The Ohio State University Foundation

Financial Statements and Additional Information as of and for the Years Ended June 30, 2008 and 2007, and Independent Auditors' Report

Mary Taylor, CPA
Auditor of State

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

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, 2007 through June 30, 2008. 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

December 5, 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, Ohio

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, 2008 and 2007, 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, 2008 and 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2008, 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.

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.

Deloitte & Touche LLP

October 31, 2008

THE OHIO STATE UNIVERSITY FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008 AND 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, 2008. 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 show 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

	2008	2007	2006
ASSETS:			
Current assets	$ 17,312,480	$ 12,380,413	$ 10,500,580
Other assets	523,367,587	526,740,422	434,891,098
Total assets	$ 540,680,067	$ 539,120,835	$ 445,391,678
LIABILITIES:			
Current liabilities	$ 5,687,258	$ 5,093,892	$ 4,121,978
Long-term liabilities	44,783,857	49,730,562	45,000,169
Total liabilities	50,471,115	54,824,454	49,122,147
NET ASSETS:			
Unrestricted	3,247,172	1,316,116	2,274,167
Restricted	35,334,699	31,038,335	29,529,822
Endowment	451,627,081	451,941,930	364,515,542
Total net assets	490,208,952	484,296,381	396,319,531
TOTAL LIABILITIES AND NET ASSETS	$ 540,680,067	$ 539,120,835	$ 445,441,678

ASSETS

Total current assets increased from $12 million at June 30, 2007, to $17 million at June 30, 2008, primarily due to an increase of pledges receivable by $5.5 million.

Total noncurrent assets decreased from $527 million at June 30, 2007, to $523 million at June 30, 2008, due primarily to the overall financial market performance of investments.

LIABILITIES

Total current liabilities increased from $5 million at June 30, 2007, to $6 million at June 30, 2008, primarily due to a note payable of $1.6 million held by Clifton Holdings LLC, a component unit of the Foundation.

Total noncurrent liabilities decreased from $50 million at June 30, 2007, to $45 million at June 30, 2008, due primarily to maturity of gift annuities of approximately $2.6 million and the reserve adjustment decrease of $2.3 million.

NET ASSETS

Net assets increased $6 million as a result of revenues exceeding operating expenses.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	2008	2007	2006
Operating revenues	$ 54,634,252	$ 130,185,386	$ 87,897,755
Operating expenses	48,721,681	42,208,536	40,053,184
Increase in net assets	$ 5,912,571	$ 87,976,850	$ 47,844,571

OPERATING REVENUES

Overall, operating revenues decreased from $130 million in 2007 to $55 million in 2008. The primary reason for the decrease was investment performance. A detailed analysis of the components of operating revenues follows:

Gifts increased from $62 million in 2007 to $89 million in 2008.

Interest and dividends increased from $19 million in 2007 to $21 million in 2008.

The realized/unrealized (loss) gains — net represents the adjustment of investments to market value at June 30, 2008. The net adjustment to market decreased from a gain of $50 million in 2007 to a loss of $65 million in 2008, primarily due to market conditions.

The gift annuity reserve adjustment increased from a loss of $839,000 to a gain of $6.8 million due annuities maturing in the current year.

The change in the carrying value of remainder trusts increased $2 million from 2007 to 2008.

Miscellaneous income was comparable for 2007 and 2008.

Distributions to The Ohio State University, not including payments received on accounts receivable and payments toward advances, increased from $39 million in 2007 to $41 million in 2008 due to an increase in gifts passed on to the Ohio State University from the Foundation.

Distributions to gift annuitants represent contractual payments to annuitants and the amount is comparable between June 30, 2008 and 2007.

Gift annuity remainder distributions are payments to the Ohio State University for the accounts of annuitants passing away during the year. The expense increased from $1 million in 2007 to $4.6 million in 2008.

STATEMENTS OF CASH FLOWS

	2008	2007	2006
Operating activities	$ 59,878,679	$ 42,839,656	$ 33,278,379
Investing activities	(61,369,785)	(42,873,352)	(33,305,287)
Financing Activities	1,554,349		
Net decrease in cash and cash equivalents	63,243	(33,696)	(26,908)
Cash — beginning of year	104,513	138,209	165,117
Cash — end of year	$ 167,756	$ 104,513	$ 138,209

The major positive cash flow item included in operating activities is cash received from contributors totaling $82 million. The largest negative cash flow item is distributions to The Ohio State University of $40 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 $66 million. This is offset by proceeds from sales of marketable securities of $6.6 million.

2007 – 2006 HIGHLIGHTS

The increase in net assets from $47.8 million to $88.0 million is the primarily the result of increased operating revenues. Operating revenues increased $29 million due to investment performance and $14 million due to a rise in gifts. Operating expenses and the cash flow activities were comparable between 2007 and 2006.

THE OHIO STATE UNIVERSITY FOUNDATION

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2008 AND 2007

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 167,756	$ 104,513
Pledges receivable — current portion — net	17,010,690	11,588,817
Accounts receivable		535,000
Accrued interest receivable	42,769	40,481
Marketable securities	91,265	111,602
Total current assets	17,312,480	12,380,413
INVESTMENTS — Long term:		
The Ohio State University Long-Term Investment Pool	442,852,874	442,623,836
Marketable securities	23,244,896	27,887,922
Charitable remainder trusts	38,269,389	40,858,110
Life insurance policies	4,325,632	4,192,354
Real estate	485,000	485,000
Total investments — long term	509,177,791	516,047,222
PLEDGES RECEIVABLE — Net	8,606,811	8,514,047
CAPITAL ASSETS — Net	4,892,163	1,392,299
RECEIVABLE FROM THE OHIO STATE UNIVERSITY	690,822	786,854
TOTAL	$540,680,067	$539,120,835
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Charitable remainder trust liability	$ 1,979,717	$ 2,375,888
Gift annuity liabilities	1,222,348	1,315,180
Gift annuity reserve	658,437	1,209,367
Advance from The Ohio State University	269,762	193,457
Accrued liabilities	2,645	
Note payable	1,554,349	
Total current liabilities	5,687,258	5,093,892
DEFERRED REVENUE	702,080	277,527
CHARITABLE REMAINDER TRUST LIABILITY	22,605,724	23,976,416
GIFT ANNUITY LIABILITIES	13,490,931	13,272,220
GIFT ANNUITIES RESERVE	7,985,122	12,204,399
Total liabilities	50,471,115	54,824,454
NET ASSETS:		
Unrestricted	3,247,172	1,316,116
Restricted	35,334,699	31,038,335
Endowment	451,627,081	451,941,930
Total net assets	490,208,952	484,296,381
TOTAL	$540,680,067	$539,120,835

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, 2008 AND 2007

	2008	2007
OPERATING REVENUES — Gifts	$ 88,726,875	$ 61,622,276
Net investment (loss) income:		
Interest and dividends	21,327,236	18,574,888
Realized/unrealized (loss) gain	(65,179,172)	49,811,785
Gift annuity reserve adjustment	6,829,799	(839,187)
Change in carrying value of remainder trusts	2,625,676	662,606
Total net investment (loss) income	(34,396,461)	68,210,092
Miscellaneous income	303,838	353,018
Total operating revenues	54,634,252	130,185,386
OPERATING EXPENSES:		
Distributions to The Ohio State University	40,576,532	39,275,701
Distributions to gift annuitants	1,793,115	1,928,474
Gift annuity remainder distributions	4,581,680	627,535
Distributions to other charities		291,424
Salaries and benefits	171,871	159,373
Audit fees	57,025	56,247
Provision for uncollectible pledges	1,173,394	(503,742)
Depreciation	314,393	343,157
Other	53,671	30,367
Total operating expenses	48,721,681	42,208,536
INCREASE IN NET ASSETS	5,912,571	87,976,850
NET ASSETS — Beginning of year	484,296,381	396,319,531
NET ASSETS — End of year	$490,208,952	$484,296,381

See notes to financial statements.

THE OHIO STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
OPERATING ACTIVITIES:		
Cash received from contributors	$ 82,411,042	$ 61,341,385
Interest and dividends received	18,542,272	17,592,642
Funding from The Ohio State University	170,489	172,560
Receipt of new gift annuity agreements	2,172,585	4,454,356
Receipt of new trust agreements	858,813	173,356
Investment income received on gift annuities	2,784,964	1,287,896
Distributions to The Ohio State University	(40,404,195)	(39,089,121)
Income distributions paid to gift annuitants	(1,793,115)	(1,928,474)
Distributions to gift annuity remainderman	(4,581,680)	(627,535)
Payments to vendors for supplies and services	(110,625)	(86,612)
Payments to or on behalf of employees	(130,664)	(122,308)
University employee benefit payments	(41,207)	(37,065)
Distributions to other charities		(291,424)
Net cash provided by operating activities	59,878,679	42,839,656
INVESTING ACTIVITIES:		
Proceeds from sales of investments	6,634,223	3,430,562
Purchases of investments	(66,032,603)	(46,303,914)
Payments for capital assets	(1,971,405)	
Net cash used in investing activities	(61,369,785)	(42,873,352)
FINANCING ACTIVITIES — Advances on note payable	1,554,349	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	63,243	(33,696)
CASH AND CASH EQUIVALENTS — Beginning of year	104,513	138,209
CASH AND CASH EQUIVALENTS — End of year	$ 167,756	$ 104,513
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	$ 5,912,571	$ 87,976,850
Adjustments to reconcile increase in assets to net cash provided by operating activities:		
Depreciation	314,393	343,157
Realized/unrealized loss (gain) on investments	65,179,172	(49,811,785)
Change in cash surrender value of life insurance policies	(133,278)	(180,458)
Total gifts received in real estate	(55,000)	(485,000)
Other	(10,598)	(30,030)
Changes in assets and liabilities:		
Pledges receivable	(5,514,637)	(8,910)
Deferred revenue	424,553	(290,723)
Accrued interest receivable	(2,288)	305,650
Receivable from The Ohio State University	96,032	130,486
Advance from The Ohio State University	76,305	56,094
Accrued liabilities	2,645	
Gift annuities liabilities	125,879	2,087,050
Gift annuity reserve	(4,770,207)	3,236,525
Charitable remainder trust liability	(1,766,863)	(489,250)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 59,878,679	$ 42,839,656

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 Presentation — The accompanying financial statements include the accounts of the Foundation and Clifton Holdings, LLC ("Clifton"). Clifton was created in 2007 and is a component unit which is a legally separate organization for which the Foundation is financially accountable. Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

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

- An organization is fiscally dependent on the primary government

Clifton is financially accountable using the criteria set forth in GASB Statement No. 14 and it exclusively benefits the Foundation. As a result, the transactions and balances for Clifton has been blended with the Foundation.

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 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 two banks.

At June 30, 2008 and 2007, the carrying amount of the Foundation's deposits with financial institutions was \$66,139 and \$100, respectively. These deposits were insured by the Federal Deposit Insurance Corporation (Category 1 as defined by GASB). In addition, the Foundation had \$108,118 and \$104,413, 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 Financial 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, 2008 and 2007, the Foundation recorded an allowance against pledges receivable of approximately \$8,300,000 and \$7,100,000, 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 \$25,617,501 and \$20,102,864 in pledges receivable as of June 30, 2008 and 2007, 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 Ohio State University Long-Term Investment Pool are valued at share values reported by the University. The Ohio State University 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 (marketable securities and charitable remainder trust) are carried at market value. Mutual funds are recorded at share values reported by investment carriers. Bonds and notes are recorded at values determined by market quotations. 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.

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, 2008 and 2007). 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.

Real estate is recorded at the appraised value.

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 is the residence used by the University President for housing.

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 2008 and 2007.

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 implemented GASB Statement No. 48 and there was no impact to the financial statements.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement requires endowments to report their land and other real estate investments at fair value. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2008. Foundation's management has determined that the implementation of GASB Statement No. 52 will not have an impact on the financial statements, as real estate investments are already recorded at fair value.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. The Foundation's management has not determined the impact the implementation of GASB Statement No. 53 will have on the reported financial statements.

Reclassifications — Certain amounts in the 2007 financial statements have been reclassified to conform to the 2008 presentation.

2. INVESTMENTS

Investments at June 30, 2008 and 2007, were as follows:

	2008	2007
Common stock	$ 77,351,085	$144,363,092
Equity mutual funds	189,047,749	167,944,499
U.S. government obligations	9,581,679	11,848,628
U.S. government agency obligations	8,004,386	10,849,813
Corporate bonds and notes	5,734,937	16,664,915
Bond mutual funds	46,965,549	39,608,548
International bonds		3,241,468
Partnerships and hedge funds	128,799,451	66,893,909
Real estate	22,908,176	33,728,062
Cash and cash equivalents	15,961,149	16,744,523
Other	4,914,895	4,271,367
Total	$509,269,056	$516,158,824

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, 2008, were as follows:

		Investment Maturities (In Years)			
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. government obligations	$ 9,581,679	$ 675,789	$ 2,684,716	$ 5,592,668	$ 628,506
U.S. agency obligations	8,004,386	153,043	527,821	1,736,281	5,587,241
Corporate bonds	5,734,937	242,634	1,747,142	2,047,806	1,697,355
Bond mutual funds	46,965,549	462,092	18,756,452	20,858,063	6,888,942
Total	$70,286,551	$1,533,558	$23,716,131	$30,234,818	$14,802,044

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

		Investment Maturities (In Years)			
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. government obligations	$11,848,628	$ 636,432	$ 2,175,020	$ 7,901,573	$ 1,135,603
U.S. agency obligations	10,849,813	429,793	2,350,960	1,780,157	6,288,903
Corporate bonds	16,664,915	645,157	4,375,871	6,823,822	4,820,065
Bond mutual funds	39,608,548	2,065,739	14,544,368	17,692,583	5,305,858
International bonds	3,241,468		553,594	587,790	2,100,084
Total	$82,213,372	$3,777,121	$23,999,813	$34,785,925	$19,650,513

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, 2008, were as follows:

Credit Rating (Moody's)	Total	U.S. Government and Agency Obligations	Corporate Bonds	Bond Mutual Funds
Aaa	$53,498,786	$17,497,973	$ 937,564	$35,063,249
Aa	5,719,343		931,613	4,787,730
A	6,177,829		1,944,529	4,233,300
Baa	3,733,941		857,788	2,876,153
Ba	154,304		149,187	5,117
B	518,597		518,597	
Caa	121,380		121,380	
Ca	17,281		17,281	
Unrated	345,090	88,092	256,998	
Total	$70,286,551	$17,586,065	$5,734,937	$46,965,549

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

Credit Rating (Moody's)	Total	U.S. Government and Agency Obligations	Corporate Bonds	Bond Mutual Funds	International Bonds
Aaa	$48,274,194	$22,494,317	$ 2,021,443	$23,758,434	$ -
Aa	3,551,133	134,484	1,323,014	2,052,048	41,587
A	7,439,700		3,129,578	4,310,122	
Baa	5,129,692		2,814,247	2,108,605	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	
Unrated	3,024,469	69,640	1,397,238	156,521	1,401,070
Total	$82,213,372	$22,698,441	$16,664,915	$39,608,548	$3,241,468

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, 2008, the Foundation's exposure to foreign currency risk was as follows:

	Common Stocks	Equity Mutual Funds	Bond Mutual Funds
Argentine Peso	$ -	$ 98,942	$ -
Australian Dollar	927,053	4,471,851	28,339
Brazilian Real	1,410,204	2,341,534	
Canadian Dollar	1,932,501	6,176,398	142,863
Chilean Peso		181,789	
Chinese Yuan		1,907,582	
Czech Republic Koruna		125,593	
Danish Krone	339,244	702,175	100,581
Egyptian Pound		116,452	
EURO	13,392,049	33,210,992	3,305,619
Hong Kong Dollar	2,173,986	1,474,540	
Hungarian Forint	98,424	125,655	
Indian Rupee		804,984	
Indonesian Rupiah	209,044	224,534	
Israeli Shekel	38,241	353,666	
Japanese Yen	8,253,406	14,241,283	2,291,379
Jordanian Dinar		12,618	
Malaysian Ringgit	255,717	329,202	
Mexican Peso	618,371	713,829	
Moroccan Dirham		44,161	
New Taiwan Dollar	1,137,153	1,525,059	
New Zealand Dollar	62,113	102,686	
Norwegian Kroner	1,423,788	751,929	16,018
Peruvian Nuevo Sol		103,835	
Philippine Peso		42,442	
Polish Zloty	80,352	230,906	
Pound Sterling	5,624,075	4,427,165	464,449
Russian Rouble		1,543,485	
Singapore Dollar	366,387	767,667	
South African Rand	1,499,762	929,223	
South Korean Won	2,402,022	1,805,269	
Swedish Krona	819,548	1,445,744	40,012
Swiss Franc	1,160,234	4,625,237	38,261
Thailand Baht	500,243	192,990	
Turkish Lira	84,586	180,373	
Other foreign currencies	26	27,787	
	$44,808,529	$86,359,577	$6,427,521

At June 30, 2007, the Foundation's exposure to foreign currency risk was as follows:

	Common Stocks	Equity Mutual Funds	Bond Mutual Funds	Corporate Bonds	International Bonds
Argentine Peso	$ -	$ 3,608,025	$ -	$ -	$362,282
Australian Dollar	820,926	1,272,575	500,320		
Brazilian Real	888,633	1,870,185	187,837		
Canadian Dollar	1,492,388	5,400,117	316,007		
Chinese Yuan		1,671,322			
Danish Krone	88,515	225,884	55,620		
Egyptian Pound	61,784	153,937			
EURO	10,837,889	27,505,795	2,583,312		
Hong Kong Dollar	1,522,047	1,199,760			
Hungarian Forint		259,341			
Indian Rupee	187,966	363,398	123,379		
Indonesian Rupiah		372,329			
Israeli Shekel	102,688	130,875			
Japanese Yen	6,817,372	16,071,223	2,404,919		
Malaysian Ringgit	853,350	222,286	188,628		
Mexican Peso	206,041	989,933	178,346	74,201	92,559
New Taiwan Dollar	675,342	1,240,827			
New Zealand Dollar	28,822	169,479	160,947		
Norwegian Kroner	1,437,951	1,137,283			
Peruvian Nuevo Sol		208,112			
Philippine Peso	113,022	201,790			
Polish Zloty	83,380	244,429	298,562		
Pound Sterling	4,856,354	16,840,664	370,230		
Russian Rouble		1,187,169			
Singapore Dollar	430,196	621,427	276,812		
South African Rand	1,582,044	1,027,379	193,769		
South Korean Won	1,732,511	1,758,811			
Swedish Krona	776,282	2,314,598	115,479		
Swiss Franc	778,440	4,823,097	38,297		
Thailand Baht	247,021	232,474			
Turkish Lira		365,655			183,678
Other foreign currencies	44	230,388	791		37,339
	$36,621,008	$93,920,567	$7,993,255	$74,201	$675,858

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, 2008 and 2007, the assets related to these investments had a fair market value of approximately $23,320,000 and $27,984,000, respectively, a present value of annuities payable of approximately $14,713,000 and $14,587,000, respectively, and reserves of approximately $8,644,000 and $13,414,000, 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 and by recording the present value of the annuity payable, based on the agreement, as a liability.

5. NOTE PAYABLE

In December 2007, Clifton entered into a revolving credit agreement of $2,500,000 with a bank, due on demand and requiring monthly interest payments based on the daily fluctuating LIBOR plus 2.25% points at June 30, 2008. The note payable is guaranteed by the Foundation and is collateralized by the assets of Clifton and the Foundation. At June 30, 2008, the note payable had an outstanding balance of $1,554,349. The maturity date of the agreement is December 19, 2008.

6. RELATED-PARTY TRANSACTIONS

The University made net advances to the Foundation of approximately $269,800 and $193,500 as of June 30, 2008 and 2007, respectively. The Foundation distributed approximately $40,576,500 and $39,275,700 in fiscal years 2008 and 2007, respectively, to the University as directed by donors. The Foundation had receivables from the University of approximately $690,800 and $786,900 as of June 30, 2008 and 2007, 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.

7. SUBSEQUENT EVENTS

Commonfund Investments — On September 29, 2008, Commonfund and participants in The Common Fund Short Term Investments (the "Short Term Fund") received notice from the trustee of the Short Term Fund, Wachovia Bank, N.A. of Wachovia's decision to initiate the termination of the Short Term Fund, to establish procedures for an orderly liquidation and distribution of the fund's assets and to resign their role as trustee of the Short Term Fund. As trustee, Wachovia has the sole discretion to take this action. The action by the trustee restricted liquidity initially to 10% of each participant's account balance, which has now increased to 26%. The restrictions are expected to increase to 57% by the end of 2008 and 74% by the end of 2009.

On October 1, 2008 the Commonfund Intermediate Term Fund (the "Intermediate Term Fund") announced restrictions on liquidity to 30% of each participant's account balance. This was done upon authorization of the Commonfund Board of Trustees.

At June 30, 2008 the Foundation maintained approximately $169,000 and $12,619,000 in the Short Term Fund and the Intermediate Term Fund, respectively. These investments are included as temporary investments in the accompanying financials. At the time of the redemption restrictions, the Foundation maintained approximately $150,000 in the Short Term Fund and $12,107,000 in the Intermediate Term Fund. Since the restrictions were announced, the Foundation has recovered approximately $79,000 from the Short Term Fund and $3,630,000 from the Intermediate Term Fund.

Market Declines — The Foundation's investment portfolio includes publicly traded securities. As a result, a significant downturn in the securities markets could adversely affect the market value of Foundation assets. Subsequent to June 30, 2008, conditions in the worldwide debt and equity markets have deteriorated significantly. These conditions have had a negative effect on the fair value of the Foundation's investments since June 30, 2008. Foundation management continues to monitor its investment portfolio as conditions evolve.

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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 year ended June 30, 2008, and have issued our report thereon dated October 31, 2008. 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 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*.

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

October 31, 2008

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
DECEMBER 24, 2008

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