$35,546,013
Less allowance for uncollectibles	(4,153,358)	(6,777,974)
Subtotal	18,176,524	28,768,039
Less unamortized discount	(965,215)	(1,626,519)
Unconditional promises to give — net	$17,211,309	$27,141,520

	2007		2006	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Amounts due in:				
Less than one year	$ 2,875,439	$ 3,348,638	$ 7,130,435	$1,755,593
One to five years	1,635,499	6,079,229	12,620,406	1,196,173
More than five years	27,229	3,245,275	4,423,410	15,503
Total	$ 4,538,167	$ 12,673,142	$24,174,251	$2,967,269

Investments in Securities — The cost and market value of the investments in securities at June 30, 2007 and 2006, are as follows:

	2007		2006	
	Cost	Market	Cost	Market
Common and preferred stock	$ 106,351,182	$ 125,373,901	$ 110,069,564	$ 115,650,971
Short-term cash investments	10,979	10,979	2,396,620	2,328,239
Bonds and debentures	34,013,478	33,530,913	6,843,308	6,789,970
Alternative investments	36,785,018	51,173,307	48,055,921	52,941,024
Total investments	$ 177,160,657	$ 210,089,100	$ 167,365,413	$ 177,710,204

At June 30, 2007 and 2006, the Foundation's investment in DHI was recorded at fair market value of $6,942,150 and $6,744,380, respectively (cost of $3,467,829 at June 30, 2007 and 2006) and is included within alternative investments. The Foundation's supporting organization held an investment in a closely held stock at fair market value of $6,021,541 and $2,298,800 at June 30, 2007 and 2006, respectively, which is included in preferred stock. Other alternative investments include absolute return funds, venture capital, buyout, mezzanine/distressed debt, and real estate.

Market prices are not available for certain investments, primarily private equity and hedge funds. These investments are carried at estimated fair value provided by the funds' managements. Some fund valuations are determined as of June 30, while the remaining valuations are determined as of March 31 and adjusted by cash receipts, cash disbursements, and securities distributions through June 30. The Foundation believes that the carrying amounts are reasonable estimates of fair value as of year-end. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the financial statements using the equity method of accounting.

Property and Equipment — As of June 30, 2007 and 2006, property and equipment (primarily relating to Housing and the Inn) are as follows:

	2007	2006
Land	$ 805,198	$ 805,198
Land improvements	419,726	419,726
Building and building improvements	35,460,015	35,345,954
Furnishings, fixtures, and equipment	4,300,189	3,646,099
Construction in progress	14,766	34,210
	40,999,894	40,251,187
Less accumulated depreciation and amortization	(10,484,980)	(9,120,667)
Property and equipment — net	$ 30,514,914	$ 31,130,520

Total depreciation expense of $1,409,835 and $1,505,035 was recorded in fiscal years 2007 and 2006, respectively.

Support From Ohio University — During 2007 and 2006, the University paid certain payroll costs amounting to $3,346,008 and $3,339,852 and additional costs of $51,549 and $25,000, respectively, for the Foundation's Development Office, Office of Alumni Relations, and Accounting Office. The support costs paid by the University are reflected in the consolidated statements of activities as University support, with a like amount included in expenses.

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

Included in accounts receivable at June 30, 2007, is $63,667 owed to the Foundation by the University.

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, 2007 and 2006, ranged from 3.8% to 9.4%.

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 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, 2007 and 2006, the discount rate applied to the charitable remainder trusts was 4.82% and 4.87%, 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.

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.

Operations — The Inn's operations for the years ended June 30, 2007 and 2006, are summarized below:

	2007	2006
Revenue	$4,331,178	$ 4,313,636
Operating and general expenses	3,494,976	3,439,046
Depreciation and amortization	520,795	529,117
Interest expense — net	243,308	23,303
Provision for income taxes	2,009	93,241
Total expenses	4,261,088	4,084,707
Net income	70,090	228,929
Dividends paid to the Foundation		(3,000,000)
Unrealized (losses) gains	15,735	(52,881)
Change in net assets	$ 85,825	$ (2,823,952)

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% of the hotel's net available operating profit as defined in the Management Agreement.

In fiscal years 2007 and 2006, base management fees incurred by the Inn with respect to the Manager were $100,000 per year and incentive fees were $97,715 and $96,139, respectively.

The Inn has Alternative Minimum Tax credit carryforwards of approximately $54,000 at June 30, 2007 and June 30, 2006, which have indefinite lives.

Debt Obligations — Long-term debt of the Inn as of June 30, 2007 and 2006, consists of the following:

	2007	2006
Term loan — principal due through June 2021, interest at 6.2% through June 2011 and adjusted thereafter	$3,833,100	$4,000,000
1996 Serial Project Bonds		140,000
1996 Term Project Bonds		830,000
	3,833,100	4,970,000
Less unamortized discount on Series 1996 Bonds		(7,143)
Total	$3,833,100	$4,962,857

The 1996 Serial and Term Project Bonds (the "Bonds") were secured by a mortgage on the Inn and a security agreement granted by the Inn. The Bonds were also guaranteed by the Foundation from unrestricted money and investments. All bonds were redeemed in fiscal 2007.

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 Bonds in November 2006. The term loan is guaranteed by the Foundation. The balance in the bond fund at June 30, 2006, was $1,016,773.

Substantially all of the property and equipment is pledged as collateral for the term loan. The interest rate on the new term loan is fixed at 6.2% through June 2011. The interest rate will be adjusted to the index rate as defined in the agreement plus 1.40% in June 2011 and every five years thereafter.

Maturities of long-term debt at June 30, 2007, are set forth in the following schedule:

Years Ending November 1	Amount
2008	$ 177,600
2009	188,900
2010	201,000
2011	213,800
2012	227,400
Due thereafter	2,824,400
Total	$ 3,833,100

The fair value of the debt obligations at June 30, 2007 and 2006, approximated their carrying value.

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, OH on property owned by the University and leased to Housing. The facility is managed and operated by a private entity.

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 their knowledge of prevailing market conditions, except that in no event will the interest rate exceed 12%. The average interest rate for the years ended June 30, 2007 and 2006, was 3.68% and 3.02%, respectively, and the actual interest rate at June 30, 2007 and 2006, was 3.79% and 4.02%, respectively.

As collateral, until all principal and interest on any of the 2000 Bonds has been paid, Housing has pledged, assigned, and granted a security interest to its right, title, and interest in gross revenues of University Courtyard 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, 2007, are summarized as follows:

Years Ending June 30	Principal
2008	$ 575,000
2009	635,000
2010	670,000
2011	705,000
2012	740,000
Thereafter	26,750,000
Total	$ 30,075,000

Debt issuance costs are included in property on the consolidated statements of financial position and are amortized over the term of the Bonds. Amortization during the years ended June 30, 2007 and 2006, was $34,965 and $34,965, respectively.

Additionally, Housing has an outstanding promissory note to the Project's developer in the original amount of $700,000. The note is payable in 10 annual installments of $70,000 through June 2014. The payment terms are predicated on the Project's current management company remaining the manager of the Project. In the event that the current management company's services are terminated prior to the final payment, the remaining balance shall become immediately due and payable. There is no interest accruing on the note, and management of Housing believes that the present value discount of future payments and the calculation of imputed interest on this note are not material to the consolidated financial statements. Maturities of the note payable at June 30, 2007, are set forth in the following schedule:

Years Ending June 30	**Principal**
2008	$ 70,000
2009	70,000
2010	70,000
2011	70,000
2012	70,000
Thereafter	140,000
Total	$ 490,000

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OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
STUDENT AID CLUSTER:			
Department of Education:			
Supplemental Educational Opportunity Grants	84.007	P007A063342	$ 1,150,586
Federal Family Education Loans	84.032		15,003,478
College Work-Study Program	84.033	PO33A063342	879,844
College Work-Study Program (JLD)	84.033	PO33A063342	48,849
Pell Grant Program	84.063	P063P060345	16,680,439
Pell Grant Program (Prior Year)	84.063	P063P060345	14,094
Federal Direct Student Loan	84.268		97,628,329
Academic Competitiveness Grant	84.375	P375A060345	798,336
National Science and Mathematics Access to Retain Talent Grant	84.376	P376S060345	443,474
Total Department of Education			132,647,429
Department of Health and Human Services:			
Direct Programs:			
Loans for Disadvantaged Students	93.342		153,563
Scholarships for Health Professions Students From Disadvantaged Backgrounds	93.925	T08HP07009	172,722
Subtotal Direct Programs			326,285
Pass-Through Programs From — Ohio Board of Regents	93.558	UNKNOWN	325,375
Total Department of Health and Human Services			651,660
Total Student Aid Cluster			133,299,089
RESEARCH AND DEVELOPMENT CLUSTER:			
Appalachian Regional Commission — Pass-Through Programs From — IT Alliance of Appalachian Ohio	23.002	OH-14911-0-I	23,286
Department of Agriculture:			
Direct Programs:			
Injury and Mortality Risks	10.XXX	06-JV-11242328-002	25,307
Removal Control Japanese Stilt	10.XXX	05-JV-11242328-027	7,393
Leaf Area Index Se Ohio	10.XXX	05-JV-11242328-126	4,196
Policy Plan Invest Open Space	10.XXX	06-JV-11242300-070	10,868
Forestry Research	10.652	03-CA-11242343-034/04-111/05-120	220
Forestry Research	10.652	03-CA-11242343-072/04-CA-11242343-133	3,578
Forestry Research	10.652	04-CA-11242343-130	234
Forestry Research	10.652	05-CA-11242343-008	456
Subtotal Direct Programs			52,252
Pass-Through Programs From:			
National forest Foundation	10.999	5CY-09-01	4,000
Ohio State University Research Foundation	10.2	2002-34490-11919/2004-34490-14579	(67)
Subtotal Pass-Through Programs			3,933
Total Department of Agriculture			56,185

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Department of Commerce:			
Direct Programs — National Institute of Standards and Technology Measurement and Engineering Research and Standards	11.609	60NANB5D1089	50,565
Pass-Through Programs From — Florida State University	11.454	NA05NMF4540045	31,548
Total Department of Commerce			82,113
Department of Defense:			
Direct Programs:			
U.S. Army:			
Diamondback Terrapin Monitor	12.XXX	W912DR-05-P-0386	2,485
Diamondback Terrapin Md	12.XXX	W912DR-06-P-0306	19,827
Dietary Energy Requirements	12.XXX	DAMD17-95-1-5053	28,272
			50,584
Air force — Air force Defense Research Science Program	12.8	FA9550-07-1-0383	26,482
National Security Agency — Mathematical Sciences Grants Program	12.901	H98230-07-1-0070	5,229
Office of the Chief of Naval Research:			
Supernova Remnants Microquasar	12.XXX	N00173-07-P-2006	8,257
Basic and Applied Scientific Research	12.3	N00014-05-1-0418	232,707
			240,964
Subtotal Direct Programs			323,259
Pass-Through Programs From:			
Alien Technology Corporation	12.XXX	UNKNOWN	8,909
Austral Engineering and Software	12.XXX	FA8650-04-M-3435/FA8650-05-C-3520	139,611
Dayton Area Graduate Studies Institute	12.XXX	UNKNOWN	12,532
Dayton Area Graduate Studies Institute	12.XXX	UNKNOWN	46,480
Dayton Area Graduate Studies Institute	12.XXX	UNKNOWN	2,537
Defense Research Associates, Inc.	12.XXX	F33615-02-D-1291	17,579
Florida Air National Guard	12.XXX	W911YN-06-P-0002	3,131
General Dynamics Information Technology, Inc.	12.XXX	F33601-02-F-A581	17,471
General Dynamics Information Technology, Inc.	12.XXX	F33601-02-F-A581	16,000
General Dynamics Information Technology, Inc.	12.8	F33601-02-F-A581	2,085
Honeywell International	12.XXX	UNKNOWN	47,883
Innovative Scientific Solutions	12.XXX	F33615-03-D-2829	44,101
Iten Industries	12.XXX	UNKNOWN	41,542
Itt Corporation	12.XXX	N00173-03-C-2037	126,995
Kaya Associates, Inc.	12.XXX	UNKNOWN	9,801
Kimley-Horn and Associates, Inc.	12.XXX	UNKNOWN	10,514
L-3 Communications Corporation	12.XXX	UNKNOWN	40,676
Ladish Company, Inc.	12.8	F33615-99-2-5215	7,610
Nanohmics, Inc.	12.XXX	FA8650-05-M-2514/FA8650-05-C-2628	40,193
Penn State University	12.431	W911NF-06-2-0026	100,540
Robinson Aviation (Rva), Inc.	12.XXX	UNKNOWN	18,000
Rockwell Collins, Inc	12.XXX	F33615-01-1856	106,390

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Science Applications International Corporation	12.XXX	N00019-02-C-3002	178,769
Spectral Systems Inc.	12.XXX	FA8620-05-G-3015-0002	86,196
Trandes Corporation	12.XXX	N66001-00-D-0534	123,625
Trandes Corporation	12.XXX	N66001-00-D-5034	98,874
UES, Inc.	12.XXX	M67854-05-C-0014/06-C-0017	87,293
UES, Inc.	12.XXX	UNKNOWN	1,918
University of Illinois at Chicago	12.XXX	W81XWH-04-1-0201	14,056
Wyle Laboratories	12.XXX	FA8601-04-D-0005	13,591
Wyle Laboratories	12.XXX	FA8601-04-D-0005	14,298
Wyle Laboratories	12.XXX	FA8601-04-D-0005	13,795
Subtotal Pass-Through Programs			1,492,995
Total Department of Defense			1,816,254
Department of Education — Pass-Through Programs From:			
Community Action Commission of Belmont County	84.213	UNKNOWN	11,219
Northern Illinois University	84.XXX	UNKNOWN	1,895
WESTAT INC	84.XXX	ED-04-CO-0059	8,630
WESTAT INC	84.XXX	ED-04-CO-0059	10,590
Total Department of Education			32,334
Department of Energy —			
Direct Programs:			
Eval Fine Particulate Matter	81.XXX	DE-FC26-03NT41723	113,372
Planar Solid Oxide Fuel Cells	81.XXX	DE-FG36-03GO13059	761,941
Office of Science Financial Assistance Program	81.049	DE-FG02-93ER40756	329,302
Office of Science Financial Assistance Program	81.049	DE-FG02-88ER40387	295,970
Office of Science Financial Assistance Program	81.049	DE-FG02-02ER46012	136,589
Office of Science Financial Assistance Program	81.049	DE-FG02-06ER46317	141,893
Office of Science Financial Assistance Program	81.049	DE-FG02-06ER46300	25,145
University Coal Research	81.057	DE-FG26-05NT42527	60,887
Renewable Energy Research and Development	81.087	DE-FG36-05GO85029	284,621
Stewardship Science Grant Program	81.112	DE-FG52-06NA26187	273,988
Subtotal Direct Programs			2,423,708
Pass-Through Programs From:			
Advanced Technology Systems	81.XXX	DE-FC26-02NT41476	20,433
Applied Sciences Inc	81.XXX	DE-FG02-05ER86237	39,369
Jefferson Science Associates, LLC	81.XXX	DE-AC05-06OR23177	29,816
Los Alamos National Laboratory	81.XXX	DE-AC52-06NA25396	42,816
National Renewable Energy Lab	81.XXX	DE-AC36-99GO10337	1,482
S E Universities Research Assoc	81.XXX	DE-AC05-84ER40150	23,070
S E Universities Research Assoc	81.XXX	DE-AC05-84ER40150	25,002
the Edison Material Technology Center	81.XXX	DE-FC36-04GO14215	11,255
University of Pittsburgh	81.089	DE-FC26-05NT42302	36,323
Subtotal Pass-Through Programs			229,566
Total Department of Energy			2,653,274

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Department of Health and Human Services:			
Direct Programs:			
National Institute of Health			
Research Related to Deafness and Communication Disorders	93.173	R01 DC005063	273,173
Research Related to Deafness and Communication Disorders	93.173	DC006161	69,138
Research Related to Deafness and Communication Disorders	93.173	R01 DC004922	4,137
			346,448
Mental Health Research Grants	93.242	5 R01 MH057832	180,347
Mental Health Research Grants	93.242	R01 MH067566	365,777
Mental Health Research Grants	93.242	R01 MH078749	73,558
			619,682
Alcohol Research Programs	93.273	R01 AA014294	160,754
Drug Abuse Research Programs	93.279	R01 DA013939	123,045
Discovery and Applied Research…to Improve Human Healtl	93.286	R21 EB006934	86,229
National Center for Research Resources	93.389	R25 RR020447	173,309
Academic Enhancement Research Award	93.39	2 R15 GM057640-03A1	28,614
Cancer Cause and Prevention Research	93.393	R01 CA086928	37,383
Cancer Cause and Prevention Research	93.393	R03 CA112639	33,941
			71,324
Cancer Treatment Research	93.395	1 R15 CA098036-01A1	32,240
Cancer Research Manpower	93.398	3 K01 CA079743	34,388
Blood Diseases and Resources Research	93.839	R01 HL077438	219,998
Digestive Diseases and Nutrition Research	93.847	K01 DK064905	119,934
Digestive Diseases and Nutrition Research	93.847	R34 DK071545	214,667
			334,601
Kidney Diseases, Urology and Hematology Research	93.849	R15 DK073066	67,380
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	5 R01 NS032374	261,998
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	R01 NS22979	266,478
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	K01 NS046582	163,447
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1 R15 NS048916	27,757

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Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	NS050260	56,829
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	R15 NS051848	169,633
			946,142
Microbiology and Infectious Diseases Research	93.855	R15 AI047165	83,796
Biomedical Research and Research Training	93.859	R01 GM061048	175,790
Biomedical Research and Research Training	93.859	5 R01 GM050690	148,648
Biomedical Research and Research Training	93.859	F31 GM077096	34,310
Biomedical Research and Research Training	93.859	R01 GM073188	14,994
			373,742
Child Health and Human Development Extramural Research	93.865	R01 HD045512	294,762
Aging Research	93.866	1 R15 AG020536	5,986
Aging Research	93.866	R03AG030029	5,861
			11,847
Medical Library Assistance	93.879	G13 LM008048	70,640
			4,078,941
Centers for Disease Control — Injury Prevention and Control Research and State and Community Based Program	93.136	R49 CE000923	123,766
Subtotal Direct Programs			4,202,707
Pass-Through Programs From:			
Baylor College of Medicine	93.173	5 R01 DC002290	1,625
Harvard University	93.173	R01 DC002290	29,961
Interthyr Corporation	93.855	1 R41 AI066618-01	9
Miami University	93.XXX	401175	21,864
Promiliad Biopharma	93.856	1 R41 AI060249-01A2	59,577
Southern Illinois University	93.866	R01 AG19899	13,137
Southern Illinois University	93.866	R01 AG019899	32,338
University of Cincinnati	93.847	5 U24 DK059630	29,539
University of Cincinnati	93.853	R01 NS035313	22,930
University of Illinois at Chicago	93.396	1 R01-CA099904	22,850
University of Kentucky Research Foundation	93.239	5ASPE 417	4,434
University of Michigan	93.838	HL055397	100,000
University of North Carolina at Charlotte	93.838	5 R01 HL068706	24,181
Subtotal Pass-Through Programs			362,445
Total Department of Health and Human Services			4,565,152

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Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Department of Justice — Direct Programs — Criminal Justice Research and Development Graduate Research Fellowships	16.562	2003-IJ-CX-1027	6,232
Department of the Interior:			
Direct Programs — Abondoned Land Mine Reclamation (AMLR) Program	15.252	CT612053	54,099
Pass-Through Programs From:			
Commonwealth of Kentucky Department of Fish and Wildlife	15.605	UNKNOWN	2,968
Midwest Biodiversity Institute	15.XXX	UNKNOWN	87,533
Ohio Department of Natural Resources	15.XXX	NGSCW-06-42	31,645
Ohio State University Research Foundation	15.805	06HQGR0113	12,073
Subtotal Pass-Through Programs			134,219
Total Department of the Interior			188,318
Department of State — Pass-Through Programs From — Council for International Exchange of Scholars	19.XXX	UNKNOWN	4,228
Department of Transportation:			
Direct Programs:			
U.S. Department of Transportation:			
Architecture Enhancement Volpe	20.XXX	DTRT57-05-C-10123	197,164
Waas Impact Maritime	20.XXX	DTRT57-05-P-80171	459
			197,623
Federal Aviation Administration:			
DTFA01-01-C-00071	20.XXX	DTFA01-01-C-00071	2,215,797
WAAS/BARO Tech Advance Avn	20.XXX	DTFAAC-03-A-15689	250,909
Wireless Testbed Airport App	20.XXX	06-G-005	114,084
Aviation Research Grants	20.108	95-G-014	97,938
Aviation Research Grants	20.108	98-G-002	853,878
			3,532,606
Subtotal Direct Programs			3,730,229
Pass-Through Programs From —			
Albany County Airport Authority	20.XXX	UNKNOWN	9,653
ITT Corporation	20.XXX	UNKNOWN	80,464
Ohio Department of Transportation	20.205	9800	(485)
Ohio Department of Transportation	20.205	9991	12,416
Ohio Department of Transportation	20.205	AC SPR-2(36)	11,240
Ohio Department of Transportation	20.205	UNKNOWN	14,300
Ohio Department of Transportation	20.205	E040(371)	9,687
Ohio Department of Transportation	20.205	20119	39,000

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Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Ohio Department of Transportation	20.205	AC1SPR-2(37)	1,134
Ohio Department of Transportation	20.205	UNKNOWN	31,149
Ohio Department of Transportation	20.205	E050(234)	70,980
Ohio Department of Transportation	20.205	E051425	61,530
Ohio Department of Transportation	20.205	E070227	48,860
Ohio Department of Transportation	20.205	E051383	44,355
Ohio Department of Transportation	20.205	E051427	159,283
Ohio Department of Transportation	20.205	E060(117)	143,565
Ohio Department of Transportation	20.205	UNKNOWN	362,354
Ohio Department of Transportation	20.205	E060901	146,461
			1,155,829
University of Akron	20.205	AC SPR-2 (37)	1,458
Subtotal Pass-Through Programs			1,247,404
Total Department of Transportation			4,977,633
Environmental Protection Agency			
Direct Programs:			
Surveys Studies Relating to the Clean Air Act	66.034	XA-96588501	293,056
Science To Achieve Results (STAR) Program	66.509	RD-83136501	246,813
Subtotal Direct Programs			539,869
Pass-Through Programs From — Center for Applied Bioassessment and Biocriteria	66.46	UNKNOWN	23,375
Total Environmental Protection Agency			563,244
National Aeronautics and Space Administration:			
Direct Programs:			
George C Marshall Space Flight Center — Robust ITandT Flight Support	43.XXX	NNM04AA33P	42,709
Glenn Research Center — Support NASA DTN Code Base	43.XXX	NNC06GA41G	23,693
Goddard Space Flight Center:			
Reexamination of Cooling Flows	43.XXX	NAG5-11025	107,277
Giant Cavities Large Scale	43.XXX	NNG05GK87G	47,743
Broadband Spectra Microquasar	43.XXX	NNG05GP69G	17,354
Integral Observation 3C 279	43.XXX	NNG06GD57G	8,259
			180,633
Subtotal Direct Programs			247,035
Pass-Through Programs From:			
American Astronomical Society	43.XXX	UNKNOWN	1,800
Applied Sciences Inc	43.XXX	NNA05CQ86C	682

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Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Case Western Reserve University	43.XXX	NNC06CA46C	67,775
ITT Corporation	43.XXX	NNC05CA85C	129,408
Jet Propulsion Laboratory	43.XXX	NMO710076	42,067
Jet Propulsion Laboratory	43.XXX	UNKNOWN	73
			42,140
Morehouse College	43.XXX	NNK06EA02G	28,743
Smithsonian Astrophysical Observatory	43.XXX	NAS8-03060	8,363
Space Telescope Science Institute	43.XXX	HST-GO-09783.03-A	269
Space Telescope Science Institute	43.XXX	NAS5-26555	24,765
			25,034
Subtotal Pass-Through Programs			303,945
Total National Aeronautics and Space Administration			550,980
National Science Foundation:			
Direct Programs:			
Engineering Grants	47.041	EEC-0227907	101,776
Engineering Grants	47.041	CMS-0528302	31,074
Engineering Grants	47.041	CMS-0533290	106,858
Engineering Grants	47.041	CBET-0547165	85,414
			325,122
Mathematical and Physical Sciences	47.049	DMR-0103034	7,612
Mathematical and Physical Sciences	47.049	PHY-0244999	31,249
Mathematical and Physical Sciences	47.049	DMR-0304314	161,587
Mathematical and Physical Sciences	47.049	DMR-0310933	46,632
Mathematical and Physical Sciences	47.049	AST-0407152	31,481
Mathematical and Physical Sciences	47.049	DMS-0506063	49,067
Mathematical and Physical Sciences	47.049	DMS-0533726	778
Mathematical and Physical Sciences	47.049	DMS-0545895	42,494
Mathematical and Physical Sciences	47.049	DMR-0600073	41,476
Mathematical and Physical Sciences	47.049	PHY-0555558	164,131
			576,507
Geosciences	47.05	OCE-0117132	20,469
Geosciences	47.05	EAR-0617561	27,723
			48,192

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Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Computer and Information Science Engineering	47.07	CCF-0622158	45,799
Biological Sciences	47.074	IBN-0110413	69,522
Biological Sciences	47.074	DEB-0235676	22,937
Biological Sciences	47.074	IOB-0316687	93,622
Biological Sciences	47.074	IBN-0343744	64,721
Biological Sciences	47.074	IOS-0345500	79,046
Biological Sciences	47.074	IBN-0407735	7,601
Biological Sciences	47.074	DEB-0516031	56,441
Biological Sciences	47.074	IOB-0517257	14,779
Biological Sciences	47.074	IOB-0520855	17,749
Biological Sciences	47.074	IOB-0520100	196,416
Biological Sciences	47.074	IOS-0615753	46,062
Biological Sciences	47.074	MCB-0618334	23,071
Biological Sciences	47.074	IOS-0618506	113,284
Biological Sciences	47.074	DBI-0619572	327,371
Biological Sciences	47.074	IOB-0622394	78,015
Biological Sciences	47.074	EF-0629819	34,767
Biological Sciences	47.074	DEB-0640896	3,436
Biological Sciences	47.074	DBI-0649757	8,004
			1,256,844
Social, Behavioral, and Economic Sciences	47.075	SES-0453302	67,472
Social, Behavioral, and Economic Sciences	47.075	BCS-0507074	5,592
Social, Behavioral, and Economic Sciences	47.075	BCS-0515890	102,644
			175,708
Education and Human Resources	47.076	DGE-0337438	9,253
Education and Human Resources	47.076	DGE-0538588	527,217
			536,470
Polar Programs	47.078	ANT-0436190	37,316
Polar Programs	47.078	ANT-0439805	10,128
			47,444
Subtotal Direct Programs			3,012,086
Pass-Through Programs From:			
Arizona State University	47.075	BCS-0624159	8,333
Association for Institutional Research	47.075	ED-03-CO-0020	15,000
Ohio State University Research Foundation	47.041	ECS-0524924	9,431
Ohio State University Research Foundation	47.049	CHE-05322560	3,180
			12,611

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Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
University of Connecticut	47.XXX	BES-9812042	4,000
University of Connecticut	47.041	BES 0302351	15,378
			19,378
University of Illinois Urbana	47.049	DMR-0605890	26,402
University of Illinois Urbana	47.049	PHY-0601067	20,903
			47,305
University of Michigan	47.075	ECS 0601345	17,795
Worldtek, Inc.	47.041	IIP-0637689	3,743
Subtotal Pass-Through Programs			124,165
Total National Science Foundation			3,136,251
Total Research and Development Cluster			18,655,484
CHILD NUTRITION CLUSTER — Pass-Through Programs From:			
Ohio Department of Education	10.559	UNKNOWN	72,037
Ohio Department of Education	10.559	UNKNOWN	8,395
Total Child Nutrition Cluster			80,432
SPECIAL EDUCATION CLUSTER — Pass-Through Programs From:			
Ohio Department of Education	84.173	UNKNOWN	8,464
Ohio Department of Education	84.173	UNKNOWN	7,996
Total Special Education Cluster			16,460
TRIO CLUSTER — Direct Programs:			
TRIO Student Support Services	84.042A	P042A050180	292,944
TRIO Upward Bound	84.047A	P047A030183	366,174
TRIO McNair Post-Baccalaureate Achievement	84.217A	P217A030004	214,360
Total Trio Cluster			873,478
CCDF CLUSTER — Pass-Through Programs From — Ohio Child Care Resource and Referral Association	93.575	UNKNOWN	17,656
HOMELAND SECURITY CLUSTER — Department of Homeland Security — Pass-Through Programs From — Mission Support Inc.	97.XXX	UNKNOWN	17,313

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Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
OTHER PROGRAMS:			
Appalachian Regional Commission:			
Direct Programs:			
Appalachian Regional Development	23.001	OH-14779-0-I	231,857
Appalachian Area Development	23.002	OH-15161-05	36,663
Subtotal Direct Programs			268,520
Pass-Through Programs From:			
East Tennessee State University	23.011	CO-12600-F-C4	2,754
Shawnee State University	23.XXX	UNKNOWN	21,707
Subtotal Pass-Through Programs			24,461
Total Appalachian Regional Commission			292,981
Corporation for National and Community Service — Pass-Through Programs From:			
Jumpstart National	94.006	03ACH-K729-04-A147#40-JS-SITE#40	41,519
Ohio Community Service Council	94.006	03AFH-K728-06-A120; 06ACH-M540-07-A120	202,628
Ohio Community Service Council	94.006	03-ACH-K729-06-A017; 06 ACH-M540-07-A017	367,923
Sojourner Care Network	94.006	UNKNOWN	624
Total Corporation for National and Community Service			612,694
Department of Agriculture — Direct Programs:			
Hist Records African Railroad	10.XXX	04-PA-11091400-030	20,963
Public Television Station Digital Transition Grant Program	10.861	PUBLIC TV DIGITAL TRANSITION PROJEC	40,836
Total Department of Agriculture			61,799
Department of Commerce:			
Direct Programs — Public Telecommunications Facilities Planning and Construction	11.55	39-02-N05216	52,265
Pass-Through Programs From — Bowling Green State University	11.303	06-66-04858/04616/04741/04955/05054	45,992
Total Department of Commerce			98,257
Department of Defense — Pass-Through Programs From:			
Northeast Ohio Areawide Coordinating Agency	12.613	UNKNOWN	9,355
Ohio Department of Development	12.002	MBDD 03-013/04-017/05-010/06-016/07-015	36,513
Total Department of Defense			45,868
Department of Education:			
Direct Programs:			
National Resource Centers and Fellowships Program for Language and Area or Language and International Studies	84.015A	P015A060159	145,314
National Resource Centers and Fellowships Program for Language and Area or Language and International Studies	84.015A	P015A030005	91,491

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Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
National Resource Centers and Fellowships Program for Language and Area or Language and International Studies	84.015A	P015A060008	177,765
National Resource Centers and Fellowships Program for Language and Area or Language and International Studies	84.015B	P015B060008	245,482
			660,052
Undergraduate International Studies and Foreign Language Programs	84.016A	P016A050049	58,543
Overseas Group Projects Abroad	84.021A	P021A050019	36,493
OUS Childcare Program	84.923A	V923A030001	294,346
Subtotal Direct Programs			1,049,434
Pass-Through Programs From:			
Adena Local School District	84.XXX	UNKNOWN	2,766
Alexander Local School District	84.287C	UNKNOWN	282,680
Athens City School District	84.287C	043521-T151-03	214,230
Athens Meigs Educational Service Center	84.XXX	UNKNOWN	44,352
Columbus State Community College	84.243	VETP 2002-01-FB/2003/2005/2006/2007	134,052
Community Action Commission of Belmont County	84.314	UNKNOWN	952
Corporation for Public Broadcasting	84.XXX	UNKNOWN	11,895
Coshocton City School	84.213	UNKNOWN	2,233
Federal Hocking Local School District	84.287C	045914-T1S1-03	172,518
National Writing Project Corporation	84.928A	UNKNOWN	1,418
North Central Ohio Special Education Regional Reso	84.XXX	UNKNOWN	10,048
Ohio Board of Regents	84.203G	U203G050022	95,946
Ohio Board of Regents	84.334A	P334A990378	17,887
Ohio Board of Regents	84.XXX	UNKNOWN	36,573
Ohio Board of Regents	84.XXX	UNKNOWN	110,000
Ohio Board of Regents	84.116	UNKNOWN	(129)
Ohio Board of Regents	84.334	P334S050016	112,941
Ohio Board of Regents	84.367	39233	100,143
Ohio Board of Regents	84.367	UNKNOWN	12,481
			485,842
Ohio Child Care Resource and Referral Association	84.181	UNKNOWN	16,348

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Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Ohio College Access Network	84.XXX	UNKNOWN	23,978
Ohio College Access Network	84.XXX	UNKNOWN	1,235
Ohio College Access Network	84.XXX	UNKNOWN	12,869
			38,082
Ohio Department of Education	84.215K	TZA2-2003	21,203
Ohio Department of Education	84.002	063024-AB-SL-2006/2007	347,265
Ohio Department of Education	84.366	CI667-OSCI-06-10/07-10	107,019
Ohio Department of Education	84.367	UNKNOWN	4,429
			479,916
Ohio Rehabilitation Services Commission	84.216	UNKNOWN	1,000
Ohio State University Research Foundation	84.367B	UNKNOWN	44,431
Ohio State University Research Foundation	84.342	UNKNOWN	40,605
			85,036
Perry Hocking Educational Service Center	84.XXX	UNKNOWN	33,462
South West Ohio Special Education Regional Resource	84.XXX	UNKNOWN	2,435
Subtotal Pass-Through Programs			2,019,265
Total Department of Education			3,068,699
Department of Health and Human Services:			
Direct Programs:			
Centers for Disease Control			
Diabetes Education for Appalachians	93.XXX	05IPA43708	33,709
Health Resources and Services Administration:			
Quentin N. Burdick Program for Rural Interdisciplinary Training	93.192	D36HP03160	39,333
Rural Health Care Services Outreach and Rural Health Network Development Program	93.912	P10RH06775	74,661
Rural Health Care Services Outreach and Rural Health Network Development Program	93.912	D06RH07920	35,725
			149,719
US Department of Health and Human Services:			
DHHS Region V Women’s Health	93.XXX	UNKNOWN	1,352
Centers of Excellence	93.157	D34HP04027	314,271
Health Careers Opportunity Program	93.822	D18HP02889	245,200
Grants for Training in Primary Care Medicine and Dentistry	93.884	D56HP05223	165,190
			726,013
Subtotal Direct Programs			909,441

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Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Pass-Through Programs From:			
9C Rural Consortium Board	93.XXX	UNKNOWN	1,434
Athens City School District	93.558	UNKNOWN	42,607
Athens County Family and Children First Council	93.XXX	UNKNOWN	16,642
Athens County Job and Family Services	93.XXX	UNKNOWN	360,805
Case Western Reserve University	93.969	D31 HP-70113	18,133
Columbiana County Department of Job and Family Ser	93.XXX	UNKNOWN	2,563
Coshocton County Department of Job and Family Serv	93.XXX	UNKNOWN	7,251
Highland County Family and Children First Council	93.558	UNKNOWN	5,688
Medical University of Ohio at Toledo	93.107	U77HP03029	9,809
Morgan County Family and Children First Council	93.XXX	UNKNOWN	5,116
Ohio Child Care Resource and Referral Association	93.XXX	UNKNOWN	107
Ohio Child Care Resource and Referral Association	93.994	UNKNOWN	26,811
			26,918
Ohio Department of Education	93.558	UNKNOWN	50,783
Ohio Department of Education	93.558	UNKNOWN	47,978
			98,761
Ohio Department of Health	93.XXX	UNKNOWN	605
Ohio Department of Health	93.994	K584	12,097
Ohio Department of Health	93.994	L932	68,839
			81,541
Ohio Department of Jobs and Family Services	93.XXX	06-167/07-022	304,321
Paint Valley Adamhs Board	93.XXX	UNKNOWN	3,375
Southern Consortium for Children	93.211	1 H2ATH00985-01-00	145
The University of Toledo	93.107	5 U77 HP 03029	79,087
Tri County Mental Health and Counseling Services	93.XXX	UNKNOWN	5,400
University of Illinois at Chicago	93.XXX	UNKNOWN	750

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Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Vinton County Department of Job and Family Service	93.558	UNKNOWN	118,331
Subtotal Pass-Through Programs			1,188,677
Total Department of Health and Human Services			2,098,118
Department of Housing and Urban Development — Pass-Through Programs From — Huntington Ironton Empowerment Zone	14.244	UNKNOWN	144,515
Department of the Interior — Pass-Through Programs From — MEM and Associates	15.XXX	UNKNOWN	6,695
Department of Justice — Pass-Through Programs From — Washington County Mental Health and Addiction Board	16.XXX	UNKNOWN	3,441
Department of Labor — Pass-Through Programs From:			
Athens Co Dept of Job and Family Services	17.XXX	UNKNOWN	(696)
It Alliance of Appalachian Ohio	17.XXX	UNKNOWN	8,768
It Alliance of Appalachian Ohio	17.XXX	UNKNOWN	5,970
Lawrence County Department of Jobs and Family Serv	17.XXX	UNKNOWN	67,898
Lawrence County Department of Jobs and Family Serv	17.XXX	UNKNOWN	118,429
Total Department of Labor			200,369
Department of State — Direct Programs:			
CELTT	19.XXX	S-ECAPE-03-GR-155(JL)	3
Inter-Religious Dialogue	19.XXX	S-ECAPE-03-GR-188(MA)	15,992
Professional Exchanges Annual Open Grant	19.415	S-ECAPE-06-GR-191 (DT)	80,530
Educational Partnerships Program	19.424	S-ECAAS-04-GR-209(MA)	91,226
Total Department of State			187,751
Department of Transportation:			
Direct Programs:			
Airport Improvement Program	20.106	3-39-0006-0904	75,042
Airport Improvement Program	20.106	3-39-0006-1005	9,302
Airport Improvement Program	20.106	3-39-0006-1106	774,063
Subtotal Direct Programs			858,407
Pass-Through Programs From:			
City of Athens	20.509	RPT-4005-023-043	12,760
City of Columbus	20.XXX	UNKNOWN	8,836
Miami Valley Regional Planning Commission	20.XXX	UNKNOWN	394
Northeast Ohio Areawide Coordinating Agency	20.XXX	UNKNOWN	7,405
Subtotal Pass-Through Programs			29,395
Total Department of Transportation			887,802

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Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Department of the Treasurer — Pass-Through Programs From — Oak Hill Banks Community Development Corp.	21.XXX	UNKNOWN	2,159
Environmental Protection Agency — Pass-Through Programs From:			
Clermont Soil and Water Conservation District	66.XXX	UNKNOWN	12,411
Midwest Biodiversity Institute	66.XXX	UNKNOWN	28,727
Midwest Biodiversity Institute	66.606	UNKNOWN	56,387
			85,114
Northeast Ohio Areawide Coordinating Agency	66.XXX	UNKNOWN	1,112
Ohio Department of Natural Resources	66.46	UNKNOWN	10,000
Ohio Department of Natural Resources	66.46	UNKNOWN	17,500
			27,500
Ohio Environmental Protection Agency	66.46	C9975500004-0	169,162
Vinton County Soil and Water District	66.XXX	UNKNOWN	2,985
Total Environmental Protection Agency			298,284
National Aeronautics and Space Administration — Pass-Through Programs From — Space Telescope Science Institute	43.XXX	NAS5-26555	10,260
National Archives and Records Administration — Direct Programs — National Historical Publications and Records Grants	89.003	NARA06GRANT-067	10,000
National Endowment for the Humanities:			
Direct Programs:			
Promotion of the Arts Grants to Organizations and Individuals	45.024	06-3400-7010	256
Promotion of the Arts Grants to Organizations and Individuals	45.024	07-3400-7050	10,000
Subtotal Direct Programs			10,256
Pass-Through Programs From:			
Kent State University	45.31	CL-00-03-0025-03	3,419
Ohio Community Service Council	45.XXX	UNKNOWN	1,942
Ohio Humanities Council	45.XXX	UNKNOWN	412
Ohio Humanities Council	45.XXX	UNKNOWN	9,948
			10,360
Subtotal Pass-Through Programs			15,721
Total National Endowment for the Humanities			25,977

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
National Science Foundation:			
Direct Programs:			
IPA Agreement-Chamberlin	47.XXX	IOS-0717019	71,850
Mathematical and Physical Sciences	47.049	DMR-0632435	55,650
Education and Human Resources	47.076	DUE-0510198	17,922
Education and Human Resources	47.076	DUE-0633618	61,588
			79,510
International Science and Engineering	47.079	OISE-0536881	2,100
International Science and Engineering	47.079	OISE-0616472	51,077
			53,177
Subtotal Direct Programs			260,187
			(Continued)
Pass-Through Programs From:			
Ohio State University Research Foundation	47.076	HRD-0331560	31,298
University of Tennessee	47.076	ESI-0119679	231,137
Subtotal Pass-Through Programs			262,435
Total National Science Foundation			522,622
Small Business Administration — Pass-Through Programs From:			
Adena Ventures	59.051	UNKNOWN	203,084
Ohio Department of Development	59.037	ECDD 04-101/05-169/06-125/07-146	97,150
Total Small Business Administration			300,234
United States Peace Corp — Direct Programs — Peace Corps Strategy Agreement	08.XXX	UNKNOWN	12,330
United States Agency for International Development — Pass-Through Programs From — The Communication Initiative	98.XXX	UNKNOWN	6,000
Total Other Programs			8,896,855
GRAND TOTAL — Federal Awards			$ 161,856,767

(Concluded)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") is presented using the accrual basis of accounting in which expenditures are recognized when incurred.

Subrecipient — Of the federal expenditures presented in the Schedule, the Ohio University (the "University") provided federal awards to subrecipients as follows:

CFDA No.	Program Title	Expended
15.252	Abandoned Land mine Reclamation (AMLR) Program	$ 2,642
19.415	Professional Exchanges Annual Open Grant	71,982
20.205	Department of Transportation	25,927
20.205	Department of Transportation	72,037
47.041	Engineering Grants	27,596
47.049	Mathematical and Physical Sciences	7,612
47.074	Biological Sciences	18,244
47.075	Social, Behavioral, and Economic Sciences	22,319
59.037	Small Business Development Center	574
66.034	Surveys Studies Relating to the Clean Air Act	79,835
66.46	Ohio Environmental Protection Agency	146,218
81.087	Renewable Energy Research and Development	18,692
93.173	Research Related to Deafness and Communication Disorders	122,054
93.242	Mental Health Research Grants	174,735
93.273	Alcohol Research Programs	40,631
93.279	Drug Abuse Research Programs	820
93.389	National Center for Research Resources	58,073
93.839	Blood Diseases and Resources Research	11,488
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	8,127
93.865	Child Health and Human Development Extramural Research	40,747
93.912	Rural Health Care Services Outreach and Rural Health Network Development Program	15,950
10.XXX	Hist Records African Railroad	5,423
20.XXX	DTFA01-01-C-00071	237,460
20.XXX	Architecture Enhancement Volpe	19,686
81.XXX	Eval Fine Particulate Matter	5,176
81.XXX	Planar Solid Oxide Fuel Cells	68,050
81.XXX	Advanced Technology Systems	9,888
84.XXX	Audience Service Challenge Grant	7,000
		$ 1,318,986

2. NONCASH FEDERAL AWARDS

During the year ended June 30, 2007, the University did not receive any nonmonetary assistance.

3. FEDERAL LOAN PROGRAMS ADMINISTERED

The University outstanding balances at June 30, 2007, are as follows:

Perkins Loan Program	$ 8,828,626
Disadvantaged Students Loan	2,275,880
Health Professional Student Loans ("HPSL")	2,538,594
Total	$ 13,643,100

* * * * * *

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

To the Board of Trustees of
Ohio University
Athens, Ohio

We have audited the financial statements of Ohio University (the "University"), as of and for the year ended June 30, 2007, and have issued our report thereon dated November 1, 2007, which included an emphasis of a matter paragraph related to valuation of alternative investments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 07-1, 07-2, 07-3, 07-4, and 07-5.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 07-1, 07-2, 07-3, 07-4, and 07-5.

We noted certain matters that we have reported to management of the University in a separate letter dated November 1, 2007.

The University's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. We did not audit the University's response, and accordingly, we express no opinion on it.

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

Deloitte & Touche LLP

November 1, 2007

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

To the Board of Trustees of
Ohio University
Athens, Ohio

Compliance

We have audited the compliance of Ohio University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133, *Compliance Supplement,* that are applicable to each of its major federal programs for the year ended June 30, 2007. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 07-6.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the University's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in the University's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-6 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the University as of and for the year ended June 30, 2007, and have issued our report thereon dated November 1, 2007, which included an emphasis of a matter paragraph related to valuation of alternative investments. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. This schedule is the responsibility of the management of the University. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the financial statements taken as a whole.

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

Deloitte & Touche LLP

November 1, 2007

PART I — SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the financial statements expressed an unqualified opinion.

2. Our audit of the financial statements did disclose significant deficiencies in internal controls.

3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.

4. A significant deficiency in internal control over compliance with requirements applicable to major federal award programs was identified.

5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.

6. The audit disclosed findings which are required to be reported by OMB Circular A-133.

7. The major program was the Student Financial Aid Cluster, which is included in the schedule of expenditures of federal awards.

8. A threshold of $1,926,853 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.

9. The Auditee did qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

PART II — FINANCIAL STATEMENT FINDINGS SECTION

07-1 Formalized Policy on Ethics and Conduct

Observation — The University has specific policies and procedures surrounding various aspects of a code of conduct. This includes a conflict of interest statement specifically for research and educational activities, distribution of the Ohio ethics laws when hired, and a confidential reporting line (EthicsPoint). However, there is no overall policy on University code of conduct and ethics, nor are conflict of interests representations required or monitored beyond the research and educational activities.

Recommendation — The University should continue and finalize development of an overall code of ethics that would apply to the entire University. It should be developed by a multidisciplinary team and incorporated into the University policies and procedures. This would at a minimum include:

- An introductory letter from the President, which sets the tone at the top and defines the importance of ethics and compliance to each employee of the University.
- The University's mission statement, vision, values, and guiding principles that reflect the University's commitment to ethics, integrity, and quality.
- An ethical construct to assist employees in making the right choices

- A listing of available resources for obtaining guidance and for good faith reporting of suspected misconduct, including:
    - An anonymous reporting mechanism
    - A definition of the reporting chain of command
    - The URL to an ethics and compliance Web site
    - Any additional ethics and compliance resources and/or the identification of supplementary policies and procedures and their location
- Enforcement and implementation mechanisms that address the notion of accountability and discipline for unethical behavior up to and including termination.

In addition, the University should require employees and Board of Trustee members to complete an annual conflict of interest representation, which identifies any related parties to the University and aids in ensuring that all transactions are completed at arm's length.

Views of Responsible Officials — The University has developed an overall code of conduct which will apply to the University as a whole. This code is currently being reviewed and approved through the University's formal approval process. The code was developed by a multidisciplinary team, the Financial Controls Committee (FCC). This committee was convened in the fall of 2006 by the Vice President, Finance and Administration and is co-chaired by the Associate Vice President for Finance and the Director of Internal Audit. The committee is a cross-section of the University community and includes faculty and staff from administrative and academic units.

The code of conduct includes many of the points outlined in the above recommendation. In particular, it references the University's mission statement, vision, values, and guiding principles, which reflect the University's commitment to ethics, integrity, and quality as defined in Vision OHIO. It also contains links to ethical expectations for employees, including the Faculty Handbook, the Student Code of Conduct, the Financial Code of Ethics, University policy and procedure, and a link the Ohio Ethics Law and related statutes.

Another deliverable of the committee was the composition of a proposed introductory letter from the President designed to set the "tone at the top." Products from the committee to date have included a financial code of ethics and the overall code of conduct.

The University will consider requiring employees and Board of Trustee members to complete an annual conflict of interest representation which will identify any related parties to the University and aid in ensuring that all transactions are completed at arm's length.

07-2 Journal Entry Review and Approval Procedures

Observation — Three out of 25 selections did not include a secondary authorization as designated in the internal control policy, which states that all "Adjustment Entries" should be reviewed by a secondary individual. A secondary approval was not obtained as these entries were initiated by management, and it was concluded that a secondary approval was not required. This results in management having the ability to record entries to the general ledger specific to accounts that they themselves manage and reconcile.

Recommendation — The University needs to revise their journal entry policies to implement an effective process of checks and balances, and segregation of duties. Once policies have been revised these policies need to be stressed and explained to individuals involved.

Views of Responsible Officials — Upon learning of this issue, the University took steps to review all journal entries for fiscal year 2007 to determine which entries needed further review. Any secondary authorizations needed, but not obtained prior to entry, were acquired and the documents refiled. The University does have a standard operating procedure dealing with signing of journal entries. The documented procedure is being reviewed to clarify those areas of apparent confusion. Staff has been notified of this comment and the need for the secondary authorization. In addition, for fiscal year 2008, monthly entries will have a postentry review to make sure that the secondary authorization has been obtained.

07-3 University Risk Assessment

Observation — The University has not completed an overall risk assessment of its control environment.

Recommendation — Management should focus efforts on creating and finalizing a control environment risk assessment. This will help management and the board understand the potential risk areas and which require further attention.

Views of Responsible Officials — The University's control environment risk assessment was finalized in January 2007. At that time, a control self assessment survey tool was completed by the President's Executive Staff, the Dean's Council, and the FCC members. This survey was originally created by the Institute of Internal Auditors and is intended for the use of its members and the institutions they serve. It was modified by the FCC to better serve the needs of the University. This survey will be administered electronically to the University community in winter quarter 2008.

07-4 Information Security — Excessive Production Access

Observation — Within SIS, 11 programmers have update access to production program source libraries and data, which creates a segregation of duties conflict. In addition, there are currently 19 users with Power User functionality within SIS.

Programmers having access to program source libraries and data constitutes an inadequate segregation of duties. The risk of unauthorized changes to system resources in production increases significantly without an adequate segregation of duties. Excessive access to functions is a concern as most individuals do not need the access to perform their everyday job functions. Access listings should be kept at a minimal level to help alleviate the threat of unnecessary activity that could occur through shared accounts.

Recommendation — We recommend that Ohio University consider:

- Reviewing the current security settings and limiting the ability of programmers to update program source libraries and data.
- If this is not feasible, management should consider systematically logging all program and data changes and implementing a postimplementation review of these changes for appropriateness.
- Reviewing the current listing of users with Power User access and limiting the functionality of those users.

Views of Responsible Officials — Although 11 programmers have access to production, only three people are responsible to move the changes to production. All requests to move programming changes to production are tracked electronically within the Footprints software. Currently, there are no logging features in place within SIS to allow monitoring of access of programmers and administrators to production. The University will consider reducing the number of power users; however, major configuration or process changes in this area will be considered in the context of the new SIS replacement project.

07-5 Information Security Strategy and Planning — Resource Constraints

Observation — The current number of resources working in the Ohio University IT environment is not adequate for IT to run at the most efficient and secure levels.

There is an inadequate number of personnel working in the IT department at the University. It was a constant concern to all individuals that were interviewed. A large number of the previous year management letter comments were not able to be addressed due to the resource constraints that are in place. Obtaining and retaining adequate staff with appropriate experience is critical to the success of the computer processing environments. The University can ensure that it does not become too reliant on individuals in key positions through proper succession planning. If human resource issues are neglected, critical systems operation and maintenance activities may not be performed or may not be performed timely. This, in turn, can result in delays in processing, system downtime, or processing errors if relevant control activities are not placed in operation.

Recommendation — We recommend that the University consider evaluating their resource constraints and take appropriate steps to address the issue.

Views of Responsible Officials — The Information Technology Improvement Plan has been developed based on the Gartner study. The study determined that the IT department at the University is currently significantly understaffed; therefore, over the next three years, 24 new critical Full Time Employee (FTE) positions will be added.

PART III — FEDERAL AWARD FINDINGS AND QUESTIONED COST SECTION

07-6 Failure To Collaborate With University Departments When Creating the Schedule of Expenditures of Federal Awards

Grantor — Federal Family Education Loans — CFDA #84.032

Sponsor Identification Number — 84.032

Criteria — OMB Circular A-133, Subpart C, §__.310 (b)(3) states “the auditee shall also prepare a schedule of expenditures of federal awards for the period covered by the auditee’s financial statements. At a minimum, the schedule shall…provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.”

Finding — The University failed to identify and accurately report within prior years’ Schedule of Expenditure of Federal Awards, Federal Family Education Loans with the University’s College of Medicine.

Effect — If the University fails to identify valid Federal Expenditures, the schedule of expenditures of federal awards will be inaccurately stated.

Questioned Costs — $15,003,478

Recommendation — The University should ensure that they are collaborating with departments to ensure all Federal expenditures are being reported

View of Responsible Official — At the end of each fiscal year, the Ohio University College of Medicine (OU-COM) Student Financial Aid Coordinator will report to the Ohio University Bursar the type and amount of all Federal loan dollars disbursed to OU-COM students. The Bursar will then transmit this report to the

Controller's Office, who is responsible for reporting all federal loan programs at the end of each fiscal year. In addition, a copy of the information will be given to Grants and Contracts Accounting Office to incorporate into the A-133 report.

PART IV — SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Number	Finding	Status	Contact
06-1	10 students in fiscal year 2006 and eight students in fiscal year 2005 out of 25 selected each year, who withdrew from the University, did not have their withdrawal reported to NSLDS	Corrected	Debra M. Benton

Ohio University

Independent Accountants' Report on
Applying Agreed-Upon Procedures Performed
on the Intercollegiate Athletic Department
as Required by NCAA Bylaw 6.2.3.1
for the Year Ended June 30, 2007

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Dr. Roderick J. McDavis, President
Ohio University:

We have performed the procedures enumerated below, which were agreed to by Ohio University (the "University"), solely to assist the University in evaluating the University's compliance with National Collegiate Athletic Association's (NCAA) Constitution 6.2.3.1 for the year ended June 30, 2007. The University's management is responsible for the attached Statement of Revenues and Expenses of the Intercollegiate Athletics Program (the "Statement") and the Statement's compliance with those requirements. Management is also responsible for maintaining effective internal control over the University's Intercollegiate Athletics Program (the "Program") and its financial reporting. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures that were performed and our findings are as follows:

Agreed-Upon Procedures Related to the Statement of Revenues and Expenses

1. We obtained the Statement for the year ended June 30, 2007, as prepared by management and attached to this report. We recalculated the addition of the amounts on the Statement and compared the amounts on each line on the Statement to the corresponding amounts on the reconciliation prepared by management between the University's general ledger and the amounts on the Statement. We also compared the general ledger amounts on management's reconciliation to the University's general ledger. No exceptions were found as a result of these recalculations and comparisons.

2. We compared current-year actual revenue and expense amounts to prior-year amounts and obtained explanations from management for any variances in excess of both 20% of the current actual account balance and $100,000. Refer to Appendix A for explanations obtained from management for the fluctuations identified. No explanation was provided for the fluctuation in broadcast, television, radio and internet rights revenue. The explanation for direct facilities, maintenance and rental expense was incomplete.

3. We compared current-year actual revenue and expense amounts to budgeted amounts and obtained explanations from management for any variances in excess of both 20% of the current actual account balance and $100,000. Refer to Appendix B for explanations obtained from management for the fluctuations identified. No explanation was provided for the fluctuation in guarantees revenues; NCAA and tournament revenue; other miscellaneous revenue; and guarantees expense.

4. We obtained from management a detailed listing of all operating revenue receipts. We compared this schedule to the general ledger and the Statement. We judgmentally selected 25 receipts from the detailed listing of the operating revenue receipts and obtained the supporting documentation for each selection. No exceptions were found as a result of this comparison.

5. We obtained from management a detailed listing of all operating expense receipts. We compared this schedule to the general ledger and the Statement. We judgmentally selected 25 receipts from the detailed listing of the operating expense receipts and obtained the supporting documentation for each selection. No exceptions were found as a result of this comparison.

Agreed-Upon Procedures Related to Revenues

6. We randomly selected 25 Athletic events from a list of football, men's basketball, women's basketball, baseball, and volleyball games held during the year ended June 30, 2007, provided by management. We recalculated cash receipts based upon tickets sold, complimentary tickets provided, and unsold tickets and compared such to the related revenues reported in the Statement and the related attendance figures. No exceptions were found as a result of these recalculations and comparisons.

7. We noted, through inquiry of University management, that the University did not allocate student fees to the Program for the year ended June 30, 2007.

8. We obtained from management a listing of the away game sales and guarantee contests during the year ended June 30, 2007, and randomly selected five contractual agreements provided by management pertaining to revenues derived from guaranteed contests and compared the related revenues to amounts recorded in the University's general ledger. No exceptions were found as a result of this comparison.

9. We obtained a listing of the general ledger accounts comprising contributions revenue related to intercollegiate athletics provided by management. We compared the listing of contributions from the general ledger at June 30, 2007, to a listing of affiliated and outside organizations, agencies, and groups of individuals obtained from management to identify any individual contributions from any affiliated or outside organization, agencies or groups of individuals that constitute more than 10% of the total contributions revenue related to intercollegiate athletics for the year ended June 30, 2007. We identified no individual contributions that comprised more than 10% of the total contributions revenue related to intercollegiate athletics for the year ended June 30, 2007.

10. We obtained from management a listing of the general ledger accounts comprising NCAA and conference distributions and tournament revenues and selected, based on random sampling, 12 receipts related to NCAA and conference distributions and tournament revenue during the year ended June 30, 2007, and compared the related revenues to amounts recorded in the University's general ledger. No exceptions were found as a result of this comparison.

11. We obtained a listing of all affiliated and outside organizations from the University's management. We obtained a confirmation from all affiliated and outside organizations of their revenue and expenses for the year ended June 30, 2007.

12. We noted, through inquiry of University management, that the Program did not receive any direct state or other governmental support for the year ended June 30, 2007.

13. We obtained the schedule of direct institutional support from University management for the year ended June 30, 2007, and compared those amounts to the amounts recorded in the University's general ledger and to institutional authorization and/or other supporting documents. No exceptions were found as a result of this comparison.

14. We obtained from management a schedule of indirect institutional support. We compared the indirect institutional support amounts recorded in the University's general ledger during the reporting period to institutional authorizations and/or other corroborative supporting documentation. We recalculated and agreed the totals to within $131.

15. We noted, through inquiry of University management, that the Program did not receive any revenue from broadcast, television, radio, and internet rights for the year ended June 30, 2007.

16. We obtained from management a listing of amounts comprised of program sales, concessions, novelty sales, and parking revenue and selected a random sample of 10 receipts related to the University's participation in these revenues during the year ended June 30, 2007, and compared the related revenues to amounts recorded in the University's general ledger. No exceptions were found as a result of this comparison.

17. We obtained from management a listing of amounts comprised of royalties, licensing, advertisements, and sponsorship revenue and selected a random sample of 10 receipts related to the University's participation in revenues from royalties, licensing, advertisements, and sponsorships during the year ended June 30, 2007, and compared the related revenues to the amounts recorded in the University's general ledger. One of our selections was improperly coded to royalties, licensing, advertisements, and sponsorship revenue.

18. We requested from management a listing of the amounts that comprised sports camp revenues for the year ended June 30, 2007. Management was only able to provide a listing for the period April 1, 2007 through June 30, 2007. The remaining data was lost during a PeopleWare system conversion. From the listing provided by management, we selected 10 sports camp participants and agreed the revenue recorded for the individual to the batch deposit. The batch deposit was agreed to the general ledger. No exceptions were found as a result of this comparison.

19. We obtained a listing of the Program's endowments from University management. We randomly selected 15 of the Program's endowment agreements and compared the use of the endowment and investment income to the allowed purposes as defined within the endowment agreement. Included in this balance was $22,980 in transfers between funds to adjust for a change in reporting period that should not have been recorded in the endowment and investment income balance.

Agreed-Upon Procedures Related to Expenses

20. We obtained a listing of all students who received athletic student aid for the year ended June 30, 2007. We randomly selected a sample of 25 students and obtained the student's account detail and compared the aid allocated to the related award letter. We noted one student whose aid was not recorded in the student account for a quarter, $333, and one student whose aid was recorded twice in the same quarter, $428.

21. We obtained a listing of all home game settlement agreements for the year ended June 30, 2007, and compared the total to the general ledger. We randomly selected five settlement agreements, obtained the contractual agreement, and compared the agreement to the amount recorded in the general ledger. No exceptions were found as a result of this comparison.

22. We obtained from management a listing of all coaches employed by the University for the year ended June 30, 2007. We selected the head football, men's basketball, and women's basketball coaches. In addition, we randomly selected 12 other coaches. We agreed the financial terms and conditions of each selection to the W-2s and 1099s of each coach and to the amount recorded in the employee's Statement of Earnings. No exceptions were found as a result of this comparison.

23. We noted, through inquiry of University management, that there was no additional compensation or benefits paid by a third party to its coaches.

24. We obtained from management a listing of all support staff/administrative personnel employed by the University's Program for the year ended June 30, 2007. We randomly selected 15 of those employees and agreed the W-2s and 1099s information of each employee to the amounts recorded in the employee's Statement of Earnings. No exceptions were found as a result of this comparison.

25. We noted, through inquiry of University management, that there was no additional compensation or benefits paid by a third party to the Program's support staff and administrative personnel.

26. We noted, through inquiry of University management, that there were no severance payments for the year ended June 30, 2007.

27. We obtained and documented an understanding of the University's recruiting and team travel expense policies. We compared and agreed the existing University policy to the NCAA-related policies. There were no significant exceptions noted as a result of this comparison. We obtained from management supporting schedules for team travel expense and agreed amounts in the schedule to the Statement. We randomly selected a sample of 25 expenditures from the supporting schedules and compared to supporting documentation. We noted one instance of fundraising revenues/expenses being inappropriately included in the recruiting and team travel balance.

28. We obtained from management a schedule for equipment, uniforms, and supplies expense and agreed amounts in the schedule to the Statement. We randomly selected 10 expenses from the supporting schedules and compared to supporting documentation. We noted a $135 car towing expense being inappropriately included in the equipment, uniforms, and supplies balance.

29. We obtained from management a schedule of game expenses for the year ended June 30, 2007. We agreed the amount to the Statement and randomly selected 10 game expenses from the schedule of game expenses and agreed to the supporting documentation. No exceptions were found as a result of this comparison.

30. We obtained a schedule of fundraising, marketing, and promotion expenses for the year ended June 30, 2007, from University management and agreed this amount to the Statement. We randomly selected 10 expenses from the schedule of fundraising, marketing, and promotion expenses and agreed the selection to supporting documentation. No exceptions were found as a result of this comparison.

31. We obtained a schedule of sports camp expenses for the year ended June 30, 2007, from University management and agreed this amount to the Statement. We selected a random sample of 10 expenses from the schedule of sports camp expenses and agreed the selection to supporting documentation. No exceptions were found as a result of this comparison.

32. We obtained a schedule of direct facilities, maintenance, and rental expense for the year ended June 30, 2007, from University management and agreed this amount to the Statement. We randomly selected five expenses from the schedule of direct facilities, maintenance, and rental expense and agreed the selection to supporting documentation. No exceptions were found as a result of this comparison.

33. We obtained, from University management, the calculation of allocating indirect facilities support for the year ended June 30, 2007. We compared the indirect facilities expense to the indirect facilities revenue for the year ended June 30, 2007. No exceptions were noted as a result of this comparison.

Agreed-Upon Procedures Related to Capital Assets

34. We obtained, from University management, the schedule of total intercollegiate athletics capitalized assets, additions, and improvements of facilities for the year ended June 30, 2007, and agreed the schedule to the University's general ledger. We selected the two capital assets that were greater than 10% of the total capital asset balance and compared the selections to supporting documentation and inspected each selection. No exceptions were noted as a result of this comparison.

Agreed-Upon Procedures Related to Booster Organizations

35. We obtained from the management of the University a list of outside organizations and their related financial activities for the year ended June 30, 2007, as they relate to the Intercollegiate Athletics Programs of the University. We agreed total revenues and expenses, or total cash receipts and disbursements, of all booster organizations for the year ended June 30, 2007, with amounts obtained from the official responsible for each respective booster organization. No exceptions were noted as a result of this comparison.

Agreed-Upon Procedures Related to the Internal Control Over Compliance

36. We noted, through inquiry of University management, no specific elements of the internal control structure and accounting system that (1) were unique to the Program and (2) had not yet been addressed in connection with the audit of the University's financial statements.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We were not engaged to, and did not, perform an examination of the University's system of internal control over financial reporting, the objective of which would be the expression of an opinion on the suitability of design of internal controls over financial reporting of the University as of June 30, 2007. Accordingly, we do not express such an opinion. We also were not engaged to examine and report on the operating effectiveness of the University's internal control over financial reporting as of June 30, 2007, and accordingly, we express no opinion on its operating effectiveness. Had we performed additional procedures or had we made an examination of the system of internal control over financial reporting, other matters might have come to our attention that would have been reported to you. This report only relates to the procedures specified above and does not extend to the financial statements of the University or its intercollegiate athletics department taken as a whole.

This report is intended solely for the information use of the Board of Trustees, Board of Regents, administration of the University, or an authorized representative of the NCAA, and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

February 29, 2008

Ohio University
Intercollegiate Athletics Department

STATEMENT OF UNRESTRICTED REVENUES AND EXPENSES FOR THE YEAR ENDED JUNE 30, 2007 (UNAUDITED)

	Football	Men's Basketball	Women's Basketball	Other Sports	Nonprogram Specific	Total
OPERATING REVENUES:						
Ticket sales — gate receipts	$ 381,731	$ 301,154	$ 9,455	$ 26,161	$ -	$ 718,501
Guarantees	1,262,417	174,483	12,000	7,000		1,455,900
NCAA and tournament	812,970	120,308	80,197	664,778		1,678,253
Programs, concessions, novelties, and parking	42,020	52,862	1,732	1,872	68,383	166,869
Royalties, sponsorships, and advertising					573,613	573,613
Sports camp revenue	22,052	36,424	10,154	76,803		145,433
Contributions	144,035	29,238	9,175	154,824	389,716	726,988
Direct institutional support	3,056,128	819,002	611,998	3,628,933	3,998,975	12,115,036
Indirect facilities and administrative support	533,729	143,032	106,881	633,765	698,389	2,115,796
Broadcast television, radio, and internet rights						-
Endowment and investment income	1,580	3,119		13,011	53,991	71,701
Other miscellaneous	5,427	15,193	411	41,825	239,924	302,780
Total operating revenues	6,262,089	1,694,815	842,003	5,248,972	6,022,991	20,070,870
OPERATING EXPENSES:						
Financial aid	1,691,407	255,146	237,294	2,096,917	1,823,003	6,103,767
Guarantees	160,000	40,000	1,500			201,500
Coaching salaries	1,345,582	561,082	391,933	1,543,654		3,842,251
Support staff/administrative salaries	20,634	900	2,178	18,634	2,280,377	2,322,723
Severance payments						-
Recruiting	110,048	68,456	50,919	94,084	(197)	323,310
Team travel	255,319	174,265	64,227	373,827	495,141	1,362,779
Equipment, uniforms, and supplies	232,751	20,143	34,195	211,576	188,310	686,975
Game expenses	24,500	51,880	30,850	35,770	3,690	146,690
Fundraising, marketing, and promotion	9,449	2,818	3,900	34,658	658,752	709,577
Sports camp expenses						-
Direct facilities, maintenance, and rental	124,323	13,667	1,338	104,125	695,995	939,448
Indirect facilities and administrative support	533,729	143,032	106,881	633,765	698,389	2,115,796
Medical expenses and insurance				116	362,205	362,321
Memberships and dues	17,956	2,285	655	20,467	183,625	224,988
Other expenses	127,779	14,332	39,533	238,405	1,043,391	1,463,440
Total operating expenses	4,653,477	1,348,006	965,403	5,405,998	8,432,681	20,805,565
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$1,608,612	$ 346,809	$(123,400)	$ (157,026)	$(2,409,690)	$ (734,695)

See notes to the statement of revenue and expenses.

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

OHIO UNIVERSITY INTERCOLLEGIATE ATHLETIC DEPARTMENT

NOTES TO THE STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007

1. SUMMARY OF PRESENTATION POLICIES

The amounts in the accompanying statement of revenues and expenses were obtained from Ohio University's (the "University") trial balance, which is maintained on an accrual basis. All revenue and expenses directly related to various sports were disclosed. All remaining revenues and expenses are nonprogram specific. The University recorded depreciation on physical plant and equipment; however, depreciation is not part of the statement of revenues and expenses.

2. OTHER SPORTS

Other sports include cheerleading, men's baseball, men's and women's track, men's and women's golf, men's and women's cross country, men's and women's swimming, men's wrestling, women's field hockey, women's lacrosse, women's softball, women's soccer, and women's volleyball.

3. GIFTS

Gift revenue included in the statement of revenues and expenses represent gifts given to the Athletic Department that did not contain any donor imposed restrictions, or gifts for which donor-imposed restrictions were met during the current fiscal year. The University did not have any individual contributions in excess of 10% of all contributions received for the Intercollegiate Athletic Department for the year ended June 30, 2007.

4. OTHER FORMS OF COMPENSATION

The value of volunteer assistant coaching services, according to NCAA financial audit guidelines, should be reported as contributions and salary expenses. The University estimates that the value of volunteer assistant coaching services is not material to the statement of revenues and expenses and, therefore, is not reflected.

5. PROPERTY, PLANT, AND EQUIPMENT

Intercollegiate athletics-related assets are accounted for consistent with the University's policies for property, plant and equipment. Property, plant and equipment additions at $2,500 or more are recorded at cost at date of acquisition or, if acquired by gift, at estimated fair value at date of gift. Additions to plant assets are capitalized, while maintenance and minor renovations are charged to operations. Property, plant, and equipment assets are reflected net of accumulated depreciation calculated on a straight-line basis over the estimated useful lives ranging from 5 to 50 years.

	Balance June 30, 2006	Additions	Transfers in (out)	Disposals	Balance June 30, 2007
CAPITAL ASSETS NOT BEING DEPRECIATED:					
Land	$ -	$ -	$ -	$ -	$ -
Construction in progress	65,128	668,130	(733,258)		-
Total capital assets not being depreciated	65,128	668,130	(733,258)	-	-
CAPITAL ASSETS BEING DEPRECIATED:					
Infrastructure	5,507,346		337,000		5,844,346
Buildings	25,500,171		396,258		25,896,429
Equipment	961,417	60,187		(46,233)	975,371
Total capital assets being depreciated	31,968,934	60,187	733,258	(46,233)	32,716,146
Total capital assets at cost	32,034,062	728,317	-	(46,233)	32,716,146
ACCUMULATED DEPRECIATION:					
Infrastructure	1,366,701	315,705			1,682,406
Buildings	13,242,139	643,372			13,885,511
Equipment	487,186	88,017		(42,994)	532,209
Total accumulated depreciation	15,096,026	1,047,094	-	(42,994)	16,100,126
Total capital assets being depreciated — net	16,872,908	(986,907)	733,258	(3,239)	16,616,020
Capital assets — net	$16,938,036	$ (318,777)	$ -	$ (3,239)	$16,616,020

OHIO UNIVERSITY

VARIANCE ANALYSIS — CURRENT YEAR COMPARED TO PRIOR YEAR
FOR THE YEAR ENDED JUNE 30, 2007

	2007	2006	Variance	Management Response
REVENUES:				
Guarantees	$ 1,455,900	$ 482,500	$ 973,400	Guarantee revenue increased due to the fact that the football team played three guarantee games in 2007 for $1 million, compared to two guarantee games in 2006 for $400,000. In addition, they received $195,517. for the proceeds from the GMAC Bowl. In addition, the men's basketball program received a guarantee in the amount of, $79,482, for the first round of the NCAA Tournament.
NCAA and tournament revenue	1,678,253	1,042,192	636,061	In 2007 the men's basketball team received a payment of $37,500 for a MAC television appearance. Also, in 2007 there was an accrual of $300,000 for the appearance of the football team in the GMAC Bowl. Finally, a $117,000 increase was received in grants-in-aid and sports sponsorship from the NCAA.
Royalties, sponsorships, and advertising	573,613	165,491	408,122	The internet service provider contract was renegotiated in 2007, resulting in an approximate increase of $100,000. In addition, approximately $140,000 should have been deposited in ticket revenues. Part of the proceeds from the internet service provider contract are recorded as ticket sales in order for the Program to meet the 15,000 sold tickets requirement for the annual football certification process required by the NCAA.
Indirect facilities and administrative support	2,115,796	233,868	1,881,928	The variance is related to difference in reporting methodology.
Broadcast, television, radio, and internet rights	-	168,188	(168,188)	No explanation provided.
Endowment and investment income	71,701	258,801	(187,100)	The decrease was due to a change in methodology to more closely mirror the definition provided by the NCAA of what should be included in this line item.
EXPENSES:				
Support staff and administrative salaries	2,322,723	3,020,258	(697,535)	The decrease is a result of the Development Office wages and benefits being reported in 2007 as fundraising, marketing and promotion costs. In 2006, these same costs were reported as support staff/administrative salaries.
Equipment, uniforms, and supplies	686,975	925,098	(238,123)	The variance is related to difference in reporting methodology.
Fundraising, marketing, and promotions	709,577	334,241	375,336	In 2006, the Development Office wages and benefits were reported in the support staff/administrative salaries line item. In 2007 those same salaries (approximately $76,000) were reported in the fundraising, marketing, and promotion line item for this report. The remaining increase is associated with a change in accounting for the Development Office expenditures. In 2006, all operating expenses for the development office were paid for by The Ohio University Foundation. In 2007, the operating expenses of the Development Office were paid from the Program, without moving budget dollars to cover those expenses.

(Continued)

VARIANCE ANALYSIS — CURRENT YEAR COMPARED TO PRIOR YEAR
FOR THE YEAR ENDED JUNE 30, 2007

	2007	2006	Variance	Management Response
EXPENSES:				
Direct facilities, maintenance and rental	$ 939,448	$ 227,916	$ 711,532	The increase in this account was due to: *$13,500 additional cost for rental of campus recreation facilities for volleyball and golf summer camps. *$11,600 in rental fees to campus recreation for competitions in swimming and diving in fiscal year 2007. *$8,900 related to facility turns for the High School Basketball tournaments — these are pass through costs and are billed directly to the sponsoring organization. *$20,000 that was a new expense in 2007 for the sound system for Peden Stadium home football games. *$11,000 in copier lease agreements – all copiers were upgraded and converted from an own/operate situation to a lease/operate situation. *$18,000 in 2007 for a mural on the Olympic Sports office wall.
Indirect facilities and administrative support	2,115,796	233,868	1,881,928	The increase was due to a change in reporting methodology.
Other expenses	1,463,440	399,878	1,063,562	Other expenses increased due to the following: *$477,000 is related to Peden Field Lowering Debt that was charged back to the Program in 2007. This debt was supposed to be paid back by donor contributions that have not materialized. *$16,000 in debt service in 2007 related to the Peden Stadium renovation based on amortization debt schedules and the structure of the payback terms. *$162,000 is related to a charter flight expense for travel to the GMAC Bowl game. *$81,000 worth of championship items as a result of football programs' trip to the GMAC Bowl. *$19,000 in additional ticket expense as a result of travel to GMAC Bowl by the football program in 2007. *$125,000 in travel costs as a result of participation in championship/playoffs games by athletic programs and MAC & GMAC participation by football. *$10,000 in facility rental costs as a result of football participation in MAC & GMAC Bowls. *$25,000 paid in 2007 (not in 2006) for the men's basketball MAC tournament fee. *$20,000 legal settlement fee paid to lacrosse coaches due to abolishment of sports program. *$12,000 in consultant fees unique to 2007 as a result of the sports elimination. *$13,000 increase in physical therapy services for athletes due to injuries. *$10,000 increase in costs associated with housing and feeding officials — related to increase in cost as well as having to supply officials for playoffs hosted at the University for MAC and NCAA tournaments. *$5,000 related to attendance of cheerleaders at national competition. *$7,000 spent on professional development speakers brought to ICA. *$35,000 spent on printing for new program development. *$2,000 spent on advertising due to job vacancies.

(Concluded)

OHIO UNIVERSITY

VARIANCE ANALYSIS — CURRENT YEAR COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance	Management Response
REVENUES:				
Guarantees	400,000	1,455,900	(1,055,900)	There is no documentation on how the budget was determined for this line item, therefore, the University is unable to explain why this line item was under budgeted.
NCAA and tournament revenue	900,000	1,678,253	(778,253)	There is no documentation on how the budget was determined for this line item, therefore, the University is unable to explain why this line item was under budgeted. One of the contributing factors was the unbudgeted receipt of $300,000 for the appearance of the football team at the GMAC Bowl.
Sports camp revenue	-	145,533	(145,533)	Sports camp revenues are not considered when determining the overall budget for the Program.
Contributions	-	726,988	(726,988)	Contributions are not considered when determining the overall budget. Contributions are accounted for by The Ohio University Foundation and the Program only reports it for the purpose of NCAA statement of revenue and expenditures.
Indirect facilities and administrative support	-	2,115,796	(2,115,796)	This line is not considered when determining the overall budget.
Other miscellaneous	-	302,780	(302,780)	There is no documentation on how the budget was determined for this line items, therefore, the University is unable to explain why this line item was under budgeted.

(Continued)

OHIO UNIVERSITY

VARIANCE ANALYSIS — CURRENT YEAR COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance	Management Response
EXPENSES:				
Guarantees	$ 87,801	$ 201,500	$ (113,699)	There is no documentation on how the budget was determined for this line item, therefore, the University is unable to explain why this line item was under budgeted.
Team travel	784,701	1,362,779	(578,078)	Team travel was not budgeted at adequate levels. There were several hundred thousand dollars incurred as a result of travel to the MAC championship game and the GMAC Bowl by the football program that were not budgeted.
Equipment, uniforms, and supplies	398,750	686,975	(288,225)	The majority of the increase in actual expense as compared to budget is a result of football's trip to the GMAC Bowl.
Fundraising, marketing and promotions	535,177	709,577	(174,400)	In 2006, the costs of the Development operating budget were paid out of The Ohio University Foundation, however, in 2007, the University decided to start charging these costs to the Program's operating budget. No increase in funding was made to account for this change.
Direct facilities, maintenance, and rental	269,459	939,448	(669,989)	The majority of the increase in actual expense as compared to budget is a result of football's trip to the GMAC Bowl.
Indirect facilities and administrative support	269,459	2,115,796	(1,846,337)	There is no documentation on how the budget was determined for this line item, therefore, the University is unable to explain why this line item is over budget.
Medical expenses and insurance	158,000	362,321	(204,321)	The health insurance (which was approximately $200,000 in 2007) was excluded from the budget in order for the Program to submit a balanced budget.
Memberships and dues	27,750	224,988	(197,238)	The MAC dues (which was approximately $190,000 in 2007) was excluded from the budget in order for the Program to submit a balanced budget.
Other expenses	363,680	1,463,440	(1,099,760)	The difference between budget to actual includes: *$477,000 in debt payments. This debt was supposed to be paid back by donor contributions which did not materialize and were billed back to the Program. *$162,000 for a charter flight to the GMAC Bowl. *$30,000 in legal settlements and consultant costs associated with the elimination of sports teams *$125,000 of additional travel costs for sports. participating in championship or playoff games, all of which were not included in the budget.

(Concluded)

Mary Taylor, CPA
Auditor of State

OHIO UNIVERSITY

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 18, 2008

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