The Ohio State University Foundation

Financial Statements and Additional Information as of and for the Years Ended June 30, 2007 and 2006, and Independent Auditors' Report

Mary Taylor, CPA
Auditor of State

Board of Trustees
The Ohio State University Foundation
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210-4016

We have reviewed the *Independent Auditors' Report* of The Ohio State University Foundation, Franklin 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 State University Foundation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 30, 2008

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THE OHIO STATE UNIVERSITY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets of The Ohio State University Foundation (the "Foundation"), a component unit of The Ohio State University, as of June 30, 2007 and 2006, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the financial statements include investments valued at $69,047,047 (14.3% of net assets) and $29,253,703 (7.4%) of net assets) as of June 30, 2007 and 2006, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Deloitte & Touche LLP

December 21, 2007

THE OHIO STATE UNIVERSITY FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

The following Management's Discussion and Analysis (MD&A) of The Ohio State University Foundation's (the "Foundation") financial performance provides an introduction to the financial statements for the year ended June 30, 2007. The information contained in this MD&A should be considered in conjunction with the information contained in the Foundation's financial statements.

OVERVIEW

This annual report consists of financial statements and notes for the Foundation. The financial statements include Statements of Net Assets showing the Foundation's assets, liabilities, and net assets. Also included are Statements of Revenue, Expenses, and Changes in Net Assets, which shows the various sources of revenue and categorizes expenses by type. The third statement is to the Statements of Cash Flows showing cash receipts and disbursements by category, allowing the reader to analyze the items affecting cash and cash flows within the Foundation.

STATEMENTS OF NET ASSETS

	2007	2006
ASSETS:		
Current assets	$ 12,380,413	$ 10,550,580
Other assets	526,740,422	434,891,098
Total assets	$539,120,835	$445,441,678
LIABILITIES:		
Current liabilities	$ 5,093,892	$ 4,121,978
Long-term liabilities	49,730,562	45,000,169
Total liabilities	54,824,454	49,122,147
NET ASSETS:		
Unrestricted	1,316,116	2,274,167
Restricted	31,038,335	29,529,822
Endowment	451,941,930	364,515,542
Total net assets	484,296,381	396,319,531
TOTAL LIABILITIES AND NET ASSETS	$539,120,835	$445,441,678

ASSETS

Total current assets increased from $10.5 million at June 30, 2006, to $12.4 million at June 30, 2007, primarily due to an increase of pledges receivable of $1.6 million.

Total noncurrent assets increased from $435 million at June 30, 2006, to $527 million at June 30, 2007, due primarily to the investment in The Ohio State University Long-Term Investment Pool, which increased by $87 million. The investments increased because of overall financial market performance and new gifts to the Endowment Fund of $40 million.

LIABILITIES

Total current liabilities increased from $4.1 million at June 30, 2006, to $5.1 million at June 30, 2007, primarily for operating expenses, for which the Foundation borrowed funds from the University to finance.

Total noncurrent liabilities increased from $45 million at June 30, 2006, to $50 million at June 30, 2007, due primarily to new gift annuities established.

NET ASSETS

Net assets increased $88 million as a result of revenues exceeding operating expenses.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	2007	2006
Operating revenues	$ 130,185,386	$87,897,755
Operating expenses	42,208,536	40,053,184
Increase in net assets	$ 87,976,850	$47,844,571

OPERATING REVENUES

Overall, operating revenues increased from $88 million in 2006 to $130 million in 2007. The primary reason for the increase is investment performance. A detailed analysis of the components of operating revenues follows:

Gifts increased from $48 million in 2006 to $62 million in 2007.

Interest and dividends were comparable with $19 million in 2006 and $18.5 million in 2007.

The realized/unrealized gains on marketable securities line item represents the adjustment to both restricted and endowments assets to market value at June 30, 2007. The net adjustment to market for both restricted and endowment marketable securities increased from $17 million to $49 million in the current year, while the change in carrying value of remainder trusts also represents adjustment of those assets, net of their related liabilities, to market at June 30, 2007. The net market adjustment in the carrying value of remainder trusts decreased from approximately $3 million in June 30, 2006, to $2 million in June 30, 2007.

Miscellaneous income for unrestricted funds is principally funds the The Ohio State University transfers to the Foundation for general support and specific funding items. For the restricted funds the decrease is due to insurance policies cash surrender value decrease as of June 30, 2007.

Distributions to The Ohio State University, not including payments received on accounts receivable and payments toward advances, increased from $36 million in 2006 to $39 million in 2007 due to an increase in gifts passed on to the Ohio State University from the Foundation. For the year ended June 30, 2007, the Foundation also distributed approximately $291 thousand in gifts to other charities.

Distributions to gift annuitants represent contractual payments to annuitants. Gift annuity remainder distributions represent distributions to the Ohio State University for the accounts of annuitants passing away during the year. Gift annuity reserve adjustment reflects the adjustment to market of gift annuity assets, and the adjustment to present value of expected annuity payments. The adjustment also includes the difference between income earned and payments to annuitants.

STATEMENTS OF CASH FLOWS

	2007	2006
Operating activities	$ 42,839,654	$ 33,278,379
Investing activities	(42,873,352)	(33,305,287)
Net decrease in cash and cash equivalents	(33,698)	(26,908)
Cash — beginning of year	138,209	165,117
Cash — end of year	$ 104,511	$ 138,209

The major positive cash flow item included in operating activities is cash received from contributors totaling $61 million. The largest negative cash flow item is distributions to The Ohio State University of $39 million. Total distributions to The Ohio State University include distributions from donors and payments on advances net of cash received on accounts receivable.

Cash used in investing activities represents purchases of marketable securities totaling $46 million. This is offset by proceeds from sales of marketable securities of $3 million.

THE OHIO STATE UNIVERSITY FOUNDATION

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

	2007	2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 104,513	$ 138,209
Pledges receivable — current portion — net	11,588,817	9,958,178
Accounts receivable	535,000	
Accrued interest receivable	40,481	34,172
Marketable securities	111,602	
Other current assets		420,021
Total current assets	12,380,413	10,550,580
INVESTMENT IN THE OHIO STATE UNIVERSITY LONG-TERM INVESTMENT POOL	442,623,836	355,527,573
PLEDGES RECEIVABLE — Net	8,514,047	10,135,776
CHARITABLE REMAINDER TRUSTS	40,858,110	39,301,809
INVESTMENTS IN MARKETABLE SECURITIES	27,887,922	22,696,203
LIFE INSURANCE POLICIES	4,192,354	4,011,896
INVESTMENT IN REAL ESTATE	485,000	700,501
RECEIVABLE FROM THE OHIO STATE UNIVERSITY	786,854	917,340
CAPITAL ASSETS — Net	1,392,299	1,600,000
TOTAL	$539,120,835	$445,441,678
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Gift annuity liabilities	$ 1,315,180	$ 1,039,942
Charitable remainder trust liability	2,375,888	2,118,280
Gift annuity reserve	1,209,367	826,393
Advance from The Ohio State University	193,457	137,363
Total current liabilities	5,093,892	4,121,978
DEFERRED REVENUE	277,527	568,250
GIFT ANNUITY LIABILITIES	13,272,220	11,596,251
CHARITABLE REMAINDER TRUST LIABILITY	23,976,416	23,620,663
GIFT ANNUITIES RESERVE	12,204,399	9,215,005
Total liabilities	54,824,454	49,122,147
NET ASSETS:		
Unrestricted	1,316,116	2,274,167
Restricted	31,038,335	29,529,822
Endowment	451,941,930	364,515,542
Total net assets	484,296,381	396,319,531
TOTAL	$539,120,835	$445,441,678

See notes to financial statements.

THE OHIO STATE UNIVERSITY FOUNDATION

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

	2007	2006
OPERATING REVENUES:		
Gifts	$ 61,622,276	$ 48,321,415
Interest and dividends	18,574,888	19,107,714
Realized/unrealized gains on marketable securities — net	48,773,900	16,596,227
Realized/unrealized losses on real estate	(144,415)	(123,513)
Gift annuity reserve adjustment	(839,187)	520,964
Change in carrying value of remainder trusts	1,844,906	2,755,956
Miscellaneous income	353,018	718,992
Total operating revenues	130,185,386	87,897,755
OPERATING EXPENSES:		
Distributions to The Ohio State University	39,275,701	36,098,001
Distributions to gift annuitants	1,928,474	1,790,582
Gift annuity remainder distributions	627,535	164,461
Distributions to other charities	291,424	1,944,025
Salaries	122,308	110,096
Benefits	37,065	32,653
Audit fees	56,247	88,966
Real estate taxes, fees, and expenses	3,646	3,699
Provision for uncollectible pledges	(503,742)	(197,491)
Depreciation	343,157	
Other	26,721	18,192
Total operating expenses	42,208,536	40,053,184
INCREASE IN NET ASSETS	87,976,850	47,844,571
NET ASSETS — Beginning of year	396,319,531	348,474,960
NET ASSETS — End of year	$484,296,381	$396,319,531

See notes to financial statements.

THE OHIO STATE UNIVERSITY FOUNDATION

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

	2007	2006
OPERATING ACTIVITIES:		
Cash received from contributors	$ 61,341,385	$ 54,155,090
Interest and dividends received	17,592,642	17,500,650
Funding from The Ohio State University	172,560	591,910
Receipt of new gift annuity agreements	4,454,356	906,470
Receipt of new trust agreements	173,356	191,717
Investment income received on gift annuities	1,287,896	1,212,926
Distributions to The Ohio State University	(39,089,121)	(37,127,710)
Income distributions paid to gift annuitants	(1,928,474)	(1,790,582)
Distributions to gift annuity remainderman	(627,535)	(164,461)
Payments to vendors for supplies and services	(86,614)	(110,857)
Payments to or on behalf of employees	(122,308)	(110,096)
University employee benefit payments	(37,065)	(32,653)
Distributions to other charities	(291,424)	(1,944,025)
Net cash provided by operating activities	42,839,654	33,278,379
INVESTING ACTIVITIES:		
Proceeds from sales of marketable securities	3,430,562	5,223,363
Purchases of marketable securities	(46,303,914)	(40,837,136)
Proceeds from sale of investments in real estate		2,308,486
Net cash used in investing activities	(42,873,352)	(33,305,287)
DECREASE IN CASH AND CASH EQUIVALENTS	(33,698)	(26,908)
CASH AND CASH EQUIVALENTS — Beginning of year	138,209	165,117
CASH AND CASH EQUIVALENTS — End of year	$ 104,511	$ 138,209
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	$ 87,976,850	$ 47,844,571
Adjustments to reconcile increase in assets to net cash provided by operating activities:		
Depreciation and amortization	343,157	
Unrealized gain on investments	(48,773,900)	(16,596,227)
Unrealized loss on real estate	144,416	123,513
Unrealized gain on charitable remainder trusts	(1,182,301)	(2,403,240)
Change in CSV of life insurance policies	(180,458)	(546,432)
Total gifts received in real estate	(485,000)	
Adjustment to gift annuity reserve	1,466,722	(356,503)
Other	(30,032)	(4,001)
Changes in operating assets and liabilities:		
Increase (decrease) in pledges receivable	(8,910)	5,546,546
(Decrease) increase in deferred revenue	(290,723)	89,640
Increase (decrease) in accrued interest receivable and other current assets	305,650	(394,172)
Decrease in other assets		419,350
Decrease (increase) in receivable from The Ohio State University	130,486	(14,026)
Decrease (increase) in advance from The Ohio State University	56,094	(1,015,683)
Decrease in liability for gift annuities	2,087,050	428,205
Decrease in gift annuity reserve	1,769,803	317,837
Increase in liability for charitable remainder trusts	(489,250)	(160,999)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 42,839,654	$ 33,278,379

See notes to financial statements.

1. ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in preparing the financial statements:

Organization — The Ohio State University Foundation (the "Foundation") was incorporated as a not-for-profit organization in the State of Ohio on April 19, 1985, and operates for the benefit of and is a component unit of The Ohio State University (the "University"). The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting — The financial statements of the Foundation have been prepared on the accrual basis of accounting. The preparation of financial statements in accordance 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 at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* the Foundation follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Cash Equivalents — The Foundation considers all demand deposit accounts and money market funds with a maturity of three months or less at the date of purchase to be cash equivalents. All cash is principally on deposit with one bank.

At June 30, 2007 and 2006, the carrying amount of the Foundation's deposits with financial institutions was $100. These deposits were insured by the Federal Deposit Insurance Corporation (Category 1 as defined by GASB). In addition, the Foundation had $104,413 and $138,109, respectively, of cash equivalents, which were uncollateralized.

Pledges Receivable — The Foundation receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions,* endowment pledges are not recorded as assets until the related gift is received. The Foundation reduces pledges receivable to estimated net realizable value by recording an allowance for uncollectible pledges. The allowance is estimated using a four-year rolling average of canceled pledges divided by net pledges receivable. For the years ended June 30, 2007 and 2006, the Foundation recorded an allowance against pledges receivable of approximately $7,100,000 and $7,600,000, respectively.

Fund Accounting — To ensure the observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported in the following fund groups:

Unrestricted Fund — The Unrestricted Fund represents funds which can be used by the Foundation for any purpose authorized by the Board of Directors.

Restricted Fund — The Restricted Fund represents funds which are restricted for a specific purpose determined by the donor. The Foundation maintains separate balances in its accounting records to account for the amounts available for such restricted purposes.

Endowment Fund — The Endowment Fund represents contributions in which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the investment income of the fund be expended as the donor has specified.

Operating Revenues and Expenses — Operating revenues and expenses are distinguished from nonoperating items and generally result from providing services in connection with ongoing operations. The principal operating revenues are derived from gifts, interest and dividends, gains and losses on marketable securities and real estate investments, and the change in other assets held by the Foundation. Operating expenses include distributions to the University and gift annuitants and related administrative expenses.

Gifts — Gifts are recorded at their fair market value as of the date received. This includes gifts of real estate for which fair market value is obtained by an independent appraisal.

In accordance with GASB Statement No. 33, private donations are recognized when all eligibility requirements are met. The Foundation has recorded $20,102,864 and $20,093,954 in pledges receivable as of June 30, 2007 and 2006, respectively.

In-Kind Income — The facilities occupied by the Foundation are provided by the University. In addition, the University's Office of University Development and the Office of the Treasurer assist the Foundation in fund-raising, gift processing, and accounting. The value of the office space and services provided constitutes additional in-kind income to the Foundation that is not recorded.

Investments — Investments in the University Long-Term Investment Pool are valued at share values reported by the University. The Long-Term Investment Pool holds investments in limited partnerships, private equity, and other investments which are carried at fair value provided by the management of these funds. The purpose of this alternative investment class is to increase portfolio diversification and reduce risk due to low correlation with other asset classes. Methods for determining estimated fair values include discounted cash flows and estimates provided by general partners. 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, and such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements using the equity method of accounting.

The interest in unitrust, annuity trust, and pooled income agreements are invested principally in Vanguard Mutual Funds and are carried at market value. Real estate is recorded at appraised value. Bonds and notes are recorded at values determined by market quotations. Mutual funds are recorded at share values reported by investment carriers. Realized gains or losses from sale or redemption of investments are based upon the cost of the specific investment sold or redeemed. Purchases and sales of investments are reflected on a trade-date basis.

Investment income is recorded in the fund in which the income was earned, except for income derived from endowments. Investment income on Endowment Fund assets is recorded in the fund to which the income was designated by the donor.

Capital Assets — net — Capital assets — net of accumulated depreciation at June 30, 2007, is the University President's house that at June 30, 2006, was classified as Investment in Real Estate.

Reimbursement Agreement and Resolution — The Foundation and the University entered into an agreement in March 1989 to reimburse costs incurred by the University on behalf of the Foundation and to repay related advances from the University. In connection therewith, the Foundation's Board of Directors approved a resolution in April 1989, authorizing the Foundation to utilize undesignated income earned from unrestricted/restricted funds, as needed, to reimburse the University. On July 7, 2000, the University's Board of Trustees approved a resolution creating a funding plan for University development. Part of this plan includes support to reduce the Foundation's outstanding liability to the University. A reduction of $170,560 was recognized in both 2007 and 2006.

Life Insurance Policies — The Foundation is the owner and beneficiary of certain life insurance policies. The policies classified in the Unrestricted Fund are single premium whole life insurance policies paid by the Foundation. These policies are recorded at their net present value, which was calculated using the risk-free interest rate (approximately 4% at June 30, 2007 and 2006). The policies classified in the Restricted Fund are whole life policies including both single premium and annual premium policies for which the donors are paying the premiums. These policies are recorded at their cash surrender value. The increase in the recorded value during the year is recorded in miscellaneous income.

New Accounting Standards — 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. The Foundation's management has not determined the impact the implementation of GASB Statement No. 48 will have on the reported financial statements.

Reclassifications — Certain amounts in the 2006 financial statements have been reclassified to conform to the 2007 presentation.

2. INVESTMENTS

Investments in marketable securities and the Foundation endowment at June 30, 2007 and 2006, are as follows:

	2007	2006
Common stock	$144,077,080	$113,709,774
Equity mutual funds	149,054,700	131,291,987
U.S. government obligations	11,848,629	7,629,703
U.S. government agency obligations	10,849,814	6,315,845
Corporate bonds and notes	16,664,915	12,568,058
Bond mutual funds	22,905,162	52,843,842
International bonds	3,241,468	3,407,067
Partnerships and hedge funds	66,893,909	27,438,455
Real estate	32,603,062	17,590,135
Cash and cash equivalents	12,468,760	4,255,853
Other	15,861	1,173,057
Total	$470,623,360	$378,223,776

Additional Risk Disclosures on Deposits and Investments — GASB Statement Nos. 3 and 40 require certain additional disclosures related to the interest rate, credit, and foreign currency risks associated with deposits and investments.

Interest-Rate Risk — Interest-rate 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.

The maturities of the Foundation's interest-bearing investments at June 30, 2007, are as follows:

		Investment Maturities (in years)			
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	$11,848,629	$ 636,432	$ 2,175,020	$ 7,901,573	$ 1,135,604
U.S. agency obligations	10,849,814	429,793	2,350,960	1,780,157	6,288,904
Corporate bonds	16,664,915	645,157	4,375,871	6,823,822	4,820,065
Bond mutual funds	22,905,162	1,598,044	8,197,084	9,958,918	3,151,116
International bonds	3,241,469		553,594	587,790	2,100,084
Total	$65,509,988	$3,309,426	$17,652,529	$27,052,260	$17,495,773

The maturities of the Foundation's interest-bearing investments at June 30, 2006, are as follows:

	Investment Maturities (in years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	$ 7,629,703	$ 274,730	$ 2,970,205	$ 3,468,411	$ 916,357
U.S. agency obligations	6,315,846	636,819	2,069,408	1,337,889	2,271,730
Corporate bonds	12,568,059	526,877	4,001,064	4,674,222	3,365,896
Bond mutual funds	52,843,841	1,821,389	24,805,537	17,492,283	8,724,632
International bonds	3,407,067		59,146	1,424,271	1,923,650
Total	$ 82,764,516	$ 3,259,815	$ 33,905,360	$ 28,397,076	$ 17,202,265

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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 Foundation's interest-bearing investments at June 30, 2007, are as follows:

Credit Rating (Moody's)	Total	U.S. Government and Agency Obligations	Corporate Bonds	Bond Mutual Funds	International Bonds
Aaa	$ 34,844,674	$ 22,494,318	$ 2,021,445	$ 10,328,911	$ -
Aa	2,665,852	134,484	1,323,012	1,166,769	41,587
A	6,203,650		3,129,578	3,074,072	
Baa	3,977,159		2,814,247	956,072	206,840
Ba	4,990,327		902,989	2,678,131	1,409,207
B	7,383,979		3,711,445	3,489,770	182,764
Caa	2,419,878		1,364,961	1,054,917	
C					
Unrated	3,024,469	69,640	1,397,238	156,521	1,401,070
Total	$ 65,509,988	$ 22,698,442	$ 16,664,915	$ 22,905,163	$ 3,241,468

The credit ratings of the Foundation's interest-bearing investments at June 30, 2006, are as follows:

Credit Rating (Moody's)	Total	U.S. Government and Agency Obligations	Corporate Bonds	Bond Mutual Funds	International Bonds
Aaa	$ 43,563,733	$ 13,945,548	$ 1,451,474	$ 28,166,711	$ -
Aa	4,012,123		694,180	3,317,943	
A	9,506,001		3,034,995	6,309,802	161,204
Baa	7,062,420		2,469,396	4,126,481	466,543
Ba	5,666,397		769,258	2,887,757	2,009,382
B	10,025,859		3,327,821	6,134,682	563,356
Caa	1,690,501		820,935	834,253	35,313
Ca					
C	98,188			98,188	
Unrated	1,139,294			968,025	171,269
Total	$ 82,764,516	$ 13,945,548	$ 12,568,059	$ 52,843,842	$ 3,407,067

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 Foundation's exposure to foreign currency risk is as follows:

	Common Stocks	Equity Mutual Funds	Bond Mutual Funds	Corporate Bonds	International Bonds
Argentine Peso	$ -	$ 3,605,853	$ -	$ -	$ 362,282
Australian Dollar	820,926	1,194,956	500,320		
Brazilian Real	888,633	1,835,126	187,837		
Canadian Dollar	1,492,388	5,419,762	316,007		
Chinese Yuan		1,637,194			
Danish Krone	88,515	215,503	55,620		
Egyptian Pound	61,784	152,075			
EURO	10,837,889	27,064,065	2,583,312		
Hong Kong Dollar	1,522,047	1,173,806			
Hungarian Forint		255,618			
Indian Rupee	187,966	358,743	123,379		
Indonesian Rupiah		352,162			
Israeli Shekel	102,688	113,477			
Japanese Yen	6,817,372	15,810,096	2,404,919		
Malaysian ringgit	853,350	212,979	188,628		
Mexican Peso	206,041	970,386	178,346	74,201	92,559
New Taiwan Dollar	675,342	1,202,354			
New Zealand Dollar	28,822	167,732	160,947		
Norwegian Kroner	1,437,951	1,124,306			
Peruvian Nuevo Sol		206,251			
Phillippine Peso	113,022	199,618			
Polish Zioto	83,380	238,535	298,562		
Pound Sterling	4,856,354	16,555,506	370,230		
Russian Rouble		1,159,245			
Singapore Dollar	430,196	608,191	276,812		
South African Rand	1,582,044	1,003,799	193,769		
South Koren Won	1,732,511	1,709,479			
Swedish Krona	776,282	2,282,925	115,479		
Swiss Franc	778,440	4,741,081	38,297		
Thailand Baht	247,021	227,820			
Turkish Lira		361,001			183,678
Other Foreign Currencies	44	231,963	791		37,339
	$ 36,621,008	$ 92,391,607	$ 7,993,255	$ 74,201	$ 675,858

At June 30, 2006, the Foundation's exposure to foreign currency risk is as follows:

	Common Stocks	Equity Mutual Funds	Bond Mutual Funds	International Bonds
Argentine Peso	$ -	$ 37,798	$ -	$ 171,241
Australian Dollar	366,920	627,675	419,849	
Brazilian Real	159,124	292,598	98,701	281,763
Canadian Dollar	765,662	942,487	595,731	
Chinese Yuan		188,689		
EURO	5,641,017	3,982,223	2,658,280	
Hong Kong Dollar	527,561	180,793		
Japanese Yen	4,148,575	2,830,847	1,381,890	
Mexican Peso	96,480	118,489	151,577	108,696
Norwegian Kroner	742,243	219,860		
Polish Zioto		16,247	243,228	
Pound Sterling	3,229,985	3,031,056	436,898	
Russian Rouble		225,225		
Singapore Dollar	120,428	93,638	253,803	
South African Rand	574,764	180,024	14,100	
South Koren Won	342,965	368,061		
Swedish Krona	494,272	265,727	169,202	
Swiss Franc	685,227	449,994		
Taiwan Dollar		216,918		
Thailand Baht	140,463	69,120	21,150	
Other Foreign Currencies	267,065	223,410	229,127	
Total	$ 18,302,751	$ 14,560,879	$ 6,673,536	$ 561,700

3. GIFT ANNUITIES

The Foundation has entered into charitable gift annuity agreements which provide, among other matters, that the Foundation shall pay periodic fixed payments to beneficiaries during their lifetimes. Charitable gift annuities differ from other charitable giving options in that the annuity is a general obligation of the Foundation. Accordingly, if the assets of the gift are exhausted as a result of required payments to beneficiaries, then the unrestricted assets of the Foundation will be utilized to fund future payments.

The Foundation accounts for such agreements by recording the fair market value of assets donated as of the date of the gift, and by recording the present value of the annuities payable, based on the term of the agreement, as a liability. The balance of the gift is recorded as a reserve for future payments.

As of June 30, 2007 and 2006, the assets related to these investments had a fair market value of approximately $28,000,000 and $22,696,000, respectively, a present value of annuities payable of approximately $14,587,400 and $12,636,000, respectively, and reserves of approximately $13,414,000 and $10,041,000, respectively.

4. UNITRUST, ANNUITY TRUST, AND POOLED INCOME AGREEMENTS

An officer of the Foundation, as trustee, has entered into unitrust, annuity trust, and pooled income agreements which provide, among other matters, that the trustee shall pay beneficiaries periodic payments until either the assets of the trust have been exhausted or until the death of the beneficiaries. Upon death of the beneficiaries, any remaining property in the trust or pooled income fund will be transferred to the Foundation in accordance with the agreements.

The Foundation accounts for such agreements by recording the fair market value of assets donated as of the date of gift, and by recording the present value of the annuity payable, based on the agreement, as a liability.

5. RELATED-PARTY TRANSACTIONS

The University made net advances to the Foundation of approximately $193,500 and $137,000 as of June 30, 2007 and 2006, respectively. The Foundation distributed approximately $39,275,700 and $36,098,000 in fiscal years 2007 and 2006, respectively, to the University as directed by donors. The Foundation had receivables from the University of approximately $786,900 and $917,000 as of June 30, 2007 and 2006, respectively.

The Foundation invests its gifted endowment funds in the University Long-Term Investment Pool. The University employs the share method of accounting for pooled investments and for proportionate distribution of income to each fund which participates in the pool.

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

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

We have audited the financial statements of The Ohio State University Foundation (the "Foundation") as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated December 21, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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 foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the foundation's financial statements that is more than inconsequential will not be prevented or detected by the foundation's internal control.

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 foundation's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to management in a separate letter dated December 21, 2007.

This report is intended solely for the information and use of the Foundation's management, The Ohio State University, and the Ohio Auditor of State and is not intended to be, and should not be, used by anyone other than those specified parties.

Deloitte & Touche LLP

December 21, 2007

THE OHIO STATE UNIVERSITY FOUNDATION

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 12, 2008

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