

***The Ohio State
University Foundation***

*Financial Statements for the Years
Ended June 30, 2003 and 2002
and Independent Auditors' Report*



**Auditor of State
Betty Montgomery**

Board of Trustees
The Ohio State University Foundation
2080 Blankenship Hall
901 Woody Hayes Dr.
Columbus, Ohio 43210-4016

We have reviewed the Independent Auditor's Report of the Ohio State University Foundation, Franklin County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2002 through June 30, 2003. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 20, 2004

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
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, for the years ended June 30, 2003 and 2002 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ohio State University Foundation as of June 30, 2003 and 2002 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.

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

Deloitte & Touche LLP

October 7, 2003

THE OHIO STATE UNIVERSITY FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF JUNE 30, 2003

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 years ended June 30, 2003 and 2002. 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 footnotes for the Foundation. The financial statements include a Statement of Net Assets showing the Foundation's assets, liabilities and net assets. Also included is a Statement of Revenue, Expenses and Changes in Net Assets, which shows the various sources of revenue and categorizes expenses by type. The third statement is a Statement 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

	2003	2002
ASSETS:		
Current assets	\$ 17,341,779	\$ 1,908,842
Other assets	<u>278,612,132</u>	<u>250,510,015</u>
Total assets	<u>\$295,953,911</u>	<u>\$252,418,857</u>
LIABILITIES:		
Current liabilities	\$ 16,816,925	\$ 699,226
Long-term liabilities	<u>46,273,880</u>	<u>41,972,025</u>
Total liabilities	63,090,805	42,671,251
NET ASSETS:		
Unrestricted	6,931,929	3,298,048
Restricted	13,331,161	13,198,094
Endowment	<u>212,600,016</u>	<u>193,251,464</u>
Total net assets	<u>232,863,106</u>	<u>209,747,606</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$295,953,911</u>	<u>\$252,418,857</u>

ASSETS

Total Current Assets increased from \$1.9 million at June 30, 2002 to \$17.3 million at June 30, 2003, due primarily to a \$16 million purchase of real estate, subsequently sold to the University.

Total Noncurrent Assets increased from \$251 million at June 30, 2002 to \$278 million at June 30, 2003 due to several factors. The principal factors were the investment in real estate and the investment in The Ohio State University Endowment Fund each increased by \$20 million. Real estate increased primarily due to gifts received in real estate during the year. The investments increased because of overall financial market performance.

LIABILITIES

Total Current Liabilities increased from \$0.7 million at June 30, 2002 to \$16.8 million at June 30, 2003, primarily due to the \$16 million acquisition of real estate, for which the Foundation borrowed funds from the University to finance.

Total Noncurrent Liabilities increased from \$42 million at June 30, 2002 to \$46 million at June 30, 2003 mostly due to an increase in Gift Annuity liabilities. This was due to new gift annuities and a reduction in the Internal Revenue Service discount rate, used to calculate the liability.

NET ASSETS

Net assets increased \$44 million as a result of Revenue exceeding Operating Expenses.

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

	2003	2002
Operating revenues	\$52,909,969	\$ 18,548,702
Operating expenses	<u>29,794,469</u>	<u>30,366,570</u>
Operating gain (loss) and increase (decrease) in net assets	<u>\$23,115,500</u>	<u>\$(11,817,868)</u>

OPERATING REVENUES

Overall, Operating revenues increased from \$19 million in 2002 to \$53 million in 2003. The primary reason for the increase is improved investment performance. A detailed analysis of the components of Operating revenues follows:

Gifts were analytically comparable, increasing from \$43 million at June 30, 2002 to \$45 million at June 30, 2003.

Interest and Dividends increased from \$12 million at June 30, 2002 to \$14 million at June 30, 2003. The increase is due to the University Endowment Fund distributing more income to the Foundation for its endowment accounts. This is because the Foundation has more endowment accounts at June 30, 2003 and consequently owns more shares of the University's endowment investment pool.

The Gains (Losses) on Securities and Real Estate line items represent the adjustment of those assets to market value at June 30, 2003. The change in carrying value of remainder trusts also represents adjustment of those assets, net of their related liabilities, to market at June 30, 2003.

Miscellaneous income is principally funds the University transfers to the Foundation for general support and specific funding items.

Distributions to The Ohio State University were analytically comparable from June 30, 2002 to June 30, 2003. Distributions to the University include Endowment income and gifts passed on to the University from the Foundation.

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

STATEMENT OF CASH FLOWS

Operating activities	\$ 30,033,535	\$ 33,711,560
Investing activities	(46,549,077)	(33,550,224)
Financing activities	<u>16,367,571</u>	<u> </u>
Net (decrease) increase in cash and cash equivalents	(147,971)	161,336
Cash—beginning of year	<u>325,153</u>	<u>163,817</u>
Cash—end of year	<u>\$ 177,182</u>	<u>\$ 325,153</u>

Operating activities and investing activities include positive and negative cash flow items.

The major positive cash flow item included in operating activities is cash received from contributors totaling \$39 million. The largest negative cash flow item is distributions to The Ohio State University of \$27 million.

Cash used in investing activities represents purchases of marketable securities totaling \$38 million and real estate totaling \$16 million. These are offset by proceeds from sales of marketable securities of \$4 million and proceeds from the sales of real estate of \$4 million.

THE OHIO STATE UNIVERSITY FOUNDATION

STATEMENTS OF NET ASSETS JUNE 30, 2003 AND 2002

ASSETS	2003	2002
CURRENT ASSETS:		
Cash and cash equivalents	\$ 177,182	\$ 325,153
Investments in real estate—current portion	16,367,571	
Investments in marketable securities—current portion		448,668
Pledges receivable—current portion	731,810	1,040,230
Accounts receivable, net		39,420
Accrued interest receivable	43,375	35,309
Other current assets	<u>21,841</u>	<u>20,062</u>
Total current assets	17,341,779	1,908,842
INVESTMENT IN THE OHIO STATE UNIVERSITY ENDOWMENT FUND	204,803,178	185,195,505
PLEDGES RECEIVABLE	3,384,701	3,691,121
CHARITABLE REMAINDER TRUSTS	41,033,830	41,607,742
INVESTMENTS IN MARKETABLE SECURITIES	19,556,336	14,472,890
LIFE INSURANCE POLICIES	3,214,476	3,028,319
INVESTMENT IN REAL ESTATE	5,340,000	1,500,000
RECEIVABLE FROM THE OHIO STATE UNIVERSITY	810,601	523,587
OTHER ASSETS	<u>469,010</u>	<u>490,851</u>
TOTAL ASSETS	<u>\$ 295,953,911</u>	<u>\$ 252,418,857</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Gift annuity liabilities—current portion	\$ -	\$ 184,511
Gift annuity reserve—current portion		287,771
Advance from The Ohio State University	<u>16,816,925</u>	<u>226,944</u>
Total current liabilities	16,816,925	699,226
GIFT ANNUITY LIABILITIES	14,284,287	9,126,062
CHARITABLE REMAINDER TRUST LIABILITY	26,700,922	27,469,297
GIFT ANNUITIES RESERVE	5,262,641	5,305,740
ADVANCE FROM THE OHIO STATE UNIVERSITY	<u>26,030</u>	<u>70,926</u>
Total liabilities	63,090,805	42,671,251
NET ASSETS:		
Unrestricted	6,931,929	3,298,048
Restricted	13,331,161	13,198,094
Endowment	<u>212,600,016</u>	<u>193,251,464</u>
Total net assets	<u>232,863,106</u>	<u>209,747,606</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 295,953,911</u>	<u>\$ 252,418,857</u>

See notes to financial statements.

THE OHIO STATE UNIVERSITY FOUNDATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
OPERATING REVENUES:		
Gifts	\$ 45,308,085	\$ 42,898,352
Interest and dividends	13,884,868	11,736,808
Realized/unrealized losses on marketable securities, net	(9,958,131)	(38,527,451)
Realized/unrealized losses on real estate	(190,068)	(1,457,091)
Gift annuity reserve adjustment	961,806	2,376,080
Change in carrying value of remainder trusts	2,256,314	323,906
Miscellaneous income	<u>647,095</u>	<u>1,198,098</u>
 Total operating revenues	 <u>52,909,969</u>	 <u>18,548,702</u>
OPERATING EXPENSES:		
Distributions to The Ohio State University	26,803,794	28,153,834
Distributions to gift annuitants	1,379,630	1,015,640
Gift annuity remainder distributions	870,811	870,571
Salaries	99,528	102,848
Distributions to other charities	28,500	
Benefits	28,067	23,241
Legal fees	16,234	1,512
Audit fees	30,725	28,450
EDP training, hardware and software	12,937	21,243
Training and travel expense	1,155	1,478
Office supplies and expenses	1,260	1,990
Real estate taxes, fees and expenses	416,014	112,075
Transfers to The Ohio State University		25,129
Other	<u>105,814</u>	<u>8,559</u>
 Total operating expenses	 <u>29,794,469</u>	 <u>30,366,570</u>
 OPERATING GAIN (LOSS) AND INCREASE (DECREASE) IN NET ASSETS	 23,115,500	 (11,817,868)
 NET ASSETS—Beginning of year	 <u>209,747,606</u>	 <u>221,565,474</u>
 NET ASSETS—End of year	 <u>\$ 232,863,106</u>	 <u>\$ 209,747,606</u>

See notes to financial statements.

THE OHIO STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
OPERATING ACTIVITIES:		
Cash received from contributors	\$ 38,482,925	\$ 43,385,523
Interest and dividends received	13,323,980	11,264,471
Funding from The Ohio State University	482,779	1,113,306
Receipt of new gift annuity agreements	5,625,084	6,515,296
Receipt of new trust agreements	1,491,199	2,378,842
Investment income received on gift annuities	552,822	472,337
Distributions to The Ohio State University	(26,913,294)	(29,128,265)
Income distributions paid to gift annuitants	(1,379,630)	(1,015,640)
Distributions to gift annuity remainderman	(870,811)	(870,571)
Payments to vendors for supplies and services	(586,378)	(175,307)
Payments to or on behalf of employees	(99,528)	(102,848)
University employee benefit payments	(28,067)	(23,241)
Distributions to other charities	(28,500)	0
Other receipts (payments)	<u>(19,046)</u>	<u>(102,343)</u>
Net cash provided by operating activities	<u>30,033,535</u>	<u>33,711,560</u>
INVESTING ACTIVITIES:		
Proceeds from sales of marketable securities	4,354,395	5,234,140
Purchases of marketable securities	(38,325,969)	(38,784,364)
Proceeds from sale of investments in real estate	3,890,068	
Investment of cash in real estate	<u>(16,467,571)</u>	<u> </u>
Net cash used in investing activities	<u>(46,549,077)</u>	<u>(33,550,224)</u>
FINANCING ACTIVITIES—Proceeds from The Ohio State University for the purchase of real estate		
	<u>16,367,571</u>	<u> </u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(147,971)	161,336
CASH AND CASH EQUIVALENTS—Beginning of year	<u>325,153</u>	<u>163,817</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 177,182</u>	<u>\$ 325,153</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 23,115,500	\$ (11,817,868)
Adjustments to reconcile net income to net cash provided by operating activities:		
Unrealized loss on investments	9,958,131	38,527,451
Unrealized (gain) loss on real estate	(190,068)	1,457,091
Unrealized (gain) loss on charitable remainder trusts	(765,115)	1,504,156
Change in CSV of life insurance policies	(186,157)	(59,663)
Total gifts received in real estate	(7,440,000)	(451,146)
Adjustment to gift annuity reserve	(961,806)	(2,376,080)
Other	28,500	21,643
Changes in operating assets and liabilities:		
Decrease in pledges receivable	614,840	938,317
(Decrease) increase in accounts receivable	39,420	(39,420)
Increase in accrued interest receivable and other current assets	(9,845)	(3,601)
Decrease in other assets	21,841	35,485
Increase in receivable from The Ohio State University	(287,014)	(168,249)
(Increase) decrease in advance from The Ohio State University	177,514	(806,182)
Increase in liability for gift annuities	3,715,360	3,098,287
Increase in gift annuity reserve	1,889,290	3,364,530
Increase in liability for charitable remainder trusts	<u>313,144</u>	<u>486,809</u>
Net cash provided by operating activities	<u>\$ 30,033,535</u>	<u>\$ 33,711,560</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION—		
Cash received during the year for taxes	<u>\$ 11,244</u>	<u>\$ 15,518</u>

See notes to financial statements.

THE OHIO STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2003 AND 2002

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 and is a component unit of The Ohio State University (the “University”). The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting—The financial statements of the Foundation have been prepared on the accrual basis of accounting. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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

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

At June 30, 2003, the carrying amount of the Foundation’s deposits with financial institutions was \$100 and the bank balance was \$100, which was insured by the Federal Deposit Insurance Corporation (Category 1 as defined by GASB). In addition, the Foundation had \$177,082 of cash equivalents, which were uncollateralized (Category 3 as defined by GASB).

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 Revenue 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 Ohio State 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, *Accounting and Reporting for Nonexchange Transactions*, private donations are recognized when all eligibility requirements are met. The Foundation has recorded \$4,116,511 and \$4,731,351 in pledges receivable as of June 30, 2003 and 2002, respectively.

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

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

The Foundation's investments are detailed below and categorized in accordance with the criteria established by the GASB to give an indication of the level or risk assumed as of June 30, 2003. Category 1 includes investments that are insured or registered or for which the securities are held by the Foundation or its agent in the Foundation's name. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the Foundation's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or by its trust department or agent but not in the Foundation's name. Deposits and equities in pools of funds managed by other governmental units are not categorized.

Investments held as of June 30, 2003:

Description	1	Category 2	3	Reported / Fair Value
U.S. Treasury notes and federal agency obligations			\$2,288,171	\$ 2,288,170
Corporate obligations			315,757	315,757
Municipal obligations			16,515	16,515
Common stocks			24,036	24,036
Mutual funds				<u>57,945,688</u>
 Total Investments in Securities				 <u>\$60,590,166</u>

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 Ohio State 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. In 2003 and 2002 a reduction of \$358,000 was recognized.

Life Insurance Policies—The Foundation is the owner and beneficiary of certain life insurance policies. The policies classified in the Unrestricted Fund are single premium whole life insurance policies paid by the Foundation. These policies are recorded at their net present value, which was calculated using the risk free interest rate (approximately 4% at June 30, 2003). 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.

2. INVESTMENTS

The Foundation's most significant investment is in The Ohio State University Endowment Fund, which is disclosed separately on the statement of net assets. Investments in marketable securities at June 30, 2003 and 2002 are comprised of:

	2003	2002
Restricted Fund:		
Money Market Funds	\$ 1,088,398	\$ 767,924
U.S. Treasury Bond, 10.75%, due 2/15/2003		105,531
U.S. Treasury Note, 7.25%, due 5/15/2004	105,375	108,156
U.S. Treasury Note, 3.625%, due 1/15/2008	255,291	232,893
U.S. Treasury Bond, 8.375%, due 8/15/2008	100,906	106,656
U.S. Treasury Note, 3.875%, due 1/15/2009	641,837	581,422
U.S. Treasury Bond, 4.25%, due 1/15/2010	321,444	289,799
U.S. Treasury Note, 3.50%, due 1/15/2011	299,922	267,157
U.S. Treasury Note, 3.00%, due 7/15/2012	563,395	
Financing Corp., 10.70%, due 10/6/2017	315,757	279,538
Vanguard S&P 500 Fund	4,322,120	3,263,348
Vanguard Bond Market Portfolio	7,826,207	6,057,658
Vanguard Small Cap Index Fund	3,660,554	2,845,616
IBM shares	<u>39,270</u>	<u> </u>
Total Restricted Fund	19,540,476	14,905,698
Endowment Fund—Worthington Station Ltd.	<u>15,860</u>	<u>15,860</u>
Total investments in marketable securities	<u>\$19,556,336</u>	<u>\$14,921,558</u>

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, 2003 the assets related to these investments had a fair market value of approximately \$19,556,000, a present value of annuities payable of approximately \$14,284,000 and reserves of approximately \$5,263,000. As of June 30, 2002 the assets related to these investments had a fair market value of approximately \$14,922,000, a present value of annuities payable of approximately \$9,311,000 and reserves of approximately \$5,594,000.

4. UNITRUST, ANNUITY TRUST AND POOLED INCOME AGREEMENTS

An officer of the Foundation, as trustee, has entered into unitrust, annuity trust and pooled income agreements which provide, among other matters, that the trustee shall pay beneficiaries periodic

payments until either the assets of the trust have been exhausted or until the death of the beneficiaries. Upon death of the beneficiaries, any remaining property in the trust or pooled income fund will be transferred to the Foundation in accordance with the agreements.

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

5. RELATED PARTY TRANSACTIONS

The University made net advances to the Foundation of approximately \$16,843,000 and \$298,000 as of June 30, 2003 and 2002, respectively. The Foundation distributed approximately \$26,804,000 and \$28,154,000 in fiscal year 2003 and 2002, respectively, to the University as directed by donors. The Foundation had receivables from the University of approximately \$811,000 and \$524,000 as of June 30, 2003 and 2002, respectively.

The investment in The Ohio State University Endowment Fund reflects the Foundation's participation in the central investment program of the University Endowment Fund. 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.

Advances to the Foundation from the University included \$16,367,571 for the purchase of a building on behalf of the University in January 2003. The University purchased the same building from the Foundation in September 2003 for the same amount, thereby settling the liability owed to the University by the Foundation.

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**Auditor of State
Betty Montgomery**

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OHIO STATE UNIVERSITY FOUNDATION

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 3, 2004**