Transportation Research Center Inc.

Financial Statements
June 30, 2012 and 2011

Dave Yost • Auditor of State

Board of Directors
Transportation Research Center Inc.
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210

We have reviewed the *Report of Independent Auditors* of the Transportation Research Center Inc., Franklin County, prepared by Pricewaterhouse Coopers LLP, for the audit period July 1, 2011 through June 30, 2012. 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 Transportation Research Center Inc. is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

December 18, 2012

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov

This page intentionally left blank.

Transportation Research Center Inc.
Index
June 30, 2012 and 2011

Report of Independent Auditors

To the Board of Directors of
Transportation Research Center Inc.:

In our opinion, the accompanying consolidated statements of net assets and related statements of revenues, expenses and changes in net assets and statements of cash flows present fairly, in all material respects, the financial position of Transportation Research Center Inc. ("TRC"), a component unit of The Ohio State University, as of June 30, 2012, and June 30, 2011, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of TRC's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying management's discussion and analysis on pages 3 through 9 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers, LLP, 41 South High Street, Suite 2500 Columbus, OH 43215
T: (614) 225-8700, F: (614)224-1044, www.pwc.com/us

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2012 on our consideration of TRC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

PricewaterhouseCoopers LLP

October 24, 2012

This Management Discussion and Analysis provides an overview of the financial position and activities of Transportation Research Center Inc. ("TRC Inc.") for the fiscal year ended June 30, 2012, with comparative information for the fiscal years ended June 30, 2011 and June 30, 2010.

Introducing Transportation Research Center Inc.

TRC Inc. independently manages the Transportation Research Center, a transportation research and testing facility located on 4,500 acres near East Liberty, Ohio, and various other laboratories. TRC Inc. assists the needs of the transportation industry, government, and educational institutions worldwide by creating safer, improved products through vehicle research and testing services. Research and testing programs are designed to test for safety, energy, fuel economy, emissions, durability, and crash worthiness on passenger vehicles, trucks, buses, motorcycles, recreational vehicles and their associated components.

The Transportation Research Center facility was developed by the State of Ohio and began operations in 1974. In 1979, the State of Ohio entered into an agreement with The Ohio State University's College of Engineering to oversee the operations of the Transportation Research Center. In 1988, the State of Ohio sold the facility to Honda of America Manufacturing, Inc. as an economic inducement to secure a second automobile manufacturing plant. After the sale, The Ohio State University created TRC Inc. TRC Inc. and Honda of America Manufacturing, Inc. then entered into an agreement. That agreement provided the foundation for TRC Inc. to manage the Transportation Research Center as a multi-user facility.

TRC Inc. is governed by a six-member board chaired by the Dean of the College of Engineering at The Ohio State University. The TRC Inc. Board of Directors are the sole members of TRC Inc. The Ex-Officio Directors on the TRC Inc. Board of Directors represent The Ohio State University and its interest within TRC Inc. The Ex-Officio Directors on the TRC Inc. Board of Directors are the persons who hold the following positions at The Ohio State University: the University Controller (currently Thomas F. Ewing); the Senior Vice President for Research of the University (currently Dr. Caroline C. Whitacre); the Dean of the College of Engineering of the University (currently Dr. David B. Williams); and the Director of Transportation Research Center Inc. (currently Rick D. Gildow). The financial statements of TRC Inc. are included in the financial statements of The Ohio State University.

TRC Inc. is a tax-exempt organization as described in section 501(c)(3) and section 509(a)(3) of the Internal Revenue Code. TRC Inc.'s tax-exempt purpose is conducting and supporting humanistic, scientific and engineering research and development activities solely and exclusively to the conduct of, or providing assistance in connection with the conduct of, research in automotive, vehicular, and related forms of transportation, and for the development of improved highway facilities for vehicular traffic. TRC Inc. does perform work outside of this exempt purpose, and as a result, does pay unrelated business tax on that income.

Key Financial Highlights

Significant financial events during fiscal year 2012 were:

- Excess revenue over expense before the unrealized depreciation in the fair value of investments of $1,752,874; and
- The transfer of TRC Inc.'s fiscal year 2011 excess revenue over expense before unrealized gain on investments of $1,641,698 in October 2011 to the College of Engineering at The Ohio State University entirely from its operating cash fund.

Financial Statement Overview

For a summary of TRC Inc.'s significant accounting policies, please see footnote number two attached in this audit report.

Presented in the audit report are the Statements of Net Assets at June 30, 2012 and June 30, 2011 the Statements of Revenue, Expenses and Changes in Net Assets for fiscal years ended June 30, 2012 and 2011; and the Statements of Cash Flows for fiscal years ended June 30, 2012 and 2011.

The Statements of Net Assets reflect TRC Inc.'s assets, liabilities and net assets.

The Statements of Revenue, Expenses and Changes in Net Assets reflect information showing how net assets changed during the fiscal year.

The Statements of Cash Flows reports changes in the cash and cash equivalent balances during the fiscal year.

Statements of Net Assets

The major components of the Statement of Net Assets at June 30, 2012, June 30, 2011 and June 30, 2010 are reflected below:

	June 30, 2012	June 30, 2011	Changes	June 30, 2010
Assets				
Current assets	$ 13,865,207	$ 13,515,382	2.6%	$ 14,144,959
Net property and equipment	797,353	1,055,789	(24.5)%	1,153,659
Total assets	$ 14,662,560	$ 14,571,171	0.6%	$ 15,298,618
Liabilities				
Current liabilities	$ 4,272,179	$ 3,808,141	12.2%	$ 4,247,120
Long term debt	332,000	642,000	(48.3)%	932,000
Total liabilities	4,604,179	4,450,141	3.5%	5,179,120
Net assets	10,058,381	10,121,030	(0.6)%	10,119,498
Total liabilities and net assets	$ 14,662,560	$ 14,571,171	0.6%	$ 15,298,618

Current Assets

TRC Inc. had an increase of $349,825, or 3%, in Current Assets in fiscal year 2012 to $13,865,207. The significant changes in Current Assets were in Cash and Cash Equivalents, Trade Accounts Receivable, Investments, and Supplies and Prepaid Expenses.

Cash and cash equivalents increased by $787,502, or 57%, in fiscal year 2012 to $2,180,294. The increase was due a reduction in the amount transferred to The Ohio State University in fiscal year 2012 of $1,641,698 as compared to the amount transferred to The Ohio State University in fiscal year 2011 of $1,919,368. The collection of Trade Accounts Receivable, which fell by $258,301 in fiscal year 2012, also contributed to the improvement in Cash and Cash Equivalents.

The decrease in Trade Accounts Receivable was due to the 7% decrease in Research and Testing Operating Revenue. The Receivable from HAM grew by $168,700, or 23% in fiscal year 2012. TRC began resurfacing its test track in June 2012. TRC invoiced HAM $1,011,500 in June 2012 for the portion of the test track that had been resurfaced, which led to a higher receivable balance at fiscal year end. Supplies and Prepaid Expenses fell $326,334, or 73%, in fiscal year 2012 to $117,847. The decrease was due to the recognition of the prepayment of the July 2011 health insurance premium of $308,734 that was prepaid in June 2011. There was not a prepayment of health insurance made in June 2012. Normally, supplies and prepaid expenses consist only of prepaid commercial liability insurance.

Net Property and Equipment

The net book value of TRC Inc.'s property and equipment is $797,353 representing a decrease of $258,436 or 24%, since June 30, 2011. The decrease is due to another year of depreciation of the leasehold improvements made to Building 60, totaling $189,575. This leasehold improvement is the largest asset that TRC Inc. owns.

During fiscal year 2012, TRC Inc. expended $172,840 on five capital items. The largest acquisition was $98,570 for a global positional tracking system used primarily for vehicle dynamics testing.

During fiscal year 2011, TRC Inc. expended $309,741 on seven capital items. The largest acquisition was $92,000 for an automated steering controller data system used primarily for rollover testing.

During fiscal year 2010, TRC Inc. made no expenditures on any new capital equipment. TRC Inc. did receive a donation of 10 vehicles in support of our driver training program. TRC Inc. capitalized this donation at $130,000.

The asset with the largest net book value at June 30, 2012 is leasehold improvements made to Building 60, totaling $378,149 or 47% of the total net book value. The remaining book values of each of the individual remaining 212 capital assets is less than $55,200 and generally are assets used to maintain and secure the 4,500-acre facility, assist in the driver training program, or are vehicles used for travel purposes..

Current Liabilities

TRC Inc.'s Current Liabilities increased by $464,038 or 12% from June 30, 2011 through June 30, 2012. The increase is due to two months of owner's fees payable to HAM being due at June 30, 2012, as opposed to only one month of owner's fees payable to HAM being due at June 30, 2011.

Long-Term Debt

TRC Inc. had $332,000 in long-term debt at June 30, 2012 and $642,000 at June 30, 2011. TRC Inc. entered into a note payable with a bank in January 1999 to procure $3,200,000 to fund leasehold improvements for one of TRC Inc.'s largest customers. The note is a 15-year instrument with an interest rate of 2% plus prime. TRC Inc. recoups the funds expended for the leasehold improvement through a lease agreement with the customer. In effect, proceeds from the lease agreement with the customer are servicing the debt.

Statements of Revenues, Expenses and Changes in Net Assets

The major components of the Statements of Revenues, Expenses and Changes in Fund Balance for fiscal years ended June 30, 2012, 2011 and 2010 are reflected below:

	FY 2012	FY 2011	Changes	FY 2010
Operating revenues	$ 44,279,197	$ 40,628,975	9.0%	$ 42,546,366
Operating expenses	42,642,405	39,095,250	9.1%	40,730,858
Operating income	1,636,792	1,533,725	6.7%	1,815,508
Nonoperating revenue	116,082	107,973	7.5%	103,859
Appreciation (Depreciation) FMV of investment	(173,825)	279,202	(162.3)%	197,731
Excess revenue over expenses	1,579,049	1,920,900	(17.8)%	2,117,098
Transfer to Ohio State	1,641,698	(1,919,368)	(185.5)%	(1,187,262)
Change in net assets	(62,649)	1,532	(4,189.4)%	929,836
Beginning net assets	10,121,030	10,119,498	0.0%	9,189,662
Ending net asset	$ 10,058,381	$ 10,121,030	(0.6)%	$ 10,119,498

Operating Revenues

The two sources of revenue that TRC Inc. earns are Research and Testing Agreement Revenue and Owner's Maintenance and Repair Revenue.

Research and Testing Agreement Revenue is revenue TRC Inc. earns from its customers for conducting durability, dynamic, emissions, impact and sled research and testing. It also includes revenues for supplying dedicated personnel to customers to operate their research and testing laboratories.

Owner's Maintenance and Repair Revenue is revenue TRC Inc. earns for maintaining and improving the owner's facility as a result of the Management Agreement between TRC Inc. and the facility owner.

Revenue summary for fiscal years 2012, 2011 and 2010 were:

	FY 2012	FY 2011	Changes	FY 2010
Research and testing agreement rev	$ 34,131,055	$ 36,681,200	-7.0%	$ 39,370,436
Owner's maintenance and repair rev	10,148,142	3,947,775	157.1%	3,175,930
Total operating revenue	$ 44,279,197	$ 40,628,975	9.0%	$ 42,546,366

Research and Testing Agreement Revenue fell by 7% in fiscal year 2012. The development, research and testing activities during the past year were impacted by the economic condition of the automobile industry. The increase in Research and Testing Agreement Revenue in fiscal year 2010 was primarily the result of a durability study of intermediate ethanol blends for the federal government that was the result of the American Recovery and Reinvestment Act of 2009. That program began in fiscal year 2010 and remained strong into Fiscal Year 2011 until about December 2010. TRC Inc. did not have any Research and Testing Agreement Revenue to replace the Research and Testing Agreement Revenue generated from this durability study, which was essentially completed in December 2010.

The composition of the top three customers at TRC Inc. in fiscal year 2012 remained the same as it was in fiscal year 2011. All three of TRC Inc.'s top customers are government agencies or large corporations in the truck or automotive manufacturing market. The top two customers grew each by 15%, while the third place customer had a decrease of 62%. In fiscal year 2012, TRC Inc. had new customers occupy the fourth and fifth largest customers. The former fourth largest customer terminated its contract with TRC Inc. as a cost reduction measure. While that customer did generate a large amount of revenue, the return margin was so thin that the departure of this customer had little effect on the Excess Revenue over Expense. The former fifth largest customer completed its special onetime project during fiscal year 2011 and was not expected to return in fiscal year 2012. There was an overall 5% increase in Research and Testing Agreement Revenue for the top five customers in fiscal year 2012 as compared to fiscal year 2011.

In fiscal year 2012, the top five customers accounted for 84% of total Research and Testing Agreement Revenue, as compared to 87% in fiscal year 2011 and 82% in fiscal year 2010. The concentration of revenue in our top five customers has always been high. Many of TRC Inc.'s long-time customers outside the top five have continued to maintain a low expense level in response to the sluggish condition of the automotive and truck industry.

In fiscal year 2013, TRC Inc. foresees a slow recovery for the automotive and truck industry, and as a result, TRC Inc. anticipates a decrease in Research and Testing Agreement Revenue in fiscal year 2013 to $32.9 million. TRC Inc. has expanded its marketing into China, which has resulted in new revenue stream, though not nearly sizable enough to offset losses sustained in the past three years.

Owner's Maintenance and Repair Revenue increased by $6,200,367, or 157%, in fiscal year 2012 as compared to fiscal year 2011. The major components of this revenue are maintenance and capital improvements made to the facility that the facility owner funds each year. The owner spent $4.5 million to repave the 50-acre asphalt vehicle dynamics area in fiscal year 2012. The owner spent $1 million to begin repaving of the 7.5 mile test track in fiscal year 2012. Since most of the capital improvements and maintenance items are sold to the facility owner at TRC Inc. cost, gain or loss of revenue on this line item does not have a major impact upon excess revenues over expenses.

Operating Expenses

Major components of operating expense in fiscal years 2012, 2011 and 2010 were:

	FY 2012	FY 2011	Changes	FY 2010
Direct expense	$ 28,243,882	$ 23,688,225	19.2%	$ 24,994,929
General and administrative expense	13,967,247	14,999,415	-6.9%	15,368,075
Depreciation expense	431,276	407,610	5.8%	367,854
Total operating expense	$ 42,642,405	$ 39,095,250	9.1%	$ 40,730,858

TRC Inc.'s increase in Total Operating Expense of 9.1% was nearly identical to the increase in Total Operating Revenue of 9.0%. The 19% increase in Direct Expense was due to the expense of $4.5 million to repave the 50-acre asphalt vehicle dynamics area in fiscal year 2012 and the $1 million to begin repaving of the 7.5 mile test track. With the slow recovery of the economy and the automotive industry, TRC Inc. has been vigilant in controlling expense growth.

TRC Inc.'s largest operating expense is salaries and benefits. In fiscal year 2012, salaries and benefits were $20,227,660, or 47% of total operating expense. In fiscal year 2011, salaries and benefits were $22,555,512, or 58%, of total operating expense. In fiscal year 2010, salaries and benefits were $23,158,292, or 57%, of total operating expense. Salaries and benefits decreased 10% in fiscal year 2012 and decreased 3% in fiscal year 2011.

Nonoperating Revenues and Expenses

Interest expense represents the interest paid to a bank for the note payable that was described in the Long-Term Debt section. Interest expense decreased 33% due to a reduction in principal combined with reduced interest rates in the market.

Interest income reflects the interest earned from TRC Inc.'s operating cash account and the interest earned from investments TRC Inc. owns in the endowment fund at The Ohio State University. Interest income was up 2% in fiscal year 2012 due to an increase in the book value of the endowment fund at The Ohio State University.

Net Appreciation/ (Depreciation) in Fair Value of Investments

TRC Inc. owns investments that are maintained and managed by The Ohio State University's Office of the Treasurer. These investments are in stocks and mutual funds. There are two components to the appreciation or depreciation of the fair value of these investments. The first component is the realized gain or loss that TRC Inc. recognizes when we sell investments. Typically, TRC Inc. sells a portion of its investments to assist in the annual transfer of the previous fiscal year's Excess Revenue over Expenses to The Ohio State University. Selling these investments triggers a realized capital gain or loss that TRC Inc. recognizes on this line item. In both fiscal years 2012 and 2011, TRC Inc. funded the entire transfer made to The Ohio State University from operating cash. Since no investments were used to make the transfer, there were no realized capital gains in fiscal years 2012 or fiscal year 2011.

The second component is the unrealized appreciation or depreciation of the investments that is recorded in accordance with Governmental Accounting Standards Board Statement Number 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.*

The realized and unrealized appreciation or depreciation in the fair value of investments for fiscal years 2012, 2011 and 2010 are as follows:

	FY 2012	FY 2011	FY 2010
Market value of Endowment Fund	$ 3,060,038	$ 3,090,311	$ 2,672,599
Book value of Endowment Fund	3,390,065	3,246,513	3,108,003
Appreciation/(depreciation)	$ (330,027)	$ (156,202)	$ (435,404)
Unrealized gain/(loss)	$ (173,825)	$ 279,202	$ 197,731
Realized gain/(loss) from investement sales	-	-	-
Net gain/(loss)	$ (173,825)	$ 279,202	$ 197,731

As was the case with the world-wide market in fiscal year 2012, TRC Inc.'s investments sustained significant losses in fiscal year 2012. The loss sustained in fiscal year 2012 has resulted in a book value that exceeds market value.

Excess of Revenue over Expense

Excess revenue over expense before the unrealized depreciation in the fair value of investments and before the transfer to the Transportation Research Fund was $1,752,874 which increased by 7% or $111,176 from fiscal year 2011. The increase was due to a one time program that tested 50 cars, then 100 cars, and then 200 cars in a vehicle to vehicle communication test during fiscal year 2012. The development, research and testing activities during the past year were impacted by the economic condition of the automobile industry. TRC Inc. has managed through this volatility by keeping expenses low in many areas.

TRC Inc. expects slow recoveries in the economy and the automotive industry. TRC Inc. anticipates Research and Testing Agreement Revenue to fall by 4% in fiscal year 2013 to $32.9 million. This reduction is due to our belief that our customers will continue to hold the line on expenses. TRC Inc. foresees Excess Revenues over Expenses before Unrealized Gains/Loss in the Fair Value of Investments decreasing by $252,874 or 14% from $1,752,874 to $1,500,000 in fiscal year 2013.

Transportation Research Center Inc.
Statements of Net Assets
June 30, 2012 and 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	$ 2,180,294	$ 1,392,792
Restricted cash	126,543	118,012
Investments	3,060,038	3,090,311
Trade accounts receivable, net of allowance for doubtful accounts of $399,000 for 2012 and $250,600 for 2011	7,493,280	7,751,581
Receivable from HAM	887,205	718,505
Supplies and prepaid expenses	117,847	444,181
Total current assets	13,865,207	13,515,382
Noncurrent assets		
Property and equipment	7,236,934	7,064,894
Less accumulated depreciation	(6,439,581)	(6,009,105)
Property and equipment, net	797,353	1,055,789
Total assets	$ 14,662,560	$ 14,571,171
Liabilities		
Current liabilities		
Trade accounts payable	$ 1,309,888	$ 1,648,327
Accounts payable HAM	1,477,545	649,911
Accrued payroll and related expenses	948,268	1,085,135
Deferred revenues	226,478	134,768
Current portion of long-term debt	310,000	290,000
Total current liabilities	4,272,179	3,808,141
Noncurrent liabilities		
Long-term portion of debt	332,000	642,000
Total liabilities	4,604,179	4,450,141
Net Assets		
Investment in property and equipment, net of related debt	$ 797,353	$ 1,055,789
Unrestricted net assets	9,261,028	9,065,241
Total net assets	10,058,381	10,121,030
Total liabilities and net assets	$ 14,662,560	$ 14,571,171

The accompanying notes are an integral part of these financial statements.

Transportation Research Center Inc.
Statements of Revenues, Expenses and Changes in Net Assets
June 30, 2012 and 2011

	2012	2011
Operating Revenues		
Research and testing	$ 34,131,055	$ 36,681,200
Owner's maintenance and repair	10,148,142	3,947,775
Total operating revenue	44,279,197	40,628,975
Operating Expenses		
Direct	28,243,882	23,688,225
General and administrative	13,967,247	14,999,415
Depreciation	431,276	407,610
Total operating expenses	42,642,405	39,095,250
Total operating income	1,636,792	1,533,725
Nonoperating Revenue (Expense)		
Interest expense	(10,848)	(16,271)
Interest income	126,930	124,244
Total nonoperating revenue	116,082	107,973
Net change in fair value of investments	(173,825)	279,202
Excess of revenues over expenses before transfers	$ 1,579,049	$ 1,920,900
Other Transfers and Changes		
Transfer to Transportation Research Fund	$ 1,641,698	$ (1,919,368)
Change in net assets	(62,649)	1,532
Net assets, beginning of year	10,121,030	10,119,498
Net assets, end of year	$ 10,058,381	$ 10,121,030

The accompanying notes are an integral part of these financial statements.

Transportation Research Center Inc.
Statements of Cash Flows
June 30, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Cash received from customers	$ 19,559,618	$ 24,103,454
Cash received from affiliates	24,737,588	16,777,060
Cash paid to suppliers	(6,677,286)	(8,101,512)
Cash paid for taxes	(348,510)	(373,551)
Cash paid to affiliates	(13,874,900)	(7,640,860)
Cash paid to employees	(15,397,582)	(17,432,406)
Cash paid for fringe benefits and payroll taxes	(5,085,189)	(5,839,785)
Advances to employees	14,302	(15,600)
Net cash provided by operating activities	2,928,041	1,476,800
Cash Flows from Noncapital Financing Activities		
Transfer to Transportation Research Fund	(1,641,698)	(1,919,368)
Noncapital financing interest expense	(10,848)	(16,271)
Cash used in noncapital financing activities	(1,652,546)	(1,935,639)
Cash Flows from Capital and Related Financing Activities		
Payment of long term debt	(290,000)	(269,000)
Additions to property and equipment	(172,840)	(309,741)
Restricted cash	(8,531)	(7,956)
Net cash used in capital and related financing activities	(471,371)	(586,697)
Cash Flows from Investing Activities		
Interest income	126,930	124,244
Purchase of investments	(1,785,250)	(138,508)
Proceeds from sale of investments	1,641,698	-
Net cash provided by investing activities	(16,622)	(14,264)
Decrease in cash and cash equivalents	787,502	(1,059,800)
Cash and cash equivalents, beginning of year	1,392,792	2,452,592
Cash and cash equivalents, end of year	$ 2,180,294	$ 1,392,792
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating income	$ 1,636,792	$ 1,533,725
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	431,276	407,610
Provision for bad debt expense	149,000	103,400
(Increase) decrease in trade accounts receivable	109,300	373,052
(Increase) decrease in receivable from HAM	(168,700)	(142,829)
(Increase) decrease in supplies and prepaid expenses	326,333	(338,178)
Increase (decrease) in payable to HAM	827,634	(87,858)
Increase (decrease) in trade accounts payable	(338,439)	230,773
Increase (decrease) in accrued payroll and related expenses	(136,865)	(608,611)
Increase (decrease) increase in deferred revenue	91,710	5,716
Net cash provided by operating activities	1,291,249	(56,925)
Net cash provided by(used In) operating activities	$ 2,928,041	$ 1,476,800
Supplemental Cash Flow Information		
Unrealized gain (loss) on investments	$ (173,825)	$ 279,202

The accompanying notes are an integral part of these financial statements.

1. Description of the Business

The Transportation Research Center of Ohio (the “Center”) was created by the General Assembly of the State of Ohio in October 1972. On January 26, 1988, substantially all of the assets of the Center were sold to Honda of America Manufacturing (“HAM”). The corporation is organized exclusively for educational, charitable, and scientific purposes within the meaning of Section 501(c)(3) and Section 509(a)(3) of the Internal Revenue Code by conducting and supporting humanistic, scientific and engineering research and development activities solely and exclusively to the conduct of, or providing assistance in connection with the conduct of, research in automotive, vehicular and related forms of transportation, and for the development of improved highway facilities for vehicular traffic.

In conjunction with the sale, the legislation which initially established the Transportation Research Board was repealed. The Center was reincorporated as a not-for-profit organization, Transportation Research Center Inc. (“TRC”), with The Ohio State University Affiliates, Inc. (“OSU”) as the sole member of the corporation. TRC is considered a component unit of OSU. Therefore, TRC’s financial statements are consolidated with OSU’s for purposes for complying with OSU’s reporting requirements.

2. Summary of Significant Accounting Policies

A summary of TRC’s significant accounting policies applied in preparation of the financial statements is as follows:

Basis of Accounting

The financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America. Proprietary fund types are presented using the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. All assets and liabilities associated with operation of these funds are included in the statement of net assets. The statements of revenues, expenses, and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. TRC follows applicable Government Accounting Standards Board (“GASB”) guidance and Financial Accounting Standard Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that does not conflict with, or contradict, GASB pronouncements. GASB Statement Nos. 20 and 34 provide TRC the option of electing to apply FASB pronouncements issued after November 30, 1989. TRC has elected not to apply those pronouncements. The proprietary fund types are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liabilities are incurred. Differences between amounts earned and received are shown as receivables. Differences between expenses incurred and paid are shown as accounts payable and accrued liabilities.

Estimates

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 those estimates.

Significant Customers

TRC derives a substantial portion of total revenues from a limited number of commercial enterprises and government agencies. For the year ended June 30, 2012 and 2011, the revenue from the four highest volume commercial enterprises and one government agency was $28,560,338 and $31,992,385. The above amounts are exclusive of revenues related to the HAM management agreement.

Revenue Recognition

TRC derives revenue from facility usage, personnel charges, cost reimbursement and management of the facility. Revenues for facility usage are remitted to HAM as described in Note 6 and are included in direct expenses. TRC evaluates the credit of customers and establishes its allowance for doubtful accounts based on its evaluation of credit risk related to individual customers. TRC does not require collateral with its receivables.

Included in accounts receivables are $118,845 and $327,182 of unbilled accounts receivable for fiscal years 2012 and 2011, respectively. Unbilled accounts receivable represent revenue earned in excess of amounts billed.

Cash and Cash Equivalents

TRC considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash is held in one bank at June 30, 2012 and 2011.

Restricted Cash

TRC is required to deposit funds monthly into a sinking fund as part of its long-term debt agreement (see Note 7). TRC does not have access to these funds once they are deposited into the sinking fund.

Investment Policy

All investments consist of amounts invested in The Ohio State University Investment Pool and are recorded at fair value, as reported by The Ohio State University's Office of the Treasurer. Investments are carried at market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* The cumulative unrealized loss on investments held at June 30, 2012 and 2011, is $330,027 and $156,202, respectively.

GASB Pronouncements

No new GASB pronouncements became effective in 2012.

Property and Equipment

Property and equipment is recorded at cost. Assets purchased by TRC costing more than $5,000 and having an estimated useful life of two or more years will be capitalized and depreciated. Depreciation is provided for in amounts sufficient to allocate the cost of depreciable assets to operations over their estimated service lives, which range from 3 to 15 years, on the straight-line method. TRC removes the asset cost and related accumulated depreciation from the appropriate accounts and reflects any gain or loss in current operations upon sale or retirements.

Compensated Absences

Employees are granted paid time off in amounts which vary by length of service. The policy prohibits employees from accumulating unused compensated absences.

3. Income Taxes

In July 1989, TRC received Internal Revenue Service ("IRS") approval of its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. In addition, because of its relationship as a supporting organization of OSU, TRC has received qualification from the IRS as a public charity and, therefore, is not subject to various taxes and restrictions applicable to other organizations, such as private foundations.

TRC is subject to unrelated business tax for the leasing of certain TRC employees. Unrelated income tax expense in 2012 is estimated to be approximately $438,828 and was approximately $358,000 for 2011

4. Cash, Cash Equivalents and Investments

Cash, cash equivalents, and investments at June 30, 2012 and 2011 were as follows:

	2012	**2011**
Cash on hand	$ 600	$ 600
Cash in bank	2,179,694	1,392,192
Restricted cash	126,543	118,012
Investment in OSU's long term investment pool	3,060,038	3,090,311
Total	$ 5,366,875	$ 4,601,115

At June 30, 2012 and 2011, the bank statement balances of cash in banks were $2,506,861 and $1,684,346, respectively. Of the bank statement balances, $126,543 and $118,012, respectively, represent restricted cash. Of the bank statement balances, $2,380,316 and $1,511,436, respectively, represented overnight sweep investments which are generally not covered by FDIC. The remaining bank balances were covered by FDIC insurance, which covers up to $250,000 per financial institution.

TRC's investments are maintained in the university's investment pool. The pool consists of more than 4,400 named funds. Each named fund is assigned a number of shares, based on the value of the gifts, income-to-principal transfers, or transfers of operating funds to that named fund. The pool is invested in a diversified portfolio of equities, fixed income, real estate, hedge funds, private equity, venture capital and natural resources that is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support TRC's mission.

The university holds certain types of alternative investments, including limited partnerships and private equity, which are carried at estimated 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 the low correlation with other asset classes. Methods for determining estimated fair values include discounted cash flows and estimates provided by general partners.

After the significant market decline in fiscal year 2009, the university's Board of Trustees revised the distribution policy. In fiscal year 2010, the two pools (named funds established before or after the June 30, 2004 cutoff date) were combined into one, resulting in one payout rate for all funds. As a result of this change a temporary one year floor limiting the total distribution decline to 3% for any college or area was implemented. Based on this method, undistributed gains were transferred from the Long Term Investment Pool to current funds. Beginning in fiscal year 2011, annual distribution per share is 4.25% of the average market value per share of the Long Term Investment Pool over the most recent seven year period.

TRC Inc. held 574.0045 and 546.8734 shares in the university's investment pool at June 30, 2012 and 2011, respectively. The market values of these investments were $3,060,038 and $3,090,311 at June 30, 2012 and 2011, respectively. Total realized and unrealized losses for the year ended June 30, 2012 were $0 and ($173,825) and June 30, 2011 were $0 and $279,202. Total realized and unrealized gains for the year ended June 30, 2010 were $0 and $197,731. TRC may redeem its shares in the university investment pool at its discretion.

5. Property

The property balance as of June 30, 2012 consists of the following:

	Balance June 30, 2011	Additions	Disposals/ Transfers	Balance June 30, 2012
Capital Assets				
Building/leasehold improvements	$ 3,020,574	$ -	$ -	$ 3,020,574
Equipment	3,958,188	172,840	800	4,130,228
Other	86,132	-	-	86,132
Total capital assets	7,064,894	172,840	800	7,236,934
Less accumulated depreciation				
Building/leasehold improvements	2,451,850	189,575	-	2,641,425
Equipment	3,471,123	241,701	800	3,712,024
Other	86,132	-	-	86,132
Total accumulated depreciation	6,009,105	431,276	800	6,439,581
Property, net	$ 1,055,789	$ (258,436)	$ -	$ 797,353

The property balance at June 30, 2011 consists of the following:

	Balance June 30, 2010	Additions	Disposals/ Transfers	Balance June 30, 2011
Capital Assets				
Building/leasehold improvements	$ 3,020,574	$ -	$ -	$ 3,020,574
Equipment	3,852,882	309,741	204,435	3,958,188
Other	86,132	-	-	86,132
Total capital assets	6,959,588	309,741	204,435	7,064,894
Less accumulated depreciation				
Building/leasehold improvements	2,262,275	189,575	-	2,451,850
Equipment	3,457,522	218,036	204,435	3,471,123
Other	86,132	-	-	86,132
Total accumulated depreciation	5,805,929	407,611	204,435	6,009,105
Property, net	$ 1,153,659	$ (97,870)	$ -	$ 1,055,789

6. Management Agreement

Under the terms of the Management Agreement with HAM, TRC remits to HAM certain revenues for use of the facilities (owner revenues). Additionally, expenses for repairs and capital improvements made by TRC are reimbursed by HAM (owner expenses).

For the years ended June 30, 2012 and 2011 the amounts of transactions with HAM are as follows:

	2012	2011
Owner revenues	$ 6,031,401	$ 5,176,120
Owner expenses	10,148,142	3,947,775

At June 30, 2012 and 2011, there was a receivable from HAM for owner expenses of $887,205 and $718,505, respectively. In addition, at June 30, 2012 and 2011, there was a payable to HAM for owner revenues earned of $1,477,545 and $649,911, respectively.

TRC also earns operational revenues from Honda of America Manufacturing and affiliated entities outside of the Management Agreement. These revenues were $15,497,749 and $13,433,972 for the years ended June 30, 2012 and 2011, respectively. Trade accounts receivable at June 30, 2012 and 2011 included $4,348,771 and $3,609,167, respectively, related to these operational revenues.

7. Long-Term Debt

Long-term debt as of June 30, 2012 and 2011 is summarized as follows:

In January 1999, TRC entered into a promissory note agreement (the “Note”) for $3.2 million with a lending institution. The Note bears interest at a floating rate of interest, which is adjusted weekly by the lender. Interest on the Note is due monthly and principal payments are due in semi-annual installments through January 1, 2014. The lending institution made the loan from proceeds received from the sale of the Lender’s Floating Rate Option Notes. The Floating Rate Option Notes of the lender are secured by an initial $3.2 million letter of credit (“LOC”) issued by a bank. The available LOC balance decreases semi-annually in conjunction with the scheduled payments on the Note. The LOC bears interest at a rate of prime plus 2% and expired on January 6, 2012. As allowed under the terms of the LOC, the expiration date was extended for a year until January 6, 2013, with the option for additional extensions on the expiration date, subject to certain conditions set forth in the agreement. There were no amounts outstanding on the LOC as of June 30, 2012

In January 1999, TRC also entered into a reimbursement agreement with the bank that issued the LOC. Under the reimbursement agreement with the bank, TRC is required to make monthly principal and interest payments into a sinking fund account on the first of each month through January 1, 2014. The sinking fund is owned by TRC, but use of the funds is restricted to payment of the scheduled semi-annual payments on the Note. The Reimbursement Agreement contains restrictive covenants and warranties, which, among others, requires TRC to maintain complete and accurate accounting records. In addition, in order to secure the payment of amounts due under the Reimbursement Agreement, TRC assigned to the bank its interest in certain leaseholds, buildings, and land created by the Ground and Existing Building Lease with HAM (see Note 11) as well as future rental payments received from the sublease of the same leasehold, building and land.

In the event that the LOC agreement is not extended after the expiration date, the entire unpaid principal amount due on the Note and therefore the reimbursement agreement becomes due and payable. Annual maturities of long-term debt are as follows:

June 30	**Principal**	**Interest**
2013	$ 310,000	$ 8,193
2014	332,000	2,661
Total outstanding	642,000	10,854
Current portion	(310,000)	
Long term portion	$ 332,000	

Debt activity for the year ended June 30, 2012 is as follows:

	Beginning Balance	Principal Payment	Ending Balance	Current Portion
Promissory note	$ 932,000	$ 290,000	$ 642,000	$ 310,000

Debt activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Principal Payment	Ending Balance	Current Portion
Promissory note	$1,201,000	$ 269,000	$ 932,000	$ 290,000

8. Deferred Compensation Plan

TRC's employees are able to participate in a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

As a result of the implementation of GASB Statement No. 32 in fiscal 1999, all amounts of compensation deferred under the Plan, all property and rights purchased with these amounts and all income attributable to those amounts, property or rights (until paid or made available to the employee or other beneficiary) are solely the property and rights of the Ohio Public Employees Deferred Compensation Program ("OPEDC"). Accordingly, TRC has not recorded any deferred compensation assets or liabilities in the financial statements.

9. Net Assets

TRC's Code of Regulations specify that TRC shall, within 120 days of the end of the Corporation's fiscal year, transfer any accumulated surplus in excess of its January 27, 1988 fund balance, less $911,466, or $6,677,225, or such lesser amount authorized by the Board, to the endowment portfolio of The Ohio State University to form a fund, the income from which is to be used as determined by the Board of Trustees of The Ohio State University for the support and encouragement of research in automotive, vehicular and related forms of transportation, and for the development of improved highway facilities for vehicular traffic. Upon such transfer, those funds shall no longer be available to pay for any of TRC's obligations. If net assets funds fall below $6,677,225, no transfer may take place.

The TRC Board typically authorizes an amount to be transferred equating to the fiscal year's excess of revenues over expenses less any unrealized change in the fair value of investments.

TRC's Articles of Incorporation stipulate that upon the ultimate dissolution of TRC, any remaining funds shall be paid to The Ohio State University and be devoted exclusively to public purposes and/or other purposes permissible under Code Section 501(c)(3), with any cash, marketable securities, investments and accounts receivable being transferred to the endowment portfolio of The Ohio State University to form a fund, the income from which is to be used as determined by the Board of Trustees of The Ohio State University for the support and encouragement of research in automotive, vehicular and related forms of transportation, and for the development of improved highway facilities for vehicular traffic. However, if at the time of dissolution of the Corporation, The Ohio State University is not an organization described in Code Section 170(c)(1), the remaining assets of the Corporation shall be paid over to such organization or organizations as shall be selected by the affirmative vote of a majority of the Board of Directors, provided, however, that such organization or organizations shall be exempt from federal income taxation and described in either Section 170(c)(1) or Code Section 501(c)(3) with such remaining assets to be devoted exclusively to public purposes and/or other purposes permissible under Code Section 501(c)(3).

At June 30, 2012 and 2011, the net assets were comprised of the following:

	2012	2011
Investment in property and equipment	$ 797,353	$ 1,055,789
Unrestricted net assets	9,261,028	9,065,241
Total net assets	$ 10,058,381	$ 10,121,030

Net assets include a cumulative unrealized loss in investments at June 30, 2012 and 2011 of $330,027 and $156,202, respectively.

10. Defined Benefit Pension Plan and Post-Employment Benefits

As part of the formation of TRC on January 27, 1988, existing employees were given the option to continue participation in the Ohio Public Employees Retirement System ("OPERS"), a cost sharing, multiple employer defined benefit pension plan. The following disclosure is representative of the portion of employees who opted to continue to participate in OPERS. Since the time of formation, new employees of TRC are not eligible to participate in this plan.

OPERS administers three separate pension plans as described below:

- The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan.

- The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

- The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012 and 2011, the member and employer contribution rates were 14.0% and 10.0%, respectively.

TRC's total PERS payroll for the years ended June 30, 2012, 2011 and 2010 was $709,386, $778,776 and $938,729, respectively. TRC's employer contributions to PERS for the years ended June 30, 2012, 2011 and 2010 were $99,314, $109,030 and $131,422, respectively, equal to 100% of the required contributions for each year.

Post-Employment Benefits Other Than Pension

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Health Care Preservation Plan ("HCPP") adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1, of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

For the years ended June 30, 2012, 2011 and 2010, the amount of employer contributions used to fund post-employment benefits is estimated to be $39,016, $38,935 and $51,636, respectively.

11. Leases

As an agent for HAM, TRC leases various buildings to TRC's customers. Lease terms range from one to fifteen years with various renewal option features. The leases are accounted for as operating leases. At June 30, 2012, future minimum lease receipts are due as follows:

2013	$	970,574
2014		930,839
2015		251,396
Total	$	2,152,809

TRC leases office space from HAM under agreements with terms expiring through July 31, 2012. These operating leases contain renewal options with an indefinite term. The lease amount is subject to annual adjustment based on the consumer price index. As of June 30, 2012, future minimum rental payments under operating leases with initial terms in excess of one year are summarized as follows:

2013	$	78,676
Total	$	78,676

Rental expense charged to operations was $978,368 and $969,921 during 2012 and 2011, respectively.

12. Risk Management

During the course of the year TRC is subjected to certain types of risks in the performance of its normal functions. These risks include risks that TRC might be subjected to by its employees in the performance of their normal duties. TRC manages these types of risks through commercial insurance.

13. Employees' Retirement Savings Plan And Trust

TRC maintains the Employees' Retirement Savings Plan and Trust (the "Plan"). The Plan is intended to comply with Section 401(a) of the Internal Revenue Code. All employees are eligible to participate in the Plan. Employer contributions to the Plan are determined solely at the discretion of TRC's board of directors. For the years ended June 30, 2012 and 2011, TRC expended $395,552 and $408,632, respectively, for contributions to the Plan.

Report of Independent Auditors 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
Transportation Research Center Inc.:

We have audited the financial statements of Transportation Research Center Inc. ("TRC") as of and for the years ended June 30, 2012, and have issued our report thereon dated October 24, 2012. 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 TRC'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 TRC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of TRC's internal control over financial reporting.

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of TRC's management, audit committee, 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 these specified parties.

PricewaterhouseCoopers LLP

October 24, 2012

Transportation Research Center Inc. Employees' Retirement Savings Plan and Trust

Financial Statements
December 31, 2011 and 2010, and
Supplemental Schedule at December 31, 2011

Transportation Research Center Inc.
Employees' Retirement Savings Plan and Trust
Index
December 31, 2011 and 2010

Page(s)

Note: Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act ("ERISA") of 1974 have been omitted because they are not applicable.

Report of Independent Auditors

To the Board of Directors of the
Transportation Research Center Inc.
Employees' Retirement Savings Plan and Trust

We were engaged to audit the financial statements and supplemental schedule of the Transportation Research Center Inc. Employees' Retirement Savings Plan and Trust (the "Plan") at December 31, 2011 and 2010 and for the years then ended, as listed in the accompanying index. These financial statements and schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 6, which was certified by Reliance Trust Company, the custodian of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedule. We have been informed by the plan administrator that the custodian holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the custodian as of December 31, 2011 and 2010 and for the years then ended, that the information provided to the plan administrator by the custodian is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and schedule taken as a whole. The supplemental schedule is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The form and content of the information included in the financial statements and schedule, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

PricewaterhouseCoopers LLP

September 4, 2012
Columbus, Ohio

PricewaterhouseCoopers, LLP, 41 South High Street, Suite 2500 Columbus, OH 43215
T: (614) 225-8700, F: (614)224-1044, www.pwc.com/us

Transportation Research Center Inc.
Employees' Retirement Savings Plan and Trust
Statements of Net Assets Available for Benefits
December 31, 2011 and 2010

	2011	2010
Assets		
Investments, at fair value		
Mutual funds	$ 10,113,775	$ 10,579,348
Common collective trust	1,286,512	981,305
Total investments	11,400,287	11,560,653
Receivables		
Employer contributions	4,030	4,477
Employee contributions	14	-
Due from broker for securities sold	79,860	-
Notes receivable from participants	372,315	532,042
Total receivables	456,219	536,519
Cash	6,608	-
Total assets	11,863,114	12,097,172
Liabilities		
Due to broker for securities purchased	86,468	-
Total liabilities	86,468	-
Net assets available for benefits, at fair value	11,776,646	12,097,172
Adjustment from fair value to contract value for fully benefit-responsive investment contracts held in common collective trust	(32,552)	(18,680)
Net assets available for benefits	$ 11,744,094	$ 12,078,492

The accompanying notes are an integral part of these financial statements.

Transportation Research Center Inc.
Employees' Retirement Savings Plan and Trust
Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2011 and 2010

	2011	2010
Additions		
Investment income		
Interest and dividends	$ 243,670	$ 246,003
Net (depreciation) appreciation in fair value of investments	(523,205)	1,047,824
Total investment (loss) income	(279,535)	1,293,827
Contributions		
Employee contributions	713,285	682,145
Employer contributions	400,599	403,069
Rollovers	5,894	9,484
Total contributions	1,119,778	1,094,698
Interest on notes receivable from participants	21,947	25,145
Total additions	862,190	2,413,670
Deductions		
Benefit payments	1,157,666	846,492
Administrative expenses	38,922	35,744
Total deductions	1,196,588	882,236
Net (decrease) increase in net assets available for benefits	(334,398)	1,531,434
Net assets available for benefits, beginning of year	12,078,492	10,547,058
Net assets available for benefits, end of year	$ 11,744,094	$ 12,078,492

The accompanying notes are an integral part of these financial statements.

1. Plan Description

The following description of the Transportation Research Center Inc. Employees' Retirement Savings Plan and Trust (the "Plan") provides only general information. Participants should refer to the Plan Document for a more complete description of the Plan's provisions.

General

The Plan was adopted by the Transportation Research Center Inc. (the "Company") effective July 1, 1992 and was amended and restated on January 1, 2009. The purpose of the Plan is to provide an opportunity for employees to increase their savings and provide additional income upon retirement. The Plan is a defined contribution plan with a deferral feature. Employees are eligible to participate in the Plan and make tax-deferred contributions after completing one year of eligible service.

Custodian

The Company has entered into an agreement with Reliance Trust Company whereby it has the authority as custodian to invest and control all contributions made to it under the Plan.

Administration

The Plan is administered by certain members of the Company's management. Administrative expenses are paid by the Plan to the extent they are not paid by the Company. Loan processing fees are paid by the Plan participants and are directly deducted from the participant's account balance.

Contributions

Participants may contribute up to 75% of their compensation, as defined by the Plan, on a pretax basis, subject to Internal Revenue Code ("IRC") limitations ($16,500 for 2011 and 2010 except that participants age 50 or over may be eligible to make an additional catch-up contribution of up to $5,500 per year). Participants may also contribute funds from another qualified plan ("rollover contributions"), subject to certain requirements. The Company's matching contribution is equivalent to 100% of the first 3% of the participant's contribution and 50% of the next 2% of the participant's contribution. Employer profit sharing contributions are determined based on the discretion of the Board of Directors of the Company. The Company did not make any discretionary profit sharing contributions for the years ended December 31, 2011 and 2010.

Participant Accounts

Each participant's account is credited with the participant's contribution, the Company's matching and discretionary contributions, and the participant's allocation of plan earnings (loss) and expenses. The allocation of contributions to one or more of the investment accounts is designated by each participant. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are immediately vested in their voluntary contributions and employer safe harbor matching contributions. Participants become vested in employer profit sharing contributions after completing three years of 1,000 or more hours of service.

Investments
Upon enrollment into the Plan, a participant may direct employee and employer contributions in 1% increments into various investment options. The Plan currently offers 18 investment options to participants. Participants may reallocate their investments at any time during the year.

Notes Receivable from Participants
A participant may borrow a minimum of $1,000 or a maximum equal to the lesser of $50,000 or 50% of the participant's vested account balance, subject to Plan limitations. Loans are collateralized by the participant's nonforfeitable interest in the Plan and are supported by a promissory note with interest rates ranging from 4.25% and 9.25% at December 31, 2011. Loans must be repaid over a period not to exceed five years. Principal and interest are paid through payroll deductions.

Distribution of Benefits
The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. Benefits may be distributed to participants upon termination of employment by reason of retirement, disability, death or other separation from service. Participants receive a lump-sum amount equal to the value of the participant's vested interest in their account. A participant may also request a withdrawal upon attainment of age 59 1/2 or upon demonstration by the participant to the plan administrator that the participant is suffering from a hardship, as defined by the IRC.

Plan Termination
Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become fully vested in their account balances.

Forfeitures
When certain terminations of participation in the Plan occur, the nonvested portion of a participant's account represents a forfeiture, as defined by the Plan. If a forfeiting participant is re-employed and fulfills certain requirements, as set forth in the Plan, the participant's account will be restored. Remaining forfeitures are allocated among participants accounts. Forfeitures of $2,126 and $0 were allocated among participant's accounts for the years ended December 31, 2011 and 2010, respectively. Unallocated forfeitures remaining at December 31, 2011 and 2010 were $366 and $2,180, respectively.

Recently Adopted Accounting Standards
In May 2011, the FASB issued a new accounting standard intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRS. The amendments are of two types: (i) those that clarify the Board's intent about the application of existing fair value measurement and disclosure requirements and (ii) those that change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The update is effective for annual periods beginning after December 15, 2011. Plan management is in the process of evaluating the impact of the adoption of this update on the Plan's financial statements.

In January 2010, the FASB issued guidance that requires the gross presentation of activity within the Level 3 fair value measurement roll forward and details of transfers in and out of Level 1 and 2 fair value measurements. It also clarified existing disclosure requirements regarding the level of disaggregation of fair value measurements and disclosures on inputs. The guidance was adopted for the Plan year ending December 31, 2010. The adoption of this guidance did not have a material impact on the Plan's financial statements.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

Investment Valuation and Income Recognition

Investments are reported at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. See Note 5 for discussion of fair value measurements.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The Plan has evaluated guaranteed investment contracts held in the common collective trust and determined that they are fully benefit-responsive contracts. Accordingly, the Statements of Net Assets Available for Benefits present the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statements of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

Net (depreciation) appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Notes Receivable from Participants

Notes receivable from participants are stated at the unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified as distributions if the participant fails to make payment within ninety days following the date on which such payment is due.

Contributions

Employee contributions are made through regular payroll deductions and are paid into the Plan each payroll period along with the corresponding Company matching contribution.

Payments of Benefits

Benefit payments are recorded when paid.

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 changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan provides investment options which allow participants to invest in any combination of stocks, bonds, fixed income securities, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits and Statements of Changes in Net Assets Available for Benefits.

Subsequent Events

The Plan has evaluated subsequent events through September 4, 2012 as this was the date financial statements were made available to be issued. No matters were identified that would materially impact the financial statements or require disclosure.

3. Investments

The following investments represent 5% or more of the Plan's net assets available for benefits as of December 31:

	2011	2010
Morley Investment Omnibus Institutional	$ 1,253,960	$ 962,625
Goldman Sachs Govt Income Fund A	*	938,201
Pimco Total Return Fund	1,645,873	1,535,615
Dodge & Cox Stock Fund	1,527,568	1,644,460
Mainstay S&P 500 Index Fund A	*	770,974
American - The Growth Fund of America R4	*	1,386,395
American Funds Europacific Growth Fund R4	917,600	1,095,397
Davis New York Venture Fund A	*	624,139
Vanguard 500 Index Fund Signal	1,344,029	*
T Rowe Price Blue Chip Growth Fund Advisor	1,295,871	*
Vanguard Intermediate - Term Treasury Fund Investor	973,203	*

* does not exceed 5% of net assets.

For the year ended December 31, 2011 and 2010, the Plan's investments, including gains and losses on investments bought and sold, as well as held during the year, (decreased) increased by $(528,978) and $1,046,320 attributable to mutual funds and by $5,773 and $1,504 attributable to the common collective trust, respectively.

4. Investment Contract with Insurance Company

The Plan maintains an investment contract in a common collective trust, Morely Investment Omnibus Institutional. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The contract is included in the financial statements at contract value, because it is fully benefit-responsive. Withdrawals from this account for other than payment of benefits may be subject to a market value adjustment for Form 5500 reporting purposes. The investment contracts held in the common collective trust are reported in the accompanying financial statements at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The average yield and crediting interest rates were 2.37% and 2.45% for the year ended December 31, 2011, respectively and 2.66% and 2.75% for the year ended December 31, 2010, respectively. The crediting interest rate is based on a formula agreed upon with the issuer and there is no minimum credit rate. Such interest rates are reviewed annually for resetting.

5. Fair Value Measurements

Accounting guidance for fair value measurements establishes a framework for measuring fair value. Fair value is the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under accounting guidance for fair value measurements are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Common/Collective Trust
Valued based on information reported by the investment advisor using the audited financial statements of the common collective trust at year end.

Mutual Funds
Valued at the quoted net asset value of shares held by the Plan at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within fair value hierarchy, the Plan's assets at fair value as of December 31, 2011 and 2010:

	Assets at Fair Value as of December 31, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds				
Equities - large cap	$ 4,167,468	$ -	$ -	$ 4,167,468
Equities - mid cap	1,499,424	-	-	1,499,424
Equities - small cap	727,666	-	-	727,666
Bond funds	2,761,925	-	-	2,761,925
Real estate	26,020	-	-	26,020
Balanced hybrid funds	13,672	-	-	13,672
International/global equity funds	917,600	-	-	917,600
Total mutual funds	10,113,775	-	-	10,113,775
Common collective trust	-	1,286,512	-	1,286,512
Total assets, at fair value	$ 10,113,775	$ 1,286,512	$ -	$ 11,400,287

	Assets at Fair Value as of December 31, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds				
Equities - large cap	$ 4,425,968	$ -	$ -	$ 4,425,968
Equities - mid cap	1,663,653	-	-	1,663,653
Equities - small cap	771,399	-	-	771,399
Bond funds	2,612,707	-	-	2,612,707
Balanced hybrid funds	10,224	-	-	10,224
International/global equity funds	1,095,397	-	-	1,095,397
Total mutual funds	10,579,348	-	-	10,579,348
Common collective trust	-	981,305	-	981,305
Total assets, at fair value	$ 10,579,348	$ 981,305	$ -	$ 11,560,653

6. Information Certified by the Custodian

The following financial information and data at December 31, 2011 and 2010 and for the years then ended was certified as complete and accurate by Reliance Trust Company, the custodian of the Plan, in accordance with Section 2520.103-5 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA:

	2011	2010
Statements of Net Assets Available for Benefits		
Investments, at fair value		
Mutual funds	$ 10,113,775	$ 10,579,348
Common collective trust	1,286,512	981,305
Statements of Changes in Net Assets Available for Benefits		
Interest and dividends	243,670	246,003
Net (depreciation) appreciation in fair value of investments	(509,333)	1,066,504

7. Tax Status

The Plan obtained its latest determination letter on October 10, 2011, in which the Internal Revenue Service (the "IRS") stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has not been amended or restated since receiving the determination letter. The Company believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code and the Plan and related trust continue to be tax-exempt. Therefore, no provisions for income taxes have been included in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions by the Plan and has concluded that as of December 31, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

8. Related Party Transactions

The Plan has notes receivable from participants, as described in Note 1, that are considered party-in-interest transactions. In addition, the Company provides certain accounting, recordkeeping and administrative services to the Plan for which it is not compensated.

9. Reconciliation Of Financial Statements To Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31:

	2011	2010
Net assets available for benefits per the financial statements	$11,744,094	$12,078,492
Deemed distributions	-	18,699
Adjustment from fair value to contract value for fully benefit-responsive investment contracts held in common collective trust	32,552	18,680
Net assets available for benefits per the Form 5500	$11,776,646	$12,115,871

The following is a reconciliation of the decrease in net assets available for benefits per the financial statements to the Form 5500 for the year ended December 31, 2011:

	2011
Decrease in net assets available for benefits per the financial statement	$ (334,398)
Deemed distributions	(18,699)
Change in adjustment from fair value to contract value for fully benefit-responsive investment contracts held in common collective trust	13,872
Decrease in net assets available for benefits per the Form 5500	$ (339,225)

Other differences between net assets available for benefits per the financial statements and the Form 5500 at December 31, 2011 were the result of unsettled transactions with brokers.

Transportation Research Center Inc.
Employees' Retirement Savings Plan and Trust
Schedule H, Line 4i - Schedule of Assets (Held at End of Year)
December 31, 2011

(a)	(b)	(c)	(d)	(e)
	Identity of Issuer, Borrower, Lessor or Similar Party	Description of Investment	Cost **	Current Value ***
	Morley	Investment Omnibus Institutional		$ 1,286,512
	Pimco	Total Return Fund		1,645,873
	Vanguard	500 Index Fund Signal		1,344,029
	T Rowe Price	Blue Chip Growth Fund Advisor		1,295,871
	Vanguard	Intermediate -Term Treasury Fund Investor		973,203
	American Funds	Europacific Growth Fund R4		917,600
	Artisan	Mid Cap Fund IV		494,575
	Columbia Funds	Acorn Fund A		447,665
	Dodge & Cox	Stock Fund		1,527,568
	Goldman Sachs	Small Cap Value Fund A		490,665
	Goldman Sachs	Mid Cap Value Fund A		493,935
	T Rowe Price	New Horizons Fund		237,001
	Loomis Sayles	Bond Fund Retail		44,146
	Templeton	Global Bond Fund United States		53,734
	Blackrock	Inflation Protected Bond - Investment A		44,969
	Wasatch	1st Source Long/Short Fund		63,249
	Cohen & Steers	Realty Shares, Inc.		26,020
	Vanguard	Balanced Index Fund Investor		13,672
*	Participant loans	Interest rates ranging from 4.25% to 9.25%		372,315
				$ 11,772,602

Note: This schedule reports those assets required to be reported under ERISA Section 25020.102-11 and Form 5500 Schedule H, Line 4i.

* Reliance Trust Company is a party-in-interest

** Information omitted because all investments are participant directed.

*** Information certified as to completeness and accuracy by Reliance Trust Company.

This page intentionally left blank.

TRANSPORTATION RESEARCH CENTER INC.

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 31, 2012